

Centurion Corporation Limited

New dormitory as growth driver

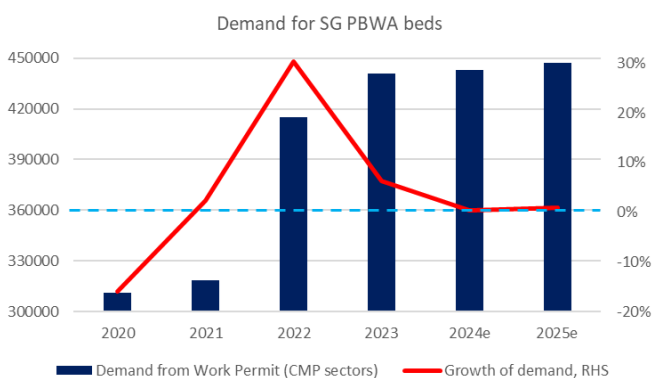
SINGAPORE | REAL ESTATE | UPDATE

- The new 1,650-bed Purpose-Built Dormitory (PBD) Westlite Ubi is expected to be completed by December 2024. T5 construction will start in 1H25 and with lower supply of PBDs in the East, we believe 5-10% higher rental rates can be charged for Westlite Ubi. Occupancy should gradually ramp up, and we expect 70-80% occupancy by April 2025.
- The Dependency Ratio Ceiling (DRC) is expected to reduce Singapore's overall demand for worker accommodations since it was implemented in January 2024. We forecast a slowdown in demand growth from 6% in 2023 to 0.4% in 2024, which may likely cause rental rates in FY25e to moderate.
- Maintain ACCUMULATE with the unchanged TP of S\$1.02.** We believe that the boost in revenue/PATMI due to Westlite Ubi PBD in FY25 will be offset by an expected reduction in bed capacity from the Dormitory Transition Scheme (DTS) and moderation of rental rates due to the DRC. It is estimated that 3-12% of Centurion's PBD supply will be affected from now till 2030 due to retrofitting to meet DTS requirements. All Centurion's quick build dormitories (QBD, c.21% of its SG bed capacity) already meet the new dormitory specifications.

Change in Demand

Based on MOM figures, the total demand from work permit holders in the construction, marine shipyard and process (CMP) sector increased by 0.4% from 441,100 in Dec 2023 to 442,900 in Jun 2024. This growth in demand is lower than the 6% growth in 2023, and we believe this is due to the reduction in Dependency Ratio Ceiling (DRC) starting from Jan 2024. The DRC is reduced from 1:7 to 1:5 (i.e. 1 local employee to 5 work permit holders) in the construction sector.

Figure 1: We expect growth in demand for SG worker accommodations to moderate going into 2025



Source: MOM, Company, PSR

Figure 2: The new Westlife Ubi



Source: Company

2 December 2024

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 0.940
FORECAST DIV	SGD 0.030
TARGET PRICE	SGD 1.02
TOTAL RETURN	11.7%

COMPANY DATA

Bloomberg CODE:	CENT SP Equity
O/S SHARES (MN):	840.8
MARKET CAP (USD mn / SGD mn):	589 / 790
52 - WK HI/LO (SGD):	0.98 / 0.38
3M Average Daily T/O (mn):	1.52

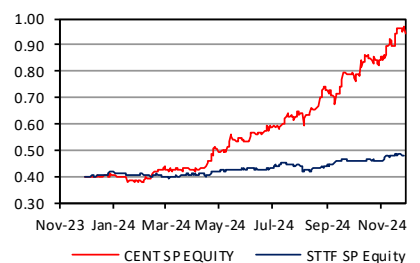
MAJOR SHAREHOLDERS

Centurion Global Ltd	50.1%
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TOTAL PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	15.7	32.5	149.4
STTF RETURN	4.2	10.5	20.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec,SGDmn	FY22	FY23	FY24e	FY25e
Revenue	180.5	207.2	246.2	261.9
EBITDA	108.1	129.3	154.9	163.9
Net Profit, adj	57.1	69.2	94.1	106.9
EPS,adj (cents)	6.8	8.2	11.2	12.7
P/E (X)	4.9	4.9	6.5	5.7
Dividend Yield	3.0%	6.2%	4.1%	4.1%
ROE	10.3%	19.4%	10.6%	11.6%
ROA	4.6%	9.4%	5.3%	5.8%

Source: Company, PSR

VALUATION METHOD

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

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Financials

Income Statement

Y/E Dec, SGD '000	FY21	FY22	FY23	FY24e	FY25e
Revenue	143,017	180,450	207,245	246,250	261,867
Gross profit	94,316	123,555	150,029	179,762	191,163
EBITDA	84,898	108,079	129,330	154,868	163,870
Depreciation & amortisation	(3,581)	(3,663)	(3,549)	(3,482)	(3,607)
EBIT	83,735	102,368	128,616	151,386	160,263
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	9,449	1,448	17,565	12,000	12,000
Profit before tax	67,894	95,265	195,414	130,134	144,922
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	94,134	106,922
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	94,134	106,922

Per share data (SGD Cents)

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
EPS, Reported	6.3	8.5	18.2	11.2	12.7
EPS, Adjusted	5.5	6.8	8.2	11.2	12.7
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	130,134	144,922
Adjustments	11,615	2,930	(71,795)	15,845	10,059
WC changes	2,673	13,173	9,876	(26,839)	4,009
Cash generated from ops	82,182	111,368	133,495	119,140	158,991
Tax paid	(7,833)	(7,186)	(10,676)	(14,000)	(22,000)
Cashflow from ops	74,349	104,182	122,819	105,140	136,991
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)
CFE					
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	8,645	25,279
Cash at start of period	83,868	66,309	66,556	71,909	80,554
FX charges	(77)	(2,026)	(16)	-	-
CCE, end	66,309	66,556	71,909	80,554	105,832

Source: Company, Phillip Securities Research (Singapore) Estimates

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	91,112	96,891
Inventories	164	334	190	246	262
Others	10,977	10,263	77,035	11,178	10,878
Total current assets	96,630	91,757	163,778	126,262	123,031
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	173,022	183,716
Total non-current assets	1,486,084	1,455,998	1,561,314	1,680,546	1,726,864
Total Assets	1,582,714	1,547,755	1,725,092	1,806,808	1,849,895
LIABILITIES					
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	910,183	934,979

Valuation Ratios

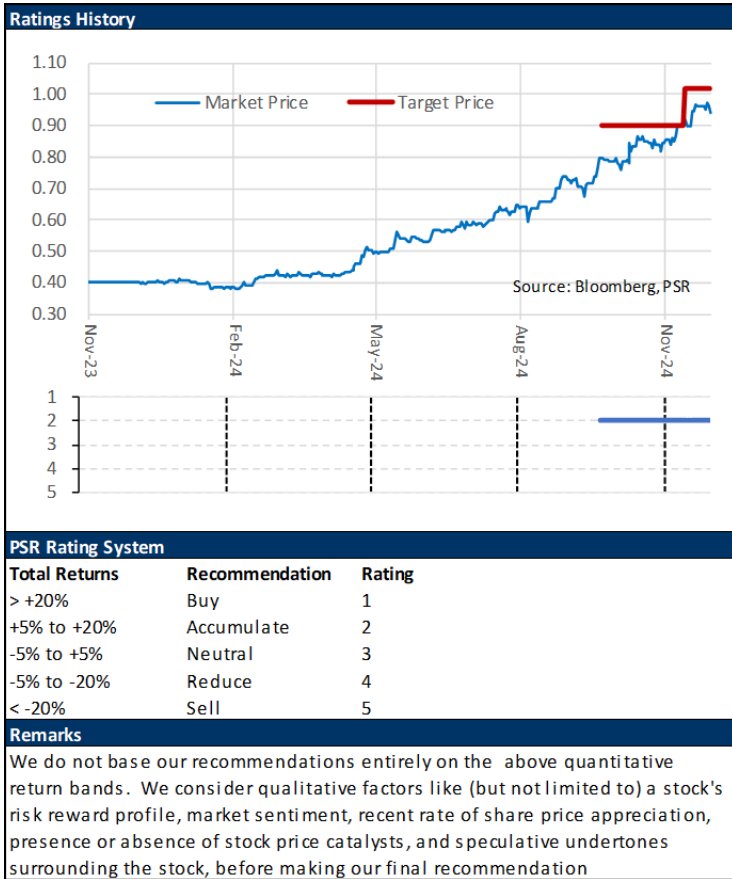
Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/E (X) - adjusted	6.0	4.9	4.9	6.5	5.7
P/B (X)	0.4	0.4	0.4	0.7	0.7
EV/EBITDA (X)	11.3	8.3	7.5	7.9	7.4
Dividend Yield	1.5%	3.0%	6.2%	4.1%	4.1%

Growth & Margins

Growth					
Revenue	11.4%	26.2%	14.8%	18.8%	6.3%
EBITDA	13.2%	27.3%	19.7%	19.7%	5.8%
EBIT	7.0%	22.3%	25.6%	17.7%	5.9%
Net profit, adj	12.5%	22.8%	21.3%	36.0%	13.6%
Margins					
Gross margin	65.9%	68.5%	72.4%	73.0%	73.0%
EBITDA margin	59.4%	59.9%	62.4%	62.9%	62.6%
EBIT margin	58.5%	56.7%	62.1%	61.5%	61.2%
Net profit margin, adj	32.5%	31.6%	33.4%	38.2%	40.8%

Key Ratios

ROE	7.8%	10.3%	19.4%	10.6%	11.6%
ROA	3.3%	4.6%	9.4%	5.3%	5.8%
Net Gearing (%)	97.5%	84.0%	66.9%	61.8%	60.4%
Net Debt/EBITDA (X)	7.8	5.5	4.5	3.6	3.4



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