



Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

Maintain BUY

Construction of New Clinker Plant in 3Q24

Unchanged Target Price: RM1.32

KEY INVESTMENT HIGHLIGHTS

- **Cement PBT margins have improved from 22% in 9MFY22 to 23% in 9MFY23, on the back of stronger sales and lower input costs**
- **Partnered Sinoma recently to assess and study new clinker line, optimise existing clinker lines**
- **Construction of new clinker line in Mambong expected to kick off in 3Q24, to be completed in 3 years**
- **Maintain BUY with an unchanged TP of RM1.32**

Improving cement business. Higher cement sales volume and lower input costs led to a slight improvement in margins as the division continued to be the group's main earnings driver. For 9MFY23, revenue from cement rose +13.0%yoy to RM493.0m, while PBT came in +8.0%yoy higher at RM91.0m, which saw margins improve from 22% to 23%.

Partnership with Sinoma. The group inked a technical consultancy agreement with Sinoma Industry Engineering (M) Sdn Bhd recently, in relation to the construction of CMSB's new cement clinker line. In a post-result briefing yesterday, management said Sinoma would be assessing and conducting technical studies on the new clinker line and on the optimisation of existing clinker lines. Sinoma is a subsidiary of China-based Tianjin Cement Industry Design and Research Institute.

Construction to begin 3Q24. Management has penciled in a target to begin construction of the new RM750m clinker plant in Mambong in 3Q24, which will take three years to complete. The new line is expected to generate a daily production of 6,000 metric tonnes (MT) or 1.9m MT of clinker annum. We estimate that this will enable CMSB to triple its yearly clinker production capacity from 900K MT currently to a total of 2.8m MT. With this, management is optimistic that it will no longer have to rely on imported clinker, which ultimately translates into lower operating costs and better long-term margins as CMSB would be in control of a steady supply of clinker and logistics costs. Clinkers are the main raw material for the manufacturing of cement.

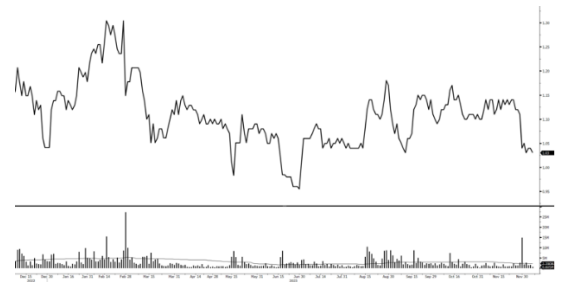
New cement players in Sarawak? The state government through Innocement Sdn Bhd in Jul-23, inked an MoU with Thailand's SCG International and YTL Cement, to strengthen the cement supply chain in the Sarawak. Responding to this, management said CMSB has always been open to competition and that there has been no barrier to entry to the Sarawak cement market since 2018. They added that the focus for the group is to focus on its efficiency and innovation, which has seen CMSB pushing on its green cement and ESG initiatives as it strives to continue to be the preferred cement producer in Sarawak.

Earnings estimates. We are maintaining our earnings estimates after adjusting our figures when CMSB released its 3QFY23 results on 29 November 2023.

RETURN STATISTICS

Price @ 7 th Dec 2023 (RM)	1.03
Expected share price return (%)	+28.16
Expected dividend yield (%)	2.27
Expected total return (%)	+30.43

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-9.6	-8.7
3 months	-9.6	-1.1
12 months	-13.4	-12.1

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	1,442.85
Issue shares (m)	1073.98
Estimated free float (%)	56.64
Market Capitalisation (RM'm)	1,106.40
52-wk price range	RM0.95-RM1.36
3-mth average daily volume (m)	2.28
3-mth average daily value (RM'm)	2.52
Top Shareholders (%)	
Majaharta Sdn Bhd	12.55
Leija Taib	10.33
Lembaga Tabung Haji	7.46

Analyst**Royce Tan Seng Hooi**
royce.tan@midf.com.my

Target price. We are maintaining our **TP** at **RM1.32** 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. We continue to like CMSB as it is a beneficiary of stronger construction job flows in Sarawak, being the state's sole cement producer, for now. Management believes that prospects remain strong for Sarawak's economy in the medium to long term. 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**.

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
Non-current assets	3,119.6	2,867.5	2,953.5	3,042.1	3,148.6
Cash	545.7	965.3	856.8	977.6	997.2
Trade debtors	191.0	250.5	255.5	260.6	265.8
Current assets	1,729.9	2,046.0	2,192.0	2,361.5	2,561.4
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	3,660.2	3,855.5	4,096.2
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%	24.0%	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