**BRC ASIA LIMITED**
Incorporated in the Republic of Singapore
Company Registration No. 193800054G

# BRC reports 1H FY2023 net profit of S$26.2 million amidst slower progress at construction sites

- **Revenue came in 10% lower y-o-y at S$717.1 million, mainly due to lower project contractual offtake, but partially offset by improved contributions from the international trading segment**
- **Gross profit margin of 7.4% declined 1.3 ppts y-o-y due to lower sales volume of value-added steel products**
- **The Group remains cautiously optimistic of the near-term prospects for recovery and growth given the moderate improvement in the contractual offtake from customers in the past month and a strong order book position of S$1.42 billion**
- **Proposed interim dividend of 5 cents Singapore cents per ordinary share**

**SINGAPORE – 10 May 2023 – BRC Asia Limited.** ("**BRC**" or the "**Group**"), the leading steel reinforcement solutions provider in Singapore, is pleased to announce its financial results for the six months ended 31 March 2023 (**"1H FY2023").**

## Financial Highlights

| Financial Highlights | 1H FY2023 (S$'million) | 1H FY2022 (S$'million) | Change (%) |
|---|---|---|---|
| **Revenue** | 717.1 | 793.3 | (10) |
| **Gross profit** | 52.7 | 68.8 | (23) |
| ***Gross profit margin*** | *7.4%* | *8.7%* | *(1.3) ppts[2]* |
| **Operating expenses[1]** | 22.9 | 24.4 | (6) |
| **Operating profit** | 32.7 | 47.4 | (31) |
| ***Operating profit margin*** | *4.6%* | *6.0%* | *(1.4) ppts* |
| **Net profit attributable to shareholders** | 26.2 | 39.8 | (34) |
| ***Net profit margin*** | *3.7%* | *5.0%* | *(1.3) ppts* |
| **Earnings per share[3]** | 9.61 | 14.65 | (34.4) |

1 Operating expenses include distribution expenses, administrative expenses, finance costs, other operating expenses and impairment loss on trade receivables

2 Ppts: Percentage points (rounded)

3 Basic and fully diluted. Singapore cents

In 1H FY2023, the Group reported a decline in revenue of 10% year-on-year ("**y-o-y**") to S$717.1 million, primarily attributable to lower contractual offtake due to slower site progress. This was partially offset by the increased revenue contributions from the international trading segment.

In line with the lower revenue, gross profit decreased by 23% y-o-y in 1H FY2023 to S$52.7 million. Gross profit margin of 7.4% fell 1.3 ppts mainly due to lower sales volume of value-added steel products amidst slower activity levels within the domestic construction industry. The lower sales volume was partially offset by a reversal of provision for onerous contracts of S$7.9 million in 1H FY2023 compared to S$1.8 million in 1H FY2022.

Other income for 1H FY2023 was S$3.7 million, up 42% y-o-y, mainly attributable to net foreign exchange gains but partially offset by a reduction in credit insurance claims for bad debts and government grants.

Operating expenses decreased by 6% y-o-y to S$22.9 million in 1H FY2023, underpinned by a 28% y-o-y decline in administrative expenses due to lower staff-related costs. The decreased operating expenses were partially offset by higher finance costs and distribution costs, due to rising interest rates and costs due to increased international trading activities respectively.

Other operating expenses fell 40% y-o-y to S$3.2 million in 1H FY2023, primarily attributable to a decrease in foreign exchange loss and fair value changes on trade receivables.

Consequently, the Group reported a 34% y-o-y fall in net profit attributable to shareholders to S$26.2 million in 1H FY2023, down from S$39.8 million in 1H FY2022. Accordingly, net profit margin dropped 1.3 ppts to 3.7%. Earnings per share were 9.61 Singapore cents for 1H FY2023, compared to 14.65 Singapore cents for 1H FY2022.

Despite the challenging macro and industrial environment, the Group's fundamentals remain robust, with cash and cash equivalents standing at S$115.2 million as of 31 March 2023. Total sales order book of approximately S$1.42 billion is expected to be progressively delivered in the next 5 years, which may be subject to further changes. Given that, the Group is declaring an interim dividend of 5 Singapore cents to reward shareholders' long-term support.

## Market Overview and Outlook

Earlier on 12 January 2023, the Building and Construction Authority ("BCA") published Singapore's construction demand figure for 2023 and expected the total domestic construction demand in 2023 to range between S$27 billion and S$32 billion, similar to last year's projection. The public sector is expected to contribute about 60% of the total demand, between S$16 billion and S$19 billion, mainly underpinned by public housing projects as well as industrial and institutional building projects. Demand from the private sector is expected to remain similar, especially for residential and industrial building construction demand.[1]

The overall domestic construction sector is riding on a steady growth trajectory despite the value-added segment remaining 21.3% below its pre-COVID (1Q FY2019) level. According to the Ministry of Trade and Industry Singapore ("MTI"), the construction sector grew by 8.5% y-o-y and 1.8% q-o-q in 1Q FY2023, driven by expansions in both public and private construction output.[2] The government's infrastructure commitment and private sector investments are expected to maintain the growth in residential, commercial and infrastructure segments in the long term.

Despite challenges like volatile economic conditions and rising costs remaining in 2Q FY2023, we have seen a moderate recovery in our project contractual offtake in April and a normalisation of the prices of key construction materials. As such, we remain cautiously optimistic about the uptick of construction and construction-related activities going forward.

Commenting on the Group's performance and outlook, Mr. Seah Kiin Peng, Chief Executive Officer of the Group, said, ***"The domestic construction sector is undergoing a transitional phase in the first quarter of 2023 where labour shortages are slightly easing and trained migrant workers are gradually added to the workforce. In addition to that, the local construction sector continued to grow and expand in 2Q FY2023 backed by a strong pipeline of construction projects. Even though these improvements have not been reflected directly in our 1H FY2023 results, we do believe that these bode well for the overall recovery of the sector. BRC remains an integral part of Singapore's construction***

[1] https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2023/01/12/singapore's-construction-demand-to-remain-strong-in-2023

[2] https://www.mti.gov.sg/Newsroom/Press-Releases/2023/04/Singapore-GDP-Grew-by-0_1-Per-Cent-in-the-First-Quarter-of-2023

***sector and we will strive to capitalise on the industry-wide recovery to deliver our robust order book.***

***We have completed the legal amalgamation of BRC, Lee Metal Group Pte. Ltd, and Lee Welded Mesh Singapore Pte. Ltd. on 1 April 2023 after getting shareholders' approval in the extraordinary general meeting dated 31 January 2023. We are excited about this new milestone achieved which allows us to streamline the Group's operational procedures while achieving economies of scale. This was the final step in the merging of Lee Metal Group Ltd. into the Group after acquiring it in 26 July 2018.***

***With the improving industry fundamentals, our refined operational efficiency as well as strong order book position, we are delighted to declare an interim dividend of 5 Singapore cents per share to thank our shareholders for their continued trust and support.***"

--The End--

***Company Profile***

Incorporated in 1938, BRC Asia Limited ("BRC") is a leading Pan-Asia prefabricated reinforcing steel solutions provider headquartered in Singapore and listed on the Singapore Stock Exchange.

BRC offers a full suite of reinforcing steel products and services that include standard length rebar, cut and bend services, prefabrication services as well as standard and customised welded wire mesh for the building and construction industry.

By transferring laborious and unproductive in-situ steel fixing work to factory fabrication, substantial benefits in on-site manpower savings, shorter construction cycle, better buildability and productivity can be achieved for the builder, leading to a better outcome for all stakeholders.

*For more information, please visit the website at www.brc.com.sg*

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Issued for and on behalf of BRC Asia Limited

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