

SoilBuild Construction Group Limited

Date: 9 November 2023

Non-rated

BBG	SOIL SP
Market Cap	S\$44.2m
Price (9 November 2023)	S\$0.03
52-week range	S\$0.03-0.057
Target Price	Non-rated
Shares Outstanding	1.472b
Free Float	18.04%
Major Shareholder	Lim Chap Huat 77.91% Lim Han Ren 4.05%
P/BV (10/23)	1.1x
Net Debt to EBITDA (10/23)	-

Source: Company data, Bloomberg, SAC Capital

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Post-COVID Triumph: 1H23 marks an inflection?

A net profit of S\$1.4m was recorded for 1H23, marking the first half of a potential profit-making year since the COVID-19 pandemic. This achievement signifies a marked shift from the challenging period brought on by the COVID-19 pandemic, during which the Group had incurred a hefty loss of S\$31.7 million in FY22. With continued efforts on cost management and raising productive, profitability is likely to improve in 2024.

Order books has improved steadily over the last 3 years to the current S\$564.3m. The recovery was bolstered by the Group's focus towards tendering for high-value and high-tech projects in sectors such as semiconductor, precision engineering, and logistics. In 1H23, 2 new construction contracts and 9 precast supply and delivery agreements, valued at a total of S\$231.5m were successfully acquired.

With HDB's pipeline to launch 100 000 flats from 2021 to 2025, the Group's Integrated Construction and Precast Hub (ICPH) stands in a favorable position to meet the increasing demand for precast components. With the large number of BTO projects in the pipeline, HDB is exploring greater standardization of precast components.

Under the leadership of Lim Han Ren, who joined the Group in 2020, the Group has expanded on its pipeline to tender for third party jobs. As such, contributing to its financial recovery.

Impending challenge is the reduction of the Dependency Ratio Ceiling (DRC) from 1 : 7 to 1 : 5 from 1 Jan 2024 onwards. This may prove to be a key challenge in 2024 for the construction industry in Singapore. This change will signify an increase in labor costs. It will be interesting to see how the industry, the group included, adapts to and manages this change.

FY ended 31 Dec (\$m)	FY20A	FY21A	FY22A	1H23
Revenue	148.9	258.3	248.4	128.7
EBITDA	(17.6)	10.4	(16.6)	2.3
Gross profit	(24.3)	4.9	(21.3)	7.5
Net profit	(28.7)	(2.6)	(31.7)	1.4
EPS (S cents)	(3.4)	(0.3)	(3.8)	0.1
DPS (S cents)	-	-	-	-
Valuation				
Net Debt / Equity (x)	1.2	1.6	5.0	1.3
EBITDA Margin (%)	(11.8)	4.0	(6.7)	1.8
P/E (x)	-	-	-	16.3
P/B (x)	0.6	0.8	2.2	1.1
EV/EBITDA (x)	-	11.4	-	31.7
Order books	515.4	365.8	461.5	564.3

Income Statement

FYE 31 Dec (\$m)	FY20A	FY21A	FY22A	1H23
Revenue	148.9	258.3	248.4	128.7
Cost of sales	(173.2)	(253.4)	(269.7)	(121.2)
Gross profit / (loss)	(24.3)	4.9	(21.3)	7.5
Other income	10.6	6.1	7.5	3.6
Other losses - net	(0.6)	1.0	0.4	(0.7)
Allowance for expected credit losses on financial assets	-	(1.6)	(0.1)	(0.5)
Expenses				
- Administrative	(6.5)	(7.3)	(8.6)	(4.3)
- Finance	(1.9)	(1.9)	(2.3)	(1.8)
- Others	(6.8)	(4.4)	(5.6)	(2.6)
Profit / (loss) before income tax	(29.5)	(3.3)	(30.0)	1.3
Income tax credit/(expense)	0.8	0.6	(1.7)	0.1
Net profit / (loss)	(28.7)	(2.6)	(31.7)	1.4

Balance Sheet

FYE 31 Dec (\$m)	FY20A	FY21A	FY22A	1H23
Assets				
Current assets				
Cash and cash equivalents	21.8	17.0	11.1	21.3
Trade and other receivables	62.3	63.3	84.8	69.1
Inventories	7.6	9.2	3.8	4.6
Other current assets	2.3	3.7	6.2	6.9
	94.1	93.1	105.9	101.9
Non-current assets				
Trade and other receivables	10.6	16.2	15.5	13.0
Other non-current assets	-	-	0.1	0.3
Property, plant and equipment	141.0	130.4	123.9	121.8
Intangible assets	0.3	0.2	-	-
Deferred income tax assets	2.1	2.7	1.1	1.1
	154.0	149.5	140.5	136.2
Total assets	248.1	242.6	246.4	238.2
Liabilities				
Current liabilities				
Trade and other payables	95.6	84.0	115.9	116.4
Current income tax liabilities	0.9	0.6	0.1	-
Borrowings	29.0	34.5	35.5	12.8
Provision for other liabilities	4.9	4.4	3.5	0.5
Derivative financial instruments	0.7	-	-	-
	131.1	123.5	154.9	129.7
Non-current liabilities				
Trade and other payables	8.4	7.2	10.3	9.5
Borrowings	55.7	61.5	63.6	59.3
Derivative financial instruments	-	0.1	0.2	0.2
	64.1	68.8	74.1	68.9
Total liabilities	195.2	192.3	229.0	198.6
Net assets	52.8	50.3	17.4	39.6
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital	71.6	71.6	71.6	92.6
Capital reserve	(1.1)	(1.1)	(1.1)	(1.1)
Currency translation reserve	(0.4)	(0.3)	(1.5)	(1.8)
Warrant reserve	8.1	-	-	-
(Accumulated losses)/retained profits	(25.4)	(19.9)	(51.6)	(50.2)
Total equity	52.8	50.3	17.4	39.6

Cash Flow Statement

FYE 31 Dec (\$m)	FY20A	FY21A	FY22A	1H23
Cash flows from operating activities				
Net profit	(28.7)	(2.6)	(31.7)	1.4
Adjustments for:				
- Amortisation of intangible assets	0.2	0.2	0.1	-
- Depreciation of property, plant and equipment	9.8	11.6	10.9	4.5
- Impairment loss on right-of-use assets	1.3	(1.3)	-	-
- Allowance for expected credit losses on financial assets	-	1.6	0.1	-
- Interest expense	1.9	1.9	2.3	1.8
- Income tax expense	(0.8)	(0.6)	1.7	(0.1)
- Property, plant and equipment written off	0.1	-	-	0.5
- Fair value loss on derivative financial instruments	0.3	(0.7)	-	-
Operating cash flows before working capital changes	(15.8)	10.0	(16.5)	8.0
Changes in working capital:				
- Trade and other receivables	34.3	(8.2)	(20.8)	17.6
- Other current assets	0.2	(1.3)	(2.5)	(0.7)
- Other non-current current assets	-	-	(0.1)	(0.8)
- Inventories	(5.8)	(1.6)	5.4	(0.2)
- Trade and other payables	(8.6)	(12.9)	34.9	(0.5)
- Provision for other liabilities	3.7	(0.5)	(0.9)	(3.0)
Cash generated from/(used in) operations	8.0	(14.5)	(0.6)	20.5
Income tax paid	(0.2)	(0.2)	(0.4)	-
Net cash provided by/(used in) operating activities	7.8	(14.7)	(1.0)	20.5
Cash flows from investing activities				
Additions to property, plant and equipment	(17.1)	(4.4)	(6.2)	(3.7)
Proceeds from disposal of property, plant and equipment	0.2	0.8	0.1	-
Government grant received	-	5.3	-	0.6
Net cash used in investing activities	(16.9)	1.7	(6.0)	(3.1)
Cash flows from financing activities				
Proceeds from preferential offering of rights shares	-	-	-	21.1
Proceeds from shareholder's loan	-	10.0	-	-
Proceeds from bank loans	35.4	41.6	60.3	6.3
Repayment of bank loans	(26.3)	(41.1)	(56.4)	(32.9)
Principal repayment of lease liabilities	(0.3)	(0.9)	(0.9)	(0.4)
Interest paid	(1.9)	(1.9)	(2.2)	(1.7)
Net cash provided by financing activities	6.9	7.7	0.9	(7.6)
Net (decrease)/increase in cash and cash equivalents	(2.2)	(5.3)	(6.1)	9.7
Cash and cash equivalents at beginning of financial year	24.2	21.8	17.0	11.1
Effects of currency translation on cash and cash equivalents	(0.2)	0.4	0.2	0.5
Cash and cash equivalents at end of financial year	21.8	17.0	11.1	21.3

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