



BRC Asia Ltd

Bountiful five years ahead

SINGAPORE | INDUSTRIAL | 1H24 RESULTS

- 1H24 results were within expectations. Revenue and PATMI were 44%/46 of our FY24e forecast. 1H24 PATMI jumped 47% YoY to S\$38.5mn. Revenue recovered as construction site disruptions normalized. Margins rebounded after the sharp price contraction last year. An interim dividend of 6 cents was announced (1H23: 6 cents).
- The order book remains healthy at S\$1.3bn (1H23: S\$1.4bn). Demand is strong, especially from the public sector. Industry steel bar demand climbed 34% YoY to 240k tons in YTDFeb24. The commencement of the Changi Airport Terminal 5 project will be another major boost to orders next year.
- We maintained our FY24e earnings. From higher growth assumptions, we raised our target price from S\$1.99 to S\$2.27. Our ACCUMULATE recommendation is unchanged. The availability of construction projects will remain elevated in the next five years. A golden era for construction. However, the timing to deliver the projects is less certain as the industry faces capacity constraints and bottlenecks.

Results at a glance

FY 30 Sep (S\$m)	1H24	1H23	YoY	Comments
Revenue	758.3	717.1	5.8%	
Gross profit	77.7	61.6	26.3%	
Gross margins	10.3%	8.6%	1.7%	Add provision for onerous contracts.
PATMI	38.5	26.2	46.8%	
Net margin	5.1%	3.7%	1.4%	
DPS - Interim (cents)	6.0	6.0	0.0%	

Source: Company, PSR

The Positives

+ Recovery in revenue. 1H24 revenue rose 6% YoY to S\$758mn. The recovery is after the 10% revenue decline in 1H23 following disruptions caused by worksite safety measures. Industry steel bar demand has remained healthy, with a rise of 34% YoY to 240k tons in YTDFeb24.

+ Gross margin normalised. As the pace of selling price eases, gross margins have started to recover to normalised levels of 10%. We expect margins to remain healthy due to a resilient order book and healthy flow of public and private projects in the coming 2-3 years. Steel bar prices contracted 12% YoY in 1Q24 (1Q23: -20%).

The Negative

- Constraints emerging in project delivery. The company mentioned that the lack of resources from the consulting engineering and architectural segments and regulatory challenges could cause delays or slow-down at project sites.

Outlook

The outlook remains positive for BRC. Construction demand is expected to range between S\$31bn to S\$38bn p.a. (or average S\$34.5bn) from 2025-28. There is longer-term visibility of demand, which is also larger than the pre-pandemic average of S\$28bn (2015-19). While cost inflation is also a reason for the growth in demand, we expect BRC margins to sustain through this cycle. We believe BRC's leading market share in steel rebars and robust demand will help sustain its operating margins. Some of the construction projects include BTOs, Integrated Resorts, Cross Island MRT line, Downtown Line Extension, hospitals,

Maintain ACCUMULATE with a higher target price of S\$2.27 (prev. \$1.99)

BRC trades at an attractive 7% dividend yield, PE of 6.8x and high ROEs of 19%.

13 May 2024

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 2.060
FORECAST DIV	SGD 0.152
TARGET PRICE	SGD 2.270
TOTAL RETURN	17.6%

COMPANY DATA

BLOOMBERG CODE:	BRC SP
O/S SHARES (MN):	274
MARKET CAP (USD mn / SGD mn):	417 / 565
52 - WK HI/LO (SGD):	2.08 / 1.56
3M Average Daily T/O (mn):	0.03

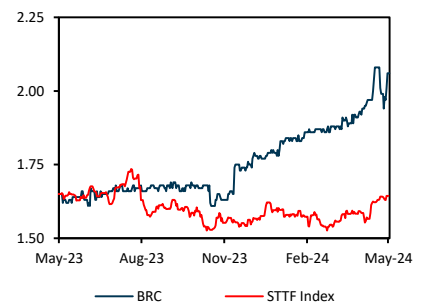
MAJOR SHAREHOLDERS (%)

ESTEEL Enterprise	61.6%
Hong Leong Asia	20.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	6.2	10.7	25.0
STTF RETURN	3.3	6.9	6.1

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sep (S\$ 'mn)	FY22	FY23	FY24e	FY25e
Revenue	1,699	1,627	1,734	1,772
Gross Profit	171	157	173	195
EBIT	112	113	112	133
NPAT	90	76	83	101
P/NAV (x)	1.4	1.3	1.2	1.1
P/E (x)	6.3	7.5	6.8	5.6
ROE	25.8%	18.3%	18.6%	20.1%

Source: Company, PSR

VALUATION METHOD

DCF (WACC: 12.4%; Terminal g: 2.5%)

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Financials

Income Statement

Y/E Sep, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
Revenue	1,169	1,699	1,627	1,734	1,772
Cost of sales	(1,069)	(1,528)	(1,470)	(1,561)	(1,577)
Gross Profit	100	171	157	173	195
Distribution expenses	(6)	(7)	(8)	(8)	(8)
Administration expenses	(18)	(30)	(24)	(26)	(26)
Others	(12)	(23)	(13)	(27)	(28)
Operating profit	64	112	113	112	133
Net finance expenses	(5)	(7)	(13)	(12)	(12)
Share of results of associates and J	2	3	(7)	-	-
Impairment loss	(3)	(0)	(2)	-	-
Profit before tax	58	107	91	100	121
Taxation	(11)	(17)	(15)	(17)	(21)
Net Profit	47	90	76	83	101
Profit attributable to owners	47	90	76	83	101

Per share data (\$ cents)

Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
BVPS	123.7	145.4	155.8	171.0	192.9
DPS	12.0	18.0	16.0	15.2	14.7
EPS	19.3	32.9	27.6	30.4	36.6

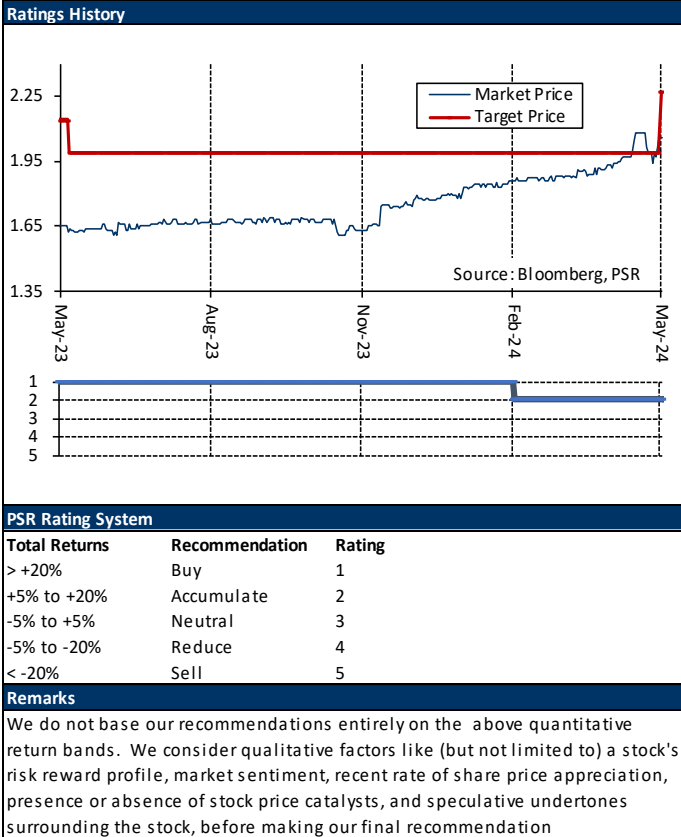
Cash Flow

Y/E Sep, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
CFO					
Pretax profit	58	107	91	100	121
Adjustments	70	10	14	30	30
WC changes	(245)	(54)	72	(74)	(8)
Cash generated from ops	(117)	63	177	57	143
Others	(14)	(22)	(24)	(26)	(29)
Cashflow from ops	(130)	41	153	30	114
CFI					
CAPEX, net	(2)	(3)	(3)	(3)	(3)
Others	0	0	0	-	-
Cashflow from investments	(1)	(3)	(3)	(3)	(3)
CFF					
Dividends paid to owners	(24)	(38)	(33)	(42)	(40)
Proceeds from borrowings, net	151	22	(82)	-	-
Others	14	46	-	-	-
Cashflow from financing	140	29	(115)	(42)	(40)
Net change in cash	9	68	35	(15)	71
Cash at the start of the period	74	83	155	185	170
Currency translation	(0)	4	(5)	-	-
Others	-	-	-	-	-
Ending cash	83	155	185	170	241

Balance Sheet

Y/E Sep, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
PPE & Investment Properties	146	131	120	104	89
Others	24	29	16	16	16
Total non-current assets	170	159	136	120	105
Cash and cash equivalents	83	155	185	170	241
Inventories	466	446	407	446	450
Trade and other receivables	156	188	181	196	201
Others	10	26	44	44	44
Total current assets	715	814	816	856	936
Total Assets	885	973	952	976	1,041
LIABILITIES					
Trade and other payables	69	44	89	69	70
ST borrowings	358	410	360	360	360
Others	69	65	47	49	53
Total current liabilities	496	519	495	478	482
LT borrowings	78	48	21	21	21
Others	10	8	9	9	9
Total non-current liabilities	88	55	30	30	30
Total liabilities	584	574	525	508	512
EQUITY					
Share Capital	139	185	185	185	185
Retained profits	166	217	246	288	349
Others	(3)	(3)	(4)	(4)	(4)
Total equity	301	399	427	469	529
Total equity and liabilities	885	973	952	977	1,041
Valuation Ratios					
Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
P/E (x)	10.7	6.3	7.5	6.8	5.6
P/B (x)	1.7	1.4	1.3	1.2	1.1
EV/EBITDA (x)	10.4	6.7	5.8	5.9	4.7
Dividend yield (%)	5.8	8.7	7.8	7.4	7.1
Growth & Margins					
Growth					
Revenue	90.8%	45.4%	-4.3%	6.6%	2.2%
Gross profit	17.5%	71.2%	-8.1%	10.1%	12.4%
EBIT	34.7%	76.0%	0.4%	-0.6%	18.4%
PBT	116.3%	84.0%	-15.1%	10.1%	20.5%
Margins					
Gross profit margin	8.6%	10.1%	9.7%	10.0%	11.0%
EBIT margin	5.5%	6.6%	6.9%	6.5%	7.5%
Net profit margin	4.0%	5.3%	4.7%	4.8%	5.7%
Key Ratios					
ROE	16.6%	25.8%	18.3%	18.6%	20.1%
ROA	6.3%	9.7%	7.9%	8.7%	10.0%
Net Gearing	117.2%	76.1%	45.9%	44.9%	26.4%

Source: Company, Phillip Securities Research (Singapore) Estimates



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