

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 4 Hold 0 Sell 0

Current price:	S\$1.58
Target price:	S\$1.90
Previous target:	S\$1.90
Up/downside:	20.3%
CGS-CIMB / Consensus:	-1.8%
Reuters:	BRCA.SI
Bloomberg:	BRC SP
Market cap:	US\$286.1m
	S\$385.4m
Average daily turnover:	US\$0.44m
	S\$0.59m
Current shares o/s:	233.3m
Free float:	28.3%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.3	12.9	1.9
Relative (%)	-4	3.9	-6.8

**Major shareholders**

	% held
Esteel Enterprise	71.7

**Analyst(s)**

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# BRC Asia Ltd

## Steel looking good

- Construction activities have returned to c.75% of pre-Covid-19 levels; we expect a further recovery with roll-out of Covid-19 vaccination programmes.
- BRC has locked in supply for inventory requirements for the rest of FY21F; this should allow the company to uphold healthy GPM of 11%.
- We believe BRC is on track to achieving S\$40m net profit for FY21F. Reiterate Add and TP of S\$1.90.

**Continuous improvements in construction activity**

Construction activity in Singapore continues to improve progressively – BRC notes that industry run-rate has recovered to c.75% of pre-Covid levels currently. Earlier this week, the Singapore government announced plans to start vaccinating migrant workers living in dorms against Covid-19, and we believe this could pave the way for further loosening of social distancing measures at construction sites in the near future. As contractors adapt better to a new working environment, we expect construction activities in Singapore to further improve to c.80% of pre-Covid level by mid-CY21. BRC's order book stood at a healthy level of S\$1.09bn as of end-1Q21; we expect this to underpin revenue growth of 30% yoy for FY9/21F to S\$794m.

**On track to double net profit in FY21F**

Despite the rapid escalation of international steel prices YTD, we understand that BRC has locked in purchase of inventory requirements for the rest of the year. We remain confident that BRC can continue to uphold healthy GPM of 11% in FY21F, in spite of the likelihood of higher provision for onerous contracts (an accounting treatment where BRC has to take mark-to-market losses due to higher steel market prices, which can be later reversed and credited to the profit and loss statement when deliveries under such sales contract are executed). We continue to expect FY21F net profit to double to S\$40m (FY20: S\$20.4m), a record high for the company.

**Reiterate Add and TP of S\$1.90**

We continue to like BRC as a proxy to Singapore's construction sector recovery, given its market leadership in the reinforced steel industry. Reiterate Add, as we anticipate earnings recovery in FY21F with further resumption of construction activities. Our TP is unchanged at S\$1.90, still based on 1.57x CY21F P/BV (GGM: ROE 14.9%, cost of equity 9.7%, terminal growth 0.5%). Potential catalysts include loosening of social distancing measures in the workplace and higher dividend payout. Downside risks include counterparty credit risk.

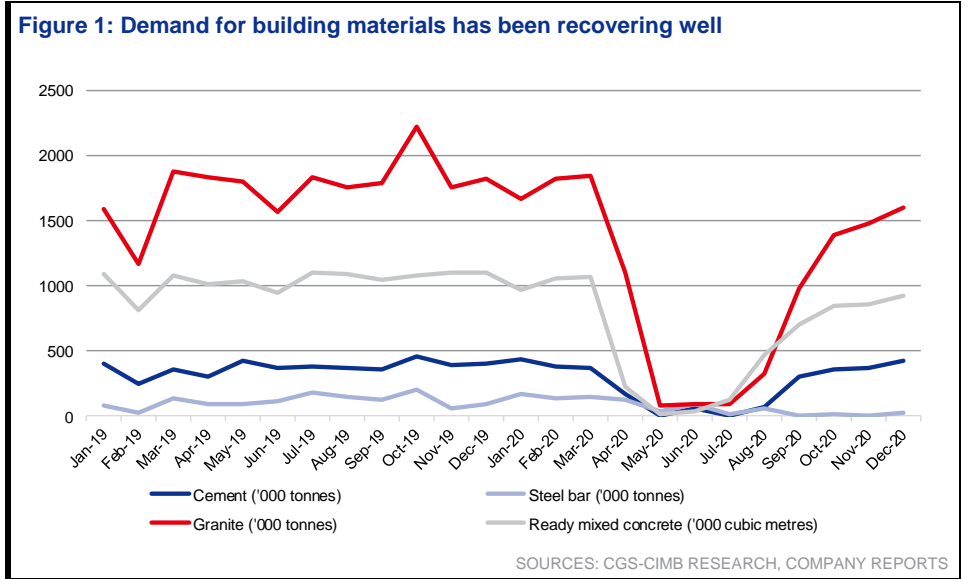
**Financial Summary**

	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
Revenue (S\$m)	913.3	612.4	793.9	851.1	855.8
Operating EBITDA (S\$m)	64.80	66.81	76.48	80.74	80.81
Net Profit (S\$m)	31.56	20.35	40.00	45.01	46.46
Core EPS (S\$)	0.14	0.12	0.17	0.19	0.20
Core EPS Growth	143%	(14%)	47%	13%	3%
FD Core P/E (x)	11.68	13.58	9.22	8.19	7.94
DPS (S\$)	0.080	0.060	0.080	0.080	0.080
Dividend Yield	5.06%	3.80%	5.06%	5.06%	5.06%
EV/EBITDA (x)	9.11	8.17	6.91	6.48	5.65
P/FCFE (x)	13.76	13.75	NA	26.52	4.83
Net Gearing	91.6%	68.6%	57.2%	50.7%	26.6%
P/BV (x)	1.40	1.39	1.29	1.18	1.08
ROE	12.6%	10.3%	14.5%	15.0%	14.2%
CGS-CIMB/Consensus EPS (x)			1.01	1.03	1.00

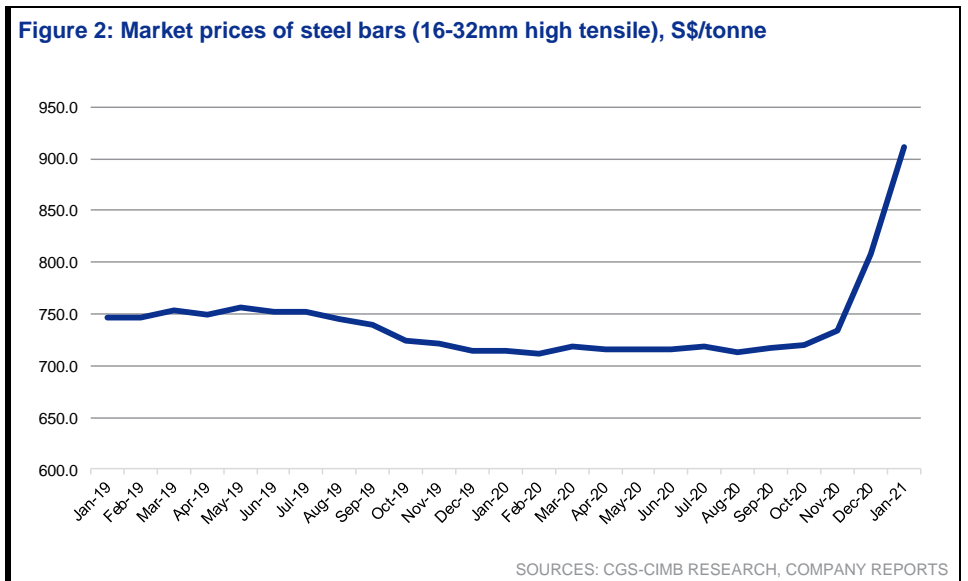
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Steel looking good

**Figure 1: Demand for building materials has been recovering well**



**Figure 2: Market prices of steel bars (16-32mm high tensile), S\$/tonne**

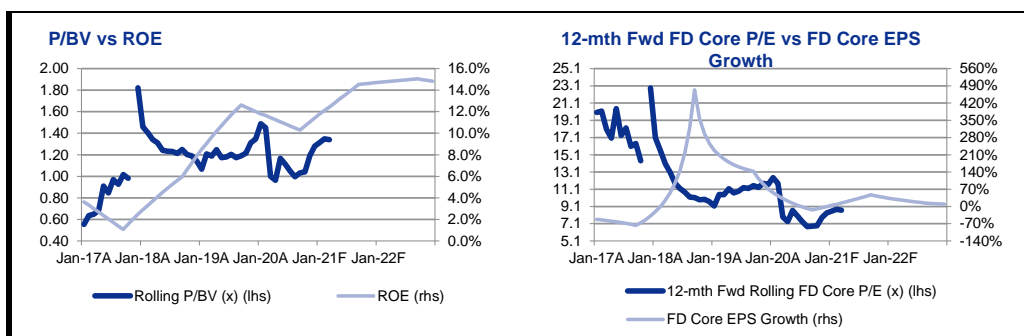


**Figure 3: P/BV-derived target price for BRC**

Risk free rate	2.3%
Beta	0.64
Equity risk premium	10.0%
Liquidity premium	1.0%
<b>Adjusted cost of equity (COE)</b>	<b>9.7%</b>
Average ROE over FY19-21F (ROE)	14.9%
Terminal growth rate (g)	0.5%
ROE-g [a]	14.4%
COE-g [b]	9.2%
Theoretical P/B (x) [a]/[b]	1.57
CY21F BVPS (S\$)	1.21
<b>Target price (S\$)</b>	<b>1.90</b>
CY22F EPS (S\$)	0.19
Implied FY22F P/E (x)	9.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(\$m)	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
<b>Total Net Revenues</b>	<b>913.3</b>	<b>612.4</b>	<b>793.9</b>	<b>851.1</b>	<b>855.8</b>
<b>Gross Profit</b>	<b>76.6</b>	<b>66.2</b>	<b>87.3</b>	<b>94.9</b>	<b>96.7</b>
<b>Operating EBITDA</b>	<b>64.8</b>	<b>66.8</b>	<b>76.5</b>	<b>80.7</b>	<b>80.8</b>
Depreciation And Amortisation	(15.9)	(19.0)	(18.5)	(16.6)	(15.0)
<b>Operating EBIT</b>	<b>48.9</b>	<b>47.9</b>	<b>58.0</b>	<b>64.1</b>	<b>65.8</b>
Financial Income/(Expense)	(9.6)	(6.8)	(7.0)	(7.0)	(7.0)
Pretax Income/(Loss) from Assoc.	(0.8)	(14.1)	(1.9)	(1.9)	(1.8)
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>38.4</b>	<b>27.0</b>	<b>49.1</b>	<b>55.2</b>	<b>57.0</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>38.4</b>	<b>27.0</b>	<b>49.1</b>	<b>55.2</b>	<b>57.0</b>
Taxation	(6.9)	(6.6)	(9.1)	(10.2)	(10.5)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>31.6</b>	<b>20.4</b>	<b>40.0</b>	<b>45.0</b>	<b>46.5</b>
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>31.6</b>	<b>20.4</b>	<b>40.0</b>	<b>45.0</b>	<b>46.5</b>
Recurring Net Profit	31.6	27.2	40.0	45.0	46.5
<b>Fully Diluted Recurring Net Profit</b>	<b>31.6</b>	<b>27.2</b>	<b>40.0</b>	<b>45.0</b>	<b>46.5</b>

### Cash Flow

(\$m)	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
<b>EBITDA</b>	<b>64.80</b>	<b>66.81</b>	<b>76.48</b>	<b>80.74</b>	<b>80.81</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	25.07	61.20	(10.81)	(33.12)	29.58
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(6.90)	1.04	(3.01)	0.00	0.00
Other Operating Cashflow	(0.97)	(1.32)	(2.30)	(1.75)	(2.65)
Net Interest (Paid)/Received	(9.58)	(6.77)	(7.00)	(7.00)	(7.00)
Tax Paid	(2.70)	(5.62)	(9.08)	(10.22)	(10.55)
<b>Cashflow From Operations</b>	<b>69.72</b>	<b>115.34</b>	<b>44.30</b>	<b>28.66</b>	<b>90.19</b>
Capex	(2.30)	(2.54)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.16	0.80	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	(1.50)	(1.50)	(1.50)
Other Investing Cashflow	(9.18)	0.33	2.30	1.75	2.65
<b>Cash Flow From Investing</b>	<b>(11.31)</b>	<b>(1.41)</b>	<b>(4.20)</b>	<b>(4.75)</b>	<b>(3.85)</b>
Debt Raised/(repaid)	(31.61)	(87.11)	(44.23)	(10.00)	(10.00)
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(2.33)	(18.67)	(18.67)	(18.67)	(18.67)
Preferred Dividends					
Other Financing Cashflow	(9.41)	(6.05)	(7.00)	(7.00)	(7.00)
<b>Cash Flow From Financing</b>	<b>(43.35)</b>	<b>(111.83)</b>	<b>(69.89)</b>	<b>(35.67)</b>	<b>(35.67)</b>
Total Cash Generated	15.06	2.10	(29.80)	(11.76)	50.67
<b>Free Cashflow To Equity</b>	<b>26.80</b>	<b>26.82</b>	<b>(4.13)</b>	<b>13.90</b>	<b>76.34</b>
<b>Free Cashflow To Firm</b>	<b>67.98</b>	<b>120.70</b>	<b>47.09</b>	<b>30.90</b>	<b>93.34</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

<b>(\$m)</b>	<b>Sep-19A</b>	<b>Sep-20A</b>	<b>Sep-21F</b>	<b>Sep-22F</b>	<b>Sep-23F</b>
Total Cash And Equivalents	65.8	77.9	51.6	46.9	104.5
Total Debtors	204.1	97.2	265.5	122.3	267.5
Inventories	231.9	237.2	241.3	271.7	244.1
Total Other Current Assets	30.0	33.9	33.9	33.9	33.9
<b>Total Current Assets</b>	<b>531.8</b>	<b>446.1</b>	<b>592.3</b>	<b>474.7</b>	<b>650.1</b>
Fixed Assets	136.5	157.1	147.0	135.4	125.4
Total Investments	26.3	16.7	16.3	15.9	15.6
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Non-current Assets</b>	<b>162.8</b>	<b>173.8</b>	<b>163.4</b>	<b>151.4</b>	<b>141.1</b>
Short-term Debt	245.8	160.0	150.0	140.0	130.0
Current Portion of Long-Term Debt					
Total Creditors	94.3	69.3	231.0	85.0	232.3
Other Current Liabilities	17.7	13.5	10.5	10.5	10.5
<b>Total Current Liabilities</b>	<b>357.9</b>	<b>242.9</b>	<b>391.6</b>	<b>235.6</b>	<b>372.8</b>
Total Long-term Debt	60.7	99.2	65.0	65.0	65.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	13.1	13.3	13.3	13.3	13.3
<b>Total Non-current Liabilities</b>	<b>73.8</b>	<b>112.5</b>	<b>78.3</b>	<b>78.3</b>	<b>78.3</b>
Total Provisions	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>431.7</b>	<b>355.4</b>	<b>469.8</b>	<b>313.9</b>	<b>451.1</b>
Shareholders' Equity	262.9	264.5	285.9	312.2	340.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>262.9</b>	<b>264.5</b>	<b>285.9</b>	<b>312.2</b>	<b>340.0</b>

**Key Ratios**

	<b>Sep-19A</b>	<b>Sep-20A</b>	<b>Sep-21F</b>	<b>Sep-22F</b>	<b>Sep-23F</b>
Revenue Growth	61.1%	(32.9%)	29.6%	7.2%	0.5%
Operating EBITDA Growth	99.3%	3.1%	14.5%	5.6%	0.1%
Operating EBITDA Margin	7.1%	10.9%	9.6%	9.5%	9.4%
Net Cash Per Share (\$)	(1.03)	(0.78)	(0.70)	(0.68)	(0.39)
BVPS (\$)	1.13	1.13	1.23	1.34	1.46
Gross Interest Cover	5.10	7.07	8.28	9.16	9.40
Effective Tax Rate	17.9%	24.6%	18.5%	18.5%	18.5%
Net Dividend Payout Ratio	59.1%	68.8%	46.7%	41.5%	40.2%
Accounts Receivables Days	75.14	85.21	80.00	80.00	80.00
Inventory Days	109.5	157.2	123.6	123.8	124.0
Accounts Payables Days	27.51	31.85	56.18	56.27	56.37
ROIC (%)	7.3%	7.4%	10.7%	11.7%	11.5%
ROCE (%)	8.5%	8.8%	11.3%	12.6%	12.5%
Return On Average Assets	5.66%	3.87%	6.64%	7.34%	7.36%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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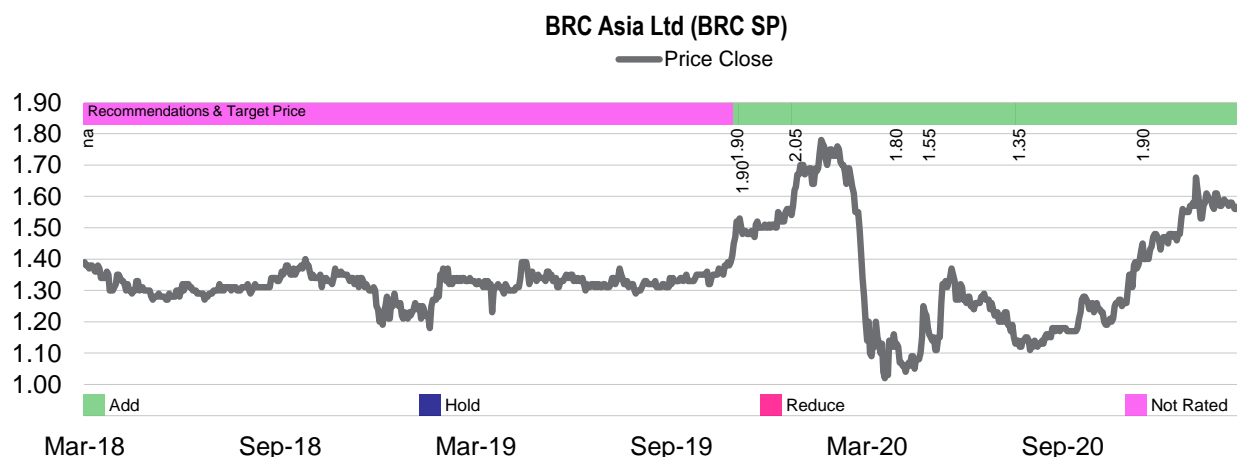
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2020		
688 companies under coverage for quarter ended on 31 December 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.0%	0.9%
Hold	21.7%	0.0%
Reduce	11.3%	0.3%

**Spitzer Chart for stock being researched ( 2 year data )**

**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **AU** – Good, n/a, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BEM** – Excellent, n/a, **BGRIM** – Very Good, Certified, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Certified, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Certified, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DOHOME** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, Declared, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, Declared, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JKN** – Excellent, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – not available, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, Declared, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – not available, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **PTTOR** – not available, n/a, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **RBF** – not available, n/a, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAK** – not available, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – not available, n/a, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **THCOM** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2020 from Thai Institute of Directors Association (IOD)

2 AGM Level 2019 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into:

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2019" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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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.*

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- 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.

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Definition:

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