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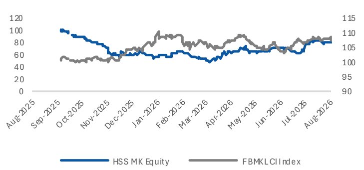
Recommendation:		BUY
Current Price:		RM 0.46
Previous Target Price:		RM 0.70
Target Price:	↔	RM 0.70
Capital Upside/Downside:		52.2%
Dividend Yield (%):		3.2%
Total Upside/Downside:		55.4%

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)	231.4
52-Week Price Range (RM)	0.285-0.685
Beta (x)	1.0
Free float (%)	46.4
3M Average Volume (m)	0.4
3M Average Value (RM' m)	0.2

Top 3 Shareholders	(%)
Victech Solutions Sdn Bhd	21.3
Flamingo Works Sdn Bhd	15.2
Kaf Investment Funds Bhd	8.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-12.5	0.0	-33.6
Relative (%)	-9.6	-0.2	-35.9

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)	9.4	7.7	5.2

HSS Engineers Bhd

HEB Secures RM10.95m IWK Contract

- **HEB, through its associate HSSI, secured a RM10.95m contract from Sutracom Sdn Bhd, the main contractor for Package UP-3: Proposed Design and Build for Upgrading Works of Indah Water Konsortium Sdn Bhd's ("IWK") Sewage Treatment Plants in Negeri Sembilan and Melaka (Phase 2), to provide C&S and M&E engineering consultancy and construction site supervision services.**
- **With this award, the Group's YTD contract wins have risen to c.RM200.0m, lifting its outstanding order book to a sizeable RM2.18bn, representing a book-to-bill ratio of 9.9x of FY25 revenue.**
- **The Group maintains a tender book of RM500m, supporting near-term earnings visibility.**
- **We maintain our BUY on HEB with an unchanged TP of RM0.70, based on a SOP valuation.**

Secures RM10.95m IWK Sewage Treatment Plant Upgrading Contract. HEB has accepted a Letter of Appointment from Sutracom Sdn Bhd, the main contractor for Package UP-3: Proposed Design and Build for Upgrading Works of IWK Sewage Treatment Plants located in Negeri Sembilan and Melaka (Phase 2). HEB's scope comprises Civil & Structural and Mechanical & Electrical engineering consultancy services for the project, together with full-time construction site supervision during the construction period. The estimated services value is RM10.95m, commencing 28 September 2026 with an estimated completion within 42 months.

Our View. We view this contract win **positively** as it adds to HEB's orderbook and reinforces its presence in the domestic water and wastewater segment. While the RM10.95m contract is relatively small at Group level, the 42-month duration provides additional earnings visibility. Assuming a **35% GP margin**, we estimate the contract could contribute approximately **RM3.83m** in gross profit over its tenure. Given the Group's established track record in executing similar consultancy service projects, we believe execution risk on this award is manageable.

Outlook. This award adds to a string of recent water and wastewater-sector wins for the HEB Group, reinforcing its positioning as one of Malaysia's leading engineering consultancies in this space. With this award, the Group's **total order book stands at c.RM2.18bn**, equivalent to a robust **c.9.9x coverage of FY25 revenue**, alongside a **tender book of c.RM500m**. We continue to expect Malaysia's accelerating infrastructure cycle, underpinned by Budget 2026's RM81bn development allocation and a broader c.RM131.3bn pipeline spanning transportation, water, rail and renewable energy, to support continued order book replenishment into FY26-FY28, alongside the Group's ongoing diversification into higher-value recurring income streams such as solar, digital/AI and international contracts. We also see the upcoming Budget 2027, slated for tabling on 9 October 2026, as a potential catalyst, with further infrastructure and development allocations likely to sustain HEB's order book momentum going into FY27.

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 **RM0.70**, based on a 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)	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)	9.4	9.0	9.4	7.7	5.2
P/B (x)	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	6.2	13.7	4.1	3.2	2.4
DPS (sen)	1.5	1.6	1.4	1.8	2.6
Dividend Yield (%)	3.2%	3.4%	3.2%	3.9%	5.8%
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**

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: ★★★