

## Econpile Holdings Bhd

### Bagged another before financial year end close

#### Summary

- Econpile Holdings Bhd's (Econpile) wholly-owned subsidiary, Econpile (M) Sdn Bhd received a letter of award from Bangsar Hill Park Development Sdn Bhd to undertake earthworks, piling, pile cap, basement slab (B1) and reinforced concrete ramp works for Phase 1B1 (Block B) comprising 62-storey apartment block with 410 units and Phase 1B2 (Block C) comprising 49-storey apartment block with 392 units at Lot 365, Lorong Maarof, Seksyen 96, Bandar Kuala Lumpur.
- Details of project.** The contract value is RM20.8m with overall project duration for 10.5 months from 6th May 2023. Similar with recent project wins related to piling works for high rise property development projects in recent years, we believe that the aforementioned project will be able to command approximately mid-teens EBITDA margins.
- Orderbook update.** We gather that the aforementioned contract is the fifth major construction contract secured by Econpile for FY22f. Current orderbook replenishment now stands at RM187.3m, makes up about 93.7% of our expectations of RM200.0m for FY23f. While the value of recent contract wins was relatively small (<RM50.0m), we reckon that larger scale contracts from mega infrastructure rail projects may only kick in sometime towards end-2023 or early-2024. Nevertheless, recent wins YTD already surpassed FY21 wins at c. RM155.6m.
- Earnings to be sustained** Consequently, Econpile's outstanding orderbook of approximately RM400.0m; represents an unbilled orderbook-to-cover ratio at 1.1x against FY22 revenue of RM366.6m. This will provide earnings visibility over the next 18 months years. Meanwhile, tenderbook remains relatively healthy at approximately RM500.0m. We reckon that with the impending completion for the piling and substructure works for an Integrated Entertainment Complex at Phnom Penh, Kingdom of Cambodia, the move may place ECONBHD in good stead to secure future works in Cambodia.
- Lingering uncertainty.** Still, we remain cautious, owing to the elevated building material costs which may continue to dampen the recovery in margins. Prior to Covid-19, the construction industry that is already operating in razor thin margins. On a brighter note, the alleviation of crucial workers shortages is a boon for the overall construction industry.

#### Valuation & Recommendation

- We make no changes to our earnings forecast, pending their upcoming 3QFY23 results that is scheduled to be release on 24th May 2023. With signs of recovery demonstrated in 2QFY23 results (net loss narrowing to only -RM1.6m), a potential recovery towards the black may take place, barring any unforeseen circumstances.
- We maintained our **SELL** recommendation on ECONBHD with an unchanged target

#### Company Update

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#### SELL

Share price	RM0.22
Target price	RM0.16
Previous TP	RM0.16
Capital upside	-27.3%
Dividend return	-
Total return	-27.3%

#### Company profile

Provision of piling and foundation services for construction of infrastructures and buildings

#### Stock information

Bursa Code	5253
Bloomberg ticker	ECON MK
Listing market	Main
Share issued (m)	1,417.5
Market Cap (m)	311.8
52W High/Low	0.26/0.13
Est. Free float	42.7%
Beta (x)	0.8
3-mth avg vol ('000)	6,129.4
Shariah compliant	Yes

#### Major shareholders

The Cheng Eng	24.7
Pang Sar	19.5
EPF	9.5

#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	0.0	-4.3	-12.0
Relative	3.0	19.1	-43.4

#### Earnings summary

FYE (Jun)	FY22	FY23f	FY24f
PATMI (m)	-40.9	3.3	15.4
EPS (sen)	-2.9	0.2	1.1
P/E (x)	-	93.8	20.3

#### Relative performance chart



price of RM0.16. Our target price is derived by ascribing a target PER of 15.0x to its FY24f EPS of 1.1 sen.

- Risks to our recommendation and target price include the stronger-than-expected orderbook replenishment rate. Lower raw material prices and energy cost would potentially improve margins and vice versa. The pace of execution of projects on hand could also determine ECONBHD's efficiency to deploy existing machineries for future orders.

## Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Jun (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Jun (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	403.0	420.1	366.6	418.0	371.7	Cash	24.6	52.4	51.9	27.9	29.0
EBITDA	31.4	40.5	(11.1)	25.1	40.9	Receivables	324.4	365.9	435.0	481.0	499.0
EBIT	5.0	17.0	(28.5)	8.0	24.9	Inventories	-	-	-	-	-
Net finance income/ (cost)	(2.0)	(2.7)	(3.1)	(3.2)	(3.0)	PPE	73.3	58.9	40.3	39.9	38.8
Associates & JV	-	-	-	-	-	Others	213.4	232.2	138.8	128.8	114.9
<b>Profit before tax</b>	<b>3.0</b>	<b>14.2</b>	<b>(31.6)</b>	<b>4.7</b>	<b>22.0</b>	<b>Assets</b>	<b>635.7</b>	<b>709.3</b>	<b>666.0</b>	<b>677.6</b>	<b>681.7</b>
Tax	(0.6)	(3.1)	(9.3)	(1.4)	(6.6)	Debts	82.4	81.6	113.3	103.3	93.3
<b>Net profit</b>	<b>2.3</b>	<b>11.1</b>	<b>(40.9)</b>	<b>3.3</b>	<b>15.4</b>	Payables	152.7	176.5	124.0	134.0	137.5
Minority interest	-	-	-	-	-	Others	9.7	8.1	27.0	35.2	30.5
<b>Core earnings</b>	<b>2.3</b>	<b>11.1</b>	<b>(40.9)</b>	<b>3.3</b>	<b>15.4</b>	<b>Liabilities</b>	<b>244.9</b>	<b>266.2</b>	<b>264.2</b>	<b>272.5</b>	<b>261.2</b>
Diluted core earnings	-	-	-	3.9	15.9	Shareholder's equity	390.8	443.2	401.8	405.1	420.5
Exceptional items	-	-	-	-	-	Minority interest	-	-	-	-	-
Reported earnings	2.3	11.1	(40.9)	3.3	15.4	<b>Equity</b>	<b>390.8</b>	<b>443.2</b>	<b>401.8</b>	<b>405.1</b>	<b>420.5</b>
<b>Cash Flow Statement</b>						<b>Valuation &amp; Ratios</b>					
FYE Jun (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Jun (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	3.0	14.2	(31.6)	4.7	22.0	Core EPS (sen)	0.2	0.8	(2.9)	0.2	1.1
Depreciation & amortisation	26.5	22.9	16.4	17.2	16.0	Diluted Core EPS (sen)	-	-	-	0.2	0.9
Changes in working capital	31.3	32.1	27.3	26.1	1.4	P/E (x)	133.8	28.1	-	93.8	20.3
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	95.7	23.3
Taxation	(15.3)	(10.8)	(3.9)	(1.2)	(5.5)	DPS (sen)	-	-	-	-	-
Others	-	-	-	-	-	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Operating cash flow</b>	<b>(27.2)</b>	<b>(1.9)</b>	<b>(30.7)</b>	<b>(14.0)</b>	<b>19.1</b>	BVPS (RM)	0.28	0.31	0.28	0.29	0.30
Net capex	(2.3)	(0.3)	8.0	(18.0)	1.9	P/B (x)	0.8	0.7	0.8	0.8	0.7
Others	-	-	-	-	-	EBITDA margin	7.8%	9.6%	-3.0%	6.0%	11.0%
<b>Investing cash flow</b>	<b>12.5</b>	<b>(3.7)</b>	<b>2.5</b>	<b>(16.4)</b>	<b>(14.7)</b>	EBIT margin	1.2%	4.0%	-7.8%	1.9%	6.7%
Changes in borrowings	8.7	(2.8)	(2.8)	33.9	(10.0)	PBT margin	0.7%	3.4%	-8.6%	1.1%	5.9%
Issuance of shares	-	-	-	-	-	PAT margin	0.6%	2.6%	-11.2%	0.8%	4.1%
Dividends paid	(6.7)	-	-	-	-	Core PAT margin	0.6%	2.6%	-11.2%	0.8%	4.1%
Others	-	-	-	-	-	ROE	0.6%	2.5%	-10.2%	0.8%	3.7%
<b>Financing cash flow</b>	<b>(3.3)</b>	<b>31.7</b>	<b>28.0</b>	<b>6.4</b>	<b>(3.3)</b>	ROA	0.4%	1.6%	-6.1%	0.5%	2.3%
<b>Net cash flow</b>	<b>(18.0)</b>	<b>26.1</b>	<b>(0.3)</b>	<b>(24.0)</b>	<b>1.1</b>	Net gearing	14.8%	6.6%	15.3%	18.6%	15.3%
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	40.1	22.1	48.3	47.8	23.8						
Ending cash	22.1	48.3	47.8	23.8	24.9						

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