

Cahaya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction



Maintain **BUY**

Revised Target Price **RM1.11** (from RM1.57)

BCCK II Secured: CMSB Steadies for FY25 Challenges

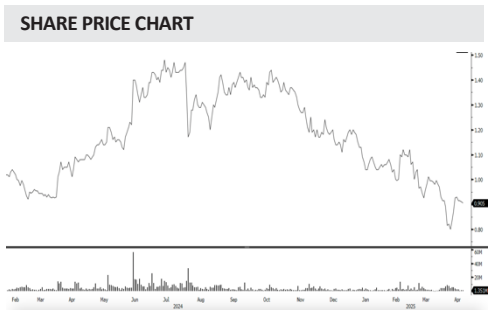
Maintain BUY. We maintain our **BUY** call on Cahya Mata Sarawak Berhad (CMSB) with a downward revised target price of RM1.11, pegging its FY26F EPS of 15.7 sen to a lower PER of 7.04x (previously 10x), which is in line with its three-year historical mean. The revision reflects a more conservative valuation approach in light of rising macroeconomic risks, particularly the anticipated pricing pressure on local cement and construction materials arising from potential influx of cheaper Chinese imports due to ongoing tariff-related trade uncertainties under U.S. President Donald Trump's administration. While CMSB's recent RM550m contract award for the Borneo Convention Centre Kuching II (BCCK II) project enhances its order book and supports earnings visibility through FY28, we are keeping our earnings estimates unchanged at this juncture, pending further clarity from management. Despite the external headwinds, CMSB's vertically integrated operations, efficient cost structure, and alignment with Sarawak's infrastructure agenda continue to provide a solid foundation for long-term performance. Backed by strong internal synergies and a government-supported pipeline, CMSB remains well-positioned to sustain its momentum and navigate near-term challenges.

RM550m design & build contract secured. On 21 April 2025, CMS Land Sdn Bhd, a 51%-owned subsidiary of CMSB, accepted a Letter of Acceptance from the Government of Sarawak to undertake the design and construction of the Borneo Convention Centre Kuching II (BCCK II) in Muara Tebas District, Kuching, Sarawak. Valued at RM550m, this contract encompasses comprehensive scope of work, including foundation, substructure, superstructure, mechanical and electrical installations, fit-out works, testing and commissioning. Construction works commence immediately in Apr-25, with scheduled completion by 1QCY28.

Order book visibility enhanced, positive earnings contribution. This latest contract boosts CMSB's order book significantly, further improving earnings visibility over the medium term. The RM550m award will positively impact the group's financial performance from FY25 through FY28. CMSB's strategic involvement in high-profile government infrastructure developments underscores its pivotal role in Sarawak's ongoing economic and infrastructure growth. Historically, CMSB has delivered consistent operating profit margins from infrastructure contracts, and we expect similar stable margins for this government-backed project, benefiting from internal synergies and cost efficiency.

Strategically important to Sarawak's development agenda. The BCCK II development is strategically significant, aimed at enhancing Sarawak's convention and tourism infrastructure. The project aligns closely with the state government's broader objectives of infrastructure enhancement and economic development, cementing CMSB's role as a key contributor to the region's infrastructure growth. This award highlights CMSB's strong market position in Sarawak and reinforces our positive view on its strategic alignment with state-driven projects, providing long-term sustainability to its construction and infrastructure segments.

RETURN STATISTICS	
Price @ 21 April 2025 (RM)	0.90
Expected share price return (%)	+23.3
Expected dividend yield (%)	+3.0
Expected total return (%)	+26.3



Price performance (%)	Absolute	Relative
1 month	-8.6	-8.2
3months	-2.7	-12.1
12 months	-16.2	-12.8

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	1,499.47
Issued shares (m)	1074.45
Estimated free float (%)	51.84
Market Capitalisation (RM'm)	972.74
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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Corporate Update

Execution outlook amid trade volatility. While CMSB faces general industry risks such as material price fluctuations, labour availability, and potential delays, the group's extensive local expertise and proven track record in executing large-scale infrastructure projects significantly mitigate these challenges. Nonetheless, potential supply chain disruptions arising from global trade uncertainties, specifically related to the ongoing uncertainties surrounding Trump's tariff policies, represent foreseeable headwinds. Specifically, the potential influx of lower-priced Chinese construction materials, particularly cement, could pose a strategic challenge to local cement manufacturers, such as CMSB. Historically shielded by relatively stable domestic pricing dynamics, local producers could face heightened pricing pressure and market share erosion due to cheaper imports. This development may compel CMSB to intensify efficiency initiatives, tighten operational cost controls, or potentially seek protective regulatory interventions to sustain competitiveness and preserve margins. While the immediate impact is slightly negative, CMSB's established market presence and integrated supply network offer some resilience against these pressures.

However, CMSB's vertically integrated business model—comprising subsidiaries such as Cahya Mata Cement, its concrete division, and the Construction Materials and Trading arm—provides a strong foundation for managing supply chain disruptions and material price volatility. Supported by a robust local supply infrastructure and efficient procurement network, the group is well-equipped to ensure timely project execution and cost control, even amid global trade-related uncertainties. These internal synergies not only mitigate execution risks but also contribute to margin stability. Furthermore, the government-backed nature of the BCCK II project reduces payment risk and enhances cash flow visibility, reinforcing our confidence in CMSB's ability to deliver the project profitably despite the external pressures posed by the current macroeconomic climate.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F	Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	1009.0	1,200.9	1,196.3	1,367.7	1,408.7	PBT	412.3	128.2	190.1	300.9	309.9
Gross profit	188.0	280.6	333.6	288.6	302.9	Depreciation & amortisation	63.5	58.5	56.7	65.4	67.4
Operating profit	259.5	77.0	128.4	116.3	126.8	Changes in working capital	-64.4	-132.6	-292.8	-5.8	-6.0
Finance costs	(18.4)	(35.2)	(27.9)	(27.4)	(27.4)	Operating cash flow	9.7	-57.0	59.0	144.9	146.7
Profit before tax	412.3	128.2	190.1	300.9	309.9	Capital expenditure	-43.7	-46.2	-37.9	-86.7	-89.3
Tax	(110.7)	(46.6)	(65.2)	(60.2)	(60.2)	Investing cash flow	823.5	-16.7	142.8	247.1	244.5
PATAMI	298.1	114.4	128.2	164.1	169.0	Debt raised/(repaid)	-376.5	-258.7	-144.8	-	-
Core PATAMI	118.7	97.8	131.4	164.1	169.0	Dividends paid	-23.5	-36.1	-21.5	-23.5	-23.5
Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F	Financing cash flow	-410.5	-294.7	-165.7	-30.0	-30.0
Property, plant and equipment	1,420.0	1,461.8	1,397.3	1,551.7	1,536.2	Net cash flow	422.7	-368.5	36.1	362.0	361.2
Intangible assets	2.4	12.5	0.9	3.5	3.5	Beginning cash flow	540.7	963.4	605.7	622.9	984.9
Non-current assets	2,867.5	3,044.2	3,189.3	3,148.6	3,133.1	Ending cash flow	963.4	605.7	622.9	984.9	1346.1
Cash	965.3	617.7	647.5	822.7	1,007.2	Profitability Ratios (%)	2022A	2023A	2024A	2025F	2026F
Trade debtors	250.5	272.3	290.4	265.8	265.8	Operating profit margin	18.6%	23.4%	27.9%	22.6%	22.6%
Current assets	2,046.0	1,631.4	1,362.3	2,487.3	2,487.3	PBT margin	40.9%	10.7%	15.9%	16.0%	16.0%
Trade creditors	688.2	643.1	560.5	730.3	730.3	PAT margin	29.5%	9.5%	10.7%	13.5%	13.5%
Short-term debt	282.0	113.0	117.4	286.2	286.2	Core PAT margin	11.8%	8.1%	11.0%	13.5%	13.5%
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

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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