

16 May 2018 | 3MFY18 Results Review

Cahaya Mata Sarawak Berhad

Weak Results from Two Key Segments


INVESTMENT HIGHLIGHTS

- **PATAMI below the line**
- **Inspid cement and property segment's contribution in PBT**
- **FYE18/FYE19 earnings forecast unchanged**
- **Altogether, we maintain our BUY recommendation with a TP of RM4.62 per share**

3MFY18's earnings below expectations. CMSB's 3MFY18 PATAMI was above expectations at RM38.9m (+213.7%YoY) compared to the preceding period. Its earnings corresponded with 13.5% of ours and 13.8% consensus' of full year forecast respectively.

Inspid contribution from cement and property segment. The weak results culminates from the decrease of cement segment's PBT of RM6.5m (-55.2%YoY) added by property segment's inspid PBT of RM2.0m (-6.5%). The two key segments mentioned provided significant impact to CMSB's bottom-line as development is still taking place in Sarawak.

FYE18/FYE19 earnings forecast unchanged. Nevertheless, we maintain our forecasts for FYE18/FYE19. Our earnings forecasts lagged expectations due to the slower progress billings from Pan Borneo Highway and slower order for aggregates. Considering that, we assess that it is premature to revisit our earnings assumptions for FYE18/FY19. It was quoted from the news that Sarawak's Pan Borneo segment will continue hence it is a good sign that recovery is expected in upcoming quarters especially for cement and construction materials segment. This is because demand for aggregates would increase incrementally.

Recommendation. Altogether, we maintain our BUY recommendation with an SOP-based TP of RM4.62 per share. We have estimated that sentiments for construction companies would be negative pending announcements for big-ticket projects. Thus, we believe that the steep selling in CMSB's shares suppressing its share price unveils the opportunity to increase exposure. 

Maintain BUY
Unchanged Target Price (TP): RM4.62

RETURN STATS	
Price (15 May 2018)	RM3.42
Target Price	RM4.62
Expected Share Price Return	+25.9%
Expected Dividend Yield	+3.5%
Expected Total Return	+29.4%

STOCK INFO	
KLCI	1848.2
Bursa / Bloomberg	2852/ CMS MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1074
Par Value (RM)	1.00
Market cap. (RM'm)	3674.36
Price over NA	1.26
52-wk price Range	RM3.3– RM4.5
Beta (against KLCI)	1.26
3-mth Avg Daily Vol	0.86m
3-mth Avg Daily Value	RM3.42m
Major Shareholders (%)	
Majaharta S/B	12.54
EPF	10.83
Lejla Taib	10.33
LTH	9.11

INVESTMENT STATISTICS

FYE DEC (RM m)	2014	2015	2016F	2017	2018F	2019F
Revenue	1651.7	1765.1	1660	1606.7	1904.2	1950
Operating profit	284	309	325.4	281.3	359.6	360.5
PATAMI	208.8	246.1	259.0	215.3	286.3	290.0
EPS (Sen)	0.21	0.23	0.14	0.20	0.19	0.19
EPS (Growth)(%)	1.2	9.4	-38	42.8	-5.3	0.0
PER	16.0	14.7	23.8	17.1	18.1	18.0
Div	3.5	3.5	3.5	3.5	3.5	3.5

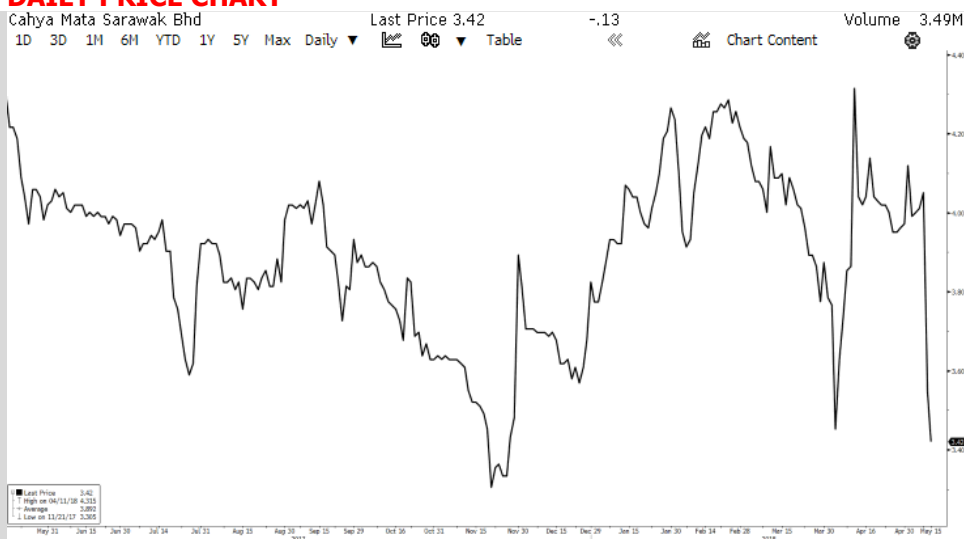
Source: MIDFR

SOP VALUATION

Business Division	Valuation Method	Stake (%)	WACC(%)	PER (X)	Equity Value (MYR'm)
Construction Materials	DCF	100	8.0		
Cement	DCF	100	8.0		
Construction and Road Works	DCF	51	8.0		
Total Construction Related Segment					3661.00
K&N Kenanga	DCF		8.0		80
OM Sarawak	PER	25		8	90
Sacofa	PER	50		15	850
KKB Eng. Bhd	PER			10	95
Property	RNAV (60% Discount)	100			187.2
Total Equity Value					4963.20
Share Base					1074
Share Price (MYR)					4.62

Source: MIDFR

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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3MFY18 RESULTS

FYE Dec (RM'm)	1Q18	4Q17	1Q17	YoY Chg	QoQ Chg	3M18	3M17	YoY Chg
Revenue	354.9	588.1	282.2	25.8%	-39.7%	354.9	282.2	25.8%
Other income	3.3	10.8	2.6	26.9%	-69.4%	3.3	2.6	26.9%
Finance cost	-7.6	-8.0	-2.2	245.5%	-5.0%	-7.6	-2.2	245%
Operating profit	27.1	73.1	33.4	-18.9%	-62.9%	27.1	33.4	-18.9%
Share results of associates	36.0	30.8	-4.1	-978.0%	16.9%	36.0	-4.1	-978.0%
Pre-tax profit	56.9	101.7	38.5	47.8%	-44.1%	56.9	38.5	47.8%
Taxation	-13.4	-24.5	-11.2	19.6%	-45.3%	-13.4	-11.2	19.6%
PATAMI	38.9	65.8	12.4	213.7%	-40.9%	38.9	12.4	213.7%
FD EPS (sen)	3.63	6.12	2.1	72.9%	-40.7%	3.63	2.1	72.9%
	1Q18	4Q17	1Q17	+/- ppts	+/- ppts	3M17	3M16	+/- ppts
Operating margin	7.6%	12.4%	11.8%	-4.2	-4.8	7.6%	11.8%	-4.2
Pre-tax margin	16.0%	17.3%	13.6%	2.4	-1.3	16.0%	13.6%	2.4
PATAMI margin	11.0%	11.2%	4.4%	6.6	-0.2	11.0%	4.4%	6.6
Effective tax rate	23.6%	24.1%	29.1%	-5.5	-0.5	23.6%	29.1%	-5.5
Segmental breakdown								
Revenue	1Q18	4Q17	1Q17	YoY Chg	QoQ Chg	3M18	3M17	YoY Chg
Cement	131.8	146.5	123.1	25.8%	142.3%	131.8	123.1	7.1%
Construction Materials	93.9	187.5	71.2	31.9%	-49.9%	93.9	71.2	31.9%
Construction/Road	18.1	206.9	78.4	-76.9%	-91.3%	18.1	78.4	-76.9%
Property Development	26.2	72.6	16.5	58.8%	-63.9%	26.2	16.5	58.8%
Strategic Investments	2.5	2.1	2.7	-7.4%	19.6%	2.5	2.7	-7.4%
Others	16.9	20.0	13.7	23.4%	-15.5%	16.9	13.7	23.4%
TOTAL	354.9	588.1	282.2	25.8%	-39.7%	354.9	282.2	25.8%
Operating Profit	1Q18	4Q17	1Q17	YoY Chg	QoQ Chg	3M18	3M17	YoY Chg
Cement	6.5	19.1	14.5	-66.0%	-55.2%	6.5	14.5	-55.2%
Construction Materials	9.1	7.5	8.4	21.3%	8.3%	9.1	8.4	8.3%
Construction/Road	18.1	35.0	17.8	-48.3%	1.7%	18.1	17.8	1.7%
Property Development	2.00	17.90	2.14	-88.8%	-6.5%	2.00	2.14	-6.5%
Others	-3.5	-0.6	-0.6	514.0%	483.3%	-3.5	-0.6	483.3%
Tax Expense	-13.40	-24.50	-4.0	-45.3%	235.0%	-13.40	-4.0	235.0%
TOTAL	43.5	77.2	38.5	-43.7%	13.0%	43.5	38.5	13.0%
OP Margin	1Q18	4Q17	1Q17	+/- ppts	+/- ppts	3M18	3M17	+/- ppts
Cement	1.8%	13.0%	5.1%	-11.2	-3.3	4.9%	11.8%	-6.8
Construction Materials	9.7%	4.0%	11.8%	5.7	-2.1	9.7%	11.8%	-2.1
Construction/Road	100.0%	16.9%	22.7%	83.1	77.3	100.0%	22.7%	77.3

Source: MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.