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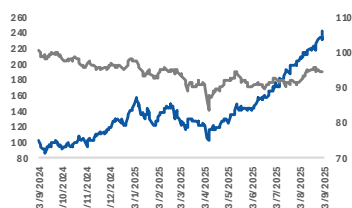
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Recommendation:	BUY
Current Price:	RM 2.11
Previous Target Price:	RM 2.14
Target Price:	↑ RM 2.50
Capital Upside/ Downside:	18.5%
Dividend Yield (%):	1.1%
Total Upside/ Downside	19.6%

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHDMK
Syariah Compliant	Yes
ESGRating	★ ★ ★
Shares issued (m)	984.8
Market Cap (RM' m)	2,078.0
52-Week Price Range (RM)	2.15-0.75
Beta (x)	1.2
Free float (%)	60.6
3M Average Volume (m)	8.1
3M Average Value (RM' m)	12.8

Top 3 Shareholders	(%)
Sino Shield Sdn. Bhd.	29.8
Semangat Handal Sdn. Bhd	5.8
Fil Ltd	2.4

Share Price Performance



	1M	3M	12M
Absolute (%)	18.5	73.0	138.4
Relative (%)	14.7	65.2	152.3

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	1347.0	1633.2	1896.2
PATAMI (RM'm)	72.3	127.3	166.8
CNP (RM'm)	71.9	127.3	166.8
EPS - core (sen)	6.0	10.6	13.9
P/E(x)	35.2	19.9	15.2

Southern Cable Group Berhad

Post-results briefing takeaways

- **Earnings to improve from (i) a more favourable product mix, (ii) capacity expansion to over 60,000 km/year to capture rising demand, (iii) cost efficiencies from the capacity expansion of in-house aluminium rod furnace and plastic compounding facility, and (iv) stronger US exports.**
- **US sales to grow further, with management targeting to raise volumes to 100 containers/month in the near term and 150/month by 2027, implying export revenue of ~RM150m in FY25.**
- **Given the strengthening demand outlook, we have revised our earnings forecasts by 1.2%/10.4%/9.0% for FY25F-FY27F.**
- **Post-earnings revision, our TP was revised upward to RM2.50 (from RM2.14), based on 18x FY26F EPS of 13.9 sen and a three-star ESG rating. Reiterate BUY.**

We attended SCGBHD's 2QFY25 results briefing and remain confident in the outlook for the company. Below are the key highlights from the session:

Stronger earnings momentum. Earnings are anticipated to improve steadily towards FY26, supported by (i) a more favourable product mix, with HV cable revenue potentially reaching ~10% by 2H25 (1Q25: 1.6%; 2Q25: 7%), (ii) capacity expansion to over 60,000 km/year in the foreseeable future (from ~52,000 km/year currently), with a new CCV line adding MV-EHV output and positioning the Group to capture rising demand (iii) cost efficiencies from the expansion of aluminium rod furnace and in-house plastic compounding facility, and (iv) stronger US exports, with monthly shipments expected to scale from 50 containers to 100-150 containers over the medium term.

More capacity coming online. The Group continues to execute on its multi-pronged expansion plan. In 2QFY25, ~2,000 km of capacity came onstream earlier than expected, enabling the Group to capture stronger HV cable demand. FY25 capacity is expected to rise to ~53,000 km/year, with an additional 500-1,000km/year unlocked through debottlenecking in 2H25. A new CCV line is scheduled for installation in 2H26, which will add up to 2,100 km/year if utilised for MV cables, or ~420 km/year if dedicated to EHV. In addition, Plant B is expected to scale up production capacity to over 60,000 km/year in the foreseeable future. Meanwhile, the Group is expanding by installing a polymer compounding line (+35% to 12k MT/year) and an aluminium rod furnace (tripling output to 60k MT/year), both targeted for COD in 1QFY26, which are expected to deliver cost savings to improve Group margins.

Stronger growth from US market. SCGBHD's export momentum accelerated in 2QFY25, with revenue surging 51.4% YoY, bringing 1HFY25 export sales to RM78.2m (+353.7% YoY). Growth was driven by robust demand from the US market, where shipments averaged 50 containers/month. Management is targeting to raise volumes to 100 containers/month in the near term and 150/month by 2027, implying export revenue of ~RM150m in FY25. Deliveries of new USE-2/RHW-2 cables are expected to commence from 4QFY25 onwards, broadening the Group's product offering and driving additional sales. US exports typically command superior margins compared to domestic LV cable sales, which should support overall Group margin expansion in the near term.

Total orders on hand. As of 30 June 2025, SCGBHD's total orders on hand stood at ~RM1.17bn, comprising ~70% LV and ~30% MV & HV cables, providing revenue visibility of up to 12 months. Demand for MV and HV cables is expected to remain robust, supported by ongoing national infrastructure projects, the rollout of LSS5 and LSS5+, and accelerating data centre developments, given their critical role in transmission and connectivity systems.

Earnings forecasts. Given the strengthening demand outlook, we raise our earnings forecasts by 1.2%/10.4%/9.0% for FY25F/FY26F/FY27F respectively. The upward revision reflects higher sales

volumes, a more favourable MV and HV product mix, and accelerating contributions from the US market.

Valuation & Recommendation. We raise our PE multiple from 17x to 18x to reflect SCGBHD's improving earnings visibility and robust growth outlook from capacity expansion and vertical integration. Our new TP of **RM2.50** (from RM2.14) is based on 18x FY26F EPS of 13.9 sen and a three-star ESG rating. Reiterate **BUY**. 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. (i) Change in government policies, (ii) inability to secure new contracts, (iii) spike in raw material costs such as copper and steel, (iv) delay in capacity expansions.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1053.1	1347.0	1633.2	1896.2	2125.3
Gross Profit	73.9	135.2	220.1	279.8	315.5
EBITDA	70.4	120.5	201.9	255.1	283.9
Depreciation & Amortisation	-22.6	-18.7	-21.7	-22.1	-22.8
EBIT	47.7	101.9	180.2	233.0	261.1
Net Finance Income/ (Cost)	-8.7	-9.6	-10.0	-9.9	-9.5
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	39.0	92.3	170.3	223.1	251.5
Tax	-9.6	-20.0	-42.9	-56.2	-63.4
Profit After Tax	29.4	72.3	127.3	166.8	188.1
(-) Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	29.4	72.3	127.3	166.8	188.1
(-) Exceptionals	0.0	0.5	0.0	0.0	0.0
Core Net Profit	29.4	71.9	127.3	166.8	188.1

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.5	6.0	10.6	13.9	15.7
P/E(x)	86.0	35.2	19.9	15.2	13.5
P/B(x)	8.0	6.3	5.0	3.9	3.1
EV/EBITDA(x)	37.4	22.1	12.7	9.7	8.4
DPS (sen)	0.8	1.6	2.0	2.4	2.8
Dividend Yield (%)	0.4%	0.8%	0.9%	1.1%	1.3%
EBITDA margin (%)	6.7%	8.9%	12.4%	13.5%	13.4%
EBIT margin (%)	4.5%	7.6%	11.0%	12.3%	12.3%
PBT margin (%)	3.7%	6.9%	10.4%	11.8%	11.8%
PAT margin (%)	2.8%	5.4%	7.8%	8.8%	8.9%
NP margin (%)	2.8%	5.4%	7.8%	8.8%	8.9%
CNP margin (%)	2.8%	5.3%	7.8%	8.8%	8.9%
ROE(%)	9.3%	17.9%	24.9%	25.4%	22.9%
ROA (%)	4.9%	10.0%	14.8%	16.6%	16.1%
Gearing (%)	62.1%	53.7%	39.0%	27.4%	19.4%
Net gearing (%)	31.7%	33.1%	7.2%	Net Cash	Net Cash

Valuations

Valuations	FY26F
Core EPS (RM)	0.139
P/E multiple (x)	18.0
Fair Value (RM)	2.50
ESG premium/ discount	0.0%
Implied Fair Value (RM)	2.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and cash equivalents	96.0	82.7	162.4	231.0	297.8
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	727.5	873.6	1033.1
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	171.4	151.2
Payables	82.8	89.8	134.2	153.6	171.9
Other current liabilities	4.3	4.1	4.1	4.1	4.1
Total Current Liabilities	273.1	303.4	327.7	329.0	327.2
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
Total Non-Current Liabilities	17.4	16.0	19.8	18.8	17.8
Shareholder's equity	315.0	401.8	511.5	657.2	820.7
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	315.0	401.8	511.5	657.2	820.7

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	39.0	92.3	170.3	223.1	251.5
Depreciation & amortisation	22.6	18.7	21.7	22.1	22.8
Changes in working capital	65.0	-83.3	-20.4	-58.2	-74.3
Others	-3.6	-16.3	-32.9	-46.3	-53.8
Operating cash flow	123.0	11.3	138.6	140.7	146.2
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	-17.6	-21.1	-24.7
Others	-37.8	37.7	-26.3	-28.9	-30.8
Financing cash flow	-40.1	24.6	-43.9	-50.0	-55.5
Net cash flow	74.1	-13.3	79.7	68.6	66.8
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	162.4	231.0
Ending cash	96.0	82.7	162.4	231.0	297.8

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 + 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.