



**CAHYA MATA SARAWAK**

# Result Presentation for 9M 2019

**28 November 2019**  
**Mandarin Oriental, KL**



**FTSE4Good**



Member of Bursa Malaysia's  
Green Lane Policy for CG

Top 4 Employer of Choice in  
Sarawak: JobStreet.com

Winner of  
"CSR Leadership Gold Award"

Constituent of MSCI Malaysia  
Small Cap Index



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## **I. Rationale For Recent Leadership Changes at CMS**

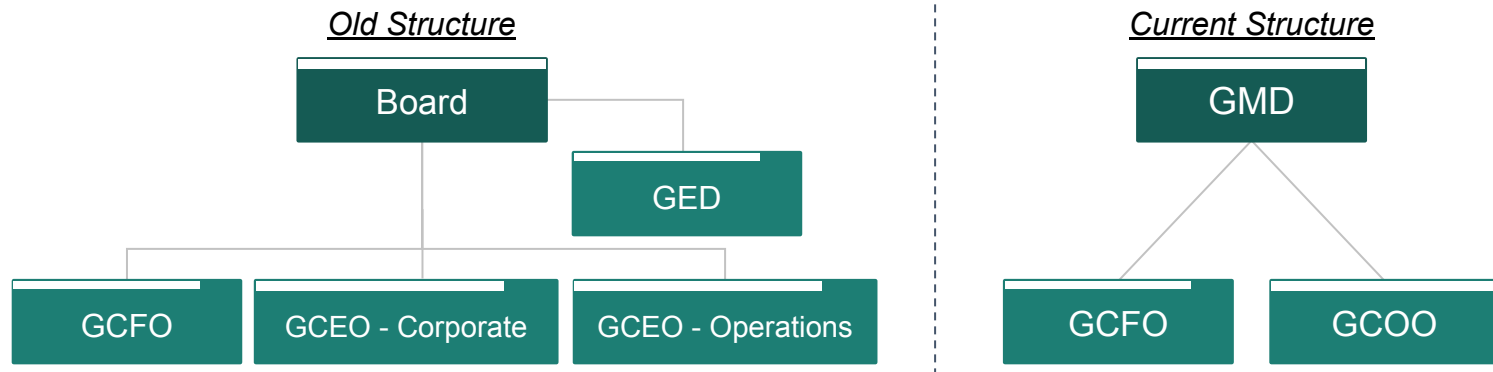
# I.A || Rationale For Recent Leadership Changes at CMS



1. To reflect the true shareholding of CMSB and dispel the myth that it is a family owned and controlled company. Currently the family has a combined shareholding of 32.75% and the combined institutional shareholding is 52.42%.

All family members have also stepped down from all executive positions and Subsidiary Boards.

2. To provide the top leadership structure with more clarity and focus.



3. The recent leadership change is part of a long-term and robust succession planning and strengthening of the governance framework initiated since as far back as 2006. Since then, various transparency, governance and sustainability initiatives had been introduced for which the Company was recognised: a constituent of FTSE4Good Index, member of Bursa Malaysia's Green Lane Policy and a leader in sustainability practices.



**Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf**  
Group Chairman  
Independent, Non-Executive Director



**Y Bhg Dato Sri Mahmud Abu Bekir Taib**  
Deputy Group Chairman  
Non-Independent, Non-Executive Director



**Y Bhg Dato Isaac Lugun**  
Group Managing Director



**Y Bhg Datuk Seri Yam Kong Choy**  
Independent, Non-Executive Director



**Y Bhg Datu Hubert Thian Chong Hui**  
Independent, Non-Executive Director



**Chin Mui Khiong**  
Independent, Non-Executive Director



**Umang Nangku Jabu**  
Non-Independent, Non-Executive Director



**Datuk Ir Kamarudin Zakaria**  
Non-Independent, Non-Executive Director



## Key Head Office Functions



**Dato Isaac Lugun**  
Group Managing Director  
(23 years in CMS)



**Goh Chii Bing**  
Group Chief Operating Officer  
(27 years in CMS)



**Tuan Syed Hizam Alsagoff**  
Group Chief Financial Officer  
(14 years in CMS)

## Key Business Divisions



**Karim Reduan**  
CEO of the Construction &  
Road Maintenance Division  
(1 year in CMS)



**Vincent Kueh Hoi Chuang**  
ED/CEO of the Property  
Development Division  
(7 years in CMS)



**Suhadi bin Sulaiman**  
CEO of Cement Division  
(14 years in CMS)



**Chong Swee Sin**  
CEO of Construction Materials &  
Trading Division  
(28 years in CMS)



**Lim Lee Wan**  
MD of Malaysian Phosphate Additive Sdn Bhd



**Karl Vink**  
Chief Information Officer  
(1 year in CMS)



**Mohd Zaid Zaini**  
MD of Sacofa Sdn Bhd  
(5 years in CMS)



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## **II. Business Overview**

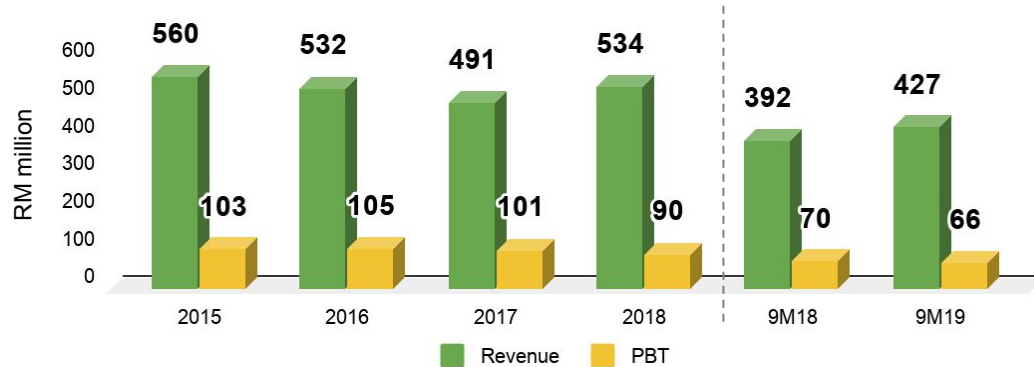
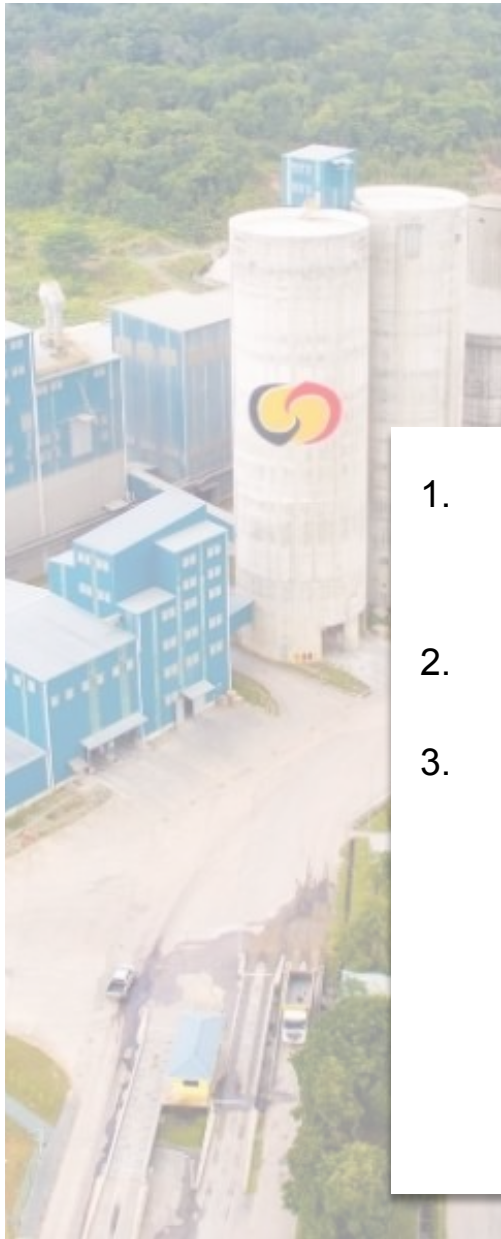


## II.A || Overall Group Result

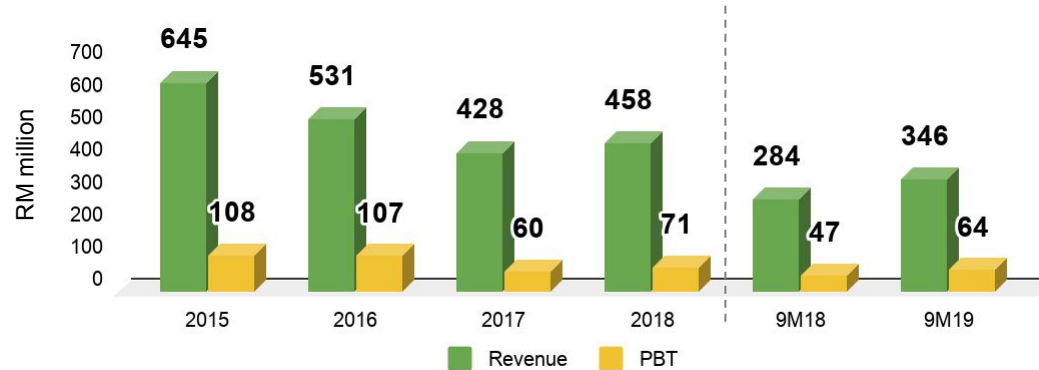


1. The Group reported a total revenue of RM1.28 billion for 9M 2019, representing a 6% increase from 9M 2018's revenue of RM1.22 billion
2. The Group's PBT of RM230.85 million for 9M 2019 decreased by 20% against 9M 2018's PBT of RM289.25 million and PATNCI was lower by 26%: RM154.93 million vs RM208.62 million.
3. The weaker performance for 9M 2019 is mainly due to lower profit contribution from OM Materials and our Traditional Core Businesses
4. The two major challenges for CMS will continue to be:
  - 4.1. The changing political landscape, which is springing out new competitors in almost all of CMS' business sectors; and
  - 4.2. The depressed commodity market.

## II.B || Traditional Core Businesses - Cement

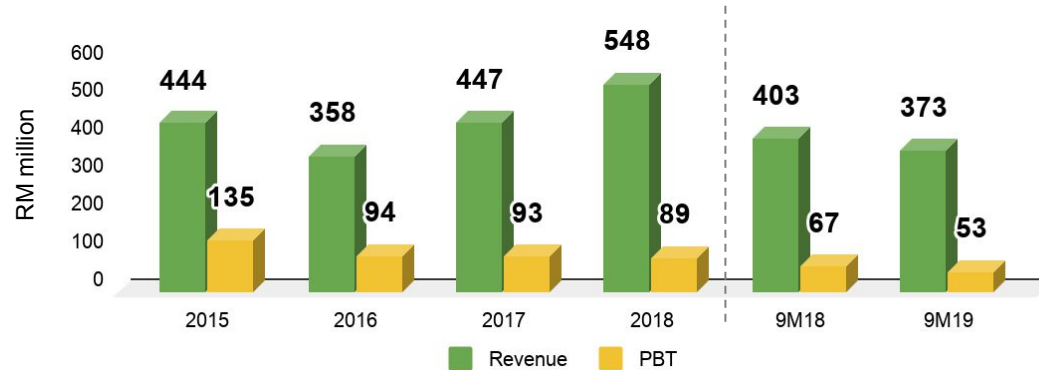
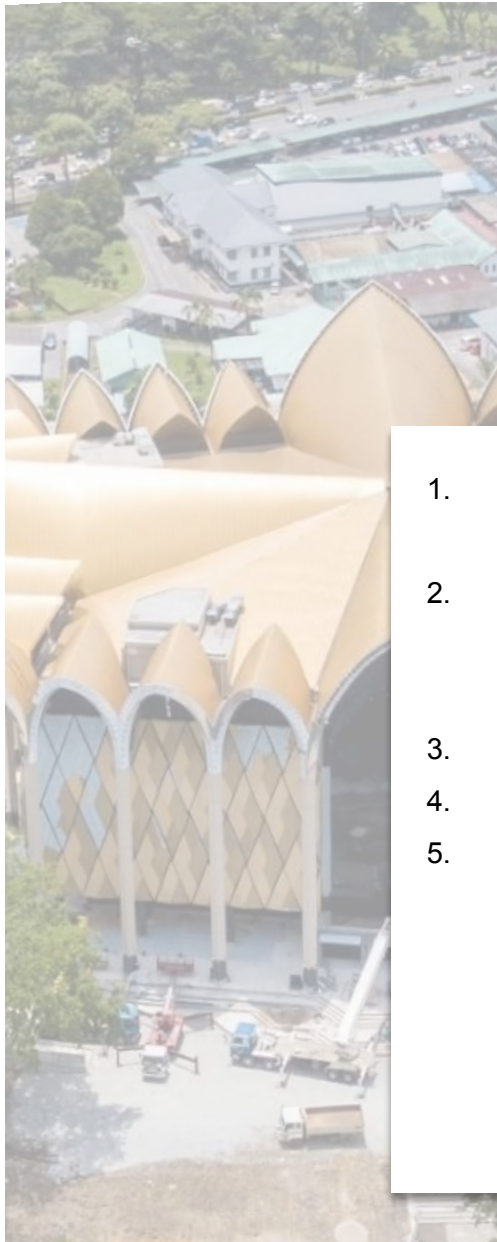


1. For 9M 2019, reported revenue of RM427.42 million (9M 2018: RM391.76 million) and PBT of RM65.52 million (9M 2018: RM70.37 million)
2. Lower PBT mainly due to higher imported clinker and coal costs
3. Going forward, the prospects of the Division are:
  - 3.1. The price of imported clinker continues to be a challenge; and
  - 3.2. Unprecedented spike in major infrastructure projects in Sarawak in the run-up to the 2021 State election will increase demand and revenue



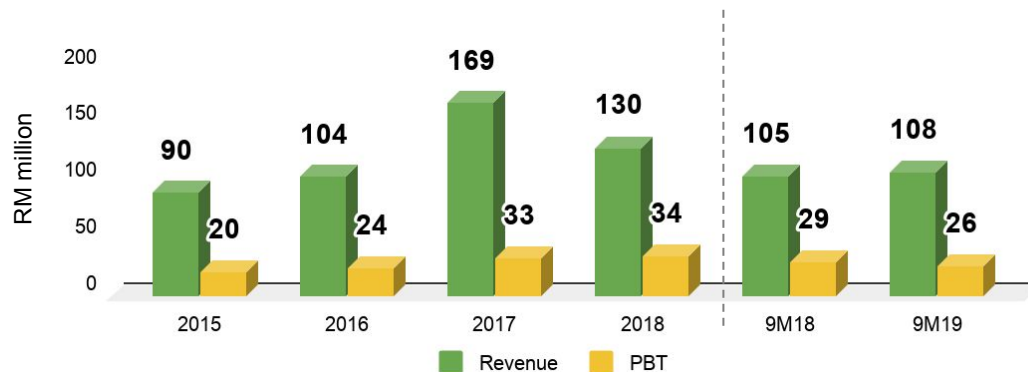
1. For 9M 2019, reported revenue of RM345.73 million (9M 2018: RM283.79 million) and PBT of RM63.59 million (9M 2018: RM47.39 million)
2. Improved PBT by 34% was the result of:
  - 2.1. Improved revenue by 19% and 1% higher gross profit margin; and
  - 2.2. Even without the reversal of provision of RM9 million, PBT increase would be 15%
3. Going forward, the prospects of the Division are:
  - 3.1. Commissioning of second line of 1.3 MTpa at Sibanyis quarry and contribution of 1 MTpa from the just acquired Borneo Granite will fill void left by closure of Penkuari;
  - 3.2. Have firmed up dedicated sources for supply of quarry sand; and
  - 3.3. Unprecedented spike in infrastructure projects in Sarawak in the run-up to the 2021 State election will increase demand and revenue.

## II.D || Traditional Core Businesses – Construction & Road Maintenance



1. For 9M 2019, reported revenue of RM373.21 million (9M 2018: RM403.23 million) and PBT of RM52.75 million (9M 2018: RM66.51 million)
2. Lower construction revenue due to:
  - 2.1. Completion of works; and
  - 2.2. Expiry of Federal road maintenance contract on 31 August 2018
3. Lower gross profit margin by 2% as arrears amounting to RM3.5 million were received in 2018
4. Current orderbook stands at approximately RM1.32 billion
5. Going forward, the prospects of the Division are:
  - 5.1. Awarded a RM466.68 million Coastal Road package (Bintulu-Jepak Bridge) in March 2019 to PPES Works - CCCC JV and pursuing additional packages;
  - 5.2. Unprecedented spike in infrastructure projects in Sarawak in the run-up to the 2021 State election will present more work opportunities; and
  - 5.3. On State road maintenance, we are confident to continue to play a dominant role.

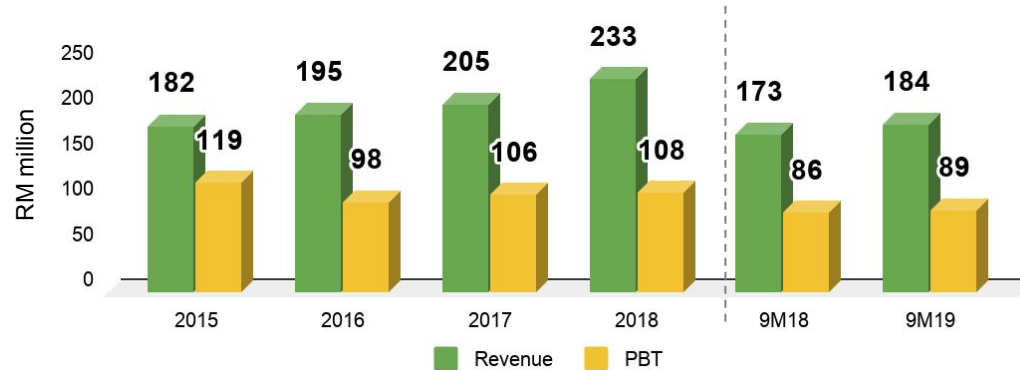
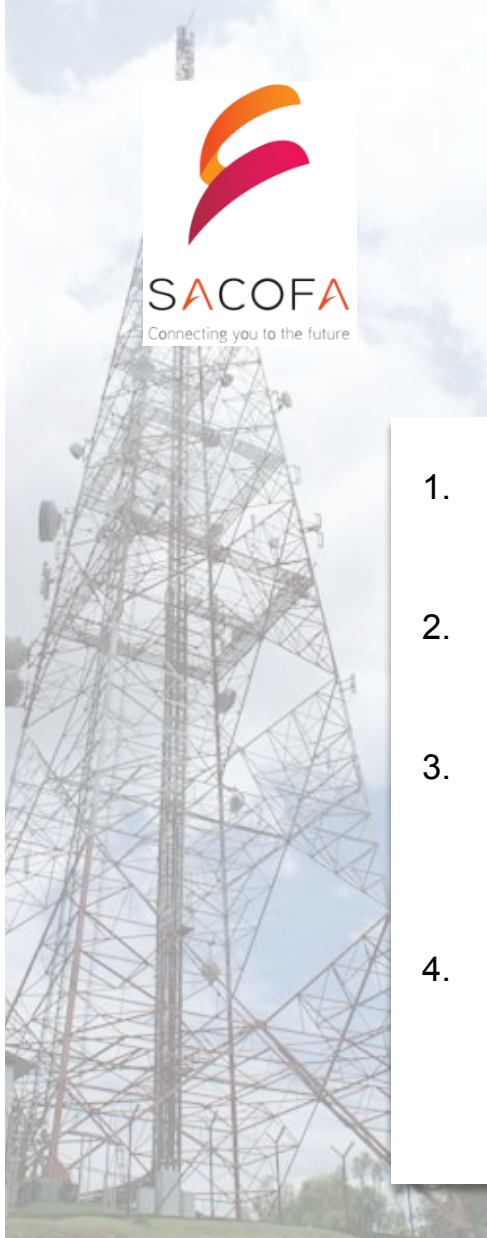
## II.E || Traditional Core Businesses – Property Development



1. For 9M 2019, reported revenue of RM108.33 million (9M 2018: RM105.07 million) and PBT of RM26.35 million (9M 2018: RM29.04 million)
2. Financial performance during 9M 2019 was due to:
  - 2.1. Profit recognition of RM10.9 million from land sale in 1Q 2019;
  - 2.2. Higher number of condominium units sold; and
  - 2.3. Higher rental income from unsold apartments in Samalaju
3. The prospects for this Division in 2020 is challenging:
  - 3.1. Softening property market; and
  - 3.2. Development of its flagship Rivervale project has come to an end
4. The Division will focus on landed houses at affordable prices where there still is demand. Planning approval has also been secured for 500 units of affordable homes



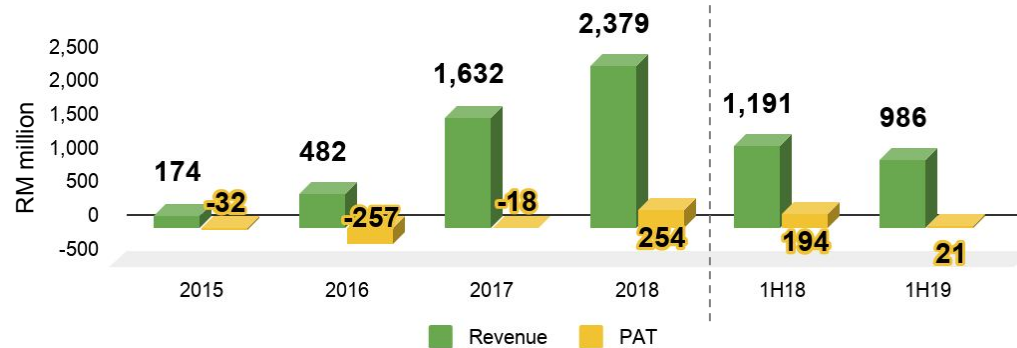
## II.F || Strategic Investments ICT – SACOFA



1. For 9M 2019, reported revenue of RM184.32 million (9M 2018: RM173.11 million) and PBT of RM88.85 million (9M 2018: RM86.25 million)
2. Has constructed, maintain and operate approximately 1,350 towers and more than 10,500 km of fibre optic cable
3. A business with strong margin. Competitors have emerged in the tower construction business but the company is confident to maintain its dominance due to its first mover advantage
4. The prospects for the company remains positive as it capitalises on the State's push to fully embrace the Digital Economy with a State allocation of RM1 billion for the development of telco-infrastructure



OM MATERIALS (SARAWAK)



1. The prospects for this company is challenging and in the immediate term will be impacted by:
  - 1.1. The trade war between China and US; and
  - 1.2. The weak recent commodity price
2. The Group remains confident on OMS' longer-term prospects due to its strong underlying fundamentals



# MPAS

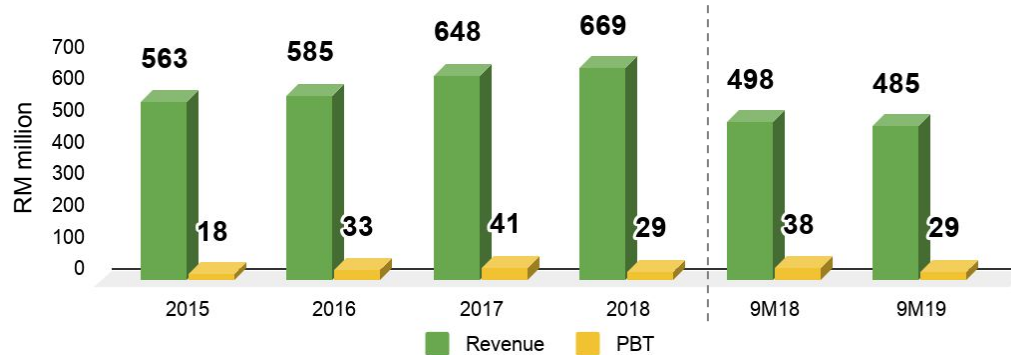
1. The project is now implemented in 2 phases. Total investment for Phase I is approximately RM900 million to be funded via mixture of shareholders' equity and long-term loan
2. Financing facility of RM400 million for Phase I is secured
3. Work on Phase I has commenced on 1 September 2018 and scheduled for completion and commissioning in 4Q 2020
4. CMS increased its footprint in SCORE by increasing its stake in MPAS to 60% in January 2019



## II.F || Strategic Investments – Kenanga

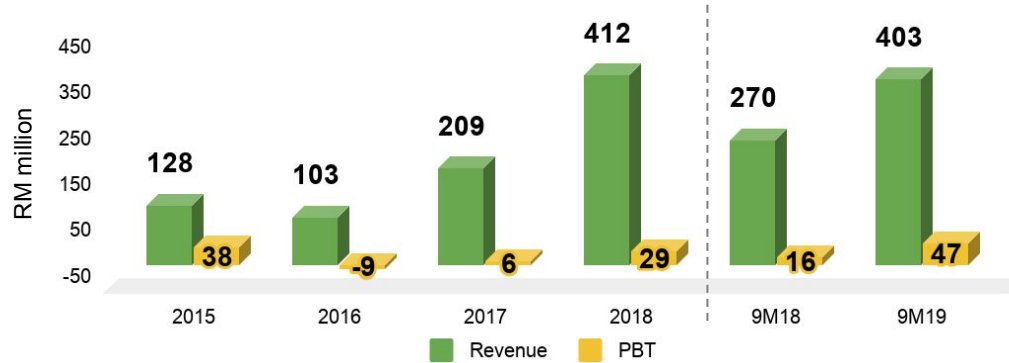


kenanga



1. For 9M 2019, reported revenue of RM485.11 million (9M 2018: RM498 million) and PBT of RM28.52 million (9M 2018: RM38.27 million)
2. One of top three largest brokerage houses in Malaysia, with one of the largest pools of remisiers in the country
3. 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

# II.F || Strategic Investments – KKB Engineering



1. For 9M 2019, KKB registered revenue of RM403 million (9M 2018: RM269.93 million) and PBT of RM46.68 million (9M 2018: RM16.36 million)
2. Going forward, we are positive on the prospects of this company as it recently secured:
  - 2.1. A three-year Petronas-Approved Supplier license for “Offshore Facilities Const-Major Onshore Fabrication”;
  - 2.2. Phase I of the State Water Grid project;
  - 2.3. Supply of steel products for State Electricity project;
  - 2.4. Two water supply contracts for the Sarawak Water Supply Grid Programme;and
  - 2.5. Additional supply orders for pipes from various corporations
3. The healthy order book of RM800 million will keep KKB occupied through FY21.



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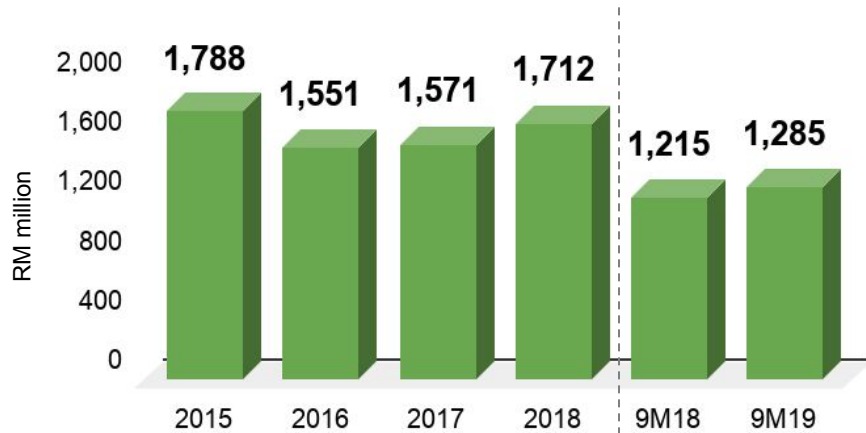
### **III. Financial Highlights**

# III.A || Group Finances

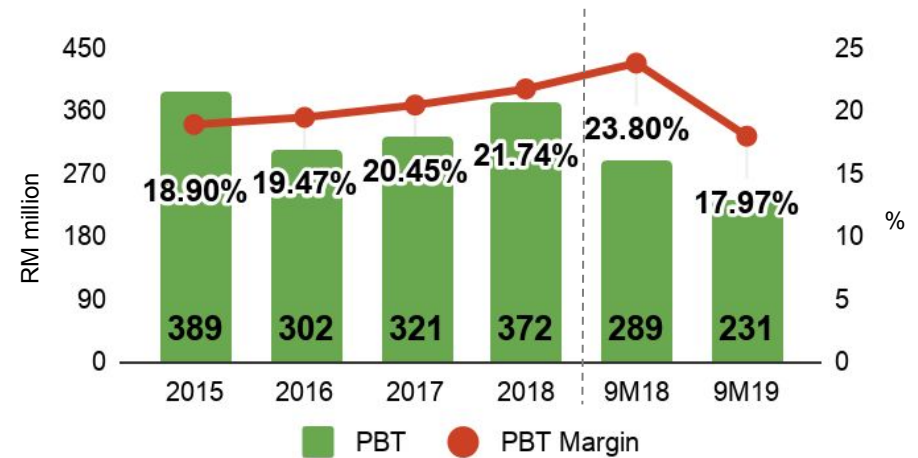


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	9M 2019
Revenue (RM'000)	874,600	943,476	1,012,609	1,203,565	1,416,841	1,673,898	1,788,008	1,551,319	1,570,924	1,712,244	1,284,527
PBT (RM'000)	98,526	118,796	178,715	226,906	294,894	341,452	388,596	302,139	321,290	372,324	230,851
PATNCI (RM'000)	40,989	65,781	120,023	135,735	175,072	221,335	248,149	169,177	208,029	262,135	154,927
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	2,350,269	2,548,906	2,639,318
ROE (%)	3.24	5.08	8.80	9.37	11.17	12.77	12.96	8.00	9.12	10.70	5.97
Borrowing (RM'000)	534,236	394,586	215,747	89,825	100,102	104,796	163,678	247,956	636,364	616,533	800,935
Gearings ratio (times)	0.42	0.30	0.15	0.06	0.06	0.06	0.08	0.11	0.27	0.24	0.31
EPS (sen)	12.44	19.97	36.43	41.39	17.52	21.42	23.31	15.75	19.36	24.45	14.44
Cash (company) (RM'000)	404,726	753,990	625,542	493,129	579,392	674,600	256,881	391,129	876,358	860,707	461,202

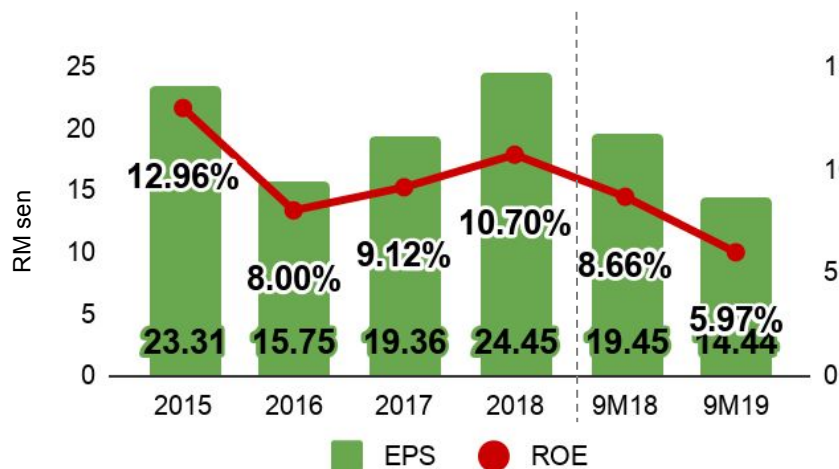
# III.B || Group Key Financials 2015 – 9M 2019



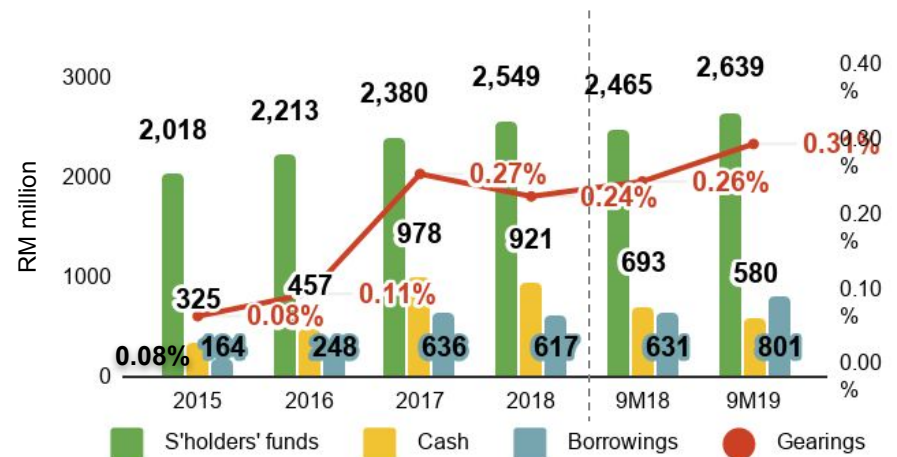
**REVENUE**



**PBT & PBT MARGIN**



**EPS & ROE**



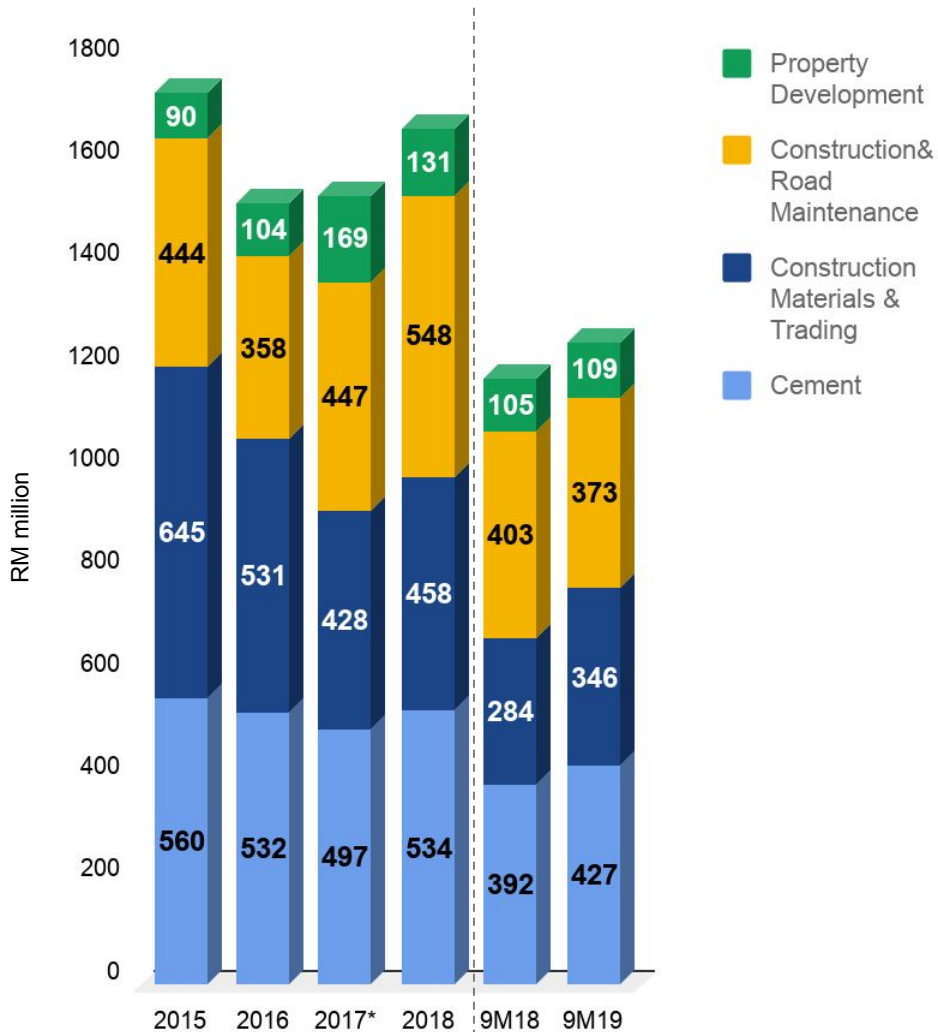
**BALANCE SHEET**

\* Restated due to the adoption of MFRS 15

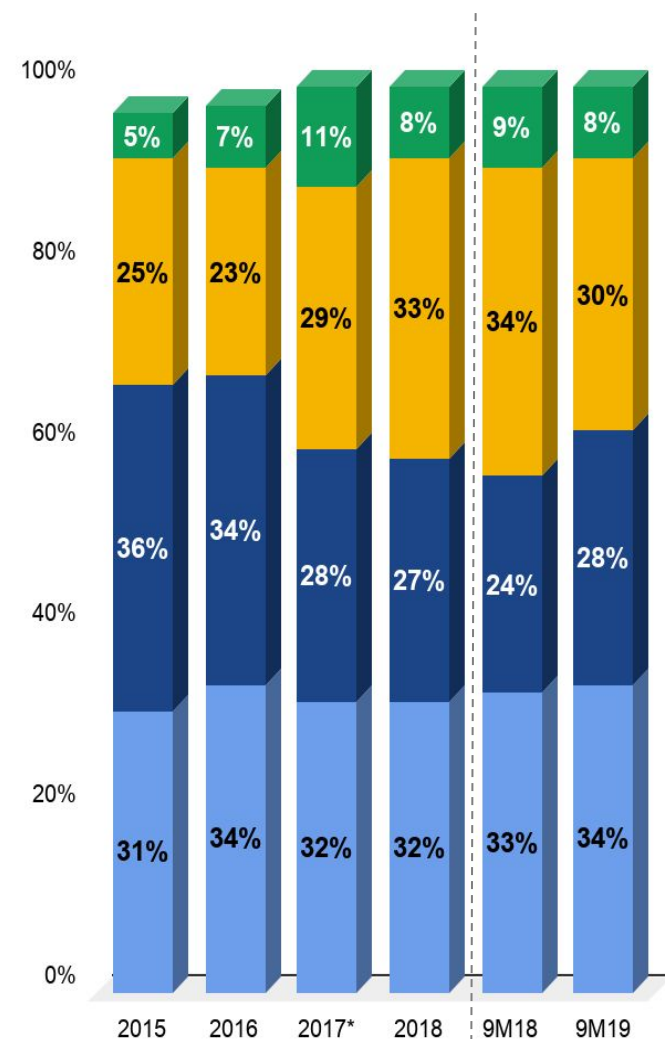
# III.C || Revenue Breakdown 2015 – 9M 2019



Revenue by segment (RM'm)



Revenue by segment (%)



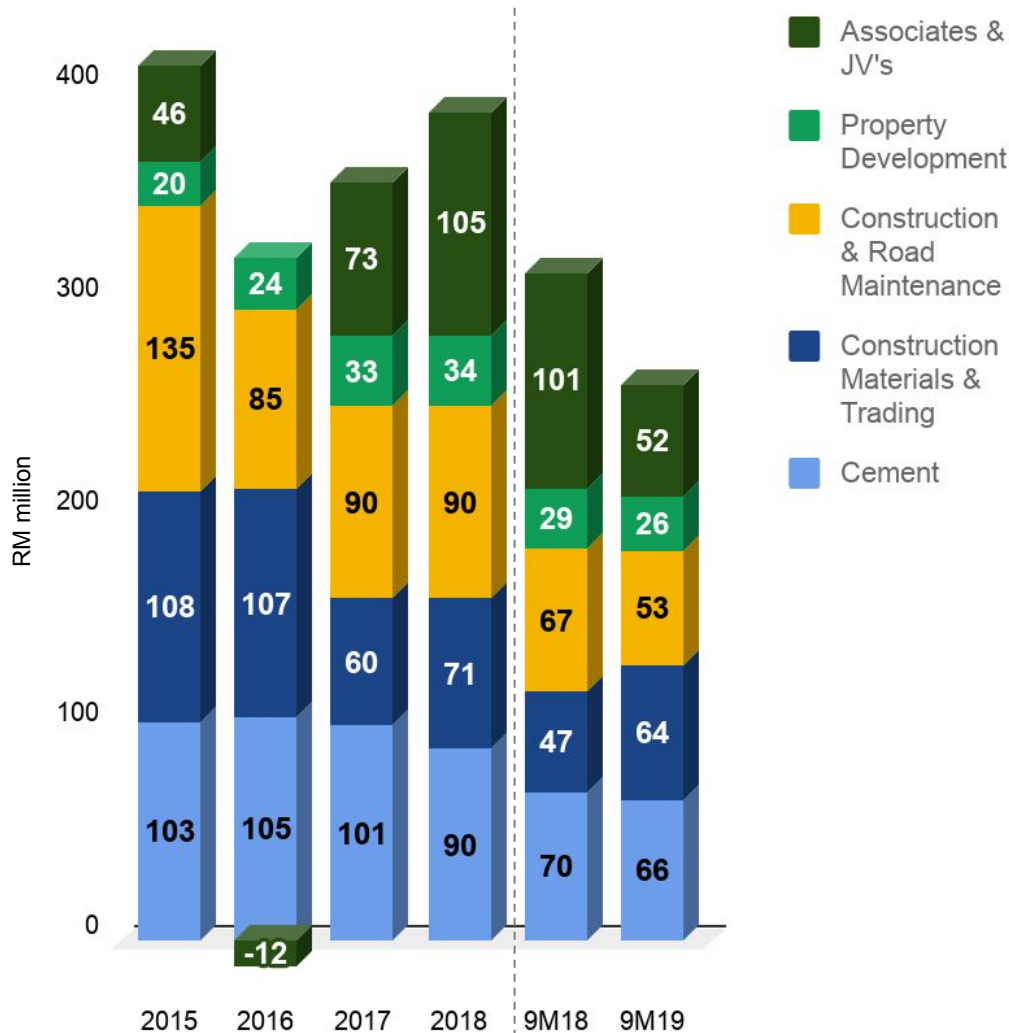
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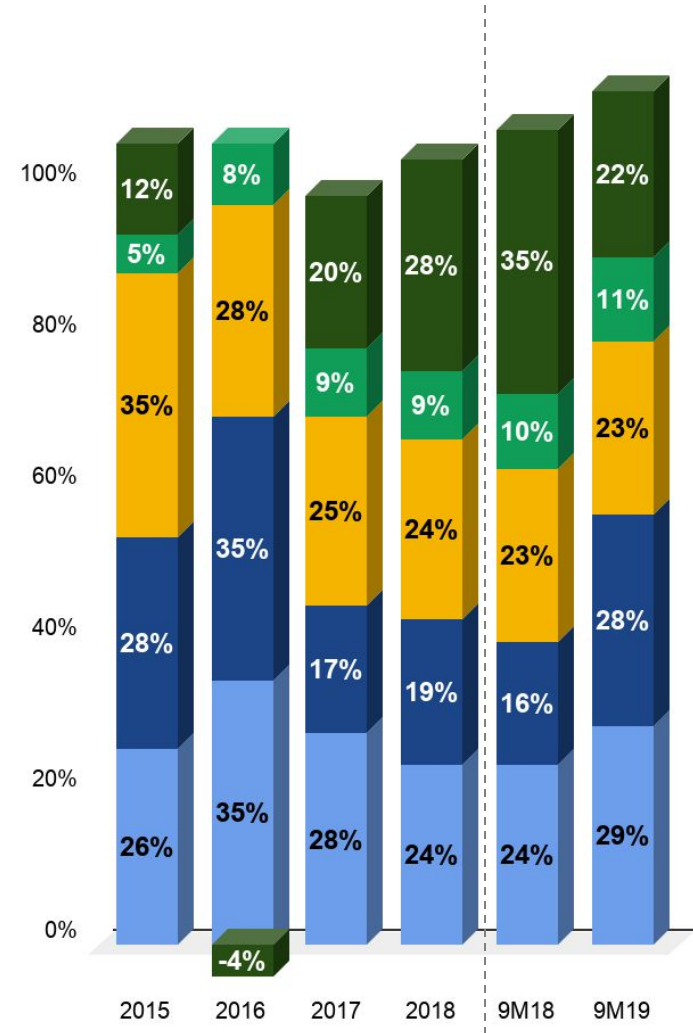
# III.D || PBT Breakdown 2015 – 9M 2019



PBT by segment (RM'm)



PBT by segment (%)

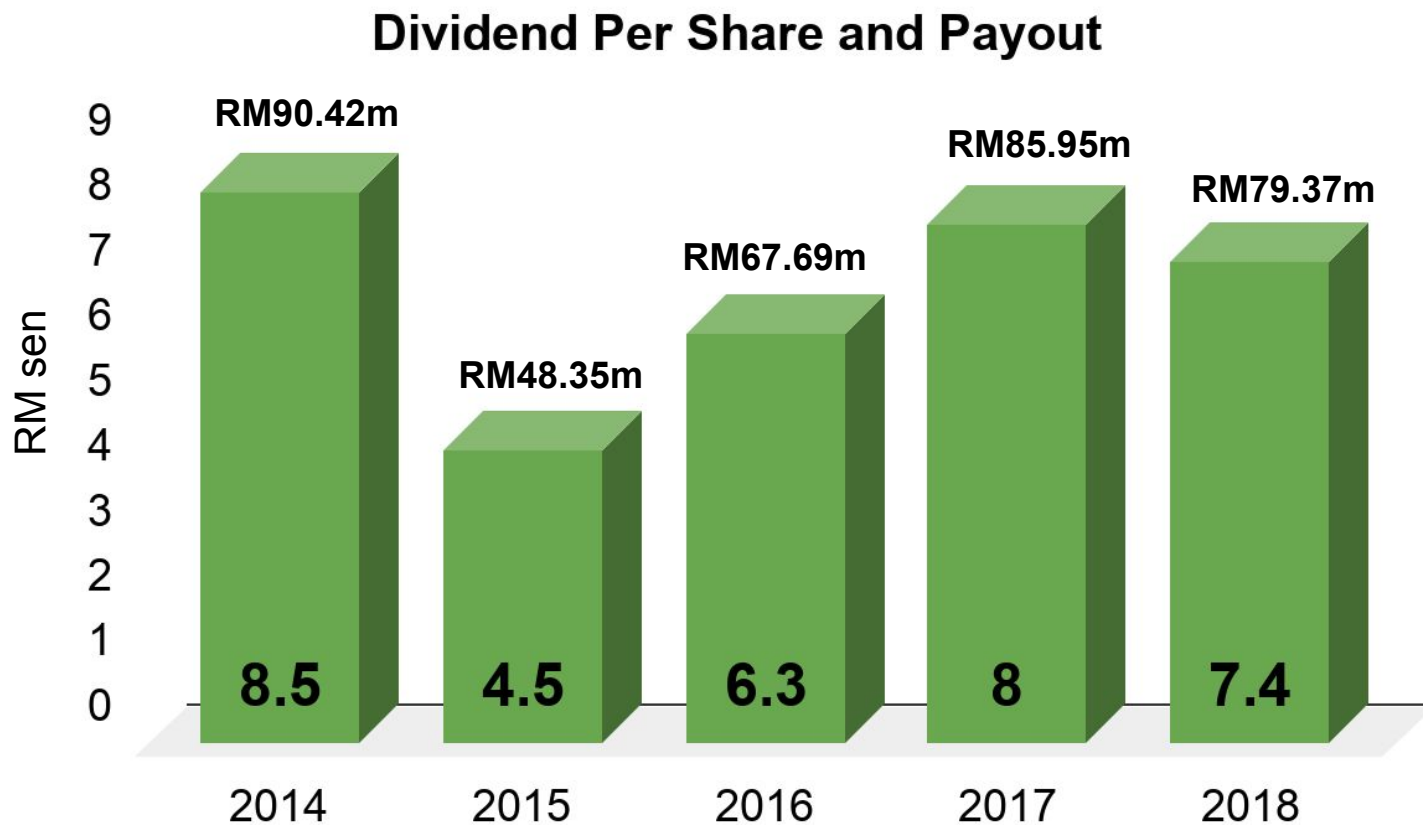


\* Restated due to the adoption of MFRS 15

## III.E || Our Dividend Policy



Dividend policy from 2019 will be a minimum of 30% PATNCl, subject to minimum of 2 sen per share and other considerations: availability of cash, ROE & Retained Earnings and projected CAPEX / investments







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## **IV. Sustainability & Governance Achievements**

# IV. || Sustainability & Governance Achievements



## Sustainability

- ◆ CMS is the only Sarawak company to be made a constituent of the FTSE4Good index and one out of 71 companies in Malaysia
- ◆ Won the “CSR Leadership Gold Award” at the Global CSR Awards in April 2019



FTSE4Good

## Governance

- ◆ CMS is the only Sarawak company to qualify as member of Bursa Malaysia’s Green Lane Policy due to our good track record of public disclosure
- ◆ CMS received Bronze and Silver Awards for its 2017’s Annual Report and Sustainability Report respectively from the Australasian Reporting Agency (ARA)

## Awards and Recognition

- ◆ Ranked as one of top 4 employers in Sarawak by JobStreet.com
- ◆ Awarded the “BrandLaureate - Conglomerate Award 2019” at the BrandLaureate World Best Brands Awards 2019

## Employee Volunteerism

- ◆ We are taking a lead in this area:
  - ◆ 2016: 45,534 man-hours
  - ◆ 2017: 48,428 man-hours
  - ◆ 2018: 50,421 man-hours



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## **V. Group Outlook**



## 1. A Three-Pronged Strategy

- 1.1. Reposition and fortify all traditional core businesses
- 1.2. Fully implement and grow the strategic businesses
- 1.3. Reposition and strengthen the CMS brand

## 2. Key Foundation Stones for the Strategy

- 2.1. Integrity, Grit, Respect, Team Work and Accountability
- 2.2. A visionary, unified and engaging leadership
- 2.3. Introduce transformational efficiencies into all businesses focusing on innovation, quality, cost and delivery through the employment of digital technology
- 2.4. Embed sustainability as a culture in CMS emphasizing care for the customers, environment, employees and the community

## 3. 5-Year Target

- 3.1. Grow the Group's PATNCI to RM500 million;
- 3.2. Be the most admired public-listed company in Sarawak

# V.B || To Grow the Annual PATNCI to RM500 mil in Five Years

