



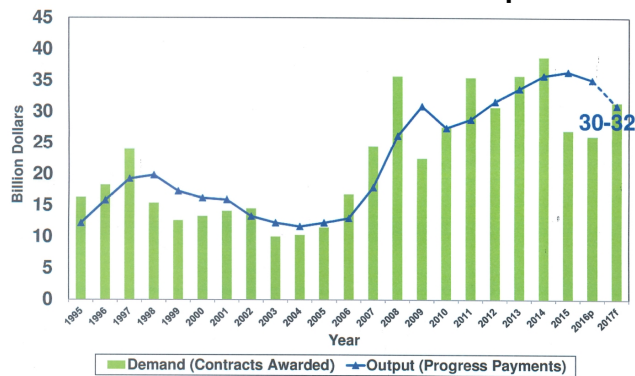
**BRC Asia Limited**

## **BRC 1Q17 net profit up 85% y-o-y to S\$1.88 million**

- Revenue falls 10% y-o-y to S\$80.02 million due to lower steel volumes and selling prices
- Y-o-y gross profit margin improves marginally to 6.6% from 6.1%
- Public sector driven construction demand of S\$28-35 billion forecast for 2017

**Singapore, 13 February 2017** – SGX-Mainboard listed BRC Asia Limited (“BRC” or “The Group”), one of the largest prefabricated steel reinforcement providers in Singapore, reported revenues of S\$80.02 million for its first quarter ended 31 December 2016 (“1Q2017”), which were 10% lower when compared with the corresponding period in the previous financial year (“1Q2016”). This can be attributed to a general slowdown in construction output in 2016 as total construction demand fell from S\$35.8 billion and S\$38.8 billion in 2013 and 2014 respectively to S\$27 billion in 2015 (see Chart 1), as well as relatively lower unit selling prices.

**Chart 1: Construction Demand & Output**



Source: Building and Construction Authority, Singapore

Be that as it may, gross profit margin for 1Q2017 improved slightly to 6.58% compared to 6.14% in 1Q2016. Consequently, 1Q2017's gross profit only fell 4% to S\$5.26 million from S\$5.48 million in 1Q2016. On the other hand, net profit for 1Q2017 jumped 85% to S\$1.88 million compared to S\$1.02 million in 1Q2016 as a result of gains and losses in foreign currency exchange ("Forex"). Excluding Forex gains and losses, net profit and margin for 1Q2017 were S\$0.566 million and 0.71% respectively, compared to S\$1.806 million and 2.03% in 1Q2016.

#### **Financial Highlights (S\$'000)**

	<b>1Q2017</b>	<b>1Q2016</b>
<b>Revenue</b>	80,019	89,181
<b>Gross Profit</b>	5,262	5,476
<b>Gross Profit Margin (%)</b>	6.6	6.1
<b>Net Profit</b>	1,882	1,018
<b>Net Profit excluding Forex items</b>	566	1,806
<b>Diluted Earnings Per Share (Cents)</b>	1.02	0.54

#### Industry Outlook

Preliminary estimates by the Singapore Building and Construction Authority (BCA) showed total construction demand for 2016 to be S\$26.1 billion, which was lower than the S\$27-S\$34 billion forecast range given at the beginning of 2016. It was also lower than the S\$27 billion recorded in 2015, and a far cry from the S\$38.8 billion achieved in 2014. This was due to lower than expected public construction demand (S\$15.8 billion versus S\$18.5-S\$20 billion forecast) and a continued decline in private construction demand from S\$19.5 billion in 2014, to S\$13.8 billion in 2015, and to S\$10.3 billion in 2016. Nevertheless, BCA forecasts that total construction demand in Singapore in 2017 would remain at a reasonably heightened level of between S\$28-S\$35 billion due to an upsurge in demand for civil engineering works that would contribute to more than 40% of the overall forecast demand. Further, another approximately 30% of the overall forecast demand is expected to come from

other types public sector projects, leaving the expected contribution to demand by the private sector at a modest 30%.

While the government may have stepped in to cushion the dearth of private sector projects with a ramping up of public sector works, the gloomier and more uncertain outlook have pushed builders, worried about the availability of projects going forward, to tender at increasingly cut-throat prices. As a consequence, prices and margins are being squeezed down the construction supply chain, including in the reinforcing steel industry.

BRC's Group Managing Director, Mr Lim Siak Meng, commented, "*A downturn is a good time for a shakeout. We believe that, as a pioneer in the prefabrication of steel reinforcement with a time-tested suite of Total Prefabricated Reinforcing Steel Solutions that have helped contractors build **Better • Faster • Cheaper**, BRC is well placed to compete to survive and win. Meanwhile, we are also focused on tightening our controls to ensure that our operations and processes are as lean, fit and productive as they can possibly be.*"

-End-

**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](http://www.brc.com.sg)

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