Southern Cable Group

Still in Favour

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OUTPERFORM ↔

Price : RM2.06
Target Price : RM2.76 ↑

SCGBHD's 1QFY26 results came in within expectations, with CNP of RM35.3m accounting for 22.6%/23.0% of our/consensus forecasts. While QoQ earnings were softer due to fewer operating days during festive holidays, weaker finance income, and the absence of ECRL HV cable deliveries, YoY earnings remained stronger on higher production volume and robust US export sales. Near-term earnings visibility is supported by its RM924.9m order book, while margins could improve gradually from better cost efficiency following the new aluminium furnace and plastic compound capacity expansion. We remain positive on SCGBHD's longer-term outlook, supported by capacity expansion, TNB-related demand and higher-margin US product offerings. TP is upgraded to RM2.76 after incorporating a 3% ESG premium. Maintain OUTPERFORM.

Within expectations. After adjusting for RM2.2m EI items, derived 1QFY26 CNP of RM35.3m accounted 22.6% of our, and 23.0% of consensus, expectation.

QoQ. CNP declined 18.5% to RM35.3m, mainly dragged by: (i) lower power cables contribution (segmental GP -27.6%) due to reduced operating days during Chinese New Year and Hari Raya festive holidays moderating production and delivery, and (ii) a sharp decline in finance income. Segmental GP margin also dropped 2.4 pts, mainly due to an unfavourable product mix following the absence of ECRL HV cable deliveries. The results were partially cushioned by lower administrative expenses and a lower effective tax rate of 22.9%.

YoY. CNP improved 21.4% to RM35.3m, mainly driven by higher production volume following capacity expansion to 54,980 km/year (+10% YoY) and a 117% surge in overseas sales, particularly to the US market. The power cables and wires segment, which contributed 90.4% of Group revenue, rose 6.6% on higher sales volume and ASP adjustments in line with raw material trends. Segmental margins also improved slightly, mainly due to a favourable product mix from higher sales in the US market.

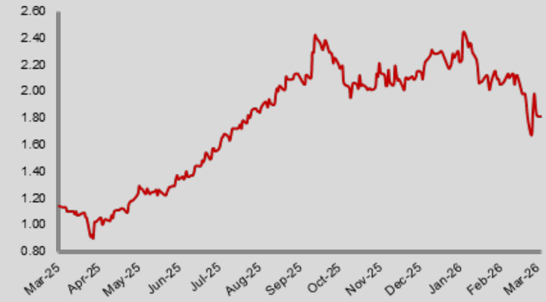
Outlook. We expect SCGBHD's earnings to improve sequentially in the coming quarter, supported by its existing orders in hand of RM924.9m, equivalent to 0.5x FY25 revenue. GP margin could see some support from the commissioning of a new aluminium furnace facility in April, which may improve cost efficiency. In addition, a new plastic compound facility is scheduled to be commissioned in 2QCY26, increasing annual plastic compound capacity to 12,000 MT (+53.8%), which should further strengthen upstream production and reduce reliance on imports over time. Overall, we remain constructive on SCGBHD's outlook, supported by ongoing capacity expansion and a few new products under UL certification for the US market.

Forecasts. Maintained. FY26 figures have been updated following the release of the annual report.

Valuations. TP is upgraded to **RM2.76** based on 18x FY27F EPS, incorporating a 3% ESG premium. The ESG premium is mainly attributable to: (i) improving climate governance maturity, (ii) strong safety disclosure relative to Malaysian industrial peers, (iii) direct exposure to electrification and grid expansion themes, and (iv) its structurally positive positioning within Malaysia's energy transition (refer to appendix for ESG details).

Investment case. We like SCGBHD given: (i) its position as one of the

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	-10.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGBHD MK EQUITY
Market Cap (RM m)	2,347.3
Shares Outstanding	1,139.4
52-week range (H)	2.52
52-week range (L)	1.17
3-mth avg. daily vol.	6,100,941
Free Float	65%
Beta	1.3

Major Shareholders

Sino Shield Sdn. Bhd	27.8%
Employees Provident	9.1%
Semangat Handal Sdn.	3.6%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,759.7	1,877.8	2,148.3
Operating Profit	187.5	219.5	264.7
Profit Before Tax	177.2	205.8	255.5
Net Profit	**131.4**	**156.4**	**194.2**
Core Net Profit	**139.5**	**156.4**	**194.2**
Consensus (NP)	-	153.5	184.5
Earnings Revision	-	-	-
Core EPS (sen)	15.1	15.3	19.0
Core EPS Growth (%)	90.6	12.1	24.2
NDPS (sen)	2.9	3.5	4.5
NTA per Share (RM)	0.8	0.8	1.0
PER (x)	12.0	11.8	9.5
PBV (x)	2.2	2.3	1.9
Net Gearing (x)	0.1	0.3	0.2
Net Div. Yield (%)	1.6	1.9	2.5

few cable manufacturers capable of **supplying** the **full range of TNB cables**, with utility revenue contributing c.30% of total sales; (ii) its fully funded **capacity expansion** (+12% by 2027) could generate up to RM2.4b in annual revenue at full run rate, offering clear earnings upside; (iii) the exit of SCABLE (PN17) and TNB's push for **local content** have reshaped the competitive landscape in SCGBHD's favour; and (iv) diversification into the **US export market**, with only two products currently, provides high-margin growth potential as more products come online.

Risks to our call include: (i) policy risk, (ii) sustained hikes in polymer prices, and (iii) geopolitical and trade policy risk.

Results Highlights

FYE Mar (RM m)	**1Q26**	**4Q25**	**QoQ**	**1Q25**	**YoY**	**1Q26**	**1Q25**	**YoY**
Revenue	432.7	503.1	-14.0%	390.8	10.7%	432.7	390.8	10.7%
Cost of sales	-375.5	-424.4	-11.5%	-340.0	10.4%	-375.5	-340.0	10.4%
Gross Profit	**57.2**	**78.7**	**-27.3%**	**50.8**	**12.6%**	**57.2**	**50.8**	**12.6%**
Other income	1.6	-2.1	N.A.	1.2	31.7%	1.6	1.2	31.7%
Administrative expenses	-4.0	-10.2	-61.2%	-5.1	-21.6%	-4.0	-5.1	-21.6%
Sales and distribution expenses	-9.5	-11.0	-13.6%	-8.7	9.6%	-9.5	-8.7	9.6%
Operating Profit	**45.3**	**53.2**	**-14.8%**	**38.3**	**18.4%**	**45.3**	**38.3**	**18.4%**
Finance Income	0.6	2.6	-208.2%	0.3	-932.7%	0.6	0.3	-932.7%
Finance costs	-2.8	-3.3	N.A.	-2.8	N.A.	-2.8	-2.8	N.A.
Profit before tax	**43.0**	**52.5**	**-18.0%**	**35.9**	**20.0%**	**43.0**	**35.9**	**20.0%**
Tax expense	-9.9	-15.8	-37.5%	-8.5	16.7%	-9.9	-8.5	16.7%
Net Profit	**33.2**	**36.7**	**-9.7%**	**27.4**	**21.0%**	**33.2**	**27.4**	**21.0%**
Core Net Profit	**35.3**	**43.4**	**-18.5%**	**29.1**	**21.4%**	**35.3**	**29.1**	**21.4%**
GP Margin	13.2%	15.6%		13.0%		13.2%	13.0%	
Operating Margin	10.5%	10.6%		9.8%		10.5%	9.8%	
PBT Margin	9.9%	10.4%		9.2%		9.9%	9.2%	
Net Margin	7.7%	7.3%		7.0%		7.7%	7.0%	
Core Net Margin	8.2%	8.6%		7.4%		8.2%	7.4%	
Effective tax rate	22.9%	30.1%		23.6%		22.9%	23.6%	

Source: Company, Kenanga Research

Segmental Breakdown

External Revenue	**1Q26**	**4Q25**	**QoQ**	**1Q25**	**YoY**	**1Q26**	**1Q25**	**YoY**
Power	391.0	459.9	-15%	366.9	6.6%	391.0	366.9	6.6%
Communication	1.2	1.1	11.5%	0.6	98.3%	1.2	0.6	98.3%
Control and instrumentation	13.4	13.5	-0.8%	7.5	78.5%	13.4	7.5	78.5%
Others	38.5	41.4	-6.9%	27.5	39.8%	38.5	27.5	39.8%
Adjustment	-11.4	-12.7	-10.2%	-11.8	-2.9%	-11.4	-11.8	-2.9%
Total Revenue	**432.7**	**503.1**	**-14.0%**	**390.8**	**10.7%**	**432.7**	**390.8**	**10.7%**
GP breakdown								
Power	53.4	73.8	-27.6%	48.5	10.1%	53.4	48.5	10.1%
Communication	0.2	0.1	110.9%	0.2	34.0%	0.2	0.2	34.0%
Control and instrumentation	2.5	2.7	-5.9%	1.5	67.4%	2.5	1.5	67.4%
Others	0.6	2.7	-76.1%	0.7	-2.6%	0.6	0.7	-2.6%
Adjustment	0.4	-0.7	N.A.	-0.1	N.A.	0.4	-0.1	N.A.
Total GP	**57.2**	**78.7**	**-27.3%**	**50.8**	**12.6%**	**57.2**	**50.8**	**12.6%**
GP Margins								
Power	14%	16%		13%		14%	13%	
Communication	18%	9%		27%		18%	27%	
Control and instrumentation	19%	20%		20%		19%	20%	
Others	2%	6%		2%		2%	2%	
Adjustment	-3%	5%		1%		-3%	1%	
Total	**13%**	**16%**		**13%**		**13%**	**13%**	

Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	0.880	1.50	70.5%	934.4	Y	05/2026	7.7	9.4	20.0%	22.9%	11.5	9.4	1.3	11.9%	5.0	5.7%
BM GREENTECH BHD	UP	1.53	1.72	12.4%	1,052.3	Y	03/2027	11.3	12.2	11.5%	7.5%	13.5	12.6	2.9	22.5%	1.8	1.2%
BP PLASTICS HOLDINGS BHD	MP	0.780	0.870	11.5%	219.6	Y	12/2026	9.1	8.7	100.2%	-4.5%	8.5	9.0	0.8	9.2%	4.3	5.4%
HPP HOLDINGS BHD	MP	0.300	0.300	0.0%	116.6	Y	05/2026	2.0	2.3	146.9%	12.7%	14.7	13.1	0.9	6.3%	2.0	6.7%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.570	0.480	-15.8%	306.3	Y	12/2026	4.4	4.8	143.9%	8.4%	12.8	11.8	0.3	2.2%	2.0	3.5%
SCIENTEX BHD	OP	3.55	3.91	10.1%	5,524.8	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.0	9.0	1.2	13.4%	13.0	3.7%
SOUTHERN CABLE GROUP BHD	OP	2.06	2.68	30.1%	2,347.3	Y	12/2026	12.4	15.0	15.3%	21.7%	16.7	13.7	3.4	20.9%	3.5	1.7%
SLP RESOURCES BHD	MP	0.835	0.340	-59.3%	264.7	Y	12/2026	6.0	6.5	11.7%	8.4%	13.9	12.8	1.1	9.1%	1.3	1.5%
TECHBOND GROUP BHD	OP	0.275	0.470	70.9%	208.6	Y	06/2026	4.1	4.5	37.5%	9.1%	6.7	6.1	0.7	10.4%	1.0	3.6%
THONG GUAN INDUSTRIES BHD	OP	1.57	1.73	10.2%	614.4	Y	12/2026	26.1	22.9	45.9%	-12.3%	6.0	6.9	0.6	10.8%	6.0	3.8%
SECTOR AGGREGATE					**11,588.9**					**22.2%**	**4.3%**	**10.3**	**9.9**	**1.2**	**11.8%**		**3.7%**

Source: Kenanga Research

Stock ESG Ratings:

Sustainability-Related Opportunities (SROs)

- **Energy transition beneficiary:** Southern Cable is directly leveraged to Malaysia's National Energy Transition Roadmap (NETR), grid modernisation initiatives, renewable energy integration and increasing electricity demand from industrial facilities and data centres. The Group supplies cables used in transmission and distribution networks, renewable energy projects and major infrastructure developments.
- **Climate governance leadership among industrial peers:** Southern Cable has begun transitioning from TCFD to IFRS S1 and IFRS S2 disclosures in line with Malaysia's NSRF roadmap. The Board has formal oversight of sustainability- and climate-related risks and opportunities through the Sustainability Advisory Board (SAB), Sustainability Steering Committee (SSC) and Audit & Risk Management Committee (ARMC).
- **Grid modernisation and electrification growth:** The company is expanding into high-voltage (132kV) and extra-high-voltage cable segments to support transmission upgrades and future power infrastructure investments. The Group expects continued demand growth from renewable energy projects, industrial electrification and data centre developments.
- **Operational resilience through vertical integration:** Internal aluminium casting, plastic compounding and cable drum manufacturing improve supply chain reliability, cost management and raw material availability, reducing operational disruption risk.

Sustainability-Related Risks and Disclosure Gaps

- **Scope 3 disclosure gap:** While Southern Cable has adopted IFRS S1/S2 governance structures and climate-risk oversight, comprehensive Scope 3 emissions disclosure remains absent. This limits visibility into upstream raw material emissions from copper, aluminium and plastics.
- **Environmental target gap:** The Group is currently developing sustainability- and climate-related targets. However, quantified emissions reduction targets, renewable energy targets and science-based transition pathways have yet to be disclosed.
- **Raw material transition risk:** Southern Cable remains exposed to copper, aluminium and plastic compound price volatility. Future carbon pricing or stricter environmental regulations affecting upstream suppliers could increase input costs.
- **Circular economy disclosure gap:** Limited disclosure on recycled material content, product recyclability, waste recovery rates or end-of-life cable management compared with leading international cable manufacturers.

ESG Rating

Criterion	Rating				
Environmental Impacts of Operations	★	★	★		
Workforce Health & Safety	★	★	★	★	
Lifecycle Impacts of Products & Infrastructure	★	★	★	★	
Climate Impacts of Business Mix	★	★	★	★	
Business Ethics	★	★	★	★	
Product Design & Management	★	★	★	★	
OVERALL	★	★	★	★	

☆	denotes half-star
★	-5% discount to TP
★★	-3% discount to TP
★★★	TP unchanged
★★★★	+3% premium to TP
★★★★★	+5% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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