

Econpile Holdings Bhd

Small and steady

Summary

- Econpile Holdings Bhd's (ECONBHD) wholly-owned subsidiary, Econpile (M) Sdn Bhd has received a Letter of Acceptance dated 28th October 2022 from Kota Bharu Medical Centre Sdn Bhd. The contract encompasses the execution and completion of substructure works for a private hospital comprising a 12-storey hospital block and a 11-storey carpark block with other facilities located at Bandar Kota Bharu Jajahan Kota Bharu, Kelantan Darul Naim.
- The contract value is RM24.1m with overall project duration for 12 months, commencing from 12th November 2022. Like the previous contract secured last month, we believe that the aforementioned project will be able to command high single digit EBITDA margins, which is slightly lower than the historical average of piling works for high rise property development projects over the years.
- Alongside with the aforementioned contract, ECONBHD's orderbook replenishment year-to-date stands at approximately RM132.2m. This makes up to 52.9% of our expectations of RM250.0m for FY23f as well as 84.9% of FY22 orderbook replenishment of RM155.6m. Although the recent value of contract wins may be small, we believe that the streak of project wins in recent months is a healthy sign for the revival of the group.
- Moving forward, ECONBHD's outstanding orderbook stood at approximately RM450.0m; represents an unbilled orderbook-to-cover ratio at 1.2x against FY22 revenue of RM373.4m will provide earnings visibility over the next 18 months. Meanwhile, tenderbook remains relatively stable at approximately RM400.0m.
- We believe that ECONBHD will continue to leverage onto their expertise as a piling and substructure specialist to tap into the higher development expenditure allocated under Budget 2023. Still, larger scale infrastructure projects may only be place onto the table post-GE15, sometime towards early 2023.
- Challenges, however, persists within the construction industry which continues to grapple with the shortage of workers. On a brighter note, the scaling down of building material costs in recent months will be a boon for contractors to safeguard their profit margins.

Valuation & Recommendation

- Given that the orderbook replenishment came within expectations, we made no changes to our earnings forecast. Following the extended pullback in share price, we upgrade ECONBHD to **HOLD** (from Sell) with an unchanged target price of RM0.15. Our target price is derived by ascribing a target PER of 15.0x to its FY23f EPS of 1.0 sen.

Company Update

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HOLD (from Sell)

Share price	RM0.14
Target price	RM0.15
Previous TP	RM0.15
Capital upside	7.1%
Dividend return	-
Total return	7.1%

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)	198.5
52W High/Low	0.40/0.13
Est. Free float (%)	41.0
Beta (x)	0.9
3-mth avg vol ('000)	2,773.5
Shariah compliant	Yes

Major shareholders

	%
The Cheng Eng	24.7
Pang Sar	19.5
EPF	8.7

Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	-20.0	-22.2	-65.4
Absolute	-23.6	-20.0	-63.8
Relative			

Earnings summary

FYE (Jun)	FY22	FY23f	FY24f
PATMI (m)	-40.7	14.2	14.5
EPS (sen)	-2.9	1.0	1.0
P/E (x)	-	14.0	13.7

Relative performance chart



- Risks to our recommendation and target price include the weaker-than-expected orderbook replenishment rate. Higher raw material prices and labour cost would potentially dent 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	373.4	418.0	371.7	Cash	24.6	52.4	51.9	30.1	30.0
EBITDA	31.4	40.5	(10.9)	41.8	41.8	Receivables	324.4	365.9	435.7	481.0	509.1
EBIT	5.0	17.0	(28.2)	24.7	25.9	Inventories	-	-	-	-	-
Net finance income/ (cost)	(2.0)	(2.7)	(3.1)	(4.6)	(5.5)	PPE	73.3	58.9	40.3	39.9	38.8
Associates & JV	-	-	-	-	-	Others	213.4	232.2	140.0	181.0	198.5
Profit before tax	3.0	14.2	(31.3)	20.1	20.4	Assets	635.7	709.3	667.9	732.1	776.4
Tax	(0.6)	(3.1)	(9.4)	(5.9)	(5.9)	Debts	82.4	81.6	113.3	149.2	154.5
Net profit	2.3	11.1	(40.7)	14.2	14.5	Payables	152.7	176.5	129.8	134.0	137.5
Minority interest	-	-	-	-	-	Others	9.7	8.1	21.7	31.6	52.8
Core earnings	2.3	11.1	(40.7)	14.2	14.5	Liabilities	244.9	266.2	264.8	314.8	344.8
Diluted core earnings	-	-	-	14.7	15.0	Shareholder's equity	390.8	443.2	403.1	417.3	431.8
Exceptional items	-	-	-	-	-	Minority interest	-	-	-	-	-
Reported earnings	2.3	11.1	(40.7)	14.2	14.5	Equity	390.8	443.2	403.1	417.3	431.8
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	(31.3)	20.1	20.4	Core EPS (sen)	0.2	0.8	(2.9)	1.0	1.0
Depreciation & amortisation	26.5	23.6	17.4	17.2	16.0	Diluted Core EPS (sen)	-	-	-	0.9	0.9
Changes in working capital	31.3	32.1	23.3	82.2	43.0	P/E (x)	85.1	17.9	-	14.0	13.7
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	16.0	15.7
Taxation	(15.3)	(10.8)	7.8	(5.0)	(5.1)	DPS (sen)	-	-	-	-	-
Others	-	-	-	-	-	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Operating cash flow	(27.2)	(1.2)	(29.5)	(6.3)	10.2	BVPS (RM)	0.28	0.31	0.28	0.29	0.30
Net capex	(2.3)	(0.3)	10.5	(18.0)	1.9	P/B (x)	0.5	0.4	0.5	0.5	0.5
Others	-	-	-	-	-	EBITDA margin	7.8%	9.6%	-2.9%	10.0%	11.3%
Investing cash flow	12.5	(3.7)	(3.9)	(16.3)	(14.6)	EBIT margin	1.2%	4.0%	-7.6%	5.9%	7.0%
Changes in borrowings	8.7	(2.8)	(2.8)	33.9	35.9	PBT margin	0.7%	3.4%	-8.4%	4.8%	5.5%
Issuance of shares	-	-	-	-	-	PAT margin	0.6%	2.6%	-10.9%	3.4%	3.9%
Dividends paid	(6.7)	-	-	-	-	Core PAT margin	0.6%	2.6%	-10.9%	3.4%	3.9%
Others	-	-	-	-	-	ROE	0.6%	2.5%	-10.1%	3.4%	3.4%
Financing cash flow	(0.6)	33.3	28.2	5.0	4.2	ROA	0.4%	1.6%	-6.1%	1.9%	1.9%
Net cash flow	(15.3)	28.4	(5.2)	(17.6)	(0.2)	Net gearing	14.8%	6.6%	15.2%	28.5%	28.8%
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	40.1	24.8	52.4	47.7	30.1						
Ending cash	24.8	52.4	47.7	30.1	30.0						

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