

Centurion Corp (CENT SP)

Property - Real Estate

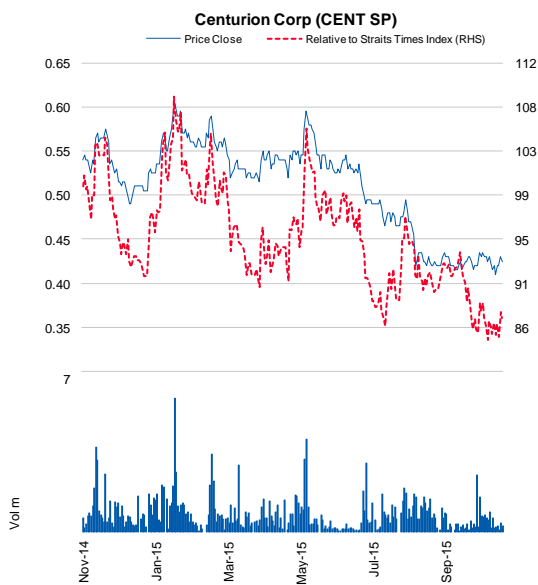
Market Cap: USD227m

Buy (Maintained)

 Target Price: **SGD0.57**

 Price: **SGD0.43**

Occupancy Levels Stable

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (SGD/USD)	0.29m/0.21m
Cons. Upside (%)	44.2
Upside (%)	32.6
52-wk Price low/high (SGD)	0.41 - 0.61
Free float (%)	29
Share outstanding (m)	753
Shareholders (%)	
Centurion Properties Pte Ltd	55.4
Peng Kwang Teo	7.0
ThinkPac	6.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(15.9)	0.0	(8.6)	(22.0)	(21.3)
Relative	(5.4)	(3.9)	(2.8)	(9.0)	(12.8)

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3Q15 earnings were in line with estimates, with topline growing 18% YoY, while NPAT fell 7% YoY mainly due to the school break in the UK and higher interest costs from its SGD65m medium-term notes. Maintain BUY with a lower DCF-backed SGD0.57 TP (from SGD0.65, 33% upside). Core operating businesses continue to remain strong on both the student and workers' accommodation front.

- ◆ **Singapore dormitory portfolio remains resilient.** Despite the increase in supply of dormitory beds across the country, Centurion Corporation's (Centurion) dormitories are still at near full occupancy. Westlite Woodlands was completed in July, resulting in an additional 4,100 beds to its portfolio. In view of the weakened oil and gas sectors, management expects occupancy ramp-up to take a longer time than previously expected. Having said that, strategic characteristics of the company's various accommodations, such as its location and dormitory design, are expected to continue to support occupancies in the near term.
- ◆ **Student accommodation provides stability.** Leveraging on its expertise in the accommodation business, student accommodation operations in Australia and the United Kingdom would continue to sustain growth and provide stability to its earnings. The major refurbishment of Centurion Student Living (CSL) Selegie, coupled with commercial spaces to cater to student's evolving needs, ought to position it well to capture Singapore's student accommodation scene in the near future.
- ◆ **Accommodation pipeline to contribute to higher earnings.** With 27,600 beds in Singapore and 19,800 beds in Johor as at 30 Sep 15, the company would have an additional 10,000 beds added to its portfolio in FY16. This is expected to contribute to FY16 earnings growth.
- ◆ **Maintain BUY**, as we remain positive on the counter. However, with the expected additional supply coming into the market in 2016, and stiffer competition in the local dormitory market, we have lowered our terminal growth rate to 0.5% (from 1%), resulting in a lower DCF-backed SGD0.57 TP.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (SGDm)	66	84	95	113	116
Reported net profit (SGDm)	92	112	36	43	44
Recurring net profit (SGDm)	18.8	31.1	36.2	42.6	44.2
Recurring net profit growth (%)	98.5	65.1	16.3	17.6	3.8
Recurring EPS (SGD)	0.02	0.04	0.05	0.06	0.06
DPS (SGD)	0.01	0.02	0.01	0.01	0.01
Recurring P/E (x)	17.0	10.3	8.9	7.5	7.3
P/B (x)	1.10	0.82	0.76	0.69	0.64
P/CF (x)	10.9	4.2	10.6	4.9	5.2
Dividend Yield (%)	1.4	3.5	2.4	2.4	2.4
EV/EBITDA (x)	15.5	14.4	13.7	12.7	14.1
Return on average equity (%)	46.2	32.7	8.9	9.6	9.1
Net debt to equity (%)	48.4	94.1	107.1	109.3	111.7
Our vs consensus EPS (adjusted) (%)			(13.0)	0.0	0.0

Source: Company data, RHB

Figure 1: 3Q15 Results summary

FYE Dec (SGDm)	2Q15	3Q14	3Q15	QoQ (%)	YoY (%)	Comments
Revenue	26.4	20.9	24.6	(6.9)	17.6	This positive growth stemmed largely from the student accommodation in the UK as well as expanded bed capacities and higher rental rates in its workers accommodation portfolio.
EBITDA	17.0	14.2	15.3	(9.8)	7.9	
<i>EBITDA margin</i>	<i>64%</i>	<i>68%</i>	<i>62%</i>			
Depreciation and amortisation	(1.9)	(1.7)	(1.7)	(10.8)	(0.1)	
EBIT	15.1	12.5	13.6	(9.6)	8.9	
<i>EBIT margin</i>	<i>57.1%</i>	<i>59.8%</i>	<i>55.4%</i>			Margins fell as expected due to summer holidays in UK.
Net finance cost	(2.8)	(2.7)	(4.3)	55.9	61.5	Finance costs increased mainly due to the UK student accommodation business and Westlite Woodlands which received its temporary occupation permit in Jul 15.
Pretax profit	12.3	9.8	9.3	(24.5)	(5.4)	
<i>Pretax margin</i>	<i>47%</i>	<i>47%</i>	<i>38%</i>			
Tax	(2.5)	(1.9)	(1.9)	(21.9)	1.3	
<i>Effective tax rate (%)</i>	<i>-20%</i>	<i>-19%</i>	<i>-21%</i>			
Net profit	9.8	7.9	7.4	(25.1)	(7.0)	The decline is due to cyclical operational cost in UK and higher financing cost.
<i>Net margin</i>	<i>37%</i>	<i>38%</i>	<i>30%</i>			

Source: RHB estimates

Financial Exhibits

Profit & Loss (SGDm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	66	84	95	113	116
Cost of sales	(32)	(29)	(32)	(38)	(39)
Gross profit	35	56	63	75	78
Gen & admin expenses	(12)	(14)	(15)	(17)	(18)
Selling expenses	(2)	(1)	(2)	(2)	(2)
Other operating costs	1	1	3	3	3
Operating profit	22	41	49	58	60
Operating EBITDA	30	48	57	65	63
Depreciation of fixed assets	(8)	(7)	(7)	(7)	(3)
Operating EBIT	22	41	49	58	60
Net income from investments	3	6	6	7	8
Interest expense	(3)	(9)	(13)	(15)	(16)
Exceptional income - net	73	80	-	-	-
Pre-tax profit	96	118	43	50	52
Taxation	(4)	(7)	(7)	(8)	(8)
Profit after tax & minorities	92	112	36	43	44
Reported net profit	92	112	36	43	44
Recurring net profit	19	31	36	43	44

Source: Company data, RHB

Cash flow (SGDm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	22	41	49	58	60
Depreciation & amortisation	8	7	7	7	3
Change in working capital	2	15	(26)	1	0
Other operating cash flow	1	20	6	7	7
Operating cash flow	33	83	37	74	70
Tax paid	(4)	(6)	(7)	(8)	(8)
Cash flow from operations	29	76	30	66	62
Capex	(114)	(268)	(101)	(101)	(101)
Other investing cash flow	(6)	(5)	-	-	-
Cash flow from investing activities	(120)	(273)	(101)	(101)	(101)
Dividends paid	(3)	(8)	(3)	(3)	(3)
Increase in debt	111	241	60	41	40
Other financing cash flow	(12)	(17)	(14)	(15)	(15)
Cash flow from financing activities	96	216	43	23	22
Cash at beginning of period	41	44	63	37	25
Total cash generated	4	19	(28)	(12)	(17)
Forex effects	(1)	(0)	1	(0)	(0)
Implied cash at end of period	45	63	36	24	8

Source: Company data, RHB

Financial Exhibits

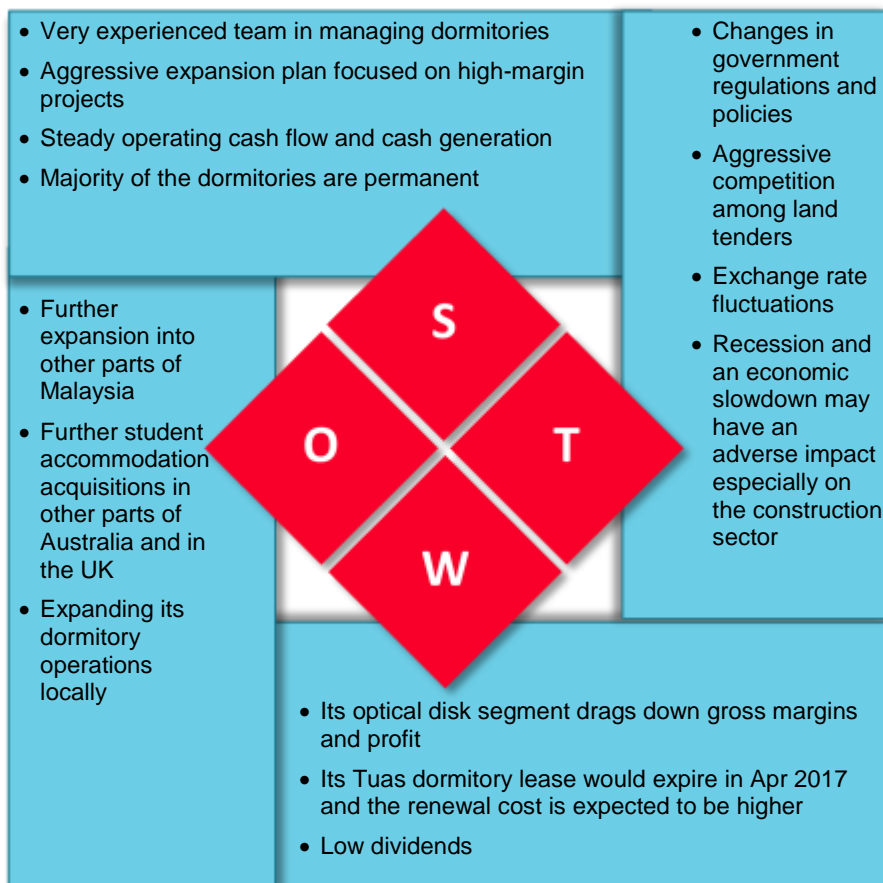
Balance Sheet (SGDm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	44	63	37	25	8
Inventories	1	1	1	1	1
Accounts receivable	11	5	16	19	20
Other current assets	11	14	14	14	14
Total current assets	68	82	67	59	42
Total investments	425	773	873	973	1,073
Tangible fixed assets	6	6	5	5	3
Intangible assets	17	12	6	1	1
Total other assets	0	0	0	0	0
Total non-current assets	448	791	885	979	1,078
Total assets	516	874	952	1,038	1,120
Short-term debt	17	23	23	23	23
Accounts payable	26	41	26	31	32
Other current liabilities	7	7	7	7	7
Total current liabilities	50	71	57	61	62
Total long-term debt	169	408	468	509	549
Other liabilities	4	3	3	3	3
Total non-current liabilities	173	411	471	512	552
Total liabilities	223	482	528	573	614
Share capital	89	90	90	90	90
Retained earnings reserve	191	294	327	367	408
Other reserves	12	7	7	7	7
Shareholders' equity	293	391	424	463	505
Minority interests	-	1	1	1	1
Other equity	-	0	0	0	0
Total equity	293	392	425	464	505
Total liabilities & equity	516	874	952	1,038	1,120

Source: Company data, RHB

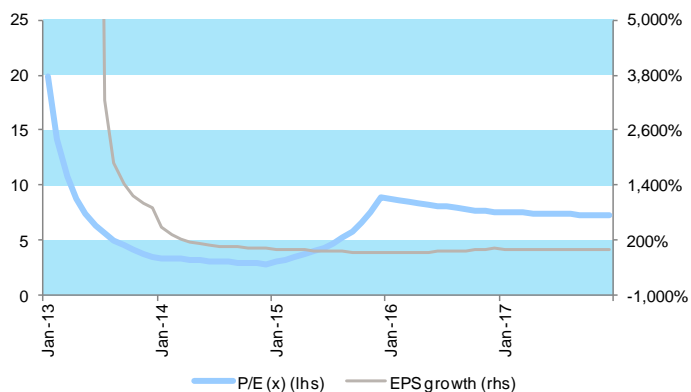
Key Ratios (SGD)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	1.8	27.1	12.6	18.5	3.3
Operating profit growth (%)	46.1	87.5	20.3	18.3	3.6
Net profit growth (%)	908.2	21.2	(67.6)	17.6	3.8
EPS growth (%)	908.2	21.2	(67.6)	17.6	3.8
BVPS growth (%)	175.8	33.4	8.5	9.3	8.9
Operating margin (%)	32.9	48.5	51.8	51.8	51.9
Net profit margin (%)	138.7	132.3	38.1	37.8	38.0
Return on average assets (%)	24.9	16.1	4.0	4.3	4.1
Return on average equity (%)	46.2	32.7	8.9	9.6	9.1
Net debt to equity (%)	48.4	94.1	107.1	109.3	111.7
DPS	0.01	0.02	0.01	0.01	0.01
Recurrent cash flow per share	0.04	0.10	0.04	0.09	0.08

Source: Company data, RHB

SWOT Analysis

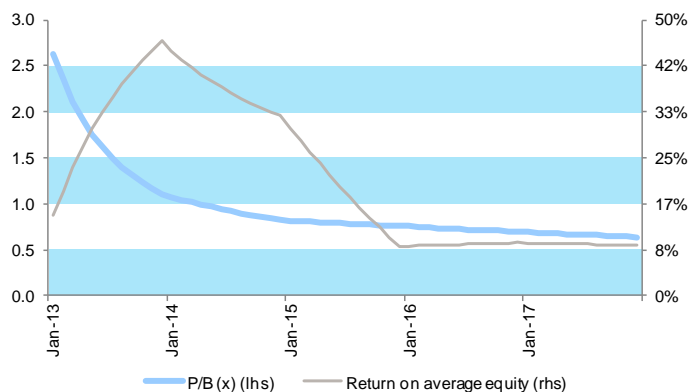


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Centurion Corporation is the only listed dormitory operator in Singapore. Upon completion of upgrading and development works, the group's accommodation portfolio will grow to a total of about 54,000 beds. It has also recently ventured into the student accommodation business via the acquisition of RMIT Village.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-13	Buy	0.65	0.48
2015-02-27	Buy	0.75	0.57
2014-12-24	Buy	0.83	0.51
2014-11-14	Buy	0.89	0.54
2014-08-15	Buy	0.89	0.68
2014-07-17	Buy	0.91	0.73
2014-05-12	Buy	0.88	0.75
2014-04-23	Buy	0.88	0.73
2014-03-06	Buy	0.82	0.65
2014-03-05	Buy	0.82	0.61

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

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Neutral: Share price may fall within the range of +/- 10% over the next 12 months

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