

Research Team

(603) 7890 8899

research.dept@apexsecurities.com.my

Recommendation:	↑	BUY
Current Price:		RM 0.52
Previous Target Price:		RM 0.47
Target Price:	↑	RM 0.70
Capital Upside/Downside:		34.6%
Dividend Yield (%):		2.8%
Total Upside/Downside:		37.4%

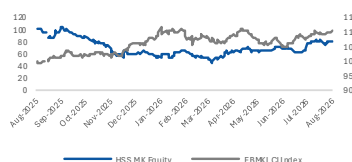
Stock information

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)	264.4
52-Week Price Range (RM)	0.285-0.69
Beta (x)	0.9
Free float (%)	46.4
3M Average Volume (m)	0.5
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 (%)	4.0	20.9	-21.8
Relative (%)	1.9	17.5	-29.0

Earnings summary

FYE Dec (RM m)	FY26F	FY27F	FY28F
Revenue (RM'm)	232.4	270.3	307.8
PATAMI (RM'm)	24.6	30.2	44.5
CNP (RM'm)	24.6	30.2	44.5
EPS - core (sen)	4.8	5.9	8.7
P/E(x)	10.8	8.7	5.9

HSS Engineers Bhd

Within Expectations

- HEB's 1HFY26 core net profit of RM10.7m (-10.0% YoY) accounted for 52% of our FY26F forecast and 46% of consensus estimates, which is line with our expectation.
- Outlook remains positive, supported by the Group's outstanding orderbook of c.RM2.28bn, translating to a robust revenue coverage of 10.3x FY25 revenue.
- Consequently, we raise our FY26F/FY27F core net profit forecasts by +20.0%/+10.2%, to RM24.6m/RM30.2m respectively, while introducing FY28F core net profit of RM44.5m.
- We upgrade recommendation from HOLD to BUY on HEB with an increased TP of RM0.70 (from RM0.47), based on a revised SOP valuation, supported by a three-star ESG rating.

Results within expectations. HEB reported a 2QFY26 core net profit of RM6.9m (+84.8% QoQ, +5.4% YoY) after adjusting for reversal of impairment of financial instrument (RM0.10m). This brought 1HFY26 core net profit to RM10.7m (-10.0% YoY), accounting for 52% of our FY26F forecast and 46% of consensus estimates, broadly in line with both our and consensus full-year forecasts, underpinned by resilient earnings contribution from ongoing projects.

QoQ. Revenue rose 19.4% QoQ to RM54.9m as Engineering Design revenue jumped 36.6% QoQ to RM16.0m and Project Management rose 15.4% QoQ to RM24.6m, aided by the Davao Public Transport Modernization consulting contract and KTP Data Centre project management fees. Core net profit surged 84.8% QoQ to RM6.9m, while PBT jumped 68.7% QoQ to RM9.4m, reflecting positive operating leverage on the revenue recovery.

YoY. Revenue fell 4.8% YoY to RM54.9m, dragged by the absence of Middle East revenue (-100% YoY, no Baghdad Metro contribution) and lower India billings (-72.6% YoY) as the Tuna Tekra project design phase progressed past its peak. This was partly offset by new Philippines revenue (>100% YoY) from the Davao PTMP contract and the first Bangladesh billings. Despite the softer top line, core net profit still rose 5.4% YoY on a leaner cost base, with admin expenses fell 8.7% YoY and other operating expenses fell 24.4% YoY.

YTD. 1H26 revenue fell 7.6% YoY to RM100.9m, but PBT rose a strong 26.6% YoY to RM14.9m and net profit rose 28.9% YoY to RM10.3m, aided by a 4.2% YoY improvement in gross profit despite lower revenue, implying a richer project mix and better cost discipline, and a 30.5% YoY reduction in other operating expenses.

Outlook. We remain **constructively positive** on the 2HFY26 outlook with The Group's order book stood at RM2.15bn as at 30 June 2026, with Project Management contributing about 80%, lifted further to RM2.28bn following the RM34.0m NPWSS design consultancy win in July 2026, alongside a tender book of RM500m, together underpinning solid medium-term earnings visibility. HEB remains well positioned to benefit from Malaysia's accelerating infrastructure cycle, with Budget 2026's RM81bn development allocation, complemented by about RM30bn from GLICs, RM10bn in public-private partnerships, and RM10.8bn from government-linked companies, for a total of about RM131.3bn, supporting continued rollout across transportation, water, rail, and renewable energy.

The Group is also diversifying into higher-value and recurring income streams. Its digital and AI arm secured an MPOB grant for AI-powered drone solutions and has digitised over 1,500 telecom towers under an ongoing Digital Twin engagement, with 1,000 more scheduled in 2026, while international expansion continues via the roughly RM19.2m Davao Public Transport Modernisation contract in the Philippines. On the recurring-income front, HEB's 95.0MW Hilir Perak solar plant reached financial close in April 2026, and its 29.99MW Kuala Muda solar project is under construction. Together these are expected to strengthen the Group's long-term earnings base as it broadens beyond traditional engineering consultancy.

Earnings Revision. We take this opportunity to revise our core net profit forecasts upward, premised on the Group's sizeable outstanding order book of approximately RM2.28bn and a healthy tender book of approximately RM500m, both of which underpin stronger medium-term earnings visibility. Consequently, we raise our **FY26F/FY27F core net profit forecasts by +20.0%/+10.2% to RM24.6m/RM30.2m respectively**. We also **introduce FY28F core net profit of RM44.5m**, premised on the anticipated ramp-up in project management and engineering design billings from the Group's transportation, water infrastructure, and renewable energy pipeline, which extends the Group's earnings visibility into FY28.

Valuation and Recommendation. We upgrade recommendation from **HOLD** to **BUY** on HEB with an increased TP of **RM0.70** (from **RM0.47**), based on a revised 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.

Results Note

Thursday, 27 Aug, 2026

BURSA RISE+
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Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	54.9	57.7	(4.8)	46.0	19.4	101.0	109.3	(7.6)
EBITDA	11.7	11.3	3.3	7.7	52.7	19.4	15.1	28.1
Pre-tax profit	9.4	9.3	0.3	5.6	68.7	14.9	11.8	26.6
Net profit	6.8	6.6	3.9	3.7	82.2	10.6	8.1	29.8
Core net profit	6.9	6.6	5.4	3.7	84.8	10.7	11.8	(10.0)
Core EPS (sen)	1.4	1.3	5.4	0.7	84.8	2.1	2.3	(10.0)
EBITDA margin (%)	21.3	19.6		16.6		19.2	13.8	
PBT margin (%)	17.1	16.2		12.1		14.8	10.8	
Core net profit margin (%)	12.6	11.4		8.1		10.6	10.8	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue								
Engineering Design	16.0	17.9	(10.3)	11.7	36.6	27.7	32.1	(13.5)
Construction Supervision	11.3	11.8	(4.0)	10.6	6.9	21.9	23.5	(6.8)
Project Management	24.6	24.0	2.2	21.3	15.4	45.8	46.7	(1.8)
Others	3.0	4.0	(24.6)	2.4	25.5	5.4	7.0	(22.0)
Total	54.9	57.7	(4.8)	46.0	19.4	101.0	109.3	(7.6)

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	201.2	220.7	232.4	270.3	307.8
Gross Profit	70.4	75.5	81.3	94.6	107.7
EBITDA	41.0	20.4	47.6	55.4	63.1
Depreciation & Amortisation	4.1	4.3	3.5	4.1	4.6
EBIT	36.9	16.2	44.2	51.4	58.5
Net Finance Income/ (Cost)	-2.8	-3.9	-3.2	-2.8	-2.3
Associates & JV	0.1	0.3	-8.1	-8.1	3.3
Other Income/(Cost)	-0.3	0.0	0.0	0.0	0.0
Pre-tax Profit	33.9	19.8	32.8	40.4	59.5
Tax	-9.0	-6.5	-8.2	-10.1	-14.8
Profit After Tax	24.9	13.3	24.6	30.3	44.6
Minority Interest	-0.2	0.1	-0.1	-0.1	-0.1
Net Profit	24.7	13.4	24.6	30.2	44.5
Exceptionals	0.0	12.3	0.0	0.0	0.0
Core Net Profit	24.7	25.7	24.6	30.2	44.5

Key Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	4.9	5.1	4.8	5.9	8.7
P/E (x)	10.7	10.3	10.8	8.7	5.9
P/B (x)	0.9	0.9	0.8	0.7	0.6
EV/EBITDA (x)	7.0	15.3	4.8	3.8	2.9
DPS (sen)	1.5	1.6	1.4	1.8	2.6
Dividend Yield (%)	2.8%	3.0%	2.8%	3.4%	5.0%
EBITDA margin (%)	20.4%	9.3%	20.5%	20.5%	20.5%
EBIT margin (%)	18.3%	7.3%	19.0%	19.0%	19.0%
PBT margin (%)	16.8%	9.0%	14.1%	15.0%	19.3%
PAT margin (%)	12.4%	6.0%	10.6%	11.2%	14.5%
NP margin (%)	12.3%	6.1%	10.6%	11.2%	14.5%
CNP margin (%)	12.3%	11.7%	10.6%	11.2%	14.5%
ROE (%)	8.5%	8.7%	7.2%	8.2%	10.8%
ROA (%)	5.9%	5.5%	5.1%	5.8%	7.8%
Gearing (%)	12.2%	25.1%	11.8%	9.0%	5.9%
Net gearing (%)	7.1%	16.3%	Net Cash	Net Cash	Net Cash

FYE Dec (RM m)	FY26F	FY27F	FY28F
Expected order book replenishment	250.0	250.0	250.0

Valuations	Valuation Method	Equity Value (RM' m)
Services	6.9x FY28F PER	308.9
Solar Asset	DCF @ 6.3%	48.2
SOP Value		357.1
Number of shares		508.5
Fair Value (RM)		0.70
ESG premium/discount		0.0%
Implied Fair Value (RM)		0.70

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	14.9	26.1	74.0	88.2	103.6
Receivables	216.1	241.4	220.8	243.3	277.0
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	11.6	18.6	5.3	5.1	4.9
Total Current Assets	242.6	286.1	300.1	336.5	385.5
Fixed Assets	9.9	7.1	10.0	10.1	10.2
Intangibles	163.7	163.6	163.5	163.4	163.3
Other non-current assets	2.0	8.1	8.3	8.5	8.7
Total Non-Current Assets	175.6	178.8	181.9	182.1	182.3
Short-term debt	35.4	74.1	32.1	25.4	25.4
Payables	80.9	76.8	90.6	105.4	120.0
Other current liabilities	6.6	7.1	4.4	5.1	5.8
Total Current Liabilities	122.9	158.0	127.1	135.9	151.2
Long-term debt	0.2	0.6	8.1	7.8	-0.9
Other non-current liabilities	3.2	8.8	6.1	6.1	6.1
Total Non-Current Liabilities	3.5	9.4	14.2	13.9	5.2
Shareholder's equity	291.9	297.8	340.9	369.2	411.9
Minority interest	-0.2	-0.2	-0.3	-0.4	-0.6
Total Equity	291.7	297.5	340.6	368.8	411.4

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	33.9	19.8	32.8	40.4	59.5
Depreciation & amortisation	4.1	4.3	3.5	4.1	4.6
Changes in working capital	-37.1	-41.3	31.8	-7.0	-18.4
Others	-4.5	10.5	-1.8	-2.0	-2.3
Operating cash flow	-3.6	-6.7	66.4	35.4	43.3
Net capex	-1.1	-0.9	-3.5	-4.1	-4.6
Others	1.1	-6.0	-1.0	-1.0	-1.0
Investing cash flow	0.1	-6.9	-4.5	-5.1	-5.6
Dividends paid	-6.0	-7.4	-7.4	-9.1	-13.3
Others	3.3	3.8	-5.5	-7.1	-8.9
Financing cash flow	-2.7	-3.7	-12.9	-16.2	-22.2
Net cash flow	-6.2	-17.2	49.0	14.2	15.5
Forex	-0.1	-0.1	0.0	0.0	0.0
Others	1.2	28.5	0.0	0.0	0.0
Beginning cash	20.0	14.9	25.0	74.0	88.2
Ending cash	14.9	26.1	74.0	88.2	103.6

Results Note

Thursday, 27 Aug, 2026

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

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As of **Thursday, 27 Aug, 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.