



BRC Asia Limited

BRC 9M16 net profit fell 60% y-o-y to S\$5.20 million despite 3Q16 net profit more than doubling y-o-y to S\$5.65 million

- **Y-o-y gross profit margin for 3Q16 improved from 10.55% to 12.12% due to a sharp, sudden but temporary uptick in steel prices during the quarter**
- **9M16 gross and net profits deteriorated y-o-y by 27% and 60% to S\$21.37 million and S\$5.20 million respectively**

Singapore, 5 August 2016 – SGX-Mainboard listed BRC Asia Limited (“BRC” or “The Group”), one of the largest prefabricated steel reinforcement providers in Singapore, delivered more steel to customers for the nine months and quarter ended 30 June 2016 (9M2016 and 3Q2016) compared to the corresponding periods in the last financial year (9M2015 and 3Q2015), as BRC continued to fulfill its substantial order book accumulated over the past few buoyant years.

During 3Q2016, steel unit selling prices in the local market were pushed up by a sudden and sharp increase in the prices of steel raw materials, which had since come back down. Nevertheless, this was sufficient to improve 3Q2016’s gross profit margin, which rose to 12.12% from 3Q2015’s 10.55%. Be that as it may, this was not enough to negate the effects of unit selling prices which had been falling faster than steel costs for more than 12 months before that due to brutal market competition amidst a soft and weakening local property and construction market. Hence, compared to 9M2015’s 9.70%, 9M2016’s gross profit margin was still lower at 8.34%.

Financial Highlights (S\$'000)

	3Q2016	3Q2015	Change (%)	9M2016	9M2015	Change (%)
Revenue	87,651	91,729	(4)	256,259	301,606	(15)
Gross Profit	10,624	9,681	10	21,373	29,246	(27)
Gross Profit Margin	12.12%	10.55%	-	8.34%	9.70%	-
Net Profit	5,648	2,365	139	5,196	12,833	(60)
Net Profit Margin	6.44%	2.58%	-	2.03%	4.25%	-

Industry Outlook

Supply in the Pipeline¹ – “Planned Development”

Property type \ As at end	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Private residential units (no. of units)	6,148	6,697	7,158	5,569	6,531	9,096	9,664	10,495
Executive condominiums (no. of units)	0	510	0	0	632	1,651	1,155	2,495
Office space ('000 sq m)	226	184	278	167	193	134	94	101
Retail space ('000 sq m)	108	133	198	188	171	173	275	264
Hotel rooms (no. of rooms)	348	348	802	1,061	1,450	2,172	2,847	1,653

Supply in the Pipeline – “Under Construction”

Property type \ As at end	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Private residential units (no. of units)	41,102	46,815	48,480	52,779	54,706	59,105	59,296	64,001
Executive condominiums (no. of units)	11,554	12,077	14,127	14,540	14,069	13,790	13,065	11,636
Office space ('000 sq m)	796	825	715	741	769	746	814	986
Retail space ('000 sq m)	626	650	610	598	603	550	510	620
Hotel rooms (no. of rooms)	6,197	7,560	7,712	9,469	9,517	9,996	2,847	1,653

Source: Urban Redevelopment Authority of Singapore (URA) quarterly real estate statistics

¹ Refers to new development and redevelopment projects with planning approvals (i.e. Provisional Permission, Written Permission). A Written Permission (WP) is a final approval, as compared with a Provisional Permission (PP), granted under the Planning Act for a proposed development.

The tables above clearly show that, with the exception of office space, private sector building projects planned and under construction have declined over the last eight quarters.

However, the project pipeline for industrial properties is expected to be relatively buoyant with about 1.6 million and 2.0 million square metres of space estimated to come onto the market in the second half of 2016 and in 2017 respectively. This is substantively stronger than the average annual supply of industrial space of 1.8 million square metres in the past three years.

In public housing, the Housing & Development Board (HDB) had earlier in the year announced that it planned to launch about 18,000 Build-to-Order (BTO) flats in 2016, a figure which is substantially lower than the average of 22,976 BTO flats launched each year over the last five years.² Further, to-date, only 7,940 BTO flats, or about 44% of the targeted volume, had been released.

On balance, in contrast to an exuberant construction (and reinforcing steel) demand landscape on all fronts in the last 5 years or so, the current picture is decidedly a mixed one. Nevertheless, as Minister for National Development Lawrence Wong reminded the local building industry during the Building and Construction Industry (BCA) Awards held on 26 May 2016, in the longer-term, the Government still had major infrastructure plans all over Singapore to transform its urban landscape, from a rail transit link to Johor in the north, to the Changi air hub in the east, to the Southern Waterfront City in the south, to the high speed rail terminus in the west, and so forth.³

² In 2011, 2012, 2013, 2014 and 2015 according to data obtained from HDB's website, HDB launched 25,200, 27,084, 25,139, 22,455 and 15,000 BTO flats respectively.

³ <http://app.mnd.gov.sg/Newsroom/NewsPage.aspx?ID=7299&category=Speech&year=2016&RA1=&RA2=&RA3=>

While that may be so, an oversupply situation currently besets the local reinforcing steel industry, as a softening real estate and construction market presents limited opportunities for a reinforcing steel supply chain which had grown considerably during the recent boom years. BRC's Group Managing Director, Mr Lim Siak Meng, commented, "*We have come through many property and construction market cycles before. What is important is to stay focused on value engineering, cost control, productivity, efficiency, innovation and excellence which will enable BRC to continue to delight builders with our **Better • Faster • Cheaper Total Reinforcing Steel Solutions** for many years to come!*"

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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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