Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

Maintain BUY

Cement Margins Improve Further

Unchanged Target Price: RM1.53

KEY INVESTMENT HIGHLIGHTS

- **3QFY24 core net profit increased +59.3%qoq to RM60.6m**
- **Cement revenue declined –2.5%yoy to RM172.8m; PBT increased +22.1%yoy to RM37.9m due to improved margins**
- **Phosphate division's losses dragged by unrealised foreign exchange losses**
- **Maintain BUY with an unchanged TP of RM1.53**

Above expectations. Cahya Mata Sarawak's core net profit, excluding an unrealised foreign exchange loss of -RM74.9m, almost tripled to RM60.6m in 3QFY24 despite a -0.7%yoy drop in revenue to RM299.9m, mainly due to improved gross profit margins from its cement and Oiltools division. The cumulative 9MFY24 core net profit was above expectations after rising +72.7%yoy to RM117.7m, making up 84.5% of our full-year estimates and 86.5% of consensus.

Cement division. Cement revenue was almost unchanged at RM172.8m (-2.5%yoy) during the quarter, while PBT jumped +22.1%yoy to RM37.9m. The stronger bottom line was on the back of lower imported clinker prices and improved efficiency.

Oiltools divisions. The group's oiltools division posted a stronger 9MFY24 revenue of +4.0%yoy to RM219.3m, delivering an improved +45.0%yoy 9MFY24 PBT of RM37.5m, led by the strong performance and improvement in margins in its operations in the UAE and Indonesia.

Other divisions. The road maintenance division performed during the quarter, recording a +66.9%yoy increase in PBT to RM3.4m, led by higher revenue from road maintenance, third party and instructed works. The property development division remained in the red with a loss before tax of -RM1.2m due to slower sales of properties. The strategic investments and support services divisions also suffered a loss before tax of –RM427k and –RM281k respectively.

Phosphate division. The division has yet to generate any revenue as it has yet to achieve commercialisation level and it continues to incur losses, which almost doubled to -RM84.9m. A huge chunk of this was from a unrealised foreign exchange loss of -RM74.9m due to a revaluation of shareholder loans to Cahya Mata Phosphates.

Earnings estimates and TP. We maintain our earnings estimates for now pending a meeting with management and as such, maintain our TP at **RM1.53** as we peg its FY25F EPS of 15.3 sen to a PER of 10x based on its three-year mean.

Maintain BUY. We maintain our view that CMSB stands to be one of the main beneficiaries of a stronger construction job flow in Sarawak. The group is the only cement producer in the state currently and its production capacity is sufficient to meet the entire state's demand. We maintain our BUY recommendation on **CMSB**.

RETURN STATISTICS	
Price @ 26th Nov 2024 (RM)	1.19
Expected share price return (%)	+28.6
Expected dividend yield (%)	+2.5
Expected total return (%)	**+31.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-13.8	-13.0
3 months	-12.5	-1.9
12 months	4.4	-5.7

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
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	15.7
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.5%	2.5%	2.5%

KEY STATISTICS	
FBM KLCI	1,603.15
Issue shares (m)	1073.98
Estimated free float (%)	51.85
Market Capitalisation (RM'm)	1,279.07
52-wk price range	RM0.91 - RM1.5
3-mth average daily volume (m)	3.65
3-mth average daily value (RM'm)	4.94
Top Shareholders (%)	
Majaharta Sdn Bhd	12.54
Taib Lejla	10.33
Lembaga Tabung Haji	6.80

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CAHYA MATA SARAWAK: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3Q24**	**2Q24**	**3Q23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Revenue	299.9	278.0	301.90	**7.9%**	**-0.7%**	855.3	868.1	**-1.5%**
Cost of sales	(229.3)	(195.9)	(229.86)	**-17.0%**	**0.3%**	(626.4)	(673.9)	**7.1%**
Gross profit	70.6	82.1	72.04	**-14.0%**	**-1.9%**	228.9	194.2	**17.9%**
Other income	11.4	7.8	10.37	**46.9%**	**10.3%**	41.9	48.5	**-13.6%**
Administrative expenses	(31.5)	(31.5)	(38.29)	**0.3%**	**17.9%**	(92.9)	(96.9)	**4.2%**
Selling and Marketing expenses	(8.7)	(8.0)	(7.23)	**-8.6%**	**-20.0%**	(24.9)	(21.4)	**-16.3%**
Other expenses	(76.7)	(9.0)	(13.51)	**-754.4%**	**-467.4%**	(102.7)	(60.9)	**-68.8%**
Operating Profit	(34.7)	41.4	23.39	**-183.9%**	**-248.5%**	50.4	63.5	**-20.7%**
Finance costs	(6.7)	(7.7)	(20.27)	**12.8%**	**66.9%**	(22.1)	(26.2)	**15.5%**
Assoc. and JV	18.1	16.6	20.58	**8.7%**	**-12.3%**	55.9	61.0	**-8.3%**
Profit Before Taxation	(23.4)	50.3	23.69	**-146.5%**	**-198.7%**	84.2	98.3	**-14.4%**
Income Tax Expenses	(0.9)	(19.1)	(18.85)	**95.5%**	**95.4%**	(37.6)	(39.4)	**4.5%**
Recorded Profit	(24.2)	31.2	4.84	**-177.6%**	**-600.9%**	46.5	58.9	**-21.0%**
PATAMI	(9.2)	33.4	9.98	**-127.6%**	**-192.3%**	62.4	78.9	**-20.9%**
Non-Controlling interest	(15.0)	(2.1)	(5.14)	**-608.9%**	**-192.3%**	(15.9)	(20.0)	**20.7%**
Core PATAMI	60.6	38.0	21.12	**59.3%**	**187.0%**	117.7	68.1	**72.7%**

FINANCIAL SUMMARY

Income Statement (RM'm)	**2022A**	**2023A**	**2024F**	**2025F**	**2026F**
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**	**2026F**
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	2026F
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	2026F
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 *rise* 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 *fall* 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