

Research Team

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Recommendation:	BUY
Current Price:	RM 0.54
Previous Target Price:	RM 0.62
Target Price:	↔ RM 0.62
Capital Upside/Downside:	14.8%
Dividend Yield (%)	2.5%
Total Upside/Downside	17.3%

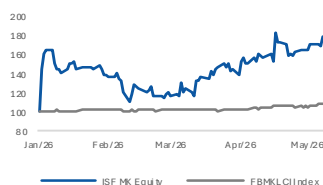
Stock information

Board	ACE
Sector	Construction
Bursa / Bloomberg Code	0390 / ISFMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,000.0
Market Cap (RM' m)	540.0
52-Week Price Range (RM)	0.35-0.61
Free float (%)	27.1
3M Average Volume (m)	6.8
3M Average Value (RM' m)	3.3

Top 3 Shareholders (%)

Asf Eternity Sdn Bhd	60.1
Boon Chen Jeff Ai	12.5
Amanah Mutual Bhd	0.1

Share Price Performance



	1M	3M
Absolute (%)	14.6	32.6
Relative (%)	18.1	33.4

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)	20.9	19.7	16.0

ISF Group Bhd

ISF Bags Another Data Centre Job

- ISF has secured a sub-contracting work worth RM14.5m for Internal Sewerage Package for a data centre.
- Assuming an estimated 25% PBT margin, the contract is expected to contribute c.RM3.6m in PBT, representing 9.8% of our FY26 PBT forecast.
- The Group's outstanding order book of RM153.5 million continues to underpin a positive outlook, providing solid revenue visibility equivalent to a book-to-bill ratio of 1.3x FY26 revenue.
- Maintain BUY recommendation with an unchanged TP of RM0.62, based on an unchanged 18.7x P/E applied to FY27F EPS of 3.3 sen, alongside a three-star ESG rating.

Secured a Sub-Contracting Work. On 10 June 2026, ISF's wholly-owned subsidiary, Yeo Plumber Sdn Bhd, was awarded a sub-contracting work contract by an established Malaysian-based construction company, amounting to RM14.5m. The sub-contract work consists of internal sewerage works, including testing and commissioning, for a data centre. Work is set to commence immediately with a completion date scheduled for 26 March 2027.

Our View. We view this contract award **positively**, as they demonstrate the Group's ability to secure projects across multiple segments, thereby enhancing earnings visibility through FY29. Assuming an estimated 25% PBT margin, the project is expected to contribute RM3.6m in PBT over its duration, representing 9.8% of our FY26 PBT forecast. Given the Group's established track record in executing comparable projects, execution risk should remain well-contained, while its growing scale and accumulated project experience in data centres may further strengthen delivery capabilities.

Outlook. ISF's earnings outlook continues to look resilient, anchored by a healthy RM153.5 million order book that provides a book-to-bill ratio of 1.3x FY26 revenue and underpins solid earnings visibility. Assuming a monthly burn rate of RM10.2 million, we estimate the Group has secured approximately RM72.5 million in new contract awards YTD. With an estimated tender pipeline of around RM428.2 million still outstanding, ISF remains on track to meet our full-year target of RM150 million in new contract wins.

Water and sewerage infrastructure plays several critical roles in data centre operations, which is why specialist piping subcontractors like ISF are increasingly in demand for these projects. Cooling, one of a data centre's largest operational loads, increasingly relies on liquid cooling systems, which require extensive piping installed by plumbing contractors, along with sewerage systems to manage resulting wastewater. In 2023, data centers directly consumed about 17 billion gallons of water for cooling in, with hyperscale facilities using up to 5 million gallons daily, a figure that could double or quadruple by 2028 amid AI-driven expansion (Lawrence Berkeley).

Earnings Revision. No changes to our earnings forecast.

Valuation & Recommendation. We maintain our **BUY** recommendation on ISF with an unchanged TP of **RM0.62**, based on unchanged 18.7x PE applied to 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.

Earnings Summary

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	38.7	54.7	98.5	122.6	149.7
EBITDA	6.6	13.7	34.5	38.5	47.3
Pre-tax profit	5.7	12.7	33.9	36.8	45.3
Net profit	4.4	9.6	25.3	26.9	33.1
Core net profit	4.4	9.6	25.3	26.9	33.1
Core EPS (sen)	0.4	1.0	2.5	2.7	3.3
P/E (x)	121.0	55.0	20.9	19.7	16.0
P/B (x)	35.3	36.1	18.9	4.0	3.1
EV/EBITDA (x)	79.6	38.2	15.0	10.7	8.0
Dividend Yield (%)	0.0%	1.9%	2.3%	2.0%	2.5%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, ApexSecurities

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)	121.0	55.0	20.9	19.7	16.0
P/B (x)	35.3	36.1	18.9	4.0	3.1
EV/EBITDA (x)	79.6	38.2	15.0	10.7	8.0
DPS (sen)	0.0	1.0	1.2	1.1	1.3
Dividend Yield (%)	0.0%	1.9%	2.3%	2.0%	2.5%
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, ApexSecurities

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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As of **Friday, 12 Jun, 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.