



# Centurion Corporation Limited

## 1H 2020 Financial Results

12 August 2020



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# CONTENTS

Corporate Overview

Financial Review

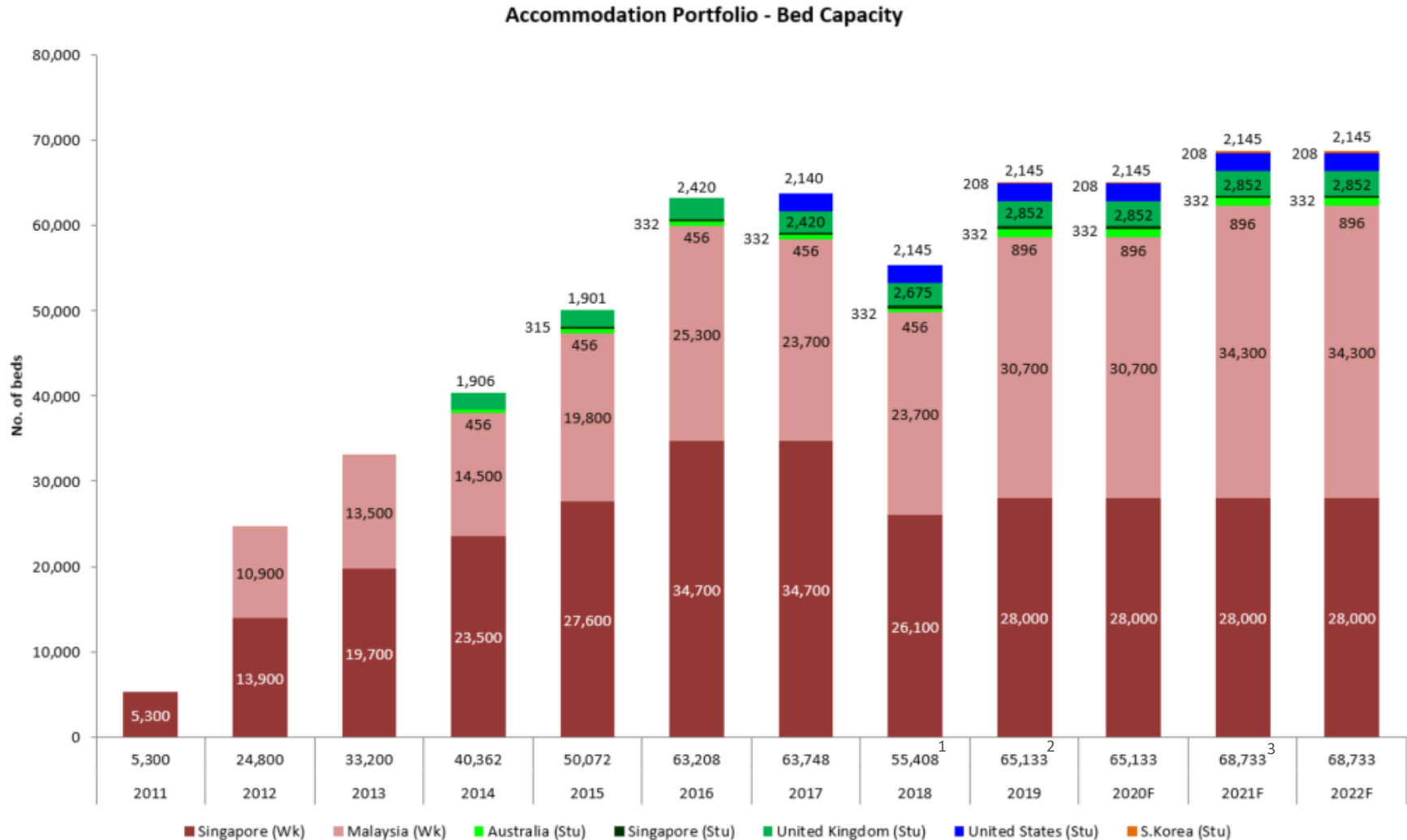
Business Review

Managing during the COVID-19 pandemic

# Key Performance Highlights

- 1H 2020 revenue is **S\$66.6m (+4%** from S\$64.2m in 1H 2019) due to:
  - Strong 1Q 2020 revenue growth of +13% (Pre Covid-19)
    - resulted from new PBWA and PBSA assets added from Group's expansion initiative in 2019
  - Revenue reverse in 2Q 2020 due to Covid-19 with decline of -5% offsetting growth expected from expansion
    - early lease termination allowed for UK student assets and low occupancy rates in Australia
  
- 1H 2020 NPAT is **S\$23.9m (+16%** from S\$20.6m in 1H 2019) mainly due to:
  - higher net revenue as mentioned above
  - higher operating costs and debt delinquencies
  - grant income received from government Covid-19 support packages
  - lower interest expense from reduced interest rate environment

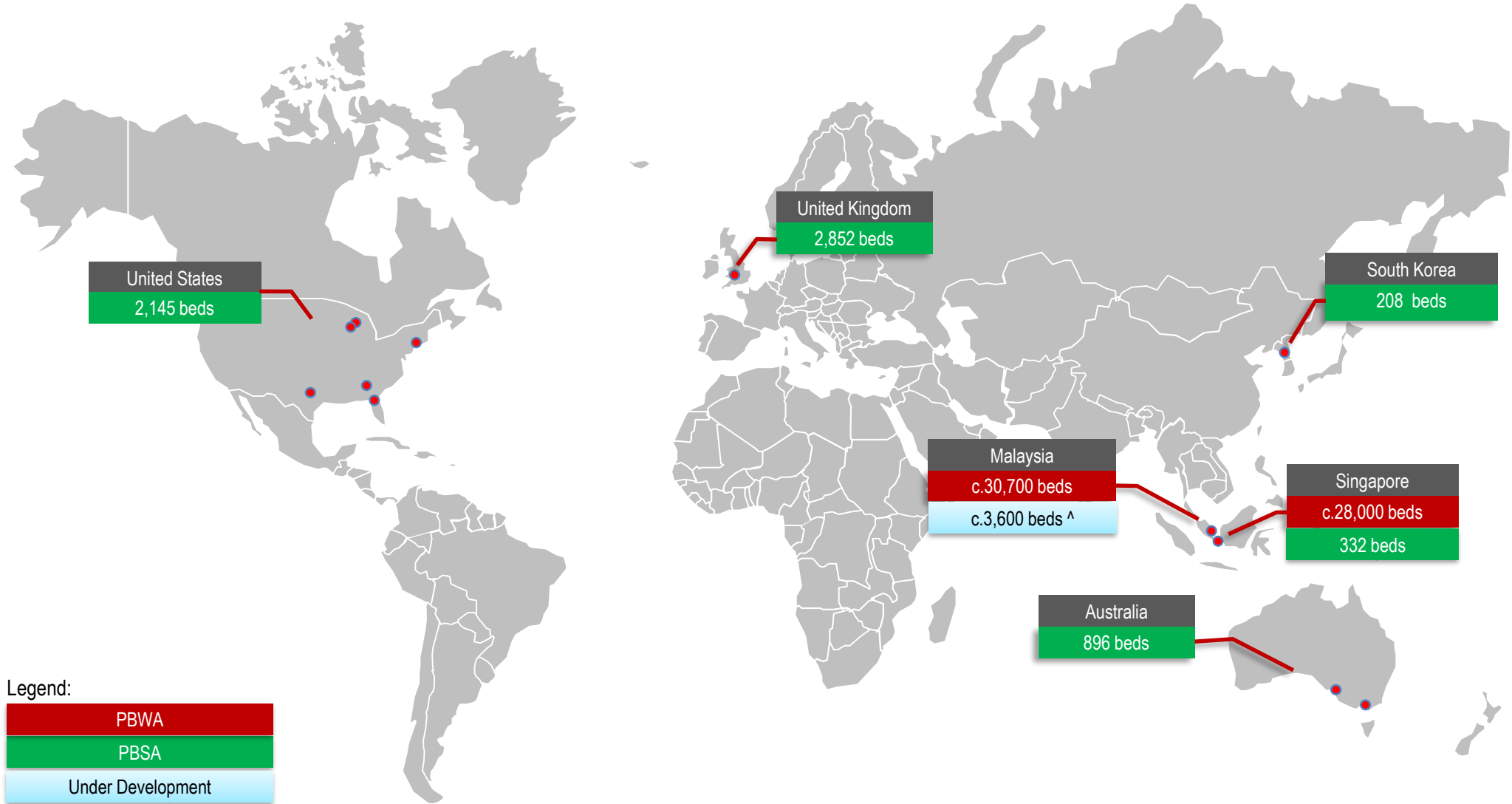
# Accommodation Growth Profile



Note:  
 1. Includes Westlite Tuas which land lease had expired as of Jan 2018 | Includes 133-bed dwell Castle Gate Haus (14.3% owned interest) which acquisition was completed on 9 Nov 2018.  
 2. Includes 177-bed dwell Archer House acquired in Dec 2019  
 3. Includes Westlite Tampoi II c.3,600 beds under development

# Diversified Business Portfolio across Geography and Asset Type

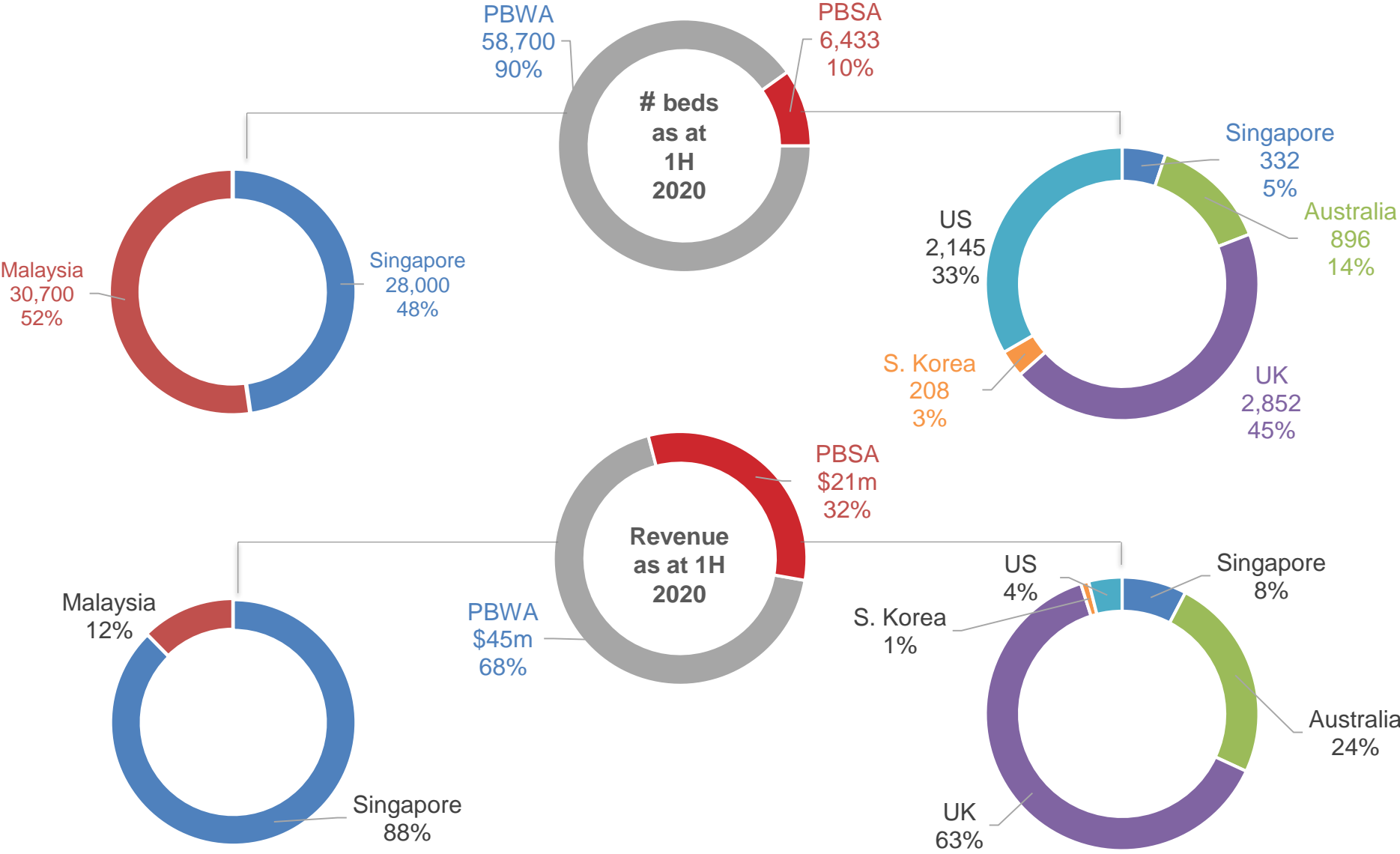
Geographic diversification across 6 countries worldwide (SG, AU, MY, UK, US, S. Korea)



^ c. 3,600 beds under Westlite Tampoi II (under development)

# Diversified Business Portfolio by Asset Type and across Geographies

Good diversification at asset class, country and asset levels







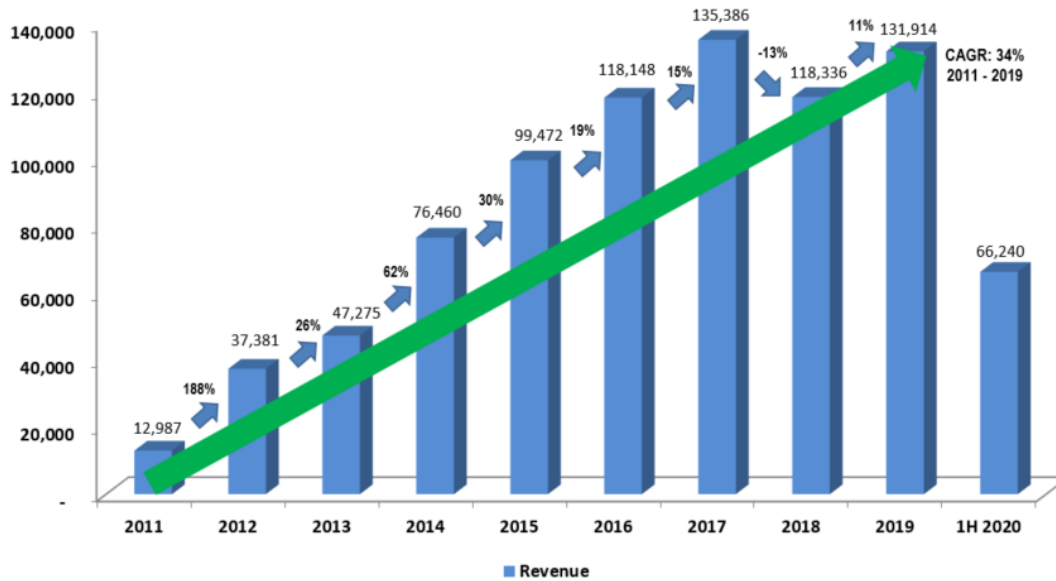
# Financial Review



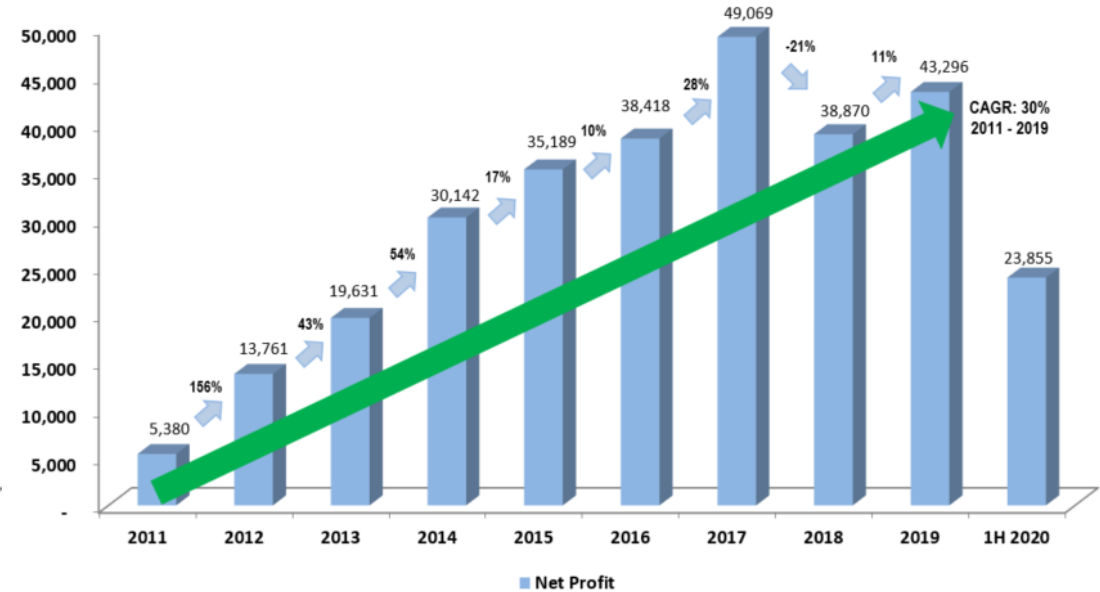


# Financial Growth of Accommodation Business

Accommodation - Revenue<sup>1</sup> (\$S'000)



Accommodation - Net Profit<sup>1</sup> (\$S'000)



Note:

1. From core business operations

# Financial Overview

S\$'000	1H 2020	1H 2019	Change
Revenue	66,590	64,192	4%
Gross Profit	48,067	46,994	2%
Gross profit margin	72%	73%	-1pp
Net Profit <sup>1</sup>	23,885	20,558	16%
Net Profit (Equity holders) <sup>2</sup>	21,005	18,067	16%
Net Profit Margin <sup>1</sup>	36%	32%	4pp

- Revenue growth in 1H 2020 mainly attributed to new properties commencing operations in 2019, namely Westlite Juniper, dwell Archer House and dwell East End Adelaide
- Partly offset by 2 months' impact from the early lease termination allowed for UK Student assets and lower occupancy in dwell Village Melbourne City from movement restrictions imposed to contain the spread of COVID-19 incurred in 2Q 2020.
- Net Profit After Tax in 1H 2020 increased due to contributions from the new properties and lower interest rates environment for borrowings.

Note:  
 1. Net Profit and Net Profit Margin arising from Profit from core business operations  
 2. Net Profit (Equity holders) = Profit from core business operations attributable to equity holders, which excludes the 49% interest in ASPRI-Westlite.

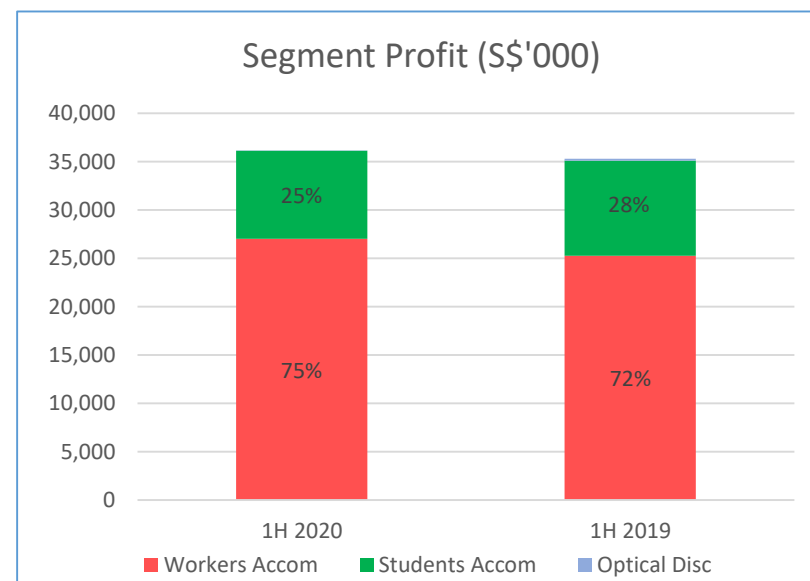
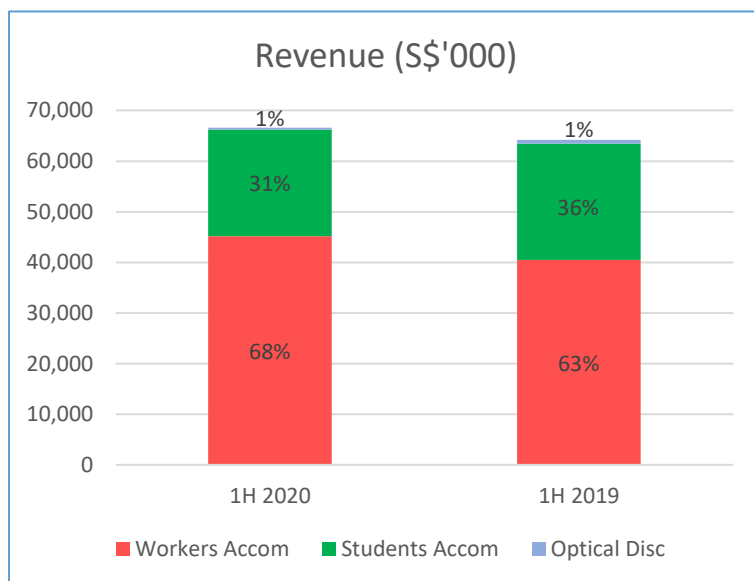
# COVID-19 impact recorded from 2Q 2020

- While 1H 2020 recorded growth in revenue and NPAT, 2Q 2020 recorded a reversal in performance, due to impact from COVID-19
  - additional operating expense, particularly in Singapore PBWA, by S\$1.3m
    - manpower costs and costs relating to COVID-19 precautionary measures
  - revenue reduction due to early termination policy extended to UK PBSA residents for AY19-20, from 1 May 2020
    - reduction in revenue is approx. GBP3.1m based on termination requests received, of which 2 months' impact of S\$2.5m was recorded in 2Q 2020
  - reduced occupancy in Australia PBSA, with a reduction in revenue of S\$0.7m
  - provision for doubtful debts of S\$1.2m, due to increase in debt delinquencies
  
- Impact from COVID-19 was cushioned by:
  - S\$1.6m from various government support schemes in various jurisdictions
  - S\$1.5m reduction in finance expenses due to reduced interest rate environment, as compared to 2Q 2019

# Segment Breakdown

## Strong Accommodation Business Results in 1H 2020

S\$'000	Accommodation						Optical Disc		
	Workers			Students					
	1H 2020	1H 2019	Change	1H 2020	1H 2019	Change	1H 2020	1H 2019	Change
Revenue	45,172	40,479	12%	21,068	22,992	-8%	350	721	-51%
Segment Profit	27,010	25,273	7%	9,125	9,825	-7%	3	195	-98%
Segment Margin	60%	62%	-2pp	43%	43%	0pp	1%	27%	-26pp



\* Segment Profit from core business operations

# Balance Sheet Highlights

S\$'000	30 Jun 2020	31 Dec 2019	Change %
Cash & Bank Balances	65,082	48,588	+ 34%
Current Assets	101,513	78,052	+ 30%
Non Current Assets	1,390,431	1,400,915	- 1%
Total Assets	1,491,944	1,478,967	+ 1%
Current Liabilities	87,897	110,106	- 20%
Non Current Liabilities	785,144	754,996	+ 4%
Total Liabilities	873,041	865,102	+ 1%
Net Assets	618,903	613,865	+ 1%
Net Gearing Ratio <sup>1</sup>	50%	51%	- 1pp

- Healthy Balance Sheet – S\$65.1m in cash and bank balances
- Cash and bank balances – increase due to net cash generated by the operating activities, loan principal moratorium as well as proceeds from borrowings
- Non Current Assets – decrease due to exchange translation on the Group's student assets in UK where the local currency has weakened against the Singapore dollar and the transfer of the industrial property in China to Assets Held for Sale
- Current Liabilities – decrease in borrowings due within 1 year due to loan principal moratorium
- Non Current Liabilities – increase due to loan principal moratorium and drawdown of borrowings
- Average long term bank debt maturity profile of 7 years
- Interest cover is well within interest cover threshold
  - 3.4 times (4.5 times excluding MTN interest, interest on lease liability and bank facility fees)

Note:

1. The net gearing ratio is computed as borrowings less cash and bank balances divided by total capital. Total capital is calculated as borrowings plus net assets of the Group.



# Key Ratios

	1H 2020	FY 2019
Earnings Per Share <sup>1</sup>	2.5¢	4.6¢
NAV per share	70.7¢	70.4¢
Share Price	36.0¢ <sup>3</sup>	44.5¢ <sup>2</sup>
Dividend	-	2.0¢
Dividend Payout Ratio	-	43.5%
Dividend Yield	-	4.5%
Market Capitalisation	S\$303m <sup>3</sup>	S\$374m <sup>2</sup>

Note:

1. Excluding one-off items
2. As at 31 December 2019
3. As at 30 June 2020



# Business Review



# COVID-19 impacted 2Q 2020: further headwinds expected due to COVID-19

- Group's PBWA and PBSA businesses have been disrupted by COVID-19.
  - pressures experienced since 2Q 2020
  - further headwinds expected and uncertainties remains
- Operations impacted across all markets
  - travel bans and movement restrictions
  - stoppage of work and university on-campus programmes
  - operational cost to manage increase due to safe living measures
- Even as pandemic management measures are relaxed, effects on local economies are increasingly being felt.
  - requests to review lease terms, pre-terminations, rental deferrals, waivers, discounts or rebates
  - temporary rent protection legislation enacted in various jurisdictions leading to rise in receivables delinquencies : expected to increase further with economic uncertainties





## Purpose Built Workers Accommodation



# Workers Accommodation – Portfolio at a glance

- **12** operating assets in SG and MY
  - 1 pipeline asset in MY, Westlite Tampoi II (3,600 beds) under development

Country	Facility	Ownership / Managed by CCL	Capacity (approx. no of beds)	Lease / Management contract tenure (no of years)	Start of lease / management contract (year)
Singapore  (1H2020 average occupancy: 98.5%)	Westlite Toh Guan	100%	7,800	60	1997
	Westlite Woodlands	100%	4,100	30	2013
	Westlite Juniper	Managed by CCL	1,900	10 + 5	2019
	ASPRI-Westlite Papan	51%	7,900	23	2015
	Westlite Mandai	45%	6,300	Freehold	
	<b>Total in Singapore</b>		<b>28,000</b>		
Malaysia  (1H2020 average occupancy: 79.5%)	Westlite Bukit Minyak	100%	6,600	Freehold	
	Westlite Senai II	100%	5,900	Freehold	
	Westlite Johor Tech Park	100%	5,800	99	2013
	Westlite Tampoi	100%	5,300	Freehold	
	Westlite Senai	100%	2,600	Freehold	
	Westlite Pasir Gudang	100%	2,000	99	1986
		Managed by CCL	400	9 (leased block)	2019
	Westlite Tebrau	100%	2,100	60	2000
	<b>Total in Malaysia</b>		<b>30,700</b>		
	<b>Total no of beds for Workers Accommodation</b>		<b>58,700</b>		

- In June 2020, Centurion secured a management service contract from JTC Corporation to manage approximately 4,200 beds across 3 sites in Singapore for a period of six months, with the option by JTC to extend for another six months. These beds are expected to be operational during the course of 3Q 2020.



# Workers Accommodation Review & Landscape



- Full economic impact of COVID-19 still to be seen, due to:
  - impact of virus control measures on employers' businesses in short to medium term
  - anticipated changes in regulatory specifications for purpose built dormitories
- Government's Circuit Breaker commenced 7 April 2020, continued through 2Q 2020
  - all worker dormitories isolated / quarantined, Migrant Worker ("MW") residents required to stay within dormitories at all times
  - the Group worked closely with the government and stakeholders, to contain the spread of COVID-19 within MW community
- All 5 Westlite Singapore PBWA now cleared, except 1 block each in 3 dormitories
  - the Group expects these final 3 blocks to be cleared by the middle of August 2020

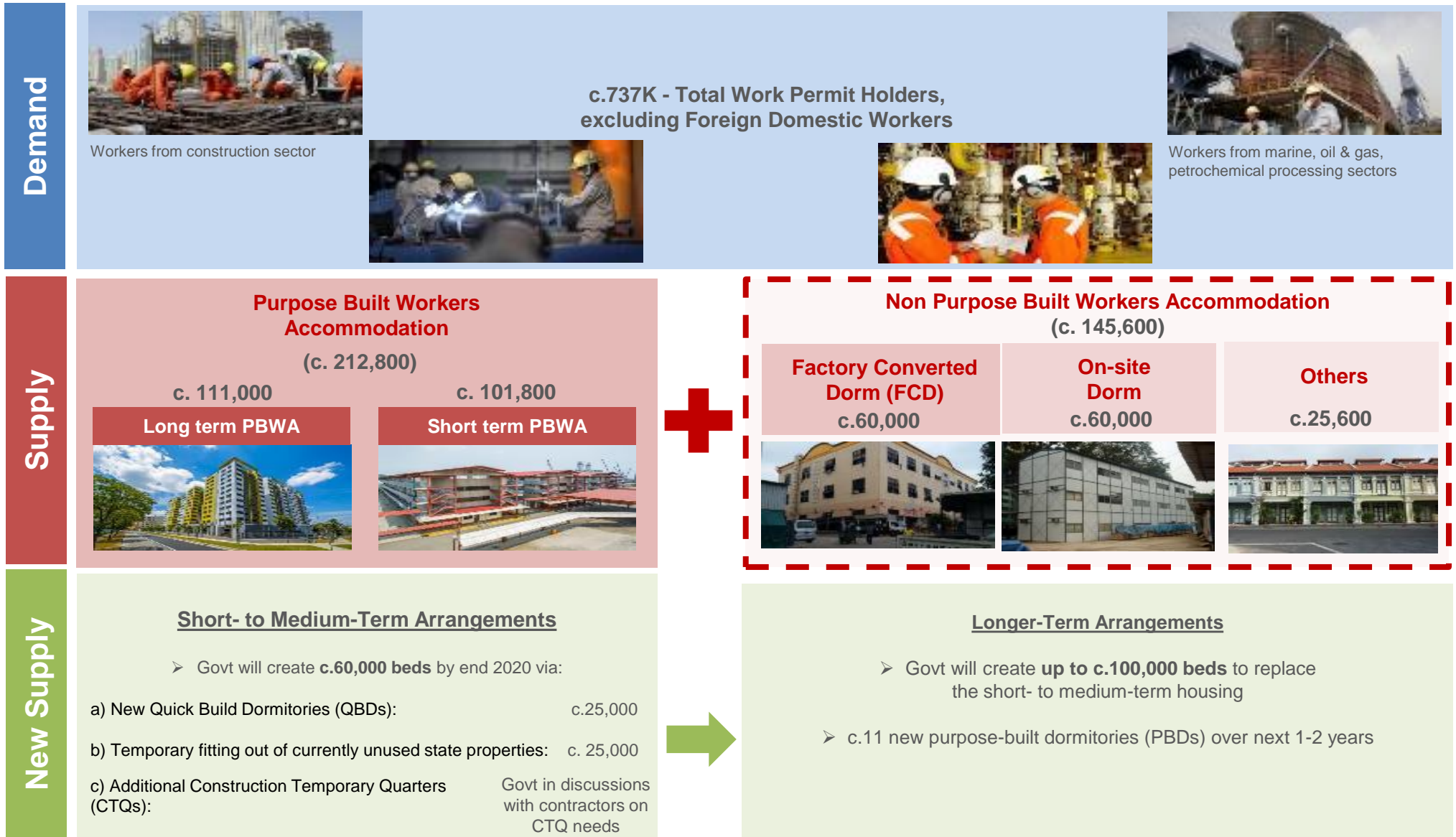
# Workers Accommodation Review & Landscape



- Employers' businesses disrupted in past months, further stressed with additional requirements for work resumption
  - pressure on workforce, accommodation needs, rental affordability and payment ability
  - safe living measures and cohorting requirements keep operating costs high for dormitories and employers
- COVID-19 outbreak has led to government review of regulatory specifications for purpose built dormitories
  - new specifications to be piloted in new temporary dormitories under development
    - will be introduced to existing dormitories in time
    - extent of impending changes and impact not clearly defined as yet
  - Centurion well-positioned to participate in opportunities arising from upcoming changes
- The Group believes demand for PBWA beds will stabilise in the long term, driven by continued demand for MW and their accommodation needs
  - government has announced plans to develop more dormitories over the next 3 years
    - temporary facilities of one to three years' terms
    - more permanent properties with longer tenure

# Workers Accommodation Landscape - SG

Expected new supply of PBWA beds due to COVID-19^



Source: Singapore Ministry of Manpower (as at Dec 2019) | \* Centurion research

^ [Joint MND-MOM Media Release on New Dormitories with Improved Standards for Migrant Workers - 1 June 2020](#)

# Workers Accommodation Review & Landscape



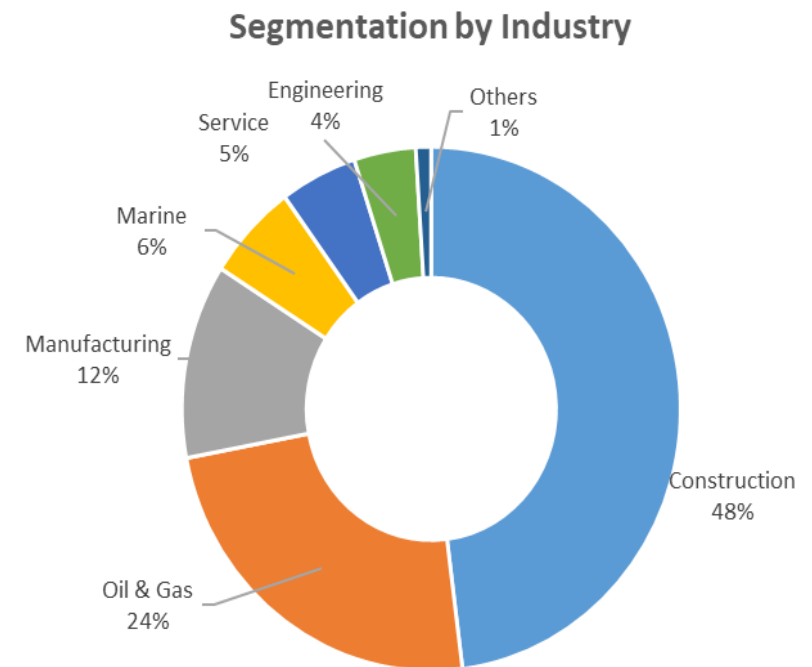
- COVID 19 outbreak has not materially impacted PBWA operations
  - no Covid-19 cases in Westlite dormitories
  - Westlite Bukit Minyak, in ramp up stage when federal Movement Control Order (MCO) was implemented, restricted from accepting new occupants
  - expected weak or reduced demand due to temporary restriction of MW entry
  - development of Westlite Tampoi II is on hold
- The Malaysian government recently announced it will be limiting the hiring of foreign workers in the construction, agriculture, and plantation sectors from next year
  - these sectors warned that such legislation will heighten existing labour shortages,
    - fuelled by local resistance to working in industries that are deemed as 'undesirable'
  - the Group continues to track demand in these industries
    - repositioning offerings to attract diverse clients to build resilience in Malaysia PBWA portfolio

# Workers Accommodation

## Diversified, stable customer base

- more than 812 customers in Singapore and Malaysia
- serves companies from diverse industries
- ability to cater to multiple industries insulate the Group
- less affected by economic fluctuations or government policies affecting any one industry

S/N.	Industry Percentage	(%)
1	Construction	48
2	Manufacturing	12
3	Service	5
4	Oil & Gas	24
5	Engineering	4
6	Marine	6
7	Others	1
	Total	100



<sup>^</sup> Breakdown of workers revenue by industry for Singapore and Malaysia only

\* As at 30 June 2020





## Purpose Built Student Accommodation



# Student Accommodation Landscape

- Over 1H 2020, all countries had implemented some extent of international travel bans or restrictions
  - almost all universities closed their campuses and moved curricula online
  - which led to many student-residents choosing to return home for the duration
- Many universities have announced plans to offer blended online and on-campus programmes, demand remains tentative for upcoming September semester
  - uncertainty around the re-opening of university campuses and international travel
  - concerns around possible further virus outbreaks
  - affects bookings and increases potential debt delinquencies
- In the medium-term, possible declines in international student numbers due to travel and visa restrictions are likely to be offset by growth in domestic student numbers
  - considering higher education is an alternative to unemployment during economic downturns<sup>1</sup>

1. Times Higher Education - [COVID-19 could be a curse for graduates but a boon for universities](#), 2 April 2020

# Student Accommodation – Portfolio at a glance

- **21** operating assets with 6,433 beds across SG, AU, UK, US and SK

Country	Facility	Ownership	Capacity (approx. no of beds)	Lease tenure (no of years)	Start of lease (year)
UK (1H2020 average occupancy: 74.2%)	dwell MSV	100%	1,017	Freehold	
	dwell Cathedral Campus	100%	383	250	2007
	dwell MSV South	100%	355	Freehold	
	dwell Garth Heads	100%	181	125	1995
	dwell Archer House	100%	177	Freehold	
	dwell Hotwells House	100%	157	125	2009
	dwell The Grafton	100%	145	Freehold	
	dwell Weston Court	100%	140	125	2008
	dwell Princess Street	100%	127	Freehold	
	dwell Beechwood House	100%	37	125	2009
	dwell Castle Gate Haus*	14.3%	133	Freehold	
	<b>Total in UK</b>		<b>2,852</b>		
Australia (1H2020 average occupancy: 68.4%)	RMIT Village	100%	616	Freehold	
	dwell East End Adelaide	100%	280	Freehold	
	<b>Total in Australia</b>		<b>896</b>		
Singapore (1H2020 average occupancy: 80.0%)	dwell Selegie <sup>^</sup>	100%	332	3+3+2	2015
	<b>Total in Singapore</b>		<b>332</b>		

\* Centurion owns 14.3% of the Centurion Student Accommodation Fund, which acquired dwell Castle Gate Haus

<sup>^</sup> During 2Q 2020, dwell Selegie has been affected with a reduction of bed capacity from 332 beds to 240 beds, as required by the Singapore Land Authority ("SLA"). Discussions are in progress with SLA regarding space requirements for the PBSA and possible adjustments to capacity post-COVID.

## Student Accommodation – Portfolio at a glance (cont'd)

- **21** operating assets with 6,433 beds across SG, AU, UK, US and SK

Country	Facility	Ownership	Capacity (approx. no of beds)	Lease tenure (no of years)	Start of lease (year)
US <sup>#</sup>	dwell Logan Square	28.7%	642	Freehold	
	dwell Tenn Street	28.7%	624	Freehold	
	dwell Towers on State	28.7%	231	Freehold	
	dwell Statesider	28.7%	226	Freehold	
	dwell Stadium View	28.7%	216	Freehold	
	dwell College & Crown	28.7%	206	Freehold	
	<b>Total in US</b>		<b>2,145</b>		
South Korea (1H2020 average occupancy: 25.4%)	dwell Dongdaemun	55.0%	208	Freehold	
	<b>Total in South Korea</b>		<b>208</b>		
	<b>Total no of beds for Student Accommodation</b>		<b>6,433</b>		

<sup>#</sup> Centurion owns 28.7% of the Centurion US Student Housing Fund, which acquired all 6 US properties and is the portfolio manager as well as provider of property management services.

# Student Accommodation Landscape



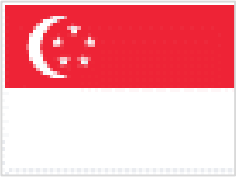
- UK government promised to support international students, with flexible immigration regulations and commitment that international students graduating from UK universities can receive 2-year post-study work visas
- Some universities have announced campuses re-opening by Sep or Oct, but wider uncertainties sees AY20-21 bookings remain soft in certain cities, with committed leases increasing gradually



- Melbourne, Victoria currently locked down with 2<sup>nd</sup> wave of infections;
  - other states in Australia have lifted movement restrictions
  - universities in Adelaide have announced campus re-openings by Sept 2020
- Occupancy in dwell Village Melbourne City continues to be impacted whereas demand returning in Adelaide
- Despite uncertain geopolitical relationships with China, and travel restrictions still in place, Australian business and tertiary education community has launched campaign to reassure Chinese tourists and students they are welcome
- Domestic student numbers expected to continue rising; Australia to remain attractive to international students over long term



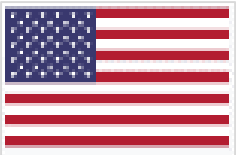
# Student Accommodation Landscape



- dwell Selegie affected with a reduction in bed capacity from 332 to 240 beds in 2Q 2020, as required by the Singapore Land Authority ("SLA")
  - discussions in progress with SLA regarding space requirements and possible adjustments to capacity post-COVID



- dwell Dongdaemun impacted by the COVID-19 outbreak in mid-Feb 2020, when Korea had world's 2nd largest number of COVID-19 cases after China
  - universities closing their campuses, exchange programmes ceased and students returned home
- Expanding marketing efforts to target young adults and working professionals as alternative consumer audiences



- Recently implemented ban on students enrolled in online-only courses was soon reversed to allow students already in the US or returning from abroad with valid visas to take classes entirely online; ban now applies only for new incoming students.
- US assets cater mainly to domestic students; international students are less than 2% of portfolio occupancy
  - international travel and student visa restrictions not expected to have material impact on US occupancy rates in the near term





# Managing during the COVID-19 pandemic



# Managing during the COVID-19 pandemic

## Halted expansion and development plans until Covid-19 situation normalises

- reconstruction of existing block in Westlite Toh Guan deferred
- development of c.3,600 additional beds at Westlite Tampoi on hold
- will still consider attractive opportunities when available

## In the short to medium term

- focus on strengthening operating and management capabilities
- taking steps to control costs and conserve cash resources
  - tapping relief packages by the various governments in the different countries
  - approached Group's bankers for moratoria on principal repayments and additional working capital facilities
    - requests generally well supported
  - no interim dividend declared for 1H2020
- cash and unutilised committed credit facilities of S\$167.2 million
  - sufficient liquidity to meet debt obligations when due

# Managing during the COVID-19 pandemic

## In the long term

- For the PBWA segment, demand is expected to stabilise in the long term
  - driven by continued demand for migrant workers and their accommodation needs
    - the government has announced initiatives to develop 60,000 new beds in temporary facilities and 100,000 beds in more permanent properties with longer tenure, over the next 1 – 3 years
  - Centurion's management capabilities and strong track record puts it in good stead to participate in emerging opportunities within the dormitory industry
    - will actively pursue opportunities in the new dormitories, including management service contracts in Singapore
- The Group believes that the education and student accommodation segment is resilient
  - pent up demand will drive a fast recovery for dwell Student Living once study programmes and travel normalise





# Thank You

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