HI Mobility Berhad (HI)

HI To A Greener Future And Greater Reach

- **HI Mobility Berhad is a Malaysia-based bus transportation provider specializing in (i) scheduled bus services, including cross-border, intracity, and intercity routes, (ii) chartered bus services for corporate, tourism, and community transportation, and (iii) ancillary services such as repair and maintenance and advertising space rental. The group serves key markets across Peninsular Malaysia and Singapore, with revenue generated from ticket sales, government contracts, charter agreements, and advertising rentals.**
- **We project 3-year earnings CAGR of 17.7%, with projected core PAT to reach RM42.6m-RM54.1m over FY25f-27f. This growth is underpinned by (i) the enhanced Johor-Singapore cross-border activities following JSSEZ's initiatives, (ii) continuous expansion in intracity services through government contracts, and also (iii) the group's plan for geographical expansion across other states.**
- **We assign a fair value of RM1.57 per share for HI, indicating an 28.7% upside from the IPO price of RM1.22. This valuation is based on a PE multiple of 15.0x pegged to mid-FY27f EPS of 10.49 sen.**

Investment highlights

Bus fleet expansion and electrification. The group will allocate RM70.0m (60.4% of IPO proceeds) to expand and modernize its bus fleet by incorporating more electric buses alongside internal combustion engine buses to support business growth and replace ageing vehicles. Approximately 40% of the new fleet will consist of electric buses, while 60% will be ICE buses, subject to contract requirements. Electric buses offer lower maintenance costs due to fewer mechanical components and higher uptime. Bus procurement will be carried out in phases based on secured contracts.

Expanding current digital infrastructure. The group will allocate RM5.0m (4.4% of IPO proceeds) in enhancing its digital capabilities by upgrading systems at its Johor headquarters and across its bus network. Key initiatives include integrating a "tap-and-go" contactless ticketing system and upgrading its Operations Control Centre (OCC) with a data integration platform for real-time fleet monitoring and analytics. Also, the group plans to leverage artificial intelligence to optimize fleet management, improving operational efficiency and passenger experience.

Enhancing depot facilities for EV transition. The group will allocate RM15.0m (12.9% of IPO proceeds) for the expansion of the EV charging infrastructure to strengthen its infrastructure to support the expansion of its electric bus fleet by upgrading depot facilities. Plans include installing additional DC charging stations to accommodate growing EV adoption, complementing the existing 20 charging stations with 40 DC charging points at its Johor Bahru depot.

Strengthening market share through route expansion. The group aims to broaden its geographical footprint by securing new bus routes within its existing operational areas and expanding into other states. The rollout of additional routes will be contingent on successfully securing contracts through tenders, with funding sourced from IPO proceeds allocated for working capital (RM17.9m) and/or internally generated funds.

Sustainable order book visibility. The group is supported by long-term contracts with government bodies and corporations for intracity and chartered bus services. As of the LPD, the group has six active contracts for intracity bus services across Johor, Melaka, and Klang Valley, alongside 12 agreements for chartered bus services. With an unbilled order book of RM174.6m, the group has secured revenue streams that will

IPO Note – Not rated

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Non-Rated

Share price	**RM1.22**
Target price	**RM1.57**
Previous TP	**-**
Capital upside	28.7%
Dividend return	-
Total return	28.7%

Company profile

Started since 1994, HI Mobility Berhad primarily specializes in providing bus transportation services, including (i) scheduled bus service, (ii) chartered bus service and (iii) ancillary services like bus advertising space and repair and maintenance.

Stock information

Bursa Code	5335
Bloomberg ticker	HI MK
Listing market	MAIN
Share issued (m)	500.0
Market Cap (m)	610.0
Shariah compliant	YES
MITI allocation	YES

Major shareholders	**%**
Lim Han Weng	53.8
Bumi Mampan	13.8
Bah Kim Lian	6.5

Earnings snapshot

FYE (Jan)	FY24	FY25f	FY26f
PATMI (m)	33.2	42.6	50.8
EPS (sen)	6.6	8.5	10.2
P/E (x)	18.4	14.3	12.0

Timetable of IPO

Opening of application	7 March
Closing of application	19 March
Balloting of application	21 March
Allotment of the IPO shares	27 March
Listing on the MAIN market	28 March

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sustain operations in the near term. Approximately 43.7% (RM76.3m) of the order book is expected to be recognized in FY26, followed by 32.5% (RM56.7m) in FY27, providing a stable platform for future growth.

Decent market share. According to the IMR report, while the group holds a 3% share of Malaysia's total passenger transport by road, it commands a significant 24% market share in Johor. Additionally, the group maintains a 24% market share in the country's intracity and intercity bus services, reinforcing its strong presence in the public transportation sector.

Fig #1 HI Mobility's market share

		HI Mobility Group	
Household Expenditure – 2023 (RM million)	Industry Size [a]	Revenue Size [b]	Market Share [c]
^Passenger Transport by Road - Malaysia	2,760 [1]	93 [2]	3%
^Passenger Transport by Road - Johor	376 [3]	89 [4]	24%
Intracity and Intercity Bus Services – Malaysia*	284 [5]	68 [6]	24%
Active Vehicle Permits for Bus – 2023	Industry Size [d]	Fleet Size [b]	Market Share (%) [e]
Malaysia	48,101 [7]	459 [8]	1%

Source: HI Mobility Berhad

Benefiting from the Johor-Singapore Special Economic Zone. The establishment of the Johor-Singapore Special Economic Zone (JS-SEZ) is expected to enhance cross-border connectivity and economic activity between Johor and Singapore. As a key provider of cross-border bus services, the group is well-positioned to benefit from the anticipated increase in commuter and tourist traffic. Enhanced economic cooperation and infrastructure developments under the JS-SEZ initiative are expected to increase demand for efficient and reliable public transportation.

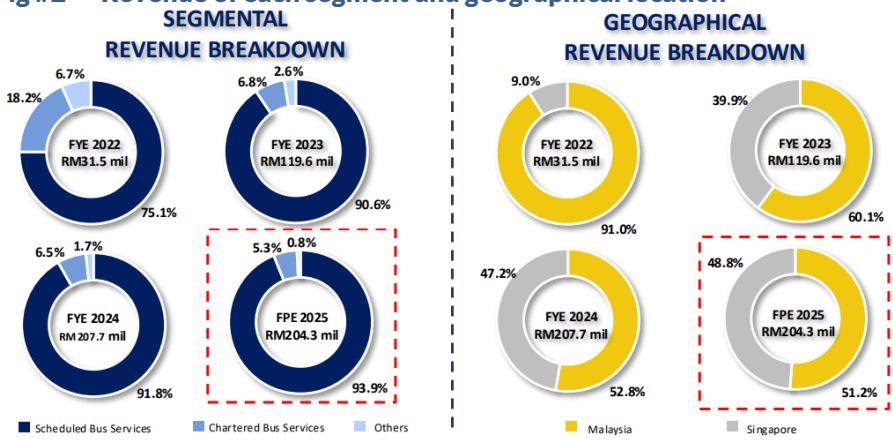
RTS Link to complement HI's operations. The RTS Link, set to begin operations in early 2027, offers a fixed point-to-point connection, while buses provide multi-point, first- and last-mile connectivity. Hence, the RTS Link is expected to complement the group's cross-border operations. Additionally, reduced congestion at the Johor-Singapore Causeway will enhance bus efficiency and cost-effectiveness.

Positioned for growth in Klang Valley through Rapid Bus. Rapid Bus Sdn Bhd (Prasarana) plans to outsource 164 buses in Klang Valley by 2025 and is looking to engage third-party operators to support its expanding network. Moreover, the recent launch of seven new On-Demand service routes by Rapid Bus presents significant growth opportunities for HI to win additional Rapid Bus contracts, as it had secured its first intracity Rapid Bus contract less than a year ago.

Company background

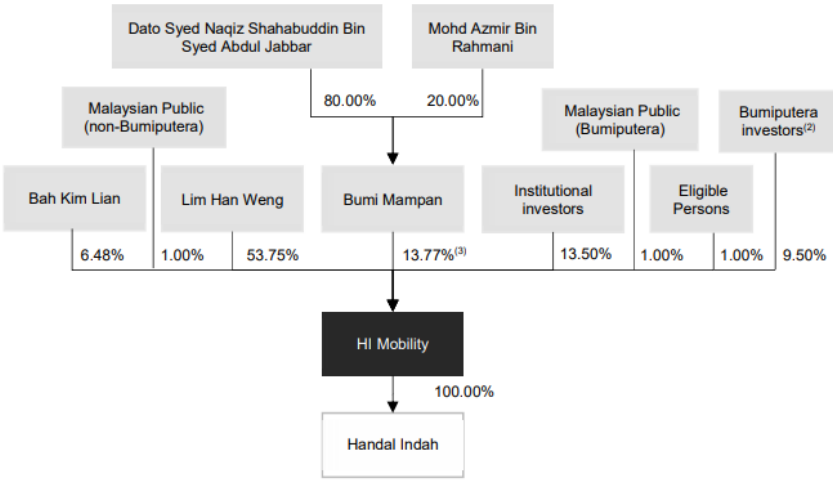
Started since 1994, HI Mobility Berhad is a Malaysia-based bus transportation provider specializing in scheduled and chartered bus services, as well as ancillary revenue streams such as repair and maintenance services and advertising space rental. Operating through its sole subsidiary, Handal Indah, the group serves key markets across Peninsular Malaysia and Singapore. Its scheduled bus services include (i) cross-border routes between Johor Bahru and Singapore, (ii) intracity routes across Johor, Melaka, and the Klang Valley, and (iii) intercity routes connecting major cities. The group also provides chartered bus services tailored for corporate clients, tourism, and community transportation. Revenue is generated through ticket sales, government contracts, charter agreements, and advertising rentals, with transactions processed via cashless payment options, including ManjaLink, credit, and bank cards.

Fig #2 Revenue of each segment and geographical location



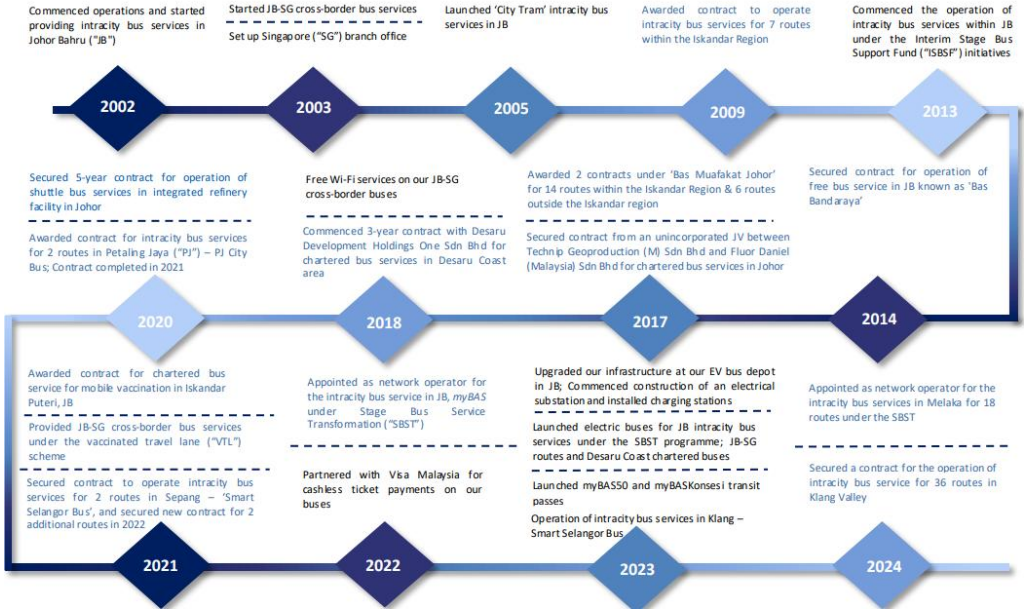
Source: HI Mobility Berhad

Fig #3 Post-IPO shareholding structure



Source: HI Mobility Berhad

Fig #4 Corporate milestones



Source: HI Mobility Berhad

Fig #5 Utilisation of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Bus fleet expansion and electrification	70.0	60.4	Within 24 months
Expansion of EV charging infrastructure	15.0	12.9	Within 24 months
Technological enhancement	5.0	4.4	Within 24 months
Working capital	17.9	15.4	Within 24 months
Defraying fees and estimated listing expenses	8.0	6.9	Within 6 months
Total	115.9	100.0	

Source: HI Mobility Berhad

Business overview

Scheduled bus services (91.8% of FYE24)

(i) **Cross-border services** facilitate daily travel between Johor Bahru and Singapore under the "Causeway Link" brand. As of the LPD, the operations are supported by a fleet of 150 buses servicing 7 routes via the Johor-Singapore Causeway and Tuas Second Link. Additionally, there are also 5 buses serving 2 routes connecting Kuala Lumpur and Melaka to Singapore.

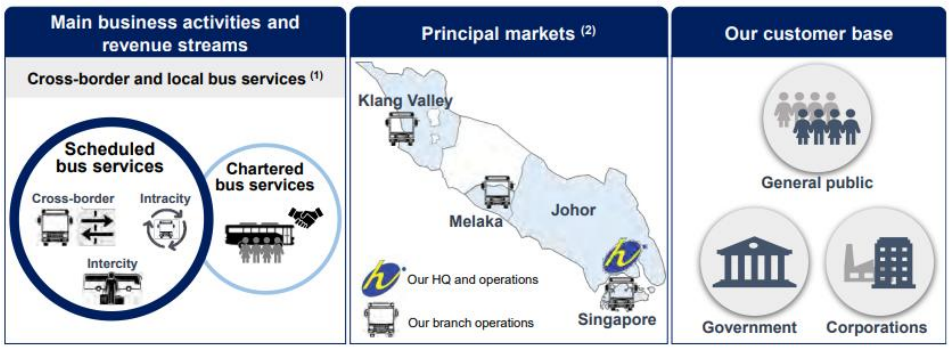
(ii) **Intracity services** operate within cities, towns, and suburban areas for short-distance travel with frequent stops. As of the LPD, a fleet of 400 buses serves approximately 108 routes across Johor, Melaka, and Klang Valley. A majority of intracity services are contracted services with government bodies, generating revenue through fixed-fee contracts.

(iii) **Intercity services** cater to long-distance travel between cities, towns, and states. These services operate on fixed schedules with minimal stops, primarily at bus terminals. As of the LPD, 11 buses servicing 8 intercity routes across Malaysia.

Chartered bus services (6.5% of FYE24). Chartered bus services are designed for corporations and specialized transportation needs, such as (i) corporate transportation for daily staff commutes, (ii) tourism services like airport transfers and sightseeing, and also (iii) community shuttle services for localized mobility. (iv) Additionally, third-party and related bus transportation operators also charter HI Mobility's buses for their own operational needs. Providing chartered bus services through both long-term contracts (12 contracts as of LPD) and on an ad-hoc basis, the services are supported by a fleet of 109 buses, with 8 buses on standby.

Other services (1.7% of FYE24). Other services include provision of repair and maintenance services and rental of advertising space. (i) The group previously provided maintenance services to third-party and related party customers upon request but has ceased servicing related party customers as of the LPD. (ii) The group also generates income from the rental of advertising space on selected buses, including exterior advertisements like panel posters and full bus wraps, and interior placements like cover seatbacks, glass panels, bus handles, and digital displays.

Fig #6 Principal business activities and services provided



Source: HI Mobility Berhad

Financials

Revenue highlights. The group reported a revenue growth of RM88.1m (73.6% YoY), rising from RM119.6m in FY23 to RM207.7m in FY24, driven by all business segments. Scheduled bus services saw the largest gain, increasing from RM108.4m in FY23 to RM190.7m in FY24, supported by (i) higher ridership for JB-Singapore cross-border services, (ii) increased revenue from myBas services under the SBST programme in Johor Bahru and surrounding areas, and (iii) stronger demand for intercity bus services, particularly between Johor and the Klang Valley, as well as JB Sentral and Senai Airport. Chartered bus services grew by RM5.4m (66.4% YoY), driven by two newly secured contracts in Singapore and increased revenue from chartered services in Malaysia. Other services rose by RM0.4m (13.1% YoY), mainly due to higher revenue from repair and maintenance services.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 17.7%, with core PATMI expected to reach RM42.6m, RM50.8m, and RM54.1m over the next three years, largely supported by (i) the enhanced Johor-Singapore cross-border activities following JSSEZ's initiatives, (ii) continuous expansion in intracity services through government contracts, and also (iii) the group's plan for geographical expansion across other states.

Fig #7 Financial Highlights

FYE Jan (RM m)	FY22	FY23	FY24	FY25f	FY26f	FY27f
Revenue	31.5	119.6	207.7	269.6	318.6	341.4
EBITDA	(21.4)	36.6	65.8	82.5	99.5	107.6
EBIT	(33.2)	25.2	49.9	61.9	73.9	78.9
PBT	(34.8)	22.3	45.1	56.1	66.9	71.2
PAT	(32.0)	19.5	33.2	42.6	50.8	54.1
PATMI – Core	(32.0)	19.5	33.2	42.6	50.8	54.1
% change YoY – Core PATMI	-9%	-161%	91%	28%	19%	7%
Core EPS (sen)	(6.4)	3.9	6.6	8.5	10.2	10.8
P/E (x)	(19.0)	31.3	18.4	14.3	12.0	11.3
DPS (sen)	-	1.0	3.2	-	-	-
Yield (%)	0%	1%	3%	0%	0%	0%
BVPS (RM/share)	0.1	0.1	0.1	0.5	0.6	0.7
P/B (x)	16.5	10.7	8.6	2.5	2.1	1.7
ROE (%)	-59%	42%	52%	27%	19%	17%
Net Gearing (%)	0.6	0.7	0.6	CASH	CASH	CASH

M+ Research

Valuations

We assign a fair value of RM1.57 per share for HI Mobility Berhad, representing an 28.7% upside from the IPO price of RM1.22. This valuation is based on a P/E ratio of 15.0x, pegged to mid-FY27f EPS of 10.49 sen. Despite the 12-months average forward P/E and historical average P/E for its peers stood at 10.3-11.6x, we believe that the ascribed P/E is fair as HI Mobility operates predominantly in Johor, securing government contracts like SBST and 'Bas Muafakat Johor' for intracity services while also maintaining a strong presence in Johor-Singapore cross-border transportation. This strategic positioning provides the group with an added advantage, particularly with the anticipated boost from the JSSEZ initiative.

Meanwhile, its recent commencement of the BAS.MY services in Melaka in May 2024 and contract win with Rapid KL in June 2024 marks a key milestone in expanding into the Klang Valley, which we believe will unlock further growth opportunities in the near future. It is also important to note that HI Mobility's peers have a negative average ROE and NP margin, unlike the group, which is demonstrating a double-digit ROE and NP margin.

Fig #8 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
HI Mobility Berhad	**Main**	**Jan**	**1.22**	**610.0**	***18.4**	****12.0**	***52.0**	***16.0**
Perak Transit Bhd	MAIN	Dec	0.75	833.6	11.6	10.3	10.1	38.0
G Capital Bhd	MAIN	Dec	0.27	86.9	N/A	N/A	(15.0)	(71.2)
Ho Wah Genting BHD	MAIN	Dec	0.23	46.2	N/A	N/A	(2.6)	(0.7)
Avg ex-HI Mobility Berhad				**322.3**	**11.6**	**10.3**	**(2.5)**	**(11.3)**

*Source: M+ Research (*FY24, **FY26f)*

Investment risks

Dependence on omnibus licences and LTA approvals. The group relies on omnibus licences and approvals from Singapore's Land Transport Authority (LTA) to operate its JB-SG cross-border bus services. These approvals, which cover route details, stopping places, operating hours, and bus registrations, are essential for business continuity. As at the LPD, the group operates 150 buses under the required licences, which are valid for approximately one year and subject to renewal.

Dependence on government contracts. The group relies on government contracts from APAD, PAJ, and Rapid Bus Sdn Bhd to provide intracity bus services in Johor, Malacca and Klang Valley. APAD, a key customer, contributed up to 20.8% of the group's total revenue in FYE24. Any contract reduction, termination, or failure to secure renewals could impact financial performance, while penalties for not meeting service criteria may further affect profitability.

Competition from RTS Link. The upcoming RTS Link, scheduled to begin operations by 2026 or early 2027, may reduce demand for JB-SG cross-border bus services as passengers opt for a faster rail alternative. While the group's buses offer multipoint-to-multipoint connectivity across Johor and Singapore, the RTS Link's high capacity and direct route could impact ridership, affecting business performance and revenue.

Dependence on bus drivers and skilled technicians. The group relies on 1,123 drivers and 138 technicians for daily operations. Labour shortages may arise due to high licensing costs, job challenges, and competition from Singapore. Difficulty in hiring or retaining staff could disrupt operations, lead to penalties, and impact financial performance.

Exposure to rising fuel and electricity costs. The group operates 683 buses, relying on subsidized diesel under SKDS 1.0 and electricity for its EV fleet. Fuel costs remain a major expense, and any subsidy reduction or electricity price hike may impact financial performance if costs cannot be passed on to customers.

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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