

CMS Management Presentation



CAHYA MATA SARAWAK

Results Presentation for 1Q 2018
15 May 2018

Listed on the Main Market of
Bursa Malaysia since 1989
(Stock Code: 2852)



FTSE4Good

Constituent of MSCI Malaysia
Small Cap Index



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Y Bhg Dato Isaac Lugun

Group Chief Executive Officer - Corporate

- ❑ Joined CMS in 1996 & appointed in various capacities including GM-Corporate Affairs, Head of Samalaju Development Division & CEO of Samalaju Industries
- ❑ Non executive directorship positions include OM Materials (Sarawak), OM Materials (Samalaju), Malaysian Phosphate Additives (Sarawak), SACOFA.
- ❑ Bachelor of Law (LLB) (Honours) Degree, University of Malaya, Malaysia



Tuan Syed Hizam Alsagoff

Group Chief Financial Officer

- ❑ Joined CMS in 2005, appointed GM, Group Finance & Treasury at end 2005, Group CFO in September 2009.
- ❑ Non executive directorship positions include KKB Engineering Berhad.
- ❑ Bachelor of Science with Finance major and Economics minor, San José State University, California.



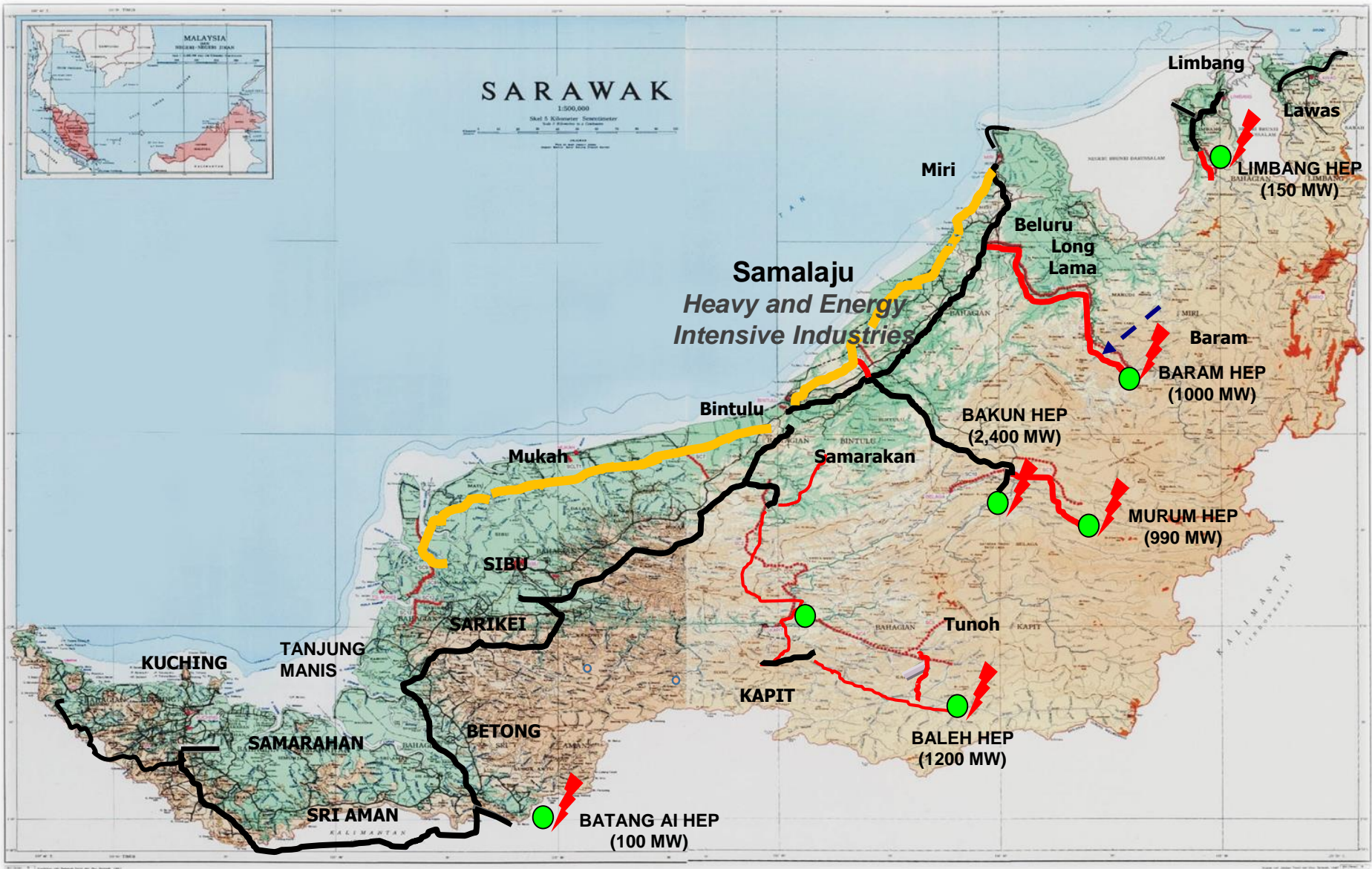
Section I.	Sarawak – A Compelling Business & Investment Destination
Section II.	CMS Overview
Section III.	Business Overview
Section IV.	Financial Highlights
Section V.	Strong Sustainability & Governance Agenda
Section VI.	Group Strategies & Going Forward



CAHYA MATA SARAWAK

I. Sarawak – A Compelling Business & Investment Destination

I. Sarawak – A Compelling Business & Investment Destination





1. About Sarawak

- a. The largest State in Malaysia
- b. Business-friendly policies, political stability, modern infrastructure and competitive prices for land, power and water
- c. Diverse communities of Malays, Ibans, Chinese, Bidayuh, Melanau, Orang Ulu, Indians & other indigenous groups live harmoniously together in Sarawak
- d. Only State in Malaysia that promotes and recognises the use of English alongside Bahasa Malaysia
- e. A robust State Administrative System
- f. Only State in Malaysia with credit rating and solid cash reserves of approx. RM30 billion

Agency	Rating	Indicative
Standard & Poor's	A-	Stable Outlook
Moody's Investors Services	A3	Stable Outlook
RAM Rating Services	AAA	Strong Outlook
Malaysia Rating Corp.	AAA	Strong Outlook



- g. Development bias budget:
 - i. 2018 State Budget: RM5.75 billion (70%) allocated for development & RM2.48 billion (30%) allocated for Operational Expenditure (OPEX). The State committed RM 1 billion for telco-infrastructure
 - ii. 2018 Federal Budget: RM5.9 billion allocated for infrastructure development including Pan Borneo Highway and rural electrification and RM500 million for telco-infrastructure
- h. Successive waves of economic development in Sarawak
 - i. Traditionally, agriculture and resources exploitation including timber
 - ii. Oil & Gas industries started in Sarawak initially in Miri and later at Kidurong Industrial Park Bintulu (MLNG, SMDS & ABF)
 - iii. SamaJaya High Tech Park in Kuching caters to high-tech industries which includes multinational corporations such as X-FAB Sarawak, Hitachi Global Storage Technologies, Taiyo Yuden, Toko Electronics Sarawak, OMG Electronic Chemicals and Xi'an LONGi Silicon Materials Corp

Current key economic drivers

- iv. **Through SCORE (Sarawak Corridor of Renewable Energy) Sarawak is developing its huge hydro energy potential and is attracting investment in energy intensive industries**
- v. **The Pan Borneo Highway project is opening up a new frontier of economic opportunities**
- vi. **Current Government's drive to fully embrace the Digital Economy**

Sarawak is poised to be a developed and industrialised State by 2030!



2. Endowed with high renewable hydro energy potential

- a. Sarawak by virtue of its high rainfall, large rivers and favourable topography has a huge potential of 28,000 MW for hydroelectric power, the highest in South East Asia
- b. The State currently generates 4,600 MW of power out of which 3,490 MW is generated by Hydroelectric Dams namely Bakun – 2,400 MW, Murum – 990 MW and Batang Ai – 100 MW with the new Baleh Dam – 1200 MW being developed
- c. The hydro energy resource is being developed under the Sarawak Corridor of Renewable Energy (SCORE) initiative. All the hydro power are transmitted to the Samalaju Industrial Park which is already attracting energy intensive industries
- d. Samalaju Industrial Park is a competitive business & investment proposition:
 - i. Competitive power price giving a clear edge over global competitors
 - ii. Competitive land price and low water tariff
 - iii. Strategic location of Samalaju on the world trading routes
 - iv. Samalaju Port, the only dedicated bulk port in South East Asia, caters to the industries in Samalaju. It commenced full operations in June 2017 with a total capacity of 18 million MT cargo through-put per annum

I. Sarawak – A Compelling Business & Investment Destination



- e. To date 5 world-class energy intensive plants are already operating at Samalaju Industrial Park:

Project	Product	Commencement of Operation	Annual Capacity	Investment Value (USD)
OCI Co. Ltd	Polysilicon	Jun 2013 (Tokuyama) Jun 2017 (OCI)	Full Capacity: 20,000 MT	2.5 billion
Press Metal	Aluminium	Sep 2012	Full Capacity: 760,000 MT	2 billion
AML (Pertama Ferroalloy)	Manganese Ferroalloy	June 2016	Full Capacity: 434,000 MT	325 million
OM Materials (Sarawak)^	Ferrosilicon Alloys & Manganese Alloys	Partially Commissioned: 2H 2014 Full production: Nov 2017 (except for 1 furnace)	Ferrosilicon Alloys: 192,500 MT Manganese Alloys: 200,000 MT – 300,000 MT	458 million
Sakura Ferroalloys	Ferro manganese & Silicon Manganese	May 2016	Ferro Manganese: 100, 000 MT Silicon Manganese: 60, 000 MT	328 million
MPA (Sarawak)^*	Phosphate Products & Coke	Commission: 2020 Full production: 2021	Phosphate Products: 500,000 MT Ammonia: 100,000 MT Coke: 900,000 MT	545 million

^ CMS has 25% stake in OM Materials (Sarawak) and 44.25% stake in MPA (Sarawak)

* Negotiation for project financing contract is underway and production is expected to commence from 2H 2019 onwards



3. PAN BORNEO HIGHWAY PROJECT – The largest infrastructure project to be implemented in Sarawak

- a. 1,060 km - Telok Melano to Merapok with an estimated total project cost of RM16 billion
- b. Project commenced 2015 and completed in phases up to 2022
- c. Project implemented in 11 packages involving all major construction companies in Sarawak with strong Bumiputera participation
- d. High economic multiplier impact
- e. Supports and complements the SCORE initiative

4. Current State Government is pushing to fully embrace the Digital Economy with a combined Federal and State allocation RM1.5 billion in 2017 for the development of telco-infrastructure



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II. CMS Overview

II.A Company Snapshot



Sarawak's largest company in infrastructure development

- ❑ Incorporated in 1974 and the 1st Sarawakian company to list on KLSE in 1989.
- ❑ CMS has diverse portfolio of businesses and is well positioned in all key economic growth areas in Sarawak: Infrastructure, Energy Intensive Industries, Pan Borneo Highway and Digital Economy
- ❑ One of Sarawak's largest listed company, with over 2,600 employees plus 1,700 in its 3 associate companies.
- ❑ Constituent of the globally recognised FTSE4Good Bursa Malaysia Index due to it's focus on ESG practices

Key Statistics

Market metrics

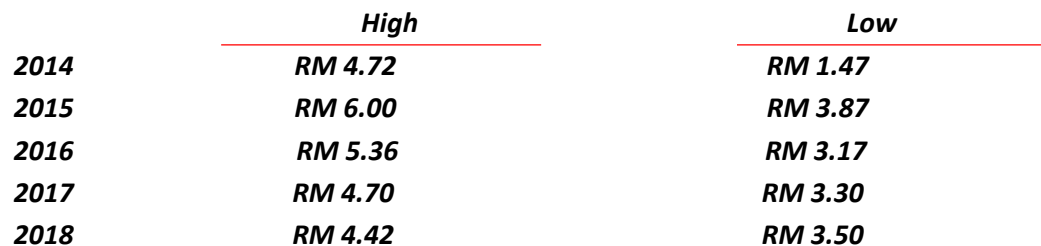
*as at 7 May
2018*

Issued Shares:	1074.38 m
Share Price:	RM4.08
Market Cap:	RM4,383.5m
Historical PER:	20.4 x
PBV ratio:	1.85 x

	Substantial shareholders (as of 10 April 2018)	Shareholding (‘000)	%
1.	Majaharta Sdn Bhd	134,775	12.54
2.	Employees Provident Fund	116,979	10.89
3.	Lejla Taib	111,000	10.33
4.	Lembaga Tabung Haji	98,366	9.16
5.	Dato Sri Sulaiman AB Rahman Taib	88,395	8.23
6.	Sarawak Economic Development Corporation	60,896	5.67

Notes:

- i. Foreign shareholding: c. 15%
- ii. Public float: c. 35%

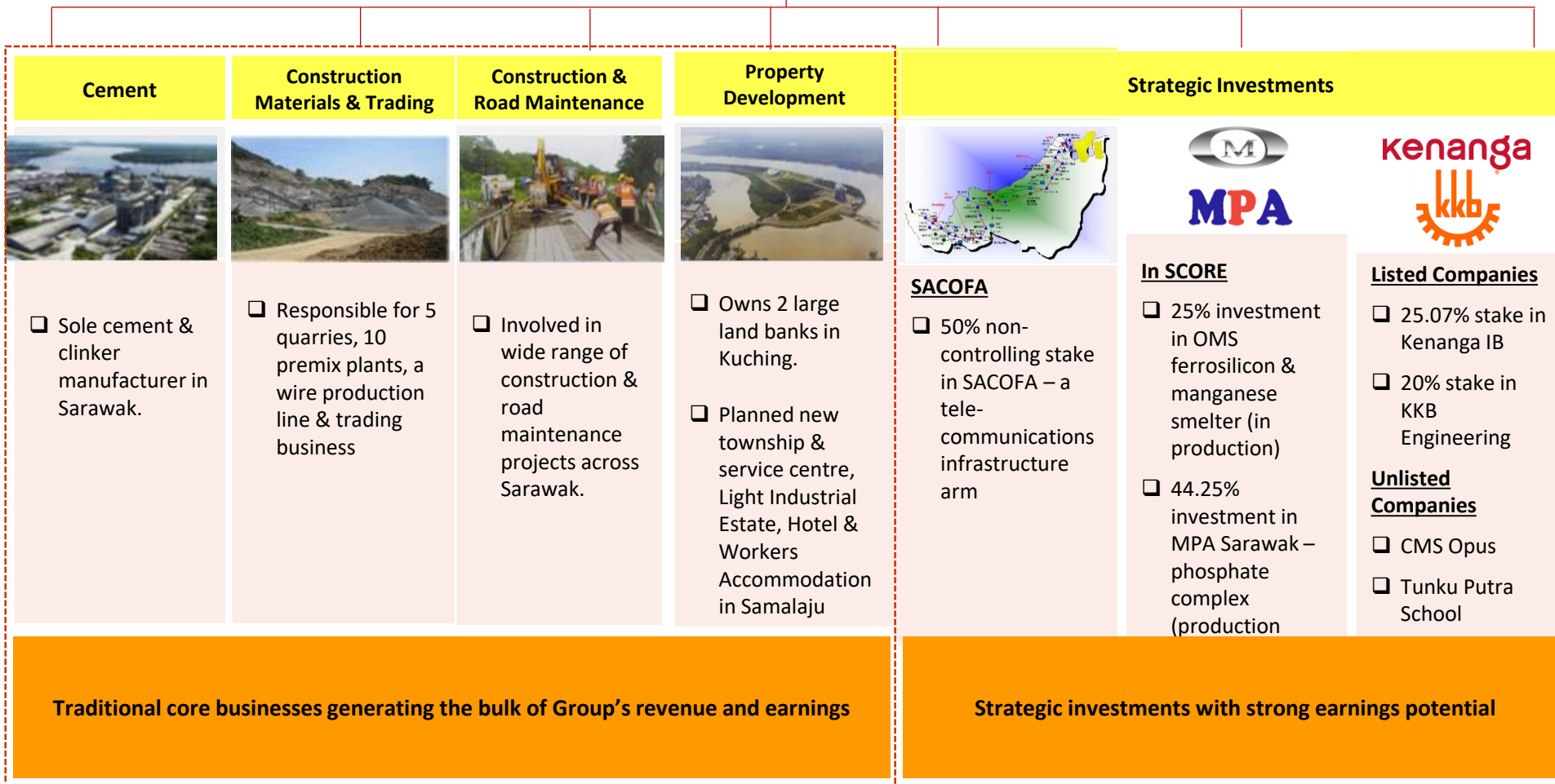




III. Business Overview



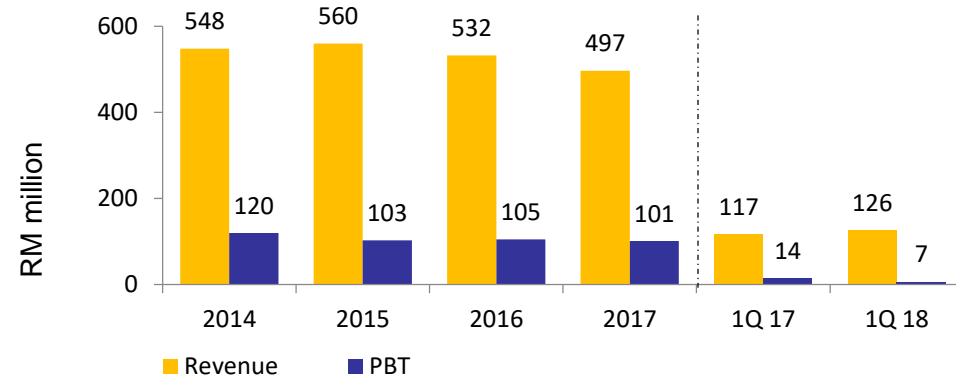
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III.B Cement

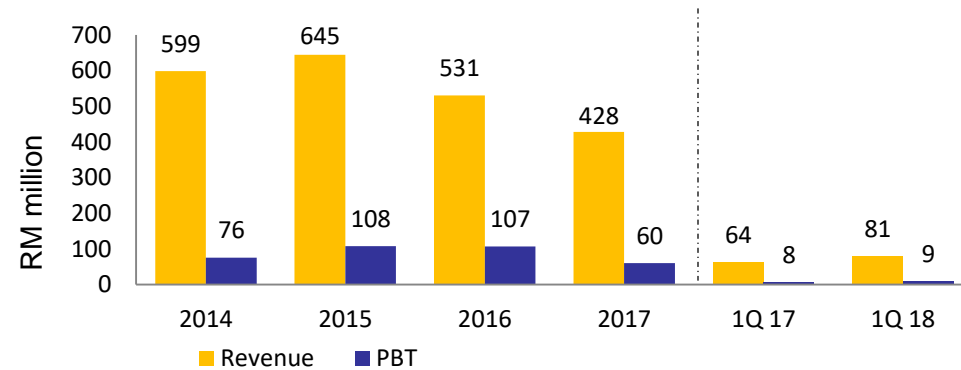
- ❑ 1Q 2018's PBT is 55% lower mainly due to higher repair costs from the 36-day planned maintenance shutdown at clinker plant
- ❑ Was the first extensive maintenance exercise since CMS Cement took over the plant in 2007 which included replacement of certain parts that were in use since the plant's inception in 1996
- ❑ Price of imported clinker could rise due to the spike in demand in the region
- ❑ Precast & ready-mix plant at Bintulu and a ready-mix plant in Sarikei have both commissioned
- ❑ CMS is the only Cement player in Sarawak but it is not a protected position. The barrier for competition has been raised and additional production capacity added.



III.C Construction Materials & Trading



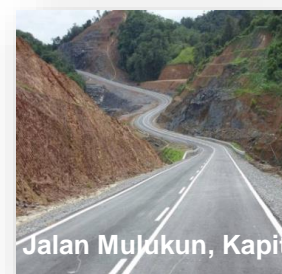
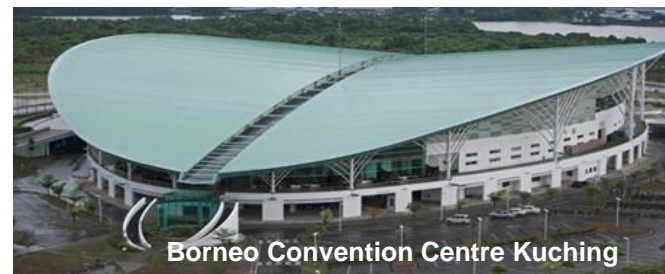
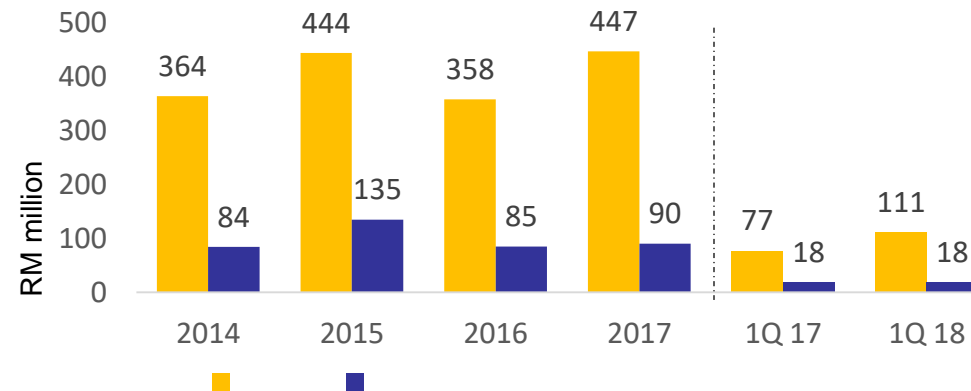
- ❑ PBT for 1Q 2018 is 9% higher than 1Q 2017 due to higher earnings by quarries and trading operations
- ❑ Premix work was hampered due to inclement weather and higher diesel price and consumption
- ❑ Plans remain intact to further increase Sibanyis quarry's capacity by 1.3m Mtpa by March 2019
- ❑ Two new mobile premix plants to commence operation by June 2018 to supply to Pan Borneo Highway packages
- ❑ Supply of stone, premix & sand has commenced for LBU Packages 2, 5, 6 & Kick-off package





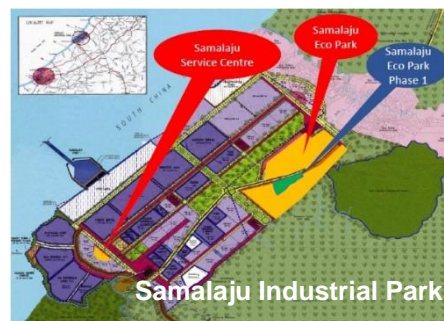
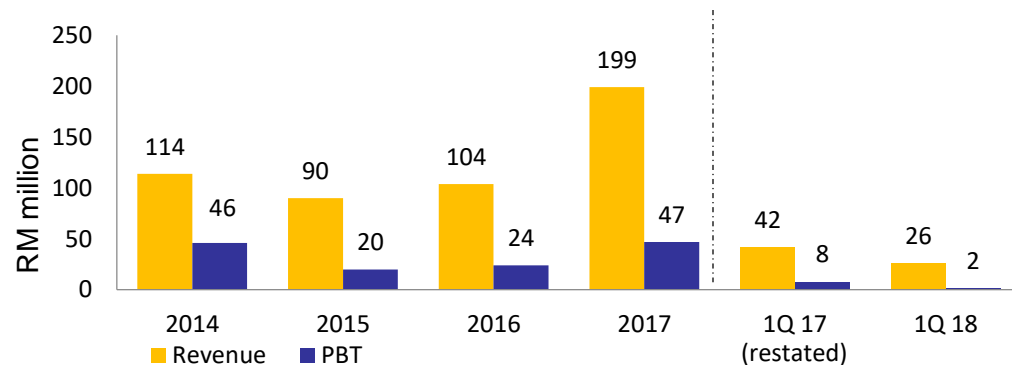
III.D Construction & Road Maintenance

- ❑ 1Q 2018's PBT is 2% higher than 1Q 2017 due to increased revenue from Pan Borneo Highway project and Miri-Marudi road rehabilitation project
- ❑ Revenue from federal road maintenance was lower as a result of reduction in road length maintained due to the Pan Borneo project
- ❑ State road concession extended by 6 months to June 2018 to facilitate negotiations and finalisation of the revised terms
- ❑ Construction order book outside of road concession revenues is at approx. RM1.39 bil



III.E Property Development

- ❑ 1Q 2018's PBT is 76% lower than 1Q 2017 mainly due to lower sale of properties
- ❑ Water Theme Park by Sentoria Group opened in March 2018 & Condotel to open in 1H 2018
- ❑ Strategic land sale to partners who add value to our landbank e.g. Sentoria
- ❑ Samalaju Lodges has increasing tenants as it was reconfigured for longer term stays
- ❑ Samalaju Eco Park residents are now moving in



III.F Strategic Investments ICT – SACOFA

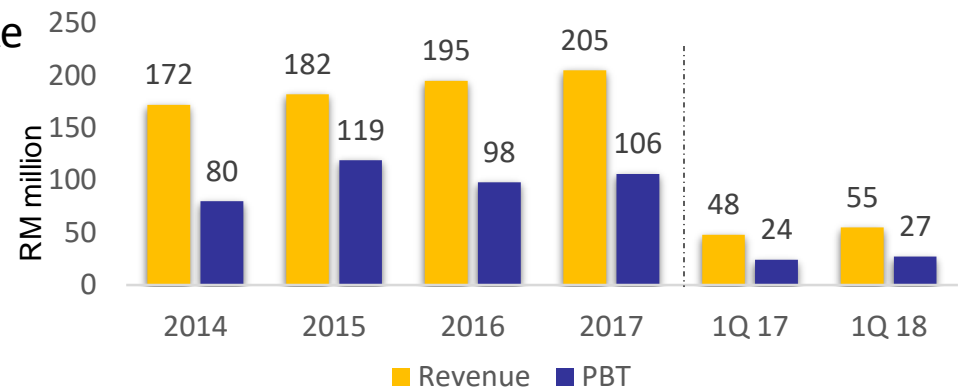


☐ CMS has 50% non-controlling equity stake in SACOFA

☐ A one-stop centre providing telecommunication infrastructure in Sarawak

- Sole provider of telecommunication towers in the State
- Holding concession till 2021 to build, manage, lease and maintain towers
- Has constructed approx. 1,800 towers & more than 11,000 km of fibre optic cable in place

☐ Plan to capitalise on the State's push to fully embrace the Digital Economy with a combined Federal and State allocation RM1.5 billion in 2017 for the development of telco-infrastructure

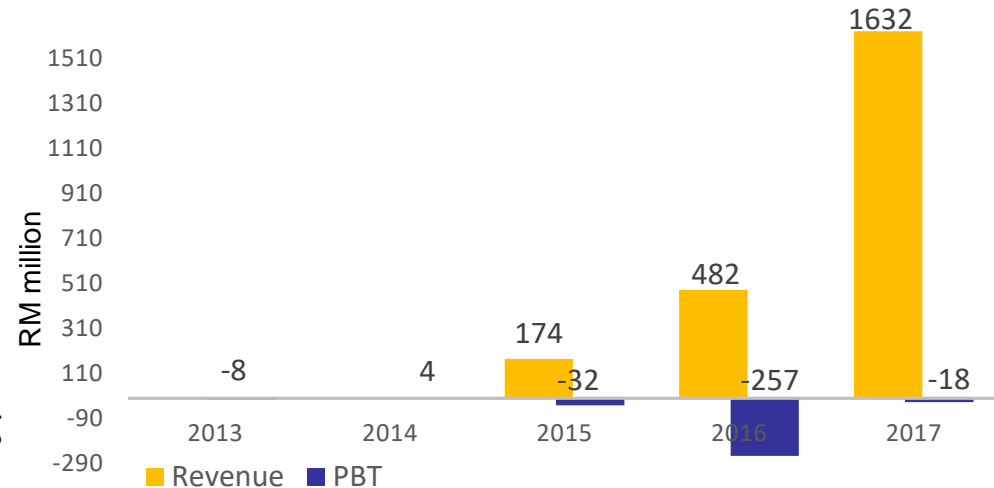




III.F Strategic Investments SCORE – OM Materials (Sarawak)



- ❑ OMS' improved performance since 2H 2017 is expected to sustain if ferrosilicon and manganese alloy prices and production outputs maintain at the current levels
- ❑ For 1Q 2018, a total of 15 furnaces were in operation with 8 furnaces producing standard grade FeSi, 1 furnace producing refined FeSi, and 6 furnaces producing manganese alloy
- ❑ OMS plans to fire the last furnace and commence production in the middle of 2018
- ❑ OMS' 3 key strengths is helping to deliver sustainable profit. These strengths are its 1st quartile production cost positioning, its large scale & its location



- ☐ Parties are still working on financing for the project
- ☐ Project's economics remain attractive and plant will be operational by 2020



III.F Strategic Investments – Listed Companies



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Both strategic investments have strong growth potential with value added by CMS and are not earmarked for divestment or takeover.

25.38%

kenanga

Market Value as of 09/05/2018:
RM104.55 million

**Kenanga Investment
Bank**

- New management team installed in 2011 who revamped the business and changed its focus to more profitable areas.
- One of top three largest brokerage houses in Malaysia, with one of the largest pools of remisiers in the country
- Collaborating with Rakuten Securities, Inc. of Japan to develop a new online broking platform, bringing new exciting digital innovations to the Malaysian online broking scene

20.05%



Market Value as of 09/05/2018:
RM48.06 million

KKB Engineering

- Only East Malaysian company to have O&G fabrication licence
- Secured a three-year Petronas-Approved Supplier licence for "Offshore facilities Const-Major Onshore Fabrication"
- Expansion into O&G is likely to create new material growth opportunities.
- KKB:WCT consortium awarded a RM1.29b Pan Borneo Highway package in July 2016



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IV. Financial Highlights

IV.A Group Financials



	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q 2018
Revenue (RM'000)	874,600	943,476	1,012,609	1,203,565	1,416,841	1,673,898	1,788,008	1,551,319	1,606,444	354,987
PBT (RM'000)	98,526	118,796	178,715	226,906	294,894	341,452	388,596	302,139	330,774	56,958
PATNCI (RM'000)	40,989	65,781	120,023	135,735	175,072	221,335	248,149	169,177	213,210	38,977
S/holders' funds (RM'000)	1,277,970	1,312,667	1,416,025	1,480,923	1,654,117	1,811,731	2,017,501	2,212,836	2,349,846	2,387,583
ROE (%)	3.24	5.08	8.80	9.37	11.17	12.77	12.96	8.00	9.35	1.69
Borrowing (RM'000)	534,236	394,586	215,747	89,825	100,102	104,796	163,678	247,956	636,364	628,499
Gearings ratio (times)	0.42	0.30	0.15	0.06	0.06	0.06	0.08	0.11	0.27	0.26
EPS (sen)	12.44	19.97	36.43	41.39	17.52	21.42	23.31	15.75	19.85	3.63
Cash (company) (RM'000)	404,726	753,990	625,542	493,129	579,392	674,600	256,881	391,129	876,358	782,445

IV.B Group Key Financials 2014 – 1Q 2018

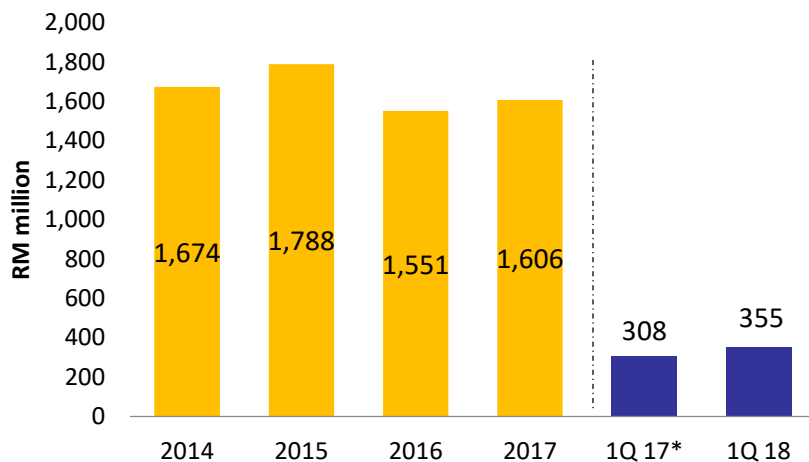


PBT (IN RM'000)	Q1	Q2	Q3	Q4
2014	66,191	98,648	104,179	72,434
2015	95,010	66,707	104,564	122,315
2016	22,906	42,763	94,744	141,726
2017	44,852*	96,901	95,580	99,751
2018	56,958			

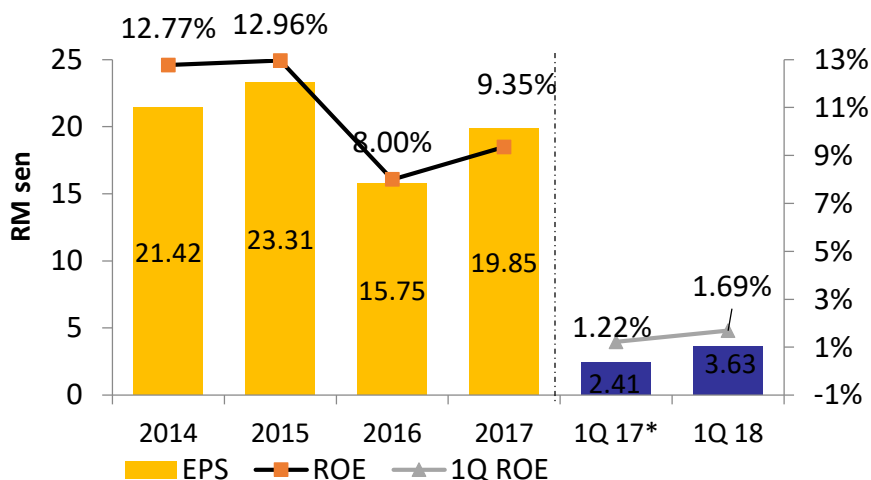
PATNCI (IN RM'000)	Q1	Q2	Q3	Q4
2014	38,896	66,117	72,379	43,943
2015	57,423	40,661	65,480	84,585
2016	1,049	7,900	58,716	101,512
2017	25,864*	64,737	62,040	63,776
2018	38,977			

* Restated due to the adoption of MFRS 15

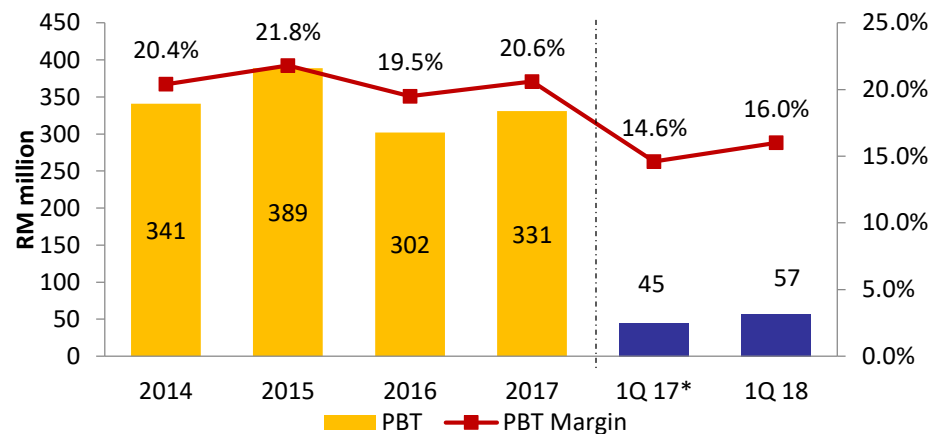
IV.C Group Key Financials 2014 – 1Q 2018



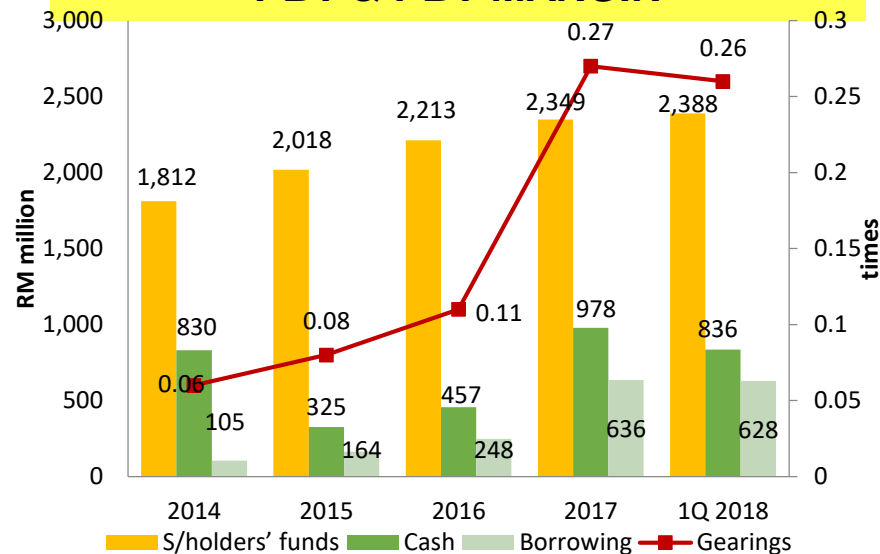
REVENUE



EARNINGS PER SHARE



PBT & PBT MARGIN

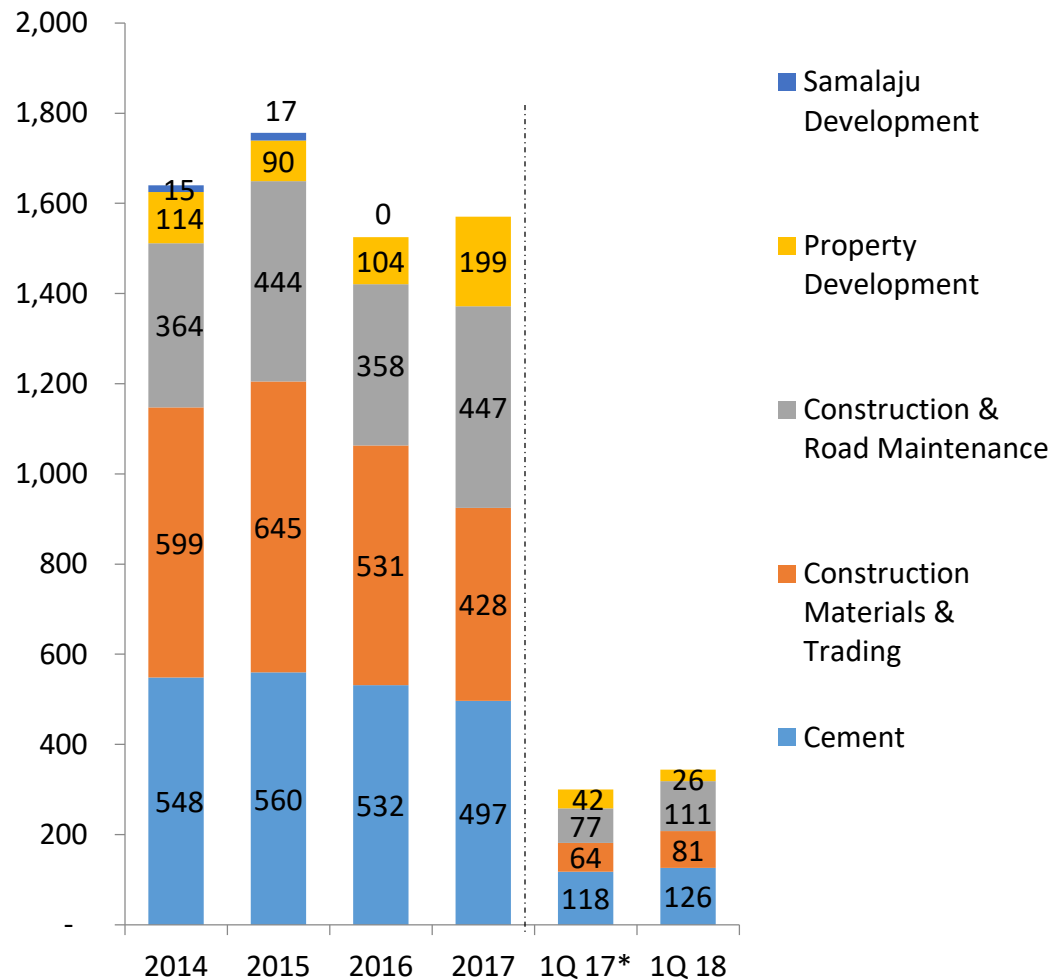


BALANCE SHEET

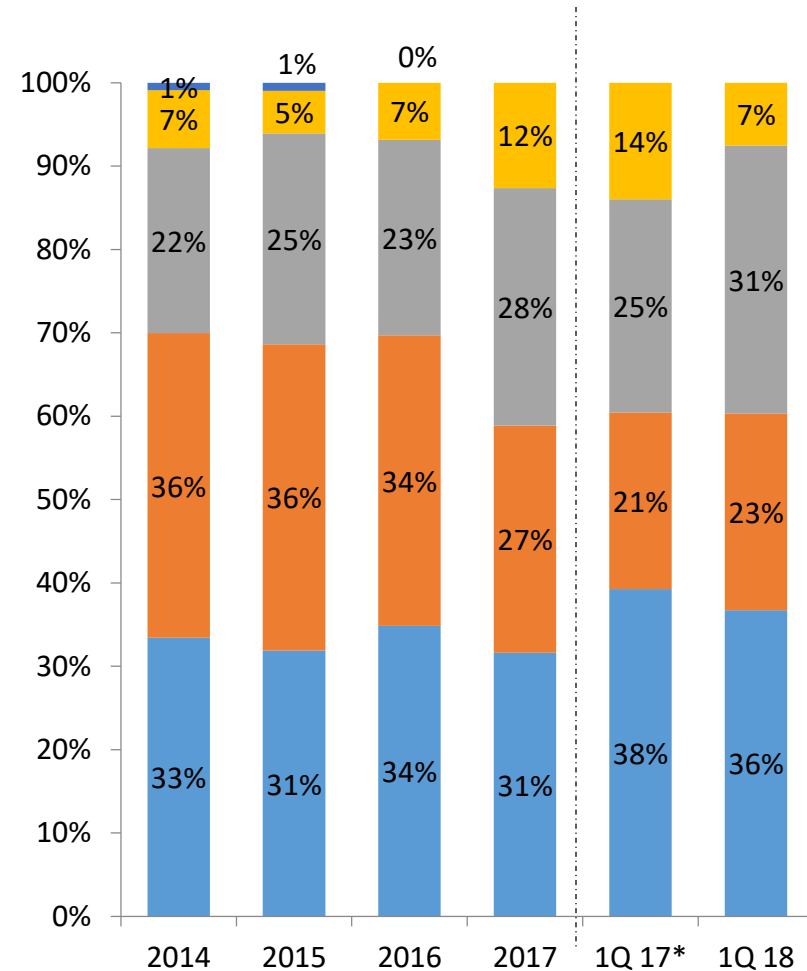
IV.D Revenue Breakdown 2014 – 1Q 2018



Revenue by segment (RM'm)



Revenue by segment (%)

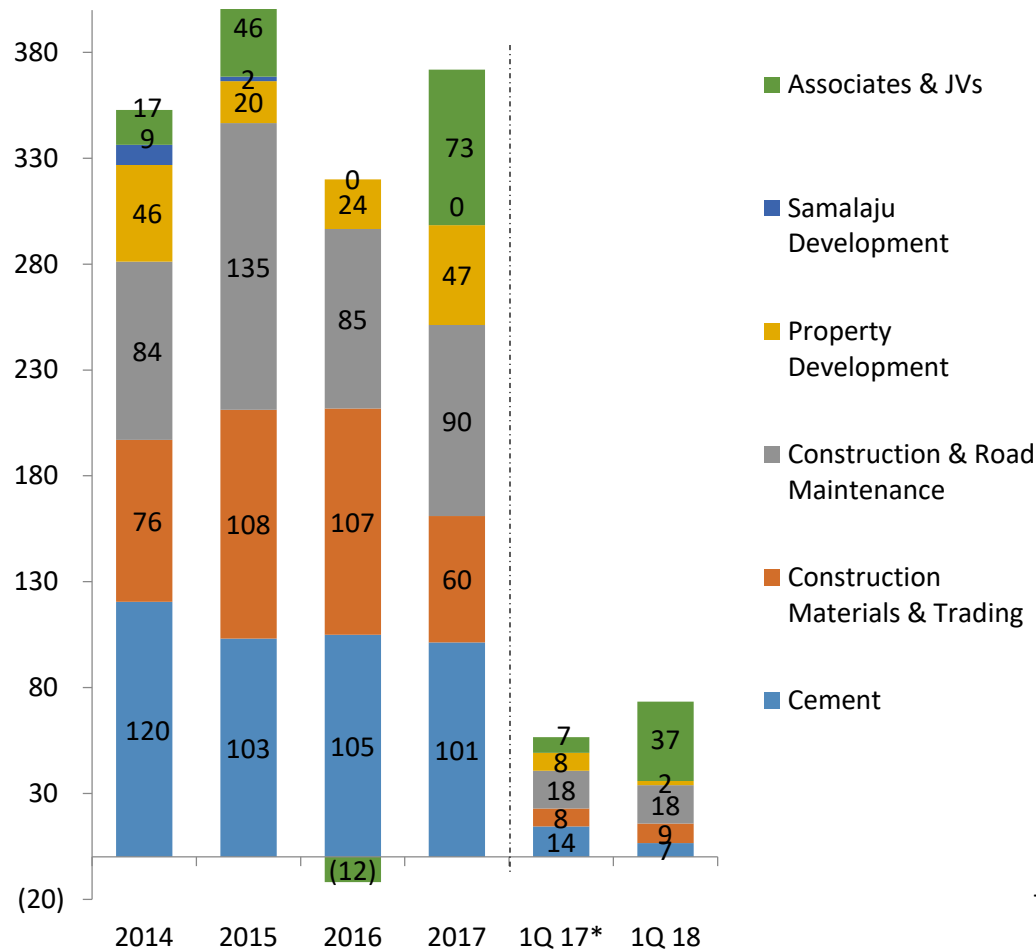


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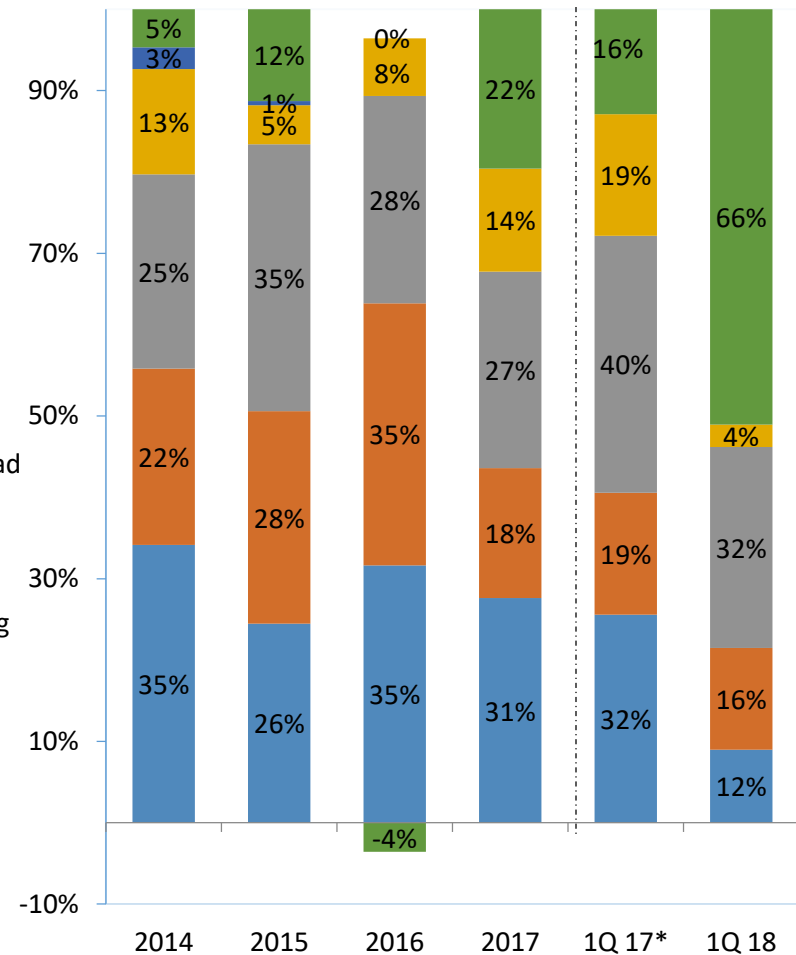
IV.E PBT Breakdown 2014 – 1Q 2018



PBT by segment (RM'm)



PBT by segment (%)



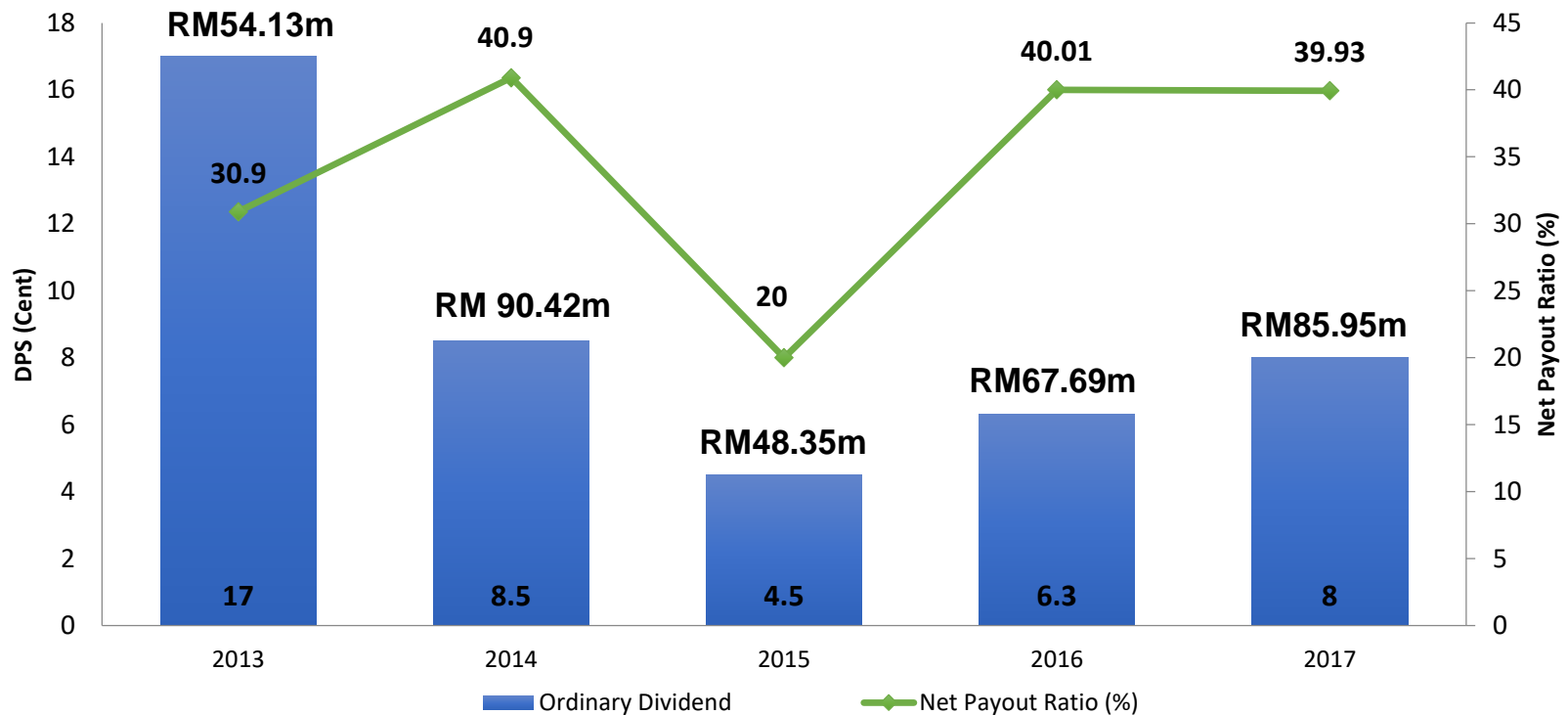
* Restated due to the adoption of MFRS 15

IV.F Dividend Policy



Dividend policy since November 2014 is a minimum of 40% PATNCl, subject to minimum of 2 sen per share and other considerations.

Gross DPS and Net Payout Ratio (%)



Net Payout Ratio = Percentage of PATNCl paid out in dividends to shareholders



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V. Strong Sustainability & Governance Agenda



Sustainability

- ☐ Committed to responsible management and sustainable development to create long-term shared value
- ☐ Year round staff volunteerism in multiple staff-led projects have built respect for CMS within the local community and made staff feel more engaged.
- ☐ Safety – strong focus on this in every way including groupwide KPI demerit system.
- ☐ Included in the globally recognised FTSE4Good Bursa Malaysia index effective from December 2016



FTSE4Good

Governance

- ☐ Never reprimanded by the regulators i.e. Bursa Malaysia.
- ☐ Currently working towards adopting the new MCCG 2017 Guidelines

Corporate Social Responsibility

- ☐ Initiated a 'Doing Good' culture with strong focus on employee participation
- ☐ In 2017, employees volunteered 48,420 man-hours and raised RM103,479.21 through 'Doing Good' activities.
- ☐ CMS contributed approximately RM2 million to charitable causes in Sarawak in 2017



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VI. Group Strategies & Going Forward

VI.A Our 9-Point Scorecard



OUR **9-POINT** SCORE CARD





Cahya Mata Sarawak

1. Leveraging Sarawak's growth story:

- ☐ CMSB - the best proxy for Sarawak's economic growth
- ☐ **CMSB is well positioned to benefit from all current key economic growth drivers in the State:**
 - **Energy intensive industries through SCORE**
 - **Infrastructure development including Pan Borneo Highway and Baleh Dam**
 - **Digital economy**

2. Our 5-year target:

- ☐ To double the Group's PATNCI to RM500 million



THANK YOU.

ANY QUESTIONS?