Corporate Update

Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

ESG 2 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM1.33** (from RM1.11)

1QFY25 Results Review

Treading Steady, Positioned to Surge

Maintain BUY. We maintain our **BUY** recommendation on CMSB with a higher revised **target price** of **RM1.33**, pegging its FY26F EPS of 15.7 sen to a PER of 8.5x, which is in line with its 2-year mean. Our earnings estimates remain unchanged as the latest quarter's results were within our expectations. Looking ahead, the anticipated rollout of major infrastructure and construction projects in Sarawak is expected to drive stronger job flows, placing CMSB in a favourable position to benefit given its role as the state's sole cement producer and primary supplier. Additionally, the scheduled commencement of Clinker Line 2 in 2HCY25 and the anticipated resolution of the phosphate-related arbitration will further support earnings growth. The recent depreciation of the USD against the MYR should also help ease input costs, enhancing margins and reinforcing our positive view on CMSB's long-term prospects.

Within expectations. Cahya Mata Sarawak's 1QFY25 core PATAMI, increased +68.9%yoy to RM32.1m despite a -11.3%yoy decline in revenue to RM246.1m. However, PBT in the quarter fell -53.1%yoy to RM26.9m. This was attributable to slower activities in the first quarter of the year from most of its divisions, specifically due to the slow progress of infrastructure projects and reduced rig activities in its oiltools segment. There was also a -41.5%yoy decline in contributions from associates and joint ventures. The core earnings came in within expectations, making up 19.6% and 20.6% of ours and consensus' full-year projections.

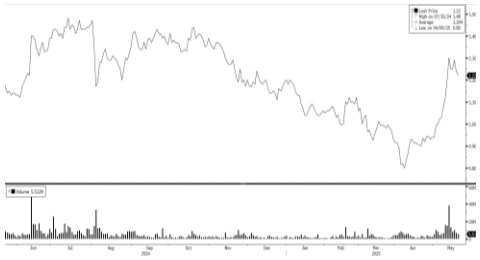
Cement division. Cement revenue was almost unchanged at RM143.2m (-4.0%yoy) during the quarter, while PBT rose +37.2%yoy to RM36.8m. The decline in revenue aligned with the reduction in sales volume, primarily due to sluggish construction activity caused by a prolonged rainfall during 1HFY25 along with slow progress from key infrastructure jobs; while the stronger bottom line was on the back of improved cost efficiency led by the recent weakening of the USD against the MYR which is expected to benefit CMS's supply chain costs.

Oiltools divisions. The group's oiltools division posted a weaker revenue of -44.5%yoy to RM43.3m in the quarter, delivering a 3.5x lower PBT of RM4.22m, due to reduced rig activities across most of the markets CMS operates in relative to the corresponding quarter in FY24.

Other divisions. The road maintenance division performed strongly during the quarter, leading to an increase in revenue of +57.2%yoy to RM42.6m while PBT also inclined by +31.6% to RM7.0m. This was due to higher ongoing orders and work completions achieved by instructed works. The property development division dipped back into the red in 1QFY25 with a LBT of -RM1.26m attributed to higher revenue and profitability in the previous year's corresponding quarter due to a deemed land sale transaction.

RETURN STATISTICS	
Price @ 22nd May 2025 (RM)	1.22
Expected share price return (%)	+9.0
Expected dividend yield (%)	+2.5
Expected total return (%)	+11.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	35.6	31.9
3months	31.2	13.5
12 months	0.8	7.1

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	1,367.7	1,408.7	1,451.0
Operating Profit	116.3	126.8	130.6
Profit Before Tax	300.9	309.9	319.2
Core PATAMI	164.1	169.0	174.1
Core EPS (sen)	15.3	15.7	16.2
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.5	2.5	2.5

KEY STATISTICS

FBM KLCI	1,527.02
Issued shares (m)	1074.45
Estimated free float (%)	51.84
Market Capitalisation (RM'm)	1,311.32
52-wk price range	RM0.78 - RM1.5
3-mth average daily volume (m)	5.13
3-mth average daily value (RM'm)	5.41
Top Shareholders (%)	
Majaharta Sdn Bhd	12.54
Taib Lejla	10.33
Lembaga Tabung Haji	6.80

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Sales of properties and revenue recognition also dropped in the quarter. The strategic investments division recorded a PBT of RM158.0K while the support services division came out of the red with a profit before tax of RM2.04m.

Phosphate division. The division has yet to generate any revenue as it has yet to achieve commercialisation level (expected in 4QFY25) and it continues to incur a LBT amounting to -RM31.0m for 1QFY25, with losses increasing by -61.2%yoy from the 1QFY24 LBT of -RM19.2m. This was primarily due to unrealised foreign exchange losses and fair value losses in investment securities in FY25 as compared to unrealised foreign exchange gains and fair value gains in the previous year's corresponding quarter. Recall that there is still an ongoing arbitration with Sesco Bhd following a dispute that led to the electrical supply termination to the phosphate plant in Samalaju; and no phosphate can be sold until the arbitration is concluded. However, management is confident of reaching an agreement within the next few months. Moreover, pursuant to our last report on CMSB, all four furnaces in the plant are now operational and producing goods that are sellable and meet commercial purity requirements. Once operational, the end products are targeted for export to Japan, Korea and Russia.

CAHYA MATA SARAWAK: 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**1Q25**	**4Q24**	**1Q24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Revenue	246.1	341.0	277.4	**-27.8%**	**-11.3%**	246.1	277.4	**-11.3%**
Cost of sales	(178.3)	(236.3)	(201.2)	**24.5%**	**11.4%**	(178.3)	(201.2)	**11.4%**
Gross profit	67.8	104.7	76.2	**-35.2%**	**-11.0%**	67.8	76.2	**-11.0%**
Other income	10.5	70.4	22.7	**-85.1%**	**-53.8%**	10.5	22.7	**-53.8%**
Administrative expenses	(31.2)	(47.0)	(29.9)	**33.7%**	**-4.4%**	(31.2)	(29.9)	**-4.4%**
Selling and Marketing expenses	(7.6)	(9.8)	(8.2)	**22.7%**	**7.6%**	(7.6)	(8.2)	**7.6%**
Other expenses	(19.9)	(40.3)	(17.1)	**50.6%**	**-16.1%**	(19.9)	(17.1)	**-16.1%**
Operating Profit	19.7	78.0	43.7	**-74.7%**	**-54.9%**	19.7	43.7	**-54.9%**
Finance costs	(5.3)	(5.8)	(7.7)	**8.4%**	**31.5%**	(5.3)	(7.7)	**31.5%**
Assoc. and JV	12.4	33.7	21.3	**-63.0%**	**-41.5%**	12.4	21.3	**-41.5%**
Profit Before Taxation	26.9	105.9	57.3	**-74.6%**	**-53.1%**	26.9	57.3	**-53.1%**
Income Tax Expenses	(8.0)	(27.5)	(17.7)	**70.8%**	**54.6%**	(8.0)	(17.7)	**54.6%**
Recorded Profit	18.8	78.4	39.5	**-76.0%**	**-52.4%**	18.8	39.5	**-52.4%**
PATAMI	25.3	65.8	38.2	**-61.5%**	**-33.8%**	25.3	38.2	**-33.8%**
Non-Controlling interest	(6.5)	12.6	1.3	**->100%**	**->100%**	(6.5)	1.3	**-606.9%**
Core PATAMI	32.1	13.7	19.0	**>100%**	**68.9%**	32.1	19.0	**68.9%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	1,200.9	1,196.3	1,367.7	1,408.7	1,451.0
Gross profit	280.6	333.0	288.6	302.9	312.0
Operating profit	66.5	121.9	116.3	126.8	130.6
Finance costs	(35.2)	(27.9)	(27.4)	(27.4)	(26.4)
Profit before tax	128.2	190.1	300.9	309.9	319.2
Tax	(46.6)	(65.2)	(60.2)	(60.2)	(59.2)
PATAMI	114.4	128.2	164.1	169.0	174.1
Core PATAMI	97.8	131.4	164.1	169.0	174.1
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Property, plant and equipment	1,461.8	1,402.2	1,551.7	1,536.2	1,520.8
Intangible assets	12.5	0.9	3.5	3.5	3.5
Non-current assets	**3,044.2**	**3,188.8**	**3,148.6**	**3,133.1**	**3,117.7**
Cash	617.7	647.5	822.7	1,007.2	1,007.2
Trade debtors	272.3	285.9	265.8	265.8	265.8
Current assets	**1,631.4**	**1,360.0**	**2,487.3**	**2,487.3**	**2,487.3**
Trade creditors	643.1	565.1	730.3	730.3	730.3
Short-term debt	113.0	117.4	286.2	286.2	286.2
Current liabilities	**807.4**	**713.3**	**1,216.2**	**1,216.2**	**1,216.2**
Long-term debt	207.0	95.4	255.8	255.8	255.8
Non-current liabilities	**320.5**	**198.8**	**397.6**	**397.6**	**397.6**
Share capital	867.9	868.7	867.9	867.9	867.9
Retained earnings	2,432.0	2,540.0	2,671.9	2,808.8	2,950.7
Equity	**3,547.7**	**3,636.6**	**3,768.5**	**3,905.4**	**4,047.3**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	**128.2**	**190.1**	**300.9**	**309.9**	**319.2**
Depreciation & amortisation	89.5	84.8	65.4	67.4	69.4
Changes in working capital	-132.6	-102.3	-5.8	-6.0	-6.2
Operating cash flow	**-57.0**	**54.9**	**144.9**	**146.7**	**148.5**
Capital expenditure	-46.2	-35.3	-86.7	-89.3	-92.0
Investing cash flow	**-16.7**	**137.9**	**247.1**	**244.5**	**241.8**
Debt raised/(repaid)	-260.4	-133.3	-	-	-
Dividends paid	-36.1	-21.5	-23.5	-23.5	-23.5
Financing cash flow	**-294.7**	**-154.0**	**-30.0**	**-30.0**	**-30.0**
Net cash flow	**-368.5**	**38.8**	**362.0**	**361.2**	**360.4**
Beginning cash flow	**963.4**	**605.7**	**623.6**	**985.6**	**1346.8**
Ending cash flow	**605.7**	**623.6**	**985.6**	**1346.8**	**1707.2**
Profitability Ratios (%)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Operating profit margin	23.4%	27.8%	21.1%	21.5%	21.5%
PBT margin	10.7%	15.9%	22.0%	22.0%	22.0%
PAT margin	9.5%	10.7%	12.0%	12.0%	12.0%
Core PAT margin	8.1%	11.0%	12.0%	12.0%	12.0%

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