

Centurion Corporation Limited

Lease Extension For Westlite Tuas

SINGAPORE | REAL ESTATE | UPDATE

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What is in the news?

Centurion Corporation Limited has been offered by the Ministry of National Development to extend the lease of Westlite Tuas for 9 months from 29 April 2017, being the expiration date of the existing lease.

How do we view this?

The 9 months short term extension will expire on 29 January 2018 with no certainty of a renewal. We estimate the Westlite Tuas generates a quarterly gross revenue of c.SGD6mn per quarter so we have revised our FY17F revenue from SGD113mn to SGD131mn to reflect the additional three quarters of contribution by Westlite Tuas. Previously we had assumed that the lease of Westlite Tuas will not be renewed so an extension of lease is a bonus to Centurion. Therefore we do not rule out a special dividend this year as we estimate the 9 months lease extension for Westlite Tuas would add c.SGD7mn to net profit.

However, Centurion has a high Net Debt to Equity of 145% as of 4Q16 (4Q14 Net Debt to Equity was 94%) which would make its earnings vulnerable to higher interest rates. We estimate that c.70% of its borrowings are in Singapore Dollars. But the low SIBOR and SOR rates, despite pressure from rising Fed Fund rates, could help Centurion keep its cost of debt stable at c.3% and interest coverage ratio c.3x in FY17F. We assume that Centurion will not be making big ticket investments in FY17 and would focus on repaying debt and improve dividends.

Maintain “Accumulate” rating with an unchanged price of SGD0.420. Owing to the short extension of 9 months for Westlite Tuas, we do not see a meaningful impact to our DCF model hence the share price remains unchanged.

Accumulate (Maintain)

LAST TRADED PRICE	SGD 0.395
FORECAST DIV	SGD 0.025
TARGET PRICE	SGD 0.420
TOTAL RETURN	12.66%

COMPANY DATA

O/S SHARES (MN) :	740
MARKET CAP (USD mn / SGD mn) :	207 / 292
52 - WK HI/LO (SGD) :	0.43 / 0.31
3M Average Daily T/O (mn) :	0.42

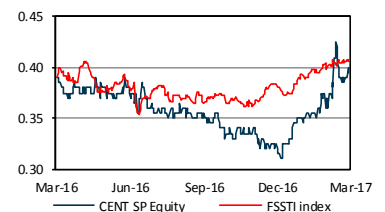
MAJOR SHAREHOLDERS (%)

Centurion Properties Pte Ltd	52.55%
Peng Kwang Teo	7.62%
Lian Beng Group Ltd	5.14%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	8.1	23.1	8.2
STI RETURN	2.37	6.88	14.79

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17F	FY 18F
Revenue (SGD mn)	105	120	131	112
NPAT (SGD mn)	34	35	44	36
EPS (Cents)	4.51	3.89	5.74	4.68
P/E (x)	8.6	8.5	6.9	8.4
P/B (x)	0.7	0.6	0.7	0.6
DPS (Cents)	1.50	2.01	2.50	2.50
Dividend Yield (%)	3.6	4.8	6.3	6.3

Source: Bloomberg

Valuation Method: DCF

(WACC: 6%, Terminal Growth Rate: 1.5%)

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Financials

Income Statement

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17F	FY18F
Revenue	86,283	104,538	120,288	131,143	112,049
Cost of Sales	30,256	36,202	41,885	45,214	39,719
Gross Profit	56,027	68,336	78,403	85,929	72,329
Other gains - miscellaneous	926	1,549	2,041	1,471	1,621
Expenses	25,081	37,172	40,862	38,812	37,341
- Distribution	1,439	1,470	1,313	1,279	1,138
- Administration	14,730	19,762	18,166	17,955	16,347
- Finance	8,912	15,940	21,383	19,578	19,856
Share of profit of assoc. co. and JV	45,332	5,986	5,398	6,222	6,284
Fair value gains of group's inv. prop.	40,308	3,550	-3,121	-2,416	-137
Profit Before Tax	117,512	42,249	41,859	52,394	42,756
Taxation	6,502	8,270	7,048	8,800	6,955
Total Profit	111,010	33,979	34,811	43,595	35,800
Total Profit from Core Operations	31,119	35,586	38,362	46,011	35,937

Per share data (SG Cents)

Y/E Dec, SG Cents	FY14	FY15	FY16	FY17F	FY18F
EPS, reported	14.70	4.51	3.89	5.74	4.68
EPS, diluted	14.41	4.49	3.89	5.74	4.68
DPS	1.10	1.50	2.01	2.50	2.50
BVPS	51.73	53.59	53.99	57.77	60.89

Cashflow Statements (SGD mn)

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17F	FY18F
CFO					
Net Profit	111,150	33,979	34,811	43,595	35,800
Depreciation & Amortisation	6,895	7,230	7,981	5,434	4,258
Others	-75,833	19,214	25,397	23,951	19,833
WC changes	7,767	560	8,253	6,550	180
Cash generated from ops	49,979	60,983	76,442	79,530	60,073
Taxes paid, net	-6,450	-6,459	-7,018	-9,061	-6,987
Cashflow from operations	43,529	54,524	69,424	70,469	53,085
CFI					
CAPEX, net	-267,659	-195,862	-98,897	-3,981	-4,021
Loan repaid by / (disbursed to) JV, assoc co.	-668	-450	-142	0	0
Dividend and Interest received	13,970	5,018	12,606	13,827	14,038
Others	-3,200	-19	1,722	0	0
Cashflow from investments	-257,557	-191,313	-84,711	9,847	10,017
CFF					
Loans, net of repayments and interest paid	232,596	170,482	-23,287	-71,544	-29,200
Dividends	-8,325	-11,353	-14,876	-19,394	-19,456
Share buyback	0	-2,107	-4,391	0	0
Loans provided by NCI and associate co.	5,100	56,180	4,900	0	0
Others	405	-84	0	0	0
Cashflow from financing	229,776	213,118	-37,909	-90,938	-48,656
Effect of FX fluctuations on cash held	-182	-1,057	-1,212	0	0
Net change in cash	15,566	75,272	-54,408	-10,623	14,447
CCE, end	59,116	134,388	79,980	69,357	83,804

Source: Company, Phillip Securities Research (Singapore) Estimates

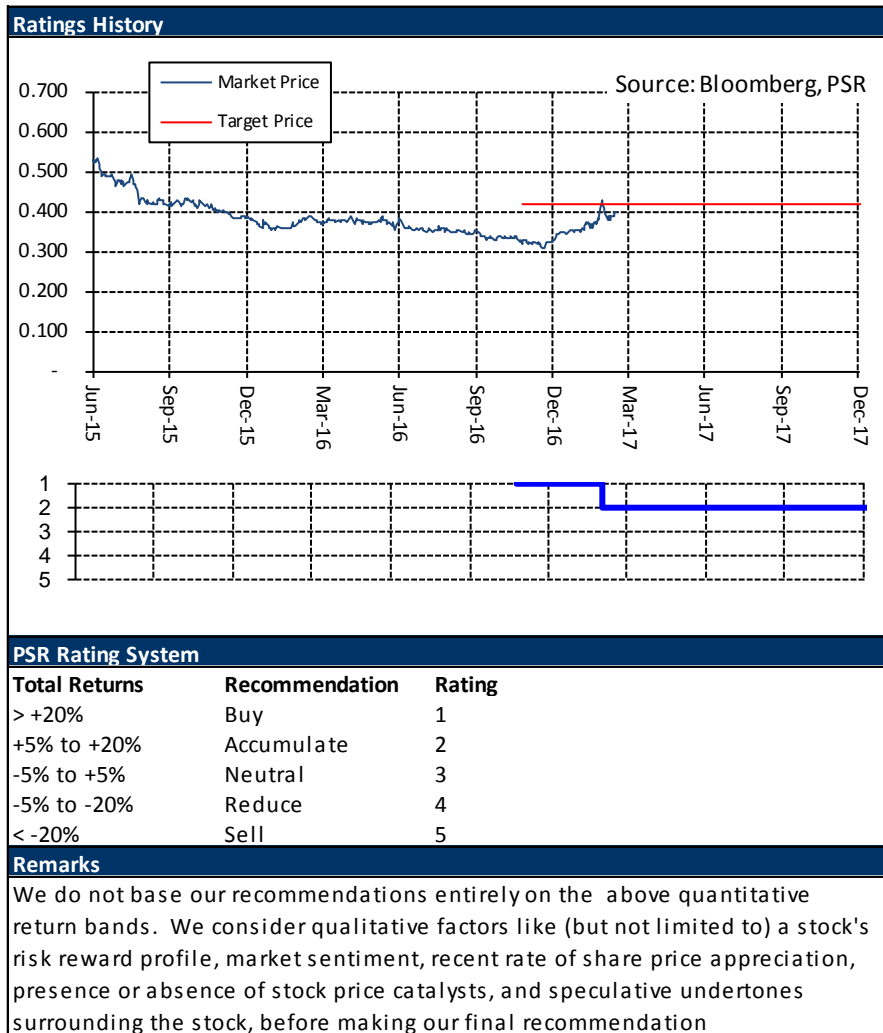
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17F	FY18F
Trade and other receivables	604	148	0	0	0
Other assets	265	265	130	130	130
Available-for-sale financial assets	2,314	2,196	0	0	0
Investments in assoc.co. / JV	85,789	83,097	77,236	82,590	83,032
Investments in subsidiaries	0	0	0	0	0
Investment properties	684,437	891,471	927,406	924,990	924,853
PPE	6,385	9,709	9,268	9,506	8,578
Deferred income tax assets	60	19	4	4	4
Intangible assets	11,733	6,793	1,854	207	207
Non-current assets	791,587	993,698	1,015,898	1,017,427	1,016,804
Cash and cash equivalents	63,144	138,435	82,545	69,357	83,804
Trade and other receivables	4,993	5,659	6,499	5,886	5,888
Inventories	643	381	103	144	150
Other assets	13,666	3,819	5,140	0	0
Assets held for sales	0	45	7,375	0	0
Current assets	82,446	148,339	103,836	75,387	89,841
Total Assets	874,033	1,142,037	1,119,734	1,092,814	1,106,645
Trade and other payables	40,545	55,510	48,068	47,230	47,042
Current income tax liabilities	7,064	9,454	7,398	7,543	7,811
Current Borrowings	23,379	133,304	39,604	36,488	35,927
Other liabilities	0	0	0	0	0
Current liabilities	70,988	198,268	95,069	91,260	90,780
Non-current Borrowings	408,081	538,289	620,794	571,945	563,161
Other liabilities	276	202	500	535	538
Deferred income tax liabilities	3,128	2,382	1,343	1,604	1,636
Non-current liabilities	411,485	540,873	622,637	574,084	565,335
Total Liabilities	482,473	739,141	717,706	665,344	656,116
Equity attributable to owners of the Co.,	390,630	402,116	392,598	420,124	443,538
Non-controlling interests	930	780	6,884	7,108	7,347
Total equity	391,560	402,896	399,482	413,016	436,191

Valuation Ratios

Y/E Dec, SGD'000	FY14	FY15	FY16	FY17F	FY18F
P/E (X)	3.4	8.6	8.5	6.9	8.4
P/B (X)	1.0	0.7	0.6	0.7	0.6
Growth & Margins (%)					
Growth					
Revenue	30.0%	21.2%	15.1%	9.0%	15.1%
PATMI, adj.	153.7%	-56.9%	-5.3%	46.7%	-18.5%
Margins					
PATMI margin, adj.	82.2%	29.3%	24.1%	32.4%	30.9%
Operating profit margin	36.9%	31.3%	32.9%	37.0%	32.7%
Key Ratios					
ROE	28.4%	8.4%	8.7%	10.6%	8.2%
ROA	12.7%	3.0%	3.1%	4.0%	3.2%
Dividend Payout ratio	7.5%	33.3%	51.4%	43.6%	53.5%
Dividend Yield	2.8%	3.8%	5.1%	6.3%	6.3%



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