

COMPANY RESULTS

BRC Asia (BRC SP)

1QFY25: Soft Results As Margins Compress

BRC reported lower 1QFY25 revenue (-12.4% yoy) and gross profit (-19.0% yoy), dragged by falling steel prices and slower project off-take. However, 1QFY25 PATMI was higher (+13.9% yoy), driven by a reversal of provisions for onerous contracts. Moving forward, BRC sees strong demand from a large number of upcoming HDB projects and mega infrastructure projects. Despite its decent 6.3% dividend yield, we opine that BRC is fully valued at current levels, thus we maintain HOLD but with a higher target price of S\$2.76.

1QFY25 RESULTS

Year to 31 Sep (S\$m)	1QFY25	1QFY24	yoy % chg	Remarks
Revenue	349.8	399.2	(12.4)	Dragged by lower steel prices.
Gross Profit	28.7	35.4	(19.0)	Declining steel prices.
PATMI	19.5	17.1	13.9	Reversal of provision for onerous contracts.
Gross Margin (%)	8.2	8.9	(0.7ppt)	
PATMI Margin (%)	5.6	4.3	1.3ppt	

Source: BRC, UOB Kay Hian

RESULTS

- Soft underlying results.** In line with expectations, BRC Asia (BRC) posted 1QFY25 results that were within our expectations, with headline revenue at S\$350.0m (-12.4% yoy), gross profit at S\$28.7m (-19.0% yoy) and PATMI at S\$19.5m (+13.9% yoy), representing 23%/18%/23% of our full-year estimates respectively and in line with our expectations. However, we understand that there was a reversal of provisions for onerous contracts in 1QFY25 which led to higher earnings growth. Excluding this, 1QFY25 underlying PATMI would have fallen yoy and below our estimates. The lower top-line revenue was largely due to a fall in steel prices and slow project offtake coupled with engineering delays that have hindered project completion. The greater-than-expected fall in 1QFY25 gross profit was largely due to an unfavourable product mix as steel prices dropped. As a result, 1QFY25 gross margin fell 0.7ppt yoy to 8.2%.
- Solid orderbook.** In the medium term, BRC expects a favourable outlook as strong demand from an expected large number of HDB projects being planned and upcoming infrastructure projects such as the Changi Airport Terminal 5 and Integrated Resort expansion would help support delivery volumes. However, schedules and phases of these key projects may undergo changes which could affect project delivery. BRC's orderbook remains robust, standing at S\$1.5b as at end-1QFY25. We expect the group to deliver half of its current orderbook in the next 3-4 quarters as volumes recover.

KEY FINANCIALS

Year to 30 Sep (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,627	1,481	1,541	1,619	1,701
EBITDA	104	108	108	112	117
Operating profit	97	101	102	108	113
Net profit (rep./act.)	76	94	81	84	88
Net profit (adj.)	76	94	81	84	88
EPS (S\$ cent)	27.6	33.9	29.2	30.5	31.9
PE (x)	11.0	8.9	10.4	9.9	9.5
P/B (x)	1.9	1.8	1.7	1.6	1.5
EV/EBITDA (x)	8.5	8.2	8.2	7.9	7.6
Dividend yield (%)	5.3	6.6	6.3	6.4	6.9
Net margin (%)	4.7	6.3	5.2	5.2	5.2
Net debt/(cash) to equity (%)	45.9	11.4	10.1	4.5	2.5
Interest cover (x)	8.1	9.5	9.2	9.1	9.0
ROE (%)	18.3	20.7	16.5	16.2	16.1
Consensus net profit	-	-	85	87	88
UOBKH/Consensus (x)	-	-	0.95	0.97	1.00

Source: BRC, Bloomberg UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$3.03
Target Price	S\$2.76
Upside	-8.9%
(Previous TP)	S\$2.52)

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 steel beams, column cages and prefabricated beams.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	BRC SP
Shares issued (m):	274.4
Market cap (S\$m):	831.3
Market cap (US\$m):	623.9
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

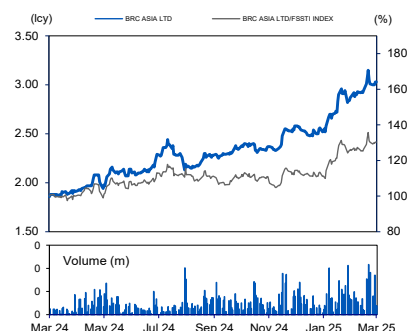
52-week high/low S\$3.15/S\$1.86

1mth	3mth	6mth	1yr	YTD
7.4	18.8	33.5	61.2	21.2

Major Shareholders

	%
Esteele Enterprise P/L	61.2
Hong Leong Asia	20.0
FY25 NAV/Share (S\$)	1.82
FY25 Net Debt/Share (S\$)	0.19

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Robust growth in Singapore's construction sector.** The Building and Construction Authority projected that the total construction demand in 2025 would be between S\$47b and S\$53b, a sharp increase from S\$44.2b in 2024. These indicators point to a favourable environment for the domestic construction industry, signalling substantial growth prospects and lucrative opportunities within the sector. The public sector demand is fuelled by new Housing Development Board projects and major infrastructure initiatives, including contracts for the Cross Island MRT line, Changi Terminal 5 and Tuas Port expansions. Meanwhile, the private sector continues to thrive with residential developments, mixed-use properties, and industrial facilities.
- Strong pipeline ahead.** BRC is strategically poised to capitalise on the surge in public sector construction, as it is able to leverage its expertise in crucial infrastructure components such as steel reinforcement. BRC's long-term outlook remains positive, underpinned by a solid orderbook valued at S\$1.5b as of end-1QFY25, which is expected to sustain BRC's operations for up to five years. With its dominant domestic market share, BRC serves as a strong proxy for Singapore's construction sector.

EARNINGS REVISION/RISK

- We trim our FY25-27 PATMI estimates,** on the back of lower gross margin assumptions. We now forecast FY25-27 PATMI at S\$80.6m (S\$84.7m previously), S\$84.3m (S\$90.0m previously) and S\$88.1m (S\$95.7m previously) respectively.

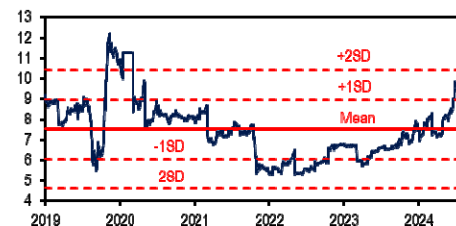
VALUATION/RECOMMENDATION

- We maintain HOLD but with a higher PE-based target price of S\$2.76** (S\$2.52 previously), based on a 9x FY25F PE multiple (8x FY25F PE multiple), pegged to +1.0SD (+0.5SD previously) of BRC's five-year average mean. We have increased our PE multiple as we have become more positive on BRC's near-to-medium-term outlook, backed by its strong orderbook and favourable tailwinds.
- However, despite the group's decent 6.3% FY25 dividend yield, we reckon that BRC is fairly valued at current price levels with limited upside potential. We recommend investors to take profit on any potential strength in share price performance.

SHARE PRICE CATALYST

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

HISTORICAL FORWARD PE RATIO (X)



Source: UOB Kay Hian, Bloomberg

HISTORICAL BEST DIVIDEND YIELD (%)



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	1,481.4	1,541.4	1,619.4	1,701.3
EBITDA	107.6	108.1	112.2	116.6
Deprec. & amort.	6.4	5.8	4.7	3.6
EBIT	101.1	102.3	107.5	113.0
Total other non-operating income	22.5	8.0	8.0	8.0
Associate contributions	(1.1)	0.0	0.0	0.0
Net interest income/(expense)	(11.3)	(11.7)	(12.3)	(12.9)
Pre-tax profit	111.2	98.6	103.2	108.0
Tax	(17.6)	(18.0)	(18.9)	(19.9)
Minorities	0.0	0.0	0.0	0.0
Net profit	93.5	80.6	84.3	88.1
Net profit (adj.)	93.5	80.6	84.3	88.1

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	193.0	71.5	97.4	84.5
Pre-tax profit	111.2	98.6	103.2	108.0
Tax	(14.2)	(18.0)	(18.9)	(19.9)
Deprec. & amort.	19.2	5.8	4.7	3.6
Associates	1.1	0.0	0.0	0.0
Working capital changes	83.6	(26.6)	(3.8)	(20.2)
Non-cash items	(14.3)	0.0	0.0	0.0
Other operating cashflows	6.4	11.7	12.3	12.9
Investing	2.8	(4.0)	(4.0)	(4.0)
Capex (growth)	(4.3)	(4.0)	(4.0)	(4.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	19.4	0.0	0.0	0.0
Financing	(12.2)	0.0	0.0	0.0
Dividend payments	(183.0)	(104.2)	(106.1)	(110.9)
Issue of shares	(30.2)	(52.4)	(53.8)	(58.0)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(6.1)	(40.0)	(40.0)	(40.0)
Others/interest paid	(146.8)	(11.7)	(12.3)	(12.9)
Net cash inflow (outflow)	12.8	(36.7)	(12.7)	(30.4)
Beginning cash & cash equivalent	184.6	191.4	154.7	141.9
Changes due to forex impact	(6.0)	0.0	0.0	0.0
Ending cash & cash equivalent	191.4	154.7	141.9	111.5

BALANCE SHEET

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Fixed assets	110.9	109.2	108.5	108.9
Other LT assets	31.1	31.1	31.1	31.1
Cash/ST investment	191.4	154.7	141.9	111.5
Other current assets	570.6	579.5	574.4	584.5
Total assets	904.0	874.4	855.9	836.0
ST debt	227.3	187.3	147.3	107.3
Other current liabilities	171.1	153.4	144.4	134.3
LT debt	18.5	18.5	18.5	18.5
Other LT liabilities	11.9	11.9	11.9	11.9
Shareholders' equity	475.3	503.4	533.9	564.1
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	904.0	874.4	855.9	836.0

KEY METRICS

Year to 30 Sep (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	7.3	7.0	6.9	6.9
Pre-tax margin	7.5	6.4	6.4	6.3
Net margin	6.3	5.2	5.2	5.2
ROA	10.1	9.1	9.7	10.4
ROE	20.7	16.5	16.2	16.1
Growth				
Turnover	(9.0)	4.1	5.1	5.1
EBITDA	3.7	0.5	3.8	3.9
Pre-tax profit	21.9	(11.3)	4.6	4.7
Net profit	23.5	(13.8)	4.6	4.6
Net profit (adj.)	23.5	(13.8)	4.6	4.6
EPS	22.8	(13.8)	4.6	4.6
Leverage				
Debt to total capital	34.1	29.0	23.7	18.2
Debt to equity	51.7	40.9	31.0	22.3
Net debt/(cash) to equity	11.4	10.1	4.5	2.5
Interest cover (x)	9.5	9.2	9.1	9.0

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