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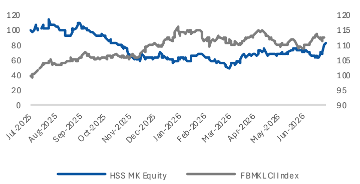
Recommendation:	↓	HOLD
Current Price:		RM 0.51
Previous Target Price:		RM 0.48
Target Price:	↓	RM 0.47
Capital Upside/Downside:		-7.8%
Dividend Yield (%):		2.4%
Total Upside/Downside:		-5.5%

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)	259.3
52-Week Price Range (RM)	0.285-0.725
Beta (x)	0.8
Free float (%)	46.4
3M Average Volume (m)	0.6
3M Average Value (RM' m)	0.3

Top 3 Shareholders	(%)
Victech Solutions Sdn Bhd	21.3
Flamingo Works Sdn Bhd	15.2
Teo Chok Boo	6.6

Share Price Performance



	1M	3M	12M
Absolute (%)	12.1	20.0	-19.0
Relative (%)	9.0	20.6	-28.0

Earnings summary

FYE Dec (RM m)	FY25	FY26F	FY27F
Revenue (RM'm)	220.7	201.4	247.8
PATAMI (RM'm)	13.4	20.5	27.4
CNP (RM'm)	25.7	20.5	27.4
EPS - core (sen)	5.1	4.0	5.4
P/E (x)	10.1	12.6	9.5

HSS Engineers Bhd

HEB Bags RM34.0m NPWSS Design Consultancy Contract

- **HEB secured a RM34.0m contract for the Lead Design Consultancy (LDC) and Detailed Design Consultancy 4 (DDC4) service package for the Northern Perak Water Supply Scheme and Sale of Excess Treated Water to Penang (NPWS).**
- **With this award, the Group's YTD contract wins have risen to RM163.0m, lifting its outstanding order book to a sizeable RM2.28bn, representing a book-to-bill ratio of 9.5x.**
- **The Group maintains a tender book of RM500m, supporting near-term earnings visibility.**
- **We downgrade our recommendation from BUY to HOLD on HEB with a slightly lower TP of RM0.47, based on a lower SOP valuation.**

Secures RM34.0m Consultancy Service Package Contract. HEB secured a contract from Gamuda Engineering Sdn Bhd for the Lead Design Consultancy and Detailed Design Consultancy 4 services package for the NPWSS project. The total contract sum is RM34.0m, with works commencing in June 2026 and an estimated completion within 66 months. The scope of service comprises lead design consultancy for NPWSS and detailed design consultancy for the water treatment plant in NPWSS which includes preliminary, pre-final and final design, tender stage support and support during the construction and defects liability period for the Project.

Our View. We view this contract win positively as a validation of the Group's design capabilities in the domestic water infrastructure segment, coming just over three months after HEB's own RM30.5m Jeniang Water Transfer Scheme win in March 2026. Assuming a GP margin of 33%, the NPWSS contract is expected to generate approximately RM11.2m in gross profit over its 66-month duration. Given the Group's proven track record in executing water-related projects, we believe execution risk remains manageable.

Outlook. This award adds to a string of recent water-sector wins for the HEB Group, reinforcing the Group's positioning as one of Malaysia's leading engineering consultancies in the water resources space. With this award, HEB Group's YTD new contract wins have risen to RM163m, lifting the outstanding order book to RM2.28bn, equivalent to a robust book-to-bill ratio of 9.5x based on our FY26F revenue forecast. The Group also maintains a tender book of RM500m, which should support continued order book replenishment into 2H26. We continue to expect domestic water treatment, flood mitigation and data centre-related opportunities to underpin new contract flow into FY26-FY27.

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

Valuation. We make a slight revision to our DCF-based valuation of HEB's Solar Asset segment, resulting in a marginally lower SOP-derived TP of **RM0.47** (from **RM0.48**). Despite the modest reduction in our TP, the key reason for our recommendation downgrade is HEB's recent share price rally to **RM0.51**, which has exceeded both our previous TP of **RM0.48** and our revised TP of **RM0.47,** suggesting that its current fundamentals are largely priced in. We therefore downgrade the stock from **BUY** to **HOLD.**

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

KDN PP13226/06/2024 (035469)

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	**187.3**	**201.2**	**220.7**	**201.4**	**247.8**
Gross Profit	**62.1**	**70.4**	**75.5**	**70.5**	**86.7**
EBITDA	**35.2**	**41.0**	**20.4**	**41.3**	**50.8**
Depreciation & Amortisation	4.1	4.1	4.3	3.0	3.7
EBIT	**31.1**	**36.9**	**16.2**	**38.3**	**47.1**
Net Finance Income/ (Cost)	-2.5	-2.8	-3.9	-2.7	-2.3
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**	**19.8**	**27.4**	**36.7**
Tax	-8.3	-9.0	-6.5	-6.8	-9.2
Profit After Tax	**20.4**	**24.9**	**13.3**	**20.6**	**27.5**
Minority Interest	0.0	-0.2	0.1	-0.1	-0.1
Net Profit	**20.4**	**24.7**	**13.4**	**20.5**	**27.4**
Exceptionals	0.0	0.0	12.3	0.0	0.0
Core Net Profit	**20.4**	**24.7**	**25.7**	**20.5**	**27.4**

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	4.0	4.9	5.1	4.0	5.4
P/E (x)	12.7	10.5	10.1	12.6	9.5
P/B (x)	1.0	0.9	0.9	0.8	0.7
EV/EBITDA (x)	7.9	6.8	15.0	5.2	4.0
DPS (sen)	1.2	1.5	1.5	1.2	1.6
Dividend Yield (%)	2.4%	2.9%	2.9%	2.4%	3.2%
EBITDA margin (%)	18.8%	20.4%	9.3%	20.5%	20.5%
EBIT margin (%)	16.6%	18.3%	7.3%	19.0%	19.0%
PBT margin (%)	15.3%	16.8%	9.0%	13.6%	14.8%
PAT margin (%)	10.9%	12.4%	6.0%	10.2%	11.1%
NP margin (%)	10.9%	12.3%	6.1%	10.2%	11.1%
CNP margin (%)	10.9%	12.3%	11.7%	10.2%	11.1%
ROE (%)	7.9%	8.5%	8.7%	6.1%	7.6%
ROA (%)	5.4%	5.9%	5.5%	4.5%	5.5%
Gearing (%)	15.2%	12.2%	25.1%	9.8%	7.3%
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				250.0	250.0

Valuations	Valuation Method	Equity Value (RM' m)
Services	6.9x FY27F PER	190.9
Solar Asset	DCF @ 6.3%	48.2
SOP Value		239.1
Number of shares		508.5
Fair Value (RM)		**0.47**
ESG premium/ discount		0.0%
Implied Fair Value (RM)		**0.47**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	20.0	14.9	26.1	78.0	84.1
Receivables	171.3	216.1	241.4	191.3	223.0
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**	**286.1**	**274.6**	**312.2**
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	74.1	32.1	25.4
Payables	67.9	80.9	76.8	78.5	96.7
Other current liabilities	5.6	6.6	7.1	3.8	4.7
Total Current Liabilities	**112.7**	**122.9**	**158.0**	**114.4**	**126.7**
Long-term debt	0.2	0.2	0.6	0.8	1.0
Other non-current liabilities	4.2	3.2	8.8	6.1	6.1
Total Non-Current Liabilities	**4.4**	**3.5**	**9.4**	**6.9**	**7.1**
Shareholder's equity	259.1	291.9	297.8	335.4	360.9
Minority interest	0.0	-0.2	-0.2	-0.3	-0.4
Total Equity	**259.1**	**291.7**	**297.5**	**335.1**	**360.5**

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	**28.7**	**33.9**	**19.8**	**27.4**	**36.7**
Depreciation & amortisation	4.1	4.1	4.3	3.0	3.7
Changes in working capital	-10.3	-37.1	-41.3	40.2	-12.8
Others	-4.0	-4.5	10.5	-1.5	-1.9
Operating cash flow	**18.5**	**-3.6**	**-6.7**	**69.1**	**25.8**
Net capex	-1.0	-1.1	-0.9	-3.0	-3.7
Others	0.0	1.1	-6.0	-1.0	-1.0
Investing cash flow	**-1.0**	**0.1**	**-6.9**	**-4.0**	**-4.7**
Dividends paid	-4.5	-6.0	-7.4	-6.2	-8.2
Others	-26.9	3.3	3.8	-5.9	-6.7
Financing cash flow	**-31.4**	**-2.7**	**-3.7**	**-12.1**	**-14.9**
Net cash flow	**-14.0**	**-6.2**	**-17.2**	**53.0**	**6.2**
Forex	0.0	-0.1	-0.1	0.0	0.0
Others	3.5	1.2	28.5	0.0	0.0
Beginning cash	30.4	20.0	14.9	25.0	78.0
Ending cash	**20.0**	**14.9**	**26.1**	**78.0**	**84.1**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Monitors Scope 1, 2 and 3 GHG emissions.
Waste & Effluent	★★★	Waste management aligns with industry standards and regulatory requirements as well as minimise environmental impact.
Energy	★★★★	Energy consumption decreased by 3% in FY25.
Water	★★★	Monitors water consumption regularly to ensure pertinent water management.

Social

Diversity	★★★	Female representation at 39% in the workforce.
Quality and Compliance	★★	In FY2025, the Group achieved two non-conformance report during SIRIM audits.
Occupational Safety and Health	★★★	189 employees were trained in FY2025 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 FY2025.
Management	★★	Among the board members, 29% (2 out of 8) were female, while 29% (2 out of 8) were independent directors
Anti-Corruption and Bribery	★★	Regularly organizes anti-corruption training for employees. In FY2025, 28% 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 **Wednesday, 29 Jul, 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.