Singapore Results Review

14 November 2019

Property | Real Estate

Centurion Corp (CENT SP)

Neutral (Maintained)

9M19 Results In Line; Stay NEUTRAL

Target Price	SGD0.43 (+2%)
Price:	SGD0.42
Market Cap:	USD259m
Avg Daily Turnover	0.05m/0.04m

- **Maintain NEUTRAL, DCF-based TP of SGD0.43,** 2% upside with 5% FY20F yield. Centurion's 3Q19 revenue grew 17% YoY to SGD33.1m, mainly on newly-added properties – dwell East End Adelaide in Australia and Westlite Juniper in Singapore. It was further boosted by higher occupancy rates from Singapore PBWA and an additional 160 beds for RMIT Village. Gross profit and earnings grew 17% and 19% YoY to SGD23.2m and SGD10.2m.
- **Results in line.** 9M19 revenue and PATMI were at SGD97.3m (+10% YoY) and SGD26.9m (+3% YoY), in line with our estimates, and at 75% and 79% of our respective full-year forecasts. The growth came from new properties – dwell East End Adelaide, dwell Princess Street and Westlite Juniper, as well as improved rental rates in the group's UK assets.
- **Improvement in purpose-built worker accommodation (PBWA) occupancy rate.** In Singapore, the demand for PBWAs remains constant – with demand exceeding supply by 120,000-150,000 beds. The stable demand has helped Centurion to achieve an average occupancy rate of 97.4% for 9M19 across its five PBWAs in Singapore, up from 96.9% in 1H19. In Malaysia, the improvement in average occupancy rate (excluding Westlite Bukit Minyak) has been encouraging, growing to 91.2% for 9M19, from 90.2% in 1H19.
- **Healthy occupancy rate for student accommodation assets.** Despite the uncertainty surrounding Brexit, the performance of its UK purpose-built student accommodation (PBSA) projects remain remarkable, achieving an occupancy rate of 91% for 9M19. According to Knight Frank projections, domestic demand for higher education is expected to rise over the long term in the UK. Demand for education from international students is expected to grow in tandem, as the UK Government recently announced it will issue 2-year post-study visas for international students.

  dwell East Adelaide, completed earlier this year, achieved an occupancy rate of 93.9% in 3Q19 (+14.4% QoQ). RMIT Village's occupancy rate was 89.8%.
- **Lower contributions from JV and associates.** Centurion recorded a lower contribution from the US Student Housing Fund on the back of lower occupancy rates – as there was a drop in international student numbers in the US. There was also an increase in the supply of student housing. Going forward, the group expects greater challenges, and the manager is actively working with the operator to address issues concerning occupancy rates.
- **Stay NEUTRAL.** We like Centurion as a defensive play, while its recurring income providers a buffer from any earnings downside. However, we think that this counter is fairly priced, in view of the size of its accommodation assets portfolio.

Forecasts and Valuations	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (SGDm)	137.1	120.1	129.5	136.9	139.0
Recurring net profit (SGDm)	38.6	34.3	34.0	36.5	36.7
Recurring net profit growth (%)	28.9%	-11.1%	-0.9%	7.5%	0.5%
Recurring P/E (x)	7.0	10.0	10.1	9.4	9.4
P/BV (x)	0.7	0.7	0.6	0.6	0.6
P/CF (x)	5.2	5.1	5.2	4.1	4.1
Dividend Yield (%)	6.1	4.9	4.9	4.9	4.9
EV/EBITDA (x)	12.1	13.8	12.7	12.0	11.8
ROE (%)	8.3%	6.8%	6.5%	6.7%	6.5%
Net debt to equity (%)	124.6	133.2	129.6	122.4	115.9
Interest coverage (x)	3.3	3.0	2.7	2.8	2.8

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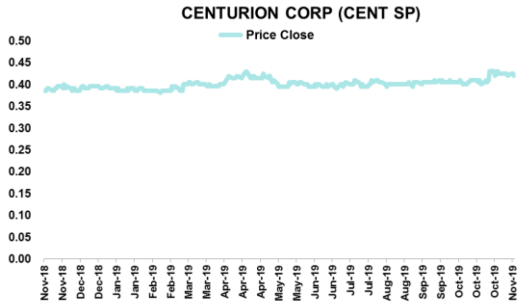
Share Performance (%)

	YTD	1m	3m	6m	12
Absolute	1.2	2.4	2.4	2.4	5.
Relative	(4.4)	(1.6)	(0.6)	2.2	(1.
52-wk Price low/high (SGD)					0.40 – 0.4



Source: Bloomberg

Figure 1: 3QFY19 results

SGDm	3QFY19	3QFY18	YoY +/- %	9MFY19	9MFY18	YoY +/- %
Revenue	33.1	28.3	17.2%	97.3	88.7	9.7%
Gross Profit	23.2	19.8	17.2%	70.2	63.4	10.8%
Gross Profit Margin	70.1%	70.1%		72.1%	71.4%	
EBIT	19.3	16.2	19.4%	58.1	53.2	9.2%
Finance Expenses	-7.2	-6.0	20.4%	-21.7	-17.3	25.2%
PATMI	8.8	7.3	20.6%	26.9	26.2	2.6%
PATMI Margin	26.6%	25.9%		27.6%	29.5%	

Source: Company data, RHB

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