Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

2 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM1.57** (from RM1.33)

Corporate Update

Unlocking the Second Growth Line

RETURN STATISTICS	
Price @ 21st July 2025 (RM)	1.31
Expected share price return (%)	+19.9
Expected dividend yield (%)	+2.3
Expected total return (%)	+22.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	20.2	18.5
3months	10.1	42.4
12 months	-7.1	-0.3

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	2.3	2.3	2.3

KEY STATISTICS

FBM KLCI	1,524.59
Issued shares (m)	1074.17
Estimated free float (%)	51.84
Market Capitalisation (RM'm)	1,408.05
52-wk price range	RM0.78 - RM1.49
3-mth average daily volume (m)	6.51
3-mth average daily value (RM'm)	7.71
Top Shareholders (%)	
Majaharta Sdn Bhd	12.54
Taib Lejla	10.33
Lembaga Tabung Haji	6.80

Maintain BUY. We maintain our **BUY** call on Cahya Mata Sarawak Berhad (CMSB) with a higher revised **target price of RM1.57**, pegging its FY26F EPS of 15.7 sen to a PER of 10x, which is +1SD above its three-year historical mean. However, we are keeping our earnings estimates unchanged, as the group's 1QFY25 results and the construction of the new clinker line were within expectations. Our **BUY** recommendation is reinforced by CMSB's strengthening operational outlook, underpinned by the commencement of Clinker Line 2 construction, which will more than double the group's annual clinker capacity from 900,000 tonnes to 1.9 million tonnes and materially reduce reliance on imports. This will drive structural cost savings and improve ESG performance over the medium term. Beyond cement, CMSB continues to see recovery traction in its oiltools segment, while the phosphate division has started early commissioning and may offer optional upside once commercialised. With infrastructure spending in Sarawak expected to accelerate, we continue to view CMSB as a prime beneficiary of the state's industrialisation agenda and regional growth story.

Clinker Line 2 officially greenlit with RM673m EPCC award. On 21 July 2025, CMSB officially awarded a RM673.0m EPCC contract to Sinoma Industry Engineering (M) Sdn Bhd for the construction of Clinker Line 2 at its Mambong Integrated Plant in Kuching. Sinoma is a wholly owned subsidiary of Tianjin Cement Industry Design and Research Institute Co Ltd, China (TCDRI), which was also the EPCC contractor for Cahya Mata Cement's existing Line 1 completed in CY96. The new line will have a clinker production capacity of 6,000 tonnes per day (equivalent to 1.9m tonnes per year), more than doubling CMSB's existing clinker capacity of 900,000 tonnes. The project is expected to take 21 months to complete, with initial production targeted for Apr-27 and full commissioning by Jun-27. Importantly, approvals from the Environmental Impact Assessment (EIA) and State Planning Authority (SPA) have now been secured, removing the final regulatory hurdle. This also follows our earlier meeting with management in Apr-25, where it was confirmed that government approval was the final outstanding requirement for project execution. Construction is scheduled to begin in Aug-25, solidifying CMSB's cement capacity expansion roadmap.

Line 2 to eliminate clinker imports and elevate ESG performance. As guided by management previously, the commissioning of Clinker Line 2 will enable CMSB to fully eliminate clinker imports, which currently make up ~50% of its clinker requirements and are sourced from Vietnam due to price competitiveness. The facility will feature state-of-the-art technologies to improve environmental performance and energy efficiency, including a waste heat recovery system capable of generating up to 6MW of power and an advanced dust filtration system designed to reduce dust emissions to more than half of the current regulatory limit. The Clinker Line 2 will also employ high-efficiency equipment to reduce energy use and carbon dioxide emissions, while incorporating locally sourced alternative raw materials and fuels to further limit reliance on fossil fuels. At peak construction, the project will create up to 500 jobs and generate spillover benefits for local businesses, particularly in the Padawan and Kuching area. Once completed, CMSB will also have the flexibility to intermittently shut

Analyst
MIDF Research
research@midf.com.my

down Line 1 for maintenance while maintaining stable output, supporting operational resilience and emissions compliance.

Structural demand tailwinds support investment case. The rationale for Clinker Line 2 is anchored in Sarawak's growing cement demand, estimated at 1.7m tonnes annually. CMSB aims to fulfil this demand sustainably through localised clinker production, reducing import reliance and supporting the state's infrastructure growth. With CMSB operating three cement grinding plants in Kuching and Bintulu and distribution terminals in Sibu and Miri, its integrated supply chain remains well-placed to serve upcoming mega-projects such as the Sarawak–Sabah Link Road Phase 2 (SSLR2), Trans Borneo Highway, and petrochemical-related developments in Bintulu and Samalaju. In this context, the strategic timing of Clinker Line 2 affirms CMSB's commitment to future-proofing its capacity while supporting the state's industrialisation drive.

Positive earnings impact from FY27 onwards; funding secured. The Clinker Line 2 project will be financed via a combination of internal funds and external borrowings. While the project will not materially affect the group's financials in the near term, it is expected to contribute positively to group earnings and net asset value beginning FY27. Management has guided that normal operational risks – such as project delays and cost fluctuations – will be mitigated through robust project controls and internal oversight.

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

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known 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