MERCURY SECURITIES SDN BHD
(A Participating Organisation of Bursa Malaysia Securities Bhd.)

BURSA RISE+
Brought to you by Bursa Malaysia
Supported by Capital Market Development Fund

HSS Engineers Berhad

Leaner Costs Lift Earnings

Result Note
BUY (⇑)
Research Team Coverage / research@mersec.com.my
Tuesday, November 17, 2026
Price: RM 0.475
Target Price: RM 0.530 (⇑)

HSS Engineers Berhad (HSSEB)'s 9MFY26 results came in above our expectations but within consensus. The beat came mainly from a lower-than-expected OPEX margin, while topline and GP were broadly in line. Topline rose to RM158m, as new Engineering Design jobs (E-ART, Westports 2) offset the absence of Baghdad Metro revenue and PATAMI grew to RM18m on a richer project mix margin and lower OPEX. We raise our FY26E/FY27E earnings by 19.4%/19.7% to RM19.8m/RM22.9m, and lift our TP to RM0.53 (from RM0.44), based on an unchanged 11.7x P/E applied to our FY27E EPS of 4.5 sen. With valuations undemanding, we upgrade our recommendation from HOLD to BUY.

9MFY26 results came in above our expectations but within consensus, accounting for 108%/73% of our/market full-year estimates. The significant variance against our forecast was mainly due to lower OPEX margin at 14% (our assumption: 17%) even though topline and GP were broadly in line (73%/76% of our FY26E). The Company did not declare any dividend for the quarter, with the last dividend declared in 1QFY24.

YoY, 9MFY26 Topline edged up +1% YoY to RM158m, slightly ahead of our expected -2% YoY decline. Engineering Design surged +40% YoY to RM55m, driven by initial revenue recognised from two newly awarded projects, the Johor Elevated Autonomous Rapid Transit (E-ART) and the Westports 2 CT10–CT13 Expansion (awarded July 2026), along with higher contributions from the Gamuda Data Centre. This more than offset lower Construction Supervision (-12% YoY to RM31m), as East Coast Rail Link (ECRL) works near completion and Langat II Water Supply Scheme winds down, and lower Project Management (-11% YoY to RM63m), due to the absence of revenue recognition from the Baghdad Metro project. GP rose +17% YoY to RM54m, with GP margin expanding to 34% (9MFY25: 30%) on a richer project mix. EBITDA jumped +64% YoY to RM32m (EBITDA margin for 9MFY26: 20%, 9MFY25: 12%), further supported by total OPEX falling -18% YoY to RM23m (9MFY25: RM28m), mainly due to the absence of a one-off RM3.4m legal claim provision recognised in 3QFY25. Bottomline grew at +33% YoY to RM18m (PATAMI margin: 11% vs 9% in 9MFY25), as ETR normalised to 31%. 9MFY25's ETR was just 1%, after a RM4.8m write-back of over-provided prior-year tax.

QoQ, Topline rose +4% QoQ to RM57m, driven by higher revenue recognition, as Engineering Design surged +73% QoQ to RM28m on initial contributions from E-ART and Westports 2. This more than offset lower Construction Supervision (-20% QoQ) and Project Management (-29% QoQ). The richer mix lifted GP +11% QoQ to RM21m, with GP margin improving to 37% (2QFY26: 34%). EBITDA grew a slower +7% QoQ to RM12m (margin: 22% vs 21%), as OPEX rose +17% QoQ to RM8m. Continuing the momentum, PBT rose +9% QoQ to RM10m (PBT margin: 18% vs 17% in 2QFY26), outpacing EBITDA growth, as higher finance income of RM0.2m (2QFY26: RM0.1m) trimmed net finance costs, while D&A stayed flat. Bottomline grew +8% QoQ to RM7m (PATAMI margin: 13% vs 12% in 2QFY26), held back slightly by a higher ETR of 30% (2QFY26: 28%).

Update on the Order Book. As at 30th September 2026, HSS's order book grew to approximately RM2.24bn (6MFY26: RM2.16bn), lifted by Engineering Design wins, which rose +34% QoQ to RM378m. Project

Share Price Performance



Business Overview

HSS Engineers Bhd through its subsidiaries is engaged in providing engineering and project management services including engineering design, project management, construction supervision and building information modelling services. The Company has operations in Malaysia, India, the Middle East and Brunei. HSS is listed on the Main Market, under the Industrial Products and Services sector.

Return Information			
KLCI (pts)			1,588.03
YTD KLCI chg.			-5.5%
YTD Stock Price chg.			21.8%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	5.6%	-6.9%	-5.0%
Relative to KLCI (%)	6.8%	1.2%	-2.7%

Stock Information	
Market Cap (RM m)	241.5
Issued Shares (m)	508.5
52-week High (RM)	0.55
52-week Low (RM)	0.29
Est. Free Float (%)	46%
Beta vs FBM KLCI	1.0
3-month Avg Vol. (m)	221,837
Shariah Compliant	Yes
Bloomberg Ticker	HSS MK EQUITY

Top 3 Shareholders	%
Victech Solutions Sd	21.3%
Flamingo	15.2%
Teo Chok Boo	8.0%

FY Dec (RM m)	FY25A	FY26E	FY27E
Revenue	**220.7**	**217.1**	**253.9**
EBITDA	28.0	41.0	47.9
EBIT	23.7	30.9	35.2
PBT	19.8	29.0	33.4
Core Net Profit	**13.4**	**19.8**	**22.9**
Consensus Net Profit	-	24.4	31.6
Earnings Revision (%)	-	*19.4%*	*19.7%*
Core EPS (sen)	**2.64**	**3.91**	**4.51**
Core EPS Growth (%)	-46.6%	47.8%	15.5%
Net Div. Yield (%)	1.7%	2.5%	2.8%
BVPS (sen)	58.7	57.6	63.3
PER (x)	18.0	12.2	10.5
PBV (x)	0.8	0.8	0.8
Net Gearing (x)	0.2	N.Cash	N.Cash

Management still makes up 76% of the total order book (6MFY26: 80%). Billings will be recognised progressively over the next eight years, a robust 10.3x cover of our FY26E revenue. A larger tender book of approximately RM525m further supports order book replenishment.

Outlook. We expect FY26E–FY27E earnings to improve, underpinned by HSS's RM2.24bn unbilled order book and Budget 2027's RM133.2bn in development-related spending, which includes the Johor E-ART and a RM2.5bn National Non-Revenue Water programme. 4QFY26 should see continued momentum from (i) transport (E-ART, Pan Borneo Sabah Highway with its PMC extended to 2030, Tanjung Malim–Lumut Highway), (ii) water (Sungai Perai Water Treatment Plant, Skim Jamin Air Selangor, and new wins in the Northern Perak and Ulu Padas water supply schemes and the Jeniang Water Transfer Scheme) and (iii) port/data centre jobs (Westports 2 Expansion, Tuna Tekra container terminal, and new data centre appointments in Johor and Perak). Overseas, the Philippines (Davao Public Transport Modernisation Project) and Bangladesh (railway bridge design) offset the loss of Middle East contributions. Additional upside comes from the Group's solar PV projects (95.0MW Hilir Perak, with COD in June 2027; 29.99MW Kuala Muda, with COD in April 2027), a further ~100MW solar and battery storage (BESS) pipeline, and digital initiatives under HSS Propick Technologies.

Post-results. We raise our FY26E/FY27E earnings by 19.4%/19.7% to RM19.8m/RM22.9m, to reflect a lower OPEX margin assumption of 14% (from 16.5%) in line with the 9MFY26 results.

Valuation. We raise our target price to RM0.53 (from RM0.44), based on an unchanged 11.7x P/E applied to our FY27E EPS of 4.5 sen, benchmarked against the five-year historical average P/E of its closest peers. With valuations undemanding following the earnings upgrade, we upgrade our call recommendation from **HOLD to BUY**.

Investment Merits. We continue to favour HSS for: (i) its established position as one of Malaysia's largest engineering and project management consultancies, with an asset-light model that saw GP margin expand to 34% in 9MFY26 (9MFY25: 30%); (ii) solid earnings visibility from a record RM2.24bn unbilled order book as at 9MFY26, equivalent to 8.8x our FY27E revenue and billable over the next eight years; (iii) healthy replenishment prospects, supported by a larger RM525m tender book and Budget 2027's RM133.2bn in development-related spending; (iv) a strong foothold in water infrastructure, reinforced by new appointments for the Northern Perak, Jeniang Phase 2 and Ulu Padas water schemes, and two Indah Water Konsortium (IWK) sewerage contracts; and (v) longer-term optionality from digital initiatives under HSS Propick Technologies, including telecom tower digital twins (more than 2,000 towers digitised, with renewal and expansion into the Philippines underway) and AI-powered drone solutions for the palm oil sector.

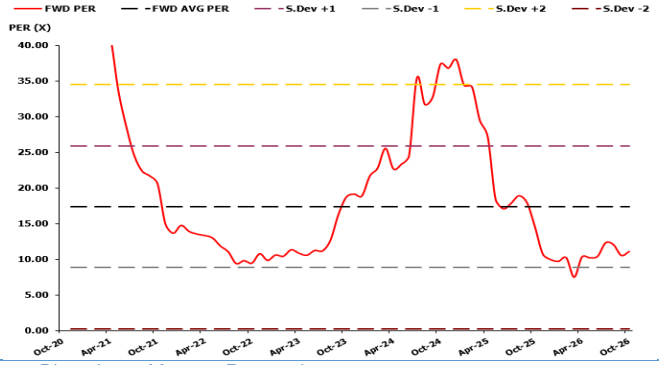
Risks to our recommendation include: (i) project delays or cancellations, (ii) talent retention challenges, (iii) high exposure to the domestic market, and (iv) changes in government policies.

Results Highlights

Y/E : December (RM m)	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	9M26	9M25	YoY Chg
Turnover	**56.90**	**54.94**	***3.6%***	**47.16**	***20.7%***	**157.86**	**156.41**	***0.9%***
Gross Profit	**20.86**	**18.79**	***11.1%***	**14.51**	***43.8%***	**54.36**	**46.65**	***16.5%***
OPEX	**-8.45**	**-7.25**	***16.6%***	**-10.94**	***-22.8%***	**-22.78**	**-27.80**	***-18.1%***
EBITDA	12.41	11.63	*6.8%*	3.70	*235.9%*	31.69	19.29	*64.3%*
EBIT	11.34	10.56	*7.4%*	2.62	*332.2%*	28.47	16.09	*76.9%*
PBT/(LBT)	**10.24**	**9.37**	***9.3%***	**1.66**	***517.6%***	**25.17**	**13.45**	***87.1%***
Taxation	-3.10	-2.60	*19.5%*	3.64	*-185.3%*	-7.75	-0.17	*4482.8%*
Net Profit	7.14	6.77	*5.4%*	5.30	*34.7%*	17.42	13.28	*31.2%*
PATAMI	**7.37**	**6.82**	***8.1%***	**5.34**	***38.0%***	**17.93**	**13.48**	***33.1%***
Core EPS (sen)	1.45	1.34	*8.1%*	1.05	*38.0%*	3.53	2.65	*33.1%*
DPS (sen)	0.00	0.00	-	0.00	-	0.00	0.00	-
Margins								
Gross Profit	36.7%	34.2%		30.8%		34.4%	29.8%	
Opex	-14.9%	-13.2%		-23.2%		-14.4%	-17.8%	
EBITDA	21.8%	21.2%		7.8%		20.1%	12.3%	
EBIT	19.9%	19.2%		5.6%		18.0%	10.3%	
PBT	18.0%	17.1%		3.5%		15.9%	8.6%	
PATAMI	13.0%	12.4%		11.3%		11.4%	8.6%	
ETR	-30.3%	-27.7%		219.5%		-30.8%	-1.3%	
Revenue Breakdown (RM'm)								
Engineering design	27.71	16.02	*73.0%*	7.65	*262.2%*	55.45	39.73	*39.6%*
Construction supervision	9.03	11.33	*-20.3%*	11.58	*-22.0%*	30.96	35.10	*-11.8%*
Project Management	17.43	24.56	*-29.0%*	24.05	*-27.5%*	63.26	70.72	*-10.5%*
Digital Services	0.83	0.77	*7.0%*	1.22	*-32.1%*	2.31	2.71	*-14.7%*
Reimbursable Income	1.91	2.26	*-15.5%*	2.67	*-28.3%*	5.88	8.16	*-28.0%*
Total	**56.90**	**54.94**	***3.6%***	**47.16**	***20.7%***	**157.86**	**156.41**	***0.9%***

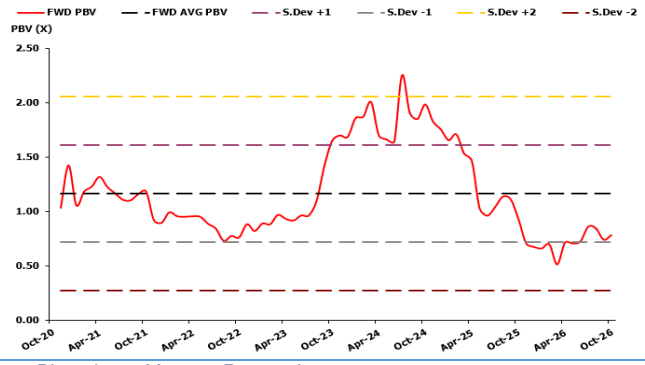
Source: Company, Bursa Malaysia, Mercury Securities

Figure 1: 5-Year P/E Band



Source: Bloomberg, Mercury Research

Figure 2: 5-Year P/B Band



Source: Bloomberg, Mercury Research

This section is left blanked intentionally

Disclaimer & Disclosure of Conflict of Interest

This report has been prepared by research analyst(s) of Mercury Securities pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report. This research report can also be found in the Bursa Marketplace or via the link: https://www.bursamarketplace.com/mkt/tools/research.

The information contained in this report is based on data obtained from data and sources believed to be reliable at the time of issue of this report. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the information or opinions in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to Mercury Securities Sdn Bhd. ("Mercury Securities") and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. Mercury Securities expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Accordingly, neither Mercury Securities nor any of its holding company, related companies, directors, employees, agents and/or associates nor person connected to it accept any liability whatsoever for any direct, indirect, or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Mercury Securities has no obligation to update its opinion or the information in this report.

This report does not have regard to the specific investment objectives, financial situation and particular needs of any specific person. Accordingly, investors are advised to make their own independent evaluation of the information contained in this report and seek advice from, amongst others, tax, accounting, financial planner, legal or other business professionals regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you. This report is not intended, and should not under no circumstances be considered as an offer to sell or a solicitation of any offer or a solicitation or expression of views to influence any one to buy or sell the securities referred to herein or any related financial instruments.

Mercury Securities and its holding company, related companies, directors, employees, agents, associates and/or person connected with it may, from time to time, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment, share margin facility or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests and should exercise their own judgement before making any investment decisions.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Mercury Securities. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted, or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Mercury Securities takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Mercury Securities own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Mercury Securities' website shall be at your own risk.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Recommendation Rating

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

BUY	Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield)
HOLD	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

Published & Printed By:

MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my