

Singapore

February 9, 2022 - 8:27 PM

ADD (no change)

Consensus ratings*: Buy 3 Hold 1 Sell 0

Current price:	S\$1.64
Target price:	S\$2.10
Previous target:	S\$2.10
Up/downside:	28.0%
CGS-CIMB / Consensus:	7.7%
Reuters:	BRC.A.SI
Bloomberg:	BRC SP
Market cap:	US\$335.2m
	S\$449.9m
Average daily turnover:	US\$0.14m
	S\$0.19m
Current shares o/s	233.3m
Free float:	28.3%

*Source: Bloomberg

Key financial forecasts

	Sep-22F	Sep-23F	Sep-24F
Net Profit (S\$m)	51.48	54.49	56.01
Core EPS (S\$)	0.19	0.20	0.21
Core EPS Growth	(3.61%)	5.85%	2.79%
FD Core P/E (x)	8.69	8.21	7.98
Recurring ROE	15.4%	14.4%	13.9%
P/BV (x)	1.21	1.15	1.08
DPS (S\$)	0.11	0.12	0.12
Dividend Yield	6.71%	7.32%	7.32%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.5	18	4.5
Relative (%)	-0.2	12.6	-12

Major shareholders	% held
Esteele Enterprise	71.7

BRC Asia Ltd

A strong start to FY22

- BRC's 1Q22 net profit of S\$13.3m (+38.8% yoy) was above expectations. We remain bullish on construction recovery in 2022F as labour shortage eases.
- Construction output is set to reach a 6-year high in 2022F, according to BCA, supported by steady construction demand and work backlogs since 2020.
- BRC is our sector's top pick. We see it as a key beneficiary of construction activity recovery. It also offers a high dividend yield of 6.7%. Reiterate Add.

1QFY9/22 results above expectations

- BRC Asia announced a 1QFY9/22 net profit of S\$13.3m (+38.8% yoy), coming in at 25.9% of our FY22F forecast. We deem the results as above expectations, as 1H is typically a seasonally weaker period, given the rainy season and festive periods. BRC's orderbook remains healthy at S\$1.3bn.
- We also noticed a rapid deleveraging of BRC's balance sheet during the quarter – net gearing stood at 49% as of end-1QFY22 (vs. end-FY21: 117%). As majority of BRC's outstanding loans are trade facilities to finance the procurement of steel raw materials to fulfil its existing sales orderbook, we do expect the net gearing ratio to fluctuate from quarter to quarter, but the lower gearing ratio reported for 1Q22 should ease some investors' concerns over the capital structure of the group.

Maintaining our bullish outlook on construction recovery in 2022F

- Singapore's construction output has remained at 26% below pre-Covid-19 levels in 4QCY21, as activities continued to be weighed down by labour shortages due to border restrictions on the entry of migrant workers. We believe the situation will be gradually alleviated towards 2HCY22F, with the government's commitment to press on to bring in much-needed migrant workers.
- The Building and Construction Authority (BCA) projected total nominal construction output to rise to S\$29bn-32bn in 2022F (+12-23% yoy), supported by a steady level of construction demand and the backlog of remaining workloads that were affected by the pandemic since 2020. BCA projects demand for building materials to increase correspondingly — steel rebar demand is forecast to grow to 1.0m-1.2m tonnes in 2022F (+11-33% yoy). With a c.60% market share in the reinforced steel industry, BRC will be a key beneficiary of construction activity recovery, in our view. We currently project a conservative 10% net profit growth in FY22F for BRC to S\$51.5m.

BRC a key beneficiary; reiterate Add and TP of S\$2.10

- Reiterate Add and a TP of S\$2.10, based on 1.53x CY22F P/BV (GGM: ROE 14.6%, cost of equity 9.7%, terminal growth 0.5%). With strong free cashflow generation, we believe BRC can sustain its strong dividend yield of 6.7% (assume a 60% dividend payout ratio). Re-rating catalysts include a faster-than-expected pace of recovery in Singapore construction activities; downside risks include counterparty credit risks, given the weakened financial health of the industry due to the Covid-19 pandemic.

Figure 1: Results comparison

FYE Sep (S\$ m)	1Q22	1Q21	yoy chg (%)	FY22F	FY21	yoy chg (%)
Revenue	357.4	213.4	67.5%	1224.1	1168.6	4.7%
Gross profit	26.3	23.4	12.3%	110.2	82.1	34.1%
Profit after tax	13.3	9.6	38.8%	51.5	47.0	9.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

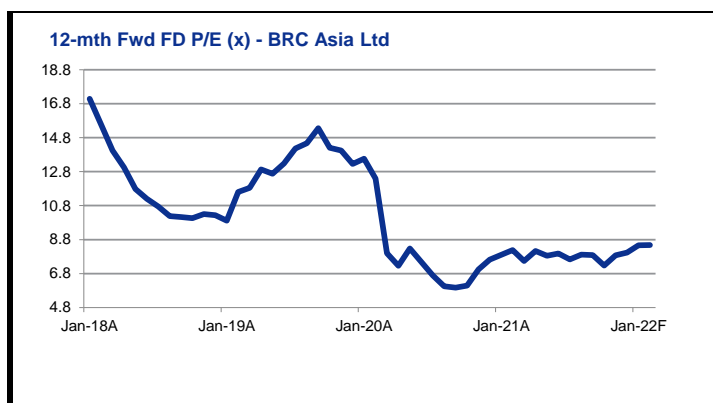
Risk free rate	2.3%
Beta	0.64
Equity risk premium	10.0%
Liquidity premium	1.0%
Adjusted cost of equity (COE)	9.7%
Average ROE over FY22-24F (ROE)	14.6%
Terminal growth rate (g)	0.5%
ROE-g [a]	14.1%
COE-g [b]	9.2%
Theoretical P/B (x) [a]/[b]	1.53
CY22F BVPS (S\$)	1.35
Target price (S\$)	2.10
CY23F EPS (S\$)	0.20
Implied CY23F P/E (x)	10.4

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(\$m)	Sep-21A	Sep-22F	Sep-23F	Sep-24F
Total Net Revenues	1,168.6	1,224.1	1,242.8	1,247.3
Gross Profit	82.1	110.2	113.7	116.0
Operating EBITDA	79.0	90.5	92.0	92.8
Depreciation And Amortisation	(17.9)	(16.6)	(15.0)	(13.6)
Operating EBIT	61.1	73.9	77.0	79.2
Financial Income/(Expense)	(4.7)	(8.5)	(8.5)	(8.5)
Pretax Income/(Loss) from Assoc.	2.0	(1.4)	(0.8)	(1.1)
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	58.4	64.0	67.7	69.6
Exceptional Items				
Pre-tax Profit	58.4	64.0	67.7	69.6
Taxation	(11.3)	(12.5)	(13.2)	(13.6)
Exceptional Income - post-tax				
Profit After Tax	47.0	51.5	54.5	56.0
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	47.0	51.5	54.5	56.0
Recurring Net Profit	47.0	51.5	54.5	56.0
Fully Diluted Recurring Net Profit	47.0	51.5	54.5	56.0

Cash Flow				
(\$m)	Sep-21A	Sep-22F	Sep-23F	Sep-24F
EBITDA	79.0	90.5	92.0	92.8
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(245.3)	(27.6)	(29.0)	(30.5)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	51.0	0.0	0.0	0.0
Other Operating Cashflow	(1.4)	(0.4)	(0.4)	(0.3)
Net Interest (Paid)/Received	(4.7)	(8.5)	(8.5)	(8.5)
Tax Paid	(9.5)	(12.5)	(13.2)	(13.6)
Cashflow From Operations	(130.9)	41.4	40.9	40.0
Capex	(1.9)	(5.0)	(5.0)	(5.0)
Disposals Of FAs/subsidiaries	0.5	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	(1.5)	(1.5)	(1.5)
Other Investing Cashflow	0.3	0.4	0.4	0.3
Cash Flow From Investing	(1.1)	(6.1)	(6.1)	(6.2)
Debt Raised/(repaid)	151.0	(37.7)	(30.0)	(20.0)
Proceeds From Issue Of Shares	13.8	45.9	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(24.3)	(30.0)	(32.7)	(32.7)
Preferred Dividends				
Other Financing Cashflow	(4.6)	(8.5)	(8.5)	(8.5)
Cash Flow From Financing	135.9	(30.3)	(71.2)	(61.2)
Total Cash Generated	3.9	5.1	(36.5)	(27.5)
Free Cashflow To Equity	19.1	(2.3)	4.8	13.8
Free Cashflow To Firm	(127.3)	43.9	43.3	42.3



Balance Sheet				
(\$m)	Sep-21A	Sep-22F	Sep-23F	Sep-24F
Total Cash And Equivalents	83.0	96.6	68.6	49.7
Total Debtors	165.6	173.4	181.6	190.1
Inventories	466.2	489.5	514.0	539.7
Total Other Current Assets	0.0	0.0	0.0	0.0
Total Current Assets	714.8	759.5	764.2	779.5
Fixed Assets	146.2	134.5	124.5	115.9
Total Investments	23.8	23.9	24.6	25.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	170.0	158.4	149.1	140.9
Short-term Debt	358.1	348.1	338.1	328.1
Current Portion of Long-Term Debt				
Total Creditors	72.0	75.4	79.1	82.9
Other Current Liabilities	66.0	66.0	66.0	66.0
Total Current Liabilities	496.0	489.5	483.1	476.9
Total Long-term Debt	77.7	50.0	30.0	20.0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	10.1	10.1	10.1	10.1
Total Non-current Liabilities	87.7	60.1	40.1	30.1
Total Provisions	0.0	0.0	0.0	0.0
Total Liabilities	583.8	549.6	523.2	507.0
Shareholders' Equity	300.9	368.3	390.1	413.4
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	300.9	368.3	390.1	413.4

Key Ratios				
	Sep-21A	Sep-22F	Sep-23F	Sep-24F
Revenue Growth	90.8%	4.7%	1.5%	0.4%
Operating EBITDA Growth	18.3%	14.5%	1.7%	0.9%
Operating EBITDA Margin	6.8%	7.4%	7.4%	7.4%
Net Cash Per Share (S\$)	(1.47)	(1.11)	(1.10)	(1.09)
BVPS (S\$)	1.25	1.35	1.43	1.52
Gross Interest Cover	13.01	8.69	9.06	9.32
Effective Tax Rate	19.4%	19.5%	19.5%	19.5%
Net Dividend Payout Ratio	61.3%	58.3%	60.1%	58.4%
Accounts Receivables Days	38.34	47.57	49.20	51.62
Inventory Days	118.1	156.6	162.2	170.4
Accounts Payables Days	16.31	23.23	24.06	25.28
ROIC (%)	11.1%	9.3%	9.4%	9.4%
ROCE (%)	9.7%	9.8%	10.1%	10.4%
Return On Average Assets	6.75%	6.47%	6.70%	6.86%

Key Drivers				
	Sep-21A	Sep-22F	Sep-23F	Sep-24F
Revenue	1,168.6	1,224.1	1,242.8	1,247.3
GPM (%)	7.0%	9.0%	9.2%	9.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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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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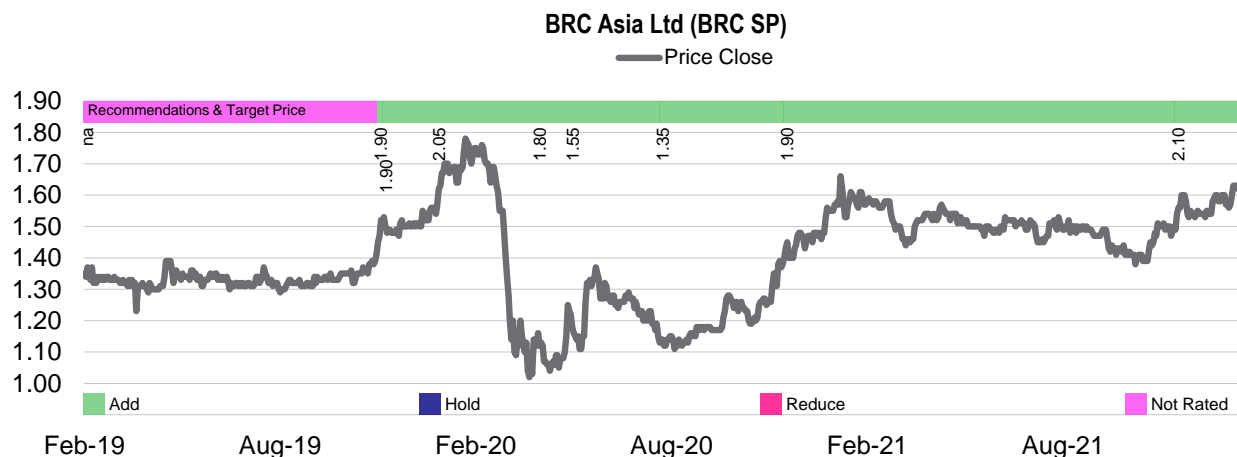
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

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 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, 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** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **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** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **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** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - 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 2021 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.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

