Corporate Update

Cahya Mata Sarawak Berhad

(2852 | CMSB MK) Main | Construction

3 Stars | SHARIAH Compliant | FTSE4Good

3QFY26 Results Review – Earnings Miss as Phosphate Losses Deepen

Maintain NEUTRAL. We are maintaining our **NEUTRAL** recommendation on Cahya Mata Sarawak, with a lower target price of **RM0.85**, pegging the group's revised FY27F EPS of 9.4 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 near-term earnings will still be pressured by the phosphates division, which is still in commissioning stage, expected to last until 4QFY26. 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) 3QFY26 core PATAMI plunged -69.9%yoy and -55.4%qoq to RM10.2m, while revenue grew +11.9%yoy to RM341.8m on higher contributions from cement and Borneo Convention Centre Kuching 2 (BCCK2). Earnings were weighed down by higher operating costs after the phosphates plant restarted, an inventory write-down and higher administrative expenses. For 9MFY26, core PATAMI declined -33.0%yoy to RM57.3m, while revenue rose +14.3%yoy to RM912.2m. Results came in below expectations, accounting for 58.0% and 51.2% of our and consensus full-year core PATAMI estimates.

Cement division. Cement remained CMSB's largest earnings contributor. Revenue climbed +9.2%yoy to RM197.9m in 3QFY26, while PBT edged up +1.3%yoy to RM47.4m, with PBT margin easing to 23.9% from 25.8% a year ago. This brought 9MFY26 revenue/PBT to RM527.3m/RM127.8m, up +12.1%/+10.6%yoy respectively, bolstered by higher concrete sales volumes and cement price revisions. Mambong Clinker Line 2 remains on track for commercial rollout in 2QCY27.

Road maintenance division. Revenue slipped -6.5%yoy to RM44.2m in 3QFY26, while PBT fell -17.7%yoy to RM5.8m. For 9MFY26, PBT still grew +22.7%yoy to RM21.0m despite revenue easing -1.5%yoy to RM122.0m. The stronger cumulative earnings partly reflected a low base last year following an adjustment from the finalisation of a customer payment certificate.

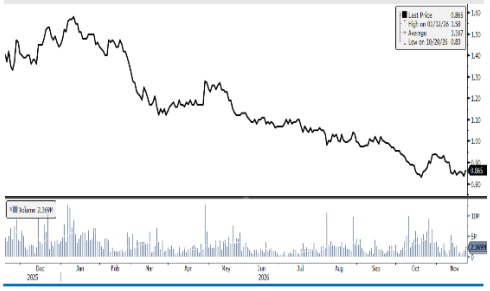
Other divisions. Property development PBT surged +47.3%yoy to RM5.5m in 3QFY26, bringing 9MFY26 PBT to RM14.6m from RM2.5m, bolstered by revenue recognition from BCCK2 and better Samalaju hotel performance. The RM550.0m BCCK2 project remains on schedule for completion by Mar-28. Meanwhile, phosphates LBT widened to RM40.9m in 3QFY26 from RM23.7m a year ago, with the inventory write-down also the main drag for the sequential decline in group PBT. Oiltools swung to a LBT of RM3.9m from a PBT of RM2.2m in 3QFY25 as activity remained subdued across most markets.

Maintain NEUTRAL

Revised Target Price **RM0.85**
(from RM1.04)

RETURN STATISTICS	
Price @ 24th November 2026 (RM)	0.865
Expected share price return (%)	-1.7
Expected dividend yield (%)	+3.5
Expected total return (%)	+1.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.1	2.0
3 months	-9.4	-4.8
12 months	-35.0	-32.6

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	1,220.3	1,366.8	1,407.8
Operating Profit	91.5	123.0	126.7
Profit Before Tax	146.4	177.7	197.1
Core PATAMI	102.5	124.4	138.0
Core EPS (sen)	9.5	11.5	12.8
DPS (sen)	3.0	3.0	3.0
Dividend Yield	3.0%	3.0%	3.0%

KEY STATISTICS	
FBM KLCI	1,561.68
Issued shares (m)	1074.90
Estimated free float (%)	49.87
Market Capitalisation (RM'm)	930.35
52-wk price range	RM0.82 - RM1.61
3-mth average daily volume (m)	2.95
3-mth average daily value (RM'm)	2.73
Top Shareholders (%)	
Majaharta Sdn Bhd	12.53
ESTATE OF HAJJAH LEJLA TAIB	10.32
Lembaga Tabung Haji	4.99

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4QFY26 and FY27 outlook. We expect BCCK2 progress billings to remain a key contributor to property earnings in 4QFY26, with the RM550.0m project on track for completion by Mar-28. For phosphates, the Dec-26 performance test run is the next milestone to watch after higher restart costs weighed on 3QFY26 earnings. Looking into FY27, Sarawak's RM10.1b development allocation (+9.0% vs. the initial 2026 allocation) should help sustain demand for CMSB's cement and construction materials, while Mambong Clinker Line 2 is slated for commercial rollout in 2QCY27.

Earnings estimates and TP. We cut our FY26E/FY27F earnings estimates by -19.7%/-18.5% to reflect wider-than-expected losses from the phosphates plant. Hence, we maintain our **NEUTRAL** recommendation and revise our **TP** downwards to **RM0.85** from RM1.04 previously, pegging the group's revised FY27F EPS of 9.4 sen to a PER of 9x.

CAHYA MATA SARAWAK: 3QFY26 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3QFY26**	**2QFY26**	**3QFY25**	**QoQ**	**YoY**	**9MFY26**	**9MFY25**	**YoY**
Revenue	341.8	292.0	305.4	**17.1%**	**11.9%**	912.2	798.4	**14.3%**
Cost of sales	(255.0)	(211.7)	(217.0)	**20.4%**	**17.5%**	(670.2)	(577.4)	**16.1%**
Gross profit	86.8	80.2	88.4	**8.2%**	**-1.8%**	242.0	221.0	**9.5%**
Other income	5.3	2.9	3.3	**80.5%**	**59.1%**	15.0	21.9	**-31.8%**
Administrative expenses	(48.8)	(49.1)	(38.7)	**-0.6%**	**26.1%**	(138.9)	(108.4)	**28.1%**
Selling and Marketing expenses	(7.7)	(7.3)	(7.1)	**5.7%**	**8.1%**	(21.5)	(22.9)	**-5.9%**
Other expenses	(31.1)	2.6	(14.7)	**>-100%**	**>+100%**	(42.1)	(44.7)	**-5.7%**
Operating Profit	4.5	29.3	31.2	**-84.7%**	**-85.6%**	54.4	67.0	**-18.7%**
Finance costs	(3.2)	(6.1)	(4.3)	**-46.8%**	**-24.8%**	(13.1)	(14.6)	**-10.4%**
Assoc. and JV	(0.3)	0.8	19.7	**>-100%**	**>-100%**	0.4	(16.5)	**>+100%**
Profit Before Taxation	21.5	39.7	53.5	**-45.9%**	**-59.8%**	95.4	74.5	**28.2%**
Income Tax Expenses	(19.4)	(20.9)	(18.2)	**-7.2%**	**6.8%**	(58.5)	(43.8)	**33.6%**
Recorded Profit	2.1	18.8	30.0	**-89.0%**	**-93.1%**	36.9	25.4	**45.5%**
PATAMI	9.1	22.4	32.1	**-59.7%**	**-71.8%**	55.6	46.1	**20.5%**
Non-Controlling interest	(7.0)	(3.6)	(2.2)	**-92.6%**	**>-100%**	(18.6)	(20.8)	**10.2%**
Core PATAMI	10.2	22.9	33.9	**-55.4%**	**-69.9%**	57.3	85.6	**-33.0%**

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,196.3	1,109.4	1,176.0	1,317.1	1,356.6
Gross profit	333.0	309.5	329.3	382.0	393.4
Operating profit	121.9	77.1	88.2	118.5	122.1
Finance costs	(27.9)	(17.7)	(27.4)	(26.4)	(25.4)
Profit before tax	190.1	116.3	117.6	144.9	149.2
Tax	(65.2)	(69.1)	(35.3)	(43.5)	(44.8)
PATAMI	128.2	65.7	82.3	101.4	104.5
Core PATAMI	131.4	108.0	82.3	101.4	104.5
Core EPS (sen)	12.2	10.0	7.6	9.4	9.7
PER	7.1	8.6	11.3	9.2	8.9
DPS (sen)	3.0	3.0	3.0	3.0	3.0
Dividend Yield (%)	2.1	2.1	3.5	3.5	3.5

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	190.1	116.3	117.6	144.9	149.2
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%	10.0%	11.0%	11.0%
PAT margin	10.7%	5.9%	7.0%	7.7%	7.7%
Core PAT margin	11.0%	9.7%	7.0%	7.7%	7.7%

Source: Bloomberg, MBSBR

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MBSB 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