

COMPANY RESULTS

Centurion Corp (CENT SP)

2021: Strong Positive Momentum In 2021 Should Continue Into 2022

Centurion reported a strong set of results for 2021. Importantly, we witnessed robust sequential improvement across its businesses and geographies as countries and economies attempt to normalise. In our view, the company should continue to experience a recovery in 2022 now that we are hopefully past the COVID-19 peak. Maintain BUY. Target price has been raised to S\$0.45 (previously S\$0.43).

2021 RESULTS

Year to 31 Dec (S\$m)	1H21	2H21	% hoh	2020	2021	% yoy
Revenue	64.73	78.3	21.0%	128.36	143.02	11.4%
Gross profit	43.46	50.86	17.0%	89.60	94.32	5.3%
Net FV gain/(loss)	-14.49	11.42	178.8%	-27.64	-3.08	88.9%
Pre-tax profit	12.30	55.6	n.m.	25.74	67.89	163.7%
PATMI	8.74	43.94	n.m.	17.17	52.68	206.8%
Gross profit margin	67.1%	65.0%	-2.2	69.8%	65.9%	-3.9
Pre-tax margin	19.0%	71.0%	52.0	20.1%	47.5%	27.4
PATMI margin	13.5%	56.1%	42.6	13.4%	36.8%	23.5

Source: Centurion Corp, UOB Kay Hian

RESULTS

- Stronger results.** Centurion Corp (Centurion) reported 2021 revenue of S\$143m (+11% yoy) and PATMI of nearly S\$53m, triple that of 2020 and exceeded our estimates. The large increase at the bottom line was the result of a fair value gain on investment properties of S\$11.4m in 2H21 (mostly relating to UK assets) vs a loss of S\$27.6m in 2H20.
- Robust sequential recovery – A sign of good things to come.** Centurion's 2H21 revenue and gross profit rose 21% and 17% hoh respectively, driven by both an expansion in portfolio capacity in Singapore and Malaysia as well as a steady recovery of occupancy rate in its purpose-built student accommodation (PBSA) in the UK. Looking back to the start of COVID-19 in 1H20, the company's revenue and gross profit has clearly troughed in 2H20 (see chart on the next page). In our view, Centurion's profitability and business prospects should continue its pace of recovery in 2022.
- Dividend resumption.** Centurion declared a final dividend of S\$0.005 per share for 2021 (2020: no dividend). We believe that this should be a welcome return to dividend payments as the company had suspended its dividend due to the financial effects of COVID-19.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	128	143	148	155	162
EBITDA	47	79	83	92	97
Operating profit	44	76	74	81	85
Net profit (rep./act.)	17	53	43	50	52
Net profit (adj.)	17	53	43	50	52
EPS (S\$ cent)	2.0	6.3	5.1	5.9	6.2
PE (x)	16.4	5.3	6.6	5.7	5.4
P/B (x)	0.5	0.4	0.4	0.4	0.4
EV/EBITDA (x)	19.9	11.9	11.3	10.3	9.7
Dividend yield (%)	0.0	1.5	3.0	3.5	3.7
Net margin (%)	13.4	36.8	29.1	32.0	32.3
Net debt/(cash) to equity (%)	110.8	100.1	92.3	83.6	85.7
Interest cover (x)	2.0	3.5	3.2	3.6	3.8
ROE (%)	2.9	8.3	6.3	7.0	7.2
Consensus net profit	-	-	43	46	-
UOBKH/Consensus (x)	-	-	0.99	1.07	-

Source: Centurion Corp, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.345
Target Price	S\$0.450
Upside	+30.4%
(Previous TP)	S\$0.43

COMPANY DESCRIPTION

Centurion is one of the largest providers of purpose-built workers' accommodations in Singapore and Malaysia, and has exposure to student accommodation in the UK and Australia.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CENT SP
Shares issued (m):	840.8
Market cap (S\$m):	290.1
Market cap (US\$m):	212.8
3-mth avg daily t'over (US\$m):	0.0

Price Performance (%)

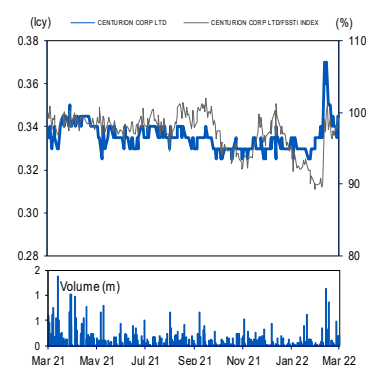
52-week high/low	S\$0.370/S\$0.325			
1mth	3mth	6mth	1yr	YTD
3.0	4.5	3.0	3.0	4.5

Major Shareholders

Centurion Properties	50.6
Teo Peng Kwang	7.6
Han Seng Juan	5.0

FY22 NAV/Share (S\$)	0.83
FY22 Net Debt/Share (S\$)	0.76

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Singapore – Helped by volume expansion in 2021.** The start-up of two Quick Build Dormitories in the purpose-built workers' accommodation (PBWA) segment in 1H21 and 4Q21 resulted in Singapore seeing an aggregate 8% yoy increase in beds in 2021. Occupancy rates were less than ideal at 85%; however, we forecast this to increase to 88% in 2022 as recovery in the number of migrant workers in the construction, marine and process industries increase.
- Malaysia – Ahead of the curve.** Centurion continued to expand its Malaysian portfolio in 2021 with retrofitting works at Westlite Pasir Gudang as well as three new additional blocks at Westlite Tampoi. In addition, the company has been ahead of the curve in ensuring that its Malaysian portfolio is compliant with and certified in the country's amended housing legislation in 2019 (which was subsequently extended into 2021 due to COVID-19). Thus, Centurion believes that it will be able to gain market share at the expense of other companies which have been slower to act. It was notable that management's comments appeared to be particularly bullish regarding its Malaysian PBWA portfolio.
- UK – Leading the world in easing COVID-19 restrictions.** Centurion has benefitted from the UK arguably being one of the countries that has led the world in easing COVID-19 restrictions. As a result, its PBSA segment in the UK has seen international student arrivals recovering strongly: as at end-21, bookings for the 2021/22 academic year reached close to 90%. The company stated that with enquiries into bookings for the 2022/23 academic year having already started, it believes that occupancy will recover further as there is clearly pent-up demand from both international and domestic students.

EARNINGS REVISION/RISK

- Slight upgrades.** We have increased our net profit forecasts for 2022 and 2023 by 3% and 8% respectively on the back of greater conviction in the company's business recovery. Our earnings changes incorporate: a) an increase in occupancy rate for Singapore and the UK by 2ppt to 88% and 85% respectively, and b) a 20% decline in rental rates for Australian PBSA (vs pre COVID-19 levels) due to increased competition as the industry gets back on its feet. However, we highlight that there may be changes coming in the form of new government specifications for PBWA assets in Singapore and this may necessitate some downtime as Centurion adapts to these changes.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of S\$0.45** (previously \$0.43). Our target price is an aggregate of both PE and P/B valuation methodologies. Our 2022F PE target multiple of 8.4x equates to the company's five-year average and results in a valuation of S\$0.43 while our 2022F P/B target multiple of 0.6x (in line with its past five-year average P/B) is \$0.48.

SHARE PRICE CATALYST

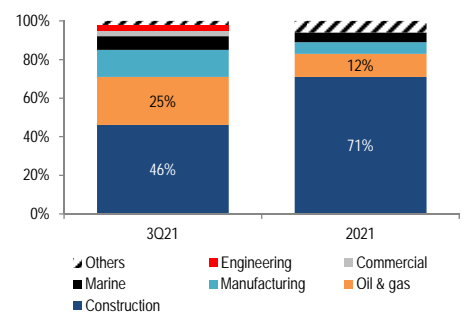
- Full resumption of domestic and international flights.
- Faster-than-expected easing of COVID-19 restrictions in Centurion's key countries.

ACCOMMODATION GROWTH PROFILE



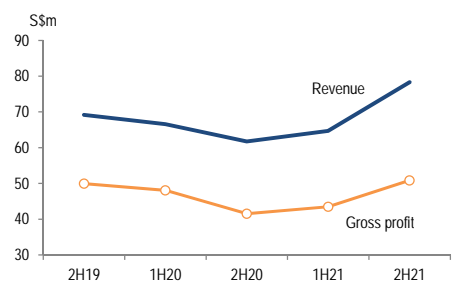
Source: Bloomberg, UOB Kay Hian

WORKERS' ACCOMMODATION BY INDUSTRY



Source: Centurion

TREND IN HALF-YEARLY REVENUE AND GROSS PROFIT



Source: Centurion

CHANGES TO EARNINGS FORECASTS

S\$m	2022	2023
NPAT - was	41.5	46.2
NPAT - is	42.9	49.7
Change	3.3%	7.6%

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Net turnover	143.0	147.6	155.4	162.2
EBITDA	79.1	83.1	91.9	97.2
Deprec. & amort.	3.6	9.0	10.8	12.5
EBIT	75.6	74.1	81.1	84.7
Associate contributions	15.1	5.8	7.2	7.3
Net interest income/(expense)	(22.7)	(25.9)	(25.9)	(25.9)
Pre-tax profit	67.9	54.0	62.5	66.0
Tax	(12.1)	(8.6)	(9.8)	(10.5)
Minorities	(3.1)	(2.5)	(2.9)	(3.1)
Preferred dividends	0.0	0.0	0.0	0.0
Net profit	52.7	42.9	49.7	52.5
Net profit (adj.)	52.7	42.9	49.7	52.5

CASH FLOW

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Operating	74.3	75.4	83.6	56.2
Pre-tax profit	55.8	45.4	52.6	55.6
Tax	(7.8)	(8.6)	(9.8)	(10.5)
Deprec. & amort.	3.6	9.0	10.8	12.5
Associates	(15.1)	(5.8)	(7.2)	(7.3)
Working capital changes	2.7	0.9	1.5	(30.5)
Non-cash items	35.2	34.5	35.7	36.3
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(20.0)	(20.3)	(19.2)	(25.0)
Capex (growth)	(4.1)	(25.0)	(25.0)	(25.0)
Capex (maintenance)	(31.0)	0.0	0.0	0.0
Investments	11.3	4.7	5.8	0.0
Proceeds from sale of assets	3.8	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(71.8)	(23.1)	(35.8)	(36.4)
Dividend payments	0.0	(8.6)	(9.9)	(10.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	48.3	11.3	0.0	0.0
Loan repayment	(87.4)	0.0	0.0	0.0
Others/interest paid	(32.8)	(25.9)	(25.9)	(25.9)
Net cash inflow (outflow)	(17.5)	32.0	28.6	(5.1)
Beginning cash & cash equivalent	83.9	66.3	97.1	124.5
Changes due to forex impact	1.1	0.0	0.0	0.0
Ending cash & cash equivalent	67.5	98.3	125.6	119.3

BALANCE SHEET

Year to 31 Dec (\$m)	2020	2021F	2022F	2023F
Fixed assets	8.7	74.0	0.0	0.0
Other LT assets	1,477.3	1,479.1	1,481.5	1,462.0
Cash/ST investment	67.5	98.3	125.6	119.3
Other current assets	29.1	29.1	29.2	29.0
Total assets	1,582.7	1,680.5	1,636.3	1,610.3
ST debt	63.3	55.8	55.8	55.8
Other current liabilities	73.6	75.1	77.6	27.4
LT debt	664.4	683.3	683.3	683.3
Other LT liabilities	104.1	152.2	62.8	97.5
Shareholders' equity	659.7	694.0	733.8	723.3
Minority interest	17.6	20.1	23.1	23.1
Total liabilities & equity	1,582.7	1,680.5	1,636.3	1,610.3

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	55.3	56.3	59.1	59.9
Pre-tax margin	47.5	36.6	40.2	40.7
Net margin	36.8	29.1	32.0	32.3
ROA	3.4	2.6	3.0	3.2
ROE	8.3	6.3	7.0	7.2
Growth				
Turnover	11.4	3.2	5.3	4.4
EBITDA	67.1	5.0	10.6	5.7
Pre-tax profit	163.7	(20.4)	15.7	5.7
Net profit	206.8	(18.6)	15.9	5.6
Net profit (adj.)	206.8	(18.6)	15.9	5.6
EPS	206.8	(18.6)	15.9	5.6
Leverage				
Debt to total capital	51.8	50.9	49.4	49.8
Debt to equity	110.3	106.5	100.7	102.2
Net debt/(cash) to equity	100.1	92.3	83.6	85.7
Interest cover (x)	3.5	3.2	3.6	3.8

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