

Singapore

ADD (no change)

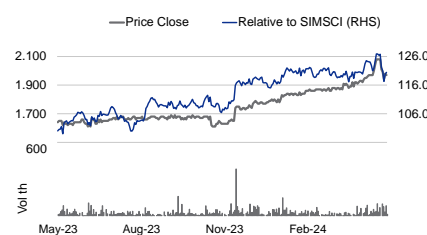
Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$1.97
Target price:	S\$2.50
Previous target:	S\$2.30
Up/downside:	26.9%
CGSI / Consensus:	13.4%
Reuters:	BRC.A.SI
Bloomberg:	BRC SP
Market cap:	US\$398.5m
	S\$540.5m
Average daily turnover:	US\$0.04m
	S\$0.05m
Current shares o/s:	273.2m
Free float:	28.3%

*Source: Bloomberg

Key changes in this note

- FY24-26F EPS raised by 5-9% on higher gross margin assumptions.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.6	5.9	19.4
Relative (%)	-0.8	-2.7	20.1

Major shareholders	% held
Estee Enterprise	71.7

BRC Asia Ltd

Riding on construction tailwinds

- 1HFY24 net profit was a beat at S\$39m (+47% yoy), driven by healthy revenue growth (+6% yoy) and GPM expansion (+2.4% pts yoy).
- We continue to see favourable construction outlook in Singapore. BRC's 20% stake acquisition in Angkasa could drive FY25F accretion of 1-3%, we think.
- Reiterate Add at a higher TP of S\$2.50, still based on 1.4x CY24F P/BV. FY24F dividend yield remains attractive at c.9%, in our view.

Solid 1HFY24 results backed by GPM strength, 6 Scts interim DPS

BRC Asia's 1HFY9/24 core net profit came in strong at S\$39m (-22% hoh, +47% yoy), forming 49% of our and 51% of Bloomberg consensus' FY24F forecasts. We deem the results as a beat, as 1H is typically a weak season due to festivities and rainy weather. 1HFY24 revenue grew 6% yoy on stronger sales volumes and absence of Heightened Safety Alert impact (in effect from Sep 2022 to May 2023). GPM was up 2.4% pts yoy in 1HFY24 due to a higher-margin project mix (more steel fabrication vs. trading) and lower inventory costs. Interim DPS of 6 Scts was proposed for 1HFY24 (1HFY23: 5 Scts).

Construction activities should carry on strong into 2HFY24F

According to latest data from the Building and Construction Authority (BCA), construction output (measured by progress payments) in Singapore recorded healthy growth in 1QCY24 (+7% yoy), forming c.25% of BCA's FY24F target of S\$34bn-37bn (2023: S\$34.9bn). We believe the outlook for Singapore's construction sector remains positive, with total construction demand (measured by contracts awarded) in 2024F forecasted by BCA at S\$32bn-38bn (2023: S\$33.8bn), driven by large commercial projects, public housing ramp-up, and roll-out of infrastructure developments.

Acquisition of Angkasa could be 1-3% accretive by our estimates

On 23 Apr 24, BRC announced a proposed 20%-stake acquisition of Singapore-based Angkasa Daehan Steel for a consideration of S\$16m. Angkasa engages in the construction, trading, dealing and fabrication of steel reinforcement products, a sector that BRC is familiar with and believes has growth potential. Based on Angkasa's end-Dec 23 NTA of S\$80m, the acquisition multiple of 1.0x P/BV seems reasonable to us. We estimate the deal could be 1-3% accretive to BRC's FY25F net profit.

Reiterate Add at a higher TP of S\$2.50; yield attractive at c.9%

Reiterate Add as we like BRC for its attractive FY24F yield of c.9% and undemanding valuation of 6.4x FY25F P/E (c.0.5 s.d. below 2018-2023 mean). Our TP is raised to S\$2.50 on higher EPS assumptions, still based on 1.4x CY24F P/BV (GGM: ROE 16.5%, cost of equity: 12.3%, terminal growth 0.5%). Re-rating catalysts: labour productivity improvements driving a quicker recovery in construction activities. Downside risks: counterparty credit risks, and an economic slowdown negatively impacting construction demand.

Analyst(s)



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Financial Summary

	Sep-22A	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Revenue (S\$m)	1,699	1,627	1,680	1,674	1,680
Operating EBITDA (S\$m)	129.6	129.5	131.6	129.6	127.9
Net Profit (S\$m)	90.22	75.75	82.52	84.13	85.91
Core EPS (S\$)	0.33	0.30	0.30	0.31	0.31
Core EPS Growth	68.6%	(10.1%)	1.7%	1.9%	2.1%
FD Core P/E (x)	5.60	6.63	6.52	6.40	6.26
DPS (S\$)	0.18	0.16	0.18	0.18	0.19
Dividend Yield	9.14%	8.12%	9.14%	9.14%	9.64%
EV/EBITDA (x)	6.41	5.64	5.31	5.14	5.00
P/FCFE (x)	23.78	3.99	7.59	7.49	8.17
Net Gearing	76.1%	45.9%	35.3%	25.9%	19.2%
P/BV (x)	1.35	1.26	1.17	1.09	1.02
ROE	25.8%	19.6%	18.6%	17.6%	16.8%
% Change In Core EPS Estimates			8.72%	8.18%	4.62%
EPS/Consensus EPS (x)			1.05	0.98	0.94

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

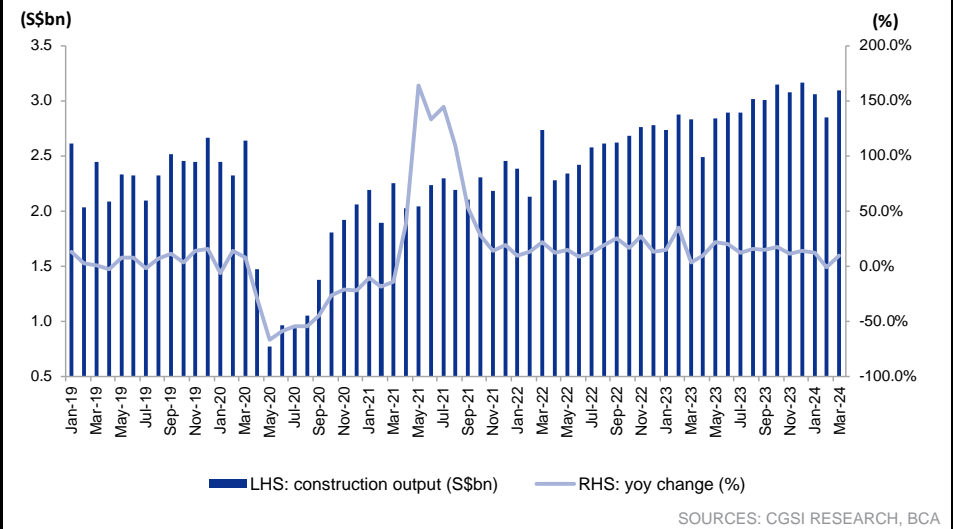
Riding on construction tailwinds

Figure 1: Results comparison

FYE Sep (\$\$ m)	1HFY24	1HFY23	yoy % chg	2HFY23	hoh % chg	FY24F	FY23	yoy % chg	Prev. FY24F	Comments
Revenue	758.3	717.1	5.8	909.9	(16.7)	1,680.0	1,627.0	3.3	1,664.0	Above, formed 46% of our and 45% of Bloomberg consensus FY24F forecasts
Gross profit	74.7	52.7	41.7	86.3	(13.5)	154.6	139.0	11.2	141.4	Above
GPM (%)	9.8%	7.4%	n.a.	9.5%	n.a.	9.2%	8.5%	n.a.	8.5%	
Operating expenses	(21.8)	(16.6)	31.0	(25.8)	(15.7)	(47.7)	(42.4)	12.5	(44.1)	
Operating profit	55.1	39.8	38.5	71.3	(22.8)	114.8	111.1	3.4	105.3	Above
OPM (%)	7.3%	5.5%	n.a.	7.8%	n.a.	6.8%	6.8%	n.a.	6.3%	
Finance costs	(6.6)	(6.3)	4.0	(6.5)	1.1	(13.4)	(12.9)	4.3	(13.0)	
Assocs/JV contribution	(1.5)	(0.8)	n.a.	(6.2)	n.a.	(2.0)	(7.0)	n.a.	(0.9)	
Profit before tax	47.0	32.7	43.9	58.6	(19.8)	99.4	91.2	9.0	91.4	
Tax expense	(8.5)	(6.4)	31.8	(9.1)	(6.6)	(16.9)	(15.5)	9.2	(15.5)	
Effective tax rate (%)	18.0%	19.7%	n.a.	15.5%	n.a.	17.0%	17.0%	n.a.	17.0%	
Exceptionals	0.0	0.0	n.a.	0.0	n.a.	0.0	(5.4)	n.a.	0.0	
Core net profit	38.5	26.2	46.8	54.9	(29.8)	82.5	81.1	1.7	75.9	Above, formed 51% of our and 49% of Bloomberg consensus FY24F forecasts
Core EPS (Scts)	14.0	9.6	46.1	18.0	(22.0)	30.2	27.6	9.4	27.8	

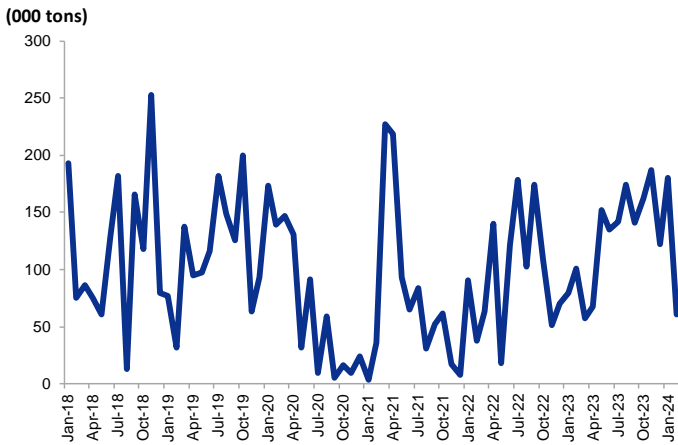
SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: Construction output (measured by progress payments) in Singapore rose 10% yoy in 1HFY24



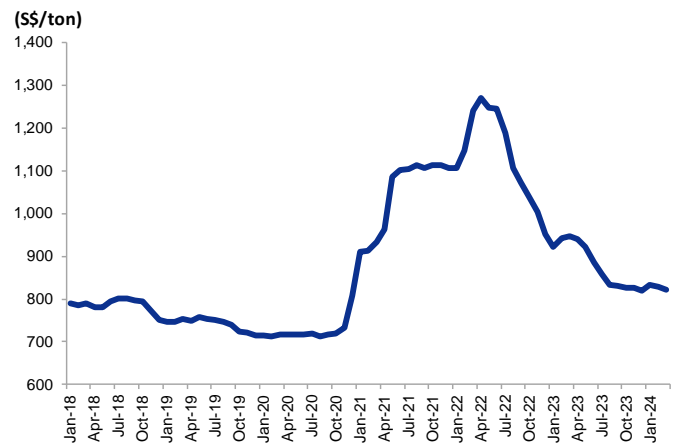
SOURCES: CGSI RESEARCH, BCA

Figure 3: Steel bar demand in Singapore ('000 tons)



SOURCES: CGSI RESEARCH, SINGSTAT

Figure 4: Steel bar price in Singapore (S\$/ton)



SOURCES: CGS-CIMB RESEARCH, SINGSTAT

Figure 5: Earnings revision

FYE Dec (S\$ m)	New			Old			% change		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	1,680.0	1,673.8	1,680.1	1,664.0	1,673.8	1,680.1	1.0%	0.0%	0.0%
Gross profit	154.6	154.8	156.2	141.4	143.9	147.0	9.3%	7.6%	6.3%
Operating expenses	(47.0)	(46.9)	(47.0)	(44.1)	(44.4)	(45.4)	6.7%	5.7%	3.7%
Operating profit	114.8	114.5	114.2	105.3	107.6	109.6	9.0%	6.4%	4.2%
Core net profit	82.5	84.1	85.9	75.9	77.8	82.1	8.7%	8.2%	4.6%
Core EPS (Scts)	30.2	30.8	31.5	27.8	28.5	30.1	8.7%	8.2%	4.6%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lci curr)	Target Price (lci curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)			Dividend Yield (%)
						CY24F	CY25F	CY24F	CY25F	CY24F	CY24F	CY25F	
BRC Asia Ltd	BRC SP	Add	1.97	2.30	398	7.0	6.8	1.16	1.08	16.9%	5.7	5.4	8.6%
Hong Leong Asia	HLA SP	Add	0.60	1.00	328	5.9	5.6	0.45	0.43	8.0%	4.9	4.0	4.2%
Pan-United Corp Ltd	PAN SP	Add	0.43	0.64	221	8.0	7.8	1.19	1.11	15.6%	3.5	3.1	6.3%
Mean						7.0	6.7	0.94	0.87	13.5%	4.7	4.2	6.4%

DATA AS OF 6 MAY 24

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG



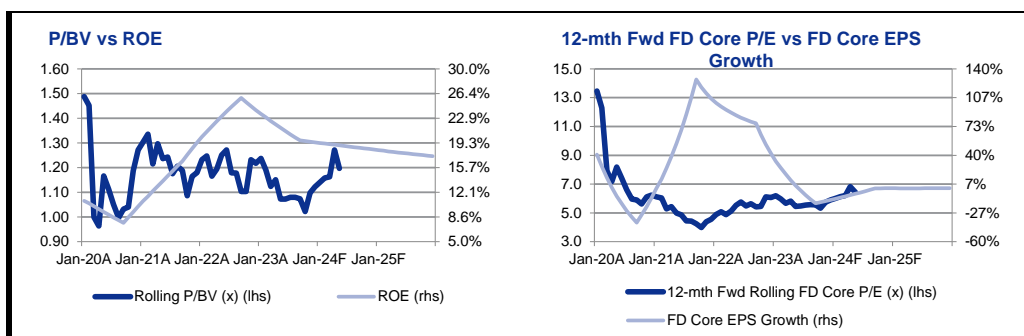
ESG in a nutshell

BRC Asia Ltd (BRC) supplies prefabricated reinforcing steel solutions, bringing benefits to the construction industry in the form of on-site manpower savings, shorter construction cycle, as well as better buildability and productivity for contractors, by transferring laborious and unproductive in-situ steel fixing work to factory fabrication. The company is focused on upholding strong product quality, while at the same time optimising production efficiencies to lower scrap production and improve workplace safety, according to the group's FY23 sustainability report. In our view, one of BRC's biggest near-term operational risk is its heavy dependence on foreign workers.

<p>Keep your eye on</p> <p>The majority of BRC's employees are foreign workers, who accounted for 80% of its workforce in FY21 (proportion for FY23 not disclosed). It is important to keep track of regulatory changes on the Dependency Ratio Ceiling (DRC), as the government looks to grow local workforce.</p>	<p>Implications</p> <p>Further changes in Singapore's Dependency Ratio Ceiling (DRC) threshold could result in higher wage expenses for BRC. Border restrictions could also result in disruptions to workforce recruitment for BRC.</p>
<p>ESG highlights</p> <p>BRC places much emphasis in ensuring product quality and material efficiency. Besides robust internal Quality Management System in compliance with ISO 9001:2015, BRC also sources from quality suppliers that comply with the British Standard for Reinforcing Steel BS4449:2005 or Singapore Standard for Reinforcing Steel SS560:2016. BRC is also focused on improving material efficiency — it has been lowering the target ratio of material scrap generation; and steel scrap generated from production is subsequently sold to steel scrap collectors as part of BRC's material management effort.</p>	<p>Implications</p> <p>Maintaining high-quality standards in products is critical to reducing the risks and costs of replacing faulty goods, especially to maintain BRC's market leadership position (according to BRC's FY23 annual report) in the supply of prefabricated steel solutions in Singapore.</p>
<p>Trends</p> <p>BRC's Accident Frequency Rate (AFR) declined to 2.9 in FY23 (FY21: 14.3), while its Accident Severity Rate (ASR) fell to 88.4 in FY23 (FY21: 330.2), according to its sustainability report for FY23.</p>	<p>Implications</p> <p>Workplace safety is key, as BRC's employees work in conditions that pose inherent accident risks. Fatal accidents could result in severe reputation risk, hampering BRC's ability to secure future order wins, in our view.</p>

SOURCES: CGSI RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Sep-22A	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Total Net Revenues	1,699	1,627	1,680	1,674	1,680
Gross Profit	154	139	155	155	156
Operating EBITDA	130	129	132	130	128
Depreciation And Amortisation	(18)	(18)	(17)	(15)	(14)
Operating EBIT	112	111	115	114	114
Financial Income/(Expense)	(7)	(13)	(13)	(13)	(13)
Pretax Income/(Loss) from Assoc.	3	(7)	(2)	0	2
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	107	91	99	101	104
Exceptional Items					
Pre-tax Profit	107	91	99	101	104
Taxation	(17)	(15)	(17)	(17)	(18)
Exceptional Income - post-tax					
Profit After Tax	90	76	83	84	86
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	90	76	83	84	86
Recurring Net Profit	90	81	83	84	86
Fully Diluted Recurring Net Profit	90	81	83	84	86

Cash Flow

(\$m)	Sep-22A	Sep-23A	Sep-24F	Sep-25F	Sep-26F
EBITDA	129.6	129.5	131.6	129.6	127.9
Cash Flow from Inv. & Assoc.	(2.7)	7.0	2.0	0.0	(2.0)
Change In Working Capital	(54.4)	72.0	(13.9)	(10.5)	(14.4)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.6	(18.1)	10.7	12.3	13.9
Net Interest (Paid)/Received	(7.2)	(12.9)	(13.4)	(13.1)	(12.7)
Tax Paid	(17.0)	(17.9)	(16.9)	(17.2)	(17.6)
Cashflow From Operations	49.0	159.5	100.1	101.1	95.1
Capex	(2.9)	(3.3)	(5.0)	(5.0)	(5.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1.5	5.9	0.7	0.8	0.8
Cash Flow From Investing	(1.4)	2.7	(4.3)	(4.2)	(4.2)
Debt Raised/(repaid)	(26.3)	(27.4)	(25.0)	(25.0)	(25.0)
Proceeds From Issue Of Shares	45.8	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(38.4)	(32.9)	(49.2)	(49.2)	(51.9)
Preferred Dividends					
Other Financing Cashflow	41.8	(66.7)	(13.4)	(13.1)	(12.7)
Cash Flow From Financing	22.8	(127.0)	(87.6)	(87.3)	(89.6)
Total Cash Generated	70.4	35.2	8.3	9.6	1.3
Free Cashflow To Equity	21.3	134.8	70.9	71.9	65.9
Free Cashflow To Firm	54.7	175.0	109.3	110.0	103.6

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Sep-22A	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Total Cash And Equivalents	154.6	184.6	192.9	202.5	203.8
Total Debtors	187.6	180.6	186.4	186.9	188.7
Inventories	445.8	407.1	417.9	426.5	438.4
Total Other Current Assets	26.0	44.1	44.1	44.1	44.1
Total Current Assets	814.0	816.5	841.4	860.0	875.0
Fixed Assets	128.4	117.6	105.9	95.7	87.0
Total Investments	26.5	14.1	12.1	12.1	14.1
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	4.3	4.1	4.1	4.1	4.1
Total Non-current Assets	159.1	135.9	122.1	112.0	105.3
Short-term Debt	410.1	359.7	334.7	309.7	284.7
Current Portion of Long-Term Debt					
Total Creditors	43.5	89.2	91.9	90.5	89.8
Other Current Liabilities	65.3	46.6	46.6	46.6	46.6
Total Current Liabilities	519.0	495.5	473.3	446.8	421.1
Total Long-term Debt	47.8	21.0	21.0	21.0	21.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7.5	8.6	8.6	8.6	8.6
Total Non-current Liabilities	55.4	29.6	29.6	29.6	29.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	574.3	525.1	502.8	476.4	450.6
Shareholders' Equity	398.8	427.3	460.7	495.6	529.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	398.8	427.3	460.7	495.6	529.6

Key Ratios

	Sep-22A	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Revenue Growth	45.4%	(4.3%)	3.3%	(0.4%)	0.4%
Operating EBITDA Growth	63.9%	(0.1%)	1.6%	(1.5%)	(1.3%)
Operating EBITDA Margin	7.63%	7.96%	7.83%	7.74%	7.61%
Net Cash Per Share (S\$)	(1.11)	(0.72)	(0.60)	(0.47)	(0.37)
BVPS (S\$)	1.46	1.56	1.69	1.81	1.94
Gross Interest Cover	15.62	8.64	8.57	8.74	8.99
Effective Tax Rate	16.0%	17.0%	17.0%	17.0%	17.0%
Net Dividend Payout Ratio	54.5%	57.7%	59.6%	58.4%	60.4%
Accounts Receivables Days	36.87	41.31	39.98	40.70	40.80
Inventory Days	107.7	104.6	99.0	101.5	103.6
Accounts Payables Days	13.31	16.28	21.73	21.92	21.59
ROIC (%)	14.5%	13.5%	15.4%	15.3%	15.3%
ROCE (%)	14.0%	13.3%	14.1%	13.9%	13.7%
Return On Average Assets	10.4%	9.0%	9.8%	9.8%	9.9%

Key Drivers

	Sep-22A	Sep-23A	Sep-24F	Sep-25F	Sep-26F
Revenue	1,699.3	1,627.0	1,680.0	1,673.8	1,680.1
GPM (%)	9.0%	8.5%	9.2%	9.3%	9.3%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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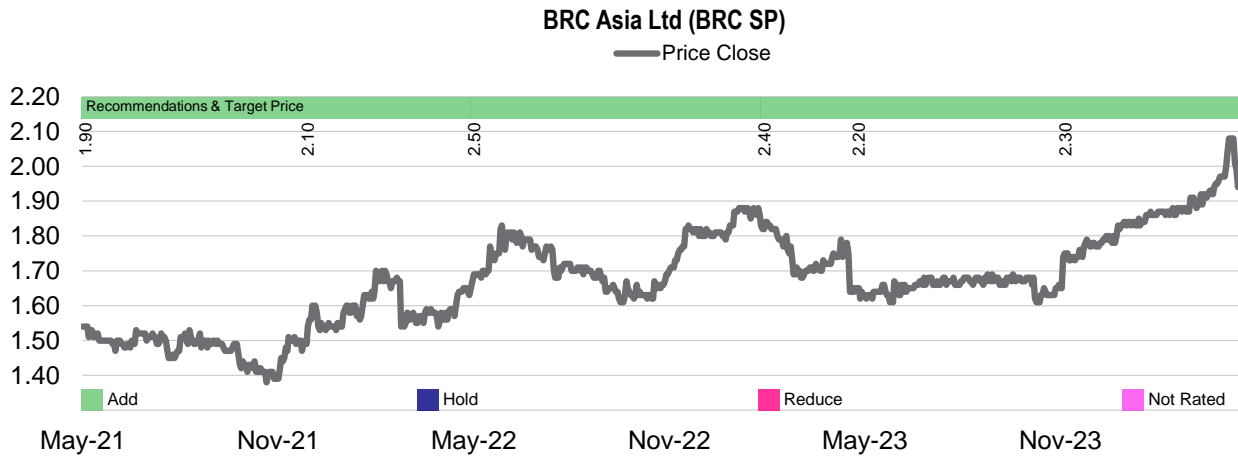
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2024		
634 companies under coverage for quarter ended on 31 March 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.5%	1.3%
Hold	24.1%	0.2%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

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