



Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

Maintain BUY

Weighed Down by Phosphates Division

Unchanged Target Price: RM1.32

KEY INVESTMENT HIGHLIGHTS

- **FY23 normalised earnings -18%yoy lower at RM97.3m, dragged by operating losses from property development and phosphates division**
- **Cement contributed 57% to full year revenue at RM681.69m; operating profit grew +82%yoy to RM146.04m**
- **Property and phosphates business record losses at -RM2.22m and -RM156.7m respectively, both coming in <-100%yoy**
- **Maintain BUY with an unchanged TP of RM1.32**

Below expectations. Cahya Mata Sarawak's (CMSB's) core net profit for 4QFY23 came in >+100%yoy at RM29.2m, on the back of stronger revenue that came in +8.4%yoy to RM332.7m. For the cumulative FY23, revenue came in +19%yoy higher at RM1.20b while the core earnings declined -18%yoy to RM97.3m. The results came in below ours' and consensus' expectations, making up 75% and 88% respectively of the full year estimates. The weaker performance was mainly due to operating losses from the phosphates business and property development.

Cement division. Cement contributed 57% to the group's full year revenue, rising +13.3% to RM681.7m and delivering an operating profit of RM146.04m, a surge of 1.8x, indicating a margin of 21.4%, an improvement over 13.3% a year ago. The improvement was attributable to stronger sales and lower input costs.

Other divisions. For the full year, the road maintenance business delivered a revenue of RM119.05m (-12%yoy) and an operating profit of RM13.65m (-20%yoy). The oiltools division generated a revenue of RM281.26m (+2.2x) with an operating profit of RM29.31m. As for the property development division, it recorded a revenue of RM61.5m (-41%yoy), with an operating loss of -RM2.2m, mainly due to slower property sales and no land sale this year.

Phosphate division. The division posted a greater yearly operating loss of -RM156.7m (1.6x) 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.

Earnings estimates. We are maintaining our FY24 and FY25 earnings estimates for now pending a briefing by management expected to be held next week.

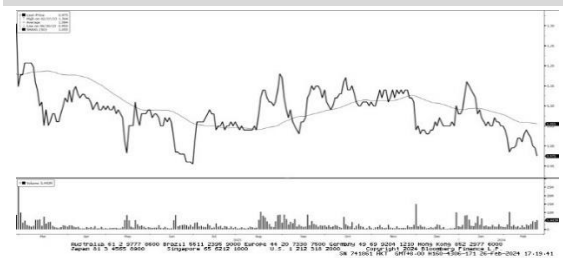
Target price. As such, we are also maintaining our **TP at RM1.32**, which is derived by pegging the group's revised FY24F EPS 14.7 sen to a PER of 9x based on its two-year historical mean.

Maintain BUY. Despite its underperformance, we continue to like CMSB as it remains a key 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

RETURN STATISTICS

Price @ 26 th Feb 2024 (RM)	0.98
Expected share price return (%)	+35.4
Expected dividend yield (%)	+2.27
Expected total return (%)	+37.65

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.0	-10.5
3 months	-9.7	-19.7
12 months	-23.2	-27.7

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	1,200.7	1,211.3	1,367.7
Operating Profit	76.8	120.0	136.8
Profit Before Tax	129.2	181.7	218.8
Core net profit	97.3	195.3	240.7
Core EPS (sen)	9.06	18.18	22.41
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.3%	2.3%	2.3%

KEY STATISTICS

FBM KLCI	1,547.60
Issue shares (m)	1073.98
Estimated free float (%)	56.64
Market Capitalisation (RM'm)	1,047.32
52-wk price range	RM0.95-RM1.34
3-mth average daily volume (m)	2.81
3-mth average daily value (RM'm)	3.00
Top Shareholders (%)	
Employees Provident Fund Board	12.55
Amanah Saham Nasional Bhd	10.33
KWAP	7.46

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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: 4QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	4QFY23	3QFY23	4QFY22	QoQ	YoY	FY23	FY22	YoY
Income Statement								
Revenue	332.7	301.9	306.8	10.2%	8.4%	1,200.7	1,009.0	19.0%
Cost of sales	(236.3)	(229.9)	(267.1)	-2.8%	11.5%	(910.2)	(821.0)	-10.9%
Gross profit	96.3	72.0	39.7	33.7%	>+100%	290.5	188.0	54.5%
Other income	26.6	10.4	110.8	>+100%	-76.0%	75.1	233.6	-67.8%
Administrative expenses	(41.9)	(38.3)	(42.5)	-9.4%	1.5%	(138.8)	(91.2)	-52.3%
Selling and Marketing expenses	(13.8)	(7.2)	(8.6)	-90.7%	-59.5%	(35.2)	(17.9)	-96.8%
Other expenses	(53.9)	(13.5)	(17.4)	<-100%	<-100%	(114.8)	(53.1)	-116.4%
Operating Profit	13.3	23.4	82.0	-43.2%	-83.8%	76.8	259.5	-70.4%
Finance costs	(8.9)	(20.3)	(5.2)	56.0%	-71.2%	(35.1)	(18.4)	-90.7%
Assoc. and JV	26.6	20.6	28.5	29.1%	-6.9%	87.5	171.2	-48.9%
Profit Before Taxation	30.9	23.7	105.3	30.6%	-70.6%	129.2	412.3	-68.7%
Income Tax Expenses	(7.3)	(18.9)	(65.1)	>+100%	>+100%	(46.7)	(110.7)	57.8%
Recorded Profit	23.7	4.8	40.2	>+100%	-41.1%	82.5	301.6	-72.6%
PATAMI	36.2	10.0	32.1	>+100%	12.9%	115.1	298.1	-61.4%
Non-Controlling interest	(12.6)	(5.1)	8.1	<-100%	<-100%	(32.6)	3.5	<-100%
Core PATAMI	29.2	21.1	(66.4)	38.2%	>+100%	97.3	118.7	-18.0%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023A	2024F	2025F
Revenue	814.6	1009.0	1,200.7	1,211.3	1,367.7
Gross profit	145.3	188.0	290.5	296.7	288.6
Operating profit	62.1	259.5	76.8	163.2	123.2
Finance costs	-28.300	(18.40)	(35.1)	(24.2)	(27.4)
Profit before tax	234.6	412.3	129.2	252.5	300.9
Tax	-29.9	-110.7	(32.1)	(57.2)	(60.2)
Net profit	204.2	298.1	115.1	195.3	240.7
Core net profit	172.1	118.7	97.3	195.3	240.7

Balance Sheet (RM'm)	2021A	2022A	2023A	2024F	2025F
Property, plant and equipment	1,342.3	1,420.0	1,458.3	1,506.5	1,551.7
Intangible assets	0.6	2.4	12.5	3.5	3.5
Non-current assets	3,119.6	2,867.5	3,024.0	3,042.1	3,148.6
Cash	545.7	965.3	607.6	977.6	997.2
Trade debtors	191.0	250.5	290.8	260.6	265.8
Current assets	1,729.9	2,046.0	1,649.2	2,287.4	2,487.3
Trade creditors	615.9	688.2	643.2	716.0	730.3
Short-term debt	625.1	282.0	113.0	286.2	286.2
Current liabilities	1,260.1	1,050.6	809.0	1,158.3	1,216.2
Long-term debt	273.4	255.8	113.0	255.8	255.8
Non-current liabilities	357.0	374.7	320.0	389.8	397.6
Share capital	867.9	867.9	867.9	867.9	867.9
Retained earnings	2,122.9	2,399.6	2,430.8	2,692.2	2,932.9
Equity	3,232.4	3,488.8	3,544.1	3,781.4	4,022.1

Cash Flow (RM'm)	2021A	2022A	2023A	2024F	2025F
PBT	234.6	412.3	129.2	252.5	300.9
Depreciation & amortisation	63.0	63.5	91.0	64.8	65.43
Changes in working capital	132.6	-64.4	-140.4	-5.8	-5.8
Operating cash flow	220.7	9.7	-65.7	139.3	144.9
Capital expenditure	-88.8	-43.7	-50.5	-82.6	-86.7
Investing cash flow	25	823.5	-19.9	247.1	247.1
Debt raised/(repaid)	36.7	-376.5	-243.5	-125	-
Dividends paid	-35.5	-23.5	-36.1	-23.5	-23.5
Financing cash flow	16.7	-410.5	-279.8	-150	-30
Net cash flow	262.4	422.8	-365.4	236.4	362
Beginning cash flow	277.2	540.7	965.4	600.0	836.4
Ending cash flow	540.7	963.4	600.0	836.4	1,198.4

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