

| Singapore

Overweight (no change)

Highlighted Companies
BRC Asia Ltd
ADD, TP S\$2.30, S\$1.83 close

BRC Asia is our sector top pick, given its attractive valuation (6x CY25F P/E) and yield (c.9%). Maintain Add, at a TP of S\$2.30, based on 1.4x CY24F P/BV (GGM: ROE 16.5%, cost of equity: 12.3%, terminal growth: 0.5%).

Hong Leong Asia
ADD, TP S\$1.00, S\$0.61 close

We expect Hong Leong Asia's (HLA) building materials unit to benefit from healthy concrete demand in 2024F. Reiterate Add at a SOP-based TP of S\$1.00.

Pan-United Corp Ltd
ADD, TP S\$0.55, S\$0.385 close

Healthy construction activities in Singapore should accord healthy ready-mix concrete (RMC) sales volume growth ahead for Pan-United Corp (PanU, in our view. Reiterate Add, with a TP of S\$0.55, pegged to 5.8x CY24F EV/EBITDA (2012-14 average).

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
BRC Asia Ltd	6.60	6.54	6.34
Hong Leong Asia	6.47	5.93	5.43
Pan-United Corp Ltd	8.98	8.54	8.27

P/BV (x)	Dec-23F	Dec-24F	Dec-25F
BRC Asia Ltd	1.15	1.08	1.01
Hong Leong Asia	0.48	0.45	0.42
Pan-United Corp Ltd	1.20	1.14	1.08

Dividend Yield	Dec-23F	Dec-24F	Dec-25F
BRC Asia Ltd	8.87%	9.30%	9.43%
Hong Leong Asia	3.86%	4.22%	4.60%
Pan-United Corp Ltd	6.75%	7.01%	7.27%

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Building Materials

Healthy industry fundamentals

- The BCA expects both 2024F construction demand (+4% yoy from midpoint) and output (+2% yoy from midpoint) to reach the highest level since 2015.
- We expect positive sector outlook for 2024F, on the back of elevated industry orderbooks, robust construction demand, improving site productivity.
- Reiterate sector Overweight. BRC is our sector top pick given its strong 9% dividend yield.

BCA expects construction output to further improve in 2024F

The Building and Construction Authority (BCA) today (15 Jan) announced that it expects total nominal construction output (as measured by progress payments) to rise to S\$34bn-37bn in 2024F (2023F: S\$34.8bn), the highest level since 2015. This aligns with our view that construction activities should continue to improve in 2024F, with: 1) healthy construction demand, 2) elevated industry orderbooks, and 3) productivity improvements (recall that Singapore's construction sector activity levels were negatively impacted by the government's Heightened Safety Alert for the first 5 months of 2023).

2024-28F construction demand forecast lifted by mega projects

BCA forecasts total construction demand (measured by contracts awarded) in 2024F at S\$32bn-38bn (2023p: S\$33.8bn), the highest level since 2014. Notable developments include expansion of Integrated Resorts, continued roll-out of infrastructure development, such as Cross Island MRT Line, as well as public housing. For the medium term (2025-2028F), BCA now expects construction demand to remain elevated at S\$31bn-38bn (2009-2023 average: S\$29.8bn). We note that this represents an uplift from the S\$25bn-32bn forecast put out by BCA last year, largely due to contributions from the expansion of Integrated Resorts and the inclusion of Changi Airport Terminal 5. BCA also revised upwards its forecast for construction demand by the private sector for the medium term, from S\$11bn-14bn previously to S\$12bn-15bn.

Building material players to benefit

We believe BCA's latest projections reinforce our view of continued strength in Singapore's construction activities ahead, which could benefit all three building material companies under our coverage (BRC, PANU, HLA). Our channel checks indicate that industry orderbooks currently remain c.9% above pre-Covid levels as of end-Dec 23, presenting healthy near-term revenue visibility for building material players as contractors continue to execute on their backlog while orders are being replenished, in our view.

Reiterate sector overweight; BRC remains our top pick

Reiterate sector Overweight on healthy industry fundamentals and attractive valuation. Our top pick is BRC (BRC SP, TP: S\$2.30, CP: S\$1.82), given its undemanding valuation of c.6x CY25F P/E (industry average: 7x) and dividend yield of c.9% (industry average: 7%). Re-rating catalysts include continued healthy construction demand in Singapore and faster improvement in labour productivity. Downside risks include inability to pass on business costs resulting in pressured margins, and counterparty credit risks.

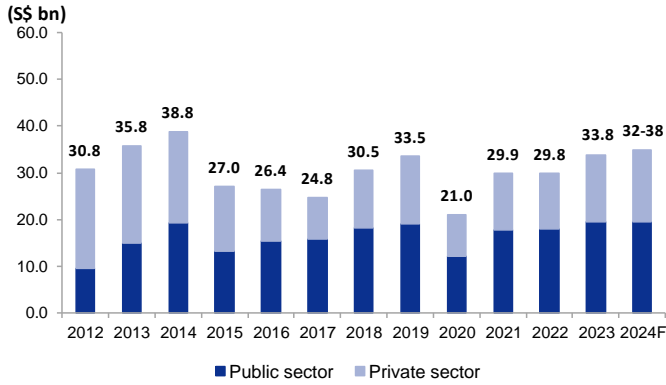
Figure 1: BCA forecasts of construction demand and output

Year	Construction demand (S\$bn)			Construction output (S\$bn)	
	Public	Private	Total	Total	
2023F	19.5	14.3	33.8	34.8	
2024F	18-21	14-17	32-38	34-37	
2025 - 2028F	19-23 p.a.	12-15 p.a.	31-38 p.a.	no forecast given	

SOURCES: CGS-CIMB RESEARCH, THE BUILDING AND CONSTRUCTION AUTHORITY (BCA)

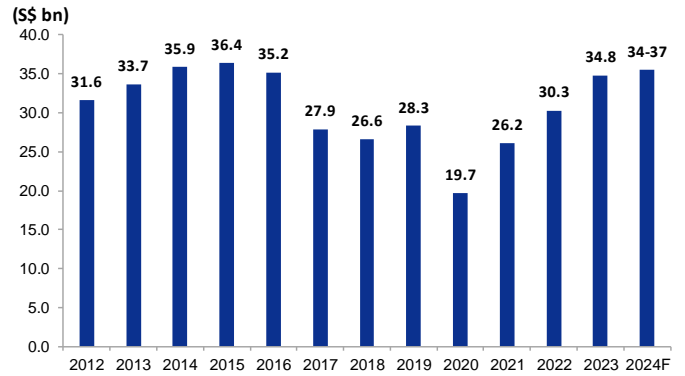
Healthy industry fundamentals

Figure 2: Construction demand (new contracts awarded) expected to rise to a multi-year high in 2024F, driven by commercial and civil engineering projects



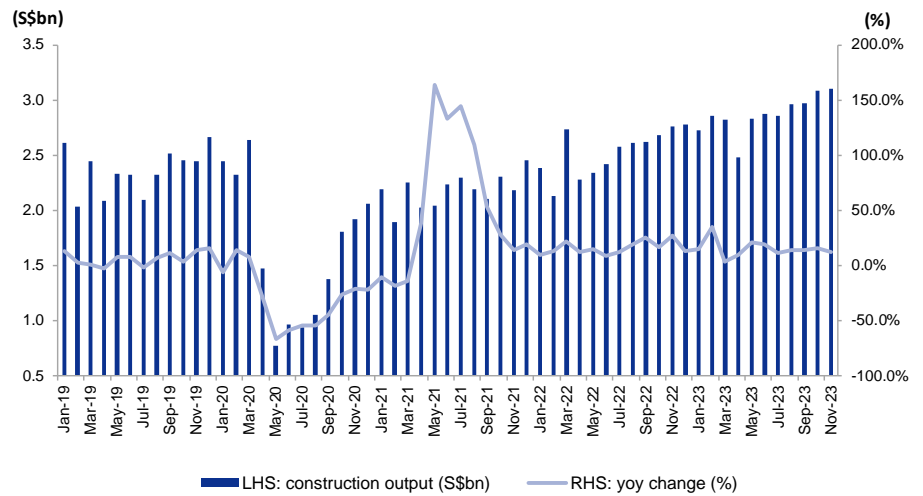
SOURCES: CGS-CIMB RESEARCH, BCA

Figure 3: BCA projections indicate that 2024F construction output in Singapore could reach the highest level since 2015



SOURCES: CGS-CIMB RESEARCH, BCA

Figure 4: Construction output (measured by progress payments) recovered well through 2H23F



SOURCES: CGS-CIMB RESEARCH, BCA

Figure 5: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target	Market Cap (US\$ m)	P/E (x) CY24F	P/E (x) CY25F	P/BV (x) CY24F	Recurring ROE (%)	EV/EBITDA (x) CY24F	EV/EBITDA (x) CY25F	Dividend Yield (%) CY24F
				Price (lcl curr)					(%)			
BRC Asia Ltd	BRC SP	Add	1.83	2.30	377	6.5	6.3	1.08	16.9%	5.4	5.2	9.3%
Hong Leong Asia	HLA SP	Add	0.61	1.00	342	5.9	5.4	0.45	7.8%	5.0	3.9	4.2%
Pan-United Corp Ltd	PAN SP	Add	0.39	0.55	201	8.5	8.3	1.14	13.7%	3.6	3.2	7.0%
Mean						7.0	6.7	0.89	12.8%	4.7	4.1	6.8%

DATA AS OF 15 JAN 2024

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

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.