



# Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

**Maintain BUY**

## Cement Business Continues to Perform

**Revised Target Price: RM1.32**  
(Previously RM1.50)

### KEY INVESTMENT HIGHLIGHTS

- **3QFY23 core net profit -65.8%yoy lower at RM21.1m, lower profit contribution from associates, phosphates commissioning costs**
- **Cement contributed 58.7% to group's revenue at RM177.1m; operating profit grew +16.7%yoy to RM31.0m**
- **Outlook remains positive; beneficiary of stronger construction job flows in Sarawak**
- **Maintain BUY with a revised TP of RM1.32**

**Below expectations.** Cahya Mata Sarawak's (CMSB's) core net profit for 3QFY23 came in -65.8%yoy lower to RM21.1m, despite recording a stronger revenue by +8.4%yoy to RM301.9m. For the cumulative 9MFY23, revenue came in +23.6%yoy higher at RM868.1m while the core earnings declined -63.2%yoy to RM68.1m. This came in below expectations, making up only 39.7% of ours and 48.2% of street's estimates. The weaker performance was mainly due to a lower share of results from associates following the disposal of its stake OM Materials and losses from its phosphates which is now in the commissioning phase.

**Cement division.** Cement contributed 58.7% to the group's revenue during the quarter, rising +6.3%yoy to RM177.1m and delivering an operating profit of RM31.0m (+16.7%yoy), indicating a margin of 17.5%, an improvement over 15.9% a year ago. The improvement was attributable to stronger sales and lower input costs.

**Other divisions.** During the quarter, the road maintenance business delivered a revenue of RM27.3m (-17.4%yoy) and an operating profit of RM2.1m (-69.5%yoy). The oiltools division generated a revenue of RM72.9m (+3.3x) with an operating profit of RM9.6m. The RM63.0m operating profit in the previous year's corresponding quarter was almost entirely the recognition of negative goodwill on consolidation. As for the property development division, it recorded a revenue of RM16.1m (-57.4%yoy), with an operating profit of RM2.6m (-82.5%yoy), mainly due to slower property sales and no land sale this year.

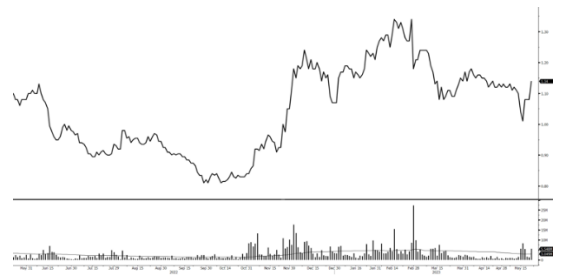
**Phosphate division.** The division posted a higher quarterly operating loss of -RM43.6m (+2.8x) due to the commissioning and financing costs incurred. Most of the costs incurred in FY22 were capitalised as the plant was still in construction phase. Recall that there is an ongoing arbitration with Sesco Bhd following a dispute that led to the electrical supply termination to the phosphate plant in Samalaju. The plant is still in operation using generator sets, as per management's update in Sept-23. We await further information in the upcoming briefing, which is expected to be next week.

**Earnings estimates.** We are adjusting our FY23E/FY24F/FY25F bottom lines by -23.8%/-19.4%/-23.3% to RM130.6m/RM157.5m/RM184.6m, considering the weaker than expected results from associates and losses from the phosphate division.

### RETURN STATISTICS

Price @ 29 <sup>th</sup> Nov 2023 (RM)	1.11
Expected share price return (%)	+18.9
Expected dividend yield (%)	2.3
<b>Expected total return (%)</b>	<b>+21.2</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.3
3 months	-2.6	-5.4
12 months	5.7	8.0

### INVESTMENT STATISTICS


FYE Dec	2023E	2024F	2025F
Revenue	1,187.5	1,211.3	1,367.7
Operating Profit	106.9	120.0	136.8
Profit Before Tax	154.4	181.7	218.8
Core net profit	130.6	157.5	184.6
Core EPS (sen)	12.2	14.7	17.2
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.3%	2.3%	2.3%

### KEY STATISTICS

FBM KLCI	1,448.07
Issue shares (m)	1073.98
Estimated free float (%)	56.64
Market Capitalisation (RM'm)	1,192.34
52-wk price range	RM0.95-RM1.36
3-mth average daily volume (m)	2.56
3-mth average daily value (RM'm)	2.86
Top Shareholders (%)	
Majaharta Sdn Bhd	12.55
Leija Taib	10.33
Lembaga Tabung Haji	7.46

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**Target price.** We are revising our **TP** to **RM1.32** from RM1.50 previously as we peg the group's revised FY24F EPS 14.7 sen to a PER of 9x based on its two-year historical mean.

**Maintain BUY.** Despite its below expected earnings, we continue to like CMSB 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 Federal Government under Budget 2024, allocated RM5.8b for development in Sarawak and RM7.4b for the second phase of the Sarawak-Sabah Link Road (SSLR). All factors considered; we reiterate our **BUY** recommendation on **CMSB**. 

## CAHYA MATA SARAWAK: 3QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	3QFY23	2QFY23	3QFY22	QoQ	YoY	9MFY23	9MFY22	YoY
<b>Income Statement</b>								
Revenue	301.9	290.5	278.4	4%	8.4%	868.1	702.2	24%
Cost of sales	(229.9)	(231.7)	(219.8)	1%	-5%	(673.9)	(553.9)	-22%
Gross profit	72.0	58.8	58.6	23%	23%	194.2	148.3	31%
Other income	10.4	21.8	109.8	-52%	-91%	48.5	122.7	-60%
Administrative expenses	(38.3)	(31.9)	(16.4)	-20%	-134%	(96.9)	(48.7)	-99%
Selling and Marketing expenses	(7.2)	(6.9)	(3.9)	-5%	-88%	(21.4)	(9.2)	-132%
Other expenses	(13.5)	(23.7)	(15.9)	43%	15%	(60.9)	(35.6)	-71%
Operating Profit	23.4	18.1	132.3	30%	-82%	63.5	177.5	-64%
Finance costs	(20.3)	(2.5)	(2.9)	-703%	-601%	(26.2)	(13.2)	-98%
Assoc. and JV	20.6	19.8	50.6	4%	-59%	61.0	142.7	-57%
Profit Before Taxation	23.7	35.3	180.0	-33%	-87%	98.3	307.0	-68%
Income Tax Expenses	(18.9)	(8.6)	(26.5)	-119%	29%	(39.4)	(45.6)	14%
Recorded Profit	4.8	26.7	153.5	-82%	-97%	58.9	261.4	-77%
PATAMI	10.0	26.3	154.4	-62%	-94%	78.9	266.0	-70%
Non-Controlling interest	(5.1)	0.4	(0.9)	-1528%	-476%	(20.0)	(4.6)	-338%
Core PATAMI	21.1	11.4	61.7	85%	-65.8%	68.1	185.0	-63.2%

## 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	285.0	258.0	309.1
Operating profit	62.1	259.5	106.9	119.9	136.8
Finance costs	-28.300	(18.40)	(23.8)	(24.2)	(27.4)
Profit before tax	234.6	412.3	154.4	181.7	218.8
Tax	-29.9	-110.7	(42.8)	(57.2)	(60.2)
Net profit	204.2	298.1	130.6	157.5	184.6
Core net profit	172.1	118.7	130.6	157.5	184.6

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
<b>Non-current assets</b>	<b>3,119.6</b>	<b>2,867.5</b>	<b>2,953.5</b>	<b>3,042.1</b>	<b>3,148.6</b>
Cash	545.7	965.3	856.8	977.6	997.2
Trade debtors	191.0	250.5	255.5	260.6	265.8
<b>Current assets</b>	<b>1,729.9</b>	<b>2,046.0</b>	<b>2,192.0</b>	<b>2,361.5</b>	<b>2,561.4</b>
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
<b>Current liabilities</b>	<b>1,260.1</b>	<b>1,050.6</b>	<b>1,103.1</b>	<b>1,158.3</b>	<b>1,216.2</b>
Long-term debt	273.4	255.8	255.8	255.8	255.8
<b>Non-current liabilities</b>	<b>357.0</b>	<b>374.7</b>	<b>382.2</b>	<b>389.8</b>	<b>397.6</b>
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
<b>Equity</b>	<b>3,232.4</b>	<b>3,488.8</b>	<b>3,660.2</b>	<b>3,855.5</b>	<b>4,096.2</b>

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
<b>Operating cash flow</b>	<b>220.7</b>	<b>9.7</b>	<b>115.4</b>	<b>139.3</b>	<b>144.9</b>
Capital expenditure	-88.8	-43.7	-78.7	-82.6	-86.7
<b>Investing cash flow</b>	<b>25</b>	<b>823.5</b>	<b>247.1</b>	<b>247.1</b>	<b>247.1</b>
Debt raised/(repaid)	36.7	-376.5	-125	-125	-
Dividends paid	-35.5	-23.5	-23.5	-23.5	-23.5
<b>Financing cash flow</b>	<b>16.7</b>	<b>-410.5</b>	<b>-150</b>	<b>-150</b>	<b>-30</b>
<b>Net cash flow</b>	<b>262.4</b>	<b>422.8</b>	<b>212.5</b>	<b>236.4</b>	<b>362</b>
<b>Beginning cash flow</b>	<b>277.2</b>	<b>540.7</b>	<b>962.7</b>	<b>1,175.2</b>	<b>1,411.6</b>
<b>Ending cash flow</b>	<b>540.7</b>	<b>962.7</b>	<b>1,175.2</b>	<b>1,411.6</b>	<b>1,773.6</b>

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Gross profit margin	17.8%	18.6%	24.0%	21.3%	22.6%
PBT margin	28.8%	40.9%	13.0%	15.0%	16.0%
PAT margin	25.1%	29.5%	11.0%	13.0%	13.5%
Core PAT margin	21.1%	11.8%	11.0%	13.0%	13.5%

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