Company Update

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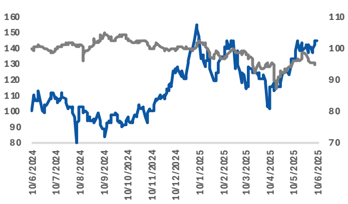
Recommendation:		BUY
Current Price:		RM 1.29
Previous Target Price:		RM 1.72
Target Price:	↔	RM 1.72
Capital Upside/Downside:		33.3%
Dividend Yield (%):		0.9%
Total Upside/Downside:		34.3%

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHD MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	947.3
Market Cap (RM' m)	1,222.0
52-Week Price Range (RM)	1.39-0.705
Beta (x)	1.2
Free float (%)	57.5
3M Average Volume (m)	7.7
3M Average Value (RM' m)	8.6

Top 3 Shareholders	(%)
Sino Shield Sdn. Bhd.	31.0
Semangat Handal Sdn. Bhd	7.6
Fil Ltd	3.0

Share Price Performance



	1M	3M	12M
Absolute (%)	9.3	27.7	43.3
Relative (%)	11.5	28.0	52.3

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)	21.5	12.3	11.2

Southern Cable Group Berhad

Post-results briefing takeaways

- **Profit margin is expected to expand in the coming quarters, driven by (i) more favourable pricing from the transition to the new TNB 1+1 contract cycle (ii) economies of scale from capacity expansion (iii) strong demand from higher-margin US market and (iv) cost efficiency from the commissioning of a new plastic compound factory in 2HFY25.**
- **US market remains resilient, with revenue surging sixfold in 1QFY25. Management remains confident in achieving RM100m revenue from US exports for FY25F.**
- **1800mm^2 HV cables certification is expected to be delayed to 1HFY26 due to extended testing. We foresee no impact on our earnings forecast, as it aligns with our expectations.**
- **As of 31 March 2025, total orders on hand stood at RM1.3bn.**
- **We maintain our BUY recommendation with an unchanged target price of RM1.72 based on 15x PER applied to FY26F fully diluted EPS of 11.5 sen along with a three-star ESG rating.**

We attended SCGB's 1QFY25 results briefing and remain confident in our positive outlook for the company. Below are the key highlights from the session:

Margin expansion. SCGB anticipates a sustained expansion in its profit margin in the coming quarters, driven by (i) more favourable pricing from the transition to the new TNB 1+1 contract cycle,(ii) increased production capacity to 52,000 km/year from 50,000 km/year, driving economies of scale, (iii) strong demand from the higher-margin US market, with UL certification for USE-2 / RHW-2 (URD) aluminium cables and wires targeted by 4QFY25 and (iv) the cost efficiencies from the new plastic compound factory, commissioning in 2HFY25.

US market remains resilient. In 1QFY25, export revenue surged six-fold yoy to RM31.1m, driven by robust demand from the US market, primarily fuelled by heightened construction activity and infrastructure development in the region. The performance underscores SCGB's growing role as a trusted supplier in the US, supported by its ability to meet stringent quality requirements. Despite a delay in UL certification for its USE-2 / RHW-2 (URD) aluminium cables, now targeted for 4QFY25 from an earlier 2QFY25 timeline due to extended testing protocols, management remains confident in achieving the RM100m US revenue target for FY2025.

Progress on HV cable certification. SCGB has revised the certification timeline for its 1800mm^2 HV cables and wires from TNB to 1HFY26, a delay from the previously anticipated 2HFY25. This adjustment is due to extended overseas type testing, specification evaluations, and field-testing requirements. Despite the delay, this aligns with our expectations, and we foresee no impact on our earnings forecasts. 1800mm^2 HV cable remains a significant untapped opportunity, driven by robust demand from data centres and national energy transition initiatives. SCGB is well-positioned to capture the demand, where only a few sizeable players remain.

Total orders on hand. As of 31 Mar 2025, SCGB's total orders on hand stood at RM1.3bn, comprising 20% MV cables, 5% HV cables, and the remainder primarily from LV cables, providing visibility for up to a year. The forthcoming rollout of LSS5, LSS5+, and new ESAs signed by TNB for DC projects underscores the resilient demand for MV and HV power cables and wires over the near to medium term, as they are key components used in connectivity systems.

Earnings forecasts. Maintained.

Valuation & Recommendation. Reiterate **BUY** with an unchanged TP of **RM1.72**, based on 15x FY26F EPS of 11.5 sen, supported by a three-star ESG rating. We remain positive on SCGBHD 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. Heavy reliance on government initiatives. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

KDN PP13226/06/2024 (035469)

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)	52.6	21.5	12.3	11.2	10.6
P/B (x)	4.9	3.9	3.0	2.4	2.0
EV/EBITDA (x)	23.4	13.9	7.9	7.0	6.5
DPS (sen)	0.8	0.8	1.0	1.2	1.3
Dividend Yield (%)	0.6%	0.6%	0.8%	0.9%	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	-3.6	-16.3	-32.4	-36.5	-39.3
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**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Despite a 25% increase in cable production, Scope 2 emissions rose by only 7%, primarily due to the installation of rooftop solar panels
Waste & Effluent	★★★	Repurposing waste materials in cables and implementing scheduled waste management according to the Environmental Quality Regulations 2005
Energy	★★★	Solar power usage increased to 18.8% of total energy consumption in 2023, up from 7.4% in 2022
Water	★★★	Using alternate water sources, collecting and reusing water from production
Compliance	★★★	Adhere to regulatory reporting

Social

Diversity	★★★	Diversity in hiring 106 new employees: 46.2% from the younger generation, 39.6% from mid-career, and the remainder from middle-aged individuals
Human Rights	★★★	There have been no human rights violations over the past three years
Occupational Safety and Health	★★★	The number of injuries declined to 32 from 34, and the Lost Time Incident Rate (LTIR) decreased to 367 from 469 between 2022 and 2023
Labour Practices	★★★	The turnover rate decreased to 4.9% from 13.6%, while training hours increased to 1,848 hours from 1,638 hours between 2022 and 2023.

Governance

CSR Strategy	★★★	Donations amounted to RM14,300 in 2023, including contributions from the families of deceased employees, temples, and volunteer efforts within the vicinity
Management	★★★	Encouraging a culture of ethical behavior and implementing a whistleblowing policy
Stakeholders	★★★	Maintained a clean record with zero substantiated complaints regarding data privacy and security

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

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 **Wednesday, 11 Jun, 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.