BRC Asia Limited

A profitable first half despite a marginal comprehensive loss in the second quarter due to Forex

- **Lower revenues and delivery volume in a weak construction market environment**
- **Net profit of S$0.11 million and S$1.99 million for 2Q17 and 1H17 respectively**
- **Loss of S$0.54 million for 2Q17 at total comprehensive level after forex losses**

Singapore, 12 May 2017 – SGX-Mainboard listed BRC Asia Limited ("BRC" or "The Group"), one of the largest prefabricated steel reinforcement providers in Singapore, reported lower revenues of S$148.85 million (↓ 12% y-o-y) and S$68.83 million (↓ 13% y-o-y) for the half and quarter ended 31 March 2017 (1H17 and 2Q17) compared to corresponding periods in the previous financial year (1H16 and 2Q16) due to lower delivery volume in a weak and down-trending construction market environment. This was despite slightly higher gross profit margins, which can be attributed to a recent uptick in local selling prices that is due to up-trending steel prices.

In terms of profit and loss, the Group closed the first half of the current financial year with a net profit of S$1.99 million after making only S$0.11 million in the second quarter. However, at the total comprehensive level, foreign currency translation losses and exchange losses on net investment in foreign operations of S$0.95 million and S$0.65 million in 1H17 and 2Q17 respectively lowered 1H17's number to S$1.04 million and pushed 2Q17 into a loss of S$0.54 million.

Financial Highlights (S$'000)

	2Q17	2Q16	Change (%)	1H17	1H16	Change (%)
Revenue	68,832	79,427	(13)	148,851	168,608	(12)
Gross Profit	6,777	5,273	29	12,039	10,749	12
Gross Profit Margin	9.8%	6.6%	-	8.1%	6.4%	-
Net Profit	107	(1,470)	n.m.	1,989	(452)	n.m.
Net Profit excluding forex gain/loss	2,594	2,615	(1)	3,160	4,421	(29)
Total Comprehensive Income	(538)	(1,106)	(51)	1,040	(104)	n.m.

Industry Outlook

The near term construction industry outlook is bleak. This is most clearly seen in the private residential property supply pipeline. Based on numbers provided by the Ministry of National Development (MND), the four-year forward forecast supply pipeline for private residential property had shrunk from 182,506 units in early 2015 (2015-2018) to 155,326 units in early 2016 (2016-2019), and to only 133,930 units by end 2016 (2017-2020)! The detailed numbers are contained in the following charts.

As at Dec 2016

As at Jan 2016

As at 20 Feb 2015

This is despite a strong civil engineering project pipeline which is largely government-led to try to cushion the downturn. Based on estimates given by the Building and Construction Authority (BCA), civil engineering works are projected to make up approximately 41% of total construction demand in 2017, compared to 36%, 20% and 27% respectively in the preceding three years. Given that civil engineering projects tend to be larger in value and size, the beneficiaries are fewer and more likely to be the larger contractors. This leaves a large group of builders which have been built up over the recent construction boom to compete fiercely over a much smaller pool of non-civil engineering projects, leading to irrational pricing of tenders, which cascades negatively down the construction supply chain, including reinforcing steel. It also does not help that, on the supply side, there is substantial excess capacity in the reinforcing steel industry currently. In short, these factors continue to put tremendous pressure on profitability.

BRC's Group Managing Director, Mr Lim Siak Meng, commented, "*In these tough times, while we need to be particularly mindful of cost control and credit risk management, we must not forget the value engineering that is the bedrock of our reputation for* ***Better • Faster • Cheaper Total Reinforcing Steel Solutions****, which shall be the source of our resilience and competitiveness going forward in riding the downturn."*

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About BRC Asia Limited

BRC Asia Limited is one of the largest reinforcing steel fabricators in Singapore. The Group's core business is in providing a complete range of reinforcing solutions - steel welded mesh, prefabricated reinforcing steel cages, cut & bent reinforcement bars - for the construction industry.

The Company was incorporated in Singapore in 1938 as the Malayan Wire Mesh & Fencing Co Ltd and was listed on the SGX-ST Mainboard in July 2000.

For more information, please visit the Group's website at www.brc.com.sg

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