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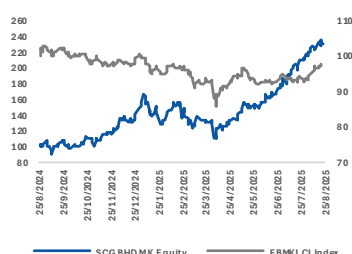
<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 1.90
Previous Target Price:	RM 2.14
Target Price:	↔ RM 2.14
Capital Upside/ Downside:	12.6%
Dividend Yield (%):	0.6%
<b>Total Upside/ Downside</b>	<b>13.3%</b>

**Stock information**

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHDMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	983.3
Market Cap (RM' m)	1,868.4
52-Week Price Range (RM)	1.95-0.75
Beta (x)	1.2
Free float (%)	60.5
3M Average Volume (m)	8.2
3M Average Value (RM' m)	12.5

**Top 3 Shareholders**

	(%)
Sino Shield Sdn. Bhd.	29.9
Semangat Handal Sdn. Bhd	5.8
Fil Ltd	2.5

**Share Price Performance**

	1M	3M	12M
Absolute (%)	10.5	53.2	124.9
Relative (%)	5.7	46.7	130.0

<b>Earnings Summary</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>
Revenue (RM'm)	1347.0	1632.8	1873.0
PATAMI (RM'm)	72.3	125.8	151.1
CNP (RM'm)	71.9	125.8	151.1
EPS - core (sen)	6.0	10.5	12.6
P/E(x)	31.7	18.1	15.1

# Southern Cable Group Berhad

## Exports Drive Robust Results

- SCGBHD's 2QFY25 core net profit came in at RM31.5m (+8.3% QoQ, +121.1% YoY), bringing the 6MFY25 CNP to RM60.6m (+117.5% YoY). The result is within expectations, accounting for 48% of our full-year forecast and 51% of consensus estimates.
- Demand for MV and HV cables remained robust during the quarter, accounting for about half of sales (vs <40% in 1QFY25). Export sales also rose significantly, bringing 6MFY25 exports to RM78.2m, already close to management's RM100m full-year target.
- During the quarter, an additional 2k capacity came online, lifting annual output to 51,980km, while utilisation remained high at ~90% on a 24-hour basis.
- As of 30 June 2025, total orders in hand stood at RM1.2bn, comprising HV and MV (>50%), LV (~40%), and others, representing 0.9x of FY24 revenue.
- Reiterate BUY with an unchanged TP of RM2.14, based on 17x FY26F EPS of 12.6 sen and supported by a three-star ESG rating.

**Within expectations.** After adjusting for a FV gain on derivative financial instruments (-RM0.1m), 2QFY25 core net profit came in at RM31.5m (+8.3% QoQ, +121.1% YoY), bringing the 6MFY25 CNP to RM60.6m (+117.5% YoY). This accounts for 48% of our full-year forecast and 51% of consensus estimates. The Group declared a first interim dividend of 1.20 sen/share (2QFY24: none).

**QoQ.** CNP grew by 8.3% to RM31.5m, mainly supported by stronger contributions from the Power segment (segmental GP +10.7%). This was driven by a higher sales volume (segmental revenue +5.8%) and margin expansion (GP margin +0.6%-pts) supported by a more favourable product mix, as MV and HV cables accounted for more than half of sales in 2QFY25 (vs. <40% in 1QFY25). Export sales also registered robust growth (+51.4%), led by stronger demand from overseas markets, particularly the US, which likely also contributed to the margin uplift. These gains outweighed higher net finance costs (+13.0%) from increased borrowings to fund working capital and capacity expansion. Consequently, the core PATMI margin inched up by 0.1%-pts to 7.5%.

**YoY.** CNP more than doubled (+121.1%), driven by stronger power cable sales (+36.0%), on the back of firm demand from domestic and overseas markets. Growth was further boosted by a more favourable product mix, with the Power segment's GP margin widening 5.2%-pts to 13.8% on stronger demand for MV and HV cables. Overseas sales also surged (+261.6%), lifting exports to 11.2% of total revenue (vs. 4.1% in 2QFY24). Consequently, core PATMI margin expanded 3%-pts to 7.5%, reflecting a more favourable product mix and economies of scale.

**Outlook.** We expect SCGBHD to deliver stronger earnings in 2HFY25, supported by a robust orders in hand of RM1.2bn and resilient demand from domestic and overseas markets. During the quarter, an additional 2k capacity came online, lifting annual output to 51,980km, but orders were still quickly filled, with utilisation running at ~90% on a 24-hour basis. Exports remain a key growth driver, with 6MFY25 sales of RM78.2m mainly to the US already close to management's full-year target of RM100m. The scheduled launch of a UL-certified USE-2/RHW-2 (URD) aluminium cable in 4QFY25 should further support earnings, given the higher margins typically earned from export sales. Domestically, the rollout of MRT3, Penang LRT, LSS5 and LSS5+ solar programmes, coupled with the approval of 42 new DC projects in Johor, is expected to drive stronger demand for MV and HV cables. As one of Malaysia's leading cable manufacturers, SCGBHD is well-positioned to capture this growth, with order book replenishment expected to remain robust.

**Orders in hand.** As of 30 June 2025, SCGBHD's total orders in hand stood at RM1.2bn, comprising >50% MV and HV cables, ~40% LV, with the balance from others, representing 0.9x of FY24 revenue.

**Earnings forecasts.** Maintained.

# Results Note

Tuesday, 26 Aug, 2025

**Valuation & Recommendation.** Reiterate **BUY** with an unchanged TP of **RM2.14**, based on 17x FY26F EPS of 12.6 sen and supported by a three-star ESG rating. We continue to like 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.** Policy Risks. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

## Results Comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	419.3	315.3	33.0	390.8	7.3	810.1	627.4	29.1	
COGS	(362.3)	(287.9)	25.9	(340.0)	6.6	(702.3)	(574.5)	22.3	
Gross profit	57.0	27.5	107.6	50.8	12.2	107.8	52.9	103.8	
Other income	0.7	0.6	15.0	1.6	(54.6)	2.3	2.3	1.5	
Distribution expenses	(8.9)	(4.7)	88.1	(8.7)	2.7	(17.6)	(8.9)	98.4	
Administrative expenses	(3.5)	(2.6)	32.4	(5.1)	(31.4)	(8.6)	(5.4)	59.6	
<b>EBITDA</b>	<b>49.8</b>	<b>25.7</b>	<b>93.6</b>	<b>41.6</b>	<b>19.8</b>	<b>91.4</b>	<b>48.4</b>	<b>88.7</b>	
Depreciation	(5.0)	(5.0)	-	(3.3)	51.4	(8.3)	(7.5)	10.9	
<b>EBIT</b>	<b>44.8</b>	<b>20.7</b>	<b>116.3</b>	<b>38.3</b>	<b>17.1</b>	<b>83.1</b>	<b>40.9</b>	<b>103.0</b>	
Net Finance Costs	(2.7)	(2.0)	38.0	(2.4)	13.0	(5.1)	(3.6)	42.3	qoq due to increased borrowings to fund working capital and capacity expansion.
<b>Pre-tax profit</b>	<b>42.1</b>	<b>18.7</b>	<b>124.5</b>	<b>35.9</b>	<b>17.4</b>	<b>77.9</b>	<b>37.3</b>	<b>108.9</b>	
Taxation	(10.4)	(4.3)	141.9	(8.5)	23.4	(18.9)	(8.8)	114.4	
<b>Profit-after tax</b>	<b>31.6</b>	<b>14.4</b>	<b>119.3</b>	<b>27.4</b>	<b>15.5</b>	<b>59.0</b>	<b>28.5</b>	<b>107.2</b>	
(-) Minority interest	-	-	-	-	-	-	-	-	
<b>PAT (-MI)</b>	<b>31.6</b>	<b>14.4</b>	<b>119.3</b>	<b>27.4</b>	<b>15.5</b>	<b>59.0</b>	<b>28.5</b>	<b>107.2</b>	robust power segment performance and stronger export sales
<b>Core net profit</b>	<b>31.5</b>	<b>14.3</b>	<b>121.1</b>	<b>29.1</b>	<b>8.3</b>	<b>60.6</b>	<b>27.9</b>	<b>117.5</b>	
Core EPS (sen)	3.3	1.7		3.2		6.4	3.4		declared a first interim dividend of 1.20 sen/share
DPS	1.2	-		-		1.2	-		
GP margin (%)	13.6	8.7		13.0		13.3	8.4		
EBITDA margin (%)	11.9	8.2		10.6		11.3	7.7		
PBT margin (%)	10.0	5.9		9.2		9.6	5.9		
Core PATMI margin (%)	7.5	4.5		7.4		7.5	4.4		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
<b>Revenue</b>									
Power	388.3	285.5	36.0	366.9	5.8	755.2	563.4	34.0	
Communication	0.3	0.8	(67.2)	0.6	(55.6)	0.9	2.5	(65.8)	
Control and instrumentation	10.9	8.3	30.4	7.5	44.9	18.4	15.3	19.9	stronger demand from infrastructure projects
Others	31.6	31.8	(0.7)	27.5	14.8	59.2	68.4	(13.5)	
Adjustment	(11.7)	(11.1)	5.2	(11.8)	(0.6)	(23.5)	(22.3)	5.2	
<b>Total</b>	<b>419.3</b>	<b>315.3</b>	<b>33.0</b>	<b>390.8</b>	<b>7.3</b>	<b>810.1</b>	<b>627.4</b>	<b>29.1</b>	
<b>Gross Profit</b>									
Power	53.7	24.6	118.6	48.5	10.7	102.3	47.4	115.6	stronger demand for MV and HV cables
Communication	0.1	0.2	(42.3)	0.2	(20.1)	0.3	0.5	(46.4)	
Control and instrumentation	2.1	1.5	40.2	1.5	38.3	3.6	2.8	27.8	
Others	1.2	0.8	42.7	0.7	79.9	1.8	2.1	(10.7)	
Adjustment	(0.1)	0.4	nm	(0.1)	41.6	(0.2)	0.1	nm	
<b>Total</b>	<b>57.0</b>	<b>27.5</b>	<b>107.6</b>	<b>50.8</b>	<b>12.2</b>	<b>107.8</b>	<b>52.9</b>	<b>103.8</b>	
<b>GP margin (%)</b>									
Power	13.8%	8.6%		13.2%		13.5%	8.4%		
Communication	47.7%	27.2%		26.5%		33.1%	21.1%		
Control and instrumentation	19.2%	17.8%		20.1%		19.6%	18.4%		
Others	3.7%	2.6%		2.4%		3.1%	3.0%		
<b>Total</b>	<b>13.6%</b>	<b>8.7%</b>		<b>13.0%</b>		<b>13.3%</b>	<b>8.4%</b>		

Source: Company, Apex Securities

## Geographical Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Local	372.2	302.3	23.1	359.7	3.5	731.9	610.1	20.0	
Export	47.1	13.0	261.6	31.1	51.4	78.2	17.2	353.7	stronger demand for UL-certified products
<b>Total</b>	<b>419.3</b>	<b>315.3</b>	<b>33.0</b>	<b>390.8</b>	<b>7.3</b>	<b>810.1</b>	<b>627.4</b>	<b>29.1</b>	

Source: Company, Apex Securities

# Results Note

Tuesday, 26 Aug, 2025

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>1053.1</b>	<b>1347.0</b>	<b>1632.8</b>	<b>1873.0</b>	<b>2097.9</b>
<b>Gross Profit</b>	<b>73.9</b>	<b>135.2</b>	<b>216.2</b>	<b>260.6</b>	<b>303.2</b>
<b>EBITDA</b>	<b>70.4</b>	<b>120.5</b>	<b>199.9</b>	<b>234.1</b>	<b>263.2</b>
Depreciation & Amortisation	-22.6	-18.7	-21.7	-22.1	-22.8
<b>EBIT</b>	<b>47.7</b>	<b>101.9</b>	<b>178.2</b>	<b>212.0</b>	<b>240.4</b>
Net Finance Income/ (Cost)	-8.7	-9.6	-10.0	-9.9	-9.6
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>39.0</b>	<b>92.3</b>	<b>168.2</b>	<b>202.1</b>	<b>230.8</b>
Tax	-9.6	-20.0	-42.4	-50.9	-58.2
<b>Profit After Tax</b>	<b>29.4</b>	<b>72.3</b>	<b>125.8</b>	<b>151.1</b>	<b>172.6</b>
(-) Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>29.4</b>	<b>72.3</b>	<b>125.8</b>	<b>151.1</b>	<b>172.6</b>
(-) Exceptionals	0.0	0.5	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>29.4</b>	<b>71.9</b>	<b>125.8</b>	<b>151.1</b>	<b>172.6</b>

### Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.5	6.0	10.5	12.6	14.4
P/E(x)	77.5	31.7	18.1	15.1	13.2
P/B(x)	7.2	5.7	4.4	3.5	2.8
EV/ EBITDA (x)	33.8	20.0	11.6	9.5	8.1
DPS (sen)	0.8	0.8	1.0	1.2	1.3
Dividend Yield (%)	0.4%	0.4%	0.5%	0.6%	0.7%
EBITDA margin (%)	6.7%	8.9%	12.2%	12.5%	12.5%
EBIT margin (%)	4.5%	7.6%	10.9%	11.3%	11.5%
PBT margin (%)	3.7%	6.9%	10.3%	10.8%	11.0%
PAT margin (%)	2.8%	5.4%	7.7%	8.1%	8.2%
NP margin (%)	2.8%	5.4%	7.7%	8.1%	8.2%
CNP margin (%)	2.8%	5.3%	7.7%	8.1%	8.2%
ROE (%)	9.3%	17.9%	24.3%	22.9%	21.0%
ROA (%)	4.9%	10.0%	14.5%	15.0%	14.8%
Gearing (%)	62.1%	53.7%	38.4%	27.4%	19.5%
Net gearing (%)	31.7%	33.1%	5.7%	Net Cash	Net Cash

### Valuations

	FY26F
Core EPS (RM)	0.126
P/E multiple (x)	17.0
<b>Fair Value (RM)</b>	<b>2.14</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>2.14</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	96.0	82.7	170.0	233.0	296.7
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
<b>Total Current Assets</b>	<b>506.0</b>	<b>582.9</b>	<b>735.1</b>	<b>875.6</b>	<b>1032.0</b>
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
<b>Total Non-Current Assets</b>	<b>99.6</b>	<b>138.3</b>	<b>131.6</b>	<b>131.5</b>	<b>132.6</b>
Short-term debt	186.1	209.5	189.4	171.6	151.7
Payables	82.8	89.8	134.6	153.2	170.5
Other current liabilities	4.3	4.1	4.1	4.1	4.1
<b>Total Current Liabilities</b>	<b>273.1</b>	<b>303.4</b>	<b>328.1</b>	<b>328.9</b>	<b>326.3</b>
Long-term debt	9.6	6.2	10.0	9.0	8.0
Other non-current liabilities	7.8	9.8	9.8	9.8	9.8
<b>Total Non-Current Liabilities</b>	<b>17.4</b>	<b>16.0</b>	<b>19.8</b>	<b>18.9</b>	<b>17.8</b>
Shareholder's equity	315.0	401.8	518.8	659.4	820.5
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>315.0</b>	<b>401.8</b>	<b>518.8</b>	<b>659.4</b>	<b>820.5</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Pre-tax profit</b>	<b>39.0</b>	<b>92.3</b>	<b>168.2</b>	<b>202.1</b>	<b>230.8</b>
Depreciation & amortisation	22.6	18.7	21.7	22.1	22.8
Changes in working capital	65.0	-83.3	-20.1	-58.9	-75.4
Others	-3.6	-16.3	-32.4	-41.0	-48.6
<b>Operating cash flow</b>	<b>123.0</b>	<b>11.3</b>	<b>137.4</b>	<b>124.3</b>	<b>129.7</b>
Capex	-9.0	-49.2	-15.0	-22.0	-24.0
Others	0.3	0.0	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-8.8</b>	<b>-49.2</b>	<b>-15.0</b>	<b>-22.0</b>	<b>-24.0</b>
Dividends paid	-2.2	-13.1	-8.8	-10.6	-11.4
Others	-37.8	37.7	-26.3	-28.7	-30.6
<b>Financing cash flow</b>	<b>-40.1</b>	<b>24.6</b>	<b>-35.1</b>	<b>-39.2</b>	<b>-42.0</b>
<b>Net cash flow</b>	<b>74.1</b>	<b>-13.3</b>	<b>87.3</b>	<b>63.1</b>	<b>63.7</b>
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	233.0
<b>Ending cash</b>	<b>96.0</b>	<b>82.7</b>	<b>170.0</b>	<b>233.0</b>	<b>296.7</b>

# Results Note

Tuesday, 26 Aug, 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 <sup>3</sup> in the previous year to 4,337 m <sup>3</sup> .
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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(a) nil.