Corporate Update

Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

2 Stars | SHARIAH Compliant | FTSE4Good

Maintain BUY

Revised Target Price **RM1.49** (from RM1.57)

2QFY25 Results Review

Earnings Dip, Structural Catalysts Intact

Maintain BUY. We are adjusting our core earnings estimates downward for FY25E/FY26F by -14.2%/-10.0% respectively to account for the weaker-than-expected performance in 2QFY25. However, we are maintaining our **BUY** recommendation on CMSB with a **lower revised target price** of **RM1.49**, pegging its reduced FY26F EPS of 14.2 sen to a PER of 10.5x, which is in line with its two-year mean as CMSB remains fundamentally supported by multiple near-term and structural catalysts. 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. The commencement of construction for Clinker Line 2 at Mambong will enhance production capacity and drive better cost efficiency, supporting margin growth over the longer term. In addition, the Group has secured the RM550.0m Borneo Convention Centre Kuching II project, which has already begun construction and is expected to deliver meaningful earnings contributions in the coming quarters.

Below expectations. Cahya Mata Sarawak's 2QFY25 core PATAMI decreased -48.5%yoy to RM19.6m following a -11.2%yoy decline in revenue to RM246.9m. PBT dipped back into the red in the quarter, falling >-100.0%yoy and registering a LBT of -RM5.86m. This was attributable to weaker performances and softer demand in the second quarter of the year from most of its divisions, as well as adverse foreign exchange movements in its phosphate division. Additionally, there was also a -13.6%yoy decline in contributions from associates and joint ventures. The cumulative 1HFY25 core earnings fell below our expectations with core PATAMI fell -9.4%yoy to RM51.7m, making up 31.5% of our full-year estimates and 33.1% of consensus. No dividend was declared in the quarter.

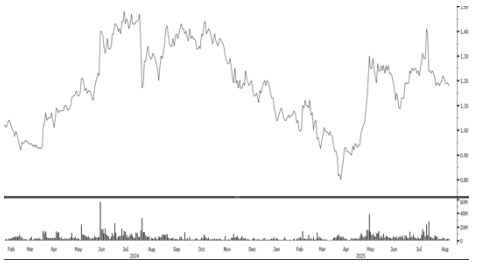
Cement division. Cement revenue was almost unchanged at RM146.1m (-2.59%yoy) during the quarter, while PBT fell -27.1%yoy to RM32.0m. The decline in revenue and PBT aligned with the reduction in sales volume, primarily due to sluggish construction activity caused by a prolonged rainfall during 1HFY25 along with slow progress from key infrastructure jobs.

Oiltools divisions. The group's oiltools division posted a weaker revenue of -55.1%yoy to RM34.5m in the quarter, delivering a 5.8x lower PBT of RM2.30m, 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 +22.9%yoy to RM34.0m while PBT grew +31.8% to RM3.02m. This was due to higher ongoing orders and work completions achieved by instructed works. The property development division came out of the red in 2QFY25 with a PBT of RM32.0k, mainly attributed to increased sales and revenue recognition of properties. The strategic investments division recorded a PBT of RM1.70m while the support services division stayed out of the red with a PBT of RM126.0k.

RETURN STATISTICS	
Price @ 20th Aug 2025 (RM)	1.18
Expected share price return (%)	+26.3
Expected dividend yield (%)	+2.5
Expected total return (%)	+28.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.8	-11.5
3months	-0.8	-11.0
12 months	-8.5	-5.8

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	140.9	152.1	174.1
Core EPS (sen)	13.1	14.2	16.2
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.5%	2.5%	2.5%

KEY STATISTICS

FBM KLCI	1,588.21
Issued shares (m)	1074.17
Estimated free float (%)	51.84
Market Capitalisation (RM'm)	1,268.32
52-wk price range	RM0.78 - RM1.46
3-mth average daily volume (m)	6.40
3-mth average daily value (RM'm)	7.96
Top Shareholders (%)	
Majaharta Sdn Bhd	12.54
Taib Lejla	10.33
Lembaga Tabung Haji	6.80

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Phosphate division. The division has yet to generate any revenue as it has yet to achieve commercialisation level and it continues to incur a LBT amounting to -RM56.2m for 2QFY25, with losses increasing by ->100%yoy from the 2QFY24 LBT of -RM21.2m. This was primarily due to the weakening of USD against MYR which caused unrealised foreign exchange losses and fair value losses in investment securities in 1HFY25 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 has guided that the commissioning of Cahya Mata Phosphates Industries' plant remains on track, with commissioning to resume in 4QCY25. Once operational, the end products are targeted for export to Japan, Korea and Russia.

CAHYA MATA SARAWAK: 2QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**2Q25**	**1Q25**	**2Q24**	**QoQ**	**YoY**	**6MFY25**	**6MFY24**	**YoY**
Revenue	246.9	246.1	278.0	**0.3%**	**-11.2%**	493.1	555.4	**-11.2%**
Cost of sales	(182.1)	(178.3)	(195.9)	**-2.1%**	**7.0%**	(360.4)	(397.1)	**9.2%**
Gross profit	64.8	67.8	82.1	**-4.4%**	**-21.1%**	132.6	158.3	**-16.2%**
Other income	10.4	10.5	8.8	**-1.1%**	**17.2%**	20.8	31.5	**-33.9%**
Administrative expenses	(38.6)	(31.2)	(31.5)	**-23.8%**	**-22.3%**	(69.7)	(61.4)	**-13.6%**
Selling and Marketing expenses	(8.2)	(7.6)	(8.0)	**-8.6%**	**-2.6%**	(15.8)	(16.2)	**2.6%**
Other expenses	(15.6)	(19.9)	(9.0)	**21.3%**	**-74.3%**	(35.5)	(26.1)	**-36.1%**
Operating Profit	12.8	19.7	42.4	**-35.2%**	**-69.9%**	32.5	86.1	**-62.3%**
Finance costs	(5.0)	(5.3)	(7.7)	**5.7%**	**35.3%**	(10.3)	(15.4)	**33.4%**
Assoc. and JV	14.4	12.4	16.6	**15.3%**	**-13.6%**	26.8	37.9	**-29.2%**
Profit Before Taxation	(5.9)	26.9	50.3	**>-100%**	**>-100%**	21.0	107.6	**-80.5%**
Income Tax Expenses	(17.5)	(8.0)	(19.1)	**>-100%**	**7.9%**	(25.6)	(36.8)	**30.4%**
Recorded Profit	(23.4)	18.8	31.2	**>-100%**	**>-100%**	(4.6)	70.8	**>-100%**
PATAMI	(11.3)	25.3	33.4	**>-100%**	**>-100%**	14.0	71.6	**-80.4%**
Non-Controlling interest	(12.1)	(6.5)	(2.1)	**-85.5%**	**>-100%**	(18.6)	(0.8)	**>-100%**
Core PATAMI	19.6	32.1	38.0	**-39.0%**	**-48.5%**	51.7	57.0	**-9.4%**

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	140.9	152.1	174.1
Core PATAMI	97.8	131.4	140.9	152.1	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%	10.3%	10.8%	12.0%
Core PAT margin	8.1%	11.0%	10.3%	10.8%	12.0%

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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