

Research Team

(603) 7890 8888

research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM2.34
Previous Target Price:	RM2.97
Target Price:	RM2.97
Capital Upside/ Downside:	26.9%
Dividend Yield (%):	0.0%
Total Upside/ Downside	26.9%

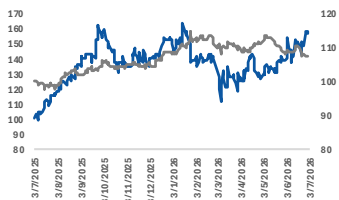
Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHDMK
Syariah Compliant	Yes
ESGRating	★★★
Sharesissued (m)	1,262.8
Market Cap (RM' m)	2,954.9
52-Week Price Range (RM)	2.52- 1.42
Beta (x)	1.3
Free float (%)	70.2
3M Average Volume (m)	6.4
3M Average Value (RM' m)	13.4

Top 3 Shareholders

Sino Shield Sdn. Bhd.	26.0
Employees Provident Fund Board	9.2
Manulife Financial Corp	4.7

Share Price Performance



	1M	3M	12M
Absolute (%)	13.0	21.9	56.0
Relative (%)	13.8	24.3	45.4

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	1759.7	1896.2	2225.3
PATAMI (RM'm)	131.4	163.1	194.0
CNP (RM'm)	129.2	163.1	194.0
EPS - core (sen)	9.9	12.5	14.9
P/E(x)	20.8	16.5	13.8

Southern Cable Group Berhad

TNB'1+1 contract renewal boost

- **SCGBHD secured a supplementary RM403.6m contract from TNB on 2 July 2026, representing TNB's exercise of the one-year extension option under the original February 2025 contract for the supply of underground power cables and conductors to TNB's distribution network division from August 2026 to August 2027.**
- **Including the latest award, the Group's total orders in hand have expanded to over RM1.0bn, providing earnings visibility through FY27. Total contracts secured from TNB now exceed RM900m since 2025.**
- **Maintain BUY recommendation with TP of RM2.97, based on an unchanged 20x P/E applied to our FY27F EPS of 14.9sen.**

Secures a RM403.6m supplementary supply contract from TNB. The contract was awarded to its wholly-owned Southern Cable Sdn Bhd. It covers underground power cables and conductors for TNB's Distribution Network Division, and reflects TNB exercising an add-on option under the original February 2025 contract, running an additional one-year term from August 2026 to August 2027. With this award, group orders in hand exceed RM1.0bn, and cumulative contracts from TNB total more than RM900m since 2025.

Our View. We view this contract award **positively**, as it introduces an additional revenue stream over the next year while strengthening the Group's order book. Assuming a gross profit margin of 10%, the contract is expected to contribute approximately RM40.4m in gross profit over the one-year contract period, equivalent to c. 14.4% of our FY26 forecast. The award follows the RM121.1m variation order secured in February 2026, being the 30% add-on option under the same contract, bringing the cumulative value of the framework to c.RM928m (RM403.6m Original contract + RM121.1m variation + RM403.6m extension) and reaffirming SCGBHD's standing as a key supplier to TNB's Distribution Network Division. We view the extension as a continuation of resilient demand under TNB's RP4 grid expansion and transmission upgrades, particularly for MV cables, alongside the data centre pull under the Green Lane pathway, which fast-tracks grid connections and brings cable procurement earlier in the project execution cycle. With orders in hand now above RM1.0bn, or c.0.53x FY26F revenue, earnings visibility through FY27 is well underpinned.

Earnings Revision. We make no changes to our FY26F and FY27F earnings forecast of RM163.1m and RM194.0m respectively. The extension falls within our existing orderbook replenishment assumptions, and given delivery only commences in August 2026, RM991.3m of FY26 orderbook wins will be phased c.6%/53%/41% across FY26F/FY27F/FY28F. This will step up our orderbook forecast materially into FY27F (c.RM947m) and FY28F (c.RM1,048m). The net earnings impact is neutral, with the award serving to de-risk rather than lift our existing forecasts.

Valuation & Recommendation. We maintain our **BUY** recommendation on SCGBHD with an **unchanged TP of RM2.97**, based on 20x P/E applied to FY27F EPS of 14.9sen, alongside a three-star ESG rating. We continue to like SCGBHD for its (i) strong earnings visibility backed by its more than RM1.0bn orderbook, (ii) direct exposure to Malaysia's power infrastructure buildout and data centre-driven grid investment under RP4 and the NETR, and (iii) growing export presence, particularly within the US market. Ongoing capacity expansion, to 60,000 km by end-2026 and 65,000 km by end-2027 from 54,980 km currently, together with improving vertical integration, should further support the Group's long-term growth trajectory and margin sustainability.

Risks. Volatile raw material prices (copper and aluminium), slower-than-expected orderbook replenishment, delivery timing subject to TNB's call-back schedule, and weaker export demand may pose downside risks to earnings.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	1053.1	1347.0	1759.7	1896.2	2225.3
Gross Profit	73.9	135.2	251.2	279.8	331.1
EBITDA	70.4	120.5	205.8	264.9	305.3
Depreciation & Amortisation	-22.6	-18.7	-15.9	-33.6	-33.3
EBIT	47.7	101.9	189.9	231.3	272.0
Net Finance Income/ (Cost)	-8.7	-9.6	-12.7	-11.4	-10.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	39.0	92.3	177.2	219.9	261.6
Tax	-9.6	-20.0	-45.8	-56.8	-67.6
Profit After Tax	29.4	72.3	131.4	163.1	194.0
(-) Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	29.4	72.3	131.4	163.1	194.0
(-) Exceptionals	0.0	0.5	2.3	0.0	0.0
Core Net Profit	29.4	71.9	129.2	163.1	194.0

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
EPS (sen)	2.3	5.5	9.9	12.5	14.9
P/E (x)	91.1	37.3	20.8	16.5	13.8
P/B (x)	8.5	6.7	3.6	3.1	2.6
EV/EBITDA (x)	39.5	23.4	12.9	10.0	8.7
DPS (sen)	0.8	1.6	2.0	2.4	2.8
Dividend Yield (%)	0.4%	0.8%	1.0%	1.2%	1.4%
EBITDA margin (%)	6.7%	8.9%	11.7%	14.0%	13.7%
EBIT margin (%)	4.5%	7.6%	10.8%	12.2%	12.2%
PBT margin (%)	3.7%	6.9%	10.1%	11.6%	11.8%
PAT margin (%)	2.8%	5.4%	7.5%	8.6%	8.7%
NP margin (%)	2.8%	5.4%	7.5%	8.6%	8.7%
CNP margin (%)	2.8%	5.3%	7.3%	8.6%	8.7%
ROE (%)	9.3%	17.9%	17.2%	18.7%	19.0%
ROA (%)	4.9%	10.0%	11.2%	12.8%	13.7%
Gearing (%)	62.1%	53.7%	31.4%	23.7%	17.1%
Net gearing (%)	31.7%	33.1%	Net Cash	Net Cash	Net Cash

Valuations	FY27F
Core EPS (RM)	0.149
P/E multiple (x)	20.0
Fair Value (RM)	2.97
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.97

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash and cash equivalents	96.0	82.7	254.0	239.0	210.5
Receivables	264.9	315.3	498.7	598.5	718.1
Inventories	144.1	183.7	210.8	253.0	303.5
Other current assets	1.0	1.2	0.9	0.9	0.9
Total Current Assets	506.0	582.9	964.4	1091.3	1233.1
Fixed Assets	54.6	81.9	126.5	125.2	124.2
Intangibles	44.4	55.8	61.3	59.0	56.8
Other non-current assets	0.5	0.5	0.5	0.5	0.5
Total Non-Current Assets	99.6	138.3	188.3	184.7	181.5
Short-term debt	186.1	209.5	216.8	196.9	165.1
Payables	82.8	89.8	124.2	153.6	180.0
Other current liabilities	4.3	4.1	30.4	30.4	30.4
Total Current Liabilities	273.1	303.4	371.3	380.8	375.5
Long-term debt	9.6	6.2	18.9	10.4	8.7
Other non-current liabilities	7.8	9.8	11.6	11.6	11.6
Total Non-Current Liabilities	17.4	16.0	30.4	21.9	20.2
Shareholder's equity	315.0	401.8	751.0	873.3	1018.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	315.0	401.8	751.0	873.3	1018.9

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	39.0	92.3	177.2	219.9	261.6
Depreciation & amortisation	22.6	18.7	15.9	33.6	33.3
Changes in working capital	65.0	-83.3	-166.7	-112.5	-143.9
Others	-3.6	-16.3	-16.3	-45.4	-57.2
Operating cash flow	123.0	11.3	10.1	95.6	93.8
Capex	-9.0	-49.2	-62.6	-30.0	-30.0
Others	0.3	0.0	-129.7	0.0	0.0
Investing cash flow	-8.8	-49.2	-192.3	-30.0	-30.0
Dividends paid	-2.2	-13.1	-20.4	-40.8	-48.5
Others	-37.8	37.7	245.0	-39.8	-43.8
Financing cash flow	-40.1	24.6	224.6	-80.6	-92.3
Net cash flow	74.1	-13.3	42.4	-15.0	-28.5
Forex	0.0	0.0	-1.4	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	21.8	96.0	82.7	123.7	108.7
Ending cash	96.0	82.7	123.7	108.7	80.2

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	The company is proactively aligning with global climate disclosure frameworks and preparing for regulatory changes.
Waste & Effluent	★★★	Despite increased production, there is a clear emphasis on material recovery and reducing landfill dependency.
Energy	★★★	The company is successfully decoupling growth from energy intensity by adopting cleaner fuels and renewable sources.
Water	★★★	While consumption is rising with growth, industrial-scale water recycling helps mitigate the overall footprint.
Compliance	★★★	The company demonstrates a consistent and disciplined adherence to Malaysian environmental regulations.

Social

Diversity	★★★	The company maintains strong gender diversity at leadership levels and focuses on capturing youthful talent.
Human Rights	★★★	A clean human rights record reflects a solid ethical baseline and effective labor standards.
Occupational Safety and Health	★★★	While there is a strong "zero-fatality" record, the rising incident rate as production scales is a noted area of management focus.
Labour Practices	★★★	High investment in training and successful reduction in absenteeism point to strong employee engagement and welfare.

CSR Strategy	★★★	Sustainability is not treated as a standalone effort but is integrated into the core industrial management strategy.
Management	★★★	The multi-tiered structure ensures accountability and oversight at every level of operations.
Stakeholders	★★★	Proactive engagement allows the company to align its reporting and operations with stakeholder interests and national infrastructure needs.

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

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of Friday, 03 Jul, 2026, 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.