



Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

Maintain BUY

A Quarter of Slower Activities

Revised Target Price: RM1.38
(Previously RM1.32)

KEY INVESTMENT HIGHLIGHTS

- **1QFY24 core net profit declined -46.6%yoy to RM19.0m; revenue grew +0.6%yoy to RM277.4m**
- **Cement revenue declined -6.4%yoy to RM149.2m, PBT down -28.6%yoy to RM37.6m**
- **Oil tools division posted stronger revenue of +16.7%yoy to RM78.2m; PBT rose 3.2x to RM14.8m**
- **Maintain BUY with a revised TP of RM1.38**

Exceed expectations. Cahya Mata Sarawak's core net profit declined -46.6%yoy to RM19.0m in 1QFY24, amid slower activities in the first quarter of the year and losses from its phosphate and services segments. The results came below expectations, making up 9.7% and 12.3% of ours and consensus' full year projections.

Cement division. Cement revenue came in -6.4%yoy lower during the quarter to RM149.2m, with a lower PBT by -28.6%yoy to RM37.6m. There was a drop in sales on the back of slower construction activities during the quarter, which was made worse by the longer rainy weather during the period.

Other divisions. The division recorded a higher revenue of RM27.1m, which came in +24.3%yoy while it bounced back into the black at RM5.3m as compared to a LBT of -RM0.1m in the same quarter last year. Meanwhile, the property development division delivered a stronger PBT of RM6.2m, which grew 6.6x over the same period last year, attributable to a land sale.

Oil tools divisions. The group's oil tools division posted a stronger revenue of +16.7%yoy to RM78.2m, delivering a 3.2x higher PBT of RM14.8m, led by the strong performance and improvement in margins in its operations in Nigeria and Indonesia.

Phosphate division. The division has yet to generate any revenue as it has yet to achieve commercialisation stage and it continues to incur losses, though at a decline of -25.2% to -RM19.2m, attributable to lower operating costs incurred. 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.

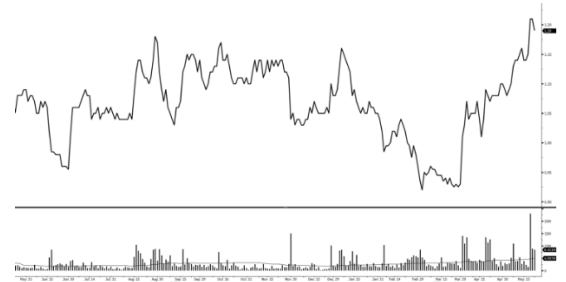
Earnings estimates. For now, we are slashing our earnings estimates for FY24/FY25 by -28.7%/-29.8% to RM139.3m and RM164.1m respectively to account for the weaker performance and continued expected losses from the phosphate division. We also await further guidance from management.

Target price. As we roll forward our valuation base year to FY25, we are adjusting **our target price to RM1.38**, as we peg the FY25F EPS of 15.3 sen to a PER of 9x based on its two-year historical mean.

RETURN STATISTICS

Price @ 23 rd May 2024 (RM)	1.19
Expected share price return (%)	+16.0
Expected dividend yield (%)	+2.2
Expected total return (%)	+18.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.2	6.3
3 months	28.0	13.7
12 months	8.2	-6.4

INVESTMENT STATISTICS


FYE Jun	2023A	2024F	2025F
Revenue	1,211.3	1,367.7	1,408.7
Operating Profit	96.9	116.3	126.8
Profit Before Tax	236.2	300.9	309.9
Core net profit	139.3	164.1	169.0
Core EPS (sen)	13.0	15.3	15.8
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.2%	2.2%	2.2%

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	1073.98
Estimated free float (%)	51.61
Market Capitalisation (RM'm)	1,278.27
52-wk price range	RM0.91-RM1.26
3-mth average daily volume (m)	4.91
3-mth average daily value (RM'm)	5.17
Top Shareholders (%)	
Majaharta Sdn Bhd	12.55
Taib Lejla	10.33
Lembaga Tabung Haji	7.01

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Maintain BUY. In light of the upcoming developments that are expected in Sarawak which will drive stronger construction job flows, we believe CMSB is well positioned to ride on this upside as it is currently the only cement producer in the state and the main supplier. We expect ongoing projects such as the Pan Borneo Highway and the upcoming Sabah-Sarawak Link Road (Phase 2) to further improve demand. All factors considered; we reiterate our **BUY** recommendation on **CMSB**. 

CAHYA MATA SARAWAK: 1QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	277.4	332.7	275.7	-16.6%	0.6%
Cost of sales	(201.2)	(236.3)	(212.3)	14.9%	5.2%
Gross profit	76.2	96.3	63.4	-20.9%	20.1%
Other income	22.7	26.6	16.3	-14.7%	39.2%
Administrative expenses	(29.9)	(41.9)	(26.8)	28.7%	-11.6%
Selling and Marketing expenses	(8.2)	(13.8)	(7.2)	40.7%	-13.1%
Other expenses	(17.1)	(53.9)	(23.6)	68.3%	27.6%
Operating Profit	43.7	13.3	22.1	228.8%	98.0%
Finance costs	(7.7)	(8.9)	(3.4)	13.5%	-127.4%
Assoc. and JV	21.3	26.6	20.6	-20.0%	3.3%
Profit Before Taxation	57.3	30.9	39.3	85.1%	45.8%
Income Tax Expenses	(17.7)	(7.3)	(11.9)	-143.6%	-48.6%
Recorded Profit	39.5	23.7	27.3	67.0%	44.6%
PATAMI	38.2	36.2	42.6	5.5%	-10.1%
Non-Controlling interest	1.3	(12.6)	(15.2)	110.2%	108.4%
Core PATAMI	19.0	29.2	35.6	-34.9%	-46.6%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2025F
Revenue	1009.0	1,200.7	1,211.3	1,367.7	1,408.7
Gross profit	188.0	290.5	296.7	288.6	288.6
Operating profit	259.5	76.8	96.9	116.3	126.8
Finance costs	(18.40)	(35.1)	(24.2)	(27.4)	(27.4)
Profit before tax	412.3	129.2	236.2	300.9	309.9
Tax	-110.7	(32.1)	(57.2)	(60.2)	(60.2)
Net profit	298.1	115.1	139.3	164.1	169.0
Core net profit	118.7	97.3	139.3	164.1	169.0

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2025F
Property, plant and equipment	1,420.0	1,458.3	1,506.5	1,551.7	1,536.2
Intangible assets	2.4	12.5	3.5	3.5	3.5
Non-current assets	2,867.5	3,024.0	3,042.1	3,148.6	3,133.1
Cash	965.3	607.6	879.7	822.7	1,007.2
Trade debtors	250.5	290.8	260.6	265.8	265.8
Current assets	2,046.0	1,649.2	2,287.4	2,487.3	2,487.3
Trade creditors	688.2	643.2	716.0	730.3	730.3
Short-term debt	282.0	113.0	286.2	286.2	286.2
Current liabilities	1,050.6	809.0	1,158.3	1,216.2	1,216.2
Long-term debt	255.8	113.0	255.8	255.8	255.8
Non-current liabilities	374.7	320.0	389.8	397.6	397.6
Share capital	867.9	867.9	867.9	867.9	867.9
Retained earnings	2,399.6	2,430.8	2,570.1	2,734.2	2,903.3
Equity	3,488.8	3,544.1	3,683.4	3,847.6	4,016.6

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2025F
PBT	412.3	129.2	236.2	300.9	309.9
Depreciation & amortisation	63.5	91.0	64.8	65.4	67.4
Changes in working capital	-64.4	-140.4	-5.8	-5.8	-6.0
Operating cash flow	9.7	-65.7	139.3	144.9	146.7
Capital expenditure	-43.7	-50.5	-82.6	-86.7	-89.3
Investing cash flow	823.5	-19.9	247.1	247.1	244.5
Debt raised/(repaid)	-376.5	-243.5	-125	-	-
Dividends paid	-23.5	-36.1	-23.5	-23.5	-23.5
Financing cash flow	-410.5	-279.8	-150	-30.0	-30.0
Net cash flow	422.8	-365.4	236.4	362.0	361.2
Beginning cash flow	540.7	965.4	600.0	836.4	1,198.4
Ending cash flow	963.4	600.0	836.4	1,198.4	1,559.6

Profitability Margins	2022A	2023E	2024F	2025F	2025F
Gross profit margin	18.6%	24.0%	24.5%	21.1%	21.5%
PBT margin	40.9%	13.0%	19.5%	22.0%	21.4%
PAT margin	29.5%	11.0%	11.5%	12.0%	12.0%
Core PAT margin	11.8%	11.0%	11.5%	12.0%	12.0%

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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