



Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

Maintain BUY

Prospects Remain Healthy

Unchanged Target Price: RM1.50

KEY INVESTMENT HIGHLIGHTS

- **Malfunction of plant conveyor in April affected cement GP margin slightly but issue has been fixed**
- **Scheduled maintenance for two weeks in Sept-23 and stockpiling has been done to prepare for downtime**
- **Phosphates division still operating via generator**
- **Outlook remains positive; medium to long term view remains intact**
- **Maintain BUY with an unchanged TP of RM1.50**

Below expectations. Cement was Cahya Mata Sarawak's (CMSB's) main revenue contributor in 1HFY23, making up 52% of the group's revenue during the period. The gross profit margin however, came in slightly lower during the period at 23% as compared to 25% last year due to a malfunction of the conveyor at one of its plants in April, which affected clinker production. The problem has since been fixed and the plants are operating as usual. Moving forward, the group expects the proposed construction of its new clinker line with a production capacity of 1.9m MT per annum to lower its reliance on imported clinker, reduce operating costs and improve long-term profit margins.

Scheduled maintenance. There is an upcoming scheduled maintenance this month, which will take approximately two weeks. The group has taken the preemptive measures to stockpile cement ahead of the expected downtime to ensure sufficient supply of cement during the period.

Oiltools division. This relatively new business segment for CMSB has turned out to be a strong contributor to the group's revenue of 23% for 1HFY23. The outstanding order book stands at about USD129m in the eight countries that it operates in, with earnings visibility up to three years.

Update on phosphate division. While there has yet to be any new updates on the ongoing arbitration with Sesco Bhd following a dispute that led to the electrical supply termination to the phosphate plant in Samalaju, management revealed that the plant was still in operation using generator sets. Asked if an amicable resolution was still possible, management only said they are not "leaving anything off the table".

Earnings estimates. We maintain our estimates for FY23E-FY25F as we believe CMSB's prospects remain healthy, especially its cement division, which is set to benefit from the strong construction job flows in Sarawak.

Target price. We are maintaining 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. This is also in line with management's optimism on leveraging on strong prospects for Sarawak's economic growth. The group's cement plants' utilisation rate

RETURN STATISTICS

Price @ 11 th Sept 2023 (RM)	1.04
Expected share price return (%)	+44.23
Expected dividend yield (%)	2.00
Expected total return (%)	+46.23

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.0	-0.8
3 months	8.9	-7.4
12 months	14.9	18.3

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	1,455.04
Issue shares (m)	1073.98
Estimated free float (%)	56.64
Market Capitalisation (RM'm)	1,117.14
52-wk price range	RM0.80-RM1.36
3-mth average daily volume (m)	2.93
3-mth average daily value (RM'm)	3.15
Top Shareholders (%)	
Majaharta Sdn Bhd	12.55
Leija Taib	10.33
Lembaga Tabung Haji	7.46

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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 Sabah, Brunei and Nusantara. All factors considered; we reiterate our **BUY** recommendation on **CMSB**. 

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