



BRC Asia Limited

BRC 2Q2014 profits and margins fall amid increasing competition

- **2Q2014 revenue dipped 4% y-o-y to S\$98 million**
- **2Q2014 gross and net profits dropped 22% and 29% y-o-y to S\$14 million and S\$6.6 million respectively amidst higher competition**
- **To reward shareholders with interim dividend of 0.5 Singapore cents per share**

Singapore, 9 May 2014 – SGX-Mainboard listed BRC Asia Limited (“BRC” or “The Group”), one of the largest prefabricated steel reinforcement providers in Singapore, reported weaker profitability for the half and quarter ended 31 March 2014 (1H2014 and 2Q2014) due to intensifying competition in the local reinforcing industry arising from new entrants and new production capacities. Hence, while steel prices trended downwards, unit selling prices dipped, and 1H2014 and 2Q2014 revenue decreased 7% and 4% year-on-year to S\$197.9 million and S\$98.1 million respectively despite the Group, in tandem with buoyant construction activities in Singapore, having delivered more steel to customers in 1H2014 and 2Q2014 compared to the corresponding half and quarter in the last financial year (1H2013 and 2Q2013).

Financial Highlights (S\$'000)

	2Q2013	2Q2014	Change (%)	1H2013	1H2014	Change (%)
Revenue	101,777	98,131	(4)	213,411	197,895	(7)
Gross Profit	17,945	14,070	(22)	33,116	29,720	(10)
Gross Profit Margin	17.6%	14.3%	-	15.5%	15%	-
Net Profit	9,217	6,555	(29)	17,296	15,105	(13)

Industry Outlook

The Monetary Authority of Singapore (MAS), in its half-yearly economic review released on 1 April 2014, said *“Domestic-oriented activities are expected to stay resilient, supported by construction of transportation, housing and social infrastructure.”* It added, *“The construction sector, in particular, should expand further, buoyed by a strong pipeline of residential and non-residential projects. Around 48,000 residential units are due for completion annually over 2014–15, and another 74,000 units are projected to be built in 2016, significantly higher than the annual average of 24,000 units over the period 2010–13...Concomitantly, more than 40% of the seven million square metres of space designated specifically for industrial use over the next three years will be completed in 2014.”*¹

Further, while the Housing & Development Board of Singapore (HDB) has stated that it is moving from a *“ramped-up building programme”* to a *“more sustainable phase”*, it announced on 24 January 2014 that 24,300 Build-to-Order (BTO) flats will be launched in 2014, which is not far off from the average of 25,808 BTO flats launched each year from 2011-2013, and far higher than the 13,500 units launched in 2009 before the ramping up of supply.^{2 3 4}

¹ http://www.mas.gov.sg/~media/resource/publications/macro_review/2013/MRApr13%20%20Combined.pdf

² <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/E3315441A6CC8F4348257C6900332F50?OpenDocument>

³ In 2011, 2012 and 2013, according to data obtained from HDB’s website, HDB launched 25,200, 27,084 and 25,139 BTO flats respectively.

⁴ <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/78746BAD770849794825768C00147042?OpenDocument>

BRC's Group Managing Director, Mr Lim Siak Meng, commented, "*It is clear that local reinforcing steel demand will remain robust this year. On the other hand, several new players have entered this market. More importantly, the major incumbents have all invested significantly to expand production capacities and capabilities. As a result, competition is becoming increasingly cut-throat at the trading and simple rebar processing end. Nevertheless, we are confident that BRC's value engineering driven **Total Prefabricated Reinforcing Solutions** will stand the Group apart from the competition as we continue to partner contractors to build **Better • Faster • Cheaper!***"

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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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