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Recommendation:	BUY
Current Price:	RM 1.26
Previous Target Price:	RM 1.42
Target Price:	↑ RM 1.72
Capital Upside/ Downside:	36.5%
Dividend Yield (%):	1.0%
Total Upside/ Downside	37.5%

Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHDMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	944.3
Market Cap (RM' m)	1,189.8
52-Week Price Range (RM)	1.39-0.68
Beta (x)	1.2
Free float (%)	57.3
3M Average Volume (m)	7.7
3M Average Value (RM' m)	8.5

Top 3 Shareholders

(%)

SinoShield Sdn. Bhd.	31.1
Semangat Handal Sdn. Bhd	7.6
Fil Ltd	3.3

Share Price Performance

	1M	3M	12M
Absolute (%)	12.5	9.6	82.6
Relative (%)	14.1	13.6	92.9

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	1347.0	1632.8	1752.1
PATAMI (RM'm)	72.3	125.8	138.0
CNP (RM'm)	71.9	125.8	138.0
EPS - core (sen)	6.0	10.5	11.5
P/E(x)	21.0	12.0	11.0

Southern Cable Group Berhad

Exceed Expectations

Executive Summary

- **SCGB reported a stellar 1QFY25 core net profit of RM29.1m (+17.5% qoq, +113.7% yoy), accounting for 28% of our full-year forecast. We deem this performance to have exceeded expectations, as we expect stronger performance in the remaining quarters of the financial year. The outperformance was largely due to stronger-than-anticipated margins of power cables and wires in the Power segment.**
- **During TNB's most recent analyst briefing, the management highlighted the signing of 5 ESAs for DC projects with 666MW capacity in 1QFY25 alone and expects another 10 ESAs signed for DC projects (averaging 150MW-200MW each) by year-end. This highlights the resilient demand for MV and HV power cables and wires. SCGB is well-positioned to capture additional demand in the MV and HV segments, where only a few sizeable players remain.**
- **Following the stellar quarterly performance, we have revised our margin assumptions for power cables upward, hence raising our FY25-FY27 earnings forecasts by 17%-21%.**
- **Post-earnings revision, our TP was revised upward to RM1.72 (from RM1.42), based on 15x FY26F EPS of 11.5 sen and a three-star ESG rating. Reiterate BUY.**

Exceed expectations. Excluding a one-off forex loss of RM1.7m, SCGB's 1QFY25 core net profit (CNP) of RM29.1m came in slightly higher than our expectations, representing 28% of our FY25F earnings forecast. We deem this performance to have exceeded expectations, as we expect stronger performance in the remaining quarters of the financial year. The outperformance was largely due to stronger-than-anticipated margins, mainly driven by more favourable product mix of cables and wires in the Power segment.

QoQ. CNP grew by 17.5% to RM29.1m, mainly attributed to higher contributions from the Power segment (+16.3% in segmental GP), driven by increased sales volume of power cables and wires, supported by robust demand for national connectivity. Usage of power cables and wires in transmission and distribution projects have been more prevalent by contractors. These gains were partially offset by a surge in administrative costs (+82%).

YoY/YTD. 1QFY25 CNP more than doubled, primarily driven by robust contributions from the Power segment, as evidenced by a 112.4% increase in segmental GP. The significant uplift was largely attributed to sales growth (segmental revenue +32.0% yoy) and margin expansions. Notably, the GP margin for the Power segment surged 5.0%-pts yoy to 13.2% in 1QFY25, reflecting a more favourable product mix, with growing demand for HV and MV cables (typically command superior margins), collectively accounting for over 30% of segmental revenue in 1QFY25. The stellar margin was also likely supported by lower raw material cost, particularly plastic compounds, as well as cost efficiencies achieved through economies of scale.

Outlook. We expect SCGB to continue delivering qoq and yoy improvements in earnings for the remaining quarters of FY25, supported by a robust total orders in hand of RM1.3bn, of which ~90% are for power cables, providing earnings visibility for up to a year. During TNB's most recent analyst briefing, the management highlighted the signing of 5 Electricity Supply Agreements (ESAs) for DC projects with 666MW of maximum capacity in 1QFY25 alone, and expects another 10 such ESAs for DC projects (averaging 150MW-200MW capacity each) to be signed by year-end. This highlights the resilient demand for MV and HV power cables and wires over the near to medium term, as these are key components used in connectivity systems supporting TNB's ongoing grid upgrade projects and expanding power infrastructure, particularly for data centre developments. We believe SCGB is well-positioned to capture this additional demand, particularly in the MV and HV segments, where only a few sizable players remain.

Earnings revision. Following SCGB's strong quarterly performance, we have revised our earnings forecasts upward by 21.9%/20.7%/17.3% for FY25F-FY27F, respectively. The revision is mainly attributable to higher margin assumptions for power cables, driven by a favourable product mix,

particularly within the MV and HV segments. The upward revision also captures the accelerated demand for MV and HV power cables, driven by national grid upgrades and ongoing power infrastructure development. We have also updated our FY24 figures in line with the latest annual report.

Valuation & Recommendation. Following the earnings revision, we lift our TP to **RM1.72** (from RM1.42), based on an unchanged 15x PE multiple on fully diluted EPS of 11.5 sen, along with an assigned three-star ESG rating. Reiterate **BUY**. The stock is currently trading at a compelling 12.0x FY25F EPS, translating into a PEG ratio of just 0.16x, which underscores its undemanding valuation relative to its robust earnings growth potential. We continue to like SCGB for its (i) **role as a proxy for Malaysia's growing power demand**, (ii) **increasing demand for HV power cables**, and (iii) **position as one of the few vendors supplying US distributors**.

Risks. Policy Risks. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

Results Note

Friday, 30 May, 2025

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	390.8	312.0	25.2	336.1	16.3	390.8	312.0	25.2	
EBITDA	41.6	22.7	83.2	36.3	14.7	41.6	22.7	83.2	
Pre-tax profit	35.9	18.6	93.1	30.5	17.7	35.9	18.6	93.1	
PAT (-MI)	27.4	14.1	94.7	25.2	8.6	27.4	14.1	94.7	
Core net profit	29.1	13.6	113.7	24.8	17.5	29.1	13.6	113.7	CNP surged mainly due to better product mix
Core EPS (sen)	0.0	0.0	113.7	0.0	17.5	0.0	0.0	113.7	
GP margin (%)	13.0	8.2		10.0		13.0	8.2		
EBITDA margin (%)	10.6	7.3		10.8		10.6	7.3		
PBT margin (%)	9.2	6.0		9.1		9.2	6.0		
Core PATMI margin (%)	7.4	4.4		7.4		7.4	4.4		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue									
Power	366.9	277.9	32.0	310.9	18.0	366.9	277.9	32.0	Due to higher sales volume of power
Communication	0.6	1.7	(65.1)	0.8	(25.3)	0.6	1.7	(65.1)	cables and wires
Control and instrumentation	7.5	7.0	7.4	4.5	68.3	7.5	7.0	7.4	
Others	27.5	36.6	(24.7)	32.3	(14.8)	27.5	36.6	(24.7)	
Adjustment	(11.8)	(11.2)	5.1	(12.4)	(4.9)	(11.8)	(11.2)	5.1	
Total	390.8	312.0	25.2	336.1	16.3	390.8	312.0	25.2	
Gross Profit									
Power	48.5	22.9	112.4	41.8	16.3	48.5	22.9	112.4	Power segment improved due to growing
Communication	0.2	0.3	(49.4)	0.3	(37.6)	0.2	0.3	(49.4)	demand for MV and HV cables and wires
Control and instrumentation	1.5	1.3	13.9	1.0	54.7	1.5	1.3	13.9	
Others	0.7	1.2	(46.6)	1.3	(50.3)	0.0	0.0	(29.1)	
Adjustment	(0.1)	(0.3)	(73.1)	(0.0)	140.6	(11.8)	(11.2)	5.1	

Results Note

Friday, 30 May, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1053.1	1347.0	1632.8	1752.1	1859.1
Gross Profit	73.9	135.2	216.2	243.0	267.3
EBITDA	70.4	120.5	199.9	216.6	227.4
Depreciation & Amortisation	-22.6	-18.7	-21.7	-22.1	-22.8
EBIT	47.7	101.9	178.2	194.5	204.5
Net Finance Income/ (Cost)	-8.7	-9.6	-10.0	-10.0	-9.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	39.0	92.3	168.2	184.5	194.7
Tax	-9.6	-20.0	-42.4	-46.5	-49.1
Profit After Tax	29.4	72.3	125.8	138.0	145.6
(-) Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	29.4	72.3	125.8	138.0	145.6
(-) Exceptionals	0.0	0.5	0.0	0.0	0.0
Core Net Profit	29.4	71.9	125.8	138.0	145.6

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.5	6.0	10.5	11.5	12.1
P/E(x)	51.4	21.0	12.0	11.0	10.4
P/B (x)	4.8	3.8	2.9	2.3	1.9
EV/ EBITDA (x)	20.1	11.4	7.4	7.1	7.0
DPS (sen)	0.8	0.8	1.0	1.2	1.3
Dividend Yield (%)	0.6%	0.6%	0.8%	1.0%	1.0%
EBITDA margin (%)	6.7%	8.9%	12.2%	12.4%	12.2%
EBIT margin (%)	4.5%	7.6%	10.9%	11.1%	11.0%
PBT margin (%)	3.7%	6.9%	10.3%	10.5%	10.5%
PAT margin (%)	2.8%	5.4%	7.7%	7.9%	7.8%
NP margin (%)	2.8%	5.4%	7.7%	7.9%	7.8%
CNP margin (%)	2.8%	5.3%	7.7%	7.9%	7.8%
ROE (%)	9.3%	17.9%	24.3%	21.4%	18.7%
ROA (%)	4.9%	10.0%	14.5%	14.0%	13.1%
Gearing (%)	62.1%	53.7%	38.4%	28.1%	20.9%
Net gearing (%)	31.7%	33.1%	5.7%	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.115
P/E multiple (x)	15.0
Fair Value (RM)	1.72
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.72

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	96.0	82.7	170.0	211.2	240.9
Receivables	264.9	315.3	378.3	454.0	544.8
Inventories	144.1	183.7	185.6	187.4	189.3
Other current assets	1.0	1.2	1.2	1.2	1.2
Total Current Assets	506.0	582.9	735.1	853.9	976.2
Fixed Assets	54.6	81.9	77.5	79.6	82.9
Intangibles	44.4	55.8	53.5	51.3	49.2
Other non-current assets	0.5	0.5	0.5	0.5	0.5
Total Non-Current Assets	99.6	138.3	131.6	131.5	132.6
Short-term debt	186.1	209.5	189.4	172.7	155.1
Payables	82.8	89.8	134.6	143.4	151.2
Other current liabilities	4.3	4.1	4.1	4.1	4.1
Total Current Liabilities	273.1	303.4	328.1	320.2	310.4
Long-term debt	9.6	6.2	10.0	9.1	8.2
Other non-current liabilities	7.8	9.8	9.8	9.8	9.8
Total Non-Current Liabilities	17.4	16.0	19.8	18.9	18.0
Shareholder's equity	315.0	401.8	518.8	646.2	780.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	315.0	401.8	518.8	646.2	780.4

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	39.0	92.3	168.2	184.5	194.7
Depreciation & amortisation	-22.6	-18.7	-21.7	-22.1	-22.8
Changes in working capital	65.0	-83.3	-20.1	-68.7	-84.8
Others	41.6	21.0	10.9	7.7	6.4
Operating cash flow	123.0	11.3	137.4	101.4	93.5
Capex	-9.0	-49.2	-15.0	-22.0	-24.0
Others	0.3	0.0	0.0	0.0	0.0
Investing cash flow	-8.8	-49.2	-15.0	-22.0	-24.0
Dividends paid	-2.2	-13.1	-8.8	-10.6	-11.4
Others	-37.8	37.7	-26.3	-27.5	-28.4
Financing cash flow	-40.1	24.6	-35.1	-38.1	-39.8
Net cash flow	74.1	-13.3	87.3	41.3	29.6
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	21.8	96.0	82.7	170.0	211.2
Ending cash	96.0	82.7	170.0	211.2	240.9

Results Note

Friday, 30 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Reduced indirect annual carbon dioxide emissions by 29.2%, avoiding 155,822 tonnes through completed solar PV systems for customers.
Waste & Effluent	★★★★	Implemented the 3R (Reduce, Reuse, Recycle) initiative, using reusable containers and recyclable bags.
Energy	★★★★	Reduced energy consumption by 0.6% in FY23 through energy-saving measures like LED lighting and motion sensors.
Water	★★★★	Reduced water consumption by 67.18%, from 13,213 m ³ in the previous year to 4,337 m ³ .
Compliance	★★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★	Female representation at 29% in the workforce and 29.2% at the management level, slightly below the MCGG's recommended 30% female directors on the Board.
Human Rights	★★★★	Enforces strict policies against human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★★	245 employees trained in 2023 to enhance workforce competence. No fatalities, with a reduction in the total recordable incident rate (TRIR) to 0, from 1 case last year.
Labour Practices	★★★★	Adheres to all relevant labor laws.

Governance

CSR Strategy	★★★★	Actively engaged with communities, contributing RM75,000 to various initiatives.
Management	★★★★	Among the board members, 33% (2 out of 6) were female, while 67% (4 out of 6) were independent directors.
Stakeholders	★★★★	Regularly organizes corporate events and holds an annual general meeting (AGM) for investors.

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, 30 May, 2025, 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.