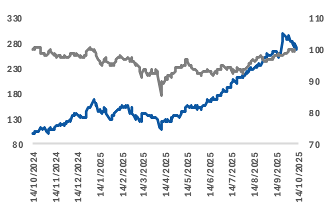
Tan Sue Wen
(603) 7890 8888 (ext 2095)
suewen.tan@apexsecurities.com.my

Recommendation:		BUY
Current Price:		RM 2.17
Previous Target Price:		RM 2.50
Target Price:	↔	RM 2.50
Capital Upside/Downside:		15.2%
Dividend Yield (%):		1.1%
Total Upside/Downside		**16.3%**

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHD MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,023.7
Market Cap (RM' m)	2,221.4
52-Week Price Range (RM)	2.52-0.825
Beta (x)	1.3
Free float (%)	61.6
3M Average Volume (m)	6.2
3M Average Value (RM' m)	12.0

Top 3 Shareholders	(%)
Sino Shield Sdn. Bhd.	30.7
Semangat Handal Sdn. Bhd	4.0
FIL Ltd	2.3

Share Price Performance



	1M	3M	12M
Absolute (%)	1.9	38.2	163.0
Relative (%)	1.2	31.9	167.1

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)	36.2	20.4	15.6

Southern Cable Group Berhad

Private Placement for up to RM259.2m

- **SCGBHD has proposed a private placement of up to 120.0m new shares, representing approximately 10% of its enlarged share capital under the full placement scenario. Based on an indicative issue price of RM2.16/share, the exercise is expected to raise gross proceeds of up to RM259.2m.**
- **The proceeds will be utilised mainly for capacity expansion (50%), while the balance will go towards working capital to support higher raw material requirements (41%), repayment of borrowings (6%), land lease settlement (2%), and placement-related expenses (1%).**
- **We are positive on the development, as the placement will further strengthen SCGBHD's balance sheet and fund its multi-year capacity expansion programme aimed at raising cable and wire output by c.25% to 65,000 km/year and tripling aluminium rod production to 60,000 tonnes/year. Nevertheless, the enlarged share base will lead to an estimated 9.1% dilution to our FY26F EPS, translating to a fully diluted fair value of RM2.28/share.**
- **Maintain BUY with an unchanged TP of RM2.50, based on 18x FY26F EPS of 13.9 sen and a three-star ESG rating.**

Proposed Placement. SCGBHD has proposed a private placement of up to 120.0m new shares, representing 10% of its enlarged share capital under the maximum scenario, assuming full exercise of outstanding warrants. Under the minimum scenario, where none of the outstanding warrants are exercised, the placement would involve up to 101.0m new shares. The issue price will be determined later, at a discount of no more than 10% to the 5-day VWAP prior to price fixing. The placement is targeted to be completed by 2QCY26.

Based on an indicative issue price of RM2.16/share, the proposed placement is expected to raise up to RM259.2m under the maximum scenario. About 50% (RM129.0m) of the proceeds are earmarked for capital expenditure, mainly for the purchase of new machinery and equipment (RM83.0m), followed by the construction and renovation of factories and warehouses in Kuala Ketil (RM34.0m), and the acquisition and setup of a new warehouse (RM12.0m). Meanwhile, RM105.5m (41%) will be allocated to working capital, primarily for the procurement of raw materials such as copper, aluminium, and plastic compounds to support the Group's capacity expansion. The remaining funds will be utilised for the repayment of bank borrowings (RM16.6m, 6%), the settlement of the balance land lease payment (RM5.1m, 2%) and estimated expenses in relation to the placement (RM3.0m, 1%)

Table 1: Details of Utilisation under Maximum Scenario

Purposes	RM'm	%
Capex & Expansion		
Purchase of machinery & equipment	83.0	32.0
Construction & renovation of factories & warehouse	34.0	13.1
Acquisition & setup of new warehouse	12.0	4.6
Working capital	105.5	40.7
Repayment of bank borrowings	16.6	6.4
Land lease settlement	5.1	2.0
Estimated expenses in relation to the proposed placement	3.0	1.2
Total	**259.2**	100.0

Source: Company, Apex Securities

Table 2: Pro Forma Effects of the Proposed Private Placement under Maximum Scenario

	As of 30 Sep 2025 (LPD) RM'm	After the proposed placement and full exercise of warrants RM'm
Share capital	275.4	586.9
Reorganisation reserve/(deficit)	-120.9	-120.9
Retained earnings	269.2	266.2

Shareholder's equity/Net Assets	**423.7**	**732.1**
Number of SCGBHD Shares ('000)	1,010.1	1320.0
NA per SCGBHD Share (RM)	0.42	0.55
Total borrowings (RM'000)	215.7	199.1
Gearing (times)	0.51	0.27

Source: Company, Apex Securities

Our Take. We are **positive** on the proposed private placement. While the exercise will strengthen SCGBHD's balance sheet and enhance funding flexibility for upcoming expansion, it will also result in an estimated 9.1% dilution to our FY26F EPS under a fully diluted scenario, where the share base expands but incremental earnings from lower finance costs, interest income, and future capacity growth have yet to be reflected. Based on this maximally diluted EPS scenario, our fair value stands at **RM2.28/share**.

Placement Paves Way for Capacity-Led Growth. The placement underscores management's confidence in SCGBHD's long-term growth trajectory and commitment to scale production capacity by c.25% to 65,000 km per year, triple aluminium rod output to 60,000 tonnes per year, and capture rising demand from the power infrastructure, renewable energy, and data-centre sectors. We continue to reiterate that demand is no longer a limiting factor for the Group. Growth is now primarily constrained by production capacity. Against this backdrop, the current expansion via private placement is both strategically timely and largely anticipated.

Earnings revision. Maintained pending the determination of issue price and the completion of the exercise.

Valuation & Recommendation. We maintain our **BUY** rating with an unchanged TP of **RM2.50**, based on 18x FY26F EPS of 13.9 sen and 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. (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**	**2225.3**
Gross Profit	**73.9**	**135.2**	**220.1**	**279.8**	**331.1**
EBITDA	**70.4**	**120.5**	**201.9**	**255.1**	**296.6**
Depreciation & Amortisation	-22.6	-18.7	-21.7	-22.1	-22.8
EBIT	**47.7**	**101.9**	**180.2**	**233.0**	**273.8**
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**	**264.3**
Tax	-9.6	-20.0	-42.9	-56.2	-66.6
Profit After Tax	**29.4**	**72.3**	**127.3**	**166.8**	**197.7**
(-) Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**29.4**	**72.3**	**127.3**	**166.8**	**197.7**
(-) Exceptionals	0.0	0.5	0.0	0.0	0.0
Core Net Profit	**29.4**	**71.9**	**127.3**	**166.8**	**197.7**

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.5	6.0	10.6	13.9	16.5
P/E (x)	88.5	36.2	20.4	15.6	13.2
P/B (x)	8.3	6.5	5.1	4.0	3.1
EV/EBITDA (x)	38.4	22.7	13.1	10.0	8.3
DPS (sen)	0.8	1.6	2.0	2.4	2.8
Dividend Yield (%)	0.3%	0.7%	0.9%	1.1%	1.3%
EBITDA margin (%)	6.7%	8.9%	12.4%	13.5%	13.3%
EBIT margin (%)	4.5%	7.6%	11.0%	12.3%	12.3%
PBT margin (%)	3.7%	6.9%	10.4%	11.8%	11.9%
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%	23.8%
ROA (%)	4.9%	10.0%	14.8%	16.6%	16.7%
Gearing (%)	62.1%	53.7%	39.0%	27.4%	19.0%
Net gearing (%)	31.7%	33.1%	7.2%	Net Cash	Net Cash

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	314.4
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**	**1049.6**
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	150.2
Payables	82.8	89.8	134.2	153.6	180.0
Other current liabilities	4.3	4.1	4.1	4.1	4.1
Total Current Liabilities	**273.1**	**303.4**	**327.7**	**329.0**	**334.3**
Long-term debt	9.6	6.2	10.0	9.0	7.9
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**	**17.7**
Shareholder's equity	315.0	401.8	511.5	657.2	830.3
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**315.0**	**401.8**	**511.5**	**657.2**	**830.3**

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	**39.0**	**92.3**	**170.3**	**223.1**	**264.3**
Depreciation & amortisation	22.6	18.7	21.7	22.1	22.8
Changes in working capital	65.0	-83.3	-20.4	-58.2	-66.3
Others	-3.6	-16.3	-32.9	-46.3	-57.1
Operating cash flow	**123.0**	**11.3**	**138.6**	**140.7**	**163.7**
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	-31.7
Financing cash flow	**-40.1**	**24.6**	**-43.9**	**-50.0**	**-56.4**
Net cash flow	**74.1**	**-13.3**	**79.7**	**68.6**	**83.3**
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**	**314.4**

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

As of **Wednesday, 15 Oct, 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.