Corporate Update

Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

ESG 2 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM1.11**

CMSB Builds Momentum with Clinker Line 2 and Phosphate Push

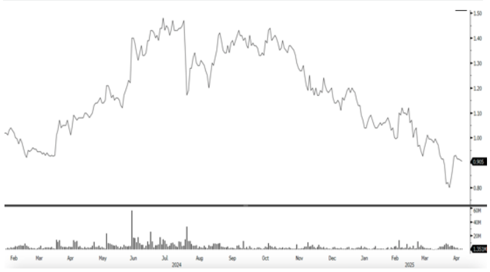
Maintain BUY. We maintain our **BUY** call on Cahya Mata Sarawak Berhad (CMSB) with an unchanged target price of RM1.11, pegging its FY26F EPS of 15.7 sen to a PER of 7.04x, in line with its three-year historical mean. Following our meeting with management yesterday, we are keeping our earnings estimates unchanged. Our **BUY** call is premised on CMSB's improving operational outlook, led by the upcoming Clinker Line 2, which will expand cement capacity from approximately 1.7m to 2.75–3.0m tonnes and drive greater self-sufficiency and cost efficiency. Management also confirmed that fears of U.S.-China tariff fallout and Chinese cement dumping are unfounded, supported by CMSB's integrated model and supply chain advantage. Early commissioning progress in phosphate and continued recovery in Oiltools further support the group's earnings visibility. With Sarawak-focused infrastructure demand remaining robust and a PBT target of RM1.0b by CY30, we continue to view CMSB as well-positioned for long-term structural growth.

Clinker Line 2 to elevate capacity and green credentials. During a briefing with management yesterday, it was confirmed that CMSB's proposed Clinker Line 2 has secured all required domestic and Sarawak-level approvals, with federal DOE approval pending a resubmission for clarification. Construction is anticipated to commence by 2HCY25 and is expected to be completed by 1QCY27. Once operational, Line 2 will eliminate the need for clinker imports (currently from Vietnam) and raise output capacity from 1.7m to 2.75m tonnes – with combined output potentially reaching 3.0m tonnes if both lines run concurrently. In the interim, CMSB is importing approximately half of its clinker requirements, due to a low price environment from excess capacity in Vietnam. Sinoma Industry Engineering (M) Sdn Bhd has been engaged for plant maintenance and has helped boost production through operational efficiencies. Once Line 2 comes online, CMSB will become fully self-sufficient in clinker supply, with the flexibility to shut down Line 1 intermittently while maintaining stable production volumes. The new line is designed with green features including up to 6.0MW in heat recovery systems and an advanced dust filtration system which would reduce emissions by up to 50%, aligning with CMSB's broader ESG commitments.

No impact from U.S. tariffs or potential Chinese dumping. Management addressed concerns regarding the potential influx of cheaper construction materials into Malaysia due to U.S.-China tariff frictions. They reiterated that CMSB's upcoming clinker line will enable the group to be cost-competitive, with minimal threat from import-driven price pressure. Fears of cheaper raw material dumping were dismissed. Additionally, CMSB confirmed that it has no exposure to the U.S. market - no revenue, projects, or exports are linked to the U.S. – which further insulates the group from direct tariff implications.

RETURN STATISTICS	
Price @ 22 April 2025 (RM)	0.90
Expected share price return (%)	+23.3
Expected dividend yield (%)	+3.0
Expected total return (%)	+26.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-9.1	-7.9
3 months	-3.2	-10.1
12 months	-15.9	-11.7

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	1,196.3	1,367.7	1,408.7
Operating Profit	128.4	116.3	126.8
Profit Before Tax	190.1	300.9	309.9
Core PATAMI	131.4	164.1	169.0
Core EPS (sen)	11.9	15.3	15.7
DPS (sen)	3.0	3.0	3.0
Dividend Yield	3.0%	2.5%	2.5%

KEY STATISTICS	
FBM KLCI	1,486.25
Issued shares (m)	1074.45
Estimated free float (%)	51.84
Market Capitalisation (RM'm)	967.36
52-wk price range	RM0.78 - RM1.5
3-mth average daily volume (m)	3.18
3-mth average daily value (RM'm)	3.12
Top Shareholders (%)	
Majaharta Sdn Bhd	12.54
Taib Lejla	10.33
Lembaga Tabung Haji	6.80

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Logistics edge supports Sarawak-centric cement strategy. CMSB's long-term dominance in Sarawak's cement supply chain is backed by its terminal infrastructure – owning two strategically located facilities in Miri and Sibu. This differentiates the group from peers and provides a distinct cost and delivery advantage. According to management, cement demand is expected to exceed 1.7m tonnes in the coming years, driven by a flurry of state-backed infrastructure projects. Among these are the ongoing development of the ART system, a new industrial factory requiring cement supply, and a naval base, which will add moderate but consistent demand. Management also shared that several other major projects are in the pipeline across Sarawak, reinforcing expectations that CMSB's order book will remain healthy in the coming quarters. Medium-term projections point toward volumes exceeding 2.0m tonnes as these developments gather pace.

Phosphate plant entering sellable commissioning phase. One of the key highlights from yesterday's discussion was the ongoing commissioning of CMSB's phosphate plant. All four furnaces are now operational, feeding raw material and producing goods that are sellable and meet commercial purity requirements. This has already contributed to revenue recognition in 4QFY24. While arbitration with its energy partner remains unresolved, management is optimistic of reaching an agreement within the next few months. Once stabilised, they expect product purity to match levels seen in China's leading plants. The end products are targeted for export to Japan, Korea, and Russia, with Russia identified as a particularly high-potential market due to ongoing supply constraints.

Management also shared that they recently visited Russia, where phosphate buyers are actively seeking non-U.S./China sources due to ongoing sanctions and trade restrictions. Russia, alongside Japan and Korea, has been identified as a primary export market for CMSB's phosphate division. This reinforces our view that the plant's commercial outlook remains strong, with long-term gross profit guidance around RM150.0m which is in line with pre-Covid earnings. The group owns an 89% stake in the operation.

Oiltools gaining traction across key regional markets. The Oiltools segment, once under financial stress, has now stabilised and is regaining momentum. Management noted positive developments across Indonesia, the Middle East, and Russia. In Indonesia, CMSB is actively working through its engagement with Pertamina, with this market serving as the division's primary revenue contributor. Meanwhile, the exit of Western players from Russia has created additional headroom for CMSB's Oiltools unit to scale further. The Federal Government have expressed satisfaction with CMSB's Russian involvement and are hopeful that phosphate trade will follow suit to deepen bilateral commercial ties.

Strategic expansion, ESG momentum, and long-term targets intact. Yesterday's engagement also reinforced CMSB's commitment to ESG transformation. In addition to upgrading emissions systems at its cement facilities, the company is deepening its community engagement efforts and maintaining compliance at the highest levels. Furthermore, a new wage structure was recently approved post-board meeting, aligning staff salaries to the 75th percentile of industry benchmarks – aimed at fostering equity and retention across the group. CMSB is also actively negotiating the final 1–2% of remaining Pan Borneo Highway (Sarawak) packages, which are considered significant despite the project's near completion. Securing these will further strengthen the group's infrastructure foothold in Sarawak. At the same time, the group has advised that its long-term PBT target is RM1.0b by CY30, driven by phosphate exports, Oiltools growth, and cement capacity expansion. ROE is expected to improve gradually over a three-year horizon as reinvestment cycles mature. Management guided for RM750.0m in capex for Clinker Line 2, alongside continued investments in its Oiltools division. CMSB remains in a strategic rebuild phase, with a clear focus on operational excellence and scalable long-term growth.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	1009.0	1,200.9	1,196.3	1,367.7	1,408.7
Gross profit	188.0	280.6	333.6	288.6	302.9
Operating profit	259.5	77.0	128.4	116.3	126.8
Finance costs	(18.4)	(35.2)	(27.9)	(27.4)	(27.4)
Profit before tax	412.3	128.2	190.1	300.9	309.9
Tax	(110.7)	(46.6)	(65.2)	(60.2)	(60.2)
PATAMI	298.1	114.4	128.2	164.1	169.0
Core PATAMI	118.7	97.8	131.4	164.1	169.0

Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
Property, plant and equipment	1,420.0	1,461.8	1,397.3	1,551.7	1,536.2
Intangible assets	2.4	12.5	0.9	3.5	3.5
Non-current assets	**2,867.5**	**3,044.2**	**3,189.3**	**3,148.6**	**3,133.1**
Cash	965.3	617.7	647.5	822.7	1,007.2
Trade debtors	250.5	272.3	290.4	265.8	265.8
Current assets	**2,046.0**	**1,631.4**	**1,362.3**	**2,487.3**	**2,487.3**
Trade creditors	688.2	643.1	560.5	730.3	730.3
Short-term debt	282.0	113.0	117.4	286.2	286.2
Current liabilities	**1,050.6**	**807.4**	**713.4**	**1,216.2**	**1,216.2**
Long-term debt	255.8	207.0	95.4	255.8	255.8
Non-current liabilities	**374.7**	**320.5**	**201.5**	**397.6**	**397.6**
Share capital	867.9	867.9	868.7	867.9	867.9
Retained earnings	2,399.6	2,432.0	2,539.8	2,704.0	2,873.0
Equity	**3,488.8**	**3,547.7**	**3,636.8**	**3,800.9**	**3,969.9**

Source: Bloomberg, MIDFR

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	**412.3**	**128.2**	**190.1**	**300.9**	**309.9**
Depreciation & amortisation	63.5	58.5	56.7	65.4	67.4
Changes in working capital	-64.4	-132.6	-292.8	-5.8	-6.0
Operating cash flow	**9.7**	**-57.0**	**59.0**	**144.9**	**146.7**
Capital expenditure	-43.7	-46.2	-37.9	-86.7	-89.3
Investing cash flow	**823.5**	**-16.7**	**142.8**	**247.1**	**244.5**
Debt raised/(repaid)	-376.5	-258.7	-144.8	-	-
Dividends paid	-23.5	-36.1	-21.5	-23.5	-23.5
Financing cash flow	**-410.5**	**-294.7**	**-165.7**	**-30.0**	**-30.0**
Net cash flow	**422.7**	**-368.5**	**36.1**	**362.0**	**361.2**
Beginning cash flow	**540.7**	**963.4**	**605.7**	**622.9**	**984.9**
Ending cash flow	**963.4**	**605.7**	**622.9**	**984.9**	**1346.1**

Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
Operating profit margin	18.6%	23.4%	27.9%	22.6%	22.6%
PBT margin	40.9%	10.7%	15.9%	16.0%	16.0%
PAT margin	29.5%	9.5%	10.7%	13.5%	13.5%
Core PAT margin	11.8%	8.1%	11.0%	13.5%	13.5%

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
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