

Econpile Holdings Bhd

Strengthening presence in Cambodia

Summary

- Econpile Holdings Bhd's (ECONBHD) wholly-owned subsidiary, Global Piling Solutions Co Ltd has received a letter of acceptance from Odom Living Co Ltd to undertake bored pile and diaphragm wall works for Odom development at Norodom Boulevard, Sangkat Tonle Bassac, Phnom Penh, Kingdom of Cambodia.
- Details of project.** The contract value is USD9.5m (c. RM43.8m) with overall project duration for 248 days from 1st June 2023. We gather that the aforementioned contract may generate high single-digit gross margins.
- Orderbook update.** With the incorporation of the newly secured contract, orderbook replenishment for financial year-to-date (YTD) now stands at RM266.7m, which slightly exceeded our expectations of RM200.0m for FY23f. We note that YTD wins already surpassed FY22 wins at c. RM155.6m. The successful completion of the previous Cambodia project will be a testament for ECONBHD to cement their position in Cambodia over the long run.
- Looking ahead.** Moving forward, ECONBHD is equipped with an outstanding orderbook of c. RM410.0m; represents an unbilled orderbook-to-cover ratio at 1.1x against FY22 revenue of RM366.6m. This is expected to sustain revenue visibility throughout FY24. Meanwhile, the tenderbook remains relatively healthy at approximately RM500.0m. Back home, we reckon that roll-out of mega infrastructure projects may speed up in 2H after the completion of states election.
- Recovery in progress.** In 3QFY23, ECONBHD net loss narrowed to -RM0.2m. We reckon that the group is largely on track to return to the black in coming quarters. Also, acute workers shortage situation is demonstrating solid improvement and that may speedup project execution process and consequently allows the group to undertake additional projects simultaneously. However, we remain cautious on the elevated building material costs which may keep the margins in check.

Valuation & Recommendation

- Despite the stronger-than-expected orderbook replenishment, we made no changes to our earnings forecast. We reckon that the recent win may only see contribution from FY24f onwards.
- Consequently, we maintained our **SELL** recommendation on ECONBHD with an unchanged target 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 improve margins and vice versa. Pace of execution of projects on hand could also determine ECONBHD's efficiency to deploy existing machineries for future orders.

Company Update

Kenneth Leong
kennethleong@msec.com.my
(603) 2201 2100

SELL

Share price	RM0.195
Target price	RM0.16
Previous TP	RM0.16
Capital upside	-17.9%
Dividend return	-
Total return	-17.9%

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)	276.4
52W High/Low	0.25/0.13
Est. Free float	42.7%
Beta (x)	0.9
3-mth avg vol ('000)	4,524.9
Shariah compliant	Yes

Major shareholders

	%
The Cheng Eng	24.7
Pang Sar	19.5
EPF	8.5

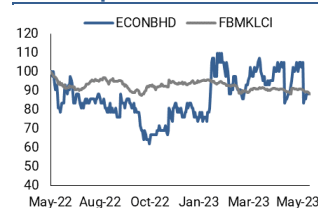
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-2.5	5.4	-7.1
Relative	-0.5	10.5	-5.1

Earnings summary

FYE (Jun)	FY22	FY23f	FY24f
PATMI (m)	-40.9	-4.0	15.4
EPS (sen)	-2.9	-0.3	1.1
P/E (x)	-	-	18.0

Relative performance chart



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	28.5	29.7
EBITDA	31.4	40.5	(11.1)	14.6	37.2	Receivables	324.4	365.9	435.0	481.0	499.0
EBIT	5.0	17.0	(28.5)	(2.5)	24.6	Inventories	-	-	-	-	-
Net finance income/ (cost)	(2.0)	(2.7)	(3.1)	(3.2)	(2.9)	PPE	73.3	58.9	40.3	31.5	30.1
Associates & JV	-	-	-	-	-	Others	213.4	232.2	138.8	128.8	114.9
Profit before tax	3.0	14.2	(31.6)	(5.7)	21.7	Assets	635.7	709.3	666.0	669.8	673.6
Tax	(0.6)	(3.1)	(9.3)	1.7	(6.3)	Debts	82.4	81.6	113.3	103.3	93.3
Net profit	2.3	11.1	(40.9)	(4.0)	15.4	Payables	152.7	176.5	124.0	134.0	137.5
Minority interest	-	-	-	-	-	Others	9.7	8.1	27.0	34.8	29.8
Core earnings	2.3	11.1	(40.9)	(4.0)	15.4	Liabilities	244.9	266.2	264.2	272.0	260.5
Diluted core earnings	-	-	-	(3.5)	15.9	Shareholder's equity	390.8	443.2	401.8	397.7	413.1
Exceptional items	-	-	-	-	-	Minority interest	-	-	-	-	-
Reported earnings	2.3	11.1	(40.9)	(4.0)	15.4	Equity	390.8	443.2	401.8	397.7	413.1
Cash Flow Statement						Valuation & Ratios					
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)	(5.7)	21.7	Core EPS (sen)	0.2	0.8	(2.9)	(0.3)	1.1
Depreciation & amortisation	26.5	22.9	16.4	17.2	12.7	Diluted Core EPS (sen)	-	-	-	(0.2)	0.9
Changes in working capital	31.3	32.1	27.3	26.0	1.5	P/E (x)	118.6	24.9	-	-	18.0
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	-	20.6
Taxation	(15.3)	(10.8)	(3.9)	1.4	(5.4)	DPS (sen)	-	-	-	-	-
Others	-	-	-	-	-	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Operating cash flow	(27.2)	(1.9)	(30.7)	(21.7)	15.3	BVPS (RM)	0.28	0.31	0.28	0.28	0.29
Net capex	(2.3)	(0.3)	8.0	(9.6)	(2.8)	P/B (x)	0.7	0.6	0.7	0.7	0.7
Others	-	-	-	-	-	EBITDA margin	7.8%	9.6%	-3.0%	3.5%	10.0%
Investing cash flow	12.5	(3.7)	2.5	(8.1)	(10.9)	EBIT margin	1.2%	4.0%	-7.8%	-0.6%	6.6%
Changes in borrowings	8.7	(2.8)	(2.8)	33.9	(10.0)	PBT margin	0.7%	3.4%	-8.6%	-1.4%	5.8%
Issuance of shares	-	-	-	-	-	PAT margin	0.6%	2.6%	-11.2%	-1.0%	4.1%
Dividends paid	(6.7)	-	-	-	-	Core PAT margin	0.6%	2.6%	-11.2%	-1.0%	4.1%
Others	-	-	-	-	-	ROE	0.6%	2.5%	-10.2%	-1.0%	3.7%
Financing cash flow	(3.3)	31.7	28.0	6.4	(3.3)	ROA	0.4%	1.6%	-6.1%	-0.6%	2.3%
Net cash flow	(18.0)	26.1	(0.3)	(23.4)	1.2	Net gearing	14.8%	6.6%	15.3%	18.8%	15.4%
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	40.1	22.1	48.3	47.8	24.3						
Ending cash	22.1	48.3	47.8	24.3	25.5						

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