

Tan Wai Wern

(603) 7890 8888 (ext 2092)

[waiwern.tan@apexsecurities.com.my](mailto:waiwern.tan@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 0.47
Previous Target Price:	RM 0.55
Target Price:	↔ RM 0.55
Capital Upside/Downside:	17.0%
Dividend Yield (%):	2.6%
Total Upside/Downside:	<b>19.6%</b>

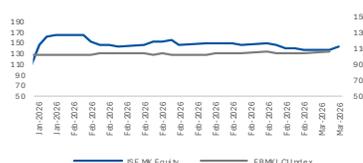
**Stock information**

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)	465.0
52-Week Price Range (RM)	0.41-0.56
Free float (%)	27.3

**Top 3 Shareholders**

	(%)
Asf Eternity Sdn Bhd	60.0
Boon Chen Jeff Ai	12.5
Yap Chui Fan	0.0

**Share Price Performance**



	<b>1M</b>
Absolute (%)	-6.1
Relative (%)	-4.1

**Earnings summary**

FYE Dec (RM m)	FY25	FY26F	FY27F
Revenue (RM'm)	98.5	122.6	149.7
PATAMI (RM'm)	25.3	29.1	35.9
CNP (RM'm)	25.3	29.1	35.9
EPS - core (sen)	2.5	2.9	3.6
P/E(x)	13.0	11.3	9.2

# ISF Group Bhd

## Riding the Data Centre Stream

- **ISF maintains a solid unbilled order book of c.RM125m as of February 2026, providing clear near-term earnings visibility. Revenue recognition is staggered, with RM85m expected in FY26, RM30m in FY27 and the balance in FY28.**
- **ISF has established itself as a preferred contractor in the data centre segment and is targeting to generate c.50% of revenue in FY26 from these projects. The current tender pipeline is primarily concentrated in Johor (70%) and Central Malaysia (30%).**
- **Management continues to prioritise profitability, targeting PAT margins of 25%. These margins are supported by the higher technical complexity and specification requirements of data centre projects, combined with variation orders which provide additional upside.**
- **Maintain BUY recommendation with an unchanged TP of RM0.55, based on 18.7x P/E multiple applied to its FY26F EPS of 2.9 sen, along with a three-star ESG rating.**

We left ISF's briefing with the following key takeaways:

**Robust Order Book Visibility.** ISF maintains a solid unbilled order book of c.RM125m as of February 2026, providing clear near-term earnings visibility. Revenue recognition is staggered, with RM85m expected in FY26, RM30m in FY27 and the balance in FY28. To sustain growth momentum, management is targeting annual new contract wins of RM120m–150m, supported by an active tender pipeline of c.RM450m. Project award timing remains dependent on client schedules, with awards broadly split between the first and second halves of the year. Execution capacity has also been strengthened, with headcount expanded by 50% year-on-year to 300 employees, enabling the Group to comfortably manage multiple projects concurrently.

**Strong Positioning in Data Centres.** ISF has established itself as a preferred contractor in the data centre segment and is targeting to generate c.50% of revenue in FY26 from these projects. The current tender pipeline is primarily concentrated in Johor (70%) and Central Malaysia (30%), reflecting the geographic focus of ongoing capacity expansion. Entry barriers remain high due to stringent technical, engineering and inspection requirements, which favour seasoned contractors with an established track record. The Group is currently tracking around 10 potential data centre projects involving global hyperscalers and local contracting giants.

**Sustainable Margin Profile.** Management continues to prioritise profitability, targeting PAT margins of 25%. These margins are supported by the higher technical complexity and specification requirements of data centre projects, combined with variation orders which provide additional upside potential. Input cost volatility is viewed as manageable, with oil price movements having limited impact due to locally sourced materials, while the use of HDPE pipes with longer lifespans supports project durability. Supported by healthy cash flows and a strong balance sheet, the Group has indicated a dividend payout ratio of 30–50%.

**Outlook.** Looking ahead, ISF's earnings outlook remains resilient, underpinned by a healthy order book and a sizeable tender pipeline that supports ongoing replenishment. With a disciplined bidding approach and an assumed win rate of 30%, the Group is well-positioned to capitalise on continued data centre investments in the Klang Valley and Johor. These projects typically offer shorter execution cycles and structurally higher margins than conventional residential works, supporting both earnings growth and margin sustainability over the medium term.

**Earnings Revision.** No change to earnings forecasts.

**Valuation & Recommendation.** We maintain our **BUY** recommendation on ISF with an unchanged TP of **RM0.55**, based on 18.7x FY26F P/E (EPS: 2.9 sen), along with a three-star ESG rating.

**Risks.** Project execution & operational risk, regulatory & compliance risk and industry cyclicity risk.

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
<b>Revenue</b>	<b>38.7</b>	<b>54.7</b>	<b>98.5</b>	<b>122.6</b>	<b>149.7</b>
<b>Gross Profit</b>	<b>11.8</b>	<b>20.2</b>	<b>45.3</b>	<b>52.4</b>	<b>64.3</b>
<b>EBITDA</b>	<b>6.6</b>	<b>13.7</b>	<b>34.5</b>	<b>41.5</b>	<b>51.0</b>
Depreciation & Amortisation	0.4	0.7	1.0	1.4	1.7
<b>EBIT</b>	<b>6.2</b>	<b>13.1</b>	<b>33.5</b>	<b>40.2</b>	<b>49.4</b>
Net Finance Income/(Cost)	-0.4	-0.4	-0.4	-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
<b>Pre-tax Profit</b>	<b>5.7</b>	<b>12.7</b>	<b>33.9</b>	<b>39.8</b>	<b>49.0</b>
Tax	-1.4	-3.1	-8.5	-10.7	-13.2
<b>Profit After Tax</b>	<b>4.4</b>	<b>9.6</b>	<b>25.3</b>	<b>29.1</b>	<b>35.9</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>4.4</b>	<b>9.6</b>	<b>25.3</b>	<b>29.1</b>	<b>35.9</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>4.4</b>	<b>9.6</b>	<b>25.3</b>	<b>29.1</b>	<b>35.9</b>

### Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	0.4	1.0	2.5	2.9	3.6
P/E (x)	75.3	34.2	13.0	11.3	9.2
P/B (x)	22.0	22.5	11.8	2.4	1.9
EV/EBITDA (x)	49.3	23.6	9.2	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%	35.0%	33.9%	34.1%
EBIT margin (%)	15.9%	23.9%	34.0%	32.8%	33.0%
PBT margin (%)	14.8%	23.2%	34.4%	32.5%	32.7%
PAT margin (%)	11.3%	17.6%	25.7%	23.8%	24.0%
NP margin (%)	11.3%	17.6%	25.7%	23.8%	24.0%
CNP margin (%)	11.3%	17.6%	25.7%	23.8%	24.0%
ROE (%)	29.2%	65.7%	90.5%	21.6%	20.5%
ROA (%)	11.0%	19.0%	35.4%	13.9%	13.4%
Gearing (%)	29.8%	31.9%	28.5%	3.5%	2.7%
Net gearing (%)		Net Cash	Net Cash	Net Cash	Net Cash

FYE Dec (RM m)	FY23	FY24	FY25	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
<b>Fair Value (RM)</b>	<b>0.55</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>0.55</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
<b>Cash</b>	<b>10.3</b>	<b>10.9</b>	<b>20.5</b>	<b>122.1</b>	<b>158.0</b>
Receivables	11.5	20.1	21.7	49.0	59.9
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	6.0	12.2	20.5	22.5	27.2
<b>Total Current Assets</b>	<b>27.9</b>	<b>43.2</b>	<b>62.7</b>	<b>193.6</b>	<b>245.1</b>
Fixed Assets	12.1	7.4	8.5	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
<b>Total Non-Current Assets</b>	<b>12.1</b>	<b>7.6</b>	<b>8.8</b>	<b>16.2</b>	<b>22.9</b>
Short-term debt	0.9	1.7	4.5	4.5	4.5
Payables	19.3	29.7	32.6	57.5	70.1
Other current liabilities	0.0	0.0	2.9	2.9	2.9
<b>Total Current Liabilities</b>	<b>20.3</b>	<b>31.4</b>	<b>40.0</b>	<b>65.0</b>	<b>77.5</b>
Long-term debt	3.6	2.9	3.4	0.1	0.1
Other non-current liabilities	1.1	1.7	0.0	9.7	14.9
<b>Total Non-Current Liabilities</b>	<b>4.7</b>	<b>4.7</b>	<b>3.4</b>	<b>9.8</b>	<b>15.0</b>
Shareholder's equity	15.0	14.7	28.0	135.0	175.4
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>15.0</b>	<b>14.7</b>	<b>28.0</b>	<b>135.0</b>	<b>175.4</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
<b>Pre-tax profit</b>	<b>5.7</b>	<b>12.7</b>	<b>33.9</b>	<b>39.8</b>	<b>49.0</b>
Depreciation & amortisation	0.4	0.7	1.0	1.4	1.7
Changes in working capital	0.5	-6.3	-8.1	-7.4	2.1
Others	0.2	-3.3	27.0	4.7	5.7
<b>Operating cash flow</b>	<b>6.9</b>	<b>3.7</b>	<b>19.9</b>	<b>38.4</b>	<b>58.5</b>
Net capex	-0.4	-0.4	-0.6	-7.4	-8.2
Others	-0.8	9.7	0.8	0.0	0.0
<b>Investing cash flow</b>	<b>-1.2</b>	<b>9.3</b>	<b>0.2</b>	<b>-7.4</b>	<b>-8.2</b>
Dividends paid	0.0	-10.0	-12.0	-11.7	-14.3
Others	-3.4	-1.8	1.3	61.1	0.0
<b>Financing cash flow</b>	<b>-3.4</b>	<b>-11.8</b>	<b>-10.7</b>	<b>49.5</b>	<b>-14.3</b>
<b>Net cash flow</b>	<b>2.2</b>	<b>1.2</b>	<b>9.4</b>	<b>80.6</b>	<b>35.9</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	1.1	-0.5	0.2	0.0	0.0
Beginning cash	30.4	10.3	10.9	41.5	122.1
<b>Ending cash</b>	<b>33.7</b>	<b>11.0</b>	<b>20.5</b>	<b>122.1</b>	<b>158.0</b>

## 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

**Disclaimer:** The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Wednesday, 04 Mar, 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.