

Econpile Holdings Berhad

Exceeding expectations

Summary

- Econpile Holdings Bhd's unit, Econpile (M) Sdn Bhd has bagged a RM64.3m contract from GDP Architects Sdn Bhd to undertake the the design, construction and completion for bored pile wall and foundation bored pile for a mixed development project at Jalan Raja Chulan, Kuala Lumpur.
- The overall duration of the project is 16 months, commencing in August 2021. Similar with the earlier project announced 2 days ago, we believe that the aforementioned project will generate low-teens EBITDA margins, which is slightly lower than the historical average for piling works in high rise property development projects over the years. This is premised to the rising raw material costs and operational cost arising from the compliance to the standard operating procedures amid the on-going Covid-19 pandemic.
- The latest win marks the fifth major construction contract secured by Econpile for FY21f, bringing orderbook replenishment at RM512.0m (inclusive of smaller scale projects that was unannounced) and exceeds our expectations of RM500.0m for the year. Moving into FY22f, we have pencilled a similar orderbook replenishment amount at RM500.0m.
- As a result, Econpile's outstanding orderbook now stands at RM820.0m, which translates to an orderbook-to-cover ratio of 2.0x against FY20 revenue of RM403.0m that will provide earnings visibility over the next 2 years. Despite the Covid-19 pandemic laden year, Econpile's strong orderbook replenishment is a testament to the strong track record as one of the leaders in the piling and foundation specialist in Malaysia.
- Going forward, we expect projects acceleration to remain on course as new launches from property developers are shifting into higher gear. Elsewhere, Econpile will also be eyeing on a slice from the acceleration of mega-infrastructure projects that may come into the picture in 2H21.

Valuation & Recommendation

- Given that that orderbook replenishment has exceeded our expectations, we raise our earnings forecast for FY22f by 9.9% to RM40.8m (FY21f remain unchanged as the contribution from recent win may only materialise in FY22f).
- Consequently, we maintain our **HOLD** recommendation on Econpile, but with a higher target price of RM0.44. Our target price is derived by ascribing an unchanged target PER of 15.0x to its revised FY22f EPS of 2.9 sen. The assigned PER is a slight premium to the small-mid cap construction peers due to Econpile's niche business as a piling and foundation specialist.
- Risks to our recommendation and target price include weaker-than-expected

Company Update

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HOLD

Share price	RM0.435
Target price	RM0.44
Previous TP	RM0.40
Capital upside	1.1%
Dividend return	1.7%
Total return	2.9%

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)	616.6
52W High/Low	0.70/0.32
Est. Free float	40.4%
Beta (x)	0.7
3-mth avg vol ('000)	4,170.8
Shariah compliant	Yes

Major shareholders

	%
The Cheng Eng	24.4
Pang Sar	19.5
EPF	8.4

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-9.4	-1.1	-26.9
Relative	-7.5	-0.5	-33.4

Earnings summary

FYE (Jun)	FY20	FY21f	FY22f
PATMI (m)	2.3	20.4	37.1
EPS (sen)	0.2	1.4	2.9
P/E (x)	264.0	30.1	15.1

Relative performance chart



orderbook replenishment rate and higher raw material prices and labour cost. Meanwhile, faster-than-expected project execution could also improve Econpile'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)	FY18	FY19	FY20	FY21f	FY22f	FYE Jun (RMm)	FY18	FY19	FY20	FY21f	FY22f
Revenue	728.4	663.3	403.0	446.2	524.5	Cash	24.2	40.1	24.6	25.9	23.8
EBITDA	145.9	66.1	31.3	58.0	86.5	Receivables	500.6	412.7	324.4	330.1	359.3
EBIT	116.4	35.6	5.0	29.2	56.0	Inventories	-	-	-	-	-
Net finance income/ (cost)	(1.9)	(2.8)	(2.0)	(2.3)	(2.3)	PPE	121.7	96.7	73.1	77.8	86.6
Associates & JV	-	-	-	-	-	Others	5.2	155.5	213.6	223.1	236.0
Profit before tax	114.5	32.8	3.0	26.9	53.7	Assets	651.5	705.0	635.7	656.9	705.7
Tax	(27.4)	(7.3)	(0.6)	(6.5)	(12.9)	Debts	64.2	73.5	82.4	77.5	80.3
Net profit	87.1	25.5	2.3	20.4	40.8	Payables	199.4	215.4	152.7	157.2	141.9
Minority interest	-	-	-	-	-	Others	18.3	20.9	9.7	15.1	13.9
Core earnings	87.1	25.5	2.3	20.4	40.8	Liabilities	281.9	309.8	244.9	249.9	236.2
Diluted core earnings	-	-	2.6	20.9	41.2	Shareholder's equity	369.7	395.2	390.8	407.0	437.2
Exceptional items	-	-	-	-	-	Minority interest	-	-	-	-	-
Reported earnings	87.1	25.5	2.3	20.4	40.8	Equity	369.7	395.2	390.8	407.0	437.2
Cash Flow Statement						Valuation & Ratios					
FYE Jun (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Jun (RMm)	FY18	FY19	FY20	FY21f	FY22f
Profit before taxation	114.5	32.8	3.0	26.9	53.7	Core EPS (sen)	6.1	1.8	0.2	1.4	2.9
Depreciation & amortisation	29.6	30.5	26.4	28.8	30.5	Diluted Core EPS (sen)	-	-	0.2	1.2	2.4
Changes in working capital	87.8	45.4	31.3	12.2	58.0	P/E (x)	7.1	24.2	264.4	30.2	15.1
Share of JV profits	-	-	-	-	-	Diluted P/E (x)	-	-	284.4	35.1	17.8
Taxation	(27.2)	(21.7)	(14.3)	(6.7)	(13.4)	DPS (sen)	1.6	0.5	-	0.3	0.8
Others	-	-	-	-	-	Dividend yield	3.7%	1.1%	0.0%	0.7%	1.7%
Operating cash flow	11.3	29.9	(27.3)	38.1	26.7	BVPS (RM)	0.26	0.28	0.28	0.29	0.31
Net capex	16.4	1.8	(2.5)	(30.7)	(5.9)	P/B (x)	1.7	1.6	1.6	1.5	1.4
Others	-	-	-	-	-	EBITDA margin	20.0%	10.0%	7.8%	13.0%	16.5%
Investing cash flow	(4.4)	(19.3)	12.5	(22.9)	(28.8)	EBIT margin	16.0%	5.4%	1.2%	6.5%	10.7%
Changes in borrowings	18.3	9.3	8.7	(4.7)	(4.7)	PBT margin	15.7%	4.9%	0.7%	6.0%	10.2%
Issuance of shares	-	-	-	-	-	PAT margin	12.0%	3.8%	0.6%	4.6%	7.8%
Dividends paid	(22.7)	-	(6.7)	(4.3)	(10.6)	Core PAT margin	12.0%	3.8%	0.6%	4.6%	7.8%
Others	-	-	-	-	-	ROE	23.6%	6.5%	0.6%	5.0%	9.3%
Financing cash flow	(20.5)	5.3	(0.6)	(12.6)	(19.0)	ROA	13.4%	3.6%	0.4%	3.1%	5.8%
Net cash flow	(13.6)	16.0	(15.5)	2.6	(21.1)	Net gearing	10.8%	8.5%	14.8%	12.7%	12.9%
Forex	-	-	-	-	-						
Others	-	-	-	-	-						
Beginning cash	36.4	22.9	38.8	23.4	25.9						
Ending cash	22.9	38.8	23.4	25.9	23.8						