

Econpile Holdings Berhad

Fund raising

Summary

- Econpile Holdings Bhd has announced to raise a total of RM41.2m in proceeds through a private placement, involving the issuance of 80.0m new shares of 6.0% of the group's total share issued at RM0.515 per share.
- Proceeds will be mainly utilised for fund working capital requirements and partial repayment of borrowings.
- We were not surprised and we are neutral on the aforementioned announcement as FY20 operational cash flow has been strained by the Covid-19 pandemic. The move will provide some leeway to the balance sheet for execution of existing orderbook and reduce interest expenses (albeit on a minor scale) at the expense of dilution in share base.
- Assuming the private placements are fully subscribed, Econpile's total share issued will rise to 1.42bn (from 1.34bn). We expect an interest cost saving of RM0.1m and RM0.2m respectively for FY21f and FY22f, which may boost net profit by 0.2% and 0.4% to RM48.2m and RM51.6m respectively.
- Moving forward, Econpile's outstanding orderbook of approximately RM950.0m, which translates to an orderbook-to-cover ratio of 2.4x against FY20 revenue of RM403.0m that will provide earnings visibility till FY23.
- We remain sanguine that earnings recovery will be materialise in coming quarters on the back of the resumption of physical works as well as the supply chain such as concrete, cement, steel and etc.

Valuation & Recommendation

- We note that recent weakness in share price has turned valuations to be slightly appealing, of which we upgraded Econpile to **BUY** (from Hold). While the reduction in interest expense will boost bottomline, the dilution in new share issued will reduce EPS by 0.2 sen each for FY21f and FY22f.
- Consequently, we lowered our target price on Econpile to RM0.55 (from RM0.58). Our target price is derived by ascribing an unchanged target PER of 15.0x to its FY22f EPS of 3.7 sen.
- Risks to our recommendation and target price include stronger-than-expected orderbook replenishment rate. Lower raw material prices and labour cost would potentially improve margins. Faster-than-expected project execution could also improve Econpile's efficiency to deploy existing machineries for future orders.

Company Update

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BUY

Share price	RM0.495
Target price	RM0.55
Previous TP	RM0.58
Capital upside	11.1%
Dividend return	2.0%
Total return	13.1%

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)	701.7
52W High/Low	0.81/0.30
Est. Free float	37.0%
Beta (x)	0.9
3-mth avg vol ('000)	6,388.6
Shariah compliant	Yes

Major shareholders

	%
The Cheng Eng	25.9
Pang Sar	20.7
EPF	8.9

Share price vs. KLCI (%)

	1M	3M	12M
Absolute	7.6	1.0	-35.7
Relative	4.3	-8.2	-37.0

Earnings summary

FYE (Jun)	FY20	FY21f	FY22f
PATMI (m)	2.3	48.3	51.8
EPS (sen)	0.2	3.4	3.7
P/E (x)	300.9	14.5	13.5

Relative performance chart



Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet						
FYE Jun (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Jun (RM m)	FY17	FY18	FY19	FY20	FY21f	FY22f
Revenue	728.4	663.3	403.0	534.8	563.3	Cash	36.4	24.2	40.1	24.6	34.4	34.1
EBITDA	145.9	66.1	31.3	93.6	98.6	Receivables	347.4	500.6	412.7	324.4	366.3	385.8
EBIT	116.4	35.6	5.0	65.4	69.9	Inventories	-	-	-	-	-	-
Net finance income/ (cost)	(1.9)	(2.8)	(2.0)	(2.2)	(2.1)	PPE	110.8	121.7	96.7	73.1	55.6	40.9
Associates & JV	-	-	-	-	-	Others	19.5	5.2	155.5	213.6	240.7	253.5
Profit before tax	114.5	32.8	3.0	63.1	67.7	Assets	514.1	651.5	705.0	635.7	697.0	714.3
Tax	(27.4)	(7.3)	(0.6)	(14.8)	(15.9)	Debts	45.9	64.2	73.5	82.4	77.5	80.3
Net profit	87.1	25.5	2.3	48.3	51.8	Payables	146.2	199.4	215.4	152.7	157.2	141.9
Minority interest	-	-	-	-	-	Others	18.1	18.3	20.9	9.7	25.8	17.3
Core earnings	87.1	25.5	2.3	48.3	51.8	Liabilities	210.2	281.9	309.8	244.9	260.6	239.6
Diluted core earnings	-	-	2.6	48.7	52.1	Shareholder's equity	303.9	369.7	395.2	390.8	428.5	466.1
Exceptional items	-	-	-	-	-	Minority interest	-	-	-	-	-	-
Reported earnings	87.1	25.5	2.3	48.3	51.8	Equity	303.9	369.7	395.2	390.8	428.5	466.1
Cash Flow Statement						Valuation & Ratios						
FYE Jun (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Jun (RM m)	FY17	FY18	FY19	FY20	FY21f	FY22f
Profit before taxation	114.5	32.8	3.0	63.1	67.7	Core EPS (sen)	5.7	6.1	1.8	0.2	3.4	3.7
Depreciation & amortisation	29.6	30.5	26.4	28.2	28.7	Diluted Core EPS (sen)	-	-	-	0.2	2.9	3.1
Changes in working capital	87.8	45.4	31.3	66.1	48.1	P/E (x)	8.7	8.1	27.5	300.9	14.5	13.5
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	-	323.6	17.1	16.0
Taxation	(27.2)	(21.7)	(14.3)	(15.8)	(16.9)	DPS (sen)	1.8	1.6	0.5	-	0.8	1.0
Others	-	-	-	-	-	Dividend yield	3.6%	3.2%	1.0%	0.0%	1.5%	2.0%
Operating cash flow	11.3	29.9	(27.3)	38.4	44.9	BVPS (RM)	0.21	0.26	0.28	0.28	0.30	0.33
Net capex	16.4	1.8	(2.5)	(7.9)	(3.4)	P/B (x)	2.3	1.9	1.8	1.8	1.6	1.5
Others	-	-	-	-	-	EBITDA margin	23.6%	20.0%	10.0%	7.8%	17.5%	17.5%
Investing cash flow	(4.4)	(19.3)	12.5	(10.1)	(13.4)	EBIT margin	19.4%	16.0%	5.4%	1.2%	12.2%	12.4%
Changes in borrowings	18.3	9.3	8.7	(4.7)	(4.7)	PBT margin	19.2%	15.7%	4.9%	0.7%	11.8%	12.0%
Issuance of shares	-	-	-	-	-	PAT margin	13.9%	12.0%	3.8%	0.6%	9.0%	9.2%
Dividends paid	(22.7)	-	(6.7)	(10.6)	(14.2)	Core PAT margin	13.9%	12.0%	3.8%	0.6%	9.0%	9.2%
Others	-	-	-	-	-	ROE	26.6%	23.6%	6.5%	0.6%	11.3%	11.1%
Financing cash flow	(20.5)	5.3	(0.6)	(19.0)	(32.5)	ROA	15.7%	13.4%	3.6%	0.4%	6.9%	7.3%
Net cash flow	(13.6)	16.0	(15.5)	9.3	(1.0)	Net gearing	3.1%	10.8%	8.5%	14.8%	10.1%	9.9%
Forex	-	-	-	-	-							
Others	-	-	-	-	-							
Beginning cash	36.4	22.9	38.8	23.4	34.4							
Ending cash	22.9	38.8	23.4	34.4	34.1							