

Singapore Company Update

Centurion Corporation

Bloomberg: CENT SP | Reuters: CNCL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

30 Mar 2022

DBS is supported by the Research Talent Development Grant Scheme which aims to groom research talent to expand research coverage of small-mid cap SGX listed companies

HOLD

Last Traded Price (29 Mar 2022): S\$0.360 (STI : 3,433.90)
Price Target 12-mth: S\$0.42 (16% upside) (Prev S\$0.38)

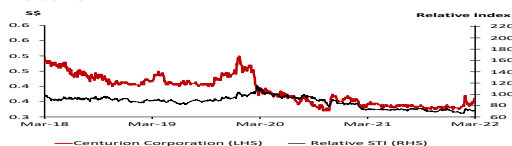
Analyst

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What's New

- FY21 core PATMI rises 11.4% y-o-y to S\$143.0m
- FY22 and FY23 PBWA and PBSA occupancies expected to bounce back as workers and students return
- Singapore PBWA regulatory overhang a concern but impact will likely be spread out over years
- Maintain HOLD with higher TP of S\$0.42; suspending coverage on reallocation of resources

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2020A	2021A	2022F	2023F
Revenue	128	143	154	169
EBITDA	81.0	87.2	94.1	104
Pre-tax Profit	25.7	67.9	65.1	70.2
Net Profit	17.2	52.7	48.9	52.7
Net Pft (Pre Ex.)	45.8	45.6	48.9	52.7
Net Pft Gth (Pre-ex) (%)	19.7	(0.3)	7.1	7.8
EPS (S cts)	2.04	6.27	5.82	6.27
EPS Pre Ex. (S cts)	5.44	5.43	5.82	6.27
EPS Gth Pre Ex (%)	20	0	7	8
Diluted EPS (S cts)	5.65	5.69	5.82	6.27
Net DPS (S cts)	0.0	0.50	1.50	2.00
BV Per Share (S cts)	72.0	78.5	82.8	87.0
PE (X)	17.6	5.7	6.2	5.7
PE Pre Ex. (X)	6.6	6.6	6.2	5.7
P/Cash Flow (X)	5.0	4.1	4.7	5.3
EV/EBITDA (X)	12.2	11.2	10.1	9.0
Net Div Yield (%)	0.0	1.4	4.2	5.6
P/Book Value (X)	0.5	0.5	0.4	0.4
Net Debt/Equity (X)	1.1	1.0	0.9	0.8
ROAE (%)	2.9	8.3	7.2	7.4
Earnings Rev (%)			(8)	(8)
Consensus EPS (S cts):			6.10	7.00
Other Broker Recs:		B: 2	S: 0	H: 0

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Foreign labour bottoming

Investment Thesis:

Global reopening to buoy Singapore, Australia, and UK accommodation revenue. Singapore's purpose-built worker accommodation (PBWA) occupancies are expected to improve progressively over FY22 and FY23, with the foreign labour crunch targeted to be resolved in the next few months, according to a senior government official. In a similar vein, a new academic year and the relaxation of border restrictions in Australia and the UK should mark a point of recovery for student arrivals and, in turn, purpose-built student accommodation (PBSA) occupancies.

Returning dividend play. We are forecasting for Centurion to return as a dividend play, underpinned by improved occupancies across its PBSA and PBWA segments. FY22F and FY23F DPS are projected to come in at 1.5 Scts and 2.0 Scts, respectively, representing a yield of 4.2% and 5.6%.

Regulatory overhang remains, but impact could be dampened. New regulations for workers' dormitories are expected to reduce the capacity at said dormitories, but early information points to rental rates remaining steady. Still, additional capex may be incurred in adapting the dormitories to these new standards, although we believe this will likely be over time instead of as an upfront lump sum.

Valuation:

Maintain HOLD with DCF-based TP of S\$0.42 based on a WACC of 6.2% and terminal growth rate of 2.0%. Our TP implies a 7.3x FY22F PE, which is close to Centurion's four-year mean forward PE of 7.8x. **We are suspending coverage on the stock as we reallocate research resources.**

Where we differ:

We are forecasting an accelerated debt repayment schedule on concerns of higher interest rates.

Key Risks to Our View:

Unfavourable changes in regulatory environment, foreign exchange volatility, sustained deterioration in economic outlook for Singapore and Malaysia affecting foreign worker demand, and implementation of border restrictions

At A Glance

Issued Capital (m shrs)	841
Mkt. Cap (S\$m/US\$m)	303 / 222
Major Shareholders (%)	
Centurion Properties Pte Ltd	50.6
Teo Peng Kwang	7.6
Han Seng Juan	4.8
Free Float (%)	32.5
3m Avg. Daily Val (US\$m)	0.03
GIC Industry : Real Estate / Real Estate Management &	



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WHAT'S NEW

Foreign labour bottoming

FY21 resilient despite Singapore PBWA concerns

- FY21 revenue grows 11.4% y-o-y to S\$143.0m
- FY21 core PATMI rises 12.5% y-o-y to S\$46.5m
- DPS of 0.5 Scts per share proposed, representing a yield of 1.4%
- PBSA revenue declined to S\$32.1m (-10.4% y-o-y) as Australia average financial occupancy fell to 26% in FY21
- PBWA revenue jumped to S\$109.4m (+19.5% y-o-y), helped by higher Malaysia PBWA occupancies and contributions from Singapore quick-build dormitories

Centurion's key financial metrics*

S\$m	FY21	FY20	y-o-y change
Revenue	143.0	128.4	11.4%
- PBWA Revenue	109.4	91.5	19.5%
- PBSA Revenue	32.1	35.8	-10.4%
EBIT	76.1	67.1	13.3%
EBITDA	79.7	70.4	13.1%
Interest Expense	-22.7	-23.3	-2.5%
Net Profit	55.8	18.7	198.2%
Core Net Profit	53.1	47.3	12.2%
Net-Debt Equity	1.00	1.11	-0.11
Interest Coverage Ratio	3.5	3.1	0.38

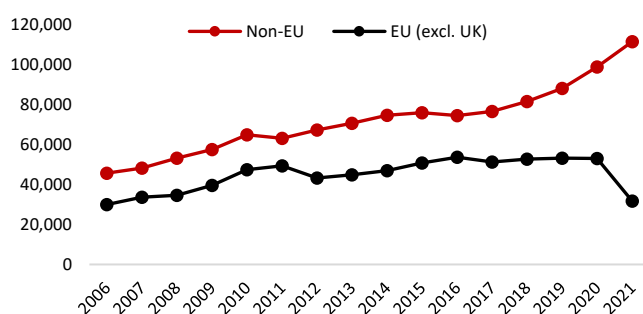
Occupancies*

SG PBWA	85.0%	93.9%	-8.9ppt
MY PBWA	82.0%	79.7%	2.3ppt
UK PBSA	72.0%	69.7%	2.3ppt
AU PBSA	26.0%	54.0%	-28.0ppt

*Estimated

Source: Company, DBS Bank

UK university applications remain high despite COVID



Source: UCAS, DBS Bank

Singapore work permit holders (less domestic workers) have bottomed and returned to growth



Source: MOM, DBS Bank

Maintain HOLD with DCF-based TP of S\$0.42. We lower our earnings for FY22F and FY23F on an expected slower but progressive pace of recovery. Our DCF-based TP reflected a positive rise, as we shifted our valuation basis to FY21 debt from FY20 debt. At this juncture, we believe a key overhang on the stock surrounding regulatory concerns may have been alleviated. We still expect Centurion to incur capex to adapt their dormitories to meet new worker dormitory standards, but this will likely be incurred over time instead of as a lump sum upfront.

We are suspending coverage on the stock due to the reallocation of research resources.

Company Background

Centurion Corporation Limited (Centurion) owns, develops, and manages worker accommodation assets in Singapore and Malaysia, and student accommodation assets in Singapore, Australia, South Korea, the UK, and the US.

Centurion Corporation

Interim Income Statement (\$m)

FY Dec	2H2020	1H2021	2H2021	% chg y-o-y	% chg h-o-h
Revenue	62	65	78	26.8	21.0
Cost of Goods Sold	(20)	(21)	(27)	35.6	29.0
Gross Profit	42	43	51	22.4	17.0
Other Oper. (Exp)/Inc	(6)	(8)	(8)	24.5	(2.3)
Operating Profit	35	36	43	22.1	21.3
Other Non Opg (Exp)/Inc	0	0	0	-	-
Associates & JV Inc	1	3	12	928.6	379.9
Net Interest (Exp)/Inc	(11)	(11)	(11)	(2.9)	(0.7)
Exceptional Gain/(Loss)	(28)	(14)	11	nm	(178.8)
Pre-tax Profit	(2)	12	56	nm	351.8
Tax	(3)	(3)	(9)	199.5	177.3
Minority Interest	1	0	(3)	nm	659.0
Net Profit	(4)	9	44	nm	403.1
Net profit bef Except.	24	23	33	36.6	40.0
EBITDA	37	38	56	52.2	45.8
Margins (%)					
Gross Margins	67.2	67.1	65.0		
Opg Profit Margins	57.2	54.9	55.1		
Net Profit Margins	(6.2)	13.5	56.1		

Source of all data: Company, DBS Bank

Historical PE and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

Centurion Corporation

Segmental Breakdown

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (\$m)					
Workers	86.1	91.5	109	114	119
Student Accommodation	45.8	35.8	32.1	38.9	48.2
Other	1.44	1.05	1.53	1.53	1.53
Total	133	128	143	154	169
EBIT (\$m)					
Workers	52.2	55.6	65.0	68.3	72.5
Student Accommodation	19.0	14.5	10.7	14.6	19.3
Other	0.30	(0.3)	0.33	0.31	0.31
Total	71.6	69.7	76.1	83.2	92.1
EBIT Margins (%)					
Workers	60.7	60.7	59.4	60.0	61.0
Student Accommodation	41.6	40.5	33.4	37.5	40.0
Other	20.6	(32.6)	21.5	20.0	20.0
Total	53.7	54.3	53.2	53.9	54.6

Income Statement (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	133	128	143	154	169
Cost of Goods Sold	(36.4)	(38.8)	(48.7)	(50.9)	(55.7)
Gross Profit	96.9	89.6	94.3	103	113
Other Opng (Exp)/Inc	(24.2)	(17.7)	(15.7)	(19.7)	(20.5)
Operating Profit	72.7	71.9	78.6	83.7	92.6
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	6.85	5.77	4.96	6.64	7.10
Net Interest (Exp)/Inc	(28.8)	(23.3)	(22.7)	(25.2)	(29.5)
Exceptional Gain/(Loss)	61.7	(28.6)	7.04	0.0	0.0
Pre-tax Profit	113	25.7	67.9	65.1	70.2
Tax	(7.2)	(7.0)	(12.1)	(13.0)	(14.0)
Minority Interest	(3.8)	(1.5)	(3.1)	(3.2)	(3.4)
Preference Dividend	(1.5)	0.0	0.0	0.0	0.0
Net Profit	100.0	17.2	52.7	48.9	52.7
Net Profit before Except.	38.2	45.8	45.6	48.9	52.7
EBITDA	82.7	81.0	87.2	94.1	104
Growth					
Revenue Gth (%)	11.1	(3.7)	11.4	7.9	9.4
EBITDA Gth (%)	4.6	(2.1)	7.7	8.0	10.0
Opg Profit Gth (%)	11.2	(1.1)	9.4	6.4	10.6
Net Profit Gth (Pre-ex) (%)	10.0	19.7	(0.3)	7.1	7.8
Margins & Ratio					
Gross Margins (%)	72.7	69.8	65.9	67.0	67.0
Opg Profit Margin (%)	54.5	56.0	55.0	54.2	54.9
Net Profit Margin (%)	75.0	13.4	36.8	31.7	31.2
ROAE (%)	18.2	2.9	8.3	7.2	7.4
ROA (%)	7.1	1.1	3.4	3.1	3.3
ROCE (%)	5.0	3.6	4.3	4.4	4.9
Div Payout Ratio (%)	16.8	0.0	8.0	25.8	31.9
Net Interest Cover (x)	2.5	3.1	3.5	3.3	3.1

Source: Company, DBS Bank

Centurion Corporation

Interim Income Statement (\$m)

FY Dec	2H2019	1H2020	2H2020	1H2021	2H2021
Revenue	69.2	66.6	61.8	64.7	78.3
Cost of Goods Sold	(19.2)	(18.5)	(20.2)	(21.3)	(27.4)
Gross Profit	49.9	48.1	41.5	43.5	50.9
Other Oper. (Exp)/Inc	(13.2)	(11.5)	(6.2)	(7.9)	(7.8)
Operating Profit	36.8	36.6	35.3	35.5	43.1
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(2.1)	3.61	1.21	2.60	12.5
Net Interest (Exp)/Inc	(14.3)	(12.2)	(11.1)	(11.3)	(11.4)
Exceptional Gain/(Loss)	66.3	0.0	(27.6)	(14.5)	11.4
Pre-tax Profit	86.6	27.9	(2.2)	12.3	55.6
Tax	(3.4)	(4.1)	(3.0)	(3.2)	(8.9)
Minority Interest	(1.3)	(2.9)	1.34	(0.4)	(2.8)
Net Profit	81.9	21.0	(3.8)	8.74	43.9
Net profit bef Except.	15.6	21.0	23.8	23.2	32.5
EBITDA	34.7	40.2	36.5	38.1	55.6

Growth

Revenue Gth (%)	7.7	(3.7)	(7.2)	4.8	21.0
EBITDA Gth (%)	(10.7)	15.9	(9.1)	4.4	45.8
Opg Profit Gth (%)	2.4	(0.5)	(3.5)	0.6	21.3
Net Profit Gth (%)	353.2	(74.3)	(118.3)	(327.8)	403.1

Margins

Gross Margins (%)	72.2	72.2	67.2	67.1	65.0
Opg Profit Margins (%)	53.2	54.9	57.2	54.9	55.1
Net Profit Margins (%)	118.4	31.5	(6.2)	13.5	56.1

Balance Sheet (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	1,286	1,315	1,363	1,385	1,408
Invts in Associates & JVs	114	116	122	124	125
Other LT Assets	1.15	1.05	0.95	0.95	0.95
Cash & ST Invts	57.8	90.6	73.9	66.4	71.1
Inventory	0.04	0.07	0.16	0.09	0.09
Debtors	8.06	11.7	18.0	9.32	10.2
Other Current Assets	12.2	6.60	4.52	4.52	4.52
Total Assets	1,479	1,542	1,583	1,590	1,620
ST Debt	55.8	71.8	63.3	45.0	45.0
Creditor	40.5	37.2	46.2	48.8	53.4
Other Current Liab	13.8	20.2	27.4	31.1	32.1
LT Debt	683	683	664	645	630
Other LT Liabilities	71.7	101	104	104	103
Shareholder's Equity	592	606	660	696	732
Minority Interests	21.7	23.2	17.6	20.8	24.2
Total Cap. & Liab.	1,479	1,542	1,583	1,590	1,620
Non-Cash Wkg. Capital	(34.0)	(39.0)	(50.9)	(66.0)	(70.7)
Net Cash/(Debt)	(681)	(664)	(654)	(624)	(604)
Debtors Turn (avg days)	27.4	28.1	37.9	32.3	21.1
Creditors Turn (avg days)	451.5	399.8	337.1	368.3	360.2
Inventory Turn (avg days)	0.7	0.6	0.9	1.0	0.6
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	0.7	0.8	0.7	0.6	0.7
Quick Ratio (x)	0.6	0.8	0.7	0.6	0.6
Net Debt/Equity (X)	1.1	1.1	1.0	0.9	0.8
Net Debt/Equity ex MI (X)	1.2	1.1	1.0	0.9	0.8
Capex to Debt (%)	5.5	1.7	4.8	2.8	2.8
Z-Score (X)	0.7	0.7	0.7	0.8	0.8

Source: Company, DBS Bank

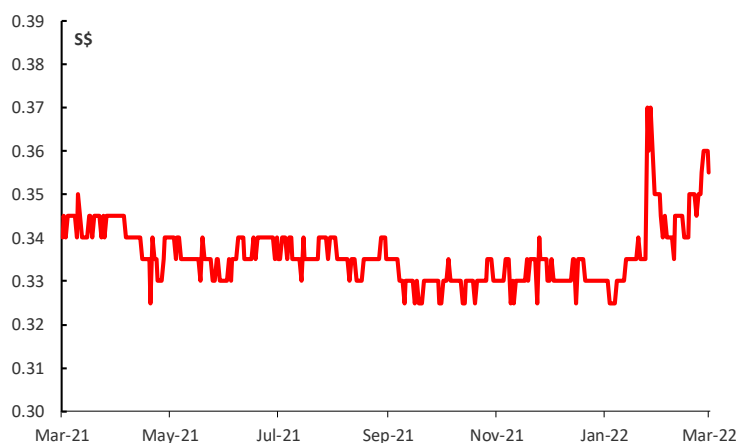
Centurion Corporation

Cash Flow Statement (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	49.5	56.1	63.0	65.1	70.2
Dep. & Amort.	3.11	3.31	3.58	3.85	3.90
Tax Paid	(7.0)	(5.0)	(7.8)	(9.3)	(13.0)
Assoc. & JV Inc/(loss)	(6.8)	(5.8)	(5.0)	(6.6)	(7.1)
Chg in Wkg. Cap.	1.93	(9.7)	2.67	11.4	3.69
Other Operating CF	29.6	21.5	17.9	0.0	0.0
Net Operating CF	70.2	60.5	74.3	64.4	57.6
Capital Exp. (net)	(40.8)	(12.6)	(35.0)	(19.0)	(19.0)
Other Invs. (net)	0.50	0.0	0.0	0.0	0.0
Invs in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	7.82	2.17	9.68	4.81	5.26
Other Investing CF	(1.3)	16.6	5.36	0.0	0.0
Net Investing CF	(33.8)	6.09	(20.0)	(14.2)	(13.7)
Div Paid	(16.8)	(8.4)	(8.8)	(12.6)	(16.8)
Chg in Gross Debt	(2.8)	10.1	(25.1)	(37.7)	(15.0)
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(32.4)	(30.8)	(38.0)	(7.4)	(7.4)
Net Financing CF	(52.0)	(29.1)	(71.8)	(57.7)	(39.2)
Currency Adjustments	0.58	0.03	(0.1)	0.0	0.0
Chg in Cash	(15.0)	37.5	(17.6)	(7.6)	4.69
Opg CFPS (S cts)	8.12	8.34	8.52	6.30	6.42
Free CFPS (S cts)	3.50	5.69	4.68	5.39	4.60

Source: Company, DBS Bank

Target Price & Ratings History



Note : Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
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NIL

Source: DBS Bank

Analyst: Woon Bing Yong

Lee Keng LING

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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