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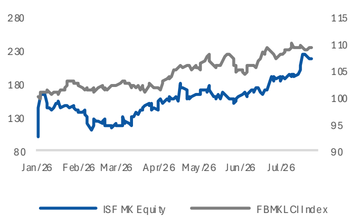
Recommendation:		**BUY**
Current Price:		RM 0.73
Previous Target Price:		RM 0.92
Target Price:	↔	RM 0.92
Capital Upside/Downside:		26.0%
Dividend Yield (%):		2.3%
Total Upside/Downsid		**28.4%**

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)	730.0
52-Week Price Range (RM)	0.35-0.76
Free float (%)	25.5
3M Average Volume (m)	4.4
3M Average Value (RM' m)	2.6

Top 3 Shareholders	**(%)**
Asf Eternity Sdn Bhd	57.2
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)	20.9	17.2	15.0

ISF Group Bhd

Within Expectations

- **ISF's 1HFY26 core net profit of RM16.0m, representing 46% of our FY26F forecast and 50% of consensus estimates, which is in line with our expectation.**
- **Outlook remains positive, supported by the Group's outstanding order book of RM150m, translating to a robust revenue coverage of 1.2x FY26F revenue.**
- **We maintain our FY26F/FY27F/FY28F core net profit forecasts of RM34.9m/RM42.5m/RM48.8m.**
- **Maintain BUY recommendation with an unchanged TP of RM0.92, based on 21.5x P/E applied to FY27F EPS of 4.3 sen, alongside a three-star ESG rating.**

Results Inline. ISF reported a 2QFY26 core net profit of RM8.8m (+20.7% QoQ), after adjusting for impairments (RM0.6m). This brought 1HFY26 core net profit to RM16.0m, representing **46% of our FY26F forecast and 50% of consensus estimates, broadly in line with both our and consensus full-year forecasts**, supported by resilient earnings contributions from ongoing high-margin data centre projects.

QoQ. Revenue rose 19.9% QoQ to RM31.4m (1Q26: RM26.2m), mainly driven by higher contributions from ongoing projects, including a semiconductor factory in Penang, as the projects progressed towards completion. Core net profit grew 20.7% QoQ to RM8.8m, broadly tracking the revenue growth and profit margins held steady.

YoY. Comparatives figures were not available as no interim financial report was prepared for the corresponding period in the preceding year due to the Group being listed on 28 January 2026.

Outlook. We believe Malaysia's DC contract cycle is set to enter a new phase from 2H26F, shifting from core-and-shell construction to downstream M&E/MEP/piping fit-out scopes, with work that typically follows project mobilisation by 6-12 months. Contract award trends since early 2026 suggest several major hyperscale and co-location DCs mobilised in late-2025 are now beginning to enter this fit-out stage. While ISF has historically been slow to capture this flow, but its 2026 year-to-date momentum stands out: the Group 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. These wins point to the possible start of a more robust order replenishment cycle in 2H26F. We believe 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 remains 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 — a level that would meaningfully lift the DC share of the order book and support the flow-through of higher-margin scopes into FY27F earnings.

Earnings Revision. We maintain our FY26F/FY27F/FY28F core net profit forecasts of RM34.9m/RM42.5m/RM48.8m respectively, with no changes to our earnings assumptions.

Valuation & Recommendation. We maintain our **BUY** recommendation on ISF with an unchanged TP of **RM0.92,** based on 21.5x PE applied to FY27F EPS of 4.3 sen, along with a three-star ESG rating. We continue to 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.

Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	31.4	-	*nm*	26.2	*19.9*	57.6	-	*nm*
EBITDA	11.5	-	*nm*	7.1	*61.7*	18.6	-	*nm*
Pre-tax profit	11.0	-	*nm*	6.7	*63.8*	17.8	-	*nm*
Net profit	8.2	-	*nm*	4.3	*89.2*	12.5	-	*nm*
Core net profit	8.8	-	*nm*	7.3	*20.7*	16.0	-	*nm*
Core EPS (sen)	0.9	-	*nm*	0.7	*20.7*	1.6	-	*nm*
EBITDA margin (%)	36.6			27.1		32.3	-	
PBT margin (%)	35.2			25.7		30.9	-	
Core net profit margin (%)	27.9			27.7		27.8	-	

Source: Company, Apex Securities

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)	75.8	28.8	20.9	17.2	15.0
P/B (x)	49.8	26.1	5.2	3.9	3.0
EV/EBITDA (x)	52.8	20.8	12.4	9.5	7.6
DPS (sen)	1.0	1.2	1.4	1.7	2.0
Dividend Yield (%)	1.4%	1.6%	1.9%	2.3%	2.7%
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**

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**

Source: Company, Apex Securities

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.