Company Update

Monday, 21 Sep, 2026

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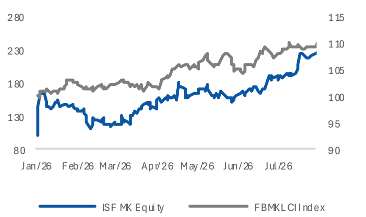
Recommendation:		BUY
Current Price:		RM 0.86
Previous Target Price:		RM 0.92
Target Price:	↑	RM 1.03
Capital Upside/Downside:		19.8%
Dividend Yield (%):		2.0%
Total Upside/Downsid		**21.7%**

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)	860.0
52-Week Price Range (RM)	0.35-0.87
Free float (%)	25.5
3M Average Volume (m)	3.6
3M Average Value (RM' m)	2.3

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

Continued DC Earnings Delivery

- **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.**
- **We keep our FY26F/FY27F/FY28F earnings forecasts unchanged at RM34.9m/RM42.5m/RM48.8m respectively, reflecting sustained earnings visibility from ISF's expanding data centre (DC) exposure.**
- **Maintain BUY with a higher target price of RM1.03 (previously RM0.92), based on a higher target P/E of 24.2x applied to our unchanged FY27F EPS of 4.3 sen.**

Investment Thesis. Since our previous update, ISF's share price has appreciated from RM0.73 to RM0.86, closing in on our previous target price of RM0.92. We believe increasing confidence in ISF's earnings delivery, alongside its continued positioning ahead of Malaysia's DC stage 2 thematic, warrants a further re-rating of our target multiple. Accordingly, we raise our target price to RM1.03 from RM0.92, while keeping our earnings forecasts unchanged.

Our continued constructive view is supported by ISF's resilient operating momentum, with margins holding steady at c.28% amid a growing contribution from high-margin DC projects. ISF's tender pipeline remains at a record c.RM500m (c.60% DC-linked), with DC project gross margins of around 50%. We continue to expect FY27F earnings growth to be 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. ISF's 2026 year-to-date contract wins stand at RM47.0m, comprising four residential sub-contracts and two DC-related awards, including the RM14.5m hyperscale DC sewerage package. The Group's earnings visibility remains underpinned by an order book of c.RM150m, equivalent to a book-to-bill ratio of c.1.5x FY25 revenue, with DC scopes now accounting for c.25% of the total, up from a much smaller base previously. Of greater significance is ISF's tender book, which has swelled to an all-time high of c.RM500m, c.60% (or c.RM300m) of which is DC-linked. Applying a 35% conversion rate to this DC-related tender value alone points to c.RM105m of potential contract wins in 2H26F, this would materially lift DC's share of the order book and support the flow-through of higher-margin work into FY27F and FY28F earnings.

Earnings Revision. We maintain our FY26F/FY27F/FY28F core net profit forecasts of RM34.9m/RM42.5m/RM48.8m respectively.

Valuation & Recommendation. We maintain our **BUY** recommendation on ISF with **a higher TP of RM1.03** (previously RM0.92), based on an increased **24.2x** PE applied to a FY27F EPS of 4.3 sen, along with a three-star ESG rating. We raise our target P/E to **24.2x** (from 21.5x), based on the average +1.0 standard deviation of the KL Construction Index Forward P/E, to reflect increased confidence in ISF's earnings delivery, alongside the Group's continued positioning ahead of Malaysia's DC stage 2 fit-out cycle. We move to a +1.0 standard deviation basis (from +0.5 previously) as we believe ISF's re-rating case has strengthened on more than one front: its earnings forecasts have now held firm through several consecutive updates without a single downward revision, its net cash balance sheet remains structurally superior to the broader construction index constituents that anchor this benchmark, and its position as the only listed pure-play on Malaysia's DC piping and sewerage build-out gives it a scarcity premium that a +0.5 standard deviation multiple no longer fully reflects.

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

KDN PP13226/06/2024 (035469)

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)	89.2	33.9	24.7	20.2	17.6
P/B (x)	58.6	30.7	6.1	4.6	3.6
EV/EBITDA (x)	62.2	24.6	15.1	11.7	9.5
DPS (sen)	1.0	1.2	1.4	1.7	2.0
Dividend Yield (%)	1.2%	1.4%	1.6%	2.0%	2.3%
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)	24.2
Fair Value (RM)	**1.03**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**1.03**

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**

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, 21 Sep, 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.