

## Team Coverage

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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 0.64
Previous Target Price:	N/A
Target Price:	RM 0.75
Capital Upside/Downside:	17.2%
Dividend Yield (%):	4.8%
Total Upside/Downside:	22.0%

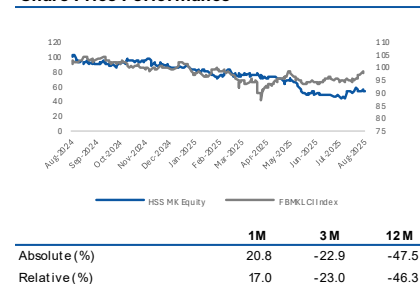
## Stock information

Board	MAIN
Sector	Industrial Products & Services
Bursa / Bloomberg Code	0185/HSS MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	508.5
Market Cap (RM' m)	325.4
52-Week Price Range (RM)	1.28-0.5
Beta (x)	1.2
Free float (%)	66.8
3M Average Volume (m)	1.6
3M Average Value (RM' m)	1.0

## Top 3 Shareholders

	(%)
Victech Solutions Sdn Bhd	21.3
Flamingo	15.1
Teo Chok Boo	6.6

## Share Price Performance



## Earnings summary

FYE Dec (RM' m)	FY25F	FY26F	FY27F
Revenue (RM' m)	208.7	398.9	355.9
PATAMI (RM' m)	23.6	52.2	46.1
CNP (RM' m)	23.6	52.2	46.1
EPS - core (sen)	4.6	10.3	9.1
P/E(x)	13.8	6.2	7.1

## HSS Engineers Berhad

## Unrivalled Technical Expertise

- HEB delivered record-high revenue of RM201.2m and core net profit of RM24.7m in FY24, marking YoY growth of 7.4% and 22.0%, respectively. This was driven by contributions from various high-impact infrastructure projects in Malaysia and abroad.
- The Group's current order book stands at RM2.1bn, equivalent to 10.3x FY24 revenue, providing strong medium- to long-term earnings visibility. This replenishment was driven by several domestic and overseas wins across multiple industries, reflecting the Group's leading technical expertise.
- We project a three-year CNP CAGR of 45.3% to RM52.2m in FY26F, supported by (i) strong order book replenishment of RM200m in FY25F and RM250m in FY26F-FY27F; (ii) Baghdad Metro project moving onto the second phase and providing improved cash flow visibility; and (iii) expected finalisation of the tendering process for the MRT3 project.
- We initiate coverage on HEB with a BUY recommendation and a TP of RM0.75, based on 7.2x P/E multiple applied to FY26F EPS of 10.3sen, and a three-star ESG rating.

## Key Investment Highlights

**Improving Prospects from Baghdad Metro Project.** HEB's largest-ever overseas contract, the Baghdad Metro, is now moving into more active execution stages, translating into steadily increasing revenue recognition. The project not only delivers substantial billings but also cements HEB's credentials in mega-scale urban rail systems. As engineering progress advances in FY25, the share of revenue from this contract is expected to climb further, improving the Group's operating cashflows in the process. In a recent meeting with management, it was noted that initial budding issues have been effectively resolved. The Group has since received the completion certificate for the first 10% milestone payment and expects a smoother process in the future.

**Strong Order Book Replenishment and Execution Track Record.** The Group closed FY24 with a record RM2.1bn order book, providing revenue visibility for the next eight years. This replenishment was driven by domestic wins such as the Westport 2 expansion, numerous water-related infrastructure and various data centre projects, alongside international contracts like the Baghdad Metro and Phnom Penh-Bavet Highway. As of the 1QFY25, the Group is actively pursuing RM475m worth of tenders across Malaysia, Southeast Asia and the Middle East. The recently announced 13<sup>th</sup> Malaysia Plan allocates substantial funding to infrastructure connectivity, flood mitigation and green energy developments – sectors where HEB already holds strong technical capabilities.

**Accelerated Contribution from MRT3.** The MRT3 Circle Line, covering approximately 52km and featuring 32 stations, has been officially approved by the Malaysian Transport Ministry last month. As the land acquisition process is expected to be completed alongside the re-tendering procedures by end-2026, we anticipate full construction to commence in 2027. With the tender process finalised and the MRT3 project moving into execution, HEB is set to benefit from a meaningful upside in project-related revenue beginning in FY26 by leveraging its earlier engagement in the design phase.

**Valuation & Recommendation.** We initiate coverage on HEB with a **BUY** recommendation and a target price of **RM0.75**, based on 7.2x P/E multiple applied to FY26F EPS of 10.3sen and supported by a three-star ESG rating. While the Group is currently trading near 2 standard deviations below its 5-year average, we believe a rerating to -1.75SD is prudent as a result of its asset light business model and better profit margin relative to its peers. However, we believe further clarity on its Baghdad project moving forward will warrant further rerating potential.

**Risks.** Delays in project execution & delivery, foreign project exposure leading to potential geopolitical risk and lower-than-expected order book replenishment.

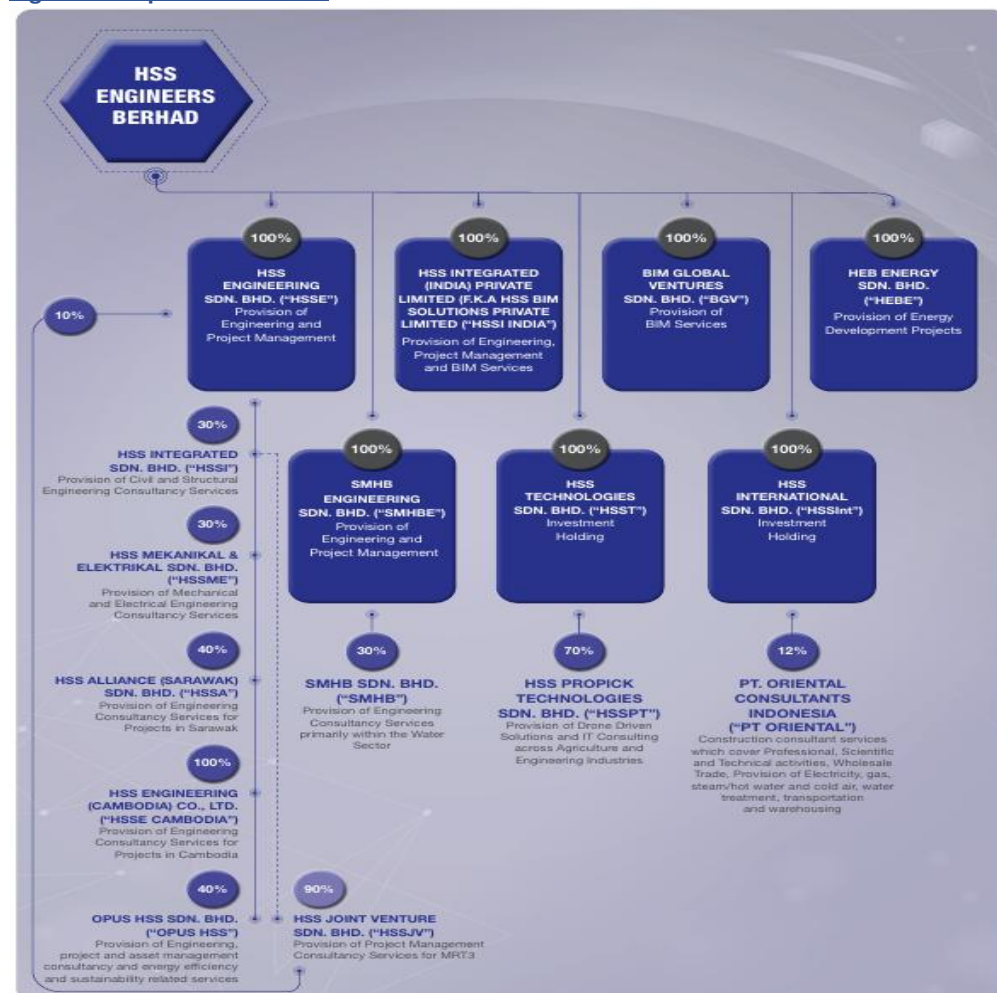
## Company Background

HSS Engineers Berhad (HEB) is Malaysia's largest listed engineering consultancy group. Incorporated in 23<sup>rd</sup> January 2015 as HSS Engineers Sdn. Bhd. under the Companies Act 1965, the company converted into a public limited company and assumed its present name on 31<sup>st</sup> March 2015. While HEB as a holding company is relatively young, its roots trace back to 1984 with the founding of HSS Consult Partnership, and later HSS Integrated Sdn Bhd in 1988, marking over four decades of expertise in engineering and project management services.

Domestically, HEB has contributed to iconic projects including MRT Lines 1-3, the Pan Borneo Highway, Klang Valley Double Tracking Phase 2 (KVDT2), West Coast Expressway, SUKE Expressway, Pahang-Selangor Raw Water Transfer and Westports expansion. Internationally, it has secured major contracts such as the Baghdad Metro in Iraq, Phnom Penh-Bavet Expressway in Cambodia and Jakarta Light Rail Transit in Indonesia. The Group operates from eight main offices across Malaysia, Cambodia, Iraq and India.

HEB is consistently ranked among the Top 225 International Design Firms by Engineering News-Record. It has received multiple industry accolades, including the CIDB Achievement of Excellence Award for the MRT Putrajaya Line and the Excellent Consultant Award from China Communications Construction Company for four consecutive years. With over 1,100 employees, the Group has built a strong track record in diverse sectors such as urban infrastructure, transportation, highways, rail, water supply, power generation, waste management, telecommunications and renewable energy.

Figure 1: Corporate Structure



Source: Company

## Business Overview

**Business Model.** The Group provides a comprehensive suite of services through its subsidiaries and associates, spanning: (i) **Engineering Services**, (ii) **Project Management Services**, (iii) **Digital Transformation Services** and (iv) **Recurring and Long-Term Income-based Contracts**.

**Figure 2: Business Activities**



Source: Company

## Project Management (48.8% of FY24 Revenue)

HEB's project management services segment stands as one of the Group's most significant and revenue-generating business segments. It delivers end-to-end management solutions across every stage of a project's lifecycle, overseeing activities such as initial planning, budget and cost analysis, scheduling, implementation of safety protocols, document verification and material testing. Serving as a key coordinator, the team ensures that each project is executed efficiently, meets financial targets and adheres to design specifications as well as regulatory standards.

In FY24, the segment contributed RM98.2m in revenue, an increase of 21.1% from a year ago. The growth was mainly driven by major contracts including the Baghdad Metro in Iraq, the Pan Borneo Highway in Sabah and projects in the Northern Corridor Economic Region. Project margins were strong, rising to 50.1% from 42.6% in the previous year, thanks to a favourable project mix. The segment is central to many of HEB's high-profile assignments, such as the Klang Valley MRT3, KVDT2 and East Coast Rail Link (ECRL), eventually positioning HEB as a trusted project management partner both locally and abroad.

**Figure 3: K2 Data Centre**



Source: Company



## Construction Supervision (25.1% of FY24 Revenue)

HEB's Construction Supervision segment, a key component of its Engineering Services division, is tasked with overseeing the implementation of projects to ensure they align with approved designs, budget limits and regulatory standards. Once the design phase concludes, this team manages on-site operations, monitors construction quality, verifies adherence to specifications and ensures project timelines and maintained. Their responsibilities also include liaising with contractors, addressing on-site challenges and upholding safety as well as environmental compliance.

In FY24, the segment generated RM50.5m in revenue, down 10.3% from RM56.3m in FY23. The decline was mainly due to reduced contributions from the Langat II water supply scheme in Selangor as the project neared completion. Correspondingly, profit margins decreased from 37.6% in FY23 to 29.7% in FY24, reflecting changes in project mix and progress stage. Despite the year-on-year drop, Construction Supervision remains a core service line for HEB, playing a crucial role in many of its flagship projects. The segment also supports overseas projects where quality control and compliance are critical, ensuring HEB maintains its reputation for engineering excellence on both domestic and international assignments.

**Figure 4: Baghdad Metro**



Source: Company

## Engineering Design (20.3% of FY24 Revenue)

The Group's Engineering Design segment forms part of its Engineering Services division and focuses on the initial groundwork for infrastructure projects. The scope of work includes concept development, feasibility studies, master planning, preliminary and detailed engineering design and procurement planning. This segment essentially transforms project ideas into comprehensive design blueprints that guide the subsequent construction and supervision phases. It plays a strategic role in defining project scope, technical specifications, cost parameters and compliance requirements, ensuring a strong foundation before execution begins.

The Engineering Design segment generated RM40.8 in revenue during FY24, contributing 20.3% of the Group's total revenue and marking a 9.4% increase from RM37.3m in FY23. The growth was largely driven by key contracts such as the Subang Airport redevelopment project in Selangor and the Jeniang water transfer project in Kedah. Profit margins for the segment improved to 1.1% in FY24 from 0.1% the previous year, largely due to a more favourable project

mix and progress on ongoing works. As a front-end service, the Engineering Design segment is crucial to many of HEB's major domestic and international assignments, laying the technical and structural groundwork for complex projects in sectors such as transportation, water infrastructure, ports, renewable energy and urban development.

**Figure 5: Klang Valley MRT 2**



Source: Company

### Other Operating Segments (5.8% of FY24 Revenue)

Aside from its three core segments, HEB operates several other segments that broaden its service portfolio and diversify its revenue base, namely Digital Transformation Services, Recurring and Long-Term Income-based Contracts and Environmental Services. The Digital Transformation Services segment develops technology-driven solutions to improve efficiency and project outcomes. This includes Building Information Modelling (BIM), which creates detailed digital representations of structures to detect design issues early. The Group also provides AI-powered drone solutions used for inspection, monitoring and data collection in sectors such as construction, plantations and telecommunications. In FY24, this segment generated RM1.6m in revenue, a 23.1% increase from the prior year.

The Recurring and Long-Term Income-based Contracts segment focuses primarily on renewable energy projects, particularly solar power plants which provide stable, multi-year revenue stream. This aligns with Malaysia's National Energy Transition Roadmap and the Group's aim to expand in green energy. The expansion of this segment can be seen in its partnership with Unique Fire Holdings Bhd to develop a 95MW large-scale solar photovoltaic power plant in Hilir Perak, as announced earlier this year. The development of the plant is contingent upon the consortium executing a Solar Power Purchase Agreement with a corporate consumer for 21 years.

Lastly, the Group offers Environmental Services, including environmental impact assessments, pollution impact studies and compliance monitoring. These services ensure projects meet environmental regulations and support HEB's commitment to sustainability and ESG objectives. While small in revenue contribution, these segments are strategically important as they position HEB in high-growth and future-oriented markets such as green energy, digital engineering and environmental compliance.

**Figure 6: Outstanding Orderbook Breakdown**

No.	Construction Contracts	Outstanding Orderbook	Commencement	Estimated Completion Period
1	MRT3	951.3	2022Q3	2033Q3
2	Baghdad Metro	633.7	2024Q3	2028Q3
3	Pan Borneo Highway	35.6	2021Q2	2026Q2
4	Sultan Abdul Aziz Shah Airport	58.4	2023Q3	2028Q3
5	Phnom Penh-Bavet Highway	15.0	2024Q3	2028Q3
6	Others	378.4	Various	Various
Total		2,072.4		

Note: as at end 1QFY25

Source: Company, Apex Securities

## Industry Overview

**Urban and Inter-Urban Rail.** Rail remains a strategic priority for infrastructure development in Malaysia and across HEB's overseas markets. Domestically, multi-year programs such as MRT3, the ECRL and KVD2 anchor long-term demand for high-value engineering and project management services. Internationally, landmark contracts like the Baghdad Metro in Iraq and Jakarta LRT highlight HEB's ability to deliver complex, high-capacity rail systems in diverse environments. Rapid urbanisation, population growth and climate-conscious transport policies in Southeast Asia and the Middle East will sustain heavy investment in rail over the next decade. HEB's proven expertise in rail alignment design, systems integration oversight and construction supervision position it to capitalise on these long-term structural tailwinds.

**Highway, Bridges & Expressways.** Malaysia's transport modernisation includes major undertakings such as the Pan Borneo Highway, North-South Expressway widening and urban congestion alleviation schemes. In Cambodia, the Phnom Penh-Bavet and Phnom Penh-Sihanoukville expressways are redefining the country's logistics landscape, enhancing regional trade flows. Increasing ASEAN trade volumes and cross-border connectivity initiatives will spur additional highway and bridge investments, while urban centres will require more bypasses, flyovers and smart-traffic systems. HEB's integrated capabilities from detailed design to site supervision make it a preferred partner for complex, multi-phase transport infrastructure projects.

**Figure 7: SUKE Expressway**



Source: Company

**Airports & Aviation.** The aviation sector is undergoing capacity upgrades to meet growing passenger volumes and support tourism-led economic strategies. The Subang Airport redevelopment and Penang International Airport expansion require high-calibre project controls and engineering coordination, particularly given the operational complexities of live-airport environments. With air travel in Southeast Asia projected to return to pre-pandemic growth trajectories and Malaysia aiming to strengthen its aviation hub status, the cycle of airport expansion and modernisation is set to continue. HEB's track record in multi-stakeholder, operationally sensitive projects give it a competitive advantage for upcoming aviation infrastructure tenders.

**Water, Environment & Resilience.** Water resource management is long-standing core competency for HEB, covering large-scale treatment plants, raw water transfer schemes and flood mitigation works. The Group's environmental services align with rising ESG requirements in both public and private sector developments. Malaysia's Water Sector Transformation 2040 (WST2040) framework, coupled with climate adaptation measures, will drive demand for advanced water treatment, distribution and flood defence systems. Globally, stricter environmental compliance regimes tied to infrastructure financing will increase demand for integrated engineering-environmental consultancy, an area where HEB already has in-house expertise.



Figure 8: Sungai Selangor Water Supply Scheme Phase 3



Source: Company

**Digital Infrastructure & Data Centres.** Malaysia's emergence as a leading ASEAN data centre hub is creating unprecedented demand for engineering consultancy. Hyperscale projects in Johor and Greater Kuala Lumpur require specialist inputs in utilities planning, cooling systems, power distribution and access infrastructure. HEB has already secured multiple mandates in this space, providing both design and owner's-engineer services. With over 2.7GW of new capacity under development and global cloud providers accelerating regional investment, Malaysia's data centre sector is expected to maintain double-digit annual growth. These developments will generate sustained high-margin opportunities for HEB, not only in facility design and management but also in related infrastructure such as substations, water systems and road upgrades.

Figure 9: Yondr Data Centre



Source: Company

## Investment Highlights

**Improving Prospects from Baghdad Metro Project.** HEB's largest-ever overseas contract, the Baghdad Metro, is now moving into more active execution stages, translating into steadily increasing revenue recognition. The project not only delivers substantial billings but also cements HEB's credentials in mega-scale urban rail systems. As engineering progress advances in FY25, the share of revenue from this contract is expected to climb further, improving the Group's operating cashflows in the process.

In a recent meeting with management, it was noted that initial budding issues have been effectively resolved. The Group has since received the completion certificate for the first 10% milestone payment and expects a smoother process in the future. Success here enhances HEB's visibility for similar high-profile opportunities across the Middle East.

**Strong Order Book Replenishment and Execution Track Record.** The Group closed FY24 with a record RM2.1bn order book, providing revenue visibility for the next eight years. This replenishment was driven by domestic wins such as the Westport 2 expansion, numerous water-related infrastructure and various data centre projects, alongside international contracts like the Baghdad Metro and Phnom Penh-Bavet Highway.

As of the 1QFY25, the Group is actively pursuing RM475m worth of tenders across Malaysia, Southeast Asia and the Middle East. The recently announced 13<sup>th</sup> Malaysia Plan allocates substantial funding to infrastructure connectivity, flood mitigation and green energy developments – sectors where HEB already holds strong technical capabilities. By aligning its tendering strategy to these national priorities, the Group is well-positioned to capture both government-backed and private-sector opportunities.

**Accelerated Contribution from MRT3.** The MRT3 Circle Line, covering approximately 52km and featuring 32 stations, has been officially approved by the Malaysian Transport Ministry last month. As the land acquisition process is expected to be completed alongside the re-tendering procedures by end-2026, we anticipate full construction to commence in 2027. The project closely aligns with the 13<sup>th</sup> Malaysia Plan with emphasis on urban connectivity, public transit expansion and sustainable mobility.

With the tender process finalised and the MRT3 project moving into execution, HEB is set to benefit from a meaningful upside in project-related revenue. As work transitions from planning into full-scale delivery, the Group can expect a multi-year revenue ramp beginning in FY26 by leveraging its earlier engagement in the design phase. This places the Group in the forefront of executing priority infrastructure under national development frameworks.

## Financial Highlights

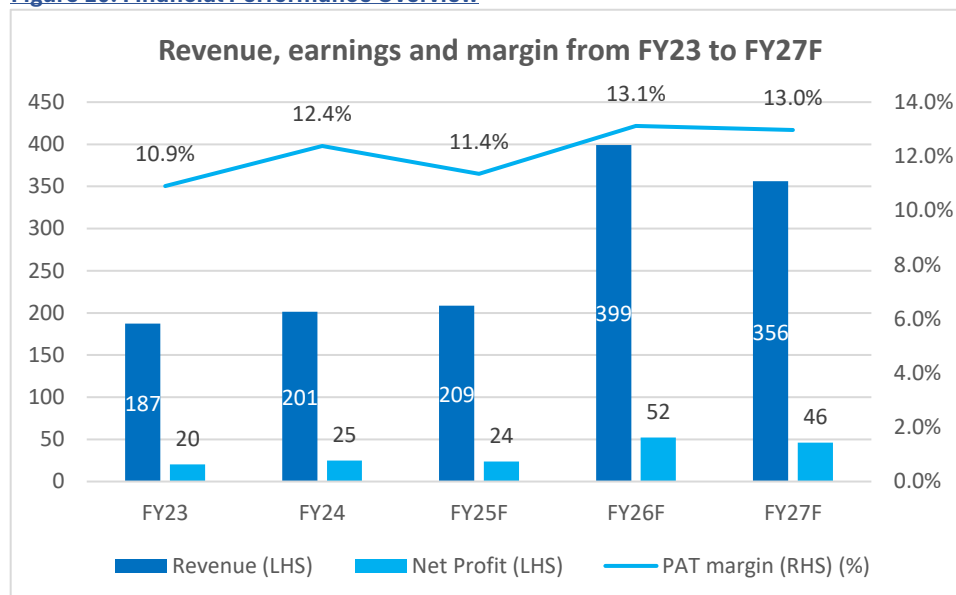
**FY24 Results.** HEB delivered record-high revenue of RM201.2m and core net profit (CNP) of RM24.7m in FY24, marking YoY growth of 7.4% and 22.0%, respectively. This was driven by contributions from various high-impact infrastructure projects in Malaysia and abroad. Meanwhile, the Group's contract assets have increased 32.0% to RM161.1m in FY24 from RM122.0m. This aligns with its record-high order book of RM2.1bn as a result of strong project wins such as Baghdad Metro, Phnom Penh-Bavet Highway and various data centres projects.

**Earnings outlook.** Looking ahead, we project earnings to grow by -4.5%/121.2%/-11.7% for FY25F/FY26F/FY27F respectively, supported by (i) order book replenishment of RM200m in FY25F and RM250m in FY26F-FY27F; (ii) Baghdad Metro project moving onto the second phase and providing improved cash flow visibility; and (iii) expected finalisation of the tendering process for the MRT3 project.

**Dividends.** HEB has a committed dividend policy targeting a 30% payout of profit after tax to its shareholders. In FY24, the Group delivered a dividend payout of 1.5 sen per ordinary share totalling RM7.4m. Backed by robust order book replenishment and impeccable execution record, we forecast the payout to maintain at 30% in FY25F-FY27F, translating to an attractive dividend yield of 2%-5% based on current share price.

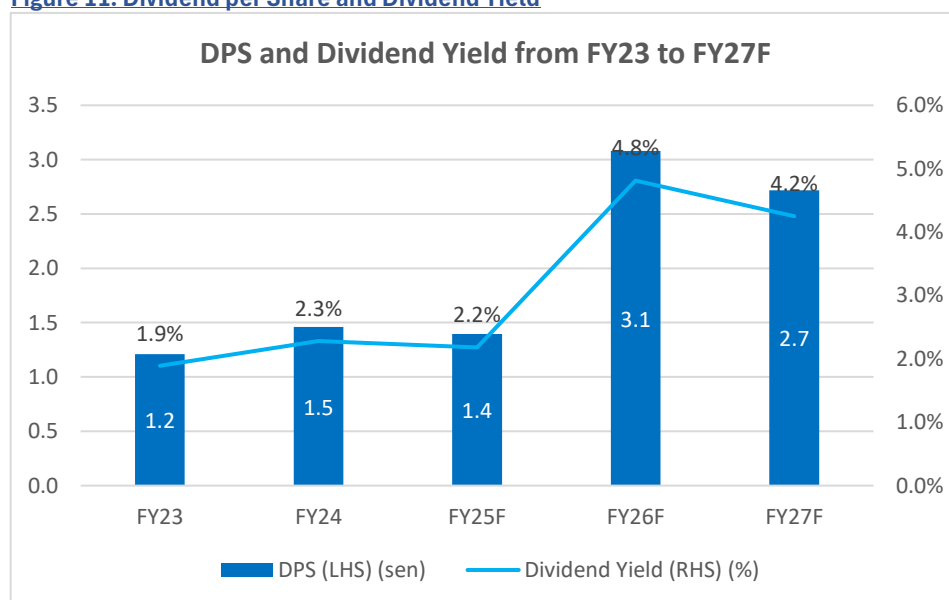


Figure 10: Financial Performance Overview



Source: Company, Apex Securities

Figure 11: Dividend per Share and Dividend Yield



Source: Company, Apex Securities

## Sensitivity Analysis

**Order Book Replenishment Sensitivity Analysis.** Given that construction earnings are driven by order book execution and largest expense contributor is the cost of sales, we conducted a sensitivity analysis to assess their combined impact on our FY26F base case earnings of RM52.2m, which assumes RM250m in order book replenishment and a 34.5% gross margin.

As illustrated in the figures below, at RM250m in new contract wins, every 1.0% change in gross margin results in an  $\pm 5.6\%$  swing in FY26F earnings. Similarly, holding the gross margin consistent at 34.5%, every RM50m change in order book replenishment shifts earnings by  $\pm 2.6\%$ . This reflects the operating leverage inherent in HEB's business model, where profitability is highly responsive to fluctuations in project wins and cost management.

**Figure 12: Sensitivity Analysis of Net Profit Based on Order Book Replenishment and Gross Margin**

Order book replenishment (RM'm)	Gross Margin (%)				
	32.5%	33.5%	34.5%	35.5%	36.5%
150	43.9	46.7	49.5	52.3	55.0
200	45.2	48.0	50.8	53.7	56.5
250	46.4	49.3	52.2	55.1	58.0
300	47.6	50.6	53.5	56.5	59.5
350	48.8	51.8	54.9	58.0	61.0

Source: Company, Apex Securities

**Figure 13: Percentage Change in Net Profit Based on Order Book Replenishment and Gross Margin**

Order book replenishment (RM'm)	Gross Margin (%)				
	32.5%	33.5%	34.5%	35.5%	36.5%
150	-15.8%	-10.5%	-5.2%	0.1%	5.4%
200	-13.5%	-8.0%	-2.6%	2.9%	8.3%
250	-11.2%	-5.6%	0.0%	5.6%	11.2%
300	-8.9%	-3.1%	2.6%	8.3%	14.1%
350	-6.6%	-0.7%	5.2%	11.1%	16.9%

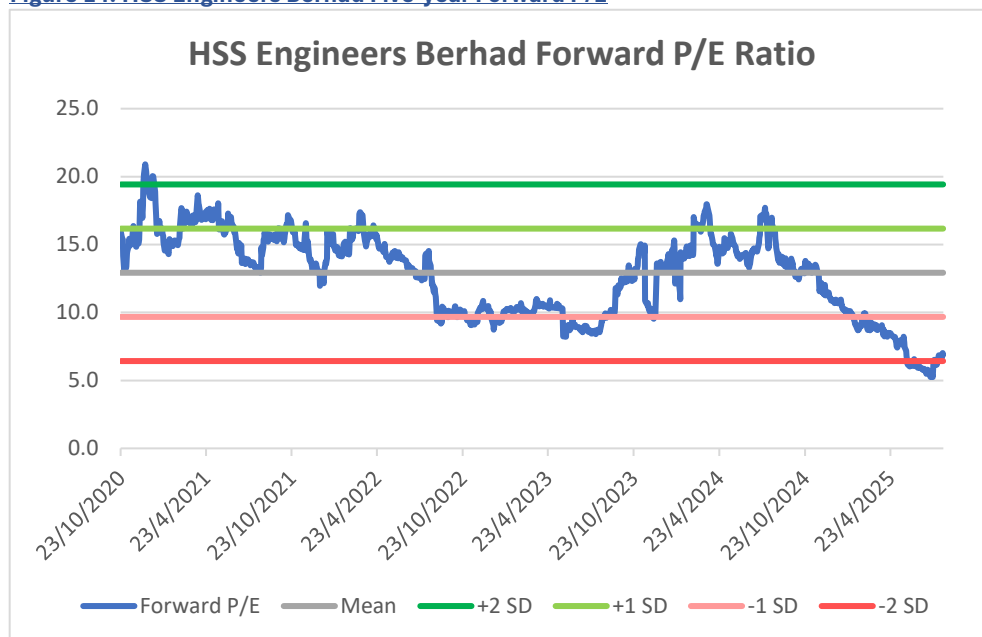
Source: Company, Apex Securities

## Valuation & Recommendation

**Initiation Coverage.** We initiate coverage on HEB with a **BUY** recommendation and a target price of **RM0.75**, based on 7.2x P/E multiple applied to FY26F EPS of 10.3sen and supported by a three-star ESG rating. While the Group is currently trading near -2 standard deviation below its 5-year average, we believe a rerating to -1.75SD is prudent as a result of its asset light business model and better profit margin relative to its peers. However, we believe further clarity on its Baghdad project moving forward will warrant further rerating potential.

HEB's sectoral exposure is both diversified and strategically positioned in high-growth, policy-supported markets. This balance across rail, highways, aviation, water and digital infrastructure provides a resilient revenue base and mitigates cyclical downturn risk in any single segment. By aligning with long-term structural drivers such as urbanisation, regional trade and the digital economy, HEB is positioned to deliver sustained earnings growth, margin stability and competitive returns to shareholders.

Figure 14: HSS Engineers Berhad Five-year Forward P/E



Source: Company, Apex Securities

## Peers Comparison

HEB does not have any directly comparable listed peers in Bursa Malaysia engaged in the same range of engineering services. The companies presented for comparison undertake selected engineering-related activities, but their service scope and specialisation differ from HEB's core offerings.

Figure 15: Selected peers engaged in Engineering Services, listed on Bursa Malaysia

Company	Market Group	FYE	Price (RM)	Market Cap (RM' m)	P/E (x)		Dividend Yield (%)*	Revenue (RM' m)*	Core Net Profit (RM' m)*
					2024	2025F			
HSS Engineers Bhd	MAIN	Dec	0.64	325.4	13.2	13.8	2.3	201.2	24.9
Kerjaya Prospek Group Bhd	MAIN	Dec	2.12	2,665.6	15.3	13.1	5.5	1,835.5	169.1
GDB Holdings Bhd	MAIN	Dec	0.41	379.7	8.5	4.4	1.2	258.2	34.3
Inta Bina Group Bhd	MAIN	Dec	0.46	277.1	6.9	6.6	4.4	690.8	33.9
Binastra Corp Bhd	MAIN	Jan	1.76	1,920.5	18.5	14.5	1.7	946.6	90.2
Malaysian Resources Corp Bhd	MAIN	Dec	0.52	2,300.8	33.5	47.3	1.9	1,645.3	63.5
<b>Average ex-HSS Engineers Berhad</b>					<b>16.5</b>	<b>17.2</b>	<b>3.0</b>	<b>1,075.3</b>	<b>78.2</b>

\*Figure taken from last audited financial statement

Source: Bloomberg, Apex Securities

## Investment Risk

**Delays in project execution & delivery.** Complex projects such as the Baghdad Metro, MRT3 and Pan Borneo Highway involves multiple stakeholders that can cause delays or cost overruns. This could cause margin erosions and reduce profitability.

**Foreign project exposure.** Overseas contracts expose HEB to currency and geopolitical risks. Payment delays, currency restrictions or political instability may affect profitability and cash conversion.

**Lower-than-expected order book replenishment.** Failure to secure major contracts moving forward could threaten HEB's growth prospects and financial performance.



# Initiation Coverage

Friday, 15 Aug, 2025

**BURSA RISE+**  
Brought to you by Bursa Malaysia  
Supported by Capital Market Development Fund



## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>187.3</b>	<b>201.2</b>	<b>208.7</b>	<b>398.9</b>	<b>355.9</b>
<b>Gross Profit</b>	<b>62.1</b>	<b>70.4</b>	<b>70.1</b>	<b>137.6</b>	<b>122.8</b>
<b>EBITDA</b>	<b>35.2</b>	<b>41.0</b>	<b>38.8</b>	<b>79.8</b>	<b>71.2</b>
Depreciation & Amortisation	4.1	4.1	3.1	6.0	5.3
<b>EBIT</b>	<b>31.1</b>	<b>36.9</b>	<b>35.7</b>	<b>73.8</b>	<b>65.9</b>
Net Finance Income/ (Cost)	-2.5	-2.8	-2.5	-2.5	-3.8
Associates & JV	0.2	0.1	0.0	0.0	0.0
Other Income/ (Cost)	0.0	-0.3	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>28.7</b>	<b>33.9</b>	<b>33.2</b>	<b>71.3</b>	<b>62.1</b>
Tax	-8.3	-9.0	-9.5	-19.0	-15.9
<b>Profit After Tax</b>	<b>20.4</b>	<b>24.9</b>	<b>23.7</b>	<b>52.3</b>	<b>46.2</b>
Minority Interest	0.0	-0.2	-0.1	-0.2	-0.1
<b>Net Profit</b>	<b>20.4</b>	<b>24.7</b>	<b>23.6</b>	<b>52.2</b>	<b>46.1</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>20.4</b>	<b>24.7</b>	<b>23.6</b>	<b>52.2</b>	<b>46.1</b>

### Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	4.0	4.9	4.6	10.3	9.1
P/E(x)	16.0	13.2	13.8	6.2	7.1
P/B(x)	1.3	1.1	1.0	0.9	0.8
EV/EBITDA(x)	9.8	8.4	8.6	4.4	3.8
DPS (sen)	1.2	1.5	1.4	3.1	2.7
Dividend Yield (%)	1.9%	2.3%	2.2%	4.8%	4.2%
EBITDA margin (%)	18.8%	20.4%	18.6%	20.0%	20.0%
EBIT margin (%)	16.6%	18.3%	17.1%	18.5%	18.5%
PBT margin (%)	15.3%	16.8%	15.9%	17.9%	17.4%
PAT margin (%)	10.9%	12.4%	11.4%	13.1%	13.0%
NP margin (%)	10.9%	12.3%	11.3%	13.1%	12.9%
CNP margin (%)	10.9%	12.3%	11.3%	13.1%	12.9%
ROE (%)	7.9%	8.5%	7.5%	14.2%	11.2%
ROA (%)	5.4%	5.9%	5.3%	8.8%	7.6%
Gearing (%)	15.2%	12.2%	11.2%	14.6%	11.0%
Net gearing (%)	7.5%	7.1%	2.6%	7.8%	Net Cash

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Expected order book replenishment			200.0	250.0	250.0

### Valuations

	FY26F
Core EPS (sen)	10.3
P/E multiple (x)	7.2
<b>Fair Value (RM)</b>	<b>0.75</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>0.75</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	20.0	14.9	27.2	25.0	102.0
Receivables	171.3	216.1	229.5	378.9	320.4
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	8.2	11.6	11.4	11.2	11.0
<b>Total Current Assets</b>	<b>199.4</b>	<b>242.6</b>	<b>268.2</b>	<b>415.1</b>	<b>433.3</b>
Fixed Assets	9.8	9.9	10.0	10.1	10.2
Intangibles	163.8	163.7	163.6	163.5	163.4
Other non-current assets	3.1	2.0	2.2	2.4	2.6
<b>Total Non-Current Assets</b>	<b>176.8</b>	<b>175.6</b>	<b>175.8</b>	<b>176.0</b>	<b>176.2</b>
Short-term debt	39.2	35.4	35.0	53.3	44.8
Payables	67.9	80.9	83.1	156.8	139.9
Other current liabilities	5.6	6.6	4.0	7.6	6.7
<b>Total Current Liabilities</b>	<b>112.7</b>	<b>122.9</b>	<b>122.2</b>	<b>217.6</b>	<b>191.4</b>
Long-term debt	0.2	0.2	0.4	0.4	0.3
Other non-current liabilities	4.2	3.2	6.1	6.1	6.1
<b>Total Non-Current Liabilities</b>	<b>4.4</b>	<b>3.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.4</b>
Shareholder's equity	259.1	291.9	315.5	367.4	412.1
Minority interest	0.0	-0.2	-0.3	-0.4	-0.5
<b>Total Equity</b>	<b>259.1</b>	<b>291.7</b>	<b>315.3</b>	<b>366.9</b>	<b>411.6</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Pre-tax profit</b>	<b>28.7</b>	<b>33.9</b>	<b>33.2</b>	<b>71.3</b>	<b>62.1</b>
Depreciation & amortisation	4.1	4.1	3.1	6.0	5.3
Changes in working capital	-10.3	-37.1	-10.9	-72.2	40.9
Others	-4.0	-4.5	-1.5	-2.8	-2.5
<b>Operating cash flow</b>	<b>18.5</b>	<b>-3.6</b>	<b>23.9</b>	<b>2.3</b>	<b>105.8</b>
Net capex	-1.0	-1.1	-3.1	-6.0	-5.3
Others	0.0	1.1	-1.0	-1.0	-1.0
<b>Investing cash flow</b>	<b>-1.0</b>	<b>0.1</b>	<b>-4.1</b>	<b>-7.0</b>	<b>-6.3</b>
Dividends paid	-4.5	-6.0	-7.1	-15.7	-13.8
Others	-26.9	3.3	-0.3	18.2	-8.7
<b>Financing cash flow</b>	<b>-31.4</b>	<b>-2.7</b>	<b>-7.4</b>	<b>2.5</b>	<b>-22.5</b>
<b>Net cash flow</b>	<b>-14.0</b>	<b>-6.2</b>	<b>12.4</b>	<b>-2.2</b>	<b>77.0</b>
Forex	0.0	-0.1	0.0	0.0	0.0
Others	3.5	1.2	0.0	0.0	0.0
Beginning cash	30.4	20.0	14.9	27.2	25.0
<b>Ending cash</b>	<b>20.0</b>	<b>14.9</b>	<b>27.2</b>	<b>25.0</b>	<b>102.0</b>

## Initiation Coverage

Friday, 15 Aug, 2025

**BURSA RISE+**  
Brought to you by Bursa Malaysia  
Supported by Capital Market Development Fund

### ESG Matrix Framework:

#### Environment

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 820.2m tCO <sub>2</sub> e in 2024, marking a 8.2% yoy decreased from 2023.
Waste & Effluent	★★★	Waste management aligns with industry standards and regulatory requirements as well as minimise environmental impact.
Energy	★★★★	Energy consumption decreased by 1.0% in FY24.
Water	★★★	Monitors water consumption regularly to ensure pertinent water management.

#### Social

Diversity	★★★	Female representation at 36% in the workforce.
Quality and Compliance	★★★	In FY2024, the Group achieved zero non-conformance report during SIRIM audits.
Occupational Safety and Health	★★	55 employees were trained in FY2024 on health and safety. No fatalities were recorded.
Labour Practices	★★★	Adheres to all relevant labour laws.

#### Governance

Regulatory Compliance	★★★	Committed to upholding the highest standards of regulatory compliance across all areas of its business. No cases of non-compliance with relevant laws and regulations in FY2024.
Management	★★	Among the board members, 22% (2 out of 9) were female, while 33% (3 out of 9) were independent directors
Anti-Corruption and Bribery	★★	Regularly organizes anti-corruption training for employees. In FY2024, 32.5% of employees have undergone anti-corruption training.

Overall ESG Scoring: ★★★

### Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain + dividend yield

### Sector Recommendations:

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

### ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Friday, 15 Aug, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.