

CMS Management Presentation



CAHYA MATA SARAWAK

Results Presentation for FY2018
Wednesday, 27 February 2019



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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), Malaysian Phosphate Additives (Sarawak) and 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 OM Materials (Sarawak) and KKB Engineering Berhad.
- ❑ Bachelor of Science with Finance major and Economics minor, San José State University, California.



Section I.	Business Overview
Section II.	Financial Highlights
Section III.	Strong Sustainability & Governance Agenda
Section IV.	Group Strategies & Going Forward



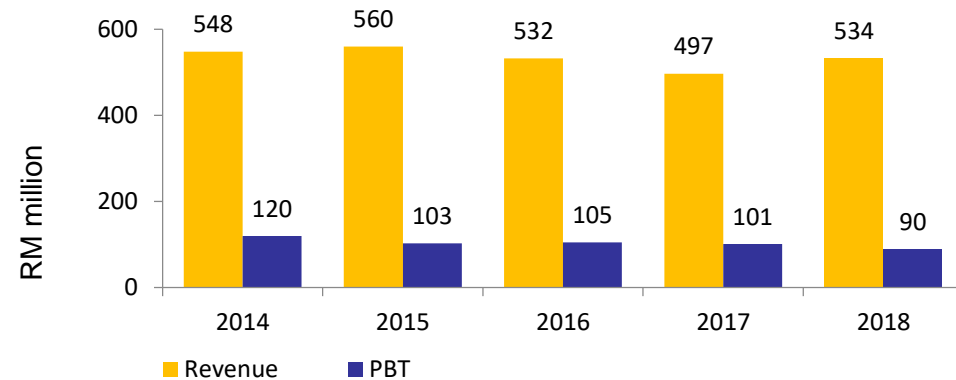
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I. Business Overview



1. CMS reported revenue of RM1.71 billion and PBT of RM375.37 million for 2018, an increase by 9% and 17%, in comparison to 2017's revenue of RM1.58 billion and PBT of RM321.29 million
2. The Group's PATNCI of RM265.74 million was 28% higher than 2017's PATNCI of RM208.03 million
3. The improvement was mainly due to the Group's associates as their PBT catapulted by 166% to RM108.12 million in 2018 in comparison to RM40.64 million in 2017
4. The main contributor to this astounding performance is the strong turnaround of OM Sarawak in 2018 as its plant achieved full production and commodity prices improved
5. The Group's PATNCI of RM265.74 million for 2018 eclipse the previous all-time high of RM248.15 million achieved in 2015

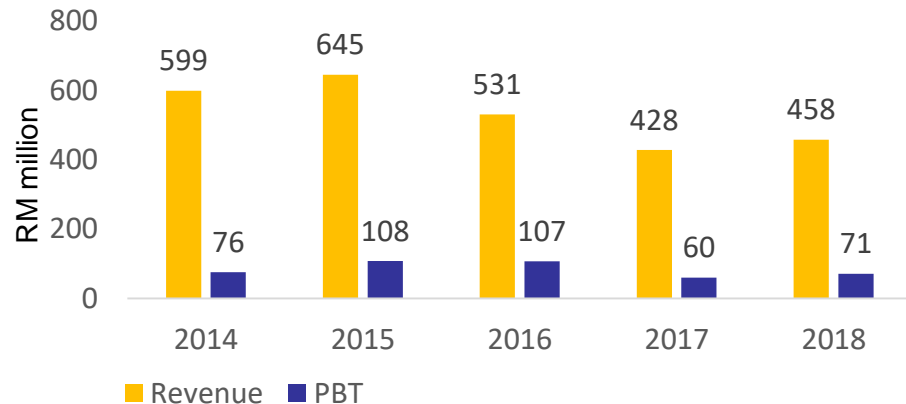
1. Reported a lower PBT by 11% for 2018, compared to 2017, despite 7% increase in revenue
2. Lower PBT mainly due to repair costs at clinker plant during the first and third quarters
3. Profits further impacted by an increase in the price of imported clinker due to the spike in global demand
4. CMS is 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.



I.C Construction Materials & Trading

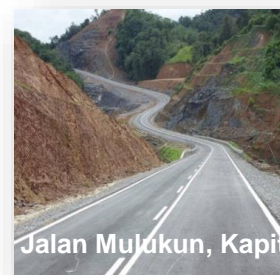
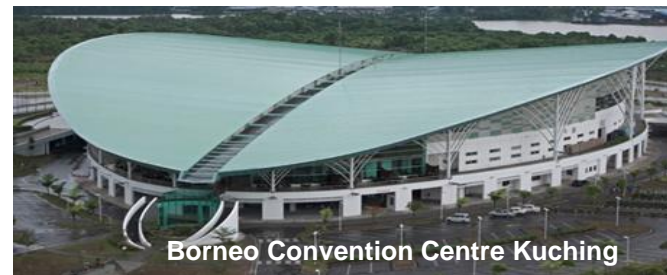
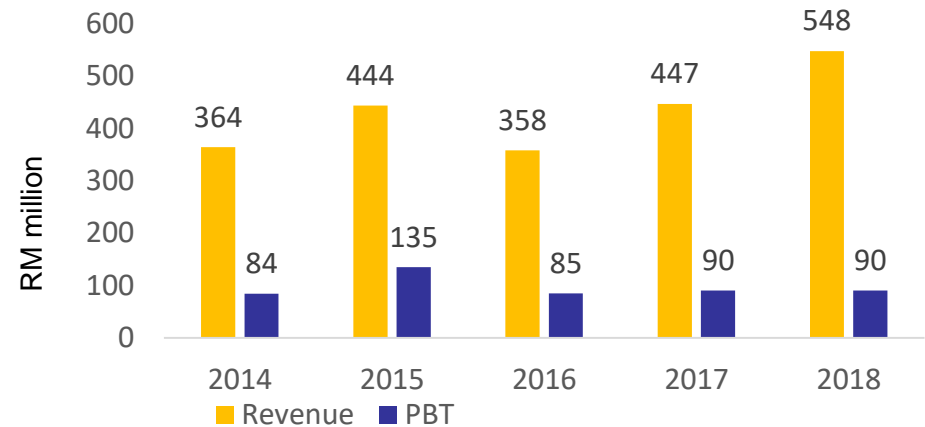


1. Result in 2017 included a provision without which the PBT for 2018 would be lower
2. Lower production of premix and quarry due to State-wide shortage of quarry sand
3. Margin also compressed by the recent increase in prices of bitumen and diesel
4. Division taking all steps to position itself to capitalise on the big spike in the demand in Sarawak
5. Increased quarry capacity by 1m MTpa by acquiring 56% of Borneo Granite and to further increase Sibanyis quarry's capacity by 1.3m MTpa by March 2019



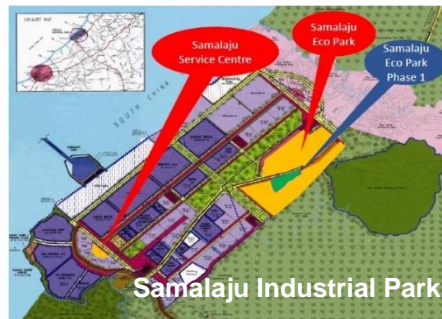
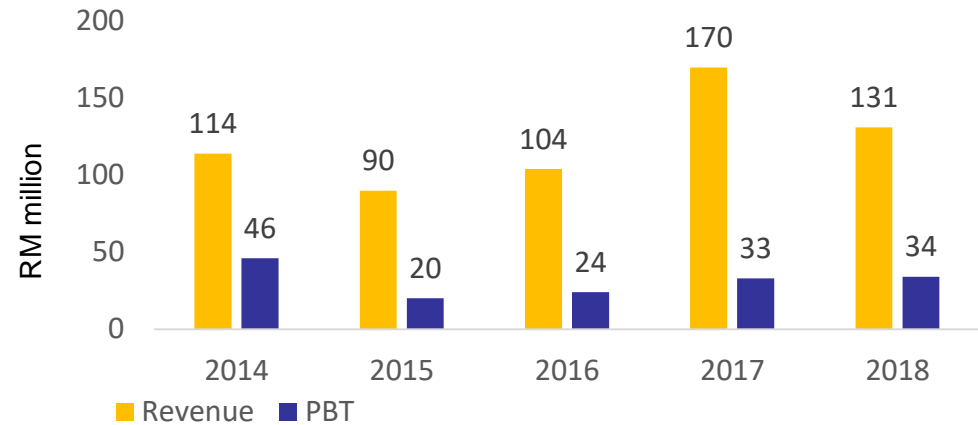
I.D Construction & Road Maintenance

1. PBT for 2018 was comparable to 2017
2. This was due to higher revenue from the construction activities including Pan Borneo Highway, the Miri-Marudi road and the Sarawak Museum projects
3. State road concession extended for a year to allow the State to develop a comprehensive road management and maintenance contracting strategy
4. Sarawak Government will spend a record RM11bil on infrastructure next 2 years. Of the total, RM5bil will be spent on Water and Electricity Supply and RM6bil on the Coastal Highway and 2nd Link Road. CMS will participate in tenders for these projects



I.E Property Development

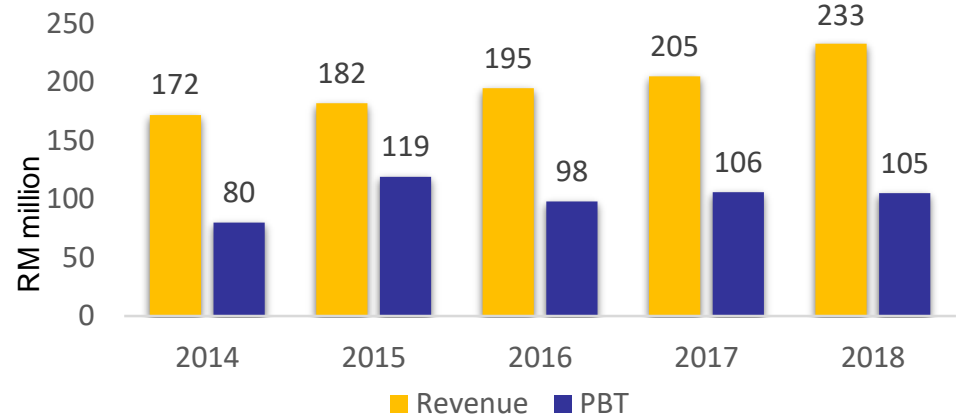
1. 2018's PBT 3% stronger than 2017
2. Attributable to higher profit recognised from construction activities
3. Strategic land sale to partners who add value to our landbank e.g. Sentoria
4. Samalaju Lodges has increasing tenants as it was reconfigured for longer term stays
5. Samalaju Eco Park residents are now moving in



I.F Strategic Investments ICT – SACOFA



1. CMS has 50% non-controlling equity stake in SACOFA
2. A one-stop centre providing telecommunication infrastructure in Sarawak
 - 2.1 Sole provider of telecommunication towers in the State
 - 2.2 Holding concession till 2021 to build, manage, lease and maintain towers
 - 2.3 Has constructed approx. 1,800 towers & more than 11,000 km of fibre optic cable in place
3. Plan to capitalise on the State's push to fully embrace the Digital Economy with allocation of approx. RM2 billion for the development of telco-infrastructure

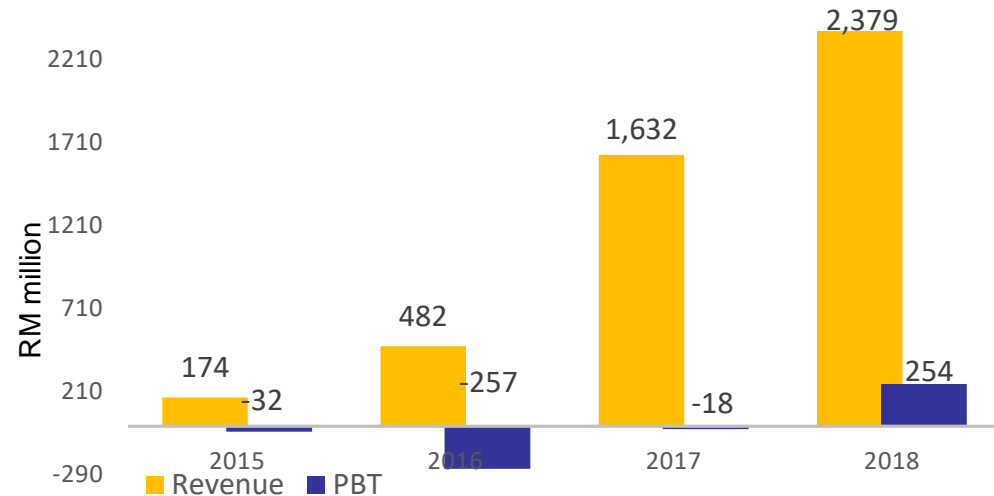




I.F Strategic Investments SCORE – OM Materials (Sarawak)



1. OMS' improved performance in 2018 is expected to sustain if ferrosilicon and manganese alloy prices and production outputs maintain at the current levels
2. A total of 16 furnaces were in operation with 10 furnaces producing FeSi and 6 furnaces producing manganese alloy
3. OMS fired the last furnace on 1 June 2018
4. OMS' 3 key strengths is helping to deliver sustainable profit. These strengths are its 1st quartile production cost positioning, its large scale & its location



OMH:ASX Share Price



1. CMS increased its stake in MPAS to 60% in December 2018
2. Financing has been secured
3. Total investment for Phase 1 is approximately RM 950 million to be funded via mixture of shareholders' equity & long-term loan
4. Project's economics remain attractive and plant will be operational by 2020



I.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 26/2/2019:
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 26/2/2019:
RM61.00 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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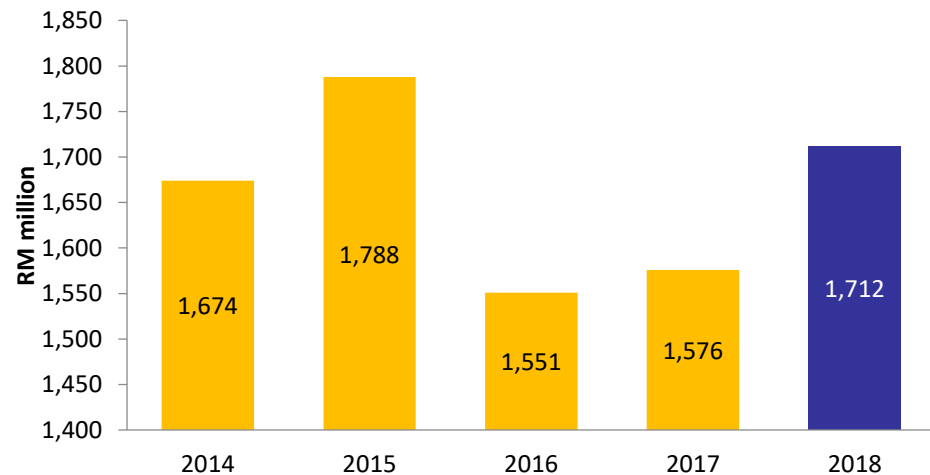
II. Financial Highlights

II.A Group Financials

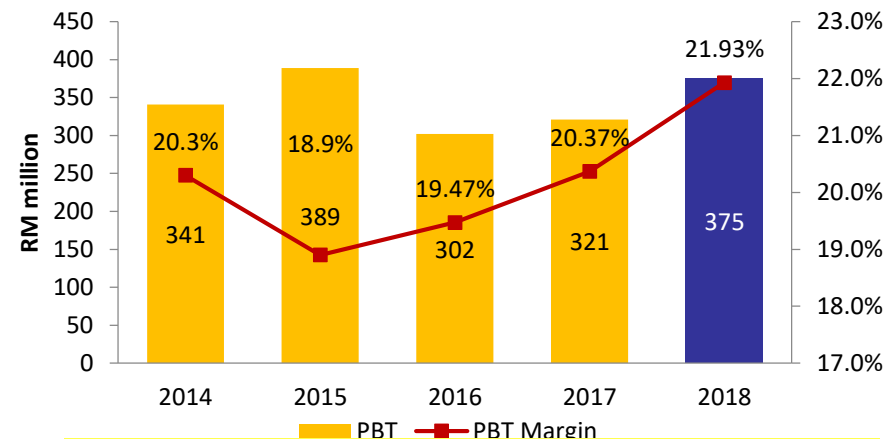


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue (RM'000)	874,600	943,476	1,012,609	1,203,565	1,416,841	1,673,898	1,788,008	1,551,319	1,576,219	1,711,862
PBT (RM'000)	98,526	118,796	178,715	226,906	294,894	341,452	388,596	302,139	321,290	375,365
PATNCI (RM'000)	40,989	65,781	120,023	135,735	175,072	221,335	248,149	169,177	208,029	265,741
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	2,551,657
ROE (%)	3.24	5.08	8.80	9.37	11.17	12.77	12.96	8.00	9.12	10.84
Borrowing (RM'000)	534,236	394,586	215,747	89,825	100,102	104,796	163,678	247,956	636,364	616,533
Gearings ratio (times)	0.42	0.30	0.15	0.06	0.06	0.06	0.08	0.11	0.27	0.24
EPS (sen)	12.44	19.97	36.43	41.39	17.52	21.42	23.31	15.75	19.36	24.79
Cash (company) (RM'000)	404,726	753,990	625,542	493,129	579,392	674,600	256,881	391,129	876,358	860,707

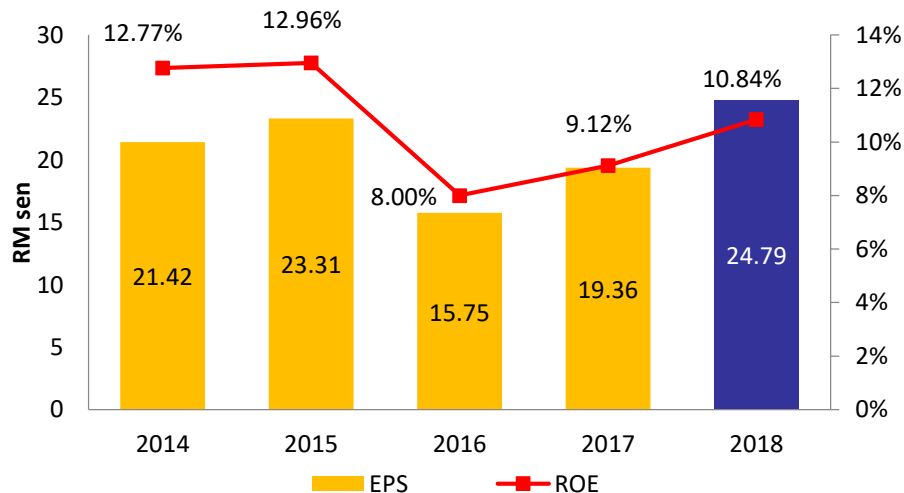
II.B Group Key Financials 2014 – 2018



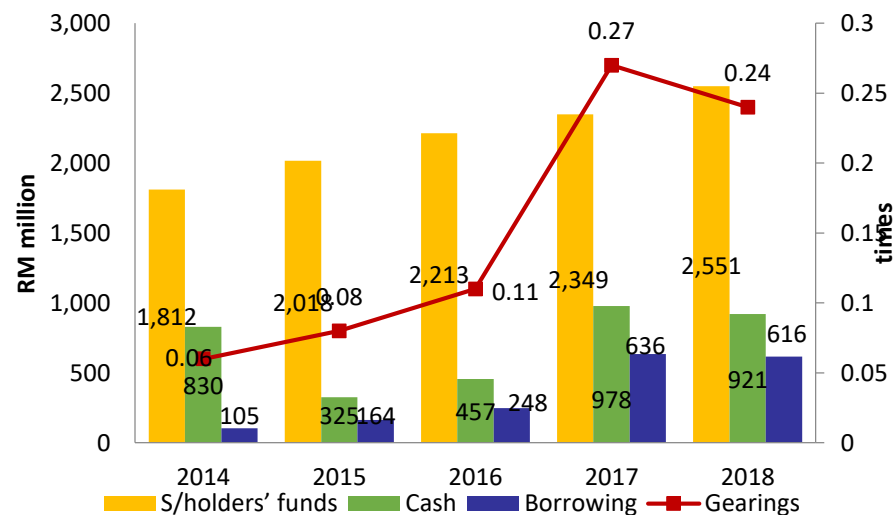
REVENUE



PBT & PBT MARGIN

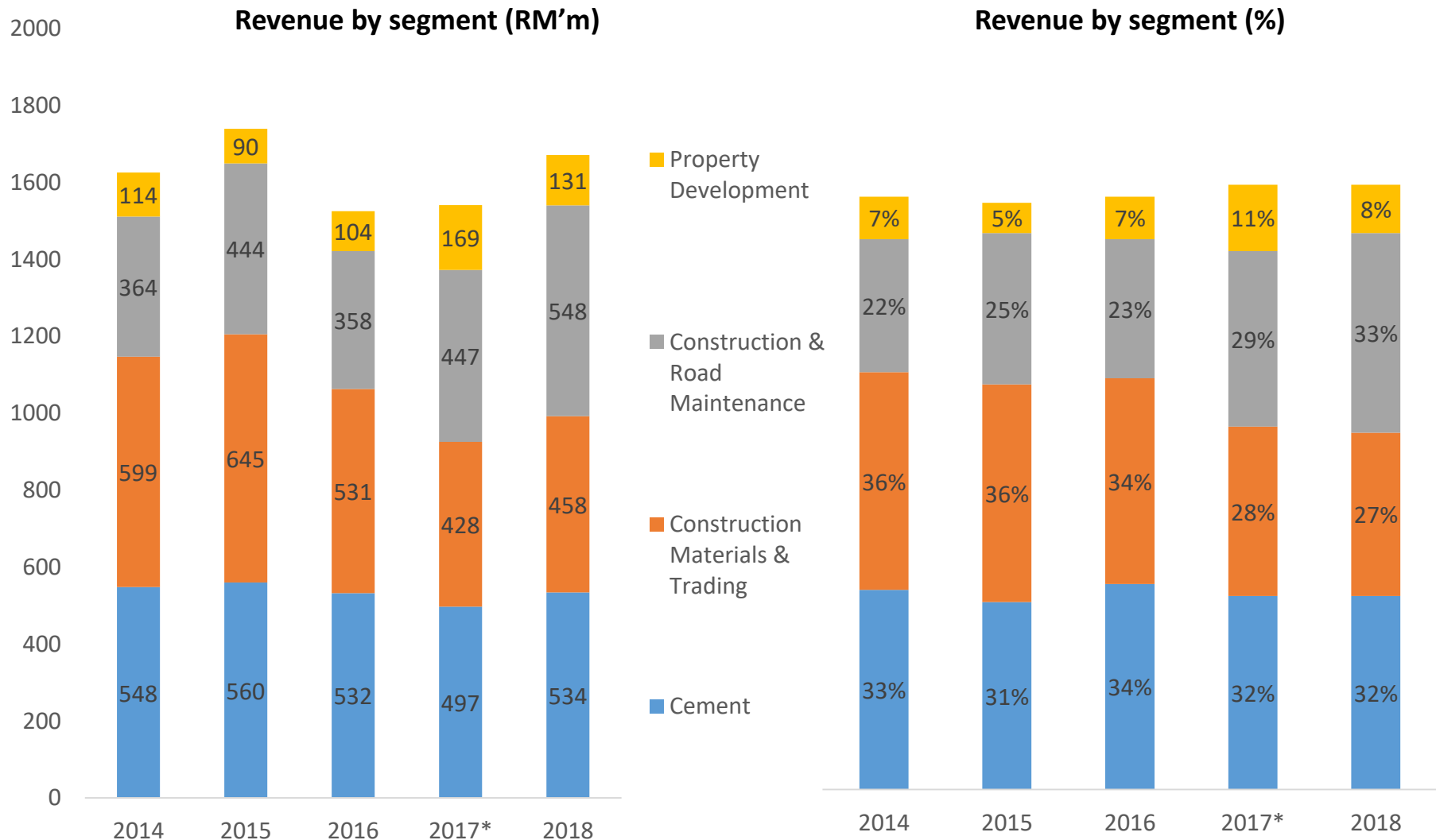


EPS & ROE



BALANCE SHEET

II.C Revenue Breakdown 2014 – 2018

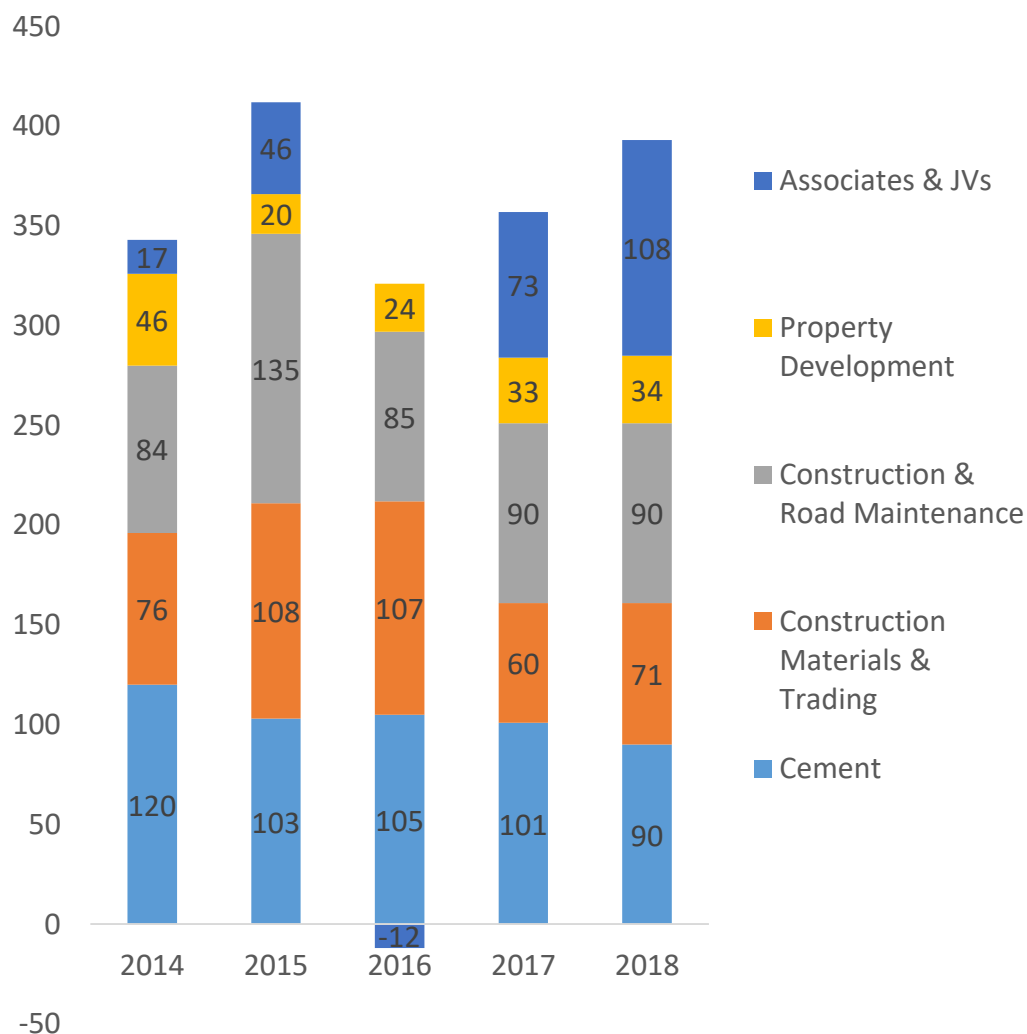


* Restated due to the adoption of MFRS 15

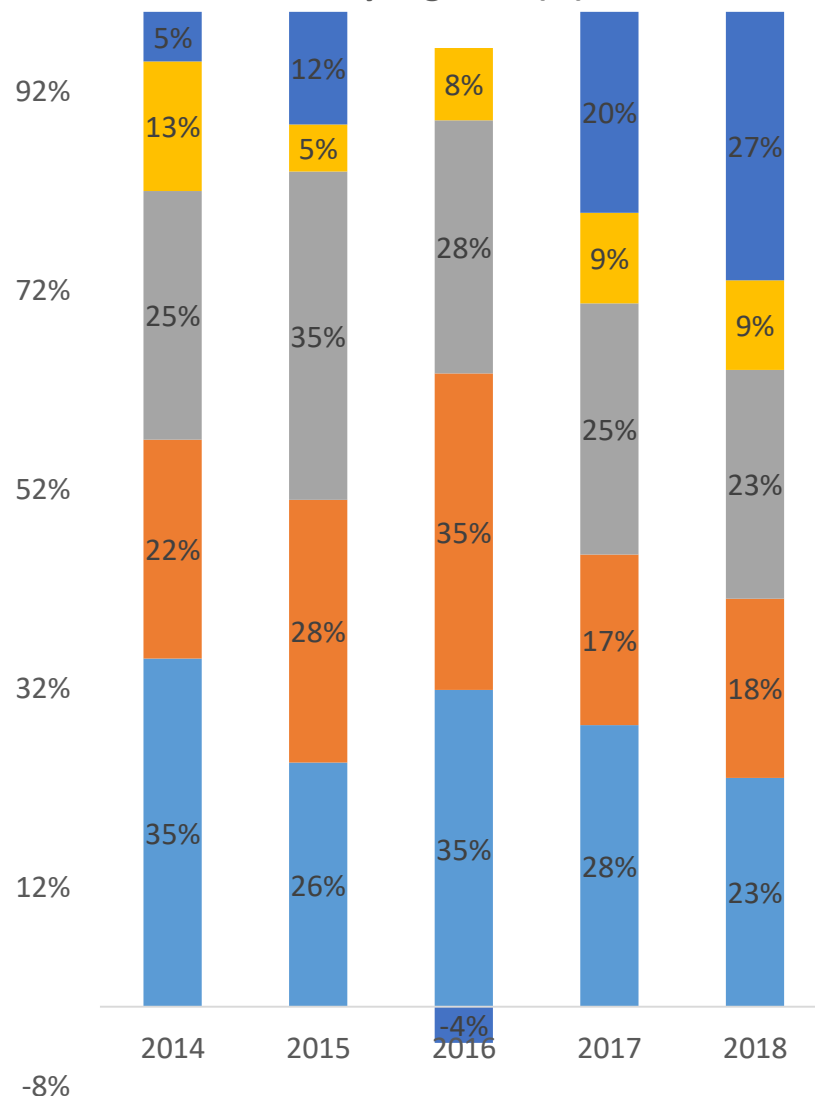
II.D PBT Breakdown 2014 – 2018



PBT by segment (RM'm)



PBT by segment (%)



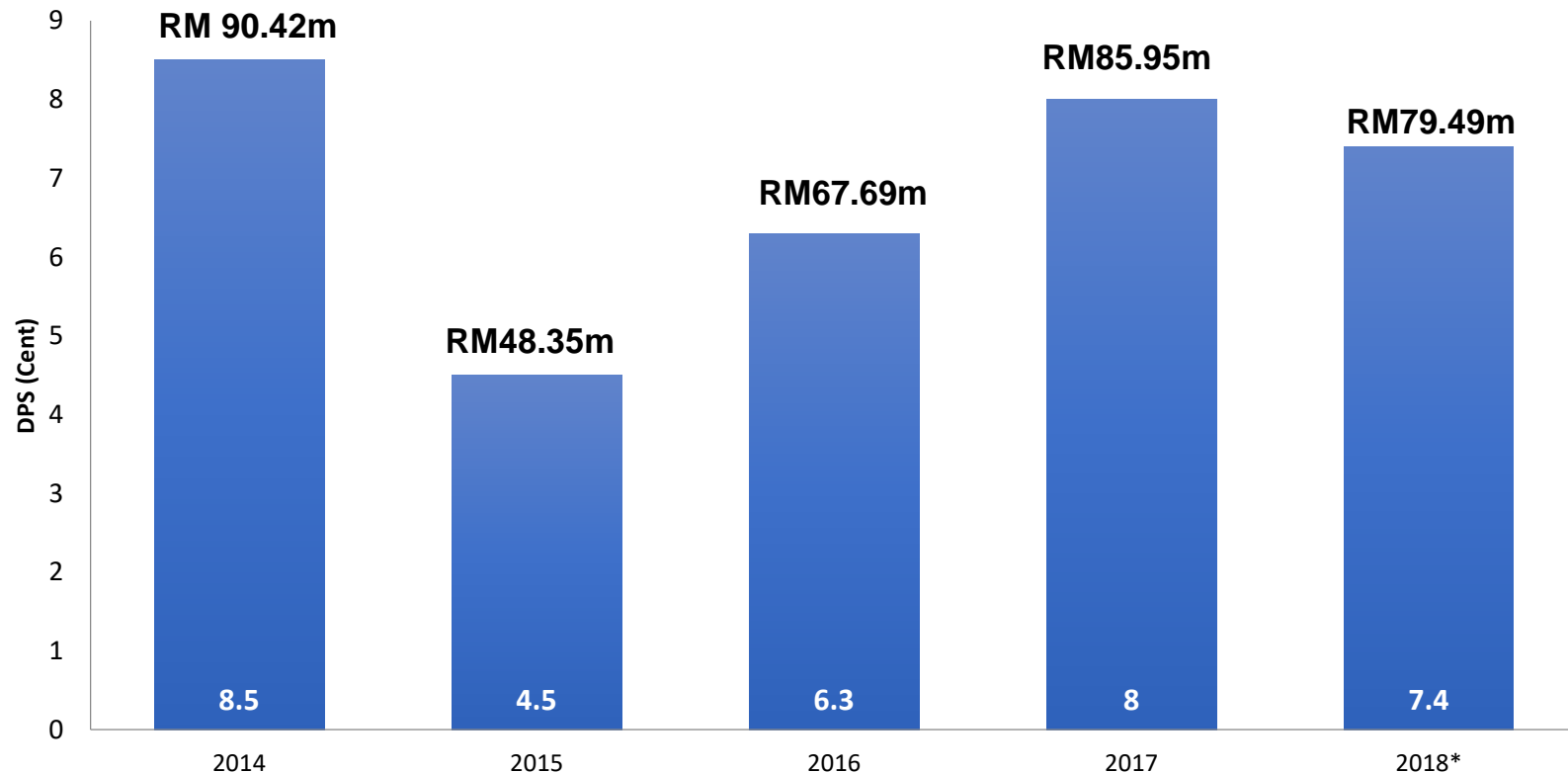
* Restated due to the adoption of MFRS 15

II.E Dividend Policy



Dividend policy since February 2019 is a minimum of 30% PATNCI, subject to minimum of 2 sen per share and other considerations.

Dividend Per Share and Payout



*Subject to shareholders' approval at the forthcoming AGM



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III. Strong Sustainability & Governance Agenda

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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

- ❑ Member of Bursa Malaysia's Green Lane Policy
- ❑ Working towards adopting the new MCCG 2017 Guideline

Corporate Social Responsibility

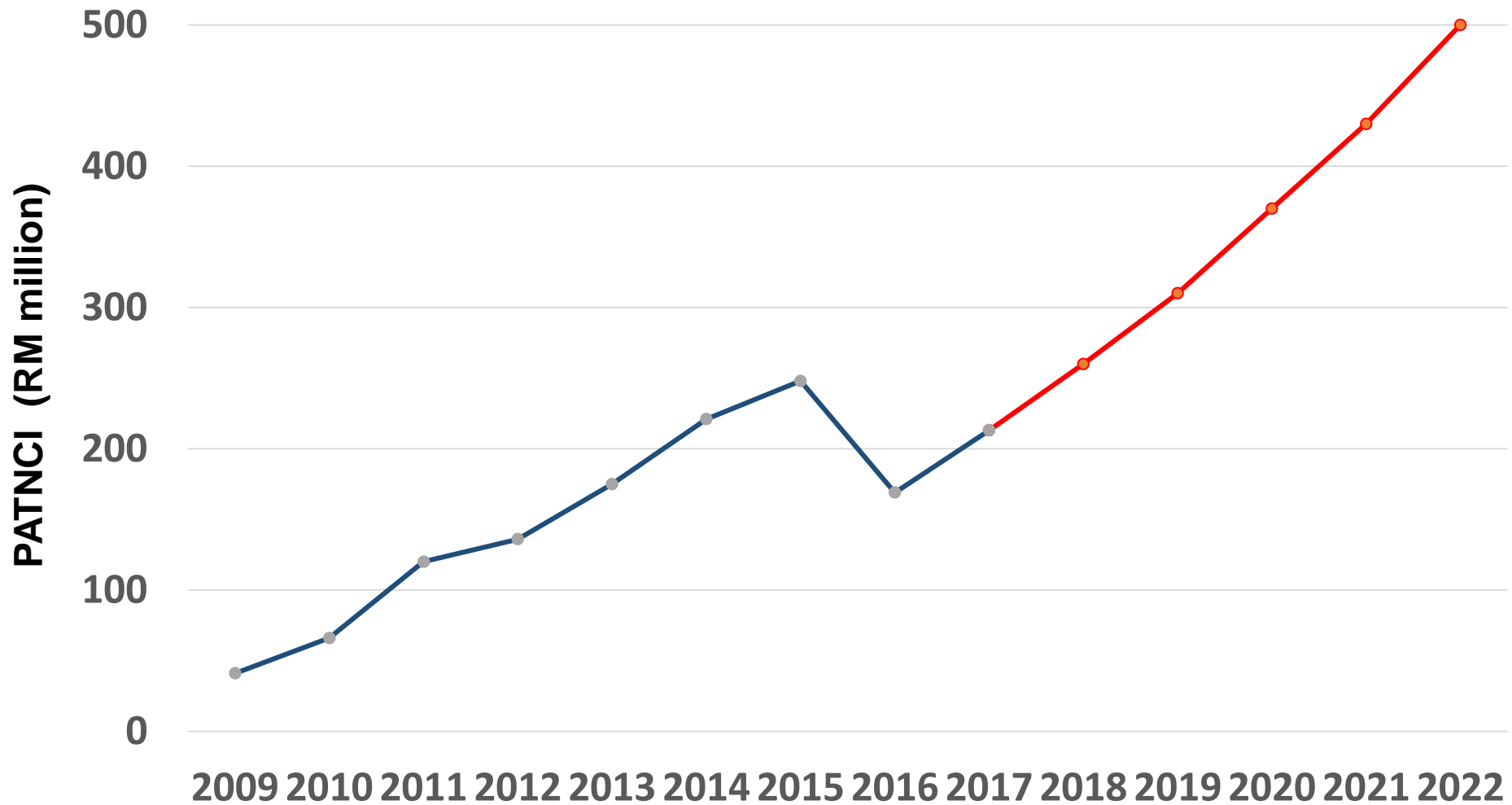
- ❑ Initiated a 'Doing Good' culture with strong focus on employee participation
- ❑ In 2017, employees volunteered 48,420 man-hours and raised RM103,479.21 through 'Doing Good' activities.
- ❑ CMS contributed approximately RM2 million to charitable causes in Sarawak in 2017



IV. Group Strategies & Going Forward



1. The First & Second Waves of Growth





2. Key Foundation Stones for the Second Wave of Growth

2.1 Clear Strategic Direction

- i. Strengthen and fortify the traditional core businesses: Cement, Construction Materials, Construction & Road Maintenance and Property Development
- ii. Stay focused on the implementation of Strategic Businesses: OMS, MPAS, SACOFA , Kenanga and KKB

2.2 A Dynamic and Engaging Top Leadership

- i. History of CMS shows growth can only happen if there is a dynamic and engaging top leadership
- ii. The new leadership team must gel and pull together quickly to drive the growth momentum

2.3 Increase Efficiency in all Businesses

- i. Pursue our mission of doing our businesses: Faster, Better and Cheaper
- ii. Complete the roll-out of the Digital Transformation programme

2.4 Embed a Strong Sustainability Culture

- i. A new sustainability blue-print will be developed to help us build on the sustainability initiatives already in place
- ii. To be a leader in good environmental practices and be an example in giving back to the community
- iii. To spawn a vibrant and performance driven workplace



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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, Coastal Road, 2nd Link Road, Water & Electricity projects and Baleh Dam**
 - **Digital economy**

2. Our 5-year target:

- ☐ To double the Group's PATNCI to RM500 million
- ☐ To be the most admired company in Sarawak



THANK YOU.

ANY QUESTIONS?