



# BRC Asia Ltd

## Record order book

### SINGAPORE | INDUSTRIAL | 1Q25 UPDATE

- 1Q25 revenue/PATMI were within expectations at 22%/22% of our FY25e forecast. Revenue declined by 12% YoY due to an estimated 9% YoY fall in steel prices and Safety Time-Out (STO) in November 2024. PATMI increased 14% YoY, which was impacted by major project delays.
- Order book increased 15% YoY to S\$1.5bn as of 31 December 2024, the highest level ever achieved by BRC Asia. This is supported by strong construction demand in 2025 and over the next few years.
- We lowered WACC to 11.6% (prev. 12.6%) to reflect greater visibility of upcoming construction projects. Construction demand in Singapore increased to an average of S\$42.5bn annually (prev. forecast S\$34.5bn) over the next four years. BRC's leading market share in steel rebars positions them favourably to capture this demand, and we believe that most of the order book can be completed within the next three years as major construction projects start to ramp, such as Terminal 5 beginning construction in the first half of 2025. We maintain ACCUMULATE with a higher TP of S\$3.15 (prev. S\$2.80). There is no change to our revenue/PATMI estimates. BRC Asia trades at an attractive FY25e dividend yield of 6.2%.

#### Results at a glance

S\$ mn	1Q25	1Q24	YoY	Comments
Revenue	349.8	399.2	-12.4%	Safety Time-Out in Nov'24 and c.9% YoY decline in steel prices
Gross profit	28.7	35.4	-19.0%	
Gross margins	8.2%	8.9%	-7.6%	
PATMI	19.5	17.1	13.9%	PATMI recovered from 1Q24 which was hit by project delays
Net Margin	5.6%	4.3%	1.3%	
Orderbook (S\$bn)	1.5	1.3	15.4%	Higher construction demand

Source: Company, PSR

#### The Positives

**+ Record order book.** BRC Asia's record book stood at S\$1.5bn as of 31 Dec 2024, the highest ever achieved. BRC Asia states that the order book ranges up to 5 years, although we believe most can be completed within 3 years due to construction projects ramping up. With Terminal 5 beginning construction in the first half of 2025, expansion of the Integrated Resort, and ongoing public housing and MRT projects, we expect strong revenue growth within the next 3 years.

#### The Negative

**- Headwinds from lower steel rebar prices.** BRC Asia's revenue is closely tied to steel rebar prices, which have declined by an estimated 9% YoY in 1Q25, causing revenue to fall 12% YoY for the quarter. We believe steel rebar prices can continue to fall c.10% YoY in FY25 due to weak demand from China's construction sector. In the near term, engineering drawing delays could also cause revenue growth to slow.

13 February 2025

### ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 2.910
FORECAST DIV	SGD 0.180
TARGET PRICE	SGD 3.150
<b>TOTAL RETURN</b>	<b>14.4%</b>

#### COMPANY DATA

BLOOMBERG CODE:	BRC SP
O/S SHARES (MN):	274
MARKET CAP (USD mn / SGD mn):	583 / 790
52 - WK HI/LO (SGD):	3 / 1.8
3M Average Daily T/O (mn):	0.06

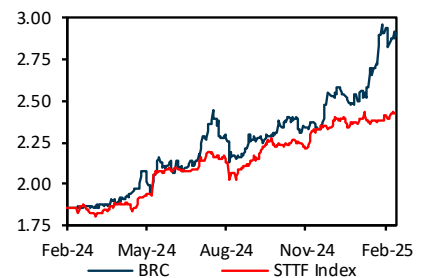
#### MAJOR SHAREHOLDERS

Esteele Enterprise Pte Ltd	61.2%
Hong Leong Asia	20.0%

#### TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	13.2	23.2	16.8
STTF RETURN	2.1	4.7	2.9

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Sep (S\$ mn)	FY23	FY24	FY25e	FY26e
Revenue	1,627	1,481	1,610	1,606
Gross Profit	157	173	177	177
EBIT	113	107	115	113
NPAT	77	77	90	90
P/NAV (x)	1.9	1.7	1.5	1.4
Adj. P/E (x)	10.4	10.4	8.9	8.9
Dividend yield	5.5%	6.9%	6.2%	6.2%
ROE	18.6%	17.0%	18.1%	16.8%

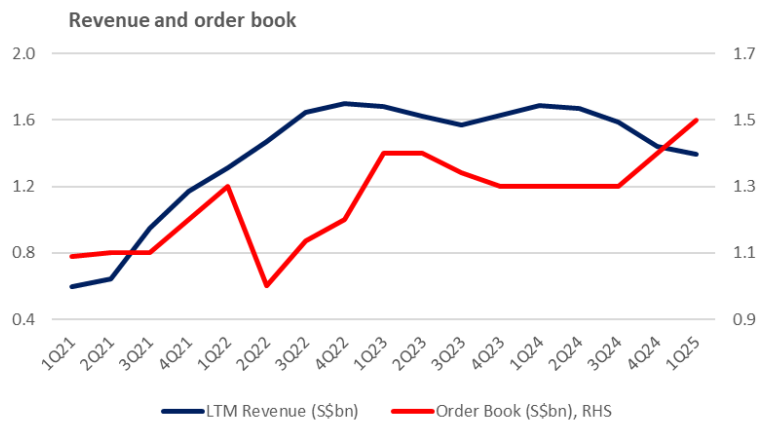
Source: Company, PSR

#### VALUATION METHOD

DCF (WACC: 11.6%; Terminal g: 2.5%)

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Fig 1: LTM revenue fell 17% YoY but is supported by record order book of S\$1.5bn



Source: Company, PSR

## Outlook

**Maintain ACCUMULATE with a higher TP of S\$3.15 (prev. S\$2.80).** Construction demand in Singapore increased to an average of S\$42.5bn annually (prev. forecast S\$34.5bn) over the next four years. BRC's leading market share in steel rebars positions them favourably to capture this demand, and we believe that most of the order book can be completed within the next 3 years as major construction projects start to ramp, such as Terminal 5 beginning construction in the first half of 2025. We lowered WACC to 11.6% (prev. 12.6%) to reflect greater visibility of upcoming construction projects. There is no change to our revenue/PATMI estimates. BRC Asia trades at an attractive FY25e dividend yield of 6.2%.

## Financials

## Income Statement

Y/E Sep, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>Revenue</b>	<b>1,699.3</b>	<b>1,627.0</b>	<b>1,481.4</b>	<b>1,609.9</b>	<b>1,606.4</b>
Cost of sales	(1,527.8)	(1,469.5)	(1,308.4)	(1,432.8)	(1,429.7)
<b>Gross profit</b>	<b>171.4</b>	<b>157.5</b>	<b>173.0</b>	<b>177.1</b>	<b>176.7</b>
Distribution expense	(6.7)	(7.6)	(7.6)	(7.5)	(7.5)
Admin expense	(29.5)	(24.2)	(32.8)	(24.0)	(23.9)
Others	(22.9)	(12.9)	(25.5)	(31.0)	(31.9)
<b>Operating profits</b>	<b>112.3</b>	<b>112.8</b>	<b>107.0</b>	<b>114.6</b>	<b>113.4</b>
Net finance expenses	(7.2)	(12.9)	(11.3)	(6.1)	(6.1)
Results of assoc and JV	2.7	(7.0)	(1.1)	(1.5)	-
Exceptional	<b>(0.4)</b>	<b>(1.7)</b>	<b>16.5</b>	-	-
<b>Profit before tax</b>	<b>107.4</b>	<b>91.2</b>	<b>111.2</b>	<b>107.0</b>	<b>107.2</b>
Taxation	(17.2)	(15.5)	(17.6)	(17.1)	(17.2)
<b>Net Profit</b>	<b>90.2</b>	<b>75.7</b>	<b>93.5</b>	<b>89.9</b>	<b>90.1</b>
<b>Adj. PATMI</b>	<b>88.7</b>	<b>76.7</b>	<b>76.6</b>	<b>89.9</b>	<b>90.1</b>

## Per share data (\$ Cents)

Y/E Sep	FY22	FY23	FY24	FY25e	FY26e
BVPS	145.4	155.8	173.2	188.0	202.8
DPS	18.0	16.0	20.0	18.0	18.1
Adj. EPS	32.3	27.9	27.9	32.8	32.8

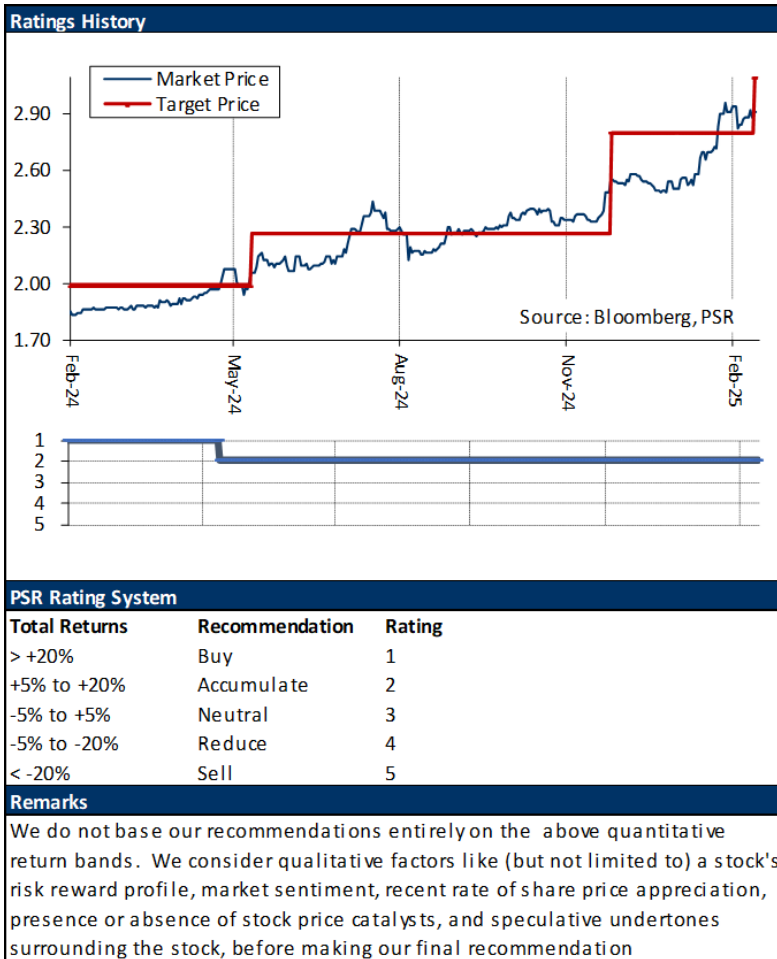
## Cash Flow

Y/E Sep, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Profit before tax</b>	<b>107.4</b>	<b>91.2</b>	<b>111.2</b>	<b>107.0</b>	<b>107.2</b>
Adjustments	10.1	14.3	13.2	26.3	25.7
WC changes	(54.4)	72.0	83.6	(71.5)	1.0
<b>Cash generated from ops</b>	<b>63.2</b>	<b>177.4</b>	<b>207.9</b>	<b>61.8</b>	<b>134.0</b>
Others	(22.1)	(24.1)	(20.2)	(21.7)	(21.4)
<b>Cashflow from ops</b>	<b>41.1</b>	<b>153.3</b>	<b>187.7</b>	<b>40.1</b>	<b>112.6</b>
<b>CFI</b>					
CAPEX, net	(2.9)	(3.3)	(22.1)	(10.0)	(13.0)
Disposal of PPE/associate	0.03	0.02	19.37	-	-
Others	0.00	-	-	-	-
<b>Cashflow from investments</b>	<b>(2.9)</b>	<b>(3.3)</b>	<b>(2.7)</b>	<b>(10.0)</b>	<b>(13.0)</b>
<b>CFF</b>					
Dividends paid to owners	(38.4)	(32.9)	(30.2)	(49.4)	(49.5)
Proceeds from borrowings, n	22.0	(82.0)	(142.1)	-	-
Others	45.8	-	-	-	-
<b>Cashflow from financing</b>	<b>29.3</b>	<b>(114.9)</b>	<b>(172.2)</b>	<b>(49.4)</b>	<b>(49.5)</b>
<b>Net change in cash</b>	<b>67.5</b>	<b>35.2</b>	<b>12.7</b>	<b>(19.3)</b>	<b>50.0</b>
Cash at start of period	83.0	154.6	184.6	191.4	172.1
Currency translation	4.1	(5.1)	(6.0)	-	-
Others	-	-	-	-	-
<b>Ending cash</b>	<b>154.6</b>	<b>184.6</b>	<b>191.4</b>	<b>172.1</b>	<b>222.1</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

## Balance Sheet

Y/E Sep, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
PPE & Investment Properties	131	120	113	101	95
Others	29	16	29	26	24
<b>Total non-current assets</b>	<b>159</b>	<b>136</b>	<b>142</b>	<b>127</b>	<b>119</b>
Cash and cash equivalents	155	185	191	172	222
Inventories	446	407	377	409	408
Trade and other receivables	188	181	153	182	182
Others	26	44	40	40	40
<b>Total current assets</b>	<b>814</b>	<b>816</b>	<b>762</b>	<b>803</b>	<b>852</b>
<b>Total Assets</b>	<b>973</b>	<b>952</b>	<b>904</b>	<b>930</b>	<b>971</b>
<b>LIABILITIES</b>					
Trade and other payables	44	89	128	118	118
ST borrowings	410	360	227	227	227
Others	65	47	43	40	40
<b>Total current liabilities</b>	<b>519</b>	<b>495</b>	<b>398</b>	<b>385</b>	<b>384</b>
LT borrowings	48	21	18	18	18
Others	8	9	12	12	12
<b>Total non-current liabilities</b>	<b>55</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Total Liabilities</b>	<b>574</b>	<b>525</b>	<b>429</b>	<b>415</b>	<b>415</b>
<b>EQUITY</b>					
Share Capital	185	185	185	185	185
Retained profits	217	246	293	334	374
Others	(3)	(4)	(3)	(3)	(3)
<b>Total equity</b>	<b>399</b>	<b>427</b>	<b>475</b>	<b>516</b>	<b>556</b>
<b>Total equity and liabilities</b>	<b>973</b>	<b>952</b>	<b>904</b>	<b>931</b>	<b>971</b>
<b>Valuation Ratios</b>					
Y/E Sep	FY22	FY23	FY24	FY25e	FY26e
P/E (X) - adjusted	9.0	10.4	10.4	8.9	8.9
P/B (X)	2.0	1.9	1.7	1.5	1.4
EV/EBITDA (X)	8.5	7.6	6.0	6.5	6.2
Dividend Yield	6.2%	5.5%	6.9%	6.2%	6.2%
<b>Growth &amp; Margins</b>					
<b>Growth</b>					
Revenue	45.4%	-4.3%	-9.0%	8.7%	-0.2%
Gross profit	71.2%	-8.1%	9.9%	2.4%	-0.2%
EBIT	81.7%	-9.2%	17.7%	-7.6%	0.2%
Adj. PATMI	81.9%	-13.5%	0.0%	17.3%	0.2%
<b>Margins</b>					
Gross profit margin	10.1%	9.7%	11.7%	11.0%	11.0%
EBIT margin	6.6%	6.9%	7.2%	7.1%	7.1%
Net profit margin,adj	5.2%	4.7%	5.2%	5.6%	5.6%
<b>Key Ratios</b>					
ROE	25.3%	18.6%	17.0%	18.1%	16.8%
ROA	9.5%	8.0%	8.3%	9.8%	9.5%
Net Gearing (%)	76.1%	45.9%	11.4%	14.3%	4.2%



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