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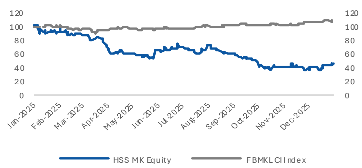
Recommendation:	BUY
Current Price:	RM 0.43
Previous Target Price:	RM 0.35
Target Price:	↑ RM 0.50
Capital Upside/Downside:	16.3%
Dividend Yield (%):	3.9%
Total Upside/Downside:	20.2%

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)	218.6
52-Week Price Range (RM)	0.34-1.01
Beta (x)	1.1
Free float (%)	66.7
3M Average Volume (m)	1.3
3M Average Value (RM' m)	0.5

Top 3 Shareholders	(%)
Victech Solutions Sdn Bhd	21.3
Flamingo	15.1
Teo Chok Boo	6.6

Share Price Performance



	1M	3M	12M
Absolute (%)	19.4	-4.4	-56.6
Relative (%)	17.5	-11.9	-61.0

Earnings summary

FYE Dec (RM m)	FY25	FY26F	FY27F
Revenue (RM'm)	222.3	238.9	285.3
PATAMI (RM'm)	13.7	28.7	36.1
CNP (RM'm)	30.0	28.7	36.1
EPS - core (sen)	5.9	5.6	7.1
P/E (x)	7.3	7.6	6.1

HSS Engineers Bhd

Comfortably Exceeds Expectations

- **HEB delivered 4QFY25 CNP of RM9.4m (-12.1% YoY; +7.5% QoQ), bringing its FY25 results to RM30.0m, after including exceptional items. This represents 120.4% of our forecast and 180.6% of consensus estimates. The outperformance was driven by stronger-than-expected operating margins.**
- **The Group's total order book currently stands at RM2.2bn, translating into a healthy book-to-bill ratio of 9.0x.**
- **Given the Group's consistently stronger-than-expected operating margins and normalised tax rate, we adjusted our FY26F and FY27F forecasts. As a result, our CNP estimates rise by +17.4%/+15.0%, respectively.**
- **We upgrade our call to BUY (from HOLD) with higher target price of RM0.50 (from RM0.35) based on SOP valuation supported by a three-star ESG rating.**

Results above expectations. Excluding exceptional items, specifically RM9.2m of impairments relating to projects such as BRT Johor and Ship-To-Ship Hub at JB Port Waters, HEB delivered 4QFY25 Core Net Profit (CNP) of RM9.4m (-12.1% YoY; +7.5% QoQ). Including earlier non-recurring expenses, FY25 CNP came in at RM30.0m, representing 120.4% of our forecast and 180.6% of consensus estimates. The outperformance was driven by stronger-than-expected operating margins, reflecting the benefits of cost optimisation initiatives implemented in June 2025.

YoY. CNP fell 12.1%, as net margin contracted 359bps to 14.3%. The decline was mainly underpinned by higher administrative (+19.2%) and tax expenses (+69.7%). Results were further weighted by the increase in finance cost (+58.0%) as the Group has achieved financial close on its Corporate Green Power Programme (CGPP) project in November 2025.

QoQ. All business segments recorded stronger revenue recognition this quarter, led by the engineering design segment, which posted a 91.3% QoQ increase driven by steady progress across several newly secured projects. As a result, the Group revenue rose 39.7%. However, CNP grew at a slower clip at 7.5% due to the recognition of deferred tax liabilities arising from taxable temporary differences on its Baghdad income, lifting quarterly tax expense to RM6.3m versus a tax reversal of RM3.6m in the preceding quarter.

Update on Baghdad Metro. The Group is in the process of securing the first tranche payment of USD1.5m. In early February, the Group has received formal approval from the Minister of Finance to proceed with the execution of the Letter of Credit (LC). Subsequently, the Group engaged the Trade Bank of Iraq to execute the LC on 23 February. We view this development positively, as it demonstrates the Group's ability to receive payments from the project, thereby alleviating concerns over potential impairments. Meanwhile, the Group has initiated the request for the second tranche payment of USD3.0m to expedite the overall collection timeline.

Improvements in Cash Flow. The Group generated a net operating cash inflow of RM10.2m in 4QFY25, driven by higher collections of RM51.0m, compared with an average quarterly collection of RM39.1m in the first nine months of FY25. This development is constructive for the Group's financial position, reflecting improving cash conversion as projects advance. Despite a RM11.3m financing cash outflow arising from higher pledged deposits and overdraft utilisation, net gearing improved to 0.16x from 0.18x, underscoring continued balance-sheet improvement.

Healthy Unbilled Orderbook. YTD, the Group has secured RM33.0m of new orders across five projects, lifting its total outstanding order book to RM2.2bn, which translate into a healthy book-to-bill ratio of 9.0x. Meanwhile, the tender pipeline remains robust at c.RM540m, with the Group targeting RM300m in new order wins for FY26, supported by favourable opportunities in domestic water treatment, flood mitigation and data centre projects.

KDN PP13226/06/2024 (035469)

Outlook. The Group's near-term outlook has improved as management makes progress in addressing key concerns, notably collections from the Baghdad Metro project and previously negative operating cashflow. That said, we remain cautious, as clearer execution visibility across ongoing projects and a sustained recovery in operating cash flow will be critical in shaping the Group's near-term prospects.

Earnings Revision. Given the Group's consistently stronger-than-expected operating margins and normalised tax rate, we adjusted our FY26F and FY27F forecasts to reflect these trends. As a result, our CNP estimates rise by +17.4%/+15.0%, respectively.

Valuation. We raised the applied P/E multiple for the Services segment to 6.9x (from 5.1x), reflecting encouraging progress across its key projects. These adjustments lift our SOP-derived target price to **RM0.50** (from RM0.35), supported by a three-star ESG rating. Consequently, we upgrade recommendation to **BUY** (from HOLD). Further upside will depend on enhanced execution visibility across key projects and a sustained recovery in operating cash flow.

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

Results Comparison

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)
Revenue	65.9	59.9	*10.0*	47.2	*39.7*	222.3	201.5	*10.3*
EBITDA	9.3	16.0	*(42.1)*	3.6	*158.0*	28.0	40.6	*(31.1)*
Pre-tax profit	6.6	14.3	*(53.8)*	1.7	*297.8*	20.0	33.9	*(40.9)*
Net profit	0.2	10.7	*(98.2)*	5.3	*(96.4)*	13.7	25.2	*(45.7)*
Core net profit	9.4	10.7	*(12.1)*	8.7	*7.5*	30.0	25.2	*19.1*
Core EPS (sen)	1.8	2.1	*(12.1)*	1.7	*7.5*	5.9	5.0	*19.1*
EBITDA margin (%)	14.1	26.7		7.6		12.6	20.1	
PBT margin (%)	10.0	23.8		3.5		9.0	16.8	
Core net profit margin (%)	14.3	17.8		18.5		13.5	12.5	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)
Revenue								
Engineering Design	14.6	12.2	*20.0*	7.6	*91.3*	54.4	40.8	*33.3*
Construction Supervision	12.8	11.8	*7.8*	11.6	*10.3*	47.9	50.5	*(5.1)*
Project Management	32.5	32.8	*(1.0)*	24.0	*35.2*	103.2	98.2	*5.1*
Others	6.0	3.0	*96.0*	3.9	*53.7*	16.8	12.1	*39.7*
Total	**65.9**	**59.9**	***10.0***	**47.2**	***39.7***	**222.3**	**201.5**	***10.3***

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	**187.3**	**201.2**	**222.3**	**238.9**	**285.3**
Gross Profit	**62.1**	**70.4**	**76.8**	**87.4**	**104.4**
EBITDA	**35.2**	**41.0**	**20.7**	**52.8**	**63.0**
Depreciation & Amortisation	4.1	4.1	4.3	3.6	4.3
EBIT	**31.1**	**36.9**	**16.4**	**49.2**	**58.8**
Net Finance Income/ (Cost)	-2.5	-2.8	-3.9	-2.7	-2.4
Associates & JV	0.2	0.1	0.3	-8.1	-8.1
Other Income/(Cost)	0.0	-0.3	0.0	0.0	0.0
Pre-tax Profit	**28.7**	**33.9**	**20.0**	**38.4**	**48.2**
Tax	-8.3	-9.0	-6.4	-9.6	-12.0
Profit After Tax	**20.4**	**24.9**	**13.6**	**28.8**	**36.2**
Minority Interest	0.0	-0.2	0.1	-0.1	-0.1
Net Profit	**20.4**	**24.7**	**13.7**	**28.7**	**36.1**
Exceptionals	0.0	0.0	16.3	0.0	0.0
Core Net Profit	**20.4**	**24.7**	**30.0**	**28.7**	**36.1**

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	4.0	4.9	5.9	5.6	7.1
P/E (x)	10.7	8.8	7.3	7.6	6.1
P/B (x)	0.8	0.7	0.7	0.6	0.6
EV/EBITDA (x)	6.8	5.8	12.9	3.6	2.6
DPS (sen)	1.2	1.5	1.5	1.7	2.1
Dividend Yield (%)	2.8%	3.4%	3.4%	3.9%	5.0%
EBITDA margin (%)	18.8%	20.4%	9.3%	22.1%	22.1%
EBIT margin (%)	16.6%	18.3%	7.4%	20.6%	20.6%
PBT margin (%)	15.3%	16.8%	9.0%	16.1%	16.9%
PAT margin (%)	10.9%	12.4%	6.1%	12.0%	12.7%
NP margin (%)	10.9%	12.3%	6.2%	12.0%	12.6%
CNP margin (%)	10.9%	12.3%	13.5%	12.0%	12.6%
ROE (%)	7.9%	8.5%	10.1%	8.4%	9.6%
ROA (%)	5.4%	5.9%	6.4%	6.0%	6.9%
Gearing (%)	15.2%	12.2%	25.1%	10.0%	7.4%
Net gearing (%)	7.5%	7.1%	16.3%	Net Cash	Net Cash

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Expected order book replenishment			300.0	250.0	250.0

Valuations	Valuation Method	Equity Value (RM' m)
Services	6.9x FY26F PER	199.2
Solar Asset	DCF @ 6.3%	54.8
SOP Value		254.0
Number of shares		508.5
Fair Value (RM)		**0.50**
ESG premium/discount		0.0%
Implied Fair Value (RM)		**0.50**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	20.0	14.9	26.1	64.9	81.4
Receivables	171.3	216.1	241.8	226.9	256.8
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	8.2	11.6	18.6	5.3	5.1
Total Current Assets	**199.4**	**242.6**	**286.5**	**297.1**	**343.3**
Fixed Assets	9.8	9.9	7.1	10.0	10.1
Intangibles	163.8	163.7	163.6	163.5	163.4
Other non-current assets	3.1	2.0	8.1	8.3	8.5
Total Non-Current Assets	**176.8**	**175.6**	**178.8**	**181.9**	**182.1**
Short-term debt	39.2	35.4	74.4	53.3	44.8
Payables	67.9	80.9	76.2	90.9	108.6
Other current liabilities	5.6	6.6	5.7	4.4	5.3
Total Current Liabilities	**112.7**	**122.9**	**156.3**	**148.6**	**158.6**
Long-term debt	0.2	0.2	0.3	-18.9	-16.7
Other non-current liabilities	4.2	3.2	10.9	6.1	6.1
Total Non-Current Liabilities	**4.4**	**3.5**	**11.2**	**-12.8**	**-10.6**
Shareholder's equity	259.1	291.9	298.0	343.6	377.8
Minority interest	0.0	-0.2	-0.2	-0.3	-0.5
Total Equity	**259.1**	**291.7**	**297.8**	**343.2**	**377.3**

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	**28.7**	**33.9**	**20.0**	**38.4**	**48.2**
Depreciation & amortisation	4.1	4.1	4.3	3.6	4.3
Changes in working capital	-10.3	-37.1	-42.0	17.6	-11.3
Others	-4.0	-4.5	10.9	-1.8	-2.2
Operating cash flow	**18.5**	**-3.6**	**-6.7**	**57.7**	**39.0**
Net capex	-1.0	-1.1	-0.5	-3.6	-4.3
Others	0.0	1.1	-6.0	-1.0	-1.0
Investing cash flow	**-1.0**	**0.1**	**-6.5**	**-4.6**	**-5.3**
Dividends paid	-4.5	-6.0	-7.4	-8.6	-10.8
Others	-26.9	3.3	2.4	-4.5	-6.4
Financing cash flow	**-31.4**	**-2.7**	**-5.1**	**-13.1**	**-17.2**
Net cash flow	**-14.0**	**-6.2**	**-18.3**	**40.0**	**16.5**
Forex	0.0	-0.1	-0.1	0.0	0.0
Others	3.5	1.2	29.6	0.0	0.0
Beginning cash	30.4	20.0	14.9	25.0	64.9
Ending cash	**20.0**	**14.9**	**26.1**	**64.9**	**81.4**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 820.2m tCO_2eE 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

As of **Thursday, 26 Feb, 2026**, 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.