

BRC Asia Ltd

Supply chain bottlenecks impacted revenue

SINGAPORE | INDUSTRIAL | 3Q24 UPDATE

- 3Q24 results were below expectations. Revenue and adj. PATMI were 66%/67% of our FY24e forecast. Adj. PATMI declined 22% YoY to S\$17.6mn. Approval delays, from engineering to infrastructure, have hampered project deliveries. Headline results include a S\$16.5mn gain from the disposal of associate Pristine for S\$18.5mn (equity plus shareholder loan).
- The order book is resilient at S\$1.32bn (3Q23: S\$1.4bn). We believe orders will enjoy a huge boost in FY25e from the expansion of the two integrated resorts and the commencement of work on the new Terminal 5 at Changi airport.
- We lowered our FY24e adj. earnings by 6% to S\$78mn due to project delays. Our ACCUMULATE recommendation and DCF target price of S\$2.27 is unchanged. We expect growth to be robust for the next two years. Private sector orders will benefit from the recovery in residential projects and integrated resort expansion. Meanwhile, public sector infrastructure projects will enjoy an added increase from the commencement of Terminal 5. The key risk to our earnings will be bottlenecks in other parts of the supply chain.

Results at a glance

FY 30 Sep (\$\$mn)	3Q24	3Q23	YoY	Comments
Revenue	381.7	459.8	-17.0%	
Gross profit	32.6	34.7	-5.9%	
Gross margins	8.5%	7.5%	1.0%	
PATMI	34.1	22.6	51.1%	Includes S\$16.5mn disposal gain.
Adj. PATMI	17.6	22.6	-22.0%	
Adj. Net margin	4.6%	4.9%	-0.3%	
Orderbook (\$\$bn)	1.32	1.34	-1.5%	

Source: Company, PSR Note# Limited financials were provided in the 3Q24 update.

The Positives

+ Robust order book and margins. Despite weakness from the private sector, order books remain healthy, supported by public sector jobs. Margins have been healthy as steel prices remain sluggish with excess capacity in China.

The Negative

- Decline in revenue. Revenue was disappointing due to a slower turnaround time in approvals from site inspection to engineering drawing. The situation is gradually improving as more resources are deployed.

Outlook

The outlook for the construction industry remains vibrant. Public sector work, from HDB housing to infrastructure, remains robust. The supply chain is the bottleneck due to the surge in activities. Geopolitics may also impact the supply of foreign labour. Projects have generally been delayed; for instance, rail projects may be two years longer compared to the pre-pandemic period. We believe the visibility for construction work is healthy with the commencement of integrated resort expansion and refurbishment (combined S\$13-14bn) and new Terminal 5. BRC involvement in projects is usually at the early stages, where building frame construction requires steel rebars and mesh.

Maintain ACCUMULATE with an unchanged target price of S\$2.27

BRC trades at an attractive 6% dividend yield, PE of 7.8x, and high % ROEs of 1%.

23 August 2024

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 2.220
FORECAST DIV	SGD 0.142
TARGET PRICE	SGD 2.270
TOTAL RETURN	8.7%

COMPANY DATA

BLOOMBERG CODE:	BRC SP
O/S SHARES (MN):	274
MARKET CAP (USD mn / SGD mn):	466 / 609
52 - WK HI/LO (SGD):	2.44 / 1.56
3M Average Daily T/O (mn):	0.03

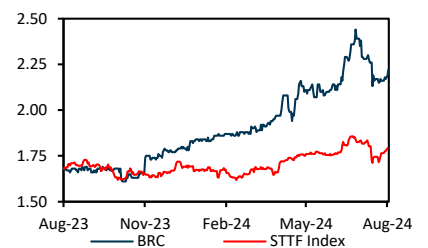
MAJOR SHAREHOLDERS

Estee Enterprise Pte Ltd	61.2%
Hong Leong Asia	20.0%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(6.8)	3.8	41.7
STTF RETURN	0.3	4.6	9.0

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sep (\$\$ mn)	FY22	FY23	FY24e	FY25e
Revenue	1,699	1,627	1,653	1,684
Gross Profit	171	157	165	185
EBIT	112	113	106	125
NPAT	89	77	78	94
P/NAV (x)	1.5	1.4	1.3	1.1
Adj. P/E (x)	6.9	7.9	7.8	6.5
Dividend yield	8.1%	7.2%	6.4%	6.2%
ROE	25.3%	18.6%	17.3%	18.7%

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	1,168.6	1,699.3	1,627.0	1,653.2	1,683.5
Cost of sales	(1,068.5)	(1,527.8)	(1,469.5)	(1,487.9)	(1,498.3)
Gross Profit	100.1	171.4	157.5	165.3	185.2
Distribution expenses	(5.7)	(6.7)	(7.6)	(7.7)	(7.8)
Administration expenses	(18.4)	(29.5)	(24.2)	(24.6)	(25.1)
Others	(12.1)	(22.9)	(12.9)	(27.3)	(27.6)
Operating profit	63.8	112.3	112.8	105.6	124.7
Net finance expenses	(4.7)	(7.2)	(12.9)	(11.7)	(11.7)
Share of results of associates and J	2.0	2.7	(7.0)	-	-
Exceptional	(2.7)	(0.4)	(1.7)	16.5	-
Profit before tax	58.4	107.4	91.2	110.5	113.0
Taxation	(11.3)	(17.2)	(15.5)	(15.9)	(19.2)
Net Profit	47.0	90.2	75.7	94.5	93.9
Adj. PATMI	48.8	88.7	76.7	78.0	93.9

Per share data (\$ cents)

Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
BVPS	123.7	145.4	155.8	173.0	193.5
DPS	12.0	18.0	16.0	14.2	13.7
Adj. EPS	20.0	32.3	27.9	28.4	34.2

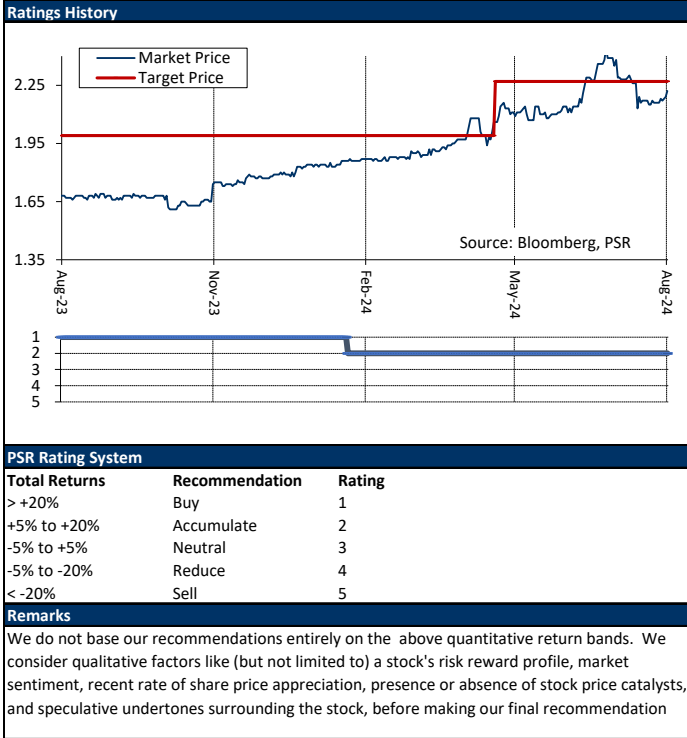
Cash Flow

Y/E Sep, (\$'mn)	FY21	FY22	FY23	FY24e	FY25e
CFO					
Pretax profit	58.4	107.4	91.2	110.5	113.0
Adjustments	70.4	10.1	14.3	13.6	30.4
WC changes	(245.3)	(54.4)	72.0	(47.3)	(6.0)
Cash generated from ops	(116.6)	63.2	177.4	76.8	137.4
Others	(13.9)	(22.1)	(24.1)	(26.2)	(27.6)
Cashflow from ops	(130.4)	41.1	153.3	50.6	109.8
CFI					
CAPEX, net	(1.9)	(2.9)	(3.3)	(3.3)	(3.3)
Others	0.5	0.0	0.0	16.5	-
Cashflow from investments	(1.5)	(2.9)	(3.3)	13.2	(3.3)
CFF					
Dividends paid to owners	(24.3)	(38.4)	(32.9)	(47.3)	(37.5)
Proceeds from borrowings, net	151.0	22.0	(82.0)	-	-
Others	13.8	45.8	-	-	-
Cashflow from financing	140.5	29.3	(114.9)	(47.3)	(37.5)
Net change in cash	8.6	67.5	35.2	16.6	69.0
Cash at the start of the period	74.4	83.0	154.6	184.6	201.2
Currency translation	(0.0)	4.1	(5.1)	-	-
Others	-	-	-	-	-
Ending cash	83.0	154.6	184.6	201.2	270.2

Source: Company, Phillip Securities Research (Singapore) Estimates

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	201	270
Inventories	466	446	407	425	428
Trade and other receivables	156	188	181	187	191
Others	10	26	44	44	44
Total current assets	715	814	816	857	933
Total Assets	885	973	952	978	1,038
LIABILITIES					
Trade and other payables	69	44	89	66	67
ST borrowings	358	410	360	360	360
Others	69	65	47	48	51
Total current liabilities	496	519	495	474	478
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	503	507
EQUITY					
Share Capital	139	185	185	185	185
Retained profits	166	217	246	294	350
Others	(3)	(3)	(4)	(4)	(4)
Total equity	301	399	427	475	531
Total equity and liabilities	885	973	952	978	1,038
Valuation Ratios					
Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
Adj. P/E (x)	11.1	6.9	7.9	7.8	6.5
P/B (x)	1.8	1.5	1.4	1.3	1.1
EV/EBITDA (x)	10.9	7.0	6.1	6.4	5.0
Dividend yield	5.4	8.1	7.2	6.4	6.2
Growth & Margins					
Growth					
Revenue	90.8%	45.4%	-4.3%	1.6%	1.8%
Gross profit	17.5%	71.2%	-8.1%	5.0%	12.0%
EBIT	34.7%	76.0%	0.4%	-6.3%	18.0%
PBT	116.3%	84.0%	-15.1%	21.1%	2.3%
Margins					
Gross profit margin	8.6%	10.1%	9.7%	10.0%	11.0%
EBIT margin	5.5%	6.6%	6.9%	6.4%	7.4%
Net profit margin	4.2%	5.2%	4.7%	4.7%	5.6%
Key Ratios					
ROE	17.2%	25.3%	18.6%	17.3%	18.7%
ROA	6.5%	9.5%	8.0%	8.1%	9.3%
Net Gearing	117.2%	76.1%	45.9%	37.8%	20.8%



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