BRC reports FY2021 net profit of S$47.0 million, up 131% from a year earlier, amid ongoing pandemic-induced disruptions

- **Total revenue increased 91% year-on-year to S$1.2 billion mainly due to improved sales volume and higher steel prices**
- **Further to the interim* dividend of 4 cents per share, the Group has proposed an additional dividend of 8 cents per share**
- **The Group remains cautiously optimistic on its near-term business prospects as the wider Singapore construction industry continues to recover from COVID-related disruptions**

SINGAPORE – 29 November 2021 – **BRC Asia Limited** ("**BRC**" or the "**Group**"), the leading steel reinforcement solutions provider in Singapore, is pleased to announce its financial results for the twelve months ended 30 September 2021 ("FY2021").

Financial Highlights

Financial Highlights	FY2021 (S$'million)	FY2020 (S$'million)	Change (%)
Revenue	1,168.65	612.38	91
Gross profit	82.13	66.15	24
Gross profit margin	*7.0%*	*10.8%*	*-3.8 ppts*[2]
Operating expenses[1]	38.05	35.08	8
Operating profit	58.37	26.99	116
Operating profit margin	*5.0%*	*4.4%*	*0.6 ppts*[2]
Net profit attributable to shareholders	47.03	20.35	131
Earnings per share[3]	19.58	8.72	125

1 Operating expenses include distribution expenses, administrative expenses, finance costs, other operating expenses and impairment loss on trade receivables

2 Ppts: Percentage points (rounded)

3 Basic and fully diluted. Singapore cents

* Paid out to shareholders on 11 August 2021.

For FY2021, the Group's revenue increased 91% year-on-year ("yoy") to S$1.2 billion, mainly due to higher sales volume with the pick-up in construction activities, coupled with higher selling prices in tandem with increasing international steel prices.

Gross profit increased 24% yoy to S$82.1 million in FY2021, similarly due to higher sales volume from the construction sector recovery. Gross profit margin decreased from 10.8% in FY2020 to 7.0% in FY2021; this was primarily due to provision for onerous contracts of S$45.3 million recorded in FY2021 compared to a reversal of S$6.4 million in FY2020. The provisions were done according to relevant accounting standards. These provisions should be reversed when deliveries under such sales contracts are executed, or when the contractual obligations no longer exist, or when the costs to meet the obligations no longer exceed the sales value.

Other income was up 23% yoy to S$12.3 million. The increase was mainly due to an increase in foreign exchange gains coupled with gains from fair value changes on derivatives, which were partially offset by a decrease in government grants.

Operating expenses increased 8% yoy to S$38.1 million. Administrative expenses increased 83% yoy to S$18.4 million, mainly due to higher salaries and bonuses, staff-related costs, insurance costs as well as legal and professional fees. An increase in trade receivables in tandem with higher sales revenues resulted in a provision for impairment loss on trade receivables of S$2.7 million in FY2021, as opposed to a reversal of S$1.1 million in FY2020.

The increase in FY2021 operating expenses was partially offset with lower finance costs and other operating expenses. Finance costs decreased by 31% yoy to S$4.7 million due to lower levels of borrowings and falling interest rates. Other operating expenses declined by 53% yoy to S$6.5 million, mainly due to lower fair value loss on trade receivables.

Consequently, the Group recorded an improvement of 131% yoy in net profit attributable to shareholders, to S$47.0 million. Earnings per share increased by 125% yoy, to 19.58 Singapore cents.

The Group's balance sheet strengthened during the financial year as net assets and net asset value per ordinary share improved from S$264.5 million and 113.38 cents as at 30 September 2020 to S$300.9 million and 123.68 cents as at 30 September 2021 respectively.

The Group has proposed a final dividend of 4 cents per share and a special dividend of 4 cents per share. Including the interim dividend paid out earlier in the year, the total dividend declared for FY2021 stands at 12 cents per share, representing approximately 61% of earnings.

Market Overview and Outlook

In an October 2021 update[1], the Singapore Ministry of Trade and Industry highlighted that the value-add of the construction sector in the third quarter of 2021 ("3Q21") remained at 25.1% below the pre-COVID level of 3Q19, with activity at construction worksites weighed down by labour shortages due to border restrictions on the entry of migrant workers. Nevertheless, on a positive note, vaccination rates in Singapore have increased over the last few months, as the nation is powering ahead to live with the virus in an endemic state. Also, as no major further lockdowns are expected, more workers have been allowed to return to work in construction sites. Thus, for the construction supply chain, disruptions are increasingly minimised as the workforce gets to grip with this new normal.

The Group expects moderately more stable worksite activity levels in the next 3 to 6 months, but the pace of work would still be weighed down by an absolute shortage of foreign labour. After that, the Group expects the pace of work to gradually pick up on the back of a more abundant foreign labour situation, as builders rush to fulfil the sizeable number of construction contracts that had been awarded during the last 15 months or so. Adding to the point and despite the pandemic, the Housing & Development Board has exceeded the pre-COVID 2019's and 2020's Build-To-Order flats being launched in 2021[2], which is a good assurance for the demand of reinforcing steel and the Group's role in the local construction supply chain.

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[1] https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2021/10/AdvEst_3Q21.pdf

[2] https://www.hdb.gov.sg/cs/infoweb/about-us/news-and-publications/press-releases/22102021-Release-of-3rd-Quarter-2021-Public-Housing-Data

The Group is aware of the higher credit risks in the industry and will continue to mitigate and manage the Group's exposure appropriately.

Commenting on the Group's performance and outlook, Mr. Seah Kiin Peng, Chief Executive Officer of the Group, said, ***"Even though the labour shortage situation is likely to continue for a while more, and credit risk concerns remain prevalent in our sector, we are optimistic of navigating safely through the uncertain times that are still ahead of us. With improving fundamentals and a robust balance sheet, and a committed team of experienced professionals, we remain confident of dealing effectively with the changing landscape in our sector, and eventually emerge stronger. BRC remains an integral part of the Singapore construction sector, and we remain committed to delivering customised prefabricated reinforcing steel solutions on a Just-In-Time basis to assist our customers to build Better, Faster, Cheaper.***

As a vote of confidence in the Group's long-term prospects, Hong Leong Asia Ltd. ("HLA") increased its stake in BRC to 20% by subscribing to new and vendor shares. Through the placement, BRC raised S$45.9 million. We warmly welcome HLA onboard. We will endeavour to work closely with HLA to explore international growth opportunities, especially in sustainable and innovative building solutions.

Lastly, on behalf of the Board, I would like to express our sincerest appreciation to our shareholders. To reward shareholders, the Board has proposed a final dividend of 4 cents per share, and a special dividend of 4 cents per share. Adding the interim dividend to this, the total dividend amount for FY2021 is at 12 cents per share, representing a payout of approximately 61%."

As at 30 September 2021, the Group's order book stood at S$1.2 billion. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

--The End--

Company Profile

Incorporated in 1938, BRC Asia Limited ("BRC") is a leading Pan-Asia prefabricated reinforcing steel solutions provider headquartered in Singapore and listed on the Singapore Stock Exchange.

BRC offers a full suite of reinforcing steel products and services that include standard length rebar, cut and bend services, prefabrication services as well as standard and customised welded wire mesh for the building and construction industry.

With operations spanning Singapore, Malaysia and China and a total workforce of more than 1,000, the Group has an annual processing capacity of 1.2 million MT.

By transferring laborious and unproductive in-situ steel fixing work to factory fabrication, substantial benefits in on-site manpower savings, shorter construction cycle, better buildability and productivity can be achieved for the builder, leading to a better outcome for all stakeholders.

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

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Issued for and on behalf of BRC Asia Limited

By Financial PR Pte Ltd
For more information, please contact:

Romil SINGH / Jass LIM
Email: romil@financialpr.com.sg / jass@financialpr.com.sg
Tel: (65) 6438 2990