

6 March 2019

Property | Real Estate

## Centurion Corp (CENT SP)

**Neutral** (Maintained)

### Absence Of Tuas Revenue Cuts Core Net Profit

Target Price (Return)	SGD0.41 (-4%)
Price:	SGD0.425
Market Cap:	USD264m
Avg Daily Turnover (SGD/USD)	0.1m/0.1m

- Maintain NEUTRAL and DCF-backed TP of SGD0.41, 4% downside.** FY18 revenue was SGD120.1m (-12% YoY), due to the lease expiry of Tuas. The drop was partially cushioned by better performance of Malaysia's workers accommodation (PBWA), ASPRI-Westlite Papan PBWA, and the UK student accommodation (PBSA). As a result, core NPAT decreased by 20% for the year to SGD 39.6m.
- Net profit surged 124% due to one-off fair value gains of SGD 48.6m,** mainly derived from the UK student accommodation portfolio. Excluding one-off items, the group registered a drop in core net profit of SGD 39.6m (-20% YoY), due to the absence of Tuas revenue. Net profit was also impacted due to higher finance expenses on higher interest rates and additional borrowings. Due to the absence of Tuas, gross profit margin improved from 69% in FY17 to 72% in FY18, as it had contributed to a lower gross profit margin.
- What to look forward in 2019?** We are expecting 7,248 additional beds to add to the group's revenue this year. With 6,600 beds coming from Bukit Minyak PBWA, 280 beds from Dwell East End Adelaide PBSA, 160 beds for RMIT Village AEP PBSA, and 208 beds for Dwell Dongdaemun PBSA in Korea. We believe it will take about 6-9 months to ramp up occupancy rates. Lower rental rate is also expected for Dwell Dongdaemun to entice potential students to stay with Centurion, as it is the group's first PBSA in Korea.
- Next leg of growth.** We believe that the next leg of growth would come from the ability to size up its second student accommodation fund portfolio. With an aggregate committed capital of SGD70m and merely SGD8.8m drawdown, the group is armed with capital to finance its acquisitions. The asset-light business model helps Centurion to enlarge its asset base while maintaining current capital structure.
- Maintain NEUTRAL.** We believe it will take some time for new accommodation to ramp up performance, and also identify yield accretive assets for the fund. Key downside risks are low occupancy, weakness in rental rates, changes in government regulations and unsustainable capital structure. The converse represents the upside risks.

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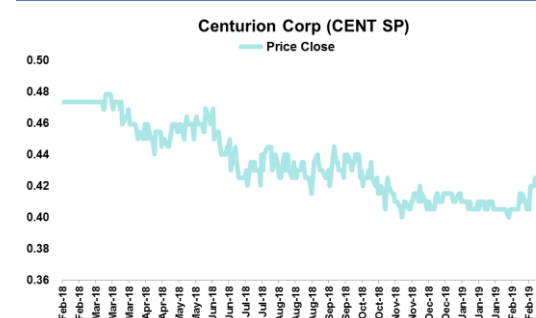


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.4	4.9	3.7	(1.2)	(13.2)
Relative	(3.0)	3.4	1.2	(3.6)	(7.3)
52-wk Price low/high (SGD)	0.40 – 0.50				



Source: Bloomberg

Forecasts and Valuations	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (SGDm)	137.1	120.1	128.8	134.1	139.5
Recurring net profit (SGDm)	49.4	39.6	40.9	43.1	45.3
Recurring net profit growth (%)	28.9%	-19.9%	3.4%	5.2%	5.1%
Recurring P/E (x)	7.2	9.0	8.7	8.3	7.9
P/BV (x)	0.8	0.7	0.7	0.6	0.6
P/CF (x)	5.4	5.3	6.8	4.4	4.3
Dividend Yield (%)	5.9	4.7	4.7	4.7	4.7
EV/EBITDA (x)	12.3	14.0	13.7	13.1	12.5
ROE (%)	10.7%	7.8%	7.8%	7.9%	8.0%
Net debt to equity (%)	124.6	133.2	131.0	123.5	115.8
Interest coverage (x)	3.3	3.0	3.1	3.3	3.4

Source: Company data, RHB

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