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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 0.36
Previous Target Price:	RM 0.35
Target Price:	↑ RM 0.50
Capital Upside/Downside:	38.9%
Dividend Yield (%):	4.8%
Total Upside/Downside:	<b>43.7%</b>

**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)	180.5
52-Week Price Range (RM)	0.34-0.97
Beta (x)	1.1
Free float (%)	45.4
3M Average Volume (m)	1.2
3M Average Value (RM' m)	0.5

**Top 3 Shareholders**

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

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-2.7	-4.1	-59.7
Relative (%)	-0.1	-9.2	-63.6

**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

## Massive Win Bulks Up Order Book

- HEB secured a RM30.5m contract for the provision of engineering consultancy services for the Jeniang Water Transfer Scheme Project Phase 2.
- With this award, the Group's YTD contract wins have increased to RM65.0m, raising its outstanding order book to a healthy RM2.2bn, representing a book-to-bill ratio of 9.2x.
- The Group maintains a solid tender book of RM517m and is targeting RM300m in new contract wins for FY26.
- We maintain our BUY recommendation on HEB with an unchanged TP of RM0.50, based on SOP valuation, supported by a three-star ESG rating.

**Secures RM30.5m Consultancy Service Contract.** HEB secured a RM30.5m contract with MMC Infra Padi Sdn Bhd for the provision of engineering consultancy services for the Jeniang Water Transfer Scheme Project Phase 2, which aims to support paddy cultivation in the Kawasan Muda area. The project is designed to enable a five-season-in-two-years paddy cultivation cycle. Works are expected to commence in March 2026 and are scheduled for completion by June 2030.

**Our View.** We view this contract win positively as it enhances the Group's earnings visibility through FY30. Based on an estimated gross margin of 35%, the project is expected to generate c.RM10.7m in gross profit over its 52-month duration, equivalent to 13.0% of our FY26F gross profit. Given the Group's proven track record in executing water-related projects, we believe execution risk remains manageable.

**Outlook.** With this award, the Group's YTD contract wins have increased to RM65.0m, raising its outstanding order book to a healthy RM2.2bn, representing a book-to-bill ratio of 9.2x. The Group maintains a solid tender book of RM517m and is targeting RM300m in new contract wins for FY26, supported by favourable opportunities in domestic water treatment, flood mitigation and data centre projects. Regarding its Baghdad project, the Group has received formal assurance that all outstanding payments will be fully honoured following a recent meeting with representatives of the Iraqi government. Looking ahead, further contract awards and continued progress on the Group's ongoing projects will be key catalysts in supporting its near-term earnings visibility.

**Earnings Revision.** No change to earnings forecasts as this award falls within our order book replenishment assumption for FY26 of RM250m.

**Valuation.** We maintain our BUY recommendation on HEB with an unchanged TP of RM0.50, based on our SOP valuation, supported by a three-star ESG rating.

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

## Financial Highlights

### Income Statement

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

### 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
<b>Fair Value (RM)</b>		<b>0.50</b>
ESG premium/discount		0.0%
<b>Implied Fair Value (RM)</b>		<b>0.50</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
<b>Cash</b>	<b>20.0</b>	<b>14.9</b>	<b>26.1</b>	<b>64.9</b>	<b>81.4</b>
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
<b>Total Current Assets</b>	<b>199.4</b>	<b>242.6</b>	<b>286.5</b>	<b>297.1</b>	<b>343.3</b>
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
<b>Total Non-Current Assets</b>	<b>176.8</b>	<b>175.6</b>	<b>178.8</b>	<b>181.9</b>	<b>182.1</b>
Short-term debt	39.2	35.4	74.4	34.1	27.8
Payables	67.9	80.9	76.2	90.9	108.6
Other current liabilities	5.6	6.6	5.7	4.4	5.3
<b>Total Current Liabilities</b>	<b>112.7</b>	<b>122.9</b>	<b>156.3</b>	<b>129.4</b>	<b>141.6</b>
Long-term debt	0.2	0.2	0.3	0.3	0.3
Other non-current liabilities	4.2	3.2	10.9	6.1	6.1
<b>Total Non-Current Liabilities</b>	<b>4.4</b>	<b>3.5</b>	<b>11.2</b>	<b>6.4</b>	<b>6.4</b>
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
<b>Total Equity</b>	<b>259.1</b>	<b>291.7</b>	<b>297.8</b>	<b>343.2</b>	<b>377.3</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
<b>Pre-tax profit</b>	<b>28.7</b>	<b>33.9</b>	<b>20.0</b>	<b>38.4</b>	<b>48.2</b>
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
<b>Operating cash flow</b>	<b>18.5</b>	<b>-3.6</b>	<b>-6.7</b>	<b>57.7</b>	<b>39.0</b>
Net capex	-1.0	-1.1	-0.5	-3.6	-4.3
Others	0.0	1.1	-6.0	-1.0	-1.0
<b>Investing cash flow</b>	<b>-1.0</b>	<b>0.1</b>	<b>-6.5</b>	<b>-4.6</b>	<b>-5.3</b>
Dividends paid	-4.5	-6.0	-7.4	-8.6	-10.8
Others	-26.9	3.3	2.4	-4.5	-6.4
<b>Financing cash flow</b>	<b>-31.4</b>	<b>-2.7</b>	<b>-5.1</b>	<b>-13.1</b>	<b>-17.2</b>
<b>Net cash flow</b>	<b>-14.0</b>	<b>-6.2</b>	<b>-18.3</b>	<b>40.0</b>	<b>16.5</b>
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
<b>Ending cash</b>	<b>20.0</b>	<b>14.9</b>	<b>26.1</b>	<b>64.9</b>	<b>81.4</b>

**ESG Matrix Framework:**

**Environment**

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 820.2m tCO <sub>2</sub> eE 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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(a) nil.