HLIB Research

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Southern Cable Group

Decent start

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BUY (Maintain)

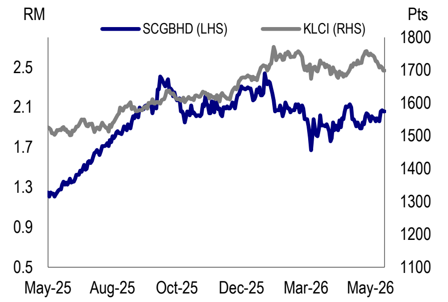
Target Price:	**RM2.59**
Previously:	**RM2.59**
Current Price:	**RM2.06**

Capital upside	25.7%
Dividend yield	1.1%
Expected total return	26.8%

Sector coverage: Manufacturing

Company description: Southern Cable Group (SCG) is a manufacturer of cables and wires used for power distribution and transmission, communications, building and construction, infrastructure, manufacturing

Share price



Historical return (%)	1M	3M	12M
Absolute	7.9	-1.4	63.5
Relative	9.8	-0.4	46.6

Stock information

Bloomberg ticker	SCGBHD MK
Bursa code	0225
Issued shares (m)	1,139
Market capitalisation (RM m)	2,347
3-mth average volume ('000)	6,058
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	N/A

Major shareholders

Sino shield Sdn Bhd	27.6%
EPF	8.7%
Manulife	5.0%

Earnings summary

FYE Dec	FY25	FY26f	FY27f
PATMI – core	140.5	151.3	174.6
EPS – core (sen)	10.8	11.6	13.4
P/E (x)	19.1	17.7	15.4

SCG reported 1Q26 core PAT of RM31.0m (-28.4% QoQ, +6.5% YoY), which we deem to be in line with our estimates. Overall, the weaker QoQ performance was due to lower working days amid the CNY and Hari Raya holidays. Without this drag, we expect upcoming sales to rebound strongly to 4Q25's record level, if not surpass it. While 2H26 margin normalisation risk remains, we see potential price adjustments cushioning the impact. In any case, our conservative earnings forecasts provide decent buffer should this materialise. All in, we introduce FY28F forecasts and maintain BUY with an unchanged TP of RM2.59.

Within expectations. SCG reported 1Q26 core PAT of RM31.0m (-28.4% QoQ, +6.5% YoY), accounting for 20% of our and consensus full-year forecasts. We deem the results to be in line with expectations, given the seasonal impact from lower working days amid the festive season. 1Q26 core PAT was adjusted for EIs, including reversal of impairment losses and unrealised forex gains, amounting to -RM2.1m

Dividend. None declared (vs 1Q25: none).

QoQ. Lower working days amid the CNY and Hari Raya holidays led to lower production and delivery, resulting to a 14.0% decrease in group sales. This, coupled with lower contribution from high-margin ECRL-related 132kV jobs (c.RM8m in 1Q26 vs. c.RM30m in 4Q25), resulted in 2.4ppt decrease in GP margin. Outside the local market, US sales were c.5% higher from c.RM51m in 4Q25. All in, core PAT decreased 28.4%.

YoY. Top-line performance (+10.7%) was supported by stronger sales in power cables segment (+6.6%), communication cable (+98.3%) and control and instrumental cable (+78.5%). Geographically, local sales grew 1.5% while overseas sales surged 117.2%, driven primarily by one key US customer allocating higher order volumes. In turn, core PAT increased 6.5%

Outlook. Upcoming sales should rebound strongly, with revenue likely to reach 4Q25's record level, if not surpass it. Our narrative of some margin normalisation in 2H26 amid higher plastic costs remains, though this could be partly cushioned by potential Tenaga price adjustments. We also believe the commissioning of the new aluminium furnace and plastic plant in 1H26 will help to cushion the margin impact. Overall, we continue to see strong cable demand across Tenaga grid works, DC interconnections and solar projects, supported by elevated EPCC and M&E activity. Notably, Tenaga's latest briefing indicated that signed ESAs increased to 8.3GW in Mar-26 from 7.5GW in Dec-25 – a strong increase over just three months, in our view. Amid this, any move by key utilities to restrict 132kV cable imports in 2026 would be an upside surprise.

Forecast. Unchanged. Meanwhile, we introduce FY28f earnings at RM190.9m.

Maintain BUY rating with an unchanged TP of RM2.59, based on 22x FY26F fully diluted EPS (Figure#1). Overall, we like SCGBHD for its leading position in the power cable business in Malaysia. The growing power demand and the dropout of a major competitor bodes well for the group to capture more market share. We believe Malaysia's power infrastructure demand is set to trend higher, supported by three key factors: (i) Tenaga's continued efforts to enhance grid resiliency; (ii) the ongoing expansion of national power supply; and (iii) strong electricity demand growth from energy-intensive industries such as DC. Listed power infrastructure players with access to capital and economies of scale are best positioned to capitalise on this multi-year upcycle

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash	83.2	254.0	326.4	374.2	467.6
Receivables	315.3	498.7	540.1	621.1	677.0
Inventories	183.7	210.8	228.3	262.5	286.2
PPE	81.9	126.5	144.1	160.2	174.9
Others	57.1	62.7	61.0	59.2	57.4
Assets	**721.2**	**1152.8**	**1299.8**	**1477.3**	**1663.1**
Payables	89.8	124.2	135.0	155.3	169.3
Debt	215.7	235.7	235.7	235.7	235.7
Others	13.9	41.9	41.9	41.9	41.9
Liabilities	**319.4**	**401.8**	**412.6**	**432.9**	**446.9**
Shareholder's equity	401.8	751.0	887.2	1044.4	1216.2
Equity	**401.8**	**751.0**	**887.2**	**1044.4**	**1216.2**

Cash Flow Statement

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Profit before taxation	92.3	177.2	199.1	229.8	251.2
D&A	11.1	14.3	15.7	17.2	18.6
Working capital	-83.3	-166.7	-48.0	-95.0	-65.5
Taxation	-17.2	-32.8	-47.8	-55.1	-60.3
Others	8.3	18.1	0.0	0.0	0.0
CFO	**11.3**	**10.1**	**119.0**	**96.8**	**144.0**
Capex	-49.2	-61.8	-31.5	-31.5	-31.5
Others	0.0	-130.5	0.0	0.0	0.0
CFI	**-49.2**	**-192.3**	**-31.5**	**-31.5**	**-31.5**
Shares issued	1.0	2.0	3.0	4.0	5.0
Dividends	-13.1	-20.4	-15.1	-17.5	-19.1
Others	36.7	243.0	-3.0	-4.0	-5.0
CFF	**24.6**	**224.6**	**-15.1**	**-17.5**	**-19.1**
Net cash flow	**-13.3**	**42.4**	**72.3**	**47.8**	**93.4**
Others	0.5	128.4	0.0	0.0	0.0
Beginning cash	96.0	83.2	254.0	326.4	374.2
Ending cash	83.2	254.0	326.4	374.2	467.6

Income Statement

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1347.0	1759.7	1905.7	2191.6	2388.8
EBITDA	113.0	204.2	227.5	259.7	282.6
EBIT	101.9	189.9	211.8	242.5	263.9
Profit before tax	92.3	177.2	199.1	229.8	251.2
Tax	-20.0	-45.8	-47.8	-55.1	-60.3
Net profit	72.3	131.4	151.3	174.6	190.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Reported PATMI	**72.3**	**131.4**	**151.3**	**174.6**	**190.9**
Exceptionals	1.8	9.0	0.0	0.0	0.0
Core PATMI	74.1	140.5	151.3	174.6	190.9
Consensus core PATMI			156.0	185.0	N.A
HLIB/ Consensus			97%	94%	N.A

Valuation & Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	5.7	10.8	11.6	13.4	14.7
P/E (x)	36.2	19.1	17.7	15.4	14.1
DPS (sen)	0.8	1.8	1.9	2.2	2.4
Dividend yield (%)	0.4%	0.9%	0.9%	1.1%	1.2%
BVPS (RM)	0.31	0.58	0.68	0.80	0.93
P/B (x)	6.7	3.6	3.0	2.6	2.2
EBITDA margin	8.4%	11.6%	11.9%	11.8%	11.8%
EBIT margin	7.6%	10.8%	11.1%	11.1%	11.0%
PBT margin	6.9%	10.1%	10.4%	10.5%	10.5%
Net margin	5.5%	8.0%	7.9%	8.0%	8.0%
ROE	18.4%	18.7%	17.1%	16.7%	15.7%
ROA	10.3%	12.2%	11.6%	11.8%	11.5%
Net gearing	33%	Cash	Cash	Cash	Cash

Figure #1 Quarterly results comparison

FYE 31 Dec (RMm)	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)
Revenue	390.8	503.1	432.7	-14.0%	10.7%
Power cable	366.9	459.9	391.0	-15.0%	6.6%
Communication cable	0.6	1.1	1.2	11.5%	98.3%
Control and Instrumentation cable	7.5	13.5	13.4	-0.8%	78.5%
Gross Profit	50.8	78.7	57.2	-27.3%	12.6%
Administrative expenses	(5.1)	(10.2)	(4.0)	-61.2%	-21.6%
Finance Cost	(2.8)	(3.3)	(2.8)	-13.9%	3.5%
PBT	35.9	52.5	43.0	-18.0%	20.0%
Taxation	(8.5)	(15.8)	(9.9)	-37.5%	16.7%
Reported PAT	27.4	36.7	33.2	-9.6%	21.0%
Core PAT	29.1	43.3	31.0	-28.4%	6.5%
Basic EPS (sen)	2.1	2.8	2.5	-9.6%	21.0%
Core EPS (sen)	2.2	3.3	2.4	-28.4%	6.5%
				ppt	*ppt*
Gross Profit Margin	13.0%	15.6%	13.2%	(2.4)	0.2
PBT Margin	9.2%	10.4%	9.9%	(0.5)	0.8
Core PAT Margin	7.4%	8.6%	7.2%	(1.4)	(0.3)

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Figure #2 FV calculation

Valuation	Basic	Fully Diluted
FY26F projected after tax earnings (RM'm)	151.3	151.3
+Net Interest savings	-	2.3
Adjusted FY26F projected earnings (RM'm)	151.3	153.6
Number of shares (m)	1,141.7	1,141.7
+ Number of warrents (m)	-	160.7
Number of fully diluted shares (m)	1,141.7	1,302.4
EPS	13.3	11.8
Fair Value (RM)	2.92	2.59

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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