

Singapore

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$1.54
Target price:	S\$1.90
Previous target:	S\$1.90
Up/downside:	23.4%
CGS-CIMB / Consensus:	-1.2%
Reuters:	BRCA.SI
Bloomberg:	BRC SP
Market cap:	US\$280.5m
	S\$374.7m
Average daily turnover:	US\$0.24m
	S\$0.32m
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 (%)	5.5	-3.8	46.7
Relative (%)	5.6	-13.2	22.7

Major shareholders	% held
Esteele Enterprise	71.7

Analyst(s)

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BRC Asia Ltd

Steel looking good

- Despite a S\$20.9m provision for onerous contracts, 2QFY9/21 NP of S\$9.5m was in line with expectations. Maiden interim dividend of 4Scts was declared.
- Construction activity recovery continues, although pace of improvement could be temporarily dampened by government's barring of workers from India.
- We believe BRC is on track to double its net profit to S\$40m in FY21F. Reiterate Add and TP of S\$1.90.

Solid 2QFY21 results; maiden interim dividend a surprise

BRC recorded a S\$20.9m provision for onerous contracts in 2QFY9/21 – this is a non-cash accounting treatment where it has to take mark-to-market losses due to higher steel market prices, and the losses can later be reversed and credited to its profit and loss statement when deliveries under such sales contracts are executed. Despite that, BRC reported net profit of S\$9.5m (-4% yoy) for the quarter. We deem the set of results in line with expectations, with 1HFY21 net profit making up 47.9% of our FY21F. Cautiously optimistic of broad-base improvements to Singapore's construction demand and output in 2021 and beyond, BRC declared a maiden interim dividend of 4Scts/share, representing 2.6% dividend yield.

Gradual improvement in construction activity

Construction activity in Singapore has recovered to c.80% of pre-Covid levels in 1QCY21 (4QCY20: 73% of pre-Covid level). We expect construction activities in Singapore to improve further as contractors adapt better to a new working environment, although the pace of recovery in 2QCY21F could be dampened by Singapore government's recent decision to temporarily bar entry of workers from India and its four neighbouring countries. BRC's orderbook remained robust at S\$1.1bn as of end-Mar, and we expect healthy replenishment with more public sector contracts set to be awarded this year.

Still 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, and hence should continue to retain healthy profit spreads on its existing orderbook. We continue to expect FY21F net profit to double to S\$40m (FY20: S\$20.4m), a record high for the company. Any reversal of provision for onerous contracts (upon complete execution of contracts, or reversal of steel price uptrend) could provide further upside to our forecasts.

Reiterate Add and TP of S\$1.90

We continue to like BRC as a proxy for Singapore's construction sector recovery, given its market leadership in the reinforced steel industry. Reiterate Add with an unchanged TP of S\$1.90, based on 1.57x CY21F P/BV (GGM: ROE 14.9%, cost of equity 9.7%, terminal growth 0.5%). Potential re-rating catalysts include loosening of social distancing measures in the workplace with further Covid-19 vaccination rollout. 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)	11.39	13.23	8.98	7.98	7.73
DPS (S\$)	0.080	0.060	0.080	0.080	0.080
Dividend Yield	5.19%	3.90%	5.19%	5.19%	5.19%
EV/EBITDA (x)	8.97	8.03	6.78	6.37	5.53
P/FCFE (x)	13.41	13.40	NA	25.84	4.71
Net Gearing	91.6%	68.6%	57.2%	50.7%	26.6%
P/BV (x)	1.37	1.36	1.26	1.15	1.06
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: Results comparison

FYE Sep (S\$ m)	2QFY21	2QFY20	yoy % chg	qoq % chg	2QFY21 Cum	2QFY20 Cum	yoy % chg	Prev FY21F	Comments
Revenue	279.3	231.8	20.5%	30.9%	492.7	458.6	7.5%	793.9	
Cost of goods sold	-263.1	-206.4	27.5%	38.5%	-453.1	-403.4	12.3%	-706.5	
Gross profit	16.2	25.4	-36.1%	-30.7%	39.6	55.2	-28.2%	87.3	
Gross margin (%)	5.8%	10.9%	-5.1% pts	-5.2% pts	8.0%	12.0%	-4.0% pts	11.0%	
OpEx	-3.7	-10.3	-64.4%	-59.2%	-12.7	-21.6	-41.3%	-29.3	
Operating profit	12.6	15.1	-16.6%	-13.0%	27.0	33.6	-19.7%	58.0	
Operating margin (%)	4.5%	6.5%	-2.0% pts	-2.3% pts	5.5%	7.3%	-1.9% pts	7.3%	
Pretax profit	11.6	12.3	-5.3%	-2.2%	23.6	27.8	-15.2%	49.1	
Tax	-2.1	-2.3	-10.5%	-9.1%	-4.4	-5.1	-13.7%	-9.1	
Tax rate (%)	18.0%	19.0%	-1.0% pts	-1.4% pts	18.7%	18.4%	0.3% pts	18.5%	
Net profit	9.5	10.0	-4.1%	-0.6%	19.2	22.7	-15.5%	40.0	In line, 1H21 made up 47.9% of our FY21F
EPS (Scts)	3.97	4.27	-7.0%	-3.6%	8.08	9.71	-16.8%	0.17	

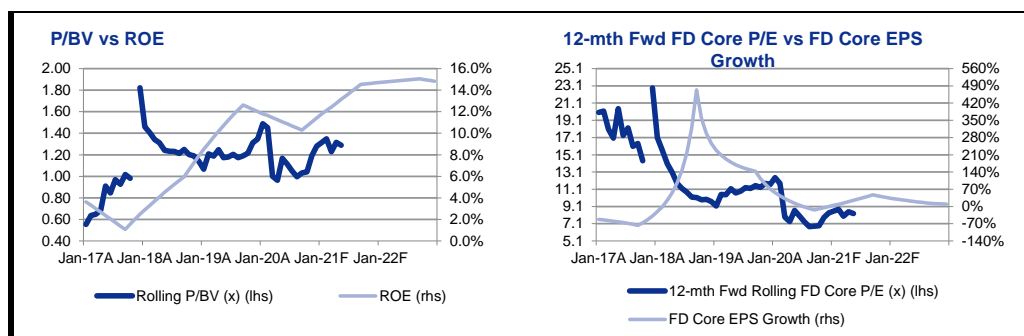
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: P/BV-derived target price for BRC

Risk free rate	2.3%
Beta	0.64
Equity risk premium	10.0%
Liquidity premium	1.0%
Adjusted cost of equity (COE)	9.7%
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
Target price (S\$)	1.90
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
Total Net Revenues	913.3	612.4	793.9	851.1	855.8
Gross Profit	76.6	66.2	87.3	94.9	96.7
Operating EBITDA	64.8	66.8	76.5	80.7	80.8
Depreciation And Amortisation	(15.9)	(19.0)	(18.5)	(16.6)	(15.0)
Operating EBIT	48.9	47.9	58.0	64.1	65.8
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
Profit Before Tax (pre-EI)	38.4	27.0	49.1	55.2	57.0
Exceptional Items					
Pre-tax Profit	38.4	27.0	49.1	55.2	57.0
Taxation	(6.9)	(6.6)	(9.1)	(10.2)	(10.5)
Exceptional Income - post-tax					
Profit After Tax	31.6	20.4	40.0	45.0	46.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	31.6	20.4	40.0	45.0	46.5
Recurring Net Profit	31.6	27.2	40.0	45.0	46.5
Fully Diluted Recurring Net Profit	31.6	27.2	40.0	45.0	46.5

Cash Flow

(\$m)	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
EBITDA	64.80	66.81	76.48	80.74	80.81
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)
Cashflow From Operations	69.72	115.34	44.30	28.66	90.19
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
Cash Flow From Investing	(11.31)	(1.41)	(4.20)	(4.75)	(3.85)
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)
Cash Flow From Financing	(43.35)	(111.83)	(69.89)	(35.67)	(35.67)
Total Cash Generated	15.06	2.10	(29.80)	(11.76)	50.67
Free Cashflow To Equity	26.80	26.82	(4.13)	13.90	76.34
Free Cashflow To Firm	67.98	120.70	47.09	30.90	93.34

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(\$m)	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
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
Total Current Assets	531.8	446.1	592.3	474.7	650.1
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
Total Non-current Assets	162.8	173.8	163.4	151.4	141.1
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
Total Current Liabilities	357.9	242.9	391.6	235.6	372.8
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
Total Non-current Liabilities	73.8	112.5	78.3	78.3	78.3
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	431.7	355.4	469.8	313.9	451.1
Shareholders' Equity	262.9	264.5	285.9	312.2	340.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	262.9	264.5	285.9	312.2	340.0

Key Ratios

	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
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%

Key Drivers

	Sep-19A	Sep-20A	Sep-21F	Sep-22F	Sep-23F
Orderbook (\$\$ m)	1,043.8	1,040.9	1,047.0	1,045.9	1,040.2
Gross margin (%)	8.4%	10.8%	11.0%	11.2%	11.3%

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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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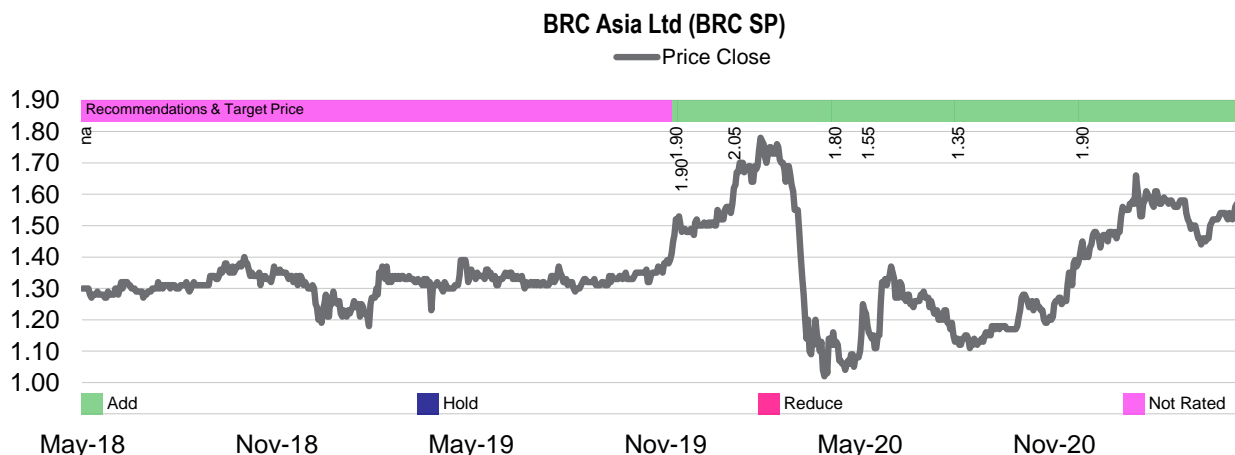
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2021		
613 companies under coverage for quarter ended on 31 March 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	1.1%
Hold	19.6%	0.2%
Reduce	10.1%	0.2%

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, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **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** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, 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, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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

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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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