



Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

Maintain BUY

Temporary Drag in Earnings

Unchanged Target Price: RM1.50

KEY INVESTMENT HIGHLIGHTS

- **2QFY23 core net profit -76.9%yoy lower at RM11.4m, lower profit contribution from associates, phosphates commissioning costs**
- **Cement continues to drive revenue, +16.9%yoy to RM157.5m but operating profit declined -21.0%yoy to RM22.0m**
- **Outlook remains positive; beneficiary of stronger construction job flows in Sarawak**
- **Maintain BUY with an unchanged TP of RM1.50**

Below expectations. Cahya Mata Sarawak's (CMSB's) core net profit for 2QFY23 came in -76.9%yoy lower at RM11.4m while its cumulative 6MFY23 core net profit dropped -61.9%yoy to RM47.0m. The drag came mainly from of lower profit contribution from associates following the disposal of OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd in Dec-22 and the commissioning costs of its phosphates plant. The results were below expectations, making up 27.4% of ours and 26.6% of full-year estimates.

Operating divisions. Cement continued to be the main revenue contributor, generating RM157.5m, during the quarter, an improvement of +16.9%yoy while its operating profit declined -21.0%yoy to RM22.0m. The road maintenance business grew its revenue by +6.9%yoy to RM25.4m and rebounded into the black from a loss of -RM5.9m in the same quarter last year and -RM0.1m last quarter. The new oil tools division generated a revenue of RM71.6m and an operating profit of RM11.6m, while revenue from strategic investments grew +41.1% to RM18.5m with a significant improvement in operating profit to RM11.6m from RM0.3m in the same quarter last year.

Phosphate division. The division posted a higher quarterly operating loss of -RM29.8m as compared to -RM18.0m a year ago due to the commissioning costs incurred. Most of the costs incurred last year were capitalised as the plant was still in construction phase. The dispute with Sesco Bhd that led to the electrical supply termination at the phosphate plant in Samalaju is still in arbitration and we await further updates from management on this matter.

Earnings estimates. We maintain our estimates for now pending a briefing by management.

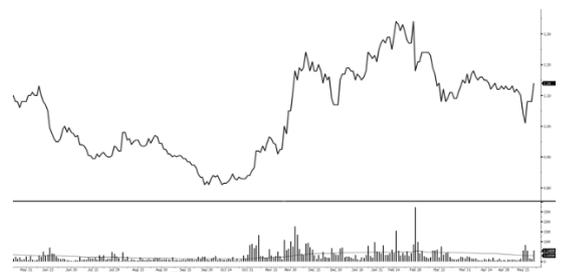
Target price. As such, we are also keeping to our TP of RM1.50 as we peg a forward PE of 8x based on -1SD below the group's five-year mean to the FY24F EPS of 18.7 sen.

Maintain BUY. We continue to like CMSB, with a positive outlook on its earnings expectations as it is a beneficiary of stronger construction job flows in Sarawak, being the state's sole cement producer. Its plants' utilisation rate of about 55% is sufficient to cater for the state's annual demand and opportunities are in store to ramp up production to tap into new markets, such as Nusantara. All factors considered, we reiterate our **BUY** recommendation on **CMSB**. 

RETURN STATISTICS

Price @ 30 th Aug 2023 (RM)	1.17
Expected share price return (%)	+28.21
Expected dividend yield (%)	2.00
Expected total return (%)	+30.21

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.4	10.9
3 months	22.5	2.5
12 months	23.8	28.9

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	1,187.5	1,211.3	1,367.7
Operating Profit	124.2	163.2	123.2
Profit Before Tax	214.2	252.5	300.9
Core net profit	171.4	195.3	240.7
Core EPS (sen)	16.0	21.5	18.7
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.0%	2.0%	2.0%

KEY STATISTICS

FBM KLCI	1,451.94
Issue shares (m)	1073.98
Estimated free float (%)	56.64
Market Capitalisation (RM'm)	1,256.79
52-wk price range	RM0.80-RM1.36
3-mth average daily volume (m)	2.51
3-mth average daily value (RM'm)	2.69
Top Shareholders (%)	
Majaharta Sdn Bhd	12.55
Leija Taib	10.33
Lembaga Tabung Haji	7.46

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CAHYA MATA SARAWAK: 2QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise Income Statement	Quarterly Results					Cumulative		
	2QFY23	1QFY23	2QFY22	QoQ	YoY	6MFY23	6MFY22	YoY
Revenue	290.5	275.7	209.7	5%	38.5%	566.2	423.8	34%
Cost of sales	(231.7)	(212.3)	(173.4)	-9%	-34%	(444.0)	(334.1)	-33%
Gross profit	58.8	63.4	36.4	-7%	62%	122.2	89.7	36%
Other income	21.8	16.3	9.8	34%	123%	38.1	12.9	195%
Administrative expenses	(31.9)	(26.8)	(20.4)	-19%	-56%	(58.7)	(32.3)	-82%
Selling and Marketing expenses	(6.9)	(7.2)	(2.9)	4%	-137%	(14.1)	(5.4)	-163%
Other expenses	(23.7)	(23.6)	(17.3)	-1%	-37%	(47.4)	(19.7)	-140%
Operating Profit	18.1	22.1	5.5	-18%	230%	40.1	45.2	-11%
Finance costs	(2.5)	(3.4)	(3.6)	26%	29%	(5.9)	(10.3)	43%
Assoc. and JV	19.8	20.6	41.2	-4%	-52%	40.4	92.1	-56%
Profit Before Taxation	35.3	39.3	43.2	-10%	-18%	74.6	127.0	-41%
Income Tax Expenses	(8.6)	(11.9)	(8.1)	28%	-7%	(20.5)	(19.1)	-8%
Recorded Profit	26.7	27.3	35.1	-2%	-24%	54.0	108.0	-50%
PATAMI	26.3	42.6	39.6	-38%	-33%	68.9	111.6	-38%
Non-Controlling interest	0.4	(15.2)	(4.5)	102%	108%	(14.9)	202.0	-107%
Core PATAMI	11.4	35.6	49.4	-68%	-76.9%	47.0	123.3	-61.9%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	814.6	1009.0	1,187.5	1,211.3	1,367.7
Gross profit	145.3	188.0	290.9	296.7	288.6
Operating profit	62.1	259.5	124.2	163.2	123.2
Finance costs	-28.300	(18.40)	(23.8)	(24.2)	(27.4)
Profit before tax	234.6	412.3	214.2	252.5	300.9
Tax	-29.9	-110.7	(42.8)	(57.2)	(60.2)
Net profit	204.2	298.1	171.4	195.3	240.7
Core net profit	172.1	118.7	171.4	195.3	240.7

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	1,342.3	1,420.0	1,462.6	1,506.5	1,551.7
Intangible assets	0.6	2.4	3.0	3.5	3.5
Non-current assets	3,119.6	2,867.5	2,953.5	3,042.1	3,133.4
Cash	545.7	965.3	772.2	787.7	803.4
Trade debtors	191.0	250.5	255.5	260.6	265.8
Current assets	1,729.9	2,046.0	2,107.4	2,170.6	2,235.7
Trade creditors	615.9	688.2	702.0	716.0	730.3
Short-term debt	625.1	282.0	286.2	286.2	286.2
Current liabilities	1,260.1	1,050.6	1,103.1	1,158.3	1,216.2
Long-term debt	273.4	255.8	255.8	255.8	255.8
Non-current liabilities	357.0	374.7	382.2	389.8	397.6
Share capital	867.9	867.9	867.9	867.9	867.9
Retained earnings	2,122.9	2,399.6	2,571.0	2,766.3	3,007.0
Equity	3,232.4	3,488.8	3,488.8	3,488.8	3,488.8

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	234.6	412.3	214.2	252.5	300.9
Depreciation & amortisation	63.0	63.5	64.1	64.8	65.43
Changes in working capital	132.6	-64.4	-19.3	-5.8	-5.8
Operating cash flow	220.7	9.7	115.4	139.3	144.9
Capital expenditure	-88.8	-43.7	-78.7	-82.6	-86.7
Investing cash flow	25	823.5	247.1	247.1	247.1
Debt raised/(repaid)	36.7	-376.5	-125	-125	-
Dividends paid	-35.5	-23.5	-23.5	-23.5	-23.5
Financing cash flow	16.7	-410.5	-150	-150	-30
Net cash flow	262.4	422.8	212.5	236.4	362
Beginning cash flow	277.2	540.7	962.7	1,175.2	1,411.6
Ending cash flow	540.7	962.7	1,175.2	1,411.6	1,773.6

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Gross profit margin	17.8%	18.6%	24.5%	24.5%	21.1%
PBT margin	28.8%	40.9%	18.0%	20.8%	22.0%
PAT margin	25.1%	29.5%	14.4%	16.1%	17.6%
Core PAT margin	21.1%	11.8%	14.4%	16.1%	17.6%

Source: Bloomberg, 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology