

Team Coverage

(603) 7890 8888

research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.65
Previous Target Price:	RM 0.75
Target Price:	↔ RM 0.75
Capital Upside/Downside:	15.4%
Dividend Yield (%):	4.8%
Total Upside/Downside:	20.2%

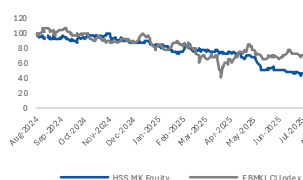
Stock information

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)	328.0
52-Week Price Range (RM)	1.24-0.5
Beta (x)	1.2
Free float (%)	66.8
3M Average Volume (m)	1.7
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



	1M	3M	12M
Absolute (%)	20.6	-19.4	-45.8
Relative (%)	15.7	-21.5	-44.0

Earnings summary

FYE Dec (RM m)	FY24	FY25F	FY26F
Revenue (RM'm)	201.2	208.7	398.9
PATAMI (RM'm)	24.7	23.6	52.2
CNP (RM'm)	24.7	23.6	52.2
EPS - core (sen)	4.9	4.6	10.3
P/E(x)	13.2	13.8	6.2

HSS Engineers Bhd

Within Expectations

- HEB reported 2QFY25 CNP of RM6.6m (+316.9% QoQ; +131.2% YoY), bringing 6MFY25 CNP to RM8.1m (+12.2% YoY), accounting for 34.4% and 18.9% of ours and consensus forecasts respectively. We deem the results to be inline as we anticipate stronger topline recognition from ongoing projects and a normalisation of margins in 2HFY25, supported by the absence of one-off costs incurred in 1QFY25.
- We expect an uptick in the Group's performance moving forward as the construction sector picks up steam in 2HFY25, supported by a robust pipeline in its orderbook. As of end-June 2025, HEB's unbilled orderbook stood at RM2.1b, equivalent to 10.3x FY24 revenue and providing eight years of revenue visibility. This was strengthened as the Group secured two new data centre projects in Malaysia and a bus network project in the Philippines in 2QFY25.
- We maintain our BUY call with an unchanged target price of RM0.75 based on 7.2x P/E multiple applied to FY26F EPS of 10.3 sen and supported by a three-star ESG rating.

Results within expectations. HEB reported 2QFY25 CNP of RM6.6m (+316.9% QoQ; +131.2% YoY), bringing 6MFY25 CNP to RM8.1m (+12.2% YoY), accounting for 34.4% and 18.9% of ours and consensus forecasts respectively. We deem the results to be inline as we anticipate stronger topline recognition from ongoing projects and a normalisation of margins in 2HFY25, supported by the absence of one-off costs incurred in 1QFY25. Recap that the one-off costs in 1QFY25 include ex-gratia staff payments and catch-up recognition of Penang LRT sub-contracting costs, which are not expected to recur.

YoY. 2QFY25 CNP rose 131.2% YoY to RM6.6m, driven by higher revenue contribution from its newly secured projects, Building Information Modelling (BIM) and Engineering Design Consultancy Services for the Proposed Development of Container Terminal at Tuna Tekra, India and Sg. Kelang Flood Mitigation project. Most segments registered robust improvements with the Engineering Design segment (Revenue +82.0% YoY) leading the pack while its Construction Supervision segment (Revenue -4.5% YoY) moderated slightly due to a decrease in revenue from its Langat II Water Supply Scheme project. Additionally, its Project Management revenue expanded 26.5% YoY to RM24.0m as result of revenue recognised from its Baghdad Metro and KTP Data Centre projects which counteracted the absence of revenue contribution from MRT3.

QoQ. CNP soared 316.9% QoQ on an 11.9% uplift in revenue, primarily supported by higher contribution from its Malaysia (+17.7% QoQ) and India (+1107.4% QoQ) operations. Similarly, CNP margin improved more than threefold from 3.1% in 1QFY25 to 11.4% in 2QFY25 with the absence of c.RM3.7m one-off expenses in the first quarter explained above.

Outlook. We expect an uptick in the Group's performance moving forward as the construction sector picks up steam in 2HFY25, supported by a robust pipeline in its orderbook. As of end-June 2025, HEB's unbilled orderbook stood at RM2.1b, equivalent to 10.3x FY24 revenue and providing eight years of revenue visibility. This was strengthened as the Group secured two new data centre projects in Malaysia and a bus network project in the Philippines in 2QFY25. Nonetheless, we note that operating cash flow dipped into negative territory at -RM13.5m in 1HFY25, and with the Group currently reliant on a bank overdraft, prudent cash flow management will be critical going forward.

Earnings Revision. No change to our earnings forecasts.

Valuation. We maintain our **BUY** call with an unchanged target price of **RM0.75** based on 7.2x P/E multiple applied to FY26F EPS of 10.3 sen and supported by a three-star ESG rating. We believe that greater clarity on the Baghdad project, coupled with improvements in operating cash flow, would provide catalysts for a further rerating.

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

Results Note

Wednesday, 20 Aug, 2025

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Results Comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	57.7	43.8	31.7	51.6	11.9	109.3	91.2	19.8	YoY: Higher contribution from
EBITDA	11.3	5.3	115.2	3.8	198.7	15.1	13.2	14.7	Project Management and Engineering
Pre-tax profit	9.3	4.2	120.8	2.4	282.6	11.8	10.4	12.8	
Net profit	6.6	2.8	131.2	1.6	316.9	8.1	7.3	12.2	
Corenet profit	6.6	2.8	131.2	1.6	316.9	8.1	7.3	12.2	QoQ: Absence of c.RM3.7m one-off expense
Core EPS (sen)	1.3	0.6	131.2	0.3	316.9	1.6	1.4	12.2	
EBITDA margin (%)	19.6	12.0		7.4		13.8	14.4		
PBT margin (%)	16.2	9.7		4.7		10.8	11.5		
Corenet profit margin (%)	11.4	6.5		3.1		7.4	8.0		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue									
Engineering Design	17.9	9.8	82.0	14.2	25.5	32.1	18.9	69.9	QoQ increase from Tuna Tekra and Sg.Kelang projects
Construction Supervision	11.8	12.4	(4.5)	11.7	0.7	23.5	26.5	(11.4)	YoY decrease from Langat II project
Project Management	24.0	19.0	26.5	22.7	6.0	46.7	40.2	16.0	QoQ increase from Baghdad Metro and DC projects
Others	4.0	2.7	50.8	3.0	35.9	7.0	5.5	26.2	
Total	57.7	43.8	31.7	51.6	11.9	109.3	91.2	19.8	

Source: Company, Apex Securities

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Financial Highlights

Income Statement

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

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
Fair Value (RM)	0.75
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.75

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
Total Current Assets	199.4	242.6	268.2	415.1	433.3
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
Total Non-Current Assets	176.8	175.6	175.8	176.0	176.2
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
Total Current Liabilities	112.7	122.9	122.2	217.6	191.4
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
Total Non-Current Liabilities	4.4	3.5	6.5	6.5	6.4
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
Total Equity	259.1	291.7	315.3	366.9	411.6

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	28.7	33.9	33.2	71.3	62.1
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
Operating cash flow	18.5	-3.6	23.9	2.3	105.8
Net capex	-1.0	-1.1	-3.1	-6.0	-5.3
Others	0.0	1.1	-1.0	-1.0	-1.0
Investing cash flow	-1.0	0.1	-4.1	-7.0	-6.3
Dividends paid	-4.5	-6.0	-7.1	-15.7	-13.8
Others	-26.9	3.3	-0.3	18.2	-8.7
Financing cash flow	-31.4	-2.7	-7.4	2.5	-22.5
Net cash flow	-14.0	-6.2	12.4	-2.2	77.0
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
Ending cash	20.0	14.9	27.2	25.0	102.0

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 820.2m tCO ₂ 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 **Wednesday, 20 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.