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Wong Kai Heng
(603) 7890 8899 (ext 2141)
kaiheng.wong@apexsecurities.com.my

HI Mobility Berhad

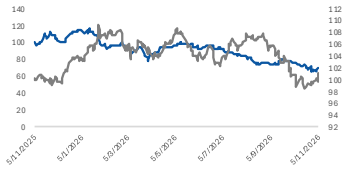
Exploring New Growth Opportunities Through China Collaboration

Recommendation:		BUY
Current Price:		RM 1.66
Previous Target Price:		RM 2.38
Target Price:	↔	RM 2.38
Capital Upside/ Downside:		43.4%
Dividend Yield (%):		4.4%
Total Upside/ Downside:		**47.7%**

Stock information	
Board	MAIN
Sector	Consumer products & services
Bursa / Bloomberg Code	5335 / HIMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	534.4
Market Cap (RM' m)	887.1
52-Week Price Range (RM)	2.8-1.55
Beta (x)	N/A
Free float (%)	37.7
3M Average Volume (m)	0.8
3M Average Value (RM' m)	1.4

Top 3 Shareholders	(%)
Yinson Legacy Sdn Bhd	59.3
Bumi Mampan Sdn Bhd	6.3
Lim Han Weng	3.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-7.8	-16.2	-30.5
Relative (%)	-7.9	-11.0	-31.3

Earnings Summary

FYE JAN (RM m)	FY26	FY27F	FY28F
Revenue	317.7	452.4	579.5
PATAMI	56.5	71.2	90.9
CNP	56.5	71.2	90.9
Core EPS (sen)	10.6	13.3	17.0
PE (x)	15.7	12.5	9.8

Source: Company, Apex Securities

- **HI Mobility signs an MOU with China's GSTIKC to explore potential collaboration in smart mobility technologies.**
- **Partnership provides access to Chinese transport technology enterprises across autonomous vehicles, AI, robotics and automation.**
- **Potential technology adoption could enhance operational efficiency across bus operations and commercial vehicle businesses.**
- **Collaboration opens up opportunities in autonomous mobility, cross-border transportation and regional technology development.**
- **Maintain BUY with RM2.38 TP; no earnings revision pending tangible commercial developments.**

MoU with China's GSTIKC. HI Mobility, through its wholly-owned subsidiary Handal Indah Sdn Bhd (HISB), entered into a Memorandum of Understanding (MoU) with Global Sustainable Transport Innovation and Knowledge Centre (GSTIKC), an institution directly affiliated with and administered by China's Ministry of Transport, to explore potential collaboration in the transportation technology sector. The MoU establishes a framework for cooperation in autonomous vehicles, artificial intelligence (AI), robotics, automation, new energy vehicles, low-altitude technologies, EV charging optimisation, mobility-as-a-service (MaaS) and rail maintenance, repair and overhaul (MRO). The MoU has an initial term of five years, with an automatic renewal for a further five years unless either party provides written notice of non-renewal at least three months before its expiry.

Our View. We view the MoU **positively** as it reinforces HI Mobility's ambition to evolve from a conventional bus operator into an integrated smart mobility solutions provider. The partnership provides the Group with access to Chinese transport technology enterprises through GSTIKC's network, representing a meaningful long-term strategic move. That said, the MoU is non-binding and does not constitute a commercial commitment to deploy any specific technology. Hence, we view this as a strategic development rather than a near-term earnings catalyst.

Outlook. The collaboration could translate into efficiency gains through automation at bus depots, workshops and vehicle inspection activities, with potential applications in autonomous and robotic solutions for first- and last-mile transportation. The inclusion of low-altitude technologies and cross-border passenger mobility also broadens the Group's potential areas of collaboration, with the latter complementing HI Mobility's existing Causeway Link operations. Meanwhile, Malaysia's positioning as an incubation and testing hub could strengthen the Group's role in the development and adoption of smart mobility standards, potentially facilitating further engagement with relevant authorities and industry stakeholders. Nevertheless, the pace of commercialisation will depend on the outcomes of pilot projects and subsequent definitive agreements, for which timelines have yet to be disclosed.

Earnings Revision. No change to our FY27F–FY29F CNP estimates at this juncture, as the MoU does not involve any immediate commercial commitments or provide details on potential revenue contribution.

Valuation. We maintain our **BUY** recommendation and **TP of RM2.38**, based on an unchanged 14x FY28F P/E applied to our FY28F core EPS of 17.0sen.

Risks. Key risks include delays in technology adoption, unsuccessful pilot projects, challenges in commercialising new technologies and higher-than-expected implementation costs.

Financial Highlights

Income Statement

FYE Jan (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Revenue	**279.8**	**317.7**	**452.4**	**579.5**	**714.6**
Gross Profit	**77.9**	**84.2**	**117.6**	**150.7**	**185.8**
EBITDA	**80.1**	**97.1**	**124.0**	**149.2**	**174.7**
Depreciation & Amortisation	-22.2	-28.2	-38.3	-39.3	-39.3
EBIT	**57.9**	**68.8**	**85.7**	**109.9**	**135.4**
Net Finance Income/ (Cost)	-7.5	-5.9	-3.0	-4.1	-1.9
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**50.5**	**62.9**	**82.8**	**105.7**	**133.5**
Tax	-6.7	-6.4	-11.6	-14.8	-18.7
Profit After Tax	**43.8**	**56.5**	**71.2**	**90.9**	**114.8**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**43.8**	**56.5**	**71.2**	**90.9**	**114.8**
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	**43.8**	**56.5**	**71.2**	**90.9**	**114.8**

Key Ratios

FYE Jan (RM m)	FY25	FY26	FY27F	FY28F	FY29F
EPS (sen)	8.2	10.6	13.3	17.0	21.5
P/E (x)	20.3	15.7	12.5	9.8	7.7
P/B (x)	11.2	5.3	4.6	4.0	3.4
EV/EBITDA (x)	9.5	9.1	6.3	5.6	5.1
DPS (sen)	0.0	4.8	5.7	7.2	9.1
Dividend Yield (%)	0.0%	2.9%	3.4%	4.4%	5.5%
EBITDA margin (%)	28.6%	30.6%	27.4%	25.7%	24.4%
EBIT margin (%)	20.7%	21.7%	19.0%	19.0%	19.0%
PBT margin (%)	18.0%	19.8%	18.3%	18.2%	18.7%
PAT margin (%)	15.6%	17.8%	15.7%	15.7%	16.1%
NP margin (%)	15.6%	17.8%	15.7%	15.7%	16.1%
CNP margin (%)	15.6%	17.8%	15.7%	15.7%	16.1%
ROE (%)	33.3%	20.4%	22.4%	24.6%	26.4%
ROA (%)	12.3%	11.1%	12.7%	14.6%	16.5%
Gearing (%)	128.9%	47.1%	41.0%	35.2%	29.9%
Net gearing (%)	93.1%	1.1%	32.0%	15.3%	Net Cash

Valuations	FY28F
Core EPS (sen)	17.0
P/E multiple (x)	14.0
Fair value (RM)	**2.38**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**2.38**

Source: Company, Apex Securities

Balance Sheet

FYE Jan (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Cash	47.1	127.0	28.4	73.4	135.4
Receivables	39.3	70.0	110.4	131.7	145.4
Inventories	1.3	3.6	3.2	2.8	2.3
Other current assets	0.0	0.0	99.7	99.7	99.7
Total Current Assets	**87.7**	**200.6**	**241.7**	**307.6**	**382.9**
Fixed Assets	254.0	294.4	302.5	302.0	299.0
Intangibles	6.7	6.0	6.0	6.0	6.0
Other non-current assets	7.2	8.4	8.4	8.4	8.4
Total Non-Current Assets	**267.9**	**308.8**	**316.9**	**316.3**	**313.4**
Short-term debt	22.6	34.5	34.5	34.5	34.5
Payables	32.1	43.0	51.3	64.3	70.6
Other current liabilities	17.9	18.4	18.4	18.4	18.4
Total Current Liabilities	**72.6**	**95.9**	**104.2**	**117.2**	**123.5**
Long-term debt	146.9	95.6	95.6	95.6	95.6
Other non-current liabilities	4.6	41.6	41.6	41.6	41.6
Total Non-Current Liabilities	**151.5**	**137.1**	**137.1**	**137.1**	**137.1**
Shareholder's equity	131.5	276.3	317.3	369.6	435.6
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**131.5**	**276.3**	**317.3**	**369.6**	**435.6**

Cash Flow

FYE Jan (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Pre-tax profit	**50.5**	**62.9**	**82.8**	**105.7**	**133.5**
Depreciation & amortisation	-22.2	28.2	38.3	39.3	39.3
Changes in working capital	34.2	-28.4	-31.7	-7.8	-7.1
Others	4.8	-5.0	-14.6	-18.9	-20.6
Operating cash flow	**67.3**	**57.7**	**74.8**	**118.3**	**145.1**
Capex	-70.5	-35.4	-46.4	-38.8	-36.3
Others	0.9	4.3	6.5	6.8	6.8
Investing cash flow	**-69.6**	**-31.1**	**-39.9**	**-32.0**	**-29.5**
Dividends paid	0.0	-24.0	-30.3	-38.6	-48.8
Others	24.7	78.5	-3.5	-2.6	-4.8
Financing cash flow	**24.7**	**54.5**	**-33.8**	**-41.3**	**-53.6**
Net cash flow	**22.4**	**81.1**	**1.1**	**45.0**	**61.9**
Forex	-1.6	-1.2	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	25.8	46.6	27.3	28.4	73.4
Ending cash	**46.6**	**126.5**	**28.4**	**73.4**	**135.4**

KDN PP13226/06/2024 (035469)

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Expanding its electric bus fleet and targets a 20% reduction in carbon emissions per passenger-kilometre by 2026.
Waste & Effluent	★★★	Complies with scheduled waste regulations and repurposes used EV batteries for Battery Energy Storage Systems (BESS).
Energy	★★★	Solarises its headquarters and is investing in EV charging infrastructure.
Water	★★	No specific water management initiatives or disclosure provided.
Compliance	★★★	Certified under ISO 14001:2015 for environmental management.

Social

Diversity	★★★	Targets greater female and underrepresented management representation, with 50% female Board members.
Human Rights	★★★	Merit-based hiring with equal opportunities and compliant foreign worker practices.
Occupational Safety and Health	★★★	ISO 45001:2018 certified, supported by battery safety training and AI-powered driver monitoring.
Labour Practices	★★★	Provides employee benefits, training, and maintains a high local employment rate with no major labour disputes.

Governance

CSR Strategy	★★★	Supports community programmes and targets higher annual community investment.
Management	★★★	ESG overseen by the Board with independent directors and comprehensive governance policies.
Stakeholders	★★★	Maintains stakeholder engagement through transparent communication and regular feedback.

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.