

## Singapore

### Overweight *(no change)*

#### Highlighted Companies

##### BRC Asia Ltd

**ADD, TP S\$2.10, S\$1.65 close**

Market leader with a c.60% market share as at FY21 in the reinforced steel industry. Its products help customers achieve higher output, faster construction times and greater savings compared to on site works.

##### Pan-United Corp Ltd

**ADD, TP S\$0.56, S\$0.40 close**

Market leader in Singapore's RMC industry with a 40% share as at FY21. Focuses on blending sustainability and tech into the construction sector.

##### Vicplas International Ltd

**ADD, TP S\$0.28, S\$0.199 close**

We expect Vicplas's pipe business to benefit from the ramp-up in public housing construction and improvement programmes over the next two years.

#### Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
BRC Asia Ltd	8.61	8.21	
Pan-United Corp Ltd	11.45	10.67	10.29
Vicplas International Ltd	8.81	7.96	
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
BRC Asia Ltd	1.20	1.14	
Pan-United Corp Ltd	1.30	1.24	1.18
Vicplas International Ltd	1.21	1.09	
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
BRC Asia Ltd	6.82%	7.27%	
Pan-United Corp Ltd	5.24%	5.62%	5.83%
Vicplas International Ltd	2.84%	3.14%	

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# Building Materials

## Recovery intact despite macro challenges

- We hosted BRC, PanU and Vicplas for a panel discussion last Friday. They were cautiously optimistic on further construction sector recovery in CY22F.
- With their market leadership positions, BRC and PanU have stronger pricing power to pass on the higher costs and upload margins, in our view.
- Reiterate sector Overweight. Our top pick is BRC Asia for its relatively attractive valuation and higher dividend yield.

### Construction activity recovery in Singapore remains intact

On 29 Apr, we hosted the management of three building material players (BRC Asia, Pan-United, and Vicplas) to discuss the latest dynamics within the Singapore construction industry. Despite macro challenges, the companies appear to be cautiously optimistic of further construction activity recovery in 2022F, especially given the steady demand for new construction projects, coupled with the backlog of remaining workloads affected by the pandemic since 2020, further helped by the easing of the migrant worker shortage situation in coming quarters. Aside from the rollout of new infrastructure projects (Cross Island MRT Line, Tuas Terminal), the building material players also expect tailwinds from a further ramp-up in public housing supply, which could bode well for demand (BRC: reinforced steel solutions, PanU: ready-mix concrete, Vicplas: uPVC pipes).

### Costs are rising, but generally being passed on

Higher commodity, freight and energy costs have led to higher input costs for building material players YTD. Generally, they have been able to pass on the higher costs, albeit potentially at a moderate pace to preserve long-term customer relationships. We believe BRC and PanU have stronger pricing power due to their market leadership positions in respective sub-segments. Building material players highlighted their risk management policies to manage exposures amid volatile prices – for example, Vicplas frequent engages with customers to better sense volume requirement to facilitate procurement, while BRC dynamic hedges its orderbook on a pooled basis to secure margins.

### Supply chain resiliency has improved compared to 2020

Thanks to diversified resources and supplies, building material players have been able to tide through multiple supply chain disruptions over the past 2 years. They continue to take steps to increase supply chain resiliency and cost efficiency. For example, PanU was able to leverage on its slag grinding plant in Johor to ensure better supply of raw materials amidst disruptions; it has further improved supply chain efficiency from continued optimisation of in-house digital logistics platform (AiR). Meanwhile, Vicplas is carrying a higher level of inventories to minimise risks from potential supply disruptions.

### Bringing environmental sustainability into the construction sector

All three companies are beneficiaries of the built environment sector's embracing of green construction. PanU offers over 150 concrete products nationally certified as green products and offers PanU CarbonCure concrete which involves carbon capture and utilisation (CCU) technology that injects mineralised carbon dioxide into wet concrete during mixing to reduce embodied carbon emissions. BRC's reinforced steel solutions are essentially a substitute for labour-intensive and unproductive use of loose reinforcement bars handled on site. Meanwhile, Vicplas reformulated all its plastic product lines to be heavy metal free since 2016. Vicplas was the first uPVC pipe producer in Singapore to receive one Green Check Mark certification from the Singapore Green Building Council (SGBC) and is currently pursuing its second and third Check Marks from the SGBC.

### Credit risk continues to be a key concern

Credit risk remains a key concern for the building material players, as Covid-19 impacts over the past 2 years have worsened the financial health of numerous industry players, which could limit their ability to ride on the current recovery trend. All three players are closely monitoring cash collection and evaluating customers' credit risks. They also generally have trade insurance in place to limit credit exposures.

Figure 1: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY22F	P/E (x) CY23F	3-year EPS CAGR (%)	P/BV (x) CY22F	P/BV (x) CY23F	Recurring ROE % CY22F	Recurring ROE % CY23F	EV/EBITDA (x) CY22F	EV/EBITDA (x) CY23F	Dividend Yield (%) CY22F
Pan-United Corp Ltd	PAN SP	ADD	0.40	0.56	203	11.4	10.7	13.0%	1.30	1.24	11.7%	11.9%	4.5	4.0	5.2%
Adbri Ltd	ABC AU	NOT RATED	2.82	na	1,318	13.1	12.8	8.7%	1.41	1.36	10.5%	10.5%	7.7	7.3	5.2%
Boral Ltd	BLD AU	NOT RATED	3.39	na	2,637	25.9	16.2	-37.4%	1.74	1.69	5.5%	8.5%	3.9	3.3	4.1%
BRC Asia Ltd	BRC SP	Add	1.65	2.10	327	8.6	8.2	na	1.20	1.14	15.1%	14.2%	7.4	7.3	6.8%
Vicplas International Ltd	VPS SP	Add	0.20	0.28	74	8.8	8.0	na	1.21	1.09	14.5%	14.4%	4.3	3.7	2.8%
Cahaya Mata Sarawak Bhd	CMS MK	NOT RATED	1.09	na	265	5.5	5.4	3.9%	0.36	0.33	6.8%	6.7%	7.4	6.7	3.2%
Hong Leong Asia	HLA SP	Add	0.78	1.00	419	9.1	7.5	17.9%	0.58	0.55	6.6%	7.4%	5.9	4.9	2.8%
Indocement	INTP IJ	Hold	10,475	13,100	2,659	20.0	16.7	na	1.73	1.70	8.7%	10.2%	8.2	7.1	4.3%
Malayan Cement Bhd	LMC MK	Add	2.77	2.99	834	53.3	35.2	na	0.64	0.63	1.9%	2.6%	21.5	18.7	0.0%
Semen Indonesia	SMGR IJ	Add	6,400	15,900	2,618	10.1	na	na	0.99	na	10.1%	na	2.4	na	3.3%
Siam Cement	SCC TB	Reduce	370.0	346.0	12,891	12.8	10.5	-2.9%	1.16	1.10	9.3%	10.8%	12.4	10.3	3.9%
YTL Corporation	YTL MK	Add	0.64	0.65	1,599	45.3	38.2	na	0.54	0.54	1.2%	1.4%	12.1	11.7	4.3%
<b>Average</b>						<b>19.3</b>	<b>15.9</b>	<b>-1.9%</b>	<b>1.05</b>	<b>1.01</b>	<b>8.2%</b>	<b>8.7%</b>	<b>8.5</b>	<b>8.1</b>	<b>3.7%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

Note: Forecasts for Not rated companies are based on Bloomberg consensus estimates

DATA AS AT 04 MAY 2022

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.

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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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%

## 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)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

## 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.

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