

26 February 2018 | FY17 Results Update

## Cahaya Mata Sarawak Berhad

*Mixed Results but Improvement Starts to Sprout*

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

### INVESTMENT HIGHLIGHTS

- Results below expectations with mixed signals
- But Higher PBT contribution from construction and property recorded
- Estimates for FYE17/FYE18 remains unchanged
- Nonetheless, we maintain our BUY recommendation with a TP of RM4.62 per share

**FY17 earnings below expectations...** CMSB's FY17 PATAMI went below expectations at RM215.2m (+2.6%YoY) compared to the preceding period. Its earnings matched 79% of ours and 94% consensus' of full year forecast respectively. The mixed deviation from ours and Street's FY17 forecast is attributable to our estimation which forecasted higher progress billings for CMSB's construction segment and improved sales from construction materials.

**...but construction and property segments PBT improved.** Despite the lower-than-expected results, construction and property segment PBT improved. FY17 Construction segment's PBT of RM90.2m (+5.6%) which contributed to 30.3% of CMSB's total PBT improved due to the billings from Pan Borneo highway and Miri and Marudi road rehabilitation works. Furthermore, the property division's PBT of RM47.2m (+100.9%YoY) which adds the total PBT by 15.9% flitted on the back of higher sales from Rivervale, Raintree and improved rental from Bandar Samariang's Mydin Hypermarket. The improvement is a positive sign on CMSB's earnings momentum despite the insipid progress of the Pan Borneo Highway.

**FYE18/FYE19 earnings forecast unchanged.** Nevertheless, we maintain our forecasts for FYE18/FYE19. Although, our earnings forecast did not hit the target we believe that it is due to the slower progress cycle and billings from Pan Borneo Highway and construction materials order is not picking up yet. Considering that, we asses that it is premature to revisit our earnings assumptions for FYE18/FY19. We believe that FYE18 would be better year for construction segment to lift CMSB's total PBT contribution by another 5.5% from the higher construction progress for Pan Borneo and Baleh Dam's cement supply.

**Recommendation.** We maintain our BUY recommendation with an SOP-based TP of RM4.62 per share.



RETURN STATS	
Price (23 Feb 2018)	RM4.37
Target Price	RM4.62
Expected Share Price Return	+9.0%
Expected Dividend Yield	+3.5%
<b>Expected Total Return</b>	<b>+12.5%</b>

STOCK INFO	
KLCI	1861.5
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)	4695.02
Price over NA	2.11
52-wk price Range	RM3.3– RM4.7
Beta (against KLCI)	1.09
3-mth Avg Daily Vol	1.28m
3-mth Avg Daily Value	RM5.19m
Major Shareholders (%)	
Majaharta S/B	12.54
EPF	11.11
Lejla Taib	10.33
LTH	9.09

## 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	20.5	18.7	30.3	21.9	23.1	23.0
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		
<b>Total Construction Related Segment</b>					<b>3661.00</b>
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
<b>Total Equity Value</b>					<b>4963.20</b>
Share Base					1074
<b>Share Price (MYR)</b>					<b>4.62</b>

Source: MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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## FY17 RESULTS SUMMARY

FYE Dec (RM'm)	4Q17	3Q17	4Q16	YoY Chg	QoQ Chg	12M17	12M16	YoY Chg
<b>Revenue</b>	<b>588.1</b>	<b>347.9</b>	<b>450.2</b>	30.6%	69.0%	<b>1,606.7</b>	<b>1,552.0</b>	3.5%
Other income	10.8	2.8	32.0	-66.3%	285.7%	25.6	44.4	-42.3%
Finance cost	-8.0	-7.9	-3.1	158.1%	1.3%	-23.6	-10.6	123%
<b>Operating profit</b>	<b>73.1</b>	<b>78.1</b>	<b>124.3</b>	-41.2%	-6.4%	<b>281.3</b>	<b>324.6</b>	-13.3%
Share results of associates	30.8	20.1	5.3	481.1%	53.2%	-23.7	-35.1	-32.5%
<b>Pre-tax profit</b>	<b>101.7</b>	<b>95.5</b>	<b>141.7</b>	-28.2%	6.5%	<b>332.7</b>	<b>302.1</b>	10.1%
Taxation	-24.5	25.9	-26.3	-6.8%	-194.6%	-83.7	-84.2	-0.6%
<b>PATAMI</b>	<b>65.8</b>	<b>62.0</b>	<b>102.3</b>	-35.7%	6.1%	<b>215.2</b>	<b>209.8</b>	2.6%
FD EPS (sen)	6.12	5.8	9.45	-35.2%	5.9%	20.0	15.8	27.2%
	<b>4Q17</b>	<b>3Q17</b>	<b>4Q16</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>3M17</b>	<b>3M16</b>	<b>+/- ppts</b>
Operating margin	12.4%	22.4%	27.6%	-15.2	-10.0	17.5%	20.9%	-3.4
Pre-tax margin	17.3%	27.5%	31.5%	-14.2	-10.2	20.7%	19.5%	1.2
PATAMI margin	11.2%	17.8%	22.7%	-11.5	-6.6	13.4%	13.5%	-0.1
Effective tax rate	24.1%	-27.1%	18.6%	5.5	51.2	25.2%	27.9%	-2.7
<b>Segmental breakdown</b>								
<b>Revenue</b>	<b>4Q17</b>	<b>3Q17</b>	<b>4Q16</b>	<b>YoY Chg</b>	<b>QoQ Chg</b>	<b>12M17</b>	<b>12M16</b>	<b>YoY Chg</b>
Cement	146.5	132.2	148.5	30.6%	344.9%	520.9	563.0	-7.5%
Construction Materials	187.5	124.0	172.8	8.5%	51.2%	493.6	581.0	-15.0%
Construction/Road	206.9	92.6	97.2	112.9%	123.4%	458.8	367.8	24.7%
Property Development	72.6	17.7	45.6	59.2%	310.2%	200.2	104.6	91.4%
Others	20.0	15.9	2.0	899.5%	25.7%	63.9	9.5	572.6%
Inter-Segment Eliminations	-47.5	-37.30	14.20	-434.5%	27.3%	<b>-141.2</b>	<b>-119.9</b>	17.8%
<b>TOTAL</b>	<b>588.1</b>	<b>347.9</b>	<b>480.3</b>	22.4%	69.0%	<b>1,606.7</b>	<b>1,552.0</b>	3.5%
<b>Operating Profit</b>	<b>4Q17</b>	<b>3Q17</b>	<b>4Q16</b>	<b>YoY Chg</b>	<b>QoQ Chg</b>	<b>12M17</b>	<b>12M16</b>	<b>YoY Chg</b>
Cement	19.1	35.1	28.0	-45.6%	-31.8%	101.3	105.3	-3.8%
Construction Materials	7.5	22.6	32.1	-66.8%	-76.6%	59.7	106.7	-44.0%
Construction/Road	35.0	19.0	27.7	84.2%	26.4%	90.2	85.4	5.6%
Property Development	17.90	3.1	13.4	477.4%	33.6%	47.2	23.5	100.9%
Others	-0.6	-1.6	0.04	-64.4%	-1525.0%	-7.90	-2.5	216.0%
Tax Expense	-24.50	-25.90	28.80	-5.4%	-185.1%	-83.7	-84.8	-1.3%
<b>TOTAL</b>	<b>77.2</b>	<b>69.6</b>	<b>130.2</b>	10.9%	-40.7%	<b>296.6</b>	<b>337.3</b>	-12.1%
<b>OP Margin</b>	<b>4Q17</b>	<b>3Q17</b>	<b>4Q16</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>12M17</b>	<b>12M16</b>	<b>+/- ppts</b>
Cement	3.2%	26.6%	6.2%	-23.3	-3.0	19.4%	18.7%	0.7
Construction Materials	4.0%	18.2%	18.6%	-14.2	-14.6	12.1%	18.4%	-6.3
Construction/Road	16.9%	20.5%	28.5%	-3.6	-11.6	19.7%	23.2%	-3.6

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 +15% 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.