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Recommendation:	BUY
Current Price:	RM0.45
Previous Target Price:	RM0.55
Target Price:	↑ RM0.62
Capital Upside/Downside:	37.8%
Dividend Yield (%):	2.4%
Total Upside/Downside:	40.2%

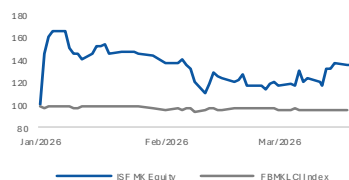
Stock information

Board	ACE
Sector	Construction
Bursa / Bloomberg Code	0390 / ISFMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,000.0
Market Cap (RM' m)	445.0
52-Week Price Range (RM)	0.35-0.56
Free float (%)	27.1

Top 3 Shareholders

	(%)
Asef Eternity Sdn Bhd	60.1
Boon Chen Jeff Ai	12.5
Yap Chui Fan	0.0

Share Price Performance



	1M
Absolute (%)	8.5
Relative (%)	9.7

Earnings summary

FYE Dec	FY25	FY26F	FY27F
Revenue (RM'm)	98.5	122.6	149.7
PATAMI (RM'm)	25.3	26.9	33.1
CNP (RM'm)	25.3	26.9	33.1
EPS - core (sen)	2.5	2.7	3.3
P/E(x)	13.0	12.3	10.0

ISF Group Bhd

Surge in Contract Wins, Input Costs Expected to Weigh

- ISF has secured four sub-contracting works worth a total of RM22.5m for Cold Water and Sanitary Plumbing Services across several service apartments and one data centre.
- Rising input costs for HDPE pipes and diesel is expected to result in modest margin compression for the Group's operations moving forward.
- Outlook remains positive, supported by the Group's outstanding order book of RM148.1m, translating to a robust revenue coverage of 1.2x FY26F revenue.
- In light of the increase in raw material costs, we have revised our CNP forecasts downward by -7.7%/-7.6% for FY26F/FY27F, respectively.
- Maintain BUY recommendation with an increased TP of RM0.62 (from RM0.55), based on an unchanged 18.7x P/E applied to our rolled forward FY27F EPS of 3.3 sen, alongside a three-star ESG rating.

Secured Four Sub-Contracting Works. On 13 Apr 2026, ISF's wholly-owned subsidiary, Yeo Plumber Sdn Bhd, has clinched four sub-contract works contracts from various parties, totalling RM22.5m. The sub-contract works consist of the supply, delivery, installation, testing, commissioning and maintenance of Cold Water and Sanitary Plumbing Services across several service apartments and one data centre. Work is scheduled to commence immediately with completion date ranging between Dec 2026 to Dec 2028.

Figure 1: Sub-Contract Details

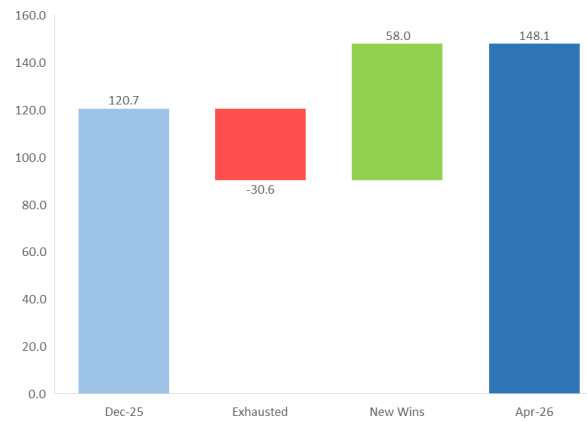
Awarding Party	Property Types	Completion Date	Sub-Contract Value (RM)
CITIC Construction (Malaysia) Sdn Bhd	Service Apartment	21-Aug-28	11,951,510
CITIC Construction (Malaysia) Sdn Bhd	Service Apartment	21-May-27	1,848,490
Pamir Development Sdn Bhd	Service Apartment	21-Dec-28	5,700,000
Awarder of LOA 4	Data Centre	31-Dec-26	2,980,000
Total			22,480,000

Source: Company, Apex Securities

Our View. We view these contract awards **positively**, as they demonstrate the Group's ability to secure projects across multiple segments, thereby enhancing earnings visibility through FY28. Based on our assumptions of a 20% PBT margin for residential projects and 25% for data centre projects, we estimate these contracts to contribute RM1.9m, RM1.6m and RM1.1m in PBT for FY26, FY27 and FY28, respectively. Execution risk is expected to remain manageable, supported by the Group's proven track record in delivering similar projects.

Outlook. Looking ahead, ISF's earnings outlook remains resilient, supported by a healthy order book of RM148.1m, which translates into a robust revenue coverage of 1.2x FY26F revenue and provides strong earnings visibility. Based on an estimated burn rate of RM10.2m per month, we calculate that the Group has secured c.RM58.0m in new contract awards YTD. Backed by an assumed outstanding tender pipeline of c.RM350m, ISF remains on track to achieve our full-year new contract win target of RM150m. With a disciplined bidding strategy and a forecasted win rate of 30%, the Group is well-positioned to capitalise on sustained data centre investments in the Klang Valley and Johor, where projects typically offer shorter execution cycles and structurally higher margins, supporting earnings growth and margin sustainability over the medium term.

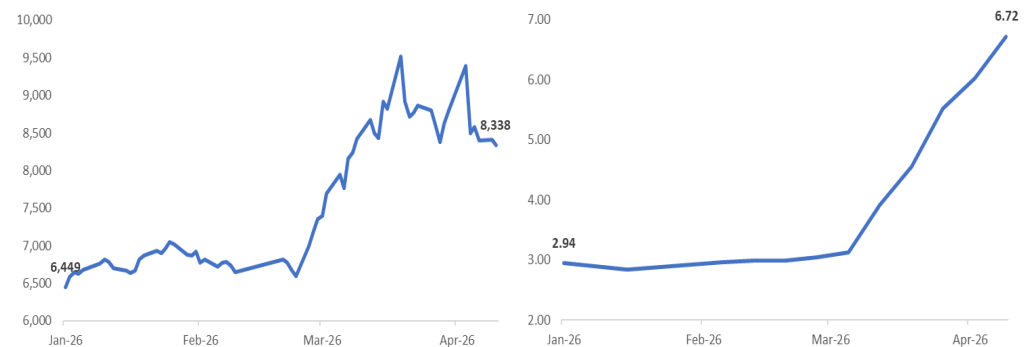
Figure 2: Order Book Movement in FY26



Source: Company, Apex Securities

However, we remain mindful of macroeconomic headwinds, particularly rising input costs for high-density polyethylene (HDPE) pipes and diesel. Polyethylene, the key raw material for HDPE pipes, has increased by 29.3% year-to-date, while diesel prices in Malaysia have risen sharply by 128.6% since the onset of the recent Middle East conflict, based on pump price trends. Given that pipes and pipe fittings historically account for around 35% of the Group’s cost of materials and services, cost pressures are expected to weigh on project margins. Diesel, which is primarily used in machinery operations, further compounds this impact. We expect the combined increase in these key input costs to result in slight margin compression going forward. Notwithstanding these cost pressures, we believe the Group’s strong order book visibility, disciplined project selection and increasing exposure to higher-margin data centre projects should continue to underpin earnings resilience and support its overall growth trajectory over the medium term.

Figure 3: YTD Polyethylene Price (CNY/MT) (Left) and Diesel Pump Price in Malaysia (RM) (Right)



Source: Bloomberg, Ministry of Finance, Apex Securities

Earnings Revision. In light of the increase in raw material costs, we have revised our CNP forecasts downward by -7.7%/-7.6% for FY26F/FY27F, respectively.

Valuation & Recommendation. We maintain our **BUY** recommendation on ISF with an increased TP of **RM0.62** (from RM0.55), based on unchanged 18.7x PE applied to rolled over FY27F EPS of 3.3 sen, along with a three-star ESG rating. We like ISF for its: (i) industry-leading margins, (ii) steady earnings growth trajectory and (iii) favourable exposure to high-growth data centre segment.

Risks. Rising material costs, labour shortages and slower-than-expected contract replenishment.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	38.7	54.7	98.5	122.6	149.7
Gross Profit	11.8	20.2	45.3	49.4	60.6
EBITDA	6.6	13.7	34.5	38.5	47.3
Depreciation & Amortisation	0.4	0.7	1.0	1.4	1.7
EBIT	6.2	13.1	33.5	37.1	45.6
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
Pre-tax Profit	5.7	12.7	33.9	36.8	45.3
Tax	-1.4	-3.1	-8.5	-9.9	-12.1
Profit After Tax	4.4	9.6	25.3	26.9	33.1
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	4.4	9.6	25.3	26.9	33.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	4.4	9.6	25.3	26.9	33.1

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	0.4	1.0	2.5	2.7	3.3
P/E (x)	75.3	34.2	13.0	12.3	10.0
P/B (x)	22.0	22.5	11.8	2.5	1.9
EV/EBITDA (x)	49.3	23.6	9.2	5.5	3.8
DPS (sen)	0.0	1.0	1.2	1.1	1.3
Dividend Yield (%)	0.0%	3.0%	3.6%	3.3%	4.0%
EBITDA margin (%)	17.0%	25.1%	35.0%	31.4%	31.6%
EBIT margin (%)	15.9%	23.9%	34.0%	30.3%	30.5%
PBT margin (%)	14.8%	23.2%	34.4%	30.0%	30.2%
PAT margin (%)	11.3%	17.6%	25.7%	21.9%	22.1%
NP margin (%)	11.3%	17.6%	25.7%	21.9%	22.1%
CNP margin (%)	11.3%	17.6%	25.7%	21.9%	22.1%
ROE (%)	29.2%	65.7%	90.5%	20.3%	19.4%
ROA (%)	11.0%	19.0%	35.4%	12.8%	12.5%
Gearing (%)	29.8%	31.9%	28.5%	3.5%	2.7%
Net gearing (%)	Net Cash	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

	FY27F
Core EPS (sen)	3.3
P/E Multiple (x)	18.7
Fair Value (RM)	0.62
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.62

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	10.3	10.9	20.5	122.3	156.1
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
Total Current Assets	27.9	43.2	62.7	193.8	243.2
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
Total Non-Current Assets	12.1	7.6	8.8	16.2	22.9
Short-term debt	0.9	1.7	4.5	4.5	4.5
Payables	19.3	29.7	32.6	59.8	72.9
Other current liabilities	0.0	0.0	2.9	2.9	2.9
Total Current Liabilities	20.3	31.4	40.0	67.3	80.3
Long-term debt	3.6	2.9	3.4	0.1	0.1
Other non-current liabilities	1.1	1.7	0.0	9.8	15.0
Total Non-Current Liabilities	4.7	4.7	3.4	9.9	15.1
Shareholder's equity	15.0	14.7	28.0	132.8	170.6
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	15.0	14.7	28.0	132.8	170.6

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	5.7	12.7	33.9	36.8	45.3
Depreciation & amortisation	0.4	0.7	1.0	1.4	1.7
Changes in working capital	0.5	-6.3	-8.1	-5.1	2.6
Others	0.2	-3.3	27.0	4.7	5.7
Operating cash flow	6.9	3.7	19.9	37.7	55.3
Net capex	-0.4	-0.4	-0.6	-7.4	-8.2
Others	-0.8	9.7	0.8	0.0	0.0
Investing cash flow	-1.2	9.3	0.2	-7.4	-8.2
Dividends paid	0.0	-10.0	-12.0	-10.8	-13.3
Others	-3.4	-1.8	1.3	61.1	0.0
Financing cash flow	-3.4	-11.8	-10.7	50.4	-13.3
Net cash flow	2.2	1.2	9.4	80.8	33.8
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	122.3
Ending cash	33.7	11.0	20.5	122.3	156.1

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

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(a) nil.