

### SMALL/MID CAP HIGHLIGHTS

#### BRC Asia (BRC SP)

1HFY22: Above expectations, Robust Earnings As Construction Resumes.

**BRC reported strong 1H22 earnings of S\$39.8m (+108% yoy, +43% hoh) as 2QFY22 net profit surged to S\$26.5m (+178% yoy, +99% qoq). The strong outperformance was led by increased delivery volumes and higher steel prices. Labour supply recovery is underway and management noted that delivery volumes will revert to pre-pandemic levels by 1QFY23. BRC currently trades at 4.8x FY22F PE, attractive in our view. Maintain BUY with a slightly higher target price of S\$2.15 (S\$2.02 previously).**

#### 1HFY22 RESULTS

| Year to 31 Mar (S\$m) | 1H22  | hoh % chg | yoy % chg | 2QFY22 | qoq % chg | yoy % chg |
|-----------------------|-------|-----------|-----------|--------|-----------|-----------|
| Revenue               | 793.3 | 17.4      | 61.0      | 435.9  | 22.0      | 56.1      |
| Gross Profit          | 68.7  | 61.9      | 73.5      | 42.5   | 61.4      | 161.7     |
| Net Profit            | 39.8  | 42.9      | 108       | 26.5   | 99.0      | 177.7     |
| Gross Margin (%)      | 8.7   | 2.4 ppt   | 0.7 ppt   | 9.7    | 2.3 ppt   | 3.9 ppt   |
| Net Margin (%)        | 5.0   | 0.9 ppt   | 1.1 ppt   | 6.1    | 2.4 ppt   | 2.7 ppt   |

Source: BRC, UOB Kay Hian

#### RESULTS

- Results surpassed expectations.** BRC Asia (BRC) reported 1HFY22 revenue and net profit of S\$793.3m (+61% yoy, +17% hoh) and S\$39.8m (+108% yoy, +43% hoh) respectively, forming 54% and 71% of our full-year estimates, surpassing our expectations. Stronger delivery volumes coupled with elevated steel rebar prices boosted the group's earnings. The group declared a higher 1HFY22 dividend of 6 S cents/share, compared to 4 S cents/share in 1HFY21.
- Beneficial industry tailwinds led to a strong 2QFY22.** Revenue and net profit grew by 56.1% yoy and 177% yoy respectively in 2QFY22, mainly due to higher construction activities and elevated steel prices caused by the ongoing Ukraine-Russia conflict. We understand that BRC has been able to pass on the higher material costs to customers. Also, in Mar 22, Singapore started to fully reopen its international borders, allowing foreign workers back into Singapore, easing the persistent labour supply-demand imbalance. However, management has noted that although the influx of foreign workers would aid in alleviating the labour shortage, many workers are also returning back home as borders get lifted. We expect Singapore's labour supply recovery to eventually ramp up and return to pre-pandemic levels by 4QFY22/1QFY23.
- Resolute orderbook and diversified supply chain.** BRC's orderbook remains robust, standing at S\$1b, lower than the S\$1.3b at end-1QFY22. This is due to higher delivery volumes made in 2QFY22. We expect the group to deliver half of its current orderbook in the next 3-4 quarters as BRC's current production capacity of around 70% starts to ramp up. Also, BRC's is not affected by China's ongoing COVID-19 lockdowns as BRC has diversified its supply chain to regional suppliers closer to home.

#### KEY FINANCIALS

| Year to 30 Sep (S\$m)         | 2020 | 2021  | 2022F | 2023F | 2024F |
|-------------------------------|------|-------|-------|-------|-------|
| Net turnover                  | 612  | 1,169 | 1,528 | 1,667 | 1,830 |
| EBITDA                        | 47   | 57    | 111   | 118   | 131   |
| Operating profit              | 38   | 49    | 103   | 111   | 125   |
| Net profit (rep./act.)        | 20   | 47    | 84    | 90    | 101   |
| Net profit (adj.)             | 20   | 47    | 84    | 90    | 101   |
| EPS (S\$ cent)                | 8.7  | 19.6  | 35.1  | 37.5  | 42.2  |
| PE (x)                        | 19.5 | 8.7   | 4.8   | 4.5   | 4.0   |
| P/B (x)                       | 1.5  | 1.4   | 1.1   | 0.9   | 0.8   |
| EV/EBITDA (x)                 | 15.0 | 12.4  | 6.4   | 6.0   | 5.4   |
| Dividend yield (%)            | 3.5  | 4.7   | 5.3   | 5.9   | 5.9   |
| Net margin (%)                | 3.3  | 4.0   | 5.5   | 5.4   | 5.5   |
| Net debt/(cash) to equity (%) | 76.1 | 117.2 | 65.5  | 35.1  | 14.9  |
| Interest cover (x)            | 7.0  | 12.2  | 18.0  | 17.6  | 17.8  |
| ROE (%)                       | 7.7  | 16.6  | 25.0  | 21.8  | 20.3  |
| Consensus net profit          | -    | -     | 69    | 79    | 77    |
| UOBKH/Consensus (x)           | -    | -     | 1.23  | 1.14  | 1.32  |

Source: BRC, Bloomberg UOB Kay Hian

### BUY

(Maintained)

|               |          |
|---------------|----------|
| Share Price   | S\$1.70  |
| Target Price  | S\$2.15  |
| Upside        | +26.6%   |
| (Previous TP: | S\$2.02) |

#### COMPANY DESCRIPTION

BRC Asia designs, manufactures and markets steel meshes under the BRC brand name. The company's products include non-standard and customised meshes, a wide range of prefabricated products including beams and column cages, complete prefabricated beam and column reinforcement, staggered meshes, twin wire meshes, and pile cap cages.

#### STOCK DATA

|                                 |             |
|---------------------------------|-------------|
| GICS sector                     | Industrials |
| Bloomberg ticker:               | BRC SP      |
| Shares issued (m):              | 274.4       |
| Market cap (S\$m):              | 466.4       |
| Market cap (US\$m):             | 339.1       |
| 3-mth avg daily t'over (US\$m): | 0.1         |

#### Price Performance (%)

52-week high/low S\$1.70/S\$1.35

| 1mth | 3mth | 6mth | 1yr  | YTD  |
|------|------|------|------|------|
| 8.3  | 4.4  | 17.0 | 16.2 | 13.2 |

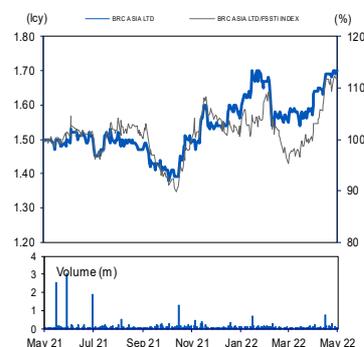
#### Major Shareholders

|                    | %    |
|--------------------|------|
| Esteele Enterprise | 71.7 |
| Hong Leong Asia    | 20.8 |

FY22 NAV/Share (S\$) 1.56

FY22 Net Debt/Share (S\$) 1.02

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Llalleythan Tan**  
+65 6590 6624  
yirong@uobkayhian.com

### STOCK IMPACT

- **Still room for growth in the construction sector.** The construction sector grew by 1.8% yoy in 1Q2022 as Singapore eased its COVID-19 restrictions. In absolute terms, the sector still remained 25.3% below its pre-pandemic levels as labour supply-demand imbalance persists. However, with the lifting of border restrictions, Singapore's labour shortage is expected to ease moving forward as construction companies step up hiring, ramping up construction activities. Also, Singapore has a strong pipeline of upcoming public sector projects along with an increased supply in HDB launches. BRC remains a strong proxy for Singapore's construction sector, given its commanding market share domestically.

### EARNINGS REVISION/RISK

- **We increase our FY22-24 earnings by 27-53%**, on the back of rising steel prices and a better-than-expected recovery in construction demand. We increase our FY22-24 net profit forecasts by 52.8%, 37.2% and 27.7% respectively.

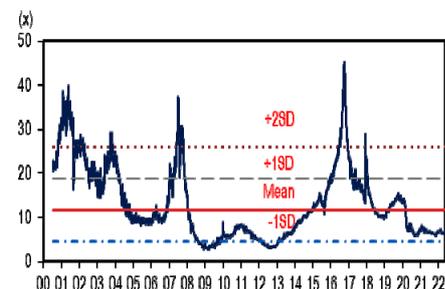
### VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$2.15 (S\$2.02 previously)**, based on 7.0x FY22F PE, pegged to -0.5SD of BRC's long-term average PE (excluding outliers of >2SD at 25x).
- We reckon BRC is poised to post robust earnings in FY22, backed by favourable industry tailwinds and higher steel prices. However, we are cautious of any potential sharp moderation in steel prices which may lead to a reversal of provisions and supernormal earnings thereafter. Therefore, taking a conservative view, we have pegged our target price to -0.5SD of BRC's long term average PE instead of its mean.

### SHARE PRICE CATALYST

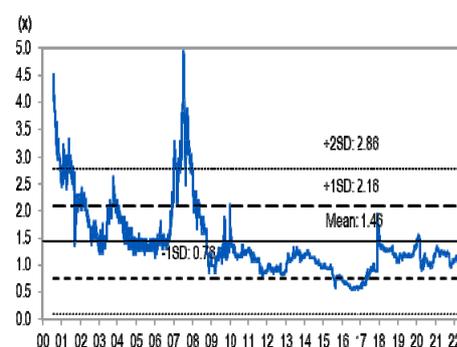
- Faster-than-expected recovery in construction activities.
- Complete relaxation of foreign labour restrictions.
- More public housing projects awarded.

### PE



Source: Bloomberg, UOB Kay Hian

### P/B



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

| Year to 30 Sep (\$m)             | 2021    | 2022F   | 2023F   | 2024F   |
|----------------------------------|---------|---------|---------|---------|
| Net turnover                     | 1,168.6 | 1,528.4 | 1,667.0 | 1,829.9 |
| EBITDA                           | 57.5    | 110.8   | 117.7   | 131.1   |
| Deprec. & amort.                 | 8.7     | 7.9     | 7.1     | 6.4     |
| EBIT                             | 48.8    | 102.9   | 110.6   | 124.6   |
| Total other non-operating income | 12.3    | 5.0     | 5.0     | 5.0     |
| Associate contributions          | 2.0     | 0.0     | 0.0     | 0.0     |
| Net interest income/(expense)    | (4.7)   | (6.1)   | (6.7)   | (7.4)   |
| Pre-tax profit                   | 58.4    | 101.8   | 108.9   | 122.3   |
| Tax                              | (11.3)  | (17.4)  | (18.8)  | (20.9)  |
| Minorities                       | 0.0     | 0.0     | 0.0     | 0.0     |
| Net profit                       | 47.0    | 84.3    | 90.1    | 101.4   |
| Net profit (adj.)                | 47.0    | 84.3    | 90.1    | 101.4   |

### BALANCE SHEET

| Year to 30 Sep (\$m)                  | 2021         | 2022F        | 2023F        | 2024F        |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Fixed assets                          | 143.9        | 139.0        | 134.8        | 132.4        |
| Other LT assets                       | 26.1         | 26.1         | 26.1         | 26.1         |
| Cash/ST investment                    | 83.0         | 80.6         | 116.5        | 145.0        |
| Other current assets                  | 631.8        | 621.3        | 626.8        | 650.4        |
| <b>Total assets</b>                   | <b>884.7</b> | <b>867.0</b> | <b>904.1</b> | <b>953.8</b> |
| ST debt                               | 358.1        | 268.1        | 238.1        | 208.1        |
| Other current liabilities             | 137.9        | 156.8        | 164.9        | 174.2        |
| LT debt                               | 77.7         | 57.7         | 37.7         | 17.7         |
| Other LT liabilities                  | 10.1         | 10.1         | 10.1         | 10.1         |
| Shareholders' equity                  | 300.9        | 374.3        | 453.4        | 543.8        |
| Minority interest                     | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total liabilities &amp; equity</b> | <b>884.7</b> | <b>867.0</b> | <b>904.1</b> | <b>953.8</b> |

### CASH FLOW

| Year to 30 Sep (\$m)             | 2021    | 2022F   | 2023F  | 2024F  |
|----------------------------------|---------|---------|--------|--------|
| Operating                        | (126.2) | 127.7   | 106.5  | 100.8  |
| Pre-tax profit                   | 58.4    | 101.8   | 108.9  | 122.3  |
| Tax                              | (9.5)   | (17.4)  | (18.8) | (20.9) |
| Deprec. & amort.                 | 18.0    | 7.9     | 7.1    | 6.4    |
| Associates                       | (2.0)   | 0.0     | 0.0    | 0.0    |
| Working capital changes          | (245.3) | 29.3    | 2.7    | (14.4) |
| Non-cash items                   | 6.0     | 0.0     | 0.0    | 0.0    |
| Other operating cashflows        | 48.3    | 6.1     | 6.7    | 7.4    |
| Investing                        | (1.1)   | (3.0)   | (3.0)  | (4.0)  |
| Capex (growth)                   | (1.9)   | (3.0)   | (3.0)  | (4.0)  |
| Proceeds from sale of assets     | 0.0     | 0.0     | 0.0    | 0.0    |
| Others                           | 0.8     | 0.0     | 0.0    | 0.0    |
| Financing                        | 135.9   | (127.1) | (67.7) | (68.3) |
| Dividend payments                | (24.3)  | (11.0)  | (11.0) | (11.0) |
| Issue of shares                  | 14.2    | 0.0     | 0.0    | 0.0    |
| Proceeds from borrowings         | (8.0)   | 0.0     | 0.0    | 0.0    |
| Loan repayment                   | (68.5)  | (110.0) | (50.0) | (50.0) |
| Others/interest paid             | 222.5   | (6.1)   | (6.7)  | (7.4)  |
| Net cash inflow (outflow)        | 8.6     | (2.4)   | 35.9   | 28.5   |
| Beginning cash & cash equivalent | 74.4    | 83.0    | 80.6   | 116.5  |
| Changes due to forex impact      | (0.0)   | 0.0     | 0.0    | 0.0    |
| Ending cash & cash equivalent    | 83.0    | 80.6    | 116.5  | 145.0  |

### KEY METRICS

| Year to 30 Sep (%)        | 2021  | 2022F | 2023F | 2024F |
|---------------------------|-------|-------|-------|-------|
| <b>Profitability</b>      |       |       |       |       |
| EBITDA margin             | 4.9   | 7.3   | 7.1   | 7.2   |
| Pre-tax margin            | 5.0   | 6.7   | 6.5   | 6.7   |
| Net margin                | 4.0   | 5.5   | 5.4   | 5.5   |
| ROA                       | 6.3   | 9.6   | 10.2  | 10.9  |
| ROE                       | 16.6  | 25.0  | 21.8  | 20.3  |
| <b>Growth</b>             |       |       |       |       |
| Turnover                  | 90.8  | 30.8  | 9.1   | 9.8   |
| EBITDA                    | 21.4  | 92.7  | 6.2   | 11.4  |
| Pre-tax profit            | 116.3 | 74.3  | 7.0   | 12.3  |
| Net profit                | 131.1 | 79.3  | 6.8   | 12.6  |
| Net profit (adj.)         | 131.1 | 79.3  | 6.8   | 12.6  |
| EPS                       | 124.5 | 79.3  | 6.8   | 12.6  |
| <b>Leverage</b>           |       |       |       |       |
| Debt to total capital     | 59.1  | 46.5  | 37.8  | 29.3  |
| Debt to equity            | 144.8 | 87.0  | 60.8  | 41.5  |
| Net debt/(cash) to equity | 117.2 | 65.5  | 35.1  | 14.9  |
| Interest cover (x)        | 12.2  | 18.0  | 17.6  | 17.8  |

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

|                                   |   |
|-----------------------------------|---|
| General                           | This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.  |
| Hong Kong                         | This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note:<br>(i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and<br>(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law. |
| Indonesia                         | This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.  |
| Malaysia                          | Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.  |
| Singapore                         | This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note:<br>(i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and<br>(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.   |
| Thailand                          | This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.  |
| United Kingdom                    | This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.   |
| United States of America ('U.S.') | This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.   |

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W