

Econpile Holdings Bhd

Orderbook replenishment gathering pace

Summary

- Econpile Holdings Bhd's (ECONBHD) wholly-owned subsidiary, Econpile (M) Sdn Bhd has received a letter of award from Konzepte + Design Architects for and on behalf of Regal Path Sdn Bhd to undertake substructure works for 2 blocks of 47-storey serviced apartment comprising 453 units, with existing commercial development 1 block of 5-storey retail mall with 2 levels of basement parking.
- **Details of project.** The project located at Bukit Jalil, Kuala Lumpur carries a contract value is RM43.4m with overall project duration for 15 months. We gather that the aforementioned contract may generate high single-digit gross margins, which is similar to recent projects wins for high-rise developments.
- **Orderbook update.** With the incorporation of the newly secured contract, orderbook replenishment for FY24 year-to-date (YTD) now stands at RM78.5m, which accounts to 26.2% of our expectations of RM300.0m for FY24f. The target could be achievable in coming 11 months, premised to the potential acceleration of mega-infrastructure projects rollout upon completion of the States election next month.
- **Looking ahead.** Moving forward, ECONBHD is equipped with an outstanding orderbook of c. RM400.0m; represents an unbilled orderbook-to-cover ratio at 1.1x against FY22 revenue of RM366.6m. This is expected to sustain revenue visibility throughout the next 18 months. We reckon that ECONBHD will continue to leverage onto the improved economic outlook with the construction sector playing catch-up in the recovery trend, while seeking to broaden their revenue base in regional markets, after cementing their footprint at Cambodia.
- **Recovery in progress.** In 3QFY23, ECONBHD net loss narrowed to -RM0.2m (from net loss of -1.6m in 2QFY23). The improved labour situation in recent months also bode well for project execution process and consequently allows the group to undertake additional projects simultaneously. Still, the elevated building material costs may keep the margins thin over the foreseeable future.

Valuation & Recommendation

- Given that the orderbook replenishment came within expectations, we made no changes to our earnings forecast.
- 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. At current price of RM0.21, prospective FY24f P/E is at 19.4x, which is pricier than the Bursa Malaysia's construction sector forward P/E of 11.8x for 2024.
- 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

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SELL

Share price	RM0.21
Target price	RM0.16
Previous TP	RM0.16
Capital upside	-23.8%
Dividend return	-
Total return	-23.8%

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)	297.7
52W High/Low	0.25/0.13
Est. Free float	42.4%
Beta (x)	0.9
3-mth avg vol ('000)	3,000.4
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	13.5	7.7	16.7
Relative	9.8	6.0	18.9

Earnings snapshot

FYE (Jun)	FY22	FY23f	FY24f
PATMI (m)	-40.9	-4.0	15.4
EPS (sen)	-2.9	-0.3	1.1
P/E (x)	-	-	19.4

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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As of **Wednesday, 26 Jul, 2023**, the analyst(s), Kenneth Leong, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned