# Centurion Corporation Limited

## Shortage of beds persists

SINGAPORE | REAL ESTATE | INITIATION

- Demand for workers' accommodation in Singapore is expected to surpass supply levels by c.12k in 2024 (3% of demand). We believe that shortage will persist till end 2025.
- Occupancy rates of students' accommodation in UK increased from 70% in 2020 to 93% in 2023. We expect occupancy rates to remain above 95% for FY24 and FY25 room rates to rise by 5% YoY for FY24.
- We expect adjusted net profits to grow by 24.9% YoY from 2023 to 2024. Declining interest rate environment is also positive for Centurion. A 50bps decline in interest rates can raise earnings by c.3.2%.
- Initiate coverage with ACCUMULATE and target price of S$0.90, based on DCF valuation (EV/EBITDA 8.8, WACC 7.0%).

### Company Background

Founded in 1984, Centurion Corporation Limited specialises in managing purpose-built workers' accommodation (PBWA) and student accommodation (PBSA). Its key revenue segments include PBWA in Singapore (FY23 Revenue: 67%), PBWA in Malaysia (9%), PBSA in Australia (7%), PBSA in UK (16%), and others (1%). The Group's total bed capacity is projected to increase by c.2,393 beds in FY 2024, marking a 4% YoY expansion.

### Investment Merits

1. **Shortage of beds to meet strong demand from construction contracts awarded in Singapore expected to persist.** The Building and Construction Authority (BCA) estimated that between S$31bn to S$38bn in construction contracts are expected to be awarded from 2025-2028. It is higher than pre-pandemic average of S$29bn, due to major public sector projects over the next few years such as Changi Airport Terminal 5. Demand for beds from work permit holders from Construction, Marine Shipyard, Process (CMP) sectors can grow by at least 2% YoY to c.450k by Dec 24. In comparison, government's pipeline of supply is expected to reach c.438k beds by Dec 2024. There will still be a shortage of c.12k beds by Dec 2024. We expect shortage of worker accommodations in Singapore to persist till end 2025, which helps the Group in raising rental rates by 20% YoY in Singapore PBWA in FY24 and maintaining its high occupancy rates.
2. **Growth from purpose-built student accommodation (PBSA) segment in UK.** UK's PBSA occupancy increased from 70% in 2020 to 93% in 2023, and we believe it will remain above 95% for the next two years. In-person classes post-pandemic and 24% higher student acceptances into UK universities compared with the pre-pandemic period is driving demand for PBSA beds. Supply of PBSA beds in UK is also expected to trend lower beyond 2024 due to supply constraints like debt costs and high construction costs, with an estimated shortfall of 580k beds nationally. We expect the occupancy rates of UK PBSA to remain above 95% for FY24 and FY25, and rental rates to grow at a healthy range of 5-6% annually.
3. **Net profits are expected to grow from interest rate cuts.** For every 50bps cut in Fed funds rate, we expect interest expense to decrease by c.$2.8mn (c.2.2% of total expenses). Interest expenses take up the largest proportion of Centurion's costs and expenses at close to 30%, and more than 60% of bank borrowings by Centurion are subject to variable interest rates in 2024. The significant decrease in interest expenses will drive bottom-line growth, and we expect adjusted net profits (excluding fair value gains and one-off items) to grow by 24.9% YoY from 2023 to 2024.

We initiate coverage with an **ACCUMULATE** rating and a price target of S$0.90, based on DCF valuation (EV/EBITDA 8.8, WACC 7.0%).

23 September 2024

## ACCUMULATE (Initiation)

| | |
|---|---|
| CLOSING PRICE | SGD 0.795 |
| FORECAST DIV | SGD 0.030 |
| TARGET PRICE | SGD 0.90 |
| **TOTAL RETURN** | 17.0% |

**COMPANY DATA**

| | |
|---|---|
| Bloomberg CODE: | CENT SP Equity |
| O/S SHARES (MN) : | 840.8 |
| MARKET CAP (USD mn / SGD mn) : | 518 / 668 |
| 52 - WK HI/LO (SGD) : | 0.8 / 0.8 |
| 3M Average Daily T/O (mn) : | 0.93 |

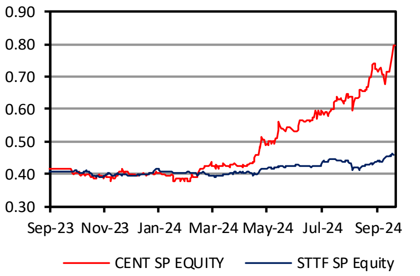
**MAJOR SHAREHOLDERS**

| | |
|---|---|
| Centurion Global Ltd | 50.1% |

**PRICE PERFORMANCE (%)**

| | 1MTH | 3MTH | YTD |
|---|---|---|---|
| COMPANY | 23.0 | 43.7 | 106.5 |
| STTF RETURN | 7.4 | 11.8 | 16.6 |

**PRICE VS. STTF**




Source: Bloomberg, PSR

**KEY FINANCIALS**

| Y/E Dec,SGDmn | FY22 | FY23 | FY24e | FY25e |
|---|---|---|---|---|
| Revenue | 180.5 | 207.2 | 238.2 | 246.0 |
| EBITDA | 108.1 | 129.3 | 147.2 | 151.7 |
| Net Profit, adj | 57.1 | 69.2 | 86.4 | 94.7 |
| EPS,adj (cents) | 6.8 | 8.2 | 10.3 | 11.3 |
| P/E (X) | 4.9 | 4.9 | 7.1 | 6.5 |
| Dividend Yield | 3.0% | 6.2% | 4.1% | 4.1% |
| ROE | 10.3% | 19.4% | 9.7% | 10.4% |
| ROA | 4.6% | 9.4% | 4.9% | 5.2% |

Source: Company, PSR

**VALUATION METHOD**

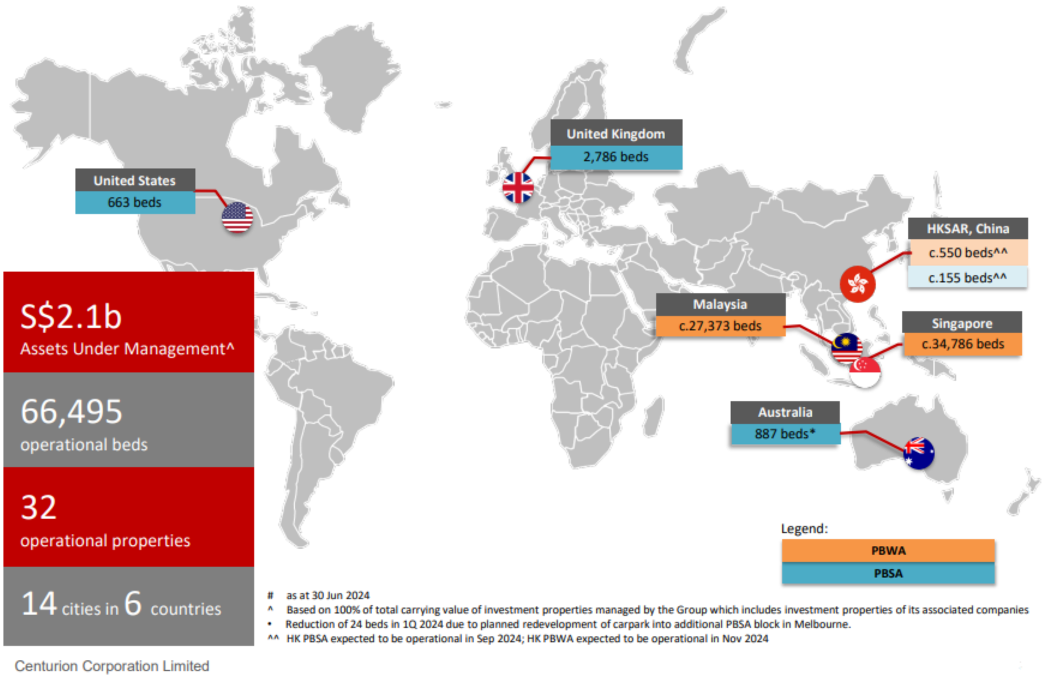
DCF (EV/EBITDA 8.8, WACC: 7.0%)

Yik Ban Chong (Ben) (+65 6212 1851)
Research Analyst
chongyb@phillip.com.sg

**Background**

Centurion owns, develops and operates Purpose-Built Workers Accommodation (PBWA) and Purpose-Built Student Accommodation (PBSA) worldwide. It has 17 operating PBWA assets in Singapore and Malaysia, and 15 operating PBSA assets in Australia, UK and US.

*Figure 1: Centurion's assets globally*




*Source: Company*

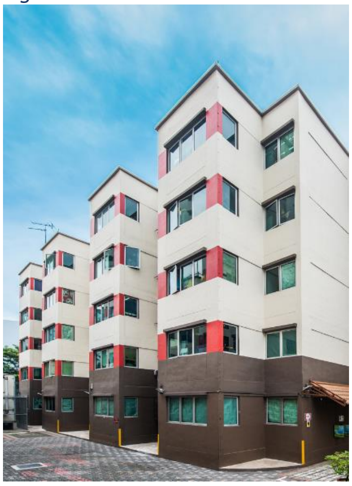
*Figure 2: Westlite Brand and Dwelll Student Living*

WESTLITE® ACCOMMODATION

dwell Student Living®

*Source: Company*

*Figure 3: Westlite Toh Guan*



*Source: Company*

*Figure 4: Westlite Toh Guan*

*Source: Company*

*Figure 5: Dwell Melbourne City*

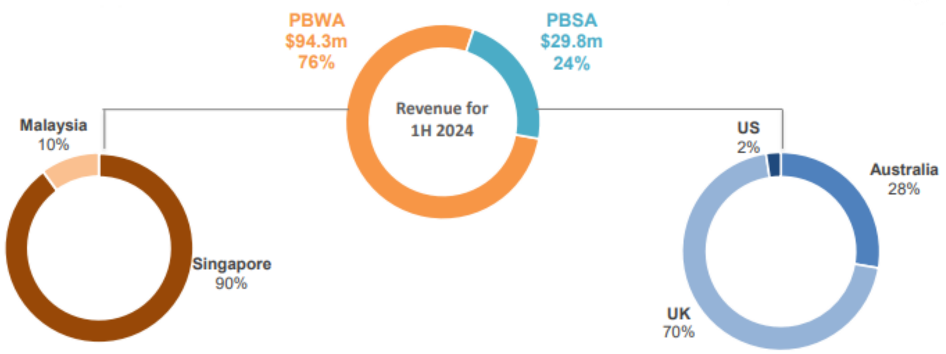

*Source: Company*

The Group operates two established brands: Westlite Accommodation for its PBWA assets and Dwell Student Living for its PBSA assets. In total, 66,495 beds are operated under these two brands in the six countries above.

## Revenue Growth

The Group has two main operating segments: revenue from PBWA (76% of revenue) and PBSA (24%). The majority of PBWA revenue comes from Singapore (90% of PBWA revenue), while the majority of PBSA revenue comes from the UK (70% of PBSA revenue).

*Figure 6: The Group's revenue segments*

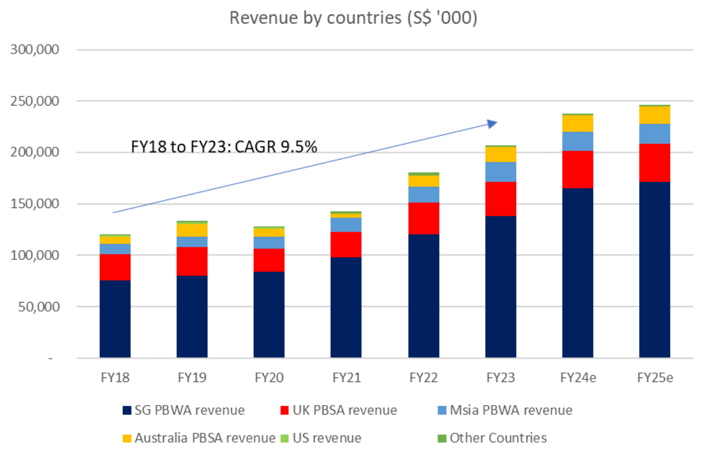



*Source: Company*

From 2018 to 2023, total revenue has grown at 9.5% CAGR (Figure 7). Revenue declined in FY20 due to the impact of COVID-19, which caused less demand for PBSA due to fewer foreign students in the UK and Australia and less demand for PBWA (Figure 8) as the construction sector was also impacted.

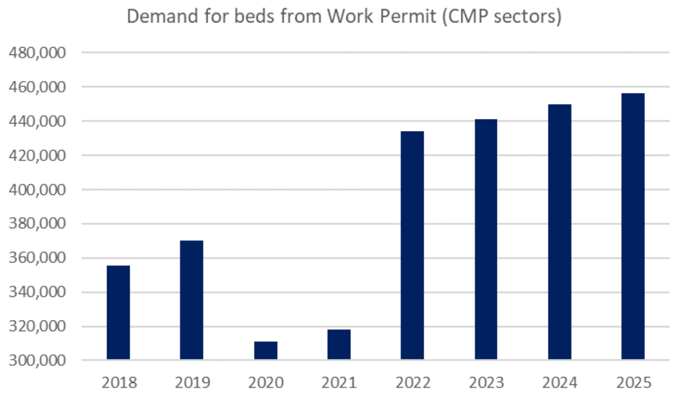
Apart from that, we expect revenue to grow at a CAGR of 9.2% until 2025, driven by revenue growth from the Singapore PBWA segment at 10.6% CAGR until 2025.

*Figure 7: Revenue by Countries*




*Source: Company, PSR*

*Figure 8: Demand for worker accommodations affected in 2020*



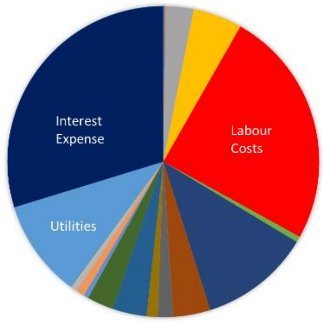

*Source: MoM, PSR*

## Costs and Expenses

The breakdown of costs over the years, including interest expense, is as follows: interest expense (25-30%), labour costs (23-28%), utilities (7-11%), and other overheads (30-45%) such as maintenance and depreciation.

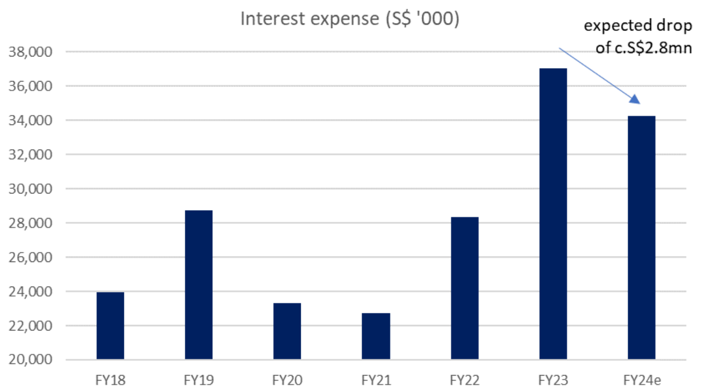
As significant capital is needed for Centurion's properties, interest expenses from bank borrowings form the largest segment of Centurion's costs and expenses. Fed funds rate cuts from 2019 to 2020 due to the pandemic decreased interest expenses significantly by 19% from S$28.7mn to S$23.3mn in the same period. For every 50bps cut in the Fed funds rate these two years, we expect interest expense to decrease by c.S$2.8mn (c.2.2% of total expenses), driving adjusted net profit growth.

*Figure 12: Breakdown of Expenses*




*Source: Company, PSR*

*Figure 9: Interest expense expected to drop by S$2.8mn YoY from FY23 to FY24*



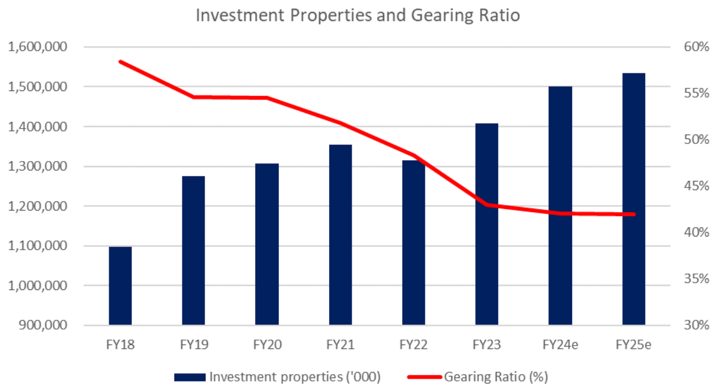

*Source: Company, PSR*

## Balance Sheet and Cashflow

The Group's investment properties have been increasing by 5.1% CAGR, from around S$1.1bn in 2018 to S$1.4bn in 2023. At the same time, its gearing ratio (borrowings / (borrowings + net assets)) has been declining from 58% in 2018 to 43% in 2023.

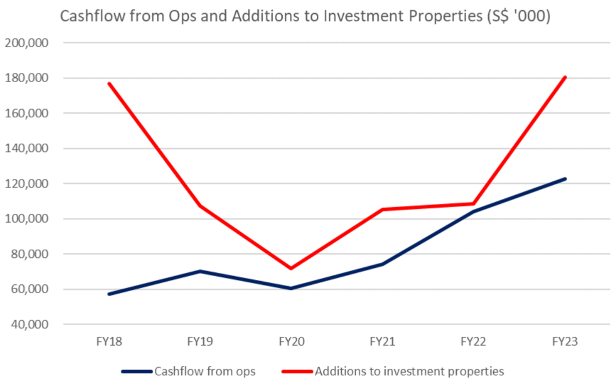
Operating cash flow has been increasing at 13.5 % CAGR from 2018 to 2023, and invested into investment properties to increase bed capacity. There was a dip in additions to investment properties from FY18 to FY19 as management mentioned they were taking a more prudent approach in FY19 due to COVID-19, hence investing less cash into increasing bed capacity.

*Figure 10: Increasing investment properties and decreasing gearing ratio*




*Source: Company, PSR*

*Figure 11: CFO invested into properties from FY19 to FY23*




*Source: Company, PSR*

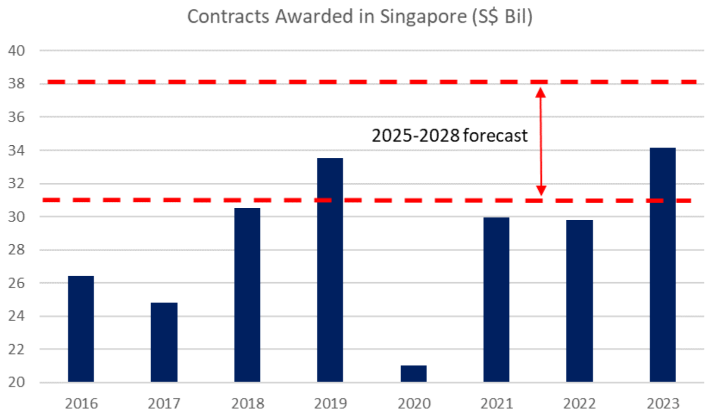
## Industry

**Workers' Accommodation**. Demand for PBWA in Singapore is expected to be supported by the strong amount of building contracts awarded, estimated to be between S$31bn to S$38bn by the Building and Construction Authority (BCA) from 2025 to 2028. As seen in Figure 13 below, that is mostly above pre-pandemic levels of building contracts. Figure 14 also shows that demand for PBWA in Singapore has risen above pre-pandemic levels. We believe demand for PBWA in Singapore will grow at 1.7% CAGR till 2025.

The supply of PBWA beds is expected to grow from 432k beds 1H24 to 438k beds in 2H24, due to an increase in 6k beds HoH repurposed as quick-built dormitories (QBDs) in 2H24. The expected demand of beds is c.450k by the end of 2024, and supply at c.438k in the same period. Although we believe supply and demand would gradually balance out, we expect the shortage of beds (Figure 14) to still persist till the end of 2025.

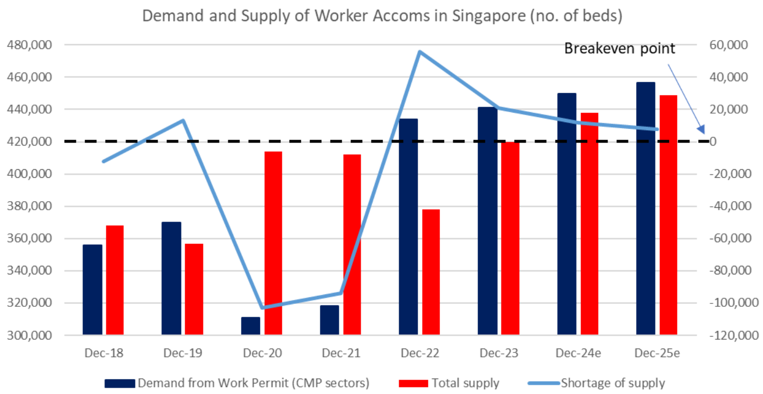
In June 2020, new legislation, Act 446, came into force in Malaysia to provide better-quality accommodations to migrant workers. This is expected to progressively drive demand for Centurion's PBWA in Malaysia, which is within the requirements for workers' accommodations.

*Figure 13: Increase in construction contracts awarded in SG*




*Source: Singstat, PSR*

*Figure 14: Demand for worker accommodations has risen past pre-pandemic levels. Shortage will probably trend towards zero, but after 2025 based on our predictions.*




*Source: Company, PSR*

*Figure 15: Act 446 legislation to improve migrant worker accommodations*

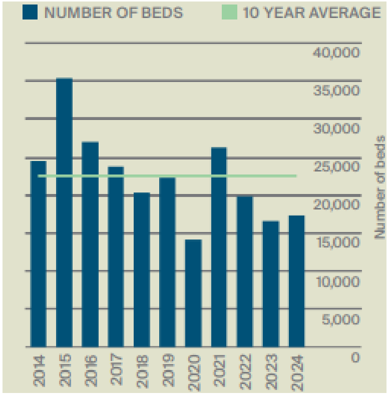

*Source: Company*

**Students Accommodation.** Globally, the PBSA sector experienced a rapid increase in demand following the pandemic due to more in-person classes and higher immigration rates. Due to the increase in demand, the UK and Australia are facing a shortage of PBSA beds.

Acceptances into UK universities are 24% higher than pre-pandemic levels, and international students rose by 2% YoY for the 2023/2024 academic year. However, as seen in Figure 16, the supply of PBSA beds is expected to trend lower beyond 2024 due to supply constraints like debt costs and high construction costs, with an estimated shortfall of 580k beds nationally.

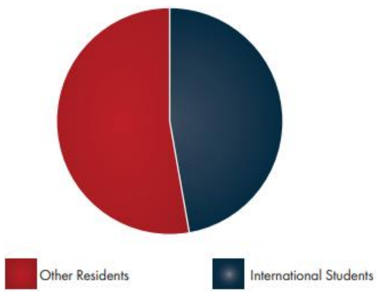
In Australia, a cap was imposed on new international students to 270k next year, a reduction of about one-third from 2023 levels. This is because of the immense pressure on Australia's housing supply, where the share of new housing units claimed by international students has doubled from 17% pre-pandemic to an estimated more than 36% from 2023 to 2028. We believe that the shortage of student accommodation supply in Australia would drive more demand into Australia's PBSA.

*Figure 16: Decreasing trend of annual supply of new PBSA beds in UK*




*Source: Knight Frank Research*

*Figure 17: Big portion of new housing supply claimed by Australia's international students*




*Source: IPA*

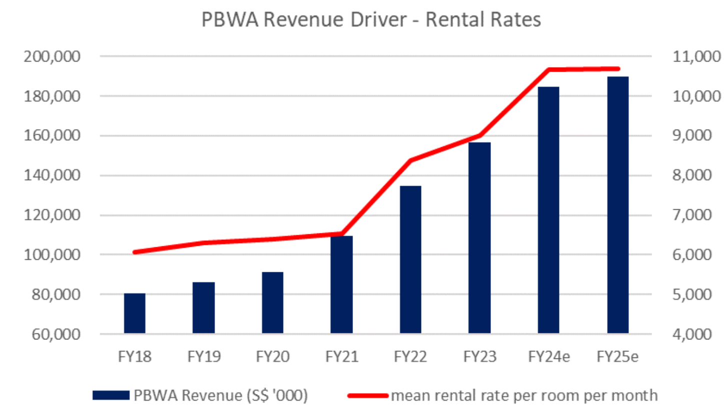
### Revenue Drivers

As a developer and operator of worker and student accommodation properties worldwide, three factors affect the revenue and core profits generated by the Group:

1. Bed occupancy rates (% occupancy)
2. Rental rates (per month basis for PBWA, per week basis for PBSA)
3. Bed capacity (number of beds)

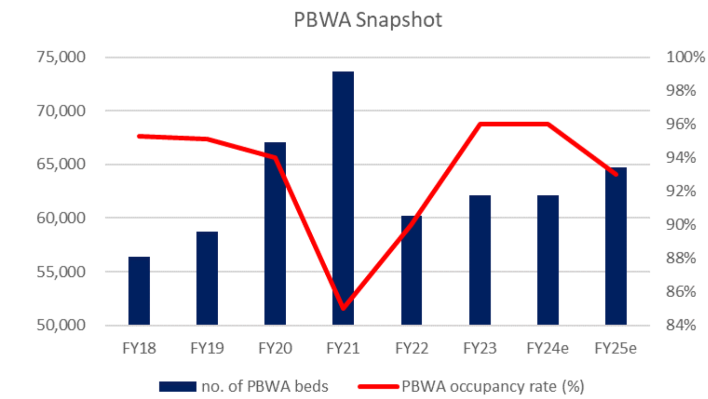
**Worker Accommodations**. Occupancy rates for PBWA have been consistently high and saturated above 90% from 2018 to 2023, with the exception of occupancy rates dipping to 85% in FY21 due to the pandemic. Hence, we believe the primary revenue drivers for PBWA are rental rates and the ability to maintain high financial occupancy, as can be seen below where PBWA revenue rose from S$80.6mn in 2018 to S$156.7mn in 2023 when average rental rates per month rose from $6078 in 2018 to $9008 in 2023.

*Figure 18: PBWA revenue rose due to an increase in rental rates*




*Source: Company, PSR*

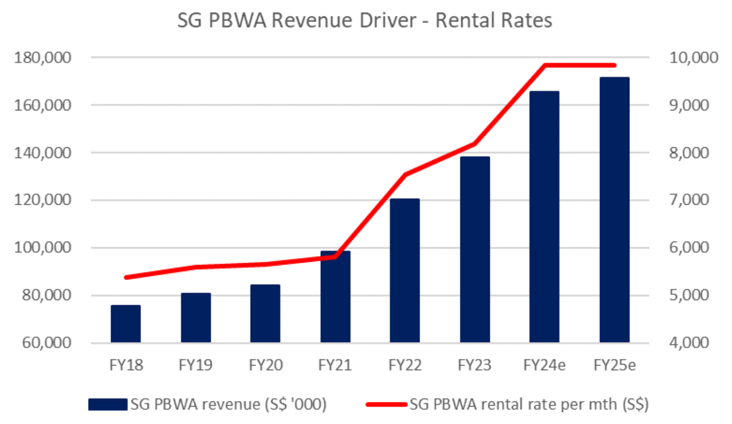
*Figure 19: PBWA occupancy rates consistently remained above 85%*




*Source: Company, PSR*

In Singapore, 1650 new beds in Westlite Ubi's purpose-built dorm (PBD) are expected to be completed by Dec 2024, and it is expected to take six to nine months to reach financial occupancy. Financial occupancy continues to be high in Singapore, edging up to 99% in 1H24 from 98% in 1H23. We believe that the Group's ability to maintain high financial occupancy, positive rental rate reversions, and increased bed capacity will be key revenue drivers for Singapore PBWA segment revenue for the next two years.

*Figure 20: Singapore PBWA revenue expected to increase from higher rental rates*

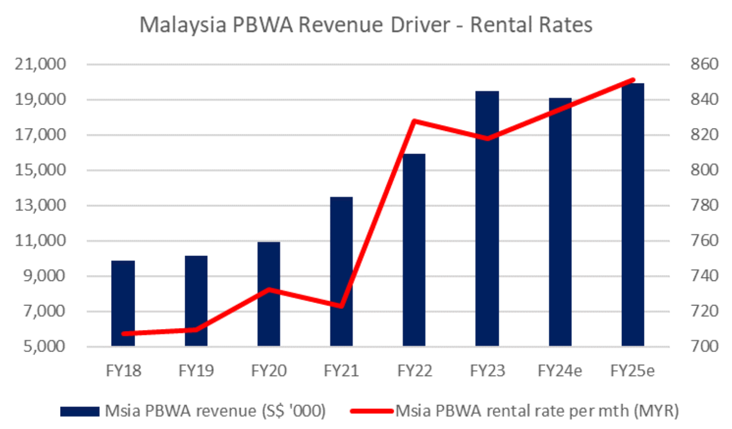



*Source: Company, PSR*

The demand for PBWA in Malaysia will depend on how strictly Act 446, a rule taking effect since 2020 for workers' minimum standard of housing and amenities, is imposed. Revenue from the Malaysia PBWA segment declined 4% YoY from S$9.9mn in 1H23 to S$9.5mn in 1H24, largely due to the weaker Malaysian Ringgit. In Malaysia Ringgit, Malaysia's revenue increased by 2% YoY from 1H23 to 1H24, driven by positive rental reversions.

We expect revenue from Malaysia's PBWA segment to experience a slight decline of 1.8% YoY for FY24 due to exchange rates and subsequently a 4% increase YoY for FY25 (Figure 21) driven by positive rental reversions and the expected completion of Westlite Sennai with an additional bed capacity of c.920 beds.

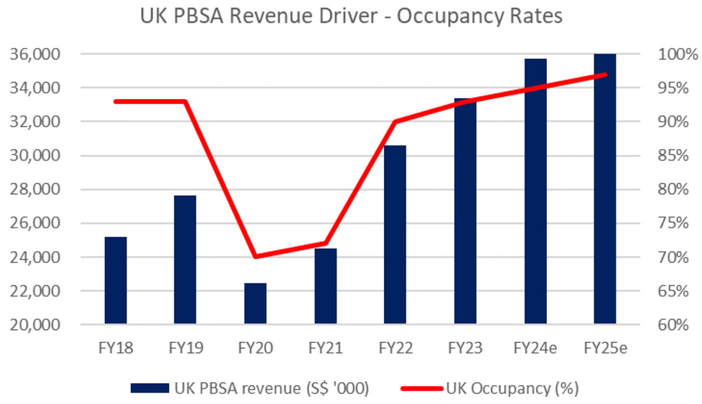
*Figure 21: Rental rate highly correlated to Malaysia PBWA revenue*




*Source: Company, PSR*

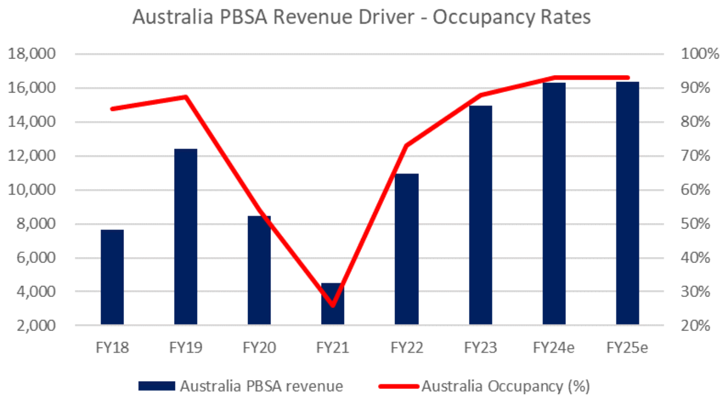
**Student Accommodations.** The revenue of the PBSA segment is highly correlated to occupancy rates in the UK and Australia, as seen in Figures 22 and 23. The Group's PBSA segment reported revenue growth of 23% YoY from S$24.3mn in 1H23 to S$29.8mn in 1H24. During the same period, PBSA financial occupancies rose from 89% in 1H23 to 98% in 1H24. We believe this trend of high financial occupancies in PBSA will continue in FY24 and FY25 due to the strong student demand.

*Figure 22: UK PBSA revenue highly correlated to its occupancy rates*




*Source: Company, PSR*

*Figure 23: Australia PBSA revenue highly correlated to its occupancy rates*



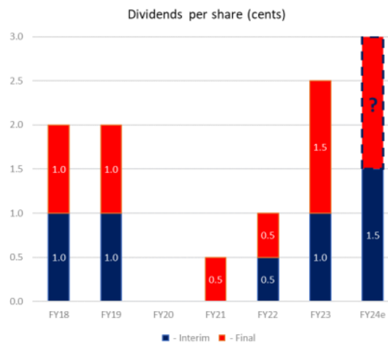

*Source: Company, PSR*

**Dividends**

Dividends are expected to remain stable. We expect management will at least maintain final dividends of 1.5 cents per share this year, increasing the total dividends per share by 20% YoY to be 3.0 cents this year as compared to 2.5 cents in 2023 (Figure 24). With the exception of 2020 and 2021, dividend payouts have been consistently between above 10% since 2018. Dividends per share have also been between 1 and 2.5 cents per share for the past 10 years, excluding 2020 and 2021 due to the pandemic.

With strong adjusted EPS growth (excluding fair value gains) of 47% YoY for 1H24 and an increase in interim dividends to 1.5 cents in 2024 compared to 1 cent in 2023, we believe that management would reward shareholders with final dividends of at least 1.5 cents per share in 2024.

*Figure 24: Annual dividends expected to be at least 3.0 cents per share*

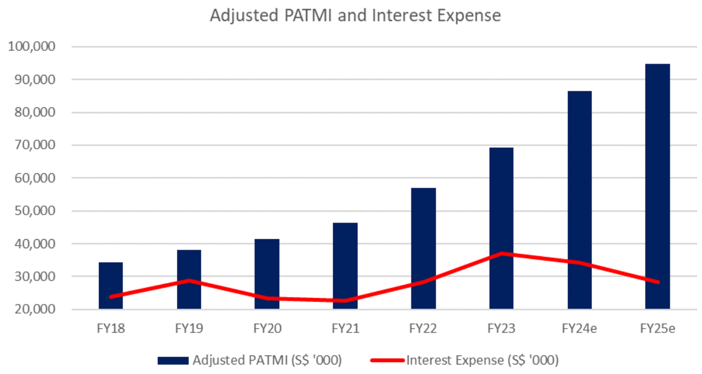



*Source: Company, PSR*

### Investment Merits

1. **Shortage of beds to meet strong demand from construction contracts awarded in Singapore expected to persist.** The Building and Construction Authority (BCA) estimated that between S$31bn to S$38bn in construction contracts are expected to be awarded from 2025-2028. It is higher than pre-pandemic average of S$29bn, due to major public sector projects over the next few years such as Changi Airport Terminal 5. Demand for beds from work permit holders from Construction, Marine Shipyard, Process (CMP) sectors can grow by at least 2% YoY to c.450k by Dec 24. In comparison, government's pipeline of supply is expected to reach c.438k beds by Dec 2024. There will still be a shortage of c.12k beds by Dec 2024. We expect shortage of worker accommodations in Singapore to persist till end 2025, which helps the Group in raising rental rates by 20% YoY in Singapore PBWA in FY24 and maintaining its high occupancy rates.
2. **Growth from purpose-built student accommodation (PBSA) segment in UK.** UK's PBSA occupancy increased from 70% in 2020 to 93% in 2023, and we believe it will remain above 95% for the next two years. In-person classes post-pandemic and 24% higher student acceptances into UK universities compared with the pre-pandemic period is driving demand for PBSA beds. Supply of PBSA beds in UK is also expected to trend lower beyond 2024 due to supply constraints like debt costs and high construction costs, with an estimated shortfall of 580k beds nationally. We expect the occupancy rates of UK PBSA to remain above 95% for FY24 and FY25, and rental rates to grow at a healthy range of 5-6% annually.
3. **Net profits are expected to grow from interest rate cuts.** For every 50bps cut in Fed funds rate, we expect interest expense to decrease by c.$2.8mn (c.2.2% of total expenses). Interest expenses take up the largest proportion of Centurion's costs and expenses at close to 30%, and more than 60% of bank borrowings by Centurion are subject to variable interest rates in 2024. The significant decrease in interest expenses will drive bottom-line growth, and we expect adjusted net profits (excluding fair value gains and one-off items) to grow by 24.9% YoY from 2023 to 2024.

*Figure 25: Adjusted net profits (excl. fair value gains and one-off items) expected to grow 24.9% YoY from FY23 to FY24*




*Source: Company, PSR*

## Regulations and Risks

**Singapore PBWA**. The Ministry of Manpower (MOM) will transition existing PBWAs to improved interim standards under the Dormitory Transition Scheme (DTS) by 2030 (Figure 26) to strengthen public health resilience in migrant worker dormitories and reduce the spread of infectious diseases. Dormitories will progressively transit to the interim standards between 2027 and 2030. By 2040, all dormitories will be required to implement the full New Dormitory Standards (NDS).

The Group already has ensuite toilets, showers, and kitchens in all PBDs and, hence, would require less retrofitting to meet the DTS. An example of retrofitting required is to accommodate at most 12 residents per room, which three out of the group's five PBDs have already implemented. The remaining two are Westlite Mandai and ASPRI-Westlite Papan, which are housing 16 residents per room (example in Figure 27).

It is estimated that the regulations will affect about 3-11% of PBD supply from now until 2030, and all QBDs will remain unaffected. As the new blocks at Westlite Toh Guan and Westlite Mandai, which have an upcoming pipeline of c.5460 beds, would serve as swing sites for worker accommodations when retrofitting commences progressively from 2027 to 2030, we believe that the Group's PBWA supply will not be that affected by the DTS regulations in the near term.

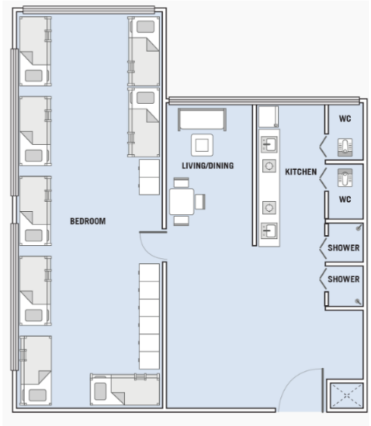
**Student Accommodations**. The cap on international students at 270k into Australia from 2025, a reduction of one-third of 2023 levels, may affect the demand for PBSA in that region. However, Australia is currently facing a housing crisis as students secured more than 36% of the new housing supply in 2023, more than double the 17% pre-pandemic. Hence, we believe that the impact would be minimal as the supply of student accommodations is still much lower than the demand for it.

*Figure 26: Regulations by MOM*

| | Previous Standards | Interim Standards under DTS (to be implemented by 2030) | NDS (to be implemented by 2040) |
|---|---|---|---|
| **Occupancy per room** | No maximum residents per room<br><br>No requirement for spacing between beds | ≤ 12 residents per room<br><br>≥ 1m spacing between beds (recommended) | ≤ 12 residents per room<br><br>≥ 1m spacing between beds |
| **Living space, excluding shared living facilities** | ≥ 3.5 sqm/resident on average, varies across dormitories[3] | ≥ 3.6 sqm/resident | ≥ 4.2 sqm/resident |
| **Toilets** | ≥ 1 set of toilet, shower, sink and urinal per 15 residents<br><br>Common or en-suite toilets allowed | ≥ 1 set of toilet, shower, and hand-wash basin per 6 residents[4]<br><br>En-suite only | ≥ 1 set of toilet, shower, and hand-wash basin per 6 residents<br><br>En-suite only |

*Source: MOM*

*Figure 27: Current layout of Westlite Mandai with 16 workers per room, retrofitting required*




Floorplan of a 16 bed apartment at Westlite Mandai

*Source: Company*

## Valuation

We initiate coverage of Centurion Corporation with an ACCUMULATE rating and target price of S$0.90, with an upside of 13.2%. Our TP is based on the DCF Exit Multiple approach, using an EV/EBITDA multiple of 8.8 and a WACC of 7.04%.

*Figure 28: Our DCF TP is S$0.90*

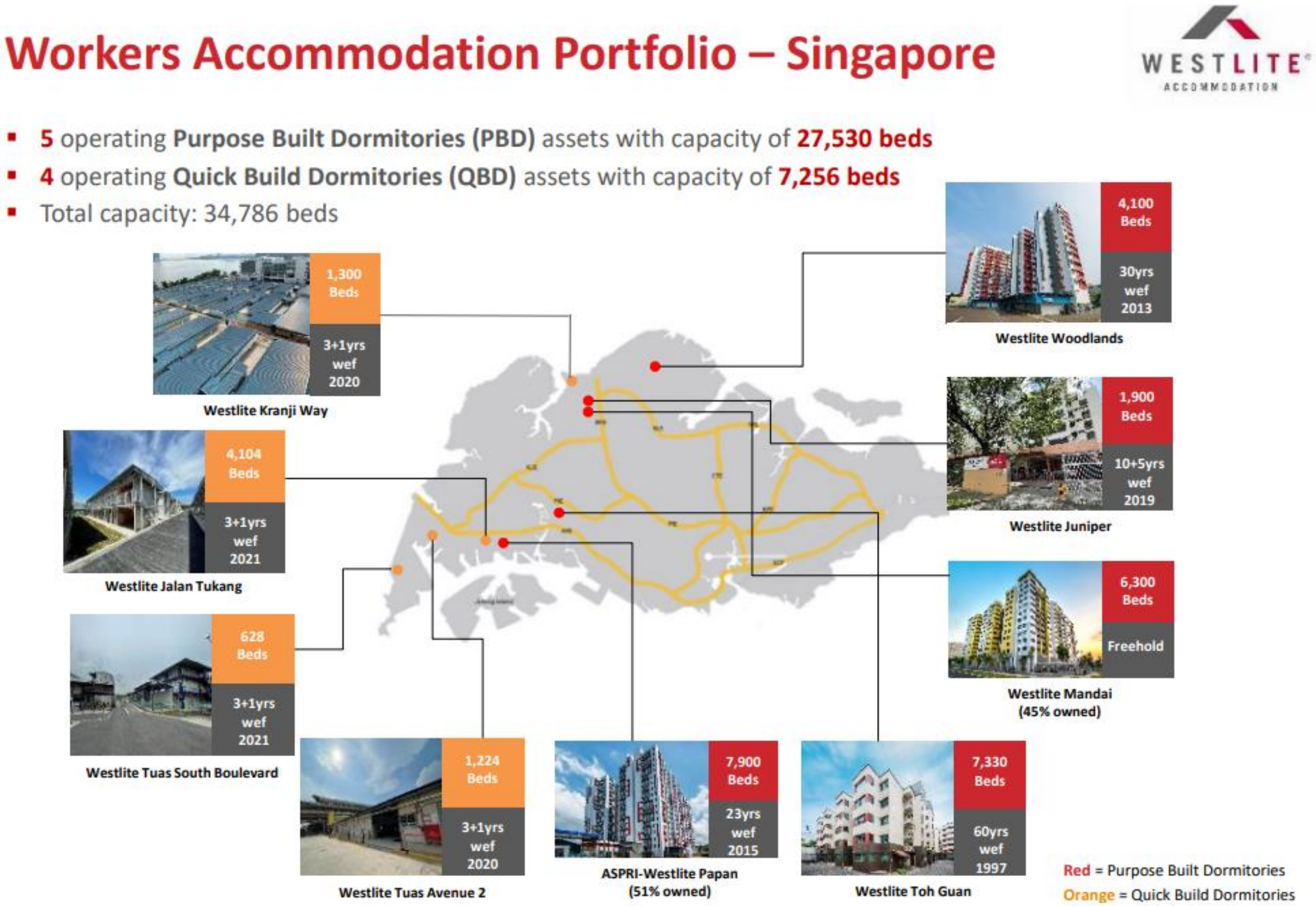
| Valuation | S$ '000 | % of total |
|---|---|---|
| NPV FY24-25e | 216,876 | 15.70% |
| PV Terminal Value | 1,164,804 | 84.30% |
| Enterprise value | 1,381,680 | |
| Net debt | 628,558 | |
| Equity value | 753,122 | |
| No. of shares ('000) | 840,779 | |
| DCF value per share | 0.90 | |
| EV/EBITDA | 8.8 | |

*Source: PSR*

### APPENDIX 1 – Singapore Bed Capacity and Overall Portfolio Growth Pipeline

The group operates two kinds of PBWAs in Singapore: quick-built dormitories (QBD) and purpose-built dormitories (PBD). PBDs form the majority (79%) of the Group's assets in Singapore, with 27,530 out of 34,786 beds. The upcoming Westlite Ubi PBD, with 1,650 beds, is expected to be completed in December 2024.

*Figure 29: Singapore PBWA Snapshot*




*Source: Company*

By the end of 2024, several projects are expected to be completed (Figure 30). A new purpose-built dormitory (PBD) Westlite Ubi with c.1650 beds is expected to be completed in Dec 2024. Asset Enhancement Initiative (AEI) is in progress at Westlite Senai II with c.920 beds and is expected to be completed in 4Q 2024. Master lease for PBWA in China, HK SAR with c.550 beds is expected to be operational in Nov 2024, and master leases for PBSA with c.66 and c.89 beds, respectively, in China, HK are expected to be operational in Sep 2024.

*Figure 30: Bed Capacity and Portfolio Growth Pipeline*

**Centurion Corporation Limited's Asset Portfolio and Operational Bed Capacity**

| Location | Facility | Current Capacity as at 30 Jun 2024 (approx no. of beds) | Expected Capacity in FY2024(F) (approx no. of beds) |
|---|---|---|---|
| **Workers Accommodation** | | | |
| **Singapore** | Westlite Toh Guan | 7,330 | 7,330 |
| | Westlite Mandai | 6,300 | 6,300 |
| | Westlite Woodlands | 4,100 | 4,100 |
| | ASPRI-Westlite Papan | 7,900 | 7,900 |
| | Westlite Juniper | 1,900 | 1,900 |
| | Westlite Kranji Way (QBD) | 1,300 | 1,300 |
| | Westlite Tuas Avenue 2 (QBD) | 1,224 | 1,224 |
| | Westlite Jalan Tukang (QBD) | 4,104 | 4,104 |
| | Westlite Tuas South Boulevard (QBD) | 628 | 628 |
| | Westlite Ubi Ave 3 (PBD)* | -- | 1,650 |
| | **Total in Singapore** | **34,786** | **36,436** |
| **Malaysia** | Westlite Tebrau | 1,786 | 1,786 |
| | Westlite Johor Tech Park | 3,480 | 3,480 |
| | Westlite Pasir Gudang | 1,952 | 1,952 |
| | Westlite Senai | 1,980 | 1,980 |
| | Westlite Tampoi | 5,790 | 5,790 |
| | Westlite Senai II** | 3,020 | 3,940 |
| | Westlite Bukit Minyak | 3,321 | 3,321 |
| | Westlite – PKNS Petaling Jaya | 6,044 | 6,044 |
| | **Total in Malaysia** | **27,373** | **28,293** |
| **China, HK SAR** | Westlite Sheung Shui*** | -- | 550 |
| | **Total in China** | **--** | **550** |
| **Total Workers Accommodation** | | **62,159** | **65,279** |
| **Student Accommodation** | | | |
| **Australia** | dwell Village Melbourne City^^^ | 587 | 587 |
| | dwell East End Adelaide | 300 | 300 |
| | **Total in Australia** | **887** | **887** |
| **U.K.** | dwell MSV | 982 | 982 |
| | dwell MSV South | 362 | 362 |
| | dwell The Grafton | 145 | 145 |
| | dwell Cathedral Campus | 383 | 383 |
| | dwell Weston Court | 140 | 140 |
| | dwell Hotwells House | 157 | 157 |
| | dwell Garth Heads | 181 | 181 |
| | dwell Princess Street | 126 | 126 |
| | dwell Castle Gate Haus# | 133 | 133 |
| | dwell Archer House | 177 | 177 |
| | **Total in U.K.** | **2,786** | **2,786** |
| **U.S.A##** | dwell The Towers on State | 231 | 231 |
| | dwell The Statesider | 226 | 226 |
| | dwell College & Crown | 206 | 206 |
| | **Total in U.S.** | **663** | **663** |
| **China, HK###** | dwell Prince Edward | -- | 66 |
| | dwell Ho Man Tin | -- | 89 |
| | **Total in China, HK** | **--** | **155** |
| **Total Student Accommodation** | | **4,336** | **4,491** |
| **Total PBWA and PBSA** | | **66,495** | **69,770** |

*Source: Company*

PhillipCapital

## Financials

**Income Statement**

| Y/E Dec, SGD '000 | FY21 | FY22 | FY23 | FY24e | FY25e |
|---|---|---|---|---|---|
| **Revenue** | **143,017** | **180,450** | **207,245** | **238,184** | **246,014** |
| Gross profit | 94,316 | 123,555 | 150,029 | 173,875 | 179,591 |
| **EBITDA** | **84,898** | **108,079** | **129,330** | **147,180** | **151,657** |
| Depreciation & amortisation | (3,581) | (3,663) | (3,549) | (3,482) | (3,607) |
| **EBIT** | **81,317** | **104,416** | **125,781** | **143,699** | **148,050** |
| Net Finance Inc/(Exp) | (22,214) | (27,533) | (35,561) | (33,252) | (27,341) |
| Net fair value gains | (3,076) | 18,982 | 84,794 | - | - |
| Others | 11,867 | (600) | 20,400 | 12,000 | 12,000 |
| **Profit before tax** | **67,894** | **95,265** | **195,414** | **122,447** | **132,709** |
| Taxation | (12,097) | (18,985) | (19,501) | (23,000) | (25,000) |
| Minority interest | (3,118) | (4,855) | (22,798) | (13,000) | (13,000) |
| **PATMI** | **52,679** | **71,425** | **153,115** | **86,447** | **94,709** |
| Net fair value gains | 3,076 | (18,982) | (84,794) | - | - |
| One-off items | (9,269) | 4,647 | 907 | - | - |
| **PATMI, adjusted** | **46,486** | **57,090** | **69,228** | **86,447** | **94,709** |

**Per share data (SGD Cents)**

| Y/E Dec | FY21 | FY22 | FY23 | FY24e | FY25e |
|---|---|---|---|---|---|
| EPS, Reported | 6.3 | 8.5 | 18.2 | 10.3 | 11.3 |
| EPS, Adjusted | 5.5 | 6.8 | 8.2 | 10.3 | 11.3 |
| DPS | 0.5 | 1.0 | 2.5 | 3.0 | 3.0 |
| BVPS | 0.78 | 0.82 | 0.98 | 1.03 | 1.07 |

**Cash Flow**

| Y/E Dec, SGD '000 | FY21 | FY22 | FY23 | FY24e | FY25e |
|---|---|---|---|---|---|
| CFO | | | | | |
| **Profit before tax** | **67,894** | **95,265** | **195,414** | **122,447** | **132,709** |
| Adjustments | 11,615 | 2,930 | (71,795) | 18,845 | 13,059 |
| WC changes | 2,673 | 13,173 | 9,876 | (26,831) | 4,017 |
| **Cash generated from ops** | **82,182** | **111,368** | **133,495** | **114,460** | **149,785** |
| Tax paid | (7,833) | (7,186) | (10,676) | (14,000) | (22,000) |
| **Cashflow from ops** | **74,349** | **104,182** | **122,819** | **100,460** | **127,785** |
| CFI | | | | | |
| CAPEX, net | (4,093) | (1,319) | (3,529) | (4,000) | (4,500) |
| Addns to investmt property | (31,006) | (4,548) | (57,876) | (52,500) | (53,737) |
| Others | 15,106 | 4,154 | 16,121 | 23,311 | 10,194 |
| **Cashflow from investments** | **(19,993)** | **(1,713)** | **(45,284)** | **(33,189)** | **(48,043)** |
| CFF | | | | | |
| Repayment of lease liability | (13,948) | (17,950) | (19,357) | (19,519) | (20,110) |
| Loans, net of repayments | (42,352) | (65,051) | (36,003) | (23,851) | (23,520) |
| Dividends | - | (8,422) | (12,611) | (12,611) | (12,611) |
| Others | (15,538) | (8,773) | (4,195) | (7,325) | (7,428) |
| **Cashflow from financing** | **(71,838)** | **(100,196)** | **(72,166)** | **(63,306)** | **(63,669)** |
| **Net change in cash** | **(17,482)** | **2,273** | **5,369** | **3,965** | **16,073** |
| Cash at start of period | 83,868 | 66,309 | 66,556 | 71,909 | 75,874 |
| FX charges | (77) | (2,026) | (16) | - | - |
| **CCE, end** | **66,309** | **66,556** | **71,909** | **75,874** | **91,947** |

**Balance Sheet**

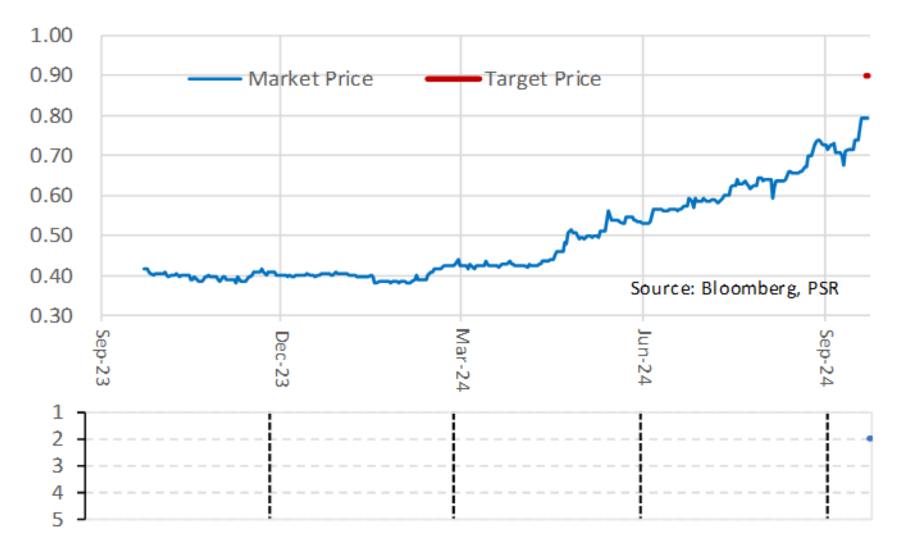
| Y/E Dec, SGD '000 | FY21 | FY22 | FY23 | FY24e | FY25e |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Trade and other receivables | 17,996 | 12,886 | 11,836 | 23,725 | 15,000 |
| Cash | 67,493 | 68,274 | 74,717 | 88,128 | 91,025 |
| Inventories | 164 | 334 | 190 | 238 | 246 |
| Others | 10,977 | 10,263 | 77,035 | 11,178 | 10,878 |
| **Total current assets** | **96,630** | **91,757** | **163,778** | **123,269** | **117,149** |
| PPE | 8,735 | 7,476 | 7,605 | 7,524 | 7,816 |
| Investment properties | 1,354,593 | 1,314,097 | 1,408,604 | 1,500,000 | 1,535,331 |
| Others | 122,756 | 134,425 | 145,105 | 167,499 | 172,861 |
| **Total non-current assets** | **1,486,084** | **1,455,998** | **1,561,314** | **1,675,023** | **1,716,009** |
| **Total Assets** | **1,582,714** | **1,547,755** | **1,725,092** | **1,798,292** | **1,833,158** |
| **LIABILTIES** | | | | | |
| Accounts payable | 46,182 | 55,105 | 79,768 | 95,000 | 100,000 |
| Bank borrowings | 63,258 | 80,016 | 58,908 | 60,143 | 62,000 |
| Lease liabilities | 17,946 | 17,739 | 15,809 | 19,549 | 20,550 |
| Others | 9,458 | 12,739 | 19,409 | 18,666 | 18,666 |
| **Total current liabilities** | **136,844** | **165,599** | **173,894** | **193,358** | **201,216** |
| Deferred tax liabilities | 13,295 | 20,684 | 22,858 | 31,027 | 33,000 |
| Long-term borrowings | 664,432 | 583,087 | 598,504 | 593,590 | 600,000 |
| Others | 90,824 | 69,897 | 58,203 | 78,650 | 80,700 |
| **Total non-current liabilities** | **768,551** | **673,668** | **679,565** | **703,267** | **713,700** |
| **Total Liabilities** | **905,395** | **839,267** | **853,459** | **896,625** | **914,916** |
| **Equity** | | | | | |
| Share capital | 142,242 | 142,242 | 142,242 | 142,242 | 142,242 |
| **Shareholder Equity** | **677,319** | **708,488** | **871,633** | **901,667** | **918,242** |

**Valuation Ratios**

| Y/E Dec | FY21 | FY22 | FY23 | FY24e | FY25e |
|---|---|---|---|---|---|
| P/E (X) - adjusted | 6.0 | 4.9 | 4.9 | 7.1 | 6.5 |
| P/B (X) | 0.4 | 0.4 | 0.4 | 0.7 | 0.7 |
| EV/EBITDA (X) | 11.3 | 8.3 | 7.5 | 8.2 | 8.0 |
| Dividend Yield | 1.5% | 3.0% | 6.2% | 4.1% | 4.1% |
| **Growth & Margins** | | | | | |
| Growth | | | | | |
| Revenue | 11.4% | 26.2% | 14.8% | 14.9% | 3.3% |
| EBITDA | 13.2% | 27.3% | 19.7% | 13.8% | 3.0% |
| EBIT | 13.5% | 28.4% | 20.5% | 14.2% | 3.0% |
| Net profit, adj | 12.5% | 22.8% | 21.3% | 24.9% | 9.6% |
| Margins | | | | | |
| Gross margin | 65.9% | 68.5% | 72.4% | 73.0% | 73.0% |
| EBITDA margin | 59.4% | 59.9% | 62.4% | 61.8% | 61.6% |
| EBIT margin | 56.9% | 57.9% | 60.7% | 60.3% | 60.2% |
| Net profit margin, adj | 32.5% | 31.6% | 33.4% | 36.3% | 38.5% |
| **Key Ratios** | | | | | |
| ROE | 7.8% | 10.3% | 19.4% | 9.7% | 10.4% |
| ROA | 3.3% | 4.6% | 9.4% | 4.9% | 5.2% |
| Net Gearing (%) | 97.5% | 84.0% | 66.9% | 62.7% | 62.2% |
| Net Debt/EBITDA (X) | 7.8 | 5.5 | 4.5 | 3.8 | 3.8 |

*Source: Company, Phillip Securities Research (Singapore) Estimates*

**Ratings History**




**PSR Rating System**

| Total Returns | Recommendation | Rating |
|---|---|---|
| > +20% | Buy | 1 |
| +5% to +20% | Accumulate | 2 |
| -5% to +5% | Neutral | 3 |
| -5% to -20% | Reduce | 4 |
| < -20% | Sell | 5 |

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

**Contact Information (Singapore Research Team)**


**Head of Research**
Paul Chew – paulchewkl@phillip.com.sg

**Research Admin**
Qystina Azli - qystina@phillip.com.sg

**Technical Analyst**
Zane Aw – zaneawyx@phillip.com.sg

**Property | REITs**
Darren Chan – darrenchanrx@phillip.com.sg

**Property | REITs**
Liu Miaomiao – liumm@phillip.com.sg

**Banking & Finance**
Glenn Thum – glennthumjc@phillip.com.sg

**US Tech Analyst (Digital Entertainment/Semicons)**
Jonathan Woo – jonathanwookj@phillip.com.sg

**US Tech Analyst (Software/Services)**
Ambrish Shah – amshah@phillipventuresifsc.in

**US Tech Analyst (Hardware/E-commerce/ETF)**
Helena Wang – helenawang@phillip.com.sg

**Construction**
Yik Ban Chong (Ben) – chongyb@phillip.com.sg


**Contact Information (Regional Member Companies)**

**SINGAPORE**
**Phillip Securities Pte Ltd**
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

**MALAYSIA**
**Phillip Capital Management Sdn Bhd**
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

**HONG KONG**
**Phillip Securities (HK) Ltd**
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

**JAPAN**
**Phillip Securities Japan, Ltd.**
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

**INDONESIA**
**PT Phillip Securities Indonesia**
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

**CHINA**
**Phillip Financial Advisory (Shanghai) Co Ltd**
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

**THAILAND**
**Phillip Securities (Thailand) Public Co. Ltd**
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

**FRANCE**
**King & Shaxson Capital Limited**
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

**UNITED KINGDOM**
**King & Shaxson Capital Limited**
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

**UNITED STATES**
**Phillip Capital Inc**
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

**AUSTRALIA**
**Phillip Capital Limited**
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

**CAMBODIA**
**Phillip Bank Plc**
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

**INDIA**
**PhillipCapital (India) Private Limited**
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

**TURKEY**
**PhillipCapital Menkul Degerler**
Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

**DUBAI**
**Phillip Futures DMCC**
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.