BRC Asia Limited

BRC FY2016 net profit fall 46% y-o-y to S$8.3 million despite record sales volume

- **Volume of steel delivered in FY2016 continues to break records**
- **FY2016 revenue fell 10% y-o-y to S$346.8 million due to declining unit selling prices**
- **Proposes final dividend of 2.4 Singapore cents per ordinary share**

Singapore, 24 November 2016 – SGX-Mainboard listed BRC Asia Limited ("BRC" or "The Group"), one of the largest prefabricated steel reinforcement providers in Singapore, reported revenue and net profit of S$346.8 million and S$8.3 million respectively for its financial year ended 30 September 2016 ("FY2016"), which were 10% and 46% lower as compared to the same period a year ago ("FY2015"). This was despite achieving a sales volume that was higher than FY2015's record-setting one, and despite a temporary uptick in prices and margins during the third quarter of FY2016. The main reason was the continued weakening of the local property and construction market. As the pipeline of building projects continued to thin, main contractors were compelled to tender at increasingly cut-throat prices, sending a shuddering effect down the construction supply chain, which the reinforcing steel sector is an integral part of.

Financial Highlights (S$'000)

	FY2016	FY2015	FY2014	FY2013	FY2012
Revenue	346,752	384,927	397,365	425,024	388,466
Gross Profit	28,682	31,998	54,600	64,514	37,528
Gross Profit Margin (%)	8.3	8.3	13.7	15.2	9.7
Net Profit	8,341	15,403	28,433	35,663	16,088
Earnings Per Share (Cents)	4.48*	8.27*	3.11	4.06	1.96
Net Asset Value Per Share (Cents)	92.04*	89.81*	17.78	16.36	13.69

**After taking into consideration share consolidation of every 5 existing ordinary shares into 1 consolidated ordinary share during FY2015.*

The Singapore property and construction market has entered a downward cycle in an economy which is facing an imminent technical recession.

In its latest half-yearly macroeconomic review released on 25 October 2016, the Monetary Authority of Singapore (MAS), noting that Singapore was in the midst of a cyclical downturn, projected that its Gross Domestic Product (GDP) growth for 2016 would be at the lower end of the 1% to 2% range forecasted, which would likely make this the slowest year since the global financial crisis. Further, the MAS added that 2017 might only be marginally better.

Specifically, on the construction sector, the MAS was of the view that while non-residential public works would help in offsetting a weak and declining private construction to sustain construction activity going forward, it also pointed out that tender prices for new projects had started declining even as unit labour costs in this sector had been rising, putting downward pressure on the profit margins of firms in the sector.

On the public housing front, the Housing & Development Board (HDB) launched 17,871 Build-To-Order (BTO) flats in 2016, and while this was higher than the 15,100 BTO flats launched the year before, it was unlikely that in the next year, or the year after, that we will see BTO launch numbers anywhere near the yearly average of 24,969 units achieved during 2011 to 2014. In fact, recalling what Minister for National Development Lawrence Wong had said in October 2015 when asked about the public housing programme going forward, he said, "*We had a huge housing programme where we built more than 20,000 at one time over a few years, then we tapered off to 15,000. We are not going back to over 20,000, but it's a slight adjustment from 15,000…We are continuing to taper the housing programme and we will continue to move in that direction. But I think we may need to make some temporary adjustments in order to accommodate this higher demand in housing arising from policy changes.*"

As specific and general business conditions worsened in FY2016, BRC continued to remain profitable whilst expanding its market share. A key factor that made this possible has been the market's recognition of the benefits of our **Better • Faster • Cheaper** Total Prefabricated Reinforcing Solutions in helping contractors save time and labour. It would also not have been possible without the steadfast support of our shareholders. To show our appreciation, BRC proposes a final dividend of 2.4 Singapore cents per ordinary share for FY2016.

As we are not far into the downward cycle, we can expect the business environment to get more challenging going into 2017. BRC will continue to innovate and differentiate as well as focus on cost control and productivity improvements to stay at the forefront of the local reinforcing steel industry.

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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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