14 July 2025

Construction & Engineering | Construction

# Econpile Holdings (ECON MK)

**Buy** (Maintained)

## Welcome To The Piling Parade; BUY

| | |
|---|---|
| Target Price (Return): | MYR0.48 (26%) |
| Price (Market Cap): | MYR0.38 (USD127m) |
| ESG score: | 2.7 (out of 4) |
| Avg Daily Turnover (MYR/USD) | 0.68m/0.16m |

- **Keep BUY, new MYR0.48 TP from MYR0.42, 26% upside.** Econpile Holdings announced its second job win for FY26 (Jun) and third win within a 2-week timeframe. ECON secured a MYR98m contract from Eastmont to undertake bored piling works for Blocks C and D, basement construction for Block C, and pile cap works for Block D within a proposed industrial development in Kapar, Klang. The is ECON's largest contract win since Oct 2023.
- **Given that the majority of ECON's contracts** pertain to property development works, the latest win indicates the group's comeback in the industrial space. Said project is expected to be completed within 13 months from July. The last time ECON clinched a job related to an industrial building was in Apr 2022 – a MYR23m contract from CJ Synergy Solutions for a 5-storey industrial building in Section 20, Petaling Jaya.
- **We estimate ECON's latest outstanding orderbook at c.MYR570m,** while FY26-YTD new job wins stand at MYR125m (note: It is only the first month of this FY) vs our full-year job win target of MYR600m. The last time its outstanding orderbook stood above the MYR500m mark was in 3QFY22 (or end 1QCY22) at MYR550m. The group's tenderbook stands at c.MYR1bn, comprising private and public sector jobs. Potential rerating catalysts include faster-than-expected approval for the Sungai Klang Link project (worth MYR300-500m for piling works). Profitability wise, we expect GP margins for this latest job to be between 5% and 8%.
- **We make no changes to our earnings estimates,** as the latest win is within our FY26 job replenishment target. However, we take the opportunity to ascribe a higher target 2.1x P/BV from 1.9x previously to incorporate the frequent flow for piling jobs. Therefore, we arrive at a new MYR0.48 TP, which incorporates a 6% ESG discount given its 2.7 score vs the 3.0 country median. This target P/BV, which is around +0.5SD from its 5-year mean, remains justified, reflecting ECON's role as a subcontractor of big-ticket projects such as the Mass Rapid Transit 2 (MYR180m) and Light Rail Transit (LRT) 3 (MYR208.7m). Icing on the cake would come from ECON securing newer packages from infrastructure jobs with higher margins such as the Penang LRT or upcoming Johor Bahru Elevated Autonomous Rapid Transit.
- **While our FY25F-27F earnings reflect growth** vs the core losses incurred during FY22-24, our projections have yet to match the levels seen in FY18, when core earnings were at MYR87m. Consequently, this warrants us to continue adopting a P/BV valuation method for ECON.
- **We remain positive** on the group's track record in infrastructure jobs vs other piling contractors – in addition to undemanding valuation, as the stock's 1.6x FY26F P/BV is -0.5SD from its 10-year mean. Downside risks: Slower-than-expected roll-out of mega infrastructure projects and volatile material prices.

| Forecasts and Valuation | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Total turnover (MYRm) | 376 | 418 | 388 | 493 | 548 |
| Recurring net profit (MYRm) | (21) | (23) | 3 | 9 | 13 |
| Recurring net profit growth (%) | (50.9) | 8.1 | - | 192.4 | 40.2 |
| Recurring P/E (x) | na | na | 173.12 | 59.21 | 42.23 |
| P/B (x) | 1.4 | 1.5 | 1.6 | 1.6 | 1.5 |
| P/CF (x) | na | 40.93 | 5.59 | 57.01 | na |
| Dividend Yield (%) | na | na | na | 0.5 | 0.7 |
| EV/EBITDA (x) | 466.48 | na | 30.57 | 22.85 | 19.67 |
| Return on average equity (%) | (4.0) | (6.7) | 0.9 | 2.7 | 3.7 |
| Net debt to equity (%) | 17.3 | 18.4 | net cash | net cash | 0.7 |

*Source: Company data, RHB*

**Analyst**

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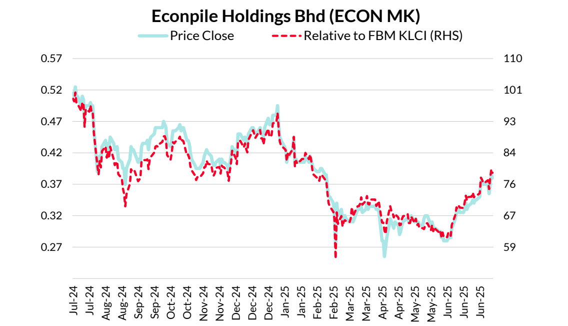
### Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|---|---|---|---|---|---|
| Absolute | (18.3) | 16.9 | 33.3 | (13.6) | (26.2) |
| Relative | (11.8) | 16.1 | 27.7 | (9.4) | (20.8) |
| 52-wk Price low/high (MYR) | | | | | 0.26 –0.53 |




*Source: Bloomberg*

**Overall ESG Score: 2.7 (out of 4)**

**E Score: 2.7 (GOOD)**
**S Score: 2.3 (GOOD)**
**G Score: 3.0 (GOOD)**
Please refer to the ESG analysis on the next page

**Note:**
Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

# Emissions And ESG

**Trend analysis**

Scope 1 greenhouse gas (GHG) emissions recorded a 16% decrease compared to FY23 from the shift in operational focus from machinery-intensive works to more labour-intensive tasks – this is as demand for heavy equipment decreased. Increases in Scope 2 GHG emissions were due to higher electricity consumption.

| Emissions (tCO2e) | Jun-22 | Jun-23 | Jun-24 | Jun-25 |
|---|---|---|---|---|
| Scope 1 | 9,973 | 11,272 | 9,466 | - |
| Scope 2 | 448 | 544 | 727 | - |
| Scope 3 | - | - | - | - |
| Total emissions | 10,421 | 11,816 | 10,193 | na |

*Source: Company data, RHB*

# Latest ESG-Related Developments

ECON actively maintained ISO 14001:2015 Environmental Management System and monitors the quality of air, noise, water discharges, and vibration levels at selected project sites to ensure compliance with regulatory limits as well as contractual requirements.

# ESG Unbundled

**Overall ESG Score: 2.7 (out of 4)**

**Last Updated: 26 February 2025**

**E Score: 2.7 (GOOD)**

ECON routinely conducts water quality sampling on the effluent discharged at project sites to ensure compliance with standards set by the Department of Environment. Monitoring results indicate that most parameters fall below or within limits.

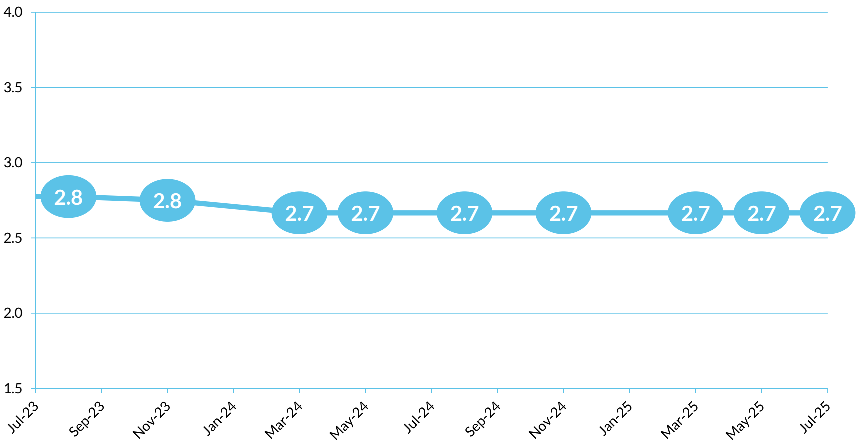
**S Score: 2.3 (GOOD)**

The group achieved approximately 4.7m man hours without loss-time injury, and maintained zero fatalities during the financial year. All reported cases are reviewed, and measures put in place to minimise the chances of future occurrences.

**G Score: 3.0 (GOOD)**

50% of ECON's board members are independent, with full disclosures on director remunerations, which includes salaries and bonuses on a named basis. The group has an external investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

# ESG Rating History




*Source: RHB*

# Financial Exhibits

**Asia**
Malaysia
Construction & Engineering
**Econpile Holdings**
ECON MK
Buy

**Valuation basis**

2.1x FY26F P/BV

**Key drivers**

Our revenue forecasts are most sensitive to changes in the implementation of various mega infrastructure and property development projects in Malaysia.

**Key risks**

i. Slower-than-expected rollout of mega infrastructure projects;
ii. Volatile material prices.

**Company Profile**

ECON is a piling and foundation specialist in Malaysia, providing piling solutions and foundation works, which includes earth retaining systems, earthworks, substructure, and basement construction works. The group has a full range of piling (bored piling, driven piles and jack-in piles) and foundation works.

| Financial summary (MYR) | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Recurring EPS | (0.01) | (0.02) | 0.00 | 0.01 | 0.01 |
| DPS | - | - | - | 0.00 | 0.00 |
| BVPS | 0.27 | 0.25 | 0.24 | 0.24 | 0.25 |
| Return on average equity (%) | (4.0) | (6.7) | 0.9 | 2.7 | 3.7 |

| Valuation metrics | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Recurring P/E (x) | na | na | 173.12 | 59.21 | 42.23 |
| P/B (x) | 1.4 | 1.5 | 1.6 | 1.6 | 1.5 |
| FCF Yield (%) | (0.9) | 0.8 | 17.0 | 0.8 | (2.8) |
| Dividend Yield (%) | - | - | - | 0.5 | 0.7 |
| EV/EBITDA (x) | 466.48 | na | 30.57 | 22.85 | 19.67 |
| EV/EBIT (x) | na | na | 65.66 | 34.97 | 27.73 |

| Income statement (MYRm) | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Total turnover | 376 | 418 | 388 | 493 | 548 |
| Gross profit | 6 | 8 | 22 | 30 | 35 |
| EBITDA | 1 | (9) | 17 | 23 | 28 |
| Depreciation and amortisation | (8) | (5) | (9) | (8) | (8) |
| Operating profit | (7) | (14) | 8 | 15 | 20 |
| Net interest | (4) | (5) | (4) | (3) | (3) |
| Pre-tax profit | (11) | (20) | 4 | 12 | 16 |
| Taxation | (5) | (6) | (1) | (3) | (4) |
| Reported net profit | (16) | (25) | 3 | 9 | 13 |
| Recurring net profit | (21) | (23) | 3 | 9 | 13 |

| Cash flow (MYRm) | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Change in working capital | (0.3) | 24.4 | 80.2 | (10.7) | (33.9) |
| Cash flow from operations | (2.8) | 13.2 | 96.4 | 9.4 | (10.0) |
| Capex | (2.2) | (8.6) | (5.0) | (5.0) | (5.0) |
| Cash flow from investing activities | 2.1 | (6.7) | (5.0) | (5.0) | (5.0) |
| Dividends paid | 0.0 | 0.0 | 0.0 | (2.7) | (3.8) |
| Cash flow from financing activities | (6.5) | 25.4 | (12.0) | (12.9) | (14.0) |
| Cash at beginning of period | 51.9 | 45.2 | 77.3 | 156.7 | 148.2 |
| Net change in cash | (7.1) | 31.9 | 79.4 | (8.5) | (29.0) |
| Ending balance cash | 45.1 | 77.2 | 156.7 | 148.2 | 119.3 |

| Balance sheet (MYRm) | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Total cash and equivalents | 45 | 77 | 157 | 148 | 119 |
| Tangible fixed assets | 34 | 43 | 39 | 37 | 34 |
| Total assets | 658 | 662 | 680 | 725 | 750 |
| Short-term debt | 92 | 126 | 121 | 116 | 111 |
| Total long-term debt | 20 | 17 | 14 | 12 | 10 |
| Total liabilities | 272 | 300 | 346 | 384 | 401 |
| Total equity | 386 | 361 | 334 | 341 | 350 |
| Total liabilities & equity | 658 | 662 | 680 | 725 | 750 |

| Key metrics | Jun-23 | Jun-24 | Jun-25F | Jun-26F | Jun-27F |
|---|---|---|---|---|---|
| Revenue growth (%) | 2.6 | 11.1 | (7.1) | 26.9 | 11.3 |
| Recurrent EPS growth (%) | (50.9) | 8.1 | 0.0 | 192.4 | 40.2 |
| Gross margin (%) | 1.7 | 1.9 | 5.6 | 6.0 | 6.4 |
| Operating EBITDA margin (%) | 0.3 | (2.2) | 4.4 | 4.6 | 5.0 |
| Net profit margin (%) | (4.2) | (6.0) | 0.8 | 1.8 | 2.3 |
| Dividend payout ratio (%) | 0.0 | 0.0 | 0.0 | 30.0 | 30.0 |
| Capex/sales (%) | 0.6 | 2.1 | 1.3 | 1.0 | 0.9 |
| Interest cover (x) | (1.50) | (2.24) | 1.40 | 2.79 | 3.88 |

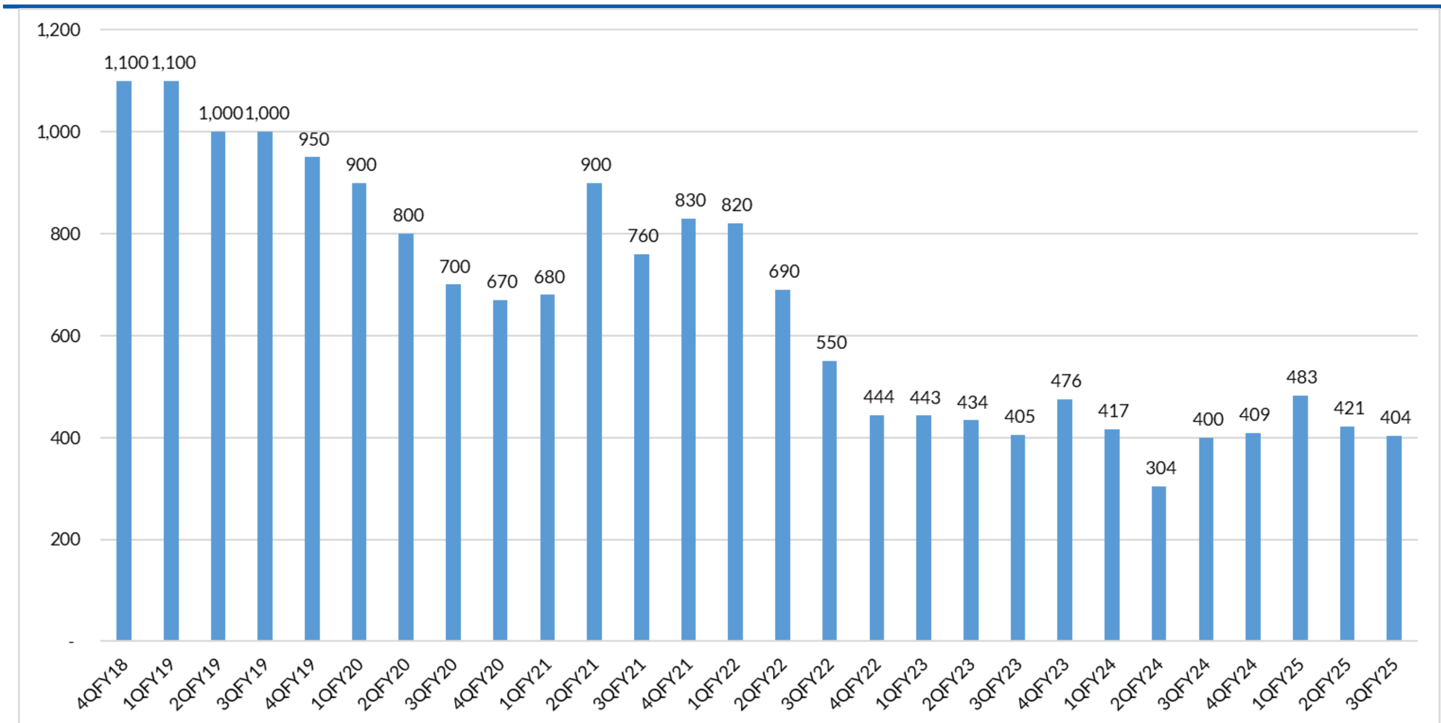
*Source: Company data, RHB*

**Figure 1: Railway-related packages awarded to ECON – a preferred choice by railway contractors**

| Type of works | Value (MYRm) | Date of award | Duration |
|---|---|---|---|
| Bored piled works for the construction and completion of the viaduct guideway and other associated works from Persiaran Dagang to Jinjang under Package V202 – awarded by Ahmad Zaki Resources (AZR MK, NR) for Mass Rapid Transit 2 (MRT2). | 43.5 | 21 Oct 2016 | 24 months |
| Construction and completion of a diaphragm wall at Kampung Baru North Station under a subcontract by Mujur Minat for MRT2. | 92.5 | 27 Mar 2017 | 15 months |
| Undertake bored piling and general infrastructure works for the construction and completion of LRT3 – awarded by Gabungan Strategik. | 208.7 | 16 Nov 2017 | 34 months |
| Preliminary test pile work, bored piling and pile cap works for the electrified double track from Gemas to Johor Bahru (Section 3) bridges – awarded by Syarikat Pembenaan Yeoh Tiong Lay. | 34.1 | 29 Aug 2018 | 4 months |
| Design, construction and completion of the reinforced concrete box tunnel works for the construction of Hospital Kuala Lumpur Station for MRT2– awarded by MMC-Gamuda KVMRT JV. | 44.7 | 19 Mar 2019 | 25 months |
| Package 2A comprising the construction and piling work at the Immigration, Custom and Quarantine Complex (ICQC) for Rapid Transit System Link (RTS Link) between Johor Bahru and Singapore – awarded by Ekovest Construction. | 40.0 | 29 Aug 2022 | 13 months |
| Sub-Package BP06: Bored piling construction and other associated works from East Jelutong to Gelugor for Penang LRT by Irama Duta. | 42.8 | 20 May 2025 | 27 months |

*Source: Company data*

**Figure 2: ECON's quarterly outstanding orderbook (MYRm)**




*Source: Penang Property Talk, MRT Corp*

**Figure: 3 Location of Lot 114017 and Lot 60925 in Sungai Kapar Indah, Klang, ie the location of the project awarded by Eastmont**


*Source: Department of Survey & Mapping Malaysia*

## Recommendation Chart


*Source: RHB, Bloomberg*

| Date | Recommendation | Target Price | Price |
|---|---|---|---|
| 2025-06-06 | Buy | 0.4 | 0.3 |
| 2025-05-30 | Buy | 0.4 | 0.3 |
| 2025-02-26 | Buy | 0.5 | 0.3 |
| 2024-11-28 | Buy | 0.6 | 0.4 |
| 2024-08-30 | Buy | 0.6 | 0.4 |
| 2024-05-30 | Buy | 0.7 | 0.5 |
| 2024-03-24 | Buy | 0.7 | 0.5 |
| 2024-03-15 | Buy | 0.5 | 0.5 |
| 2024-02-29 | Sell | 0.3 | 0.3 |
| 2023-11-30 | Sell | 0.1 | 0.3 |
| 2023-08-30 | Sell | 0.1 | 0.3 |
| 2023-05-25 | Sell | 0.1 | 0.2 |
| 2023-04-12 | Sell | 0.2 | 0.2 |
| 2023-02-24 | Sell | 0.2 | 0.2 |
| 2022-11-29 | Neutral | 0.2 | 0.2 |

*Source: RHB, Bloomberg*

## RHB Guide to Investment Ratings

| | |
|---|---|
| **Buy:** | Share price may exceed 10% over the next 12 months |
| **Trading Buy:** | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| **Neutral:** | Share price may fall within the range of +/- 10% over the next 12 months |
| **Take Profit:** | Target price has been attained. Look to accumulate at lower levels |
| **Sell:** | Share price may fall by more than 10% over the next 12 months |
| **Not Rated:** | Stock is not within regular research coverage |

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