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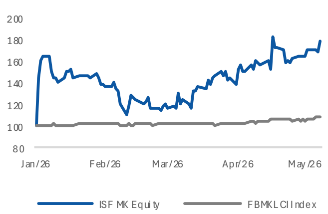
Recommendation:		BUY
Current Price:		RM 0.62
Previous Target Price:		RM 0.62
Target Price:	↑	RM 0.92
Capital Upside/Downside:		48.4%
Dividend Yield (%):		2.7%
Total Upside/Downsid		51.1%

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)	620.0
52-Week Price Range (RM)	0.35-0.645
Free float (%)	22.7
3M Average Volume (m)	5.2
3M Average Value (RM' m)	2.9

Top 3 Shareholders	(%)
Asf Eternity Sdn Bhd	60.0
Boon Chen Jeff Ai	12.5
Kumpulan Sentiasa Cemerlang Sdn	2.2

Share Price Performance



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

Earnings summary

FYE Dec	FY26F	FY27F	FY28F
Revenue (RM'm)	122.6	149.7	168.2
PATAMI (RM'm)	34.9	42.5	48.8
CNP (RM'm)	34.9	42.5	48.8
EPS - core (sen)	3.5	4.3	4.9
P/E (x)	17.8	14.6	12.7

ISF Group Bhd

DC Momentum Drives Earnings Upgrade

- **We raise our FY26F and FY27F earnings forecasts by 29.7% and 28.4%, respectively, while introducing our FY28F earnings forecast at RM48.8m, reflecting stronger earnings visibility from the Group's expanding exposure to higher-margin data centre ("DC") projects.**
- **ISF's outstanding order book of approximately RM150m continues to provide solid revenue visibility, while its tender pipeline has expanded to a record RM500m, with around 60% linked to DC projects.**
- **Maintain BUY with a higher target price of RM0.92 (previously RM0.62), based on a higher target P/E of 21.5x applied to our revised FY27F EPS of 4.3 sen.**

Investment Thesis. Since our previous update, ISF's share price has appreciated from RM0.54 to RM0.62, reaching our previous target price. More importantly, we believe the Group's earnings outlook has strengthened materially, underpinned by a larger pipeline of higher-margin data centre ("DC") projects, improving earnings visibility and an increasingly favourable project mix. Accordingly, we raise our FY26F and FY27F earnings forecasts while increasing our target price to RM0.92.

Our more constructive view is supported by the RM14.5m hyperscale DC internal sewerage sub-contract secured in June 2026, a record DC-related tender pipeline of approximately RM500m (around 60% DC-linked) and DC project gross margins of around 50%. We expect FY27F earnings growth to be increasingly driven by higher-margin DC contract wins, while FY28F should benefit from an increasing contribution from large-scale water and sewer infrastructure projects, including non-revenue water (NRW) initiatives.

Outlook. We believe the pace of Malaysia's DC contract cycle is set to shift from 2H26F onwards, moving beyond core-and-shell construction into downstream M&E/MEP/piping fit-out scopes, which typically follow project mobilisation by 6-12 months. Contract award trends since early-2026 suggest that several major hyperscale and co-location DCs mobilised in late-2025 are now beginning to enter this downstream fit-out phase. While ISF has historically been slow to capture this flow, its 2026 year-to-date momentum is worth noting: ISF has secured RM47.0m in new contract wins YTD, comprising four residential sub-contracts and two DC-related wins, including the RM14.5m hyperscale DC sewerage package. Together, these wins shouldn't be overlooked, as they may signal the beginning of a more robust order replenishment cycle in 2H26F. ISF's pre-IPO track record and tender credibility, built on past work for blue-chip DC clients, should continue to support its position as this next wave of contract awards materialises.

ISF's earnings outlook continues to look resilient, anchored by an order book of c.RM150m, of which DC scopes now make up c.25%. This provides a book-to-bill ratio of c.1.2x FY26F revenue and underpins solid earnings visibility into FY27F. More significantly, ISF's tender book has expanded to an all-time high of c.RM500m, of which 60% (c.RM300m) is DC-related. Assuming a 35% success rate on the DC tender value alone, we estimate potential DC-related contract wins of c.RM105m in 2H26F, which would meaningfully lift the DC proportion of the order book and support the flow-through of higher-margin scopes into FY27F earnings, consistent with our upward EPS revision. For FY28F, we introduce an order book replenishment assumption of RM180m, with the incremental RM30m reflecting an increasing contribution from water and sewer infrastructure scopes, including NRW initiatives.

Earnings Revision. Following our review of ISF's operating performance and outlook, we raise our FY26F/FY27F earnings forecasts by 29.7%/28.4% to RM34.9m/RM42.5m (from RM26.9m/RM33.1m), and introduce FY28F earnings of RM48.8m. The upgrade is driven by a higher gross profit margin assumption of c.49% (from c.41% previously), as a richer mix of higher-margin DC and, from FY28F, water/sewer infrastructure scopes flow through the P&L. This reflects ISF's tender pipeline expanding to RM500m (from c.RM350m previously), c.60% DC-linked, alongside a slightly higher tender conversion assumption of 35% given the Group's growing track record in executing specialised DC infrastructure works. We continue to view a targeted large-size water/sewer infrastructure project (>RM100m) as an incremental upside catalyst not yet reflected in our base-case FY28F order book replenishment assumption.

Valuation & Recommendation. We maintain our **BUY** recommendation on ISF with **a higher TP of RM0.92** (previously RM0.62), based on an increased **21.5x** PE applied to a higher FY27F EPS of 4.3 sen, along with a three-star ESG rating. We raise our target P/E to **21.5x** (from 18.7x), based on the average +0.5 standard deviation of the KL Construction Index Forward P/E, as we believe ISF's improving earnings visibility and re-rating potential alongside the DC stage 2 thematic warrant a re-rating of the multiple, in addition to the earnings upgrade, while awaiting further evidence that higher DC exposure can be sustained over multiple replenishment cycles.

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

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**54.7**	**98.5**	**122.6**	**149.7**	**168.2**
Gross Profit	**20.2**	**45.3**	**60.2**	**73.5**	**83.9**
EBITDA	**13.7**	**34.5**	**49.3**	**60.1**	**68.9**
Depreciation & Amortisation	0.7	1.0	1.4	1.7	1.9
EBIT	**13.1**	**33.5**	**48.0**	**58.5**	**67.1**
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	**12.7**	**33.9**	**47.6**	**58.1**	**66.7**
Tax	-3.1	-8.5	-12.8	-15.6	-17.9
Profit After Tax	**9.6**	**25.3**	**34.9**	**42.5**	**48.8**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**9.6**	**25.3**	**34.9**	**42.5**	**48.8**
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	**9.6**	**25.3**	**34.9**	**42.5**	**48.8**

Key Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	1.0	2.5	3.5	4.3	4.9
P/E (x)	64.3	24.5	17.8	14.6	12.7
P/B (x)	42.3	22.1	4.4	3.3	2.6
EV/EBITDA (x)	44.7	17.6	10.2	7.7	6.0
DPS (sen)	1.0	1.2	1.4	1.7	2.0
Dividend Yield (%)	1.6%	1.9%	2.2%	2.7%	3.2%
EBITDA margin (%)	25.1%	35.0%	40.2%	40.2%	41.0%
EBIT margin (%)	23.9%	34.0%	39.1%	39.1%	39.9%
PBT margin (%)	23.2%	34.4%	38.9%	38.8%	39.7%
PAT margin (%)	17.6%	25.7%	28.4%	28.4%	29.0%
NP margin (%)	17.6%	25.7%	28.4%	28.4%	29.0%
CNP margin (%)	17.6%	25.7%	28.4%	28.4%	29.0%
ROE (%)	65.7%	90.5%	24.8%	22.7%	20.3%
ROA (%)	19.0%	35.4%	16.7%	15.6%	14.5%
Gearing (%)	31.9%	28.5%	3.3%	2.5%	1.9%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Expected order book replenishment			150.0	150.0	180.0

Valuations	FY27F
Core EPS (sen)	4.3
P/E Multiple (x)	21.5
Fair Value (RM)	**0.92**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**0.92**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	10.9	20.5	121.6	162.9	209.7
Receivables	20.1	21.7	49.0	59.9	67.3
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	12.2	20.5	22.5	27.2	30.3
Total Current Assets	**43.2**	**62.7**	**193.1**	**250.0**	**307.3**
Fixed Assets	7.4	8.5	15.8	22.4	28.9
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.3	0.4	0.5	0.6
Total Non-Current Assets	**7.6**	**8.8**	**16.2**	**22.9**	**29.5**
Short-term debt	1.7	4.5	4.5	4.5	4.5
Payables	29.7	32.6	51.7	63.2	70.0
Other current liabilities	0.0	2.9	2.9	2.9	2.9
Total Current Liabilities	**31.4**	**40.0**	**59.1**	**70.7**	**77.5**
Long-term debt	2.9	3.4	0.1	0.1	0.1
Other non-current liabilities	1.7	0.0	9.5	14.7	18.1
Total Non-Current Liabilities	**4.7**	**3.4**	**9.6**	**14.8**	**18.3**
Shareholder's equity	14.7	28.0	140.5	187.4	241.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**14.7**	**28.0**	**140.5**	**187.4**	**241.0**

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**12.7**	**33.9**	**47.6**	**58.1**	**66.7**
Depreciation & amortisation	0.7	1.0	1.4	1.7	1.9
Changes in working capital	-6.3	-8.1	-13.5	1.1	-0.4
Others	-3.3	27.0	4.7	5.7	6.4
Operating cash flow	**3.7**	**19.9**	**40.2**	**66.6**	**74.7**
Net capex	-0.4	-0.6	-7.4	-8.2	-8.4
Others	9.7	0.8	0.0	0.0	0.0
Investing cash flow	**9.3**	**0.2**	**-7.4**	**-8.2**	**-8.4**
Dividends paid	-10.0	-12.0	-13.9	-17.0	-19.5
Others	-1.8	1.3	61.1	0.0	0.0
Financing cash flow	**-11.8**	**-10.7**	**47.2**	**-17.0**	**-19.5**
Net cash flow	**1.2**	**9.4**	**80.0**	**41.4**	**46.7**
Forex	0.0	0.0	0.0	0.0	0.0
Others	-0.5	0.2	0.0	0.0	0.0
Beginning cash	10.3	10.9	41.5	121.6	162.9
Ending cash	**11.0**	**20.5**	**121.6**	**162.9**	**209.7**

KDN PP13226/06/2024 (035469)

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 **Monday, 03 Aug, 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.