Corporate Update

Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

2 Stars | SHARIAH Compliant | FTSE4Good

Downgrade to **NEUTRAL**
(from BUY)

Revised Target Price **RM1.16**
(from RM1.57)

1QFY26 Results Review - Below expectations; Downgrade to NEUTRAL

Downgrade to NEUTRAL. We are downgrading our recommendation on Cahya Mata Sarawak to **NEUTRAL**, with a lower target price of **RM1.16**, pegging the group's revised FY27F EPS of 12.9 sen to a PER of 9x, based on its five-year mean. We expect the cement division to continue driving the group's bottom line but nearer term prospects will still be affected by the phosphates division, which is still in commissioning stage, expected to last until 3QFY26. 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.

Below expectations. Cahya Mata Sarawak Berhad's (CMSB) 1QFY26 core PATAMI declined -24.4%yoy to RM24.3m despite revenue improving +13.1%yoy to RM278.5m, while PBT rose strongly by +27.3%yoy to RM34.2m. The commendable performance was mainly driven by the cement, property development and construction materials segments, while earnings were partially dampened by continued weakness in the oiltools segment and ongoing losses from the phosphates division. The results came in below expectations, accounting for 18.9% and 17.9% of our and consensus full-year estimates respectively.

Cement division. CMSB's cement division continued to be the key earnings contributor, with revenue rising +12.5%yoy to RM161.1m while PBT improved +11.4%yoy to RM41.0m. The solid growth momentum mainly stems from higher sales volume coupled with strategic price revisions, further supported by lower production costs.

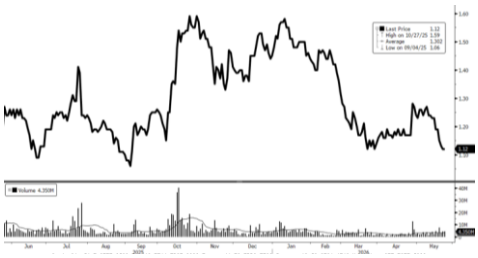
Road maintenance division. CMSB's road maintenance division remained one of the key earnings contributors. Despite revenue easing slightly to RM41.3m (-3.1%yoy) due to lower work completions for instructed works, PBT improved marginally by +1.0%yoy to RM7.1m, supported by stable operational performance.

Other divisions. The oiltools division slipped into a LBT of -RM1.2m in 1QFY26 versus a PBT of RM4.2m in 1QFY25, mainly due to reduced rig activities across most markets. Meanwhile, the property development division reported a robust performance, with PBT improving to RM4.7m compared to a LBT of -RM1.3m previously, bolstered by revenue recognition from the Borneo Convention Centre Kuching 2.0 (BCCK2) project, progress billings from Cahya Intan Phase 2 and sales of completed properties. We expect earnings contribution from this segment to improve progressively as the RM550m BCCK2 project advances towards completion by Mar-28.

Continued losses from phosphate division. The phosphates division remained loss-making, recording a narrower LBT of -RM27.5m in 1QFY26 versus -RM31.0m in 1QFY25. The improvement was mainly attributable to lower unrealised forex losses and recognition of production costs into inventories. Management highlighted that testing and commissioning activities remain ongoing, while commercialisation of yellow phosphorus is expected to commence by Sep-26.

RETURN STATISTICS	
Price @ 25th May 2026 (RM)	1.12
Expected share price return (%)	+3.5
Expected dividend yield (%)	+2.7
Expected total return (%)	+6.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.3	-3.6
3months	-1.8	-17.9
12 months	-5.9	-15.5

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	1,165	1,246	1,284
Operating Profit	87.4	112.2	115.5
Profit Before Tax	163.1	199.4	243.9
Core PATAMI	114.2	139.6	170.7
Core EPS (sen)	10.6	12.9	15.8
DPS (sen)	3.0	3.0	3.0
Dividend Yield	2.7%	2.7%	2.7%

KEY STATISTICS	
FBM KLCI	1,708.50
Issued shares (m)	1074.90
Estimated free float (%)	49.49
Market Capitalisation (RM'm)	1,204.61
52-wk price range	RM1.04 - RM1.63
3-mth average daily volume (m)	3.03
3-mth average daily value (RM'm)	3.68
Top Shareholders (%)	
Majaharta Sdn Bhd	12.53
ESTATE OF HAJJAH LEJLA TAIB	10.32
Lembaga Tabung Haji	5.37

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Earnings estimates and TP. In line with the weaker performance, we are slashing our earnings estimates for FY26E/FY27F by -11.0%/-9.3%. We are cautiously optimistic as we expect the cement division to continue driving the group's bottom line but nearer term prospects will still be dragged by the phosphates division as well as material cost inflation led by Middle East tension. Hence, we downgrade our recommendation from BUY to **NEUTRAL** and revise our **TP** downwards to **RM1.16** from RM1.57 previously, pegging the group's revised FY27F EPS of 12.9 sen to a PER of 9x.

CAHYA MATA SARAWAK: 1QFY26 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**1QFY26**	**4QFY25**	**1QFY25**	**QoQ**	**YoY**	**3MFY26**	**3MFY25**	**YoY**
Revenue	278.5	311.0	246.1	**-10.5%**	**13.1%**	278.5	246.1	**13.1%**
Cost of sales	(203.5)	(222.6)	(178.3)	**-8.6%**	**14.1%**	(203.5)	(178.3)	**14.1%**
Gross profit	74.9	88.4	67.8	**-15.3%**	**10.5%**	74.9	67.8	**10.5%**
Other income	6.8	10.7	8.2	**-36.8%**	**-17.9%**	6.8	8.2	**-17.9%**
Administrative expenses	(41.0)	(50.2)	(31.2)	**-18.4%**	**31.5%**	(41.0)	(31.2)	**31.5%**
Selling and Marketing expenses	(6.5)	(8.0)	(7.6)	**-18.8%**	**-13.7%**	(6.5)	(7.6)	**-13.7%**
Other expenses	(13.6)	(27.5)	(14.3)	**-50.4%**	**-4.9%**	(13.6)	(14.3)	**-4.9%**
Operating Profit	20.6	13.4	23.0	**53.2%**	**-10.5%**	20.6	23.0	**-10.5%**
Finance costs	(3.7)	(3.2)	(5.3)	**17.7%**	**-29.3%**	(3.7)	(5.3)	**-29.3%**
Assoc. and JV	(0.1)	24.9	(5.5)	**-100.4%**	**98.4%**	(0.1)	(5.5)	**98.4%**
Profit Before Taxation	34.2	41.9	26.9	**-18.4%**	**27.2%**	34.2	26.9	**27.2%**
Income Tax Expenses	(18.2)	(25.3)	(8.0)	**-28.3%**	**125.7%**	(18.2)	(8.0)	**125.7%**
Recorded Profit	16.0	14.3	18.8	**11.9%**	**-14.8%**	16.0	18.8	**-14.8%**
PATAMI	24.1	19.6	25.3	**23.1%**	**-5.0%**	24.1	25.3	**-5.0%**
Non-Controlling interest	(8.0)	(5.2)	(6.5)	**-53.9%**	**-23.5%**	(8.0)	(6.5)	**-23.5%**
Core PATAMI	24.3	22.4	32.1	**8.3%**	**-24.4%**	24.3	32.1	**-24.4%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,196.3	1,109.4	1,164.9	1,246.4	1,283.8
Gross profit	333.0	309.5	326.2	361.5	372.3
Operating profit	121.9	77.1	87.4	112.2	115.5
Finance costs	(27.9)	(17.7)	(27.4)	(26.4)	(25.4)
Profit before tax	190.1	116.3	163.1	199.4	243.9
Tax	(65.2)	(69.1)	(48.9)	(59.8)	(73.2)
PATAMI	128.2	65.7	114.2	139.6	170.7
Core PATAMI	131.4	108.0	114.2	139.6	170.7
Core EPS (sen)	12.2	10.0	10.6	12.9	15.8
PER	9.2	11.2	10.6	8.7	7.1
DPS (sen)	3.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	2.7	2.7	2.7	2.7	2.7

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	**190.1**	**116.3**	**163.1**	**199.4**	**243.9**
Depreciation & amortisation	84.8	65.4	67.4	69.4	71.5
Changes in working capital	-102.3	-5.8	-6.0	-6.2	-6.3
Operating cash flow	**54.9**	**144.9**	**146.7**	**148.5**	**150.4**
Capital expenditure	-35.3	-86.7	-89.3	-92.0	-94.7
Investing cash flow	**137.9**	**247.1**	**244.5**	**241.8**	**239.1**
Debt raised/(repaid)	-133.3	-	-	-	-
Dividends paid	-21.5	-23.5	-23.5	-23.5	-23.5
Financing cash flow	**-154.0**	**-30.0**	**-30.0**	**-30.0**	**-30.0**
Net cash flow	**38.8**	**362.0**	**361.2**	**360.4**	**359.5**
Beginning cash flow	**605.7**	**623.6**	**985.6**	**1346.8**	**1707.2**
Ending cash flow	**623.6**	**985.6**	**1346.8**	**1707.2**	**2066.7**

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Property, plant and equipment	1,402.2	1,551.7	1,536.2	1,689.8	1,672.9
Intangible assets	0.9	3.5	3.5	3.5	4.5
Non-current assets	**3,188.8**	**3,148.6**	**3,133.1**	**3,286.7**	**3,269.8**
Cash	647.5	822.7	1,007.2	1,007.2	1,007.2
Trade debtors	285.9	265.8	265.8	265.8	265.8
Current assets	**1,360.0**	**2,487.3**	**2,487.3**	**2,487.3**	**2,487.3**
Trade creditors	565.1	730.3	730.3	730.3	730.3
Short-term debt	117.4	286.2	286.2	286.2	286.2
Current liabilities	**713.3**	**1,216.2**	**1,216.2**	**1,216.2**	**1,216.2**
Long-term debt	95.4	255.8	255.8	255.8	255.8
Non-current liabilities	**198.8**	**397.6**	**397.6**	**397.6**	**397.6**
Share capital	868.7	867.9	867.9	867.9	867.9
Retained earnings	2,540.0	2,671.9	2,808.8	2,950.7	2,950.7
Equity	**3,636.6**	**3,768.5**	**3,905.4**	**4,047.3**	**4,047.3**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
Operating profit margin	27.8%	27.9%	28.0%	29.0%	29.0%
PBT margin	15.9%	10.5%	14.0%	16.0%	19.0%
PAT margin	10.7%	5.9%	9.8%	11.2%	13.3%
Core PAT margin	11.0%	9.7%	9.8%	11.2%	13.3%

Source: Bloomberg, MBSBR

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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