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Recommendation:	**BUY**
Current Price:	RM 0.33
Previous Target Price:	N/A
Target Price:	RM 0.55
Capital Upside/Downside:	66.7%
Dividend Yield (%):	3.5%
Total Upside/Downside:	**70.2%**

Company Brief

Principally engaged in the provision of water piping infrastructure services.

Stock information	
Board	ACE
Sector	Construction
Bursa / Bloomberg Code	0390/ISF MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,000.0
Market Cap (RM' m)	330.0
Free float (%)	27.4

Top 3 Shareholders	(%)
Ai Boon Chen	53.8
Ai Sew Fuat	13.4
Lim Ay Yum	5.3

IPO Timetable	Date
Opening of IPO application	8/1/2026
Closing of IPO application	14/1/2026
Ballotting of IPO applicatio	20/1/2026
Allotment of IPO shares	27/1/2026
Listing of IPO on Bursa Mal	28/1/2026

ISF Group Berhad

The Premier Partner in Water Systems

Executive Summary

- **ISF Group is an integrated solutions provider specializing in the supply and installation of both internal and external water piping infrastructure.**
- **We project a net profit CAGR of 55.0% between FY24 to FY27F, underpinned by our assumption of annual orderbook replenishment of RM150m in FY26F and FY27F, with 60% derived from higher-margin segments such as data centres and industrial properties.**
- **Growth will be supported by the expanding data centre segment, which accounts for 13.9% of the current orderbook and 47.5% of FPE 2025 revenue, underscoring its increasing contribution to the Group's earnings profile.**
- **We initiate coverage on ISF with a BUY call and a TP of RM0.55, derived from 18.7x P/E applied to FY26F EPS of 2.9 sen.**

Key Investment Highlights

Margin Resilience. ISF Group has delivered strong margin resilience, with gross profit margins expanding from 27.3% in FY22 to 41.6% in 3Q2025, driven by a strategic shift towards higher-margin projects and supported by operational efficiencies. While lump sum contracts allow the Group to benefit from lower raw material prices, newly awarded contracts are expected to reflect prevailing HDPE costs and deliver more normalised margins. Overall gross profit margins are nonetheless expected to remain above 40%.

Structural Upside from Data Centre Construction Cycle. ISF Group is well-positioned to benefit from Malaysia's accelerating data centre construction cycle, where its strong execution track record enhances its contract win potential. Data centre projects offer structurally superior economics, with historically higher margins due to greater technical intensity and stricter standards.

Strong Orderbook and Tender Pipeline. With an unbilled order book of RM120.7m and a 1.2x book-to-bill ratio against FY25F revenue, ISF Group maintains high revenue visibility and a solid foundation for future earnings growth. Beyond existing orderbook, a RM460m tender pipeline which largely skewed towards data centre and industrial projects, is expected to lift its margin profile and boost order book replenishment.

Robust Earnings Trajectory. We project ISF's FY25/26/27F core earnings to grow by 160.9%15.9%/23.1%, underpinned by progress billings from its outstanding orderbook and our assumed annual order book replenishment of RM150m in FY26F and FY27F. Earnings growth is expected to be driven primarily by the execution and completion of higher-margin projects within the data centre and industrial property segments, where revenue is typically recognised over shorter contract cycles of approximately 12 to 18 months.

Valuation & Recommendation. We initiate coverage on ISF with a **BUY** recommendation and a target price of **RM0.55**. It is based on a target P/E multiple of 18.7x applied to FY26F core earnings per share of 2.9 sen representing a c.30% premium to the broader Malaysian construction sector's average P/E of 14.5x. We believe this is justified by ISF's: (i) above-average industry margins, (ii) strong exposure to structurally high-growth segments and (iii) healthy balance sheet.

Company Background

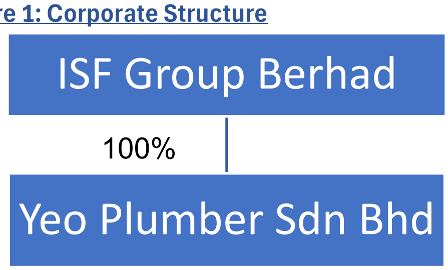
ISF Group Berhad's journey began with the incorporation of its wholly-owned operating subsidiary, Yeo Plumber Sdn Bhd, in 2000. Initially focused on the trading of plumbing materials, the business established its operational base in Johor and built foundational industry knowledge and relationships. A strategic turning point came in 2012 with the entry of the Group's Managing Director, Ai Boon Chen, who spearheaded the transformation of the business from a trading-oriented operation into a project-driven specialist in piping and water infrastructure works.

The Group's transition into full-fledged supply and installation of piping systems materialised in 2015 with the successful execution of its first end-user premises projects, including hypermarkets in Johor and Pahang and a hospitality-sector project for a hotel in Johor. In parallel, the Group strengthened its regulatory standing through CIDB registration, beginning with G3 and subsequently upgrading to G5 in 2016. These capability enhancements enabled the Group to move up the value chain and secure more complex assignments, including its first data centre project involving cold water, sanitary piping and rainwater harvesting systems, as well as oil and gas-related accommodation works supporting the Pengerang Integrated Petroleum Complex.

In 2017, the Group achieved a major inflection point with the upgrade to CIDB G7, eliminating contract value limitations and positioning it to compete for large-scale and mission-critical projects. This milestone coincided with further portfolio diversification, including its first education-sector project, and the acquisition of a strategically located parcel of land in Pontian, Johor for the development of a future head office and storage facility. By 2018, the Group had expanded its operational footprint beyond Johor into Melaka and Negeri Sembilan, reinforcing its ability to deliver projects across multiple states and facility types.

Since then, ISF Group has built a strong execution track record, completing multiple large-scale piping system projects with individual contract values exceeding RM2m. Its completed portfolio spans office towers, industrial manufacturing facilities and data centre developments across Peninsular Malaysia, underscoring its ability to deliver end-to-end supply, installation, testing and commissioning works under stringent technical, operational and regulatory requirements. Backed by CIDB G7 status, growing exposure to industrial and mission-critical facilities and a proven ability to scale alongside customer needs, the Group is well-positioned to leverage its IPO to accelerate growth and strengthen its standing as a specialised piping and water infrastructure contractor in Malaysia.

Figure 1: Corporate Structure



Source: ISF Group Prospectus, Apex Securities

Figure 2: Notable Completed Projects

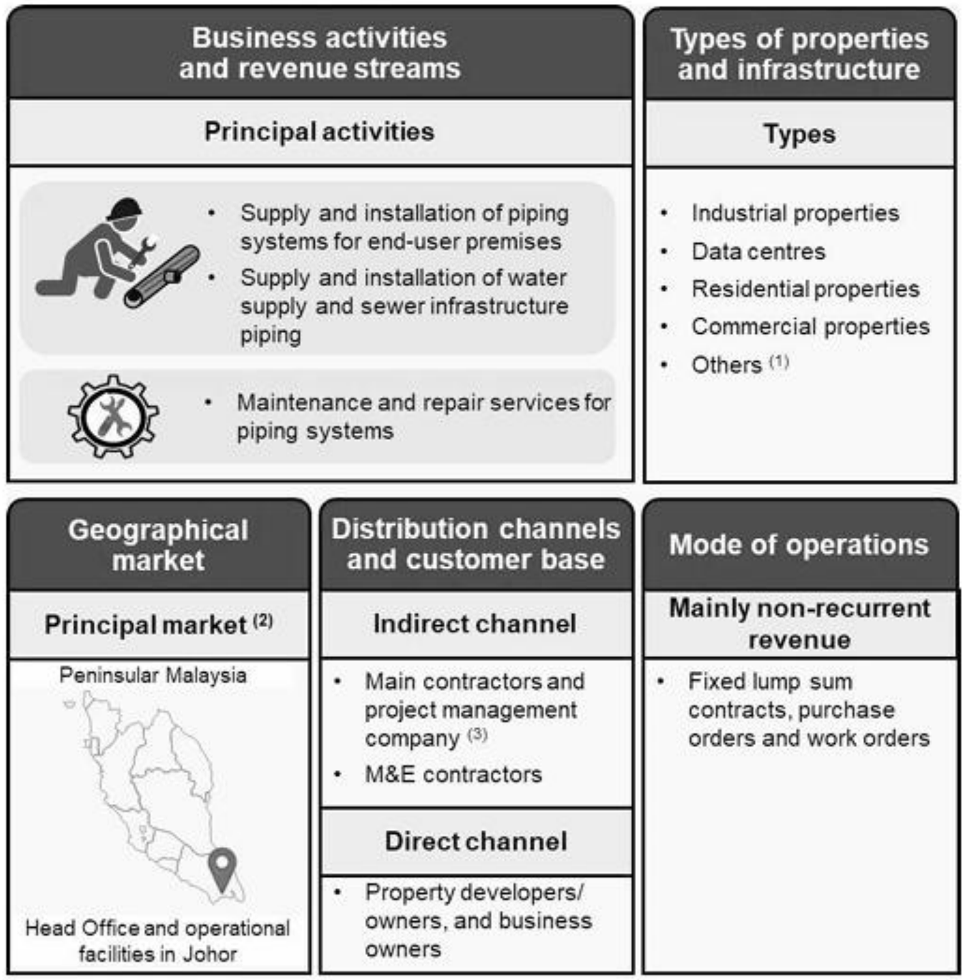
No.	Project Details	Location	Customer	COD	Contract Value, m
1	Johor Data Centre 1 Water Supply Project	Iskandar Puteri, Johor	Customer C	Jan 24 - Dec 25	30.8
2	Johor Data Centre 1 Project	Iskandar Puteri, Johor	Customer C	Feb 20 - Jan 25	9.8
3	Johor Serviced Apartment 1 Project	Plentong, Johor	Customer B	Nov 21 - Apr 25	8.8
4	Melaka Electronics Manufacturing Facility Project	Bukit Katil, Melaka	Customer J	Nov 23 - Mar 25	7.6
5	Industrial Dairy Factory Project	Labu, Negeri Sembilan	Seremban Engineering Berhad	Jun 22 - Oct 24	5.9

Source: ISF Group Prospectus, Apex Securities

Business Overview

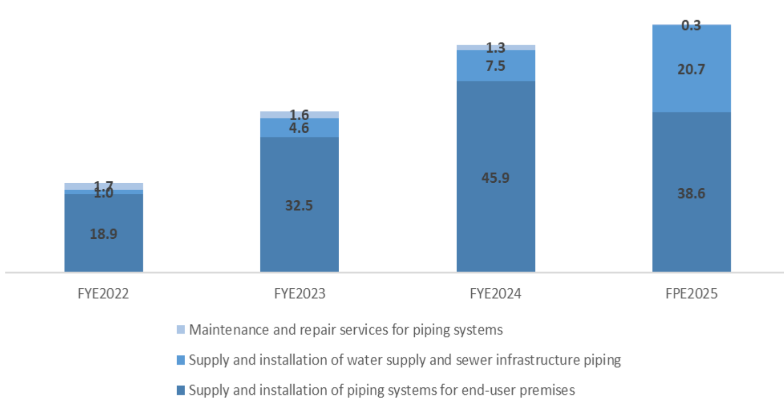
Business Model. The Group provides a comprehensive suite of services through its subsidiary, spanning: (i) **supply and installation of piping systems for end-user premises**, (ii) **supply and installation of water supply and sewer infrastructure piping** and (iii) **maintenance and repair services for piping systems**.

Figure 3: Business Overview



Source: ISF Group prospectus

Figure 4: Revenue Segmentation by Business Activities



Source: ISF Group prospectus, Apex Securities

Piping Systems for End-User Premises (64.8% of FPE25 Revenue)

Key Revenue Contributor. The segment serves as the primary revenue engine for ISF Group, accounting for RM38.6m or 64.8% of total revenue in FPE 2025 (31 July 2025). This business activity focuses on the comprehensive design, supply and installation of piping networks within property boundaries. These systems are essential for the habitability and operational efficiency of the built environment, facilitating the distribution of potable water and the effective removal of rainwater, sewage, and wastewater. Beyond internal networks, the Group also manages the external piping required to connect premises to municipal water mains and sewer systems.

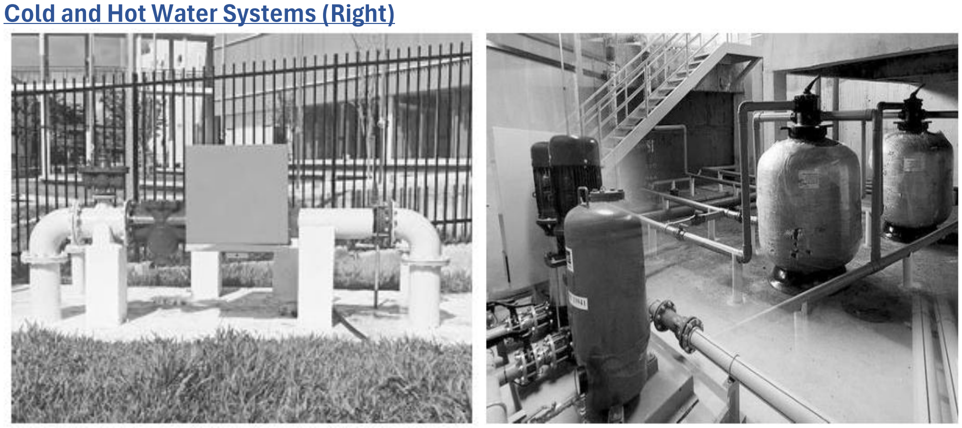
Specialized Solution Provider. In addition to standard water and sanitary systems, the Group provides specialized solutions for industrial and data centre projects. This expanded scope often includes the installation of on-site sewage or wastewater treatment plants, oil separators, and rainwater harvesting systems designed to meet specific environmental and operational standards. While the majority of projects are executed based on specifications provided by customers or external consultants, the Group maintains the technical capability to provide design services for a selective portion of its piping projects.

Wide Industry Coverage. The Group has established a robust track record across diverse sectors, including industrial facilities, data centres, residential complexes, and commercial developments. Its service offerings are versatile, ranging from the installation of new infrastructure to the retrofitting and upgrading of existing systems. ISF manages an end-to-end operational process that begins with competitive procurement through tenders and concludes with rigorous testing and commissioning. This final phase is critical to ensuring all networks are leak-free and fully compliant with technical designs before the formal handover to the client.

Mitigating Working Capital Constraints. The Group is required to furnish performance bonds upon the award of new contracts, typically amounting to 5% to 10% of total project value and remaining in place throughout the defect liability period of up to three years. These bonding requirements restrict a portion of the Group's liquid resources and underscore the importance of disciplined working capital management, particularly when multiple large-scale projects are undertaken concurrently.

To support these requirements and fund ongoing expansion, ISF Group has earmarked RM39.9m, or approximately 65.2% of its IPO proceeds, for working capital purposes. The funds will be deployed to support active high-value projects, including a Kuala Lumpur data centre and major shopping and residential developments in Johor. This allocation enhances liquidity to meet upfront project costs and bonding obligations, enabling the Group to scale operations and pursue larger, more complex projects without undue pressure on internal cash flows.

Figure 5: Construction and Installation of Piping Systems Featuring Metering Point (left) and Cold and Hot Water Systems (Right)



Source: ISF Group prospectus

Figure 6: Value-added Components Featuring Oil Separator (left) and Rainwater Harvesting System (Right)

Source: ISF Group prospectus

Figure 7: Notable Ongoing Projects Under This Segment

No.	Project Details	Property Type	COD	Outstanding Orderbook, m
1	Johor Serviced Apartment 5 Project	Residential	Jul 24 - Oct 27	15.4
2	Kuala Lumpur Data Centre Project	Data Centre	Sept 25 - Nov 26	9.5
3	Johor Serviced Apartment 6 Project	Residential	Apr 25 - Apr 28	9.0
4	Johor Shopping Centre Project	Commercial	Sept 25 - Oct 27	8.4
5	Penang Factory Project	Industrial	Mar 22 - Mar 26	7.6

Source: ISF Group prospectus, Apex Securities

Water Supply and Sewer Infrastructure Piping (34.7% of FPE25 Revenue)

Integrated Service Provider. This segment represents a vital strategic pillar for ISF Group, contributing RM20.7m or 34.7% of total revenue in FPE 2025. While the end-user premises segment focuses on internal networks, this division operates outside property boundaries. The Group acts as a specialized contractor for the installation of water mains and sewer infrastructure, ensuring the seamless connection between municipal utility networks and client sites.

The Group’s technical expertise includes the supply and installation of large-scale water mains and the rerouting of existing piping networks to accommodate new developments. In the context of sewer infrastructure, the Group focuses on the network designed to transport sewage to treatment facilities. By maintaining a clear focus on the transport network rather than the treatment plants themselves, the Group remains a highly specialized player in the mid-stream utility infrastructure space.

A significant competitive advantage for the Group is its ability to provide turnkey services for high-growth sectors such as data centres. Through its established relationship and coordination with regional water authorities like Johor Special Water, ISF Group acts as a one-stop service provider. This capability allows the Group to manage the entire water-related lifecycle for a project, from external infrastructure connection to internal distribution. This integrated approach reduces coordination risks for main contractors and enhances the Group's value proposition as a preferred partner for large-scale utility projects.

Strategic Business Expansion. To drive long-term competitiveness, ISF Group has earmarked RM15.4m for the expansion of its physical and organizational infrastructure. A key component of this strategy is the RM2.1m investment in new heavy machinery, which will expand the Group’s current fleet of equipment. This move is expected to streamline project execution and reduce the costs associated with subcontracting and equipment leasing.

The Group is also modernizing its technical capabilities by investing RM1.9m in skilled professionals, specifically in BIM and quantity surveying. This internalizes critical design and costing functions, allowing for greater precision in project management. Supporting this growth is an RM11.4m regional expansion plan. By establishing a new headquarters in Johor and opening strategic offices in the Central and Northern regions, the Group is positioning itself to better serve its maintenance clients and manage a wider geographical pipeline of projects across Peninsular Malaysia.

Figure 8: Trenching and Installing Water Supply Infrastructure Piping

Source: ISF Group prospectus

Figure 9: Notable Ongoing Project Under This Segment

No.	Project Details	Property Type	COD	Outstanding Orderbook, m
1	Johor Data Centre 4 Water Reclamation Project	Data Centre	Aug 25 - Feb 26	1.4

Source: ISF Group prospectus, Apex Securities

Maintenance and Repair Services (0.5% of FPE25 Revenue)

Contributing RM0.3m (0.5% of total revenue) in FPE 2025, this segment focuses on preserving the integrity and functionality of various piping systems, currently localized to the Johor region. The Group delivers these services to ensure operational continuity and to mitigate the risk of system failures within end-user premises and public infrastructure.

The Group's maintenance framework is categorized into two primary service types: preventive maintenance and corrective maintenance.

Preventive Maintenance: Scheduled inspections and testing designed to ensure all pipes, fittings, and equipment are functioning at optimal capacity. This proactive approach allows for the early identification of potential issues, enabling corrective actions such as the replacement of worn parts before they escalate into costly breakdowns.

Corrective Maintenance: Reactive services performed in direct response to system failures, including leaks, pipe blockages, or sudden losses of pressure. The objective is to troubleshoot the root cause and restore full system functionality as rapidly as possible through repairs or component replacement.

ISF Group provides these essential services across a wide range of infrastructure, including general internal systems as well as specialized industrial process piping and municipal water and sewer mains. By offering both scheduled and emergency support, the Group strengthens its relationships with existing clients and reinforces its reputation as a reliable partner for long-term infrastructure management.

Figure 10: Maintenance and Repair Services

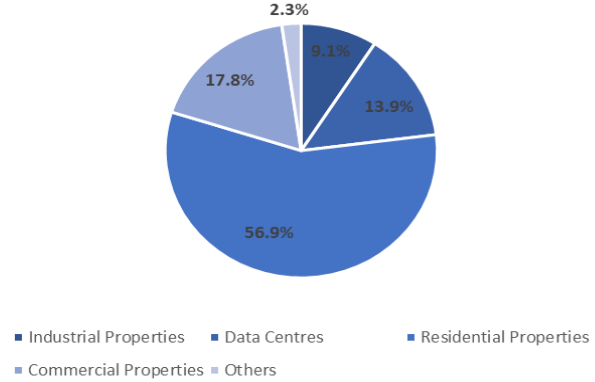
Source: ISF Group prospectus

Robust Outstanding Orderbook. As at 9 December 2025, the Group's total unbilled order book amounted to RM120.7m, providing revenue visibility through FY28. The order book is predominantly weighted towards residential property projects, which account for 56.9%, followed by commercial properties at 17.8%, data centres at 13.9%, industrial properties at 9.1% and other projects comprising the remaining 2.3%.

To support longer-term revenue visibility, the Group currently maintains a tender book of approximately RM460m, with around 60% concentrated in the higher-growth and higher-margin data centre and industrial property segments, underpinning a favourable project pipeline. Historically, the Group's tender success rate has averaged about 40%, although this has been influenced by a higher proportion of smaller-sized contracts.

As the Group progresses into larger and more complex contract opportunities, its tender win rate is expected to normalise to approximately 30%. Based on this assumption, we forecast annual order book replenishment of around RM150m over FY26 to FY27.

Figure 11: Outstanding Orderbook

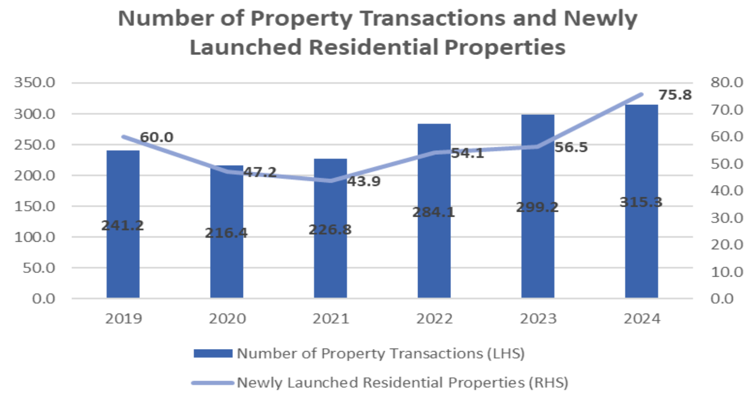


Source: ISF Group prospectus, Apex Securities

Industry Overview

Residential Properties. Malaysia's residential property development sector maintains a stable and cautiously optimistic outlook heading into 2026. This resilience is underpinned by consistent domestic demand, a growing working-age population, and improving macroeconomic indicators. While the luxury and high-rise investment segments remain selective, market activity is anchored by the mid-market and affordable housing categories. Transaction volumes have maintained a steady uptrend, recording a five-year CAGR of 6.9% between 2019 and 2024. This closely aligns with the 6.0% CAGR in newly launched residential projects during the same period, signaling sustained end-user demand despite a more disciplined development environment.

Figure 12: Number of Property Transactions and Newly Launched Residential Properties in Malaysia, 000 units

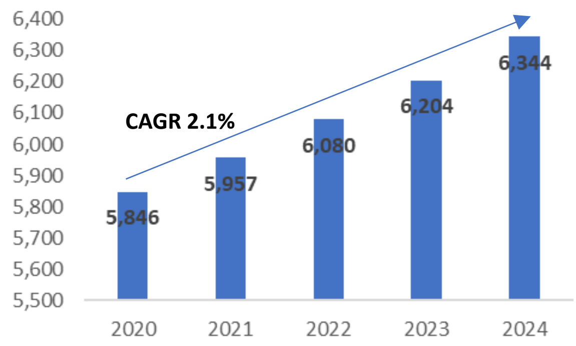


Source: NAPIC, Apex Securities

Policy support continues to be a primary stabilizing force. Budget 2026 reaffirmed the government's commitment to housing accessibility through initiatives such as Rumah Mesra Rakyat and Rumah Selangorku. Furthermore, the allocation of RM20bn under the Home Credit Guarantee Scheme (SJKP) is expected to support up to 80,000 first-time homebuyers, including those in the gig economy. The extension of full stamp duty exemptions for properties priced up to RM500,000 until the end of 2027 further lowers entry barriers and encourages sustained absorption of mid-market inventory. Geographically, the Klang Valley, Johor, and Penang remain the dominant hotspots, benefiting from rapid urbanization and improved transport connectivity.

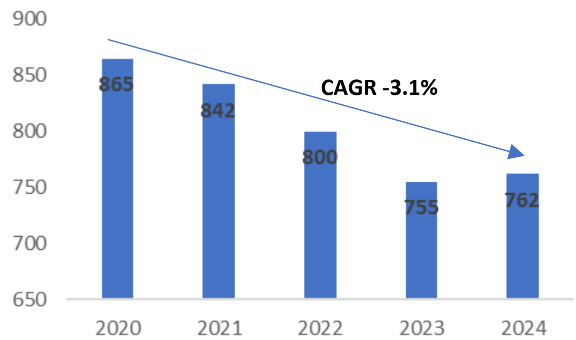
The sector's growth is further supported by a disciplined supply pipeline and favorable financing conditions. Future residential supply recorded a five-year CAGR of -3.1%, effectively mitigating oversupply risks, while existing supply expanded at a measured 2.1%. Additionally, the reduction of the Overnight Policy Rate (OPR) to 2.75% in July 2025 has improved mortgage affordability, particularly for the first-time buyer segment. For ISF Group, this stable, policy-driven growth in the residential sector provides a reliable and recurring pipeline for its core business. As developers prioritize affordable and mid-market projects that require extensive internal and external water distribution and sanitary piping systems, the Group is well-positioned to secure long-term contracts and maintain steady revenue growth within this essential property segment.

Figure 13: Existing Supply of Residential Properties in Malaysia, 000 units



Source: NAPIC, Apex Securities

Figure 14: Future Supply of Residential Properties in Malaysia, 000 units



Source: NAPIC, Apex Securities

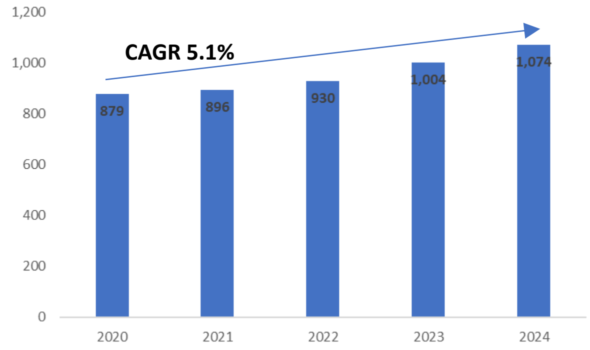
Commercial Properties. Malaysia's commercial property sector is transitioning into a more quality-driven and selective growth phase, where performance is increasingly shaped by asset quality, sustainability credentials, and adaptability to evolving occupier needs. This shift is reflected in the moderation of future commercial supply, which recorded a five-year CAGR of -1.2%, even as existing commercial supply expanded at a more measured five-year CAGR of 5.1%. While overall market conditions remain tenant-favourable, demand fundamentals are stabilising as occupiers and investors prioritize well-located, modern, and efficient assets over older stock. This structural change is driving differentiated outcomes across the office and retail segments rather than a broad-based recovery.

Office Sector. The prevailing trend remains a "flight to quality," with Grade A and refurbished buildings significantly outperforming secondary offices. Elevated vacancy levels persist in older buildings, prompting landlords to pursue refurbishment, repositioning, or repurposing strategies, often supported by government incentives for adaptive reuse. Occupier demand is increasingly centered on buildings with strong ESG credentials, efficient layouts, and lower long-term operating costs. As new supply continues to intensify competition, capital expenditure on upgrades and building services is expected to remain a critical feature of the office market.

Retail Sector. The retail sector continues to demonstrate resilience through polarization. Prime shopping centres and lifestyle malls with a strong tenant mix, experiential offerings, and food and beverage anchors are maintaining healthy occupancy and footfall, bolstered by domestic consumption and a recovery in tourism. In contrast, secondary retail assets face greater pressure and may require significant reconfiguration or integration into mixed-use developments to remain competitive. Consequently, active asset management and high-quality refurbishment are key themes shaping future retail property performance.

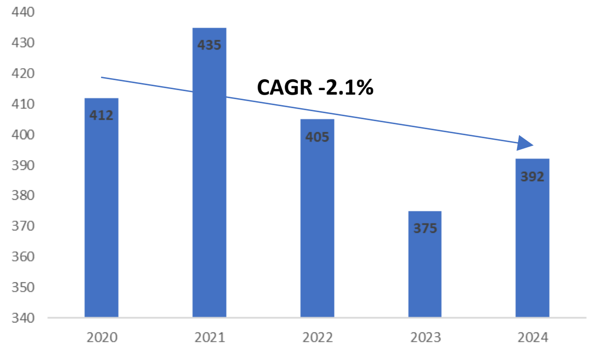
Looking ahead, the commercial property landscape is expected to support sustained demand for construction, refurbishment, and building services, particularly in higher-quality office and retail assets. This environment is favourable for ISF Group, as ongoing refurbishment, upgrading, and new commercial developments continue to require reliable water distribution and sanitary piping systems. As asset owners invest to future-proof buildings and enhance operational efficiency, ISF stands to benefit from recurring opportunities across both new-build projects and asset enhancement initiatives within the commercial property segment.

Figure 15: Existing Supply of Commercial Properties in Malaysia, 000 units



Source: NAPIC, Apex Securities

Figure 16: Future Supply of Commercial Properties in Malaysia, 000 units



Source: NAPIC, Apex Securities

Data Centres. The rapid expansion of data centre development has emerged as a structural growth driver for Malaysia's construction and digital infrastructure ecosystem. While Budget 2026 focused on broader sustainability frameworks like carbon-tax readiness and renewable energy, these policies provide a supportive environment for energy-intensive hyperscale developments. Against this backdrop, multinational technology firms continue to scale their presence in Kuala Lumpur, Johor, and Selangor, driving intense demand for high-specification building and structural works. According to DC Byte, hyperscale data centre development in the Asia-Pacific region recorded a robust five-year CAGR of 32.9% between 2020 and 2025, positioning the region as a global leader in digital infrastructure growth.

Since 2021, Malaysia has approved 143 data centre projects representing RM144.4bn in cumulative investments. Major commitments from global providers such as AWS (RM29.2bn), Microsoft (RM10.5bn), and Google (RM9.4bn) provide long-term demand visibility. This momentum has reshaped the nation's investment profile, with data centres overtaking manufacturing as the dominant recipient of Foreign Direct Investment (FDI). Consequently, live data centre capacity in Malaysia has grown exponentially from 55MW in 2019 to 784MW as of 3Q 2025. These investments are central to the Digital Economy Blueprint (2021–2030) and the New Industrial Master Plan (NIMP), as localized data hosting reduces latency, enhances security, and supports the adoption of AI and automation across the domestic economy.

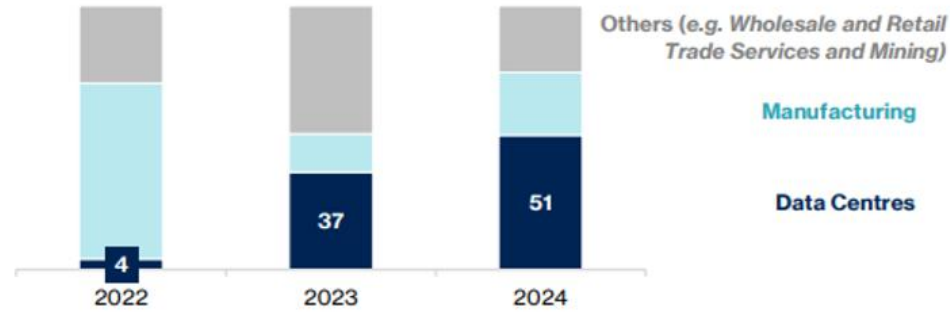
Given ISF Group's predominantly Johor-based operations, the state's emergence as a regional data centre powerhouse presents a significant platform for contract awards. Johor currently hosts 397MW of live capacity and serves major players such as ByteDance and SEA Group. Its proximity to Singapore, coupled with competitive land and utility costs, makes it a natural destination for capacity expansion. With approximately 3,385MW of additional capacity currently planned or under development, the growth runway remains substantial.

The Group is well-positioned to capitalize on this pipeline. Each 1MW of data centre capacity typically translates into approximately RM25m in total construction costs, with roughly 2% allocated to specialized water-related piping systems. This represents an estimated RM1.7bn in potential addressable opportunities for contractors like ISF Group over the foreseeable future. The Group's proven track record in Johor and its existing project portfolio, such as the Johor Data Centre 1 Water Supply Project, reinforce its status as a key beneficiary of this digital infrastructure surge.

Figure 17: Map of Data Centres in Malaysia

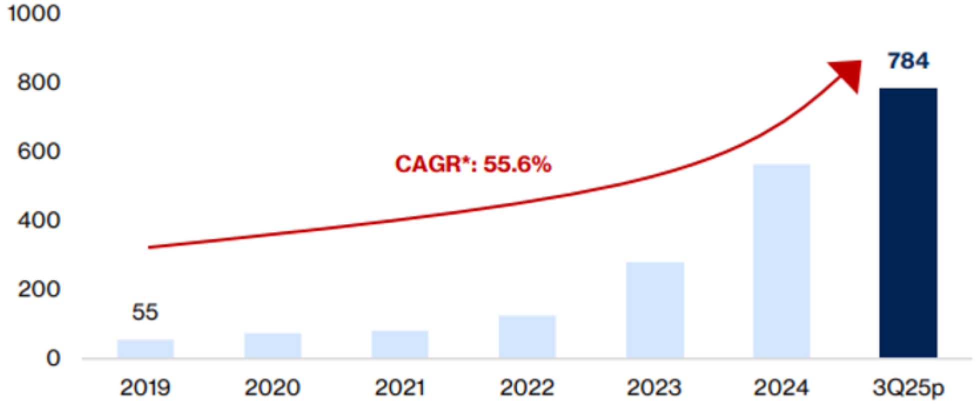
Source: Baxtel

Figure 18: Malaysia's Net FDI Inflows by Percentage across Different Industries



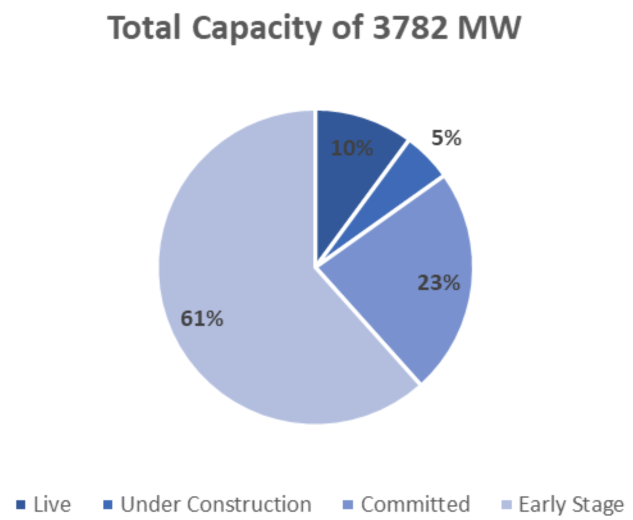
Source: DoSM, BNM

Figure 19: Malaysia's Data Centre Cumulative Live Capacity, MW



Source: DC Byte, BNM

Figure 20: Johor's Data Centre Cumulative Capacity, MW



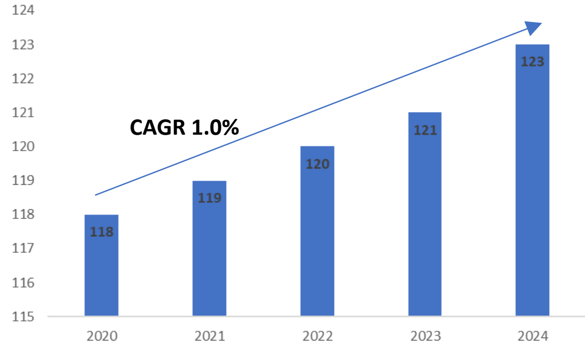
Source: DC Byte, Apex Securities

Industrial Properties. The Malaysian industrial property sector is currently undergoing a strategic transformation, shifting from traditional manufacturing and warehousing toward high-specification and technology-ready environments. This evolution is taking place against a backdrop of disciplined supply dynamics. Over the five-year period from 2020 to 2024, the existing supply of industrial properties in Malaysia grew at a modest CAGR of 1.0%. In contrast, the future supply pipeline has tightened significantly, recording a negative CAGR of -2.5% over the same period. This reduction in the supply pipeline suggests a more selective development landscape, where new projects are increasingly tailored to meet the sophisticated requirements of modern industrial tenants.

The sector's growth is primarily fueled by a surge in demand from high-value industries, most notably the data centre, electrical and electronics (E&E), and advanced manufacturing segments. Data centres have emerged as a massive catalyst for the market, particularly in hubs like Johor and the Klang Valley, due to Malaysia's strategic position in the regional digital economy. These facilities require complex infrastructure, including advanced cooling and water management systems, which directly drives demand for specialized engineering and piping solutions. Furthermore, the ongoing "China Plus One" strategy continues to benefit Malaysia, as multinational corporations seek to diversify their supply chains, leading to sustained interest in well-located and ESG-compliant industrial parks.

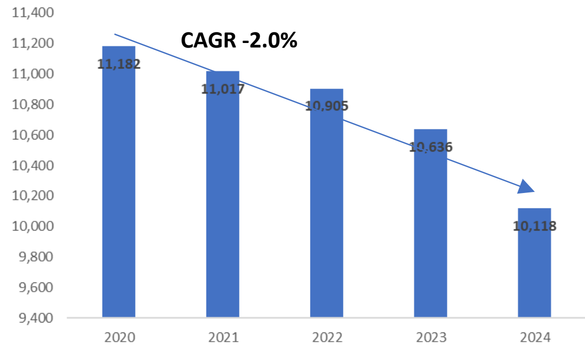
This environment of constrained supply and specialized demand presents a favorable outlook for building service providers. As asset owners focus on upgrading older industrial stock to meet modern standards or developing customized facilities for high-tech tenants, there is a recurring need for reliable water distribution and process piping systems. ISF Group is well-positioned to capitalize on these trends, leveraging its expertise in specialized piping for data centres and industrial premises to capture value in a market that increasingly prioritizes operational efficiency and technical compliance. The Group's ability to provide end-to-end services, from infrastructure connection to internal installation, aligns with the industry's shift toward integrated and future-ready industrial ecosystems.

Figure 21: Existing Supply of Industrial Properties in Malaysia, 000 units



Source: NAPIC, Apex Securities

Figure 22: Future Supply of Industrial Properties in Malaysia



Source: NAPIC, Apex Securities

Investment Highlights

Margin Resilience. Between FY22 and 3Q2025, ISF Group has consistently demonstrated a superior margin profile that exceeds industry averages. The Group's gross profit margin expanded from 27.3% to 41.6% over this period, a trajectory driven by a deliberate shift toward projects with higher technical specifications and execution complexity. These high-value contracts typically command superior pricing power due to the specialized nature of the work. Furthermore, the Group has achieved substantial cost savings by utilizing its own machinery for trenching works, which significantly reduces reliance on expensive third-party rentals. Technical innovation has also played a critical role, particularly through the implementation of optimized construction methodologies like replacing traditional sheet piling with more efficient excavation shoring techniques to reduce time and material costs.

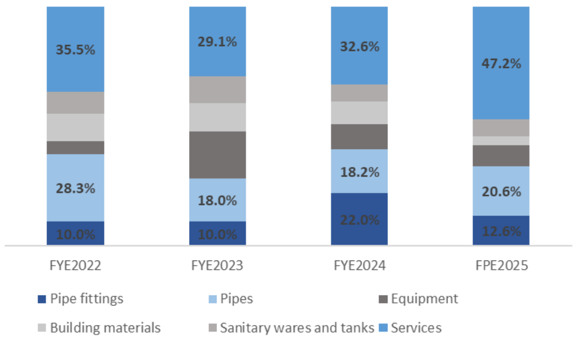
The Group's contract structure further bolsters this profitability, as projects are typically procured on a lump sum basis rather than a cost-plus model. This fixed-price framework allows the Group to fully capture the benefits of a depressed raw material price environment. For instance, the price of polyethylene has decreased by 14.2% year on year. Given that pipes and pipe fittings historically constitute between 28% and 40% of the Group's cost of materials and services, this downward trend in high-density polyethylene (HDPE) costs provides a significant near-term tailwind as the Group's contracts are negotiated on a lump sum basis. However, newly awarded contracts are expected to reflect prevailing raw material prices and therefore deliver more normalised margins. Nonetheless, overall gross profit margins are expected to remain elevated at above 40%.

Looking forward, the Group's margin profile is expected to remain robust due to increasing exposure to high-growth, high-margin sectors such as data centres and industrial properties. These segments require specialized piping solutions that carry higher entry barriers than conventional residential projects. The Group's planned deployment of IPO proceeds into additional heavy machinery will further expand its internal fleet, allowing for greater efficiency and reduced subcontracting costs. By combining its lump sum contract strategy with its expertise in high-specification infrastructure, ISF Group is well-positioned to future-proof its earnings and maintain its competitive edge in Malaysia's evolving industrial landscape.

Figure 23: 1-Year Price Change of Polyethylene

Source: Trading Economics

Figure 24: ISF's Historical Costs of Materials and Services



Source: ISF Group Prospectus, Apex Securities

Structural Upside from Data Centre Construction Cycle. ISF Group is strategically positioned to be a primary beneficiary of Malaysia's accelerating data centre infrastructure build-out, fueled by hyperscaler-led capacity expansion in the Klang Valley and Johor. The Group's extensive track record in managing diverse customer requirements significantly enhances its probability of securing future contracts, particularly given the high integration complexity inherent in modern data centre facilities.

Data centre projects offer structurally superior economics compared to traditional segments. Historically, the Group has achieved an average gross profit margin of 39.8% on data centre projects, a significant uplift from the 24.4% average observed in its past residential property projects. This margin premium is driven by the specialized nature of data centre construction, which demands tighter engineering tolerances, higher mechanical and engineering (M&E) intensity, and more stringent certification standards. These rigorous requirements allow experienced contractors such as ISF Group to command premium pricing and deliver higher value-add services.

With approximately 3,385MW of additional data centre capacity currently planned or under development in Malaysia, the long-term growth runway for the Group remains substantial. The Group is well-positioned to capitalize on this robust pipeline. Based on industry benchmarks, every 1MW of data centre capacity typically translates into approximately RM25m in total construction costs, with roughly 2% of that value allocated to specialized water-related piping systems. This pipeline alone represents an estimated RM1.7bn in potential addressable opportunities for specialized contractors like ISF Group over the foreseeable future, providing strong earnings visibility and a pathway for continued margin expansion.

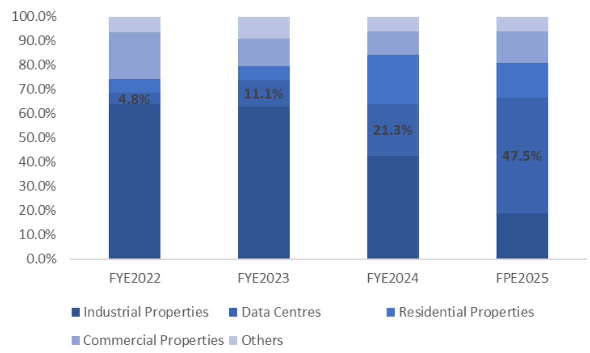
Strong Orderbook and Tender Pipeline. As at 3 December 2025, ISF's outstanding unbilled order book stood at RM120.7m, underpinning revenue visibility through to FY28. Residential projects form the largest component at 56.9%, followed by commercial properties (17.8%), data centres (13.9%), industrial properties (9.1%) and other segments (2.3%).

Beyond its secured projects, the Group maintains a tender pipeline of approximately RM460m, with around 60% concentrated in higher-growth and higher-margin data centre and industrial segments. Assuming a tender success rate of 30%, this pipeline is expected to generate average annual order book replenishment of about RM150m over FY26 to FY27. As a result, the proportion of unbilled order book exposure to higher-margin segments is forecasted to increase from 23% currently to 47% by FY27, reinforcing earnings visibility and supporting margin stability.

Financial Highlights

ISF's revenue exhibited incredible resilience in FY22-24, registering an exponential 2-year CAGR of 59.2% to grow from RM21.6m to RM54.7m. This demonstrates the Group's outstanding ability to secure and deliver new projects across various end-user industries including data centres, industrial properties, residential properties and commercial properties. Meanwhile, its net profit margin has been on the uptrend as well, improving from 4.3% in FY22 to 17.6% in FY24. This can be attributed to higher margin large scale projects secured over the years that necessitates higher industry specifications and shorter completion timelines within the data centre space. This growth trajectory is underscored by the Group's rapidly evolving revenue mix, with data centre contributions surging from a modest 4.8% in FY22 to a dominant 47.5% in FPE 2025.

Figure 25: Revenue Breakdown by Segment



Source: ISF Group Prospectus, Apex Securities

Earnings outlook. We project ISF's FY25/26/27F core earnings to grow by 160.9%15.9%/23.1%, underpinned by progress billings from its RM120.7m outstanding orderbook and our assumed annual order book replenishment of RM150m in FY26F and FY27F. Earnings growth is expected to be driven primarily by the execution and completion of higher-margin projects within the data centre and industrial property segments, where revenue is typically recognised over shorter contract cycles of approximately 12 to 18 months. At the same time, the Group's substantial unbilled order book exposure to residential and commercial property projects, which collectively account for c.75% of the total, provides a stable and predictable revenue base. This balanced project mix supports earnings visibility while allowing ISF to capture upside from faster-turnaround, higher-margin developments, reinforcing the sustainability of its earnings growth trajectory.

Balance Sheet. Post-listing, ISF is projected to maintain a highly resilient net cash position in FY2026, with a negligible gross gearing ratio of just 0.04x. This conservative capital structure provides the Group with significant balance sheet capacity to tender for larger, high-complexity projects without compromising its financial stability. This robust liquidity profile serves as a core competitive advantage, ensuring the Group can meet the stringent performance bond requirements often associated with major infrastructure and data centre contracts. Management has adopted a disciplined and prudent approach to expansion, focusing on capital efficiency rather than aggressive spending. This is reflected in the strategic allocation of IPO proceeds, where 24.9% (RM15.3m) is earmarked for asset and regional expansion over a three-year horizon. By prioritizing internal cash flow and maintaining a lean expenditure profile, the Group is well-positioned to deliver consistent financial performance while retaining the flexibility to scale operations in response to evolving market demand.

Dividends. While ISF does not have a formal dividend policy, we have assumed a dividend payout ratio of 40%, based on dividends declared in FY25. This assumption strikes a balance between providing shareholders with participation in the Group's earnings and retaining sufficient internal funds to support ongoing operations and future growth initiatives.

Sensitivity Analysis

Orderbook Replenishment Sensitivity Analyst. As ISF's profitability is primarily driven by the pace of orderbook execution and the management of direct input costs, we have conducted a sensitivity analysis to evaluate the resilience of our FY26F base case earnings. Our core projection of RM29.1m in net profit is predicated on two key assumptions: an orderbook replenishment of RM150m and a stable gross margin of 42.8%.

The analysis reveals that at our base case replenishment level of RM150m, the Group's bottom line remains highly sensitive to cost fluctuations. Specifically, every 100 basis point shift in the gross profit margin results in a ±3.1% swing in FY26F earnings. This sensitivity underscores the importance of the Group's cost-management capabilities and its ability to pass through potential increases in material or labour costs.

Furthermore, the volume of project wins remains a critical determinant of financial performance. Holding the gross margin constant at 42.8%, every RM25m variance in orderbook replenishment shifts net earnings by ±8.4%. These results highlight the inherent operating leverage within ISF's business model. While the Group possesses a lean cost structure, its ultimate profitability is significantly responsive to the timing and scale of new contract awards and the efficient execution of its project pipeline.

Figure 26: FY26 Net Profit Sensitivity Based on Different Orderbook Replenishment and Gross Margins Assumptions

Order book replenishment (RM'm)	Gross Margin (%)				
	40.8%	41.8%	42.8%	43.8%	44.8%
100	22.7	23.5	24.3	25.0	25.8
125	25.0	25.9	26.7	27.5	28.4
150	27.3	28.2	**29.1**	30.0	30.9
175	29.7	30.6	31.6	32.6	33.5
200	32.0	33.0	34.0	35.1	36.1

Figure 27: FY26 Percentage Change in Net Profit Based on Different Orderbook Replenishment and Gross Margins Assumption

Order book replenishment (RM'm)	Gross Margin (%) 32.5%	33.5%	34.5%	35.5%	36.5%
150	-22.0%	-19.4%	-16.8%	-14.2%	-11.6%
200	-14.1%	-11.2%	-8.4%	-5.5%	-2.7%
250	-6.2%	-3.1%	**0.0%**	3.1%	6.2%
300	1.8%	5.1%	8.4%	11.7%	15.0%
350	9.7%	13.2%	16.8%	20.3%	23.9%

Peers Comparison

Given the absence of direct listed peers in the water piping system space, our valuation benchmarks against the broader Malaysian construction sector.

Valuation & Recommendation

We initiate coverage on ISF with a **BUY** recommendation and a target price of **RM0.55**. It is based on a target P/E multiple of 18.7x applied to FY26F core earnings per share of 2.9 sen representing a c.30% premium to the broader Malaysian construction sector's average P/E of 14.5x. We view this premium as justified given ISF's healthy balance sheet, above-average industry margins and strong exposure to structurally high-growth segments such as industrial properties and data centres, which support superior earnings visibility and growth prospects.

Figure 28: Bursa Malaysia Construction Index Five-year Forward P/E

Investment Risk

Project Execution and Operational Risk. The Group is exposed to risks typical of construction-related activities, including delays, cost overruns, defects, and liquidated ascertained damages (LAD). Any failure to meet contractual specifications, timelines, or quality standards could adversely affect profitability and reputation.

Industry Cyclicality and Customer Concentration Risk. Demand for the Group's piping and water infrastructure services is closely linked to construction activity, particularly in property developments, industrial facilities, and data centres. A slowdown in construction, deferment of projects, or reduced capital spending by major customers could materially impact revenue.

Cost, Regulatory, and Compliance Risk. The Group faces exposure to fluctuations in raw material prices, labour costs and compliance-related expenses. It is also subject to regulatory requirements from multiple authorities, where changes in regulations, delays in approvals, or non-compliance could disrupt operations. Margin pressure may arise if rising costs cannot be fully passed through to customers under fixed-price contracts.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	38.7	54.7	102.0	122.6	149.7
Gross Profit	11.8	20.2	44.9	52.4	64.3
EBITDA	6.6	13.7	35.8	41.5	51.0
Depreciation & Amortisation	0.4	0.7	1.1	1.4	1.7
EBIT	6.2	13.1	34.7	40.2	49.4
Net Finance Income/ (Cost)	-0.4	-0.4	-0.3	-0.3	-0.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
Other Income/(Cost)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	5.7	12.7	34.4	39.8	49.0
Tax	-1.4	-3.1	-9.2	-10.7	-13.2
Profit After Tax	4.4	9.6	25.1	29.1	35.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	4.4	9.6	25.1	29.1	35.9
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	4.4	9.6	25.1	29.1	35.9

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	0.4	1.0	2.5	2.9	3.6
P/E (x)	75.3	34.2	13.1	11.3	9.2
P/B (x)	22.0	22.5	8.1	2.4	1.9
EV/EBITDA (x)	49.3	23.6	8.2	5.1	3.5
DPS (sen)	0.0	1.0	1.2	1.2	1.4
Dividend Yield (%)	0.0%	3.0%	3.6%	3.5%	4.3%
EBITDA margin (%)	17.0%	25.1%	35.1%	33.9%	34.1%
EBIT margin (%)	15.9%	23.9%	34.0%	32.8%	33.0%
PBT margin (%)	14.8%	23.2%	33.7%	32.5%	32.7%
PAT margin (%)	11.3%	17.6%	24.6%	23.8%	24.0%
NP margin (%)	11.3%	17.6%	24.6%	23.8%	24.0%
CNP margin (%)	11.3%	17.6%	24.6%	23.8%	24.0%
ROE (%)	29.2%	65.7%	61.3%	21.6%	20.5%
ROA (%)	11.0%	19.0%	25.5%	13.9%	13.4%
Gearing (%)	29.8%	31.9%	11.4%	3.5%	2.7%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Expected order book replenishment			0.0	150.0	150.0

Valuations	FY26F
Core EPS (sen)	2.9
P/E Multiple (x)	18.7
Fair Value (RM)	0.55
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.55

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	10.3	10.9	41.5	122.1	158.0
Receivables	11.5	20.1	30.6	49.0	59.9
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	6.0	12.2	16.5	22.5	27.2
Total Current Assets	27.9	43.2	88.6	193.6	245.1
Fixed Assets	12.1	7.4	9.8	15.8	22.4
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.2	0.3	0.4	0.5
Total Non-Current Assets	12.1	7.6	10.1	16.2	22.9
Short-term debt	0.9	1.7	3.5	3.5	3.5
Payables	19.3	29.7	46.9	57.5	70.1
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	20.3	31.4	50.4	61.0	73.5
Long-term debt	3.6	2.9	1.2	1.2	1.2
Other non-current liabilities	1.1	1.7	6.1	12.6	17.8
Total Non-Current Liabilities	4.7	4.7	7.3	13.8	19.0
Shareholder's equity	15.0	14.7	41.0	135.0	175.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	15.0	14.7	41.0	135.0	175.4

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	5.7	12.7	34.4	39.8	49.0
Depreciation & amortisation	0.4	0.7	1.1	1.4	1.7
Changes in working capital	0.5	-6.3	6.7	-7.4	2.1
Others	0.2	-3.3	3.9	4.7	5.7
Operating cash flow	6.9	3.7	46.1	38.4	58.5
Net capex	-0.4	-0.4	-3.6	-7.4	-8.2
Others	-0.8	9.7	0.0	0.0	0.0
Investing cash flow	-1.2	9.3	-3.6	-7.4	-8.2
Dividends paid	0.0	-10.0	-11.9	-11.7	-14.3
Others	-3.4	-1.8	0.0	61.1	0.0
Financing cash flow	-3.4	-11.8	-11.9	49.5	-14.3
Net cash flow	2.2	1.2	30.6	80.6	35.9
Forex	0.0	0.0	0.0	0.0	0.0
Others	1.1	-0.5	0.0	0.0	0.0
Beginning cash	30.4	10.3	10.9	41.5	122.1
Ending cash	33.7	11.0	41.5	122.1	158.0

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Waste	★★★	Declares and labels all scheduled waste with the correct waste code.
Emissions	★★★	Conducts monthly inspections for all chemical storage facilities.
Paper	★★★	Promotes recycling practices in its offices.
Energy	★★★	Plans to build a rooftop solar photovoltaic system at its new head office.
Compliance	★★★	In compliance with local environmental regulations.

Social

Community	★★★	Participated in a mangrove restoration program at Parit Raja, Rambah.
Human Rights	★★★	Prohibit the employment of child labour and any form of forced labour across all operations.
Occupational Safety and Health	★★★	Equips all personnel with essential personal protective equipment in its workplace.

Governance

Policies	★★★	Adopt anti-bribery and anti-corruption policy to promote ethical business conduct.
Management	★★★	30% of its Board members are women directors, half of its Board members are Independent Directors.
Committee	★★★	Its independent non-executive chairperson is not a member of any of its board committees.

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

As of **Tuesday, 27 Jan, 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.