

Research Team

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Recommendation:	BUY
Current Price:	RM 2.58
Previous Target Price:	RM 2.97
Target Price:	↑ RM 3.07
Capital Upside/Downside:	19.0%
Dividend Yield (%):	1.1%
Total Upside/Downside	20.1%

Stock information

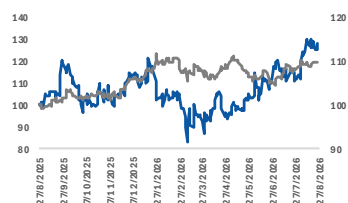
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0225 / SCGBHD MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,274.6
Market Cap (RM' m)	3,288.4
52-Week Price Range (RM)	2.68- 1.6
Beta (x)	1.2
Free float (%)	70.4
3M Average Volume (m)	5.6
3M Average Value (RM' m)	13.2

Top 3 Shareholders

(%)

Sino Shield Sdn. Bhd.	25.8
Employees Provident Fund Board	8.7
Manulife Financial Corp	4.6

Share Price Performance



	1M	3M	12M
Absolute (%)	12.2	25.2	27.7
Relative (%)	9.9	21.7	16.0

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)	10.2	12.9	15.4
P/E(x)	25.2	20.0	16.8

Southern Cable Group Berhad

Capacity Expansion Intact

- SCGBHD's 2QFY26 core net profit came in at RM40.6m (+22.3% QoQ, +28.2% YoY), bringing 6MFY26 CNP to RM73.7m (+21.6% YoY). The results were within expectations, accounting for 45% of our full-year forecast and 47% of consensus estimates.
- Ongoing capacity expansion remains a key growth catalyst, with cable and wire capacity expected to increase to 60,000 km by end-2026 and 65,000 km by end of 2027, from the current 54,980 km.
- As of 30 June 2026, orders in hand stood at RM1.36bn, representing about 0.8x FY25 revenue and providing earnings visibility to 2028. The split between grid, data centre and renewable energy is pending the analyst briefing.
- Maintain BUY recommendation with a higher TP of RM3.07 (from RM2.97), based on an unchanged 20x P/E applied to our FY27F EPS of 15.4sen.

Within expectations. 2QFY26 core net profit came in at RM40.6m (+22.3% QoQ, +28.2% YoY), bringing 6MFY26 CNP to RM73.7m (+21.6% YoY). The results were within expectations, representing 45% of our full year forecast and 47% of consensus estimates, supported by stronger sales volume and export contribution.

QoQ. SCGBHD's 2QFY26 revenue rose 21.9% QoQ to RM527.6m while core net profit increased 22.3% QoQ to RM40.6m, mainly driven by higher sales volume, particularly in the power cables and wires and control and instrumentation segments.

YoY. SCGBHD's 2QFY26 revenue grew 25.8% YoY to RM527.6m, driven by higher sales volume and ASP adjustments in the power cables and wires segment in line with raw material trends, driving core net profit up 28.2% YoY to RM40.6m.

YTD. 6MFY26 revenue rose 18.5% YoY to RM960.3m, driven by higher sales volume in the power cables and wires segment and a 44% YoY increase in exports. Core net profit grew 21.6% YoY to RM73.7m, with CNP margin broadly stable at 7.7% (vs 7.5% in 6MFY25).

Dividend. SCGBHD declared an interim dividend of 1.2 sen per share for 2QFY26, bringing 6MFY26 DPS to 1.2 sen, unchanged YoY. This is in line with our full-year DPS assumption of 2.4 sen, implying a yield of about 0.9%.

Outlook. Demand visibility stays solid, anchored by the **RM1.36bn orderbook to 2028** and still-firm data centre demand; the book's grid, data centre and RE split is pending the analyst briefing. We expect gross profit margins to hold near 13%: the 132kV Milliken certification supports more HV sales in 2H, but LV and MV still dominate (2QFY26 mix: 59% LV, 31% MV, 1% HV), with the HV shift representing gradual upside rather than a step-change. The capacity ramp (60,000 km by end-2026, 65,000 km in 2027, plus the new furnace and compounding lines) is volume-led and skewed to LV, supporting revenue more than margin. The half's inventory build is order- and price-driven and backed by the book; operating cash flow stays pressured as inventory and receivables scale, but the balance sheet carries it comfortably after the placement. Exports remain a growth line (+44% YoY for the half, with the 2Q dip on delivery timing), with the US an opportunistic rather than committed outlet.

Orderbook. As of 30 June 2026, SCGBHD's **orderbook stood at RM1.36bn**, representing about 0.8x FY25 revenue and providing earnings visibility to 2028. The split of the book between grid, data centre and renewable energy was withheld pending the analyst briefing, so we treat the segmental mix as pending.

Earnings forecasts. We make no material change to our FY26F and FY27F core net profit forecasts of RM163.1m and RM194.0m.

Valuation & Recommendation. We maintain our **BUY** recommendation on SCGBHD with a **higher TP of RM3.07** (from RM2.97), based on an unchanged 20x P/E applied to our FY27F EPS of 15.4sen, alongside a three-star ESG rating. **Following housekeeping procedure on our sharebase, we made changes to our weighted average share base count, resulting in higher TP.** We like SCGBHD for its (i) strong earnings visibility backed by its RM1.36bn orderbook, (ii) exposure to Malaysia's rising power infrastructure and data centre developments, and (iii) growing export presence, particularly within the US market. Ongoing capacity expansion and improving vertical integration are expected to further support the Group's long-term growth trajectory and margin sustainability.

Risks. Volatile raw material prices, slower-than-expected orderbook replenishment and weaker export demand may pose downside risks to earnings.

Results Note

Thursday, 27 Aug, 2026

Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	527.6	419.3	25.8	432.7	21.9	960.3	810.1	18.5
COGS	(458.2)	(362.3)	26.5	(375.5)	22.0	(833.7)	(702.3)	18.7
Gross profit	69.4	57.0	21.8	57.2	21.4	126.6	107.8	17.4
Other income	1.6	0.7	123.2	2.2	(27.3)	3.8	2.3	65.6
Distribution expenses	(10.0)	(8.9)	11.8	(9.5)	4.7	(19.5)	(17.6)	10.7
Administrative expenses	(4.6)	(3.5)	32.0	(4.0)	15.5	(8.6)	(8.6)	0.2
EBITDA	60.4	49.8	21.3	49.3	22.5	109.7	91.4	20.0
Depreciation	(4.4)	(5.0)	(11.4)	(4.0)	11.2	(8.5)	(8.3)	1.3
EBIT	56.0	44.8	24.9	45.3	23.5	101.3	83.1	21.9
Net Finance Costs	(2.2)	(2.7)	(18.0)	(2.3)	(1.9)	(4.5)	(5.1)	(12.1)
Pre-tax profit	53.7	42.1	27.7	43.0	24.9	96.8	77.9	24.2
Taxation	(13.2)	(10.4)	26.2	(9.9)	33.5	(23.0)	(18.9)	21.9
Profit-after tax	40.6	31.6	28.2	33.2	22.3	73.7	59.0	24.9
(-) Minority interest	-	-	-	-	-	-	-	-
PAT (-MI)	40.6	31.6	28.2	33.2	22.3	73.7	59.0	24.9
Core net profit	40.6	31.5	28.7	33.2	22.3	73.7	60.6	21.6
Core EPS (sen)	4.0	3.3		2.9		6.9	6.4	
DPS	1.2	1.2		-		1.2	1.2	
GP margin (%)	13.2	13.6		13.2		13.2	13.3	
EBITDA margin (%)	11.5	11.9		11.4		11.4	11.3	
PBT margin (%)	10.2	10.0		9.9		10.1	9.6	
Core PATMI margin (%)	7.7	7.5		7.7		7.7	7.5	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue								
Power	479.2	388.3	23.4	391.0	22.6	870.2	755.2	15.2
Communication	0.2	0.3	(16.5)	1.2	(81.3)	1.4	0.9	63.0
Control and instrumentation	20.0	10.9	84.3	13.4	49.6	33.4	18.4	81.9
Others	42.5	31.6	34.4	38.5	10.3	81.0	59.2	36.9
Adjustment	(14.3)	(11.7)	22.2	(11.4)	25.1	(25.7)	(23.5)	9.6
Total	527.6	419.3	25.8	432.7	21.9	960.3	810.1	18.5
Gross Profit								
Power	64.4	53.7	19.8	53.4	20.4	117.8	102.3	15.2
Communication	0.1	0.1	11.8	0.2	(33.3)	0.4	0.3	24.1
Control and instrumentation	3.8	2.1	81.0	2.5	49.5	6.3	3.6	75.3
Others	1.4	1.2	16.4	0.6	115.0	2.0	1.8	9.6
Adjustment	(0.2)	(0.1)	117.4	0.4	nm	0.1	(0.2)	nm
Total	69.4	57.0	21.8	57.2	21.4	126.6	107.8	17.4
GP margin (%)								
Power	13.4%	13.8%		13.7%		13.5%	13.5%	
Communication	64.0%	47.7%		17.9%		25.2%	33.1%	
Control and instrumentation	18.9%	19.2%		18.9%		18.9%	19.6%	
Others	3.2%	3.7%		1.7%		2.5%	3.1%	
Total	13.2%	13.6%		13.2%		13.2%	13.3%	

Source: Company, Apex Securities

Geographical Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Local	482.4	372.2	29.6	365.1	32.1	847.5	731.9	15.8
Export	45.3	47.1	(3.9)	67.5	(33.0)	112.8	78.2	44.3
Total	527.6	419.3	25.8	432.7	21.9	960.3	810.1	18.5

Results Note

Thursday, 27 Aug, 2026

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1347.0	1759.7	1896.2	2225.3	1885.2
Gross Profit	135.2	251.2	279.8	331.1	277.9
EBITDA	120.5	205.8	264.9	305.3	255.7
Depreciation & Amortisation	-18.7	-15.9	-33.6	-33.3	-34.0
EBIT	101.9	189.9	231.3	272.0	221.8
Net Finance Income/ (Cost)	-9.6	-12.7	-11.4	-10.4	-8.7
Associates & JV	0.0	0.0	0.0	0.0	1.0
Pre-tax Profit	92.3	177.2	219.9	261.6	213.0
Tax	-20.0	-45.8	-56.8	-67.6	-55.0
Profit After Tax	72.3	131.4	163.1	194.0	158.0
(-) Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	72.3	131.4	163.1	194.0	158.0
(-) Exceptionals	0.5	2.3	0.0	0.0	0.0
Core Net Profit	71.9	129.2	163.1	194.0	158.0

Key Ratios

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	5.7	10.2	12.9	15.4	12.5
P/E (x)	45.3	25.2	20.0	16.8	20.6
P/B (x)	8.1	4.3	3.7	3.2	2.9
EV/EBITDA (x)	28.1	15.7	12.2	10.6	13.0
DPS (sen)	1.6	2.0	2.4	2.8	3.2
Dividend Yield (%)	0.6%	0.8%	0.9%	1.1%	1.2%
EBITDA margin (%)	8.9%	11.7%	14.0%	13.7%	13.6%
EBIT margin (%)	7.6%	10.8%	12.2%	12.2%	11.8%
PBT margin (%)	6.9%	10.1%	11.6%	11.8%	11.3%
PAT margin (%)	5.4%	7.5%	8.6%	8.7%	8.4%
NP margin (%)	5.4%	7.5%	8.6%	8.7%	8.4%
CNP margin (%)	5.3%	7.3%	8.6%	8.7%	8.4%
ROE (%)	17.9%	17.2%	18.7%	19.0%	13.9%
ROA (%)	10.0%	11.2%	12.8%	13.7%	10.7%
Gearing (%)	53.7%	31.4%	23.7%	17.1%	12.8%
Net gearing (%)	33.1%	Net Cash	Net Cash	Net Cash	6.8%

Valuations

Core EPS (RM)	0.154
P/E multiple (x)	20.0
Fair Value (RM)	3.07
ESG premium/discount	0.0%
Implied Fair Value (RM)	3.07

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash and cash equivalents	82.7	254.0	239.0	210.5	68.1
Receivables	315.3	498.7	598.5	718.1	861.8
Inventories	183.7	210.8	253.0	303.5	364.3
Other current assets	1.2	0.9	0.9	0.9	0.9
Total Current Assets	582.9	964.4	1091.3	1233.1	1295.0
Fixed Assets	81.9	126.5	125.2	124.2	127.3
Intangibles	55.8	61.3	59.0	56.8	54.7
Other non-current assets	0.5	0.5	0.5	0.5	0.5
Total Non-Current Assets	138.3	188.3	184.7	181.5	182.5
Short-term debt	209.5	216.8	196.9	165.1	138.3
Payables	89.8	124.2	153.6	180.0	152.7
Other current liabilities	4.1	30.4	30.4	30.4	30.4
Total Current Liabilities	303.4	371.3	380.8	375.5	321.3
Long-term debt	6.2	18.9	10.4	8.7	7.3
Other non-current liabilities	9.8	11.6	11.6	11.6	11.6
Total Non-Current Liabilities	16.0	30.4	21.9	20.2	18.8
Shareholder's equity	401.8	751.0	873.3	1018.9	1137.3
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	401.8	751.0	873.3	1018.9	1137.3

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	92.3	177.2	219.9	261.6	213.0
Depreciation & amortisation	18.7	15.9	33.6	33.3	34.0
Changes in working capital	-83.3	-166.7	-112.5	-143.9	-231.6
Others	-16.3	-16.3	-45.4	-57.2	-46.3
Operating cash flow	11.3	10.1	95.6	93.8	-30.9
Capex	-49.2	-62.6	-30.0	-30.0	-35.0
Others	0.0	-129.7	0.0	0.0	0.0
Investing cash flow	-49.2	-192.3	-30.0	-30.0	-35.0
Dividends paid	-13.1	-20.4	-40.8	-48.5	-39.5
Others	37.7	245.0	-39.8	-43.8	-37.0
Financing cash flow	24.6	224.6	-80.6	-92.3	-76.5
Net cash flow	-13.3	42.4	-15.0	-28.5	-142.4
Forex	0.0	-1.4	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	1.0
Beginning cash	96.0	82.7	123.7	108.7	80.2
Ending cash	82.7	123.7	108.7	80.2	-61.3

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Transitioning from TCFD to IFRS S1 & S2 reporting standards while supporting cleaner energy adoption such as natural gas and solar.
Waste & Effluent	★★★★	Practices recycling and material recovery, with a large portion of waste diverted from disposal.
Energy	★★★★	Focuses on renewable energy and production efficiency; energy intensity improved in FYE2025.
Water	★★★★	Uses a water recycling system for cable extrusion processes to improve water reuse efficiency.
Compliance	★★★★★	Maintained zero environmental fines or penalties for three consecutive years.

Social

Diversity	★★★★	Merit-based hiring with strong female representation in senior management and the Board.
Human Rights	★★★★	Reported zero human rights violation complaints for the third consecutive year.
Occupational Safety and Health	★★★★★	Strong "Safety First" culture with zero work-related fatalities and continuous safety training investment.
Labour Practices	★★★★	Prioritises local hiring and complies with Malaysian employment regulations.

Governance

CSR Strategy	★★★★	Sustainability framework aligned with ESG principles and guided by identified material sustainability issues.
Management	★★★★★	Structured sustainability governance supported by dedicated ESG committees and full anti-corruption training participation.
Stakeholders	★★★★	Actively engages stakeholders through surveys, audits, and community initiatives, alongside community contributions.

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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As of **Thursday, 27 Aug, 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.