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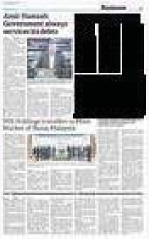

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Southern Cable's strong data centre orders brighten earnings outlook

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KUALA LUMPUR: Southern Cable Group Bhd's (Southern Cable) earnings outlook is looking increasingly positive as strong order momentum from the data centre (DC) and high-voltage cable segments coincides with its ongoing capacity expansion.

In a company update, Hong Leong Investment Bank Bhd's research arm (HLIB Research) said it came away more positive on the group's earnings prospects following a recent visit to the group's manufacturing facilities.

A key takeaway from the visit was Southern Cable's stronger-than-expected order intake, particularly from the DC and 132-kilovolt (kV) cable segments.

"Southern Cable secured about RM200 million worth of DC-related orders in the second quarter of 2026 (2Q26) alone, a sizeable amount compared with its estimated DC-related sales of RM354 million for the whole of financial year 2025 (FY25)," HLIB Research highlighted.

At the same time, the group's existing 132kV capacity is fully booked through the end of 2026, supported by strong demand from the solar segment.

The research house noted that Southern Cable's newly qualified 132kV cables with conductor sizes of between 1,600 and 1,800 square millimetres have also started attracting interest from DC customers.

Revenue contribution from the product is expected to become more visible from FY27, given a typical six-to-eight-month lead time between purchase orders and delivery.

While margins are broadly similar to Southern Cable's existing 800-square-millimetre 132kV cables, the larger conductor sizes widen the group's addressable market within the fast-growing DC segment, where larger cables are more commonly required.

Besides this, HLIB Research also believes Southern Cable's 3Q26 performance could turn out better than previously expected.

The research house had earlier expected higher resin prices amid the US-Iran war to weigh on its margins, particularly for sales to Tenaga Nasional Bhd (TNB), before revised pricing begins flowing through from 4Q26.

However, the recent influx of higher-margin DC and 132kV purchase-order-based orders could change this earnings mix.

With deliveries from these orders likely to peak in 3Q26, HLIB Research said the shift in product mix could offset margin pressure from TNB sales and potentially keep overall margins resilient, or even improve them.

Should this materialise, there could be upside to the research house's earnings forecasts from both stronger revenue and better-than-expected margins.

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