Corporate Update

Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

2 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM1.49**

Power Restored, Earnings Catalyst Ahead

Maintain BUY. We reiterate our **BUY** call on Cahya Mata Sarawak Berhad (CMSB) with an unchanged target price of RM1.49, pegging FY26F EPS of 14.2 sen to a PER of 10.5x, which is in line with its two-year mean. We are also maintaining our earnings estimates as the resumption of electricity supply to the phosphate plant was well within expectations and prior management guidance. The reconnection removes a key operational overhang and ensures that commissioning progress can continue uninterrupted, with commercialisation still on track for 4QCY25 and all four furnaces expected to be fully operational by end-1QFY26/2QFY26. We continue to view the phosphate division as a major medium-term earnings driver once product sales commence, with exports targeted to Japan, Korea and Russia. In the interim, group earnings will remain supported by Sarawak's robust infrastructure rollout, which underpins steady cement demand where CMSB retains a dominant market position. Looking ahead, we remain optimistic on CMSB's execution milestones into FY26, with upside anchored by the phosphate division's eventual commercialisation, the completion of Clinker Line 2 at Mambong (completion expected in CY27) which will enhance capacity and cost efficiency, and its entrenched position as the sole cement supplier in Sarawak, making it a prime beneficiary of future industrial developments in the state.

Reconnection of power to CMPI's phosphate complex. Syarikat SESCO reconnected electricity to Cahya Mata Phosphates Industries (CMPI) on 9 September 2025, restoring supply that had been cut since 10 July 2023 and allowing CMPI to resume testing and commissioning ahead of targeted commercialisation in 4QCY25. CMSB guided that the reconnection itself is not expected to have a material impact on FY25, but it is a necessary step toward the eventual restart of production.

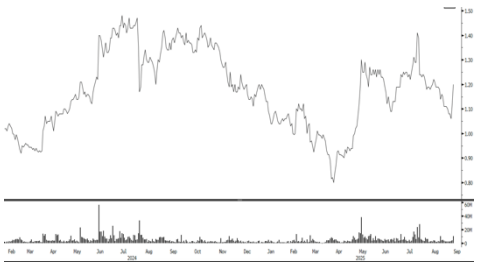
Arbitration background and status. To recall, the power cut stemmed from an arbitration dispute over the CY19 Power Purchase Agreement (PPA). CMPI initiated arbitration in Nov-22, and SESCO subsequently filed a counterclaim and commenced a related arbitration against CMSB. The proceedings have since been consolidated, with evidentiary hearings scheduled to continue in 1QCY26 (Mar-26). Until the dispute is resolved, no phosphate sales can be recognised despite commissioning activity progressing.

Commissioning timeline reaffirmed. Management maintains that commercialisation remains on track for 4QCY25, with all four furnaces expected to achieve full operation by end-1QFY26/2QFY26. Operationally, the plant has entered a sellable commissioning phase where all furnaces are feeding raw materials and producing output that meets commercial purity requirements, but no revenue is recognised pending resolution of the SESCO matter.

Go-to-market focus and demand visibility. Once stabilised, product purity is expected to be comparable to leading Chinese plants. Initial export focus is Japan, Korea and Russia, with Russia flagged as a particularly high-potential market given ongoing supply constraints; management recently engaged buyers there who are actively seeking non-U.S./China sources. These discussions support our view of a solid commercial runway for the division as commissioning converts to steady-state operations.

RETURN STATISTICS	
Price @ 9th Sep 2025 (RM)	1.20
Expected share price return (%)	+24.2
Expected dividend yield (%)	+2.5
Expected total return (%)	+26.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.7	-0.2
3months	0.8	-8.8
12 months	-10.4	-6.8

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)	2.5	3.0	3.0
Dividend Yield	2.5%	2.5%	2.5%

KEY STATISTICS	
FBM KLCI	1,586.81
Issued shares (m)	1074.17
Estimated free float (%)	51.84
Market Capitalisation (RM'm)	1,289.83
52-wk price range	RM0.78 - RM1.46
3-mth average daily volume (m)	5.64
3-mth average daily value (RM'm)	6.89
Top Shareholders (%)	
Majaharta Sdn Bhd	12.54
Taib Lejla	10.33
Lembaga Tabung Haji	6.80

Analyst
MIDF Research
research@midf.com.my

P&L context and near-term headwinds. The phosphate division reported a significantly wider loss before tax (LBT) of -RM56.2m in 2QFY25, more than double the -RM21.2m recorded in the same quarter last year. The deterioration was largely attributable to currency movements, as the strengthening of the ringgit against the US dollar (USD/MYR moving from 4.45 to 4.10) gave rise to substantial unrealised foreign exchange losses, compounded by fair-value adjustments in investment securities. Excluding these forex effects, underlying losses primarily reflected higher operating expenses tied to commissioning activities, including increased headcount and repair and maintenance costs. Management does not expect the same degree of forex pressure to recur in the second half of the year unless the USD weakens further to below the 4.00 level.

Earnings trajectory and outlook. While the reconnection itself is immaterial to FY25 financials, it de-risks the commissioning path and is the key enabler for the plant's production ramp. On resolution of the arbitration and commencement of sales, the phosphate division is expected to contribute positively from FY26 onwards, with management's long-term gross profit guidance of about RM150m, which is broadly consistent with pre-Covid run-rates. CMSB's effective stake in CMPI 89%.

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

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 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