

SMALL/MID CAP HIGHLIGHTS

BRC Asia (BRC SP)

1QFY24: Strong Results As Construction Demand Recovers

BRC reported higher 1QFY24 revenue (+17.0% yoy) of S\$399.2m and net profit of S\$17.1m (+46.5% yoy), slightly above our expectations. The outperformance was largely driven by the ongoing recovery in domestic construction demand coupled with the absence of Singapore's Heightened Safety period. Backed by favourable tailwinds, we like BRC for its steady earnings growth coupled with its 9% dividend yield. Maintain BUY with a higher PE-based target price of S\$2.42 (S\$2.07 previously).

1QFY24 RESULTS

Year to 30 Sep (S\$m)	1QFY24	1QFY23	yoy % chg
Revenue	399.2	341.3	17.0
Gross Profit	35.4	23.4	51.3
Profit After Tax	17.1	11.7	46.5
Gross Margin (ppts)	8.9	6.9	2.0ppt
Net Margin (ppts)	4.3	3.4	0.9ppt

Source: BRC, UOB Kay Hian

RESULTS

- Strong results, slightly above expectations.** Despite 1QFY24 being a seasonally slow quarter, BRC Asia (BRC) reported higher 1QFY24 revenue (+17.0% yoy) and gross profit (+51.3% yoy), forming 24.4% and 25.5% of our full-year forecasts respectively. 1QFY24 net profit of S\$17.1m grew 46.5% yoy, forming 22.3% of our full-year estimate and slightly above our expectation. The strong top- and bottom line growths were largely due to a low base in 1QFY23 from Singapore's Heightened Safety period depressing delivery volumes while also driven by the ongoing recovery in domestic construction demand.
- Margin expansion.** 1QFY24 gross (+2.0ppt yoy) and net margins (+0.9ppt yoy) expanded respectively which we reckon was driven by higher volumes and utilisation rate coupled with some net reversal of provision for onerous contracts due to moderating steel prices. As a recap, BRC still had around S\$13.5m of provisions on its balance sheet at end-4QFY23.
- Orderbook strong via dominant market share.** BRC has maintained its dominant market share and has seen its orderbook remain robust at S\$1.3b as of end-1QFY24, similar to end-4QFY23. We expect the group to deliver half of its current orderbook in the next 3-4 quarters as domestic construction activity continues to recover.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,699	1,627	1,733	1,811	1,832
EBITDA	115	104	121	127	128
Operating profit	107	97	115	121	123
Net profit (rep./act.)	90	76	89	98	102
Net profit (adj.)	90	76	89	98	102
EPS (S\$ cent)	32.7	27.6	32.3	35.9	37.3
PE (x)	5.9	7.0	6.0	5.4	5.2
P/B (x)	1.3	1.2	1.1	1.0	1.0
EV/EBITDA (x)	5.8	6.4	5.5	5.3	5.2
Dividend yield (%)	9.3	8.2	9.3	10.1	10.8
Net margin (%)	5.3	4.7	5.1	5.4	5.6
Net debt/(cash) to equity (%)	76.1	45.9	28.5	21.1	12.3
Interest cover (x)	16.0	8.1	8.9	14.0	17.5
ROE (%)	25.8	18.3	19.8	20.1	19.2
Consensus net profit	-	-	76	83	85
UOBKH/Consensus (x)	-	-	1.16	1.19	1.21

Source: BRC, Bloomberg UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.94
Target Price	S\$2.42
Upside	+24.9%
(Previous TP)	S\$2.07)

COMPANY DESCRIPTION

BRC Asia designs, manufactures, and markets steel mesh under the BRC brand name. The company's products include non-standard and customised mesh, a wide range of prefabricated products including beam and column cages.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	BRC SP
Shares issued (m):	274.4
Market cap (S\$m):	532.2
Market cap (US\$m):	392.0
3-mth avg daily t'over (US\$m):	0.0

Price Performance (%)

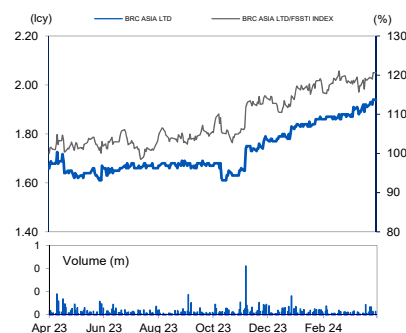
52-week high/low S\$1.94/S\$1.61

1mth	3mth	6mth	1yr	YTD
3.2	6.0	15.5	16.9	8.4

Major Shareholders

	%
Estee Enterprise P/L	61.2
Hong Leong Asia	20.0
FY24 NAV/Share (S\$)	1.70
FY24 Net Debt/Share (S\$)	0.48

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Robust growth in the construction sector.** The construction sector grew by 9.1% yoy in 4Q23 (+6.2% yoy in 3Q23), largely driven by expansions in both public and private construction output. According to the Building and Construction Authority (BCA), 2023 total construction demand of S\$33.8b exceeded the total forecasted demand of S\$27b-32b, backed by the ramping up of public housing projects and private residential projects. The BCA also projected that 2024 total construction demand would be higher yoy at S\$32b-38b, with the public sector contributing 55% of the total demand.
- Robust pipeline.** Singapore has a strong pipeline of upcoming public sector projects along with an increased supply of HDB launches. The Singapore government's infrastructure commitment and private sector investments are expected to maintain the growth in the residential, commercial and infrastructure segments in the short-to-medium term. Moreover, the advancement of mega infrastructure public projects, such as Changi Terminal 5, Tuas Mega Port and Cross Island MRT, are expected to make substantial contributions to the long-term industry outlook. BRC remains a strong proxy to Singapore's construction sector, given its commanding market share domestically.

EARNINGS REVISION/RISK

- We raise our FY24-26 net profit estimates**, on the back of higher revenue and margin assumptions. For FY24-26, our net profit forecasts are S\$88.7m (S\$76.9m), S\$98.5m (S\$84.3m) and S\$102.2m (S\$87.0m) respectively.

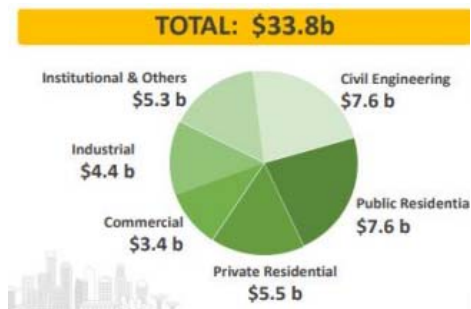
VALUATION/RECOMMENDATION

- Maintain BUY with a higher PE-based target price of S\$2.42 (S\$2.07 previously)**, based on a 7.5x PE (7.0x PE previously), pegged to BRC's long-term average mean PE (-0.5SD to long-term average mean PE previously).
- In our view, favourable tailwinds, expected earnings growth, along with BRC's attractive 9% dividend yield would help support share price performance in 2024.

SHARE PRICE CATALYST

- Faster-than-expected recovery in construction activities.
- More public housing projects awarded.

CONSTRUCTION DEMAND (2023)



Source: BCA, UOB Kay Hian

CONSTRUCTION DEMAND (2024)



Source: BCA, UOB Kay Hian

PROFIT & LOSS

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Net turnover	1,627.0	1,732.8	1,810.8	1,832.5
EBITDA	103.8	121.2	126.6	127.9
Deprec. & amort.	7.1	6.4	5.8	4.7
EBIT	96.6	114.8	120.9	123.2
Total other non-operating income	14.4	5.0	5.0	5.0
Associate contributions	(7.0)	0.0	0.0	0.0
Net interest income/(expense)	(12.9)	(13.7)	(9.1)	(7.3)
Pre-tax profit	91.2	106.1	116.8	120.9
Tax	(15.5)	(17.5)	(18.3)	(18.7)
Minorities	0.0	0.0	0.0	0.0
Net profit	75.7	88.7	98.5	102.2
Net profit (adj.)	75.7	88.7	98.5	102.2

CASH FLOW

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Operating	159.5	130.1	91.8	108.2
Pre-tax profit	91.2	106.1	116.8	120.9
Tax	(17.9)	(17.5)	(18.3)	(18.7)
Deprec. & amort.	18.4	6.4	5.8	4.7
Associates	7.0	0.0	0.0	0.0
Working capital changes	72.0	21.3	(21.5)	(6.0)
Non-cash items	(1.3)	0.0	0.0	0.0
Other operating cashflows	(9.9)	13.7	9.1	7.3
Investing	2.7	(4.0)	(4.0)	(4.0)
Capex (growth)	(3.3)	(4.0)	(4.0)	(4.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	5.9	0.0	0.0	0.0
Financing	(127.0)	(103.1)	(102.6)	(104.9)
Dividend payments	(32.9)	(49.4)	(53.5)	(57.6)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(27.4)	(40.0)	(40.0)	(40.0)
Others/interest paid	(66.7)	(13.7)	(9.1)	(7.3)
Net cash inflow (outflow)	35.2	23.0	(14.8)	(0.7)
Beginning cash & cash equivalent	154.6	184.6	207.6	192.8
Changes due to forex impact	(5.1)	0.0	0.0	0.0
Ending cash & cash equivalent	184.6	207.6	192.8	192.1

BALANCE SHEET

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Fixed assets	117.6	115.2	113.4	112.8
Other LT assets	18.3	18.3	18.3	18.3
Cash/ST investment	184.6	207.6	192.8	192.1
Other current assets	631.8	615.9	641.7	648.8
Total assets	952.4	957.0	966.2	972.0
ST debt	359.7	319.7	279.7	239.7
Other current liabilities	135.8	141.2	145.4	146.5
LT debt	21.0	21.0	21.0	21.0
Other LT liabilities	8.6	8.6	8.6	8.6
Shareholders' equity	427.3	466.6	511.6	556.2
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	952.4	957.0	966.2	972.0

KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	6.4	7.0	7.0	7.0
Pre-tax margin	5.6	6.1	6.5	6.6
Net margin	4.7	5.1	5.4	5.6
ROA	7.9	9.3	10.2	10.6
ROE	18.3	19.8	20.1	19.2
Growth				
Turnover	(4.3)	6.5	4.5	1.2
EBITDA	(9.6)	16.9	4.4	1.0
Pre-tax profit	(15.1)	16.3	10.1	3.5
Net profit	(16.0)	17.0	11.1	3.8
Net profit (adj.)	(16.0)	17.0	11.1	3.8
EPS	(15.5)	17.0	11.1	3.8
Leverage				
Debt to total capital	47.1	42.2	37.0	31.9
Debt to equity	89.1	73.0	58.8	46.9
Net debt/(cash) to equity	45.9	28.5	21.1	12.3
Interest cover (x)	8.1	8.9	14.0	17.5

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