



**CAHYA MATA SARAWAK**

# **CAHYA MATA SARAWAK BERHAD'S 44<sup>TH</sup> ANNUAL GENERAL MEETING KUCHING | 30 APRIL 2019**

**PRESENTATION BY Y BHG DATO ISAAC LUGUN  
GROUP CEO - CORPORATE**

Member of Bursa  
Malaysia's Green  
Lane Policy for  
CG

Winner of  
"CSR Leadership  
Gold Award"



FTSE4Good

Amongst Top 4  
Employers of  
Choice in Sarawak:  
JobStreet.com

Constituent of  
MSCI Malaysia  
Small Cap Index



## 1. Unprecedented change of Federal Government

- 1.1 CMS adversely affected on multiple fronts
- 1.2 CMS share prices plummeted from RM4.13 to RM1.74 losing RM2 billion of market capitalisation
- 1.3 Redoubled our engagement with investors, research houses and fund managers emphasising our business fundamentals remain unchanged
- 1.4 CMS made the best recovery and came out of this dark episode as a stronger company

## 2. Across the Board Leadership Changes at CMS

- |   |  |
|---|--|
| 2.1 Group Chairman  | - Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf                       |
| 2.2 Group CEOs  | - Y Bhg Dato Isaac Lugun (Corporate)<br>Goh Chii Bing (Operations) |
| 2.3 Head of Cement<br>Deputy Head of Cement   | - Suhadi Bin Sulaiman<br>- Teo Choi Ngo                            |
| 2.4 Head of Construction & Road Maintenance<br>Deputy Head of Construction & Road Maintenance | - Karim Reduan<br>- Wong See Yong                                  |
| 2.5 CEO of MPA (Sarawak)  | - Goh Chii Yew   |
| 2.6 CIO of Group Technology Services  | - Karl Vink  |
| 2.7 Head of Corporate Reputation & Communications   | - Jason Lee Kheng Swee   |

The impact is not immediate but will certainly be seen in the long-term direction and financial performance of the company.

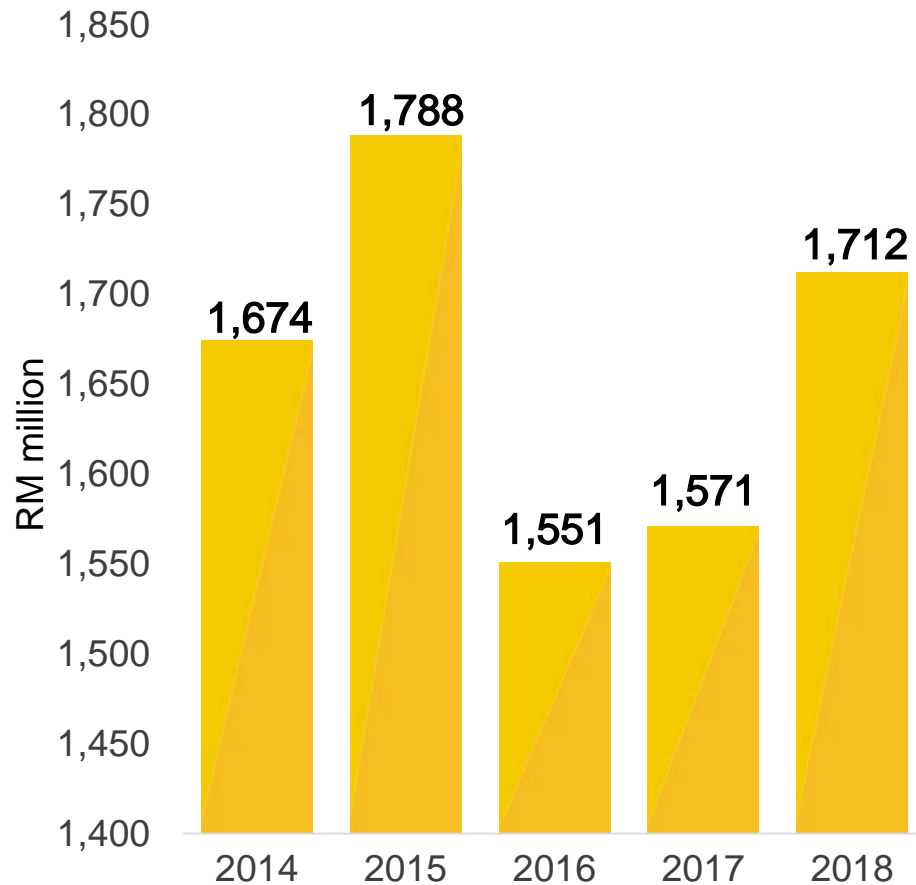


1.	2017	2018	% Increase
<b>Revenue</b>	RM1.58 Bil	RM 1.71 Bil	9%
<b>PATNCI</b>	RM 208.03 Mil	RM 262.14 Mil	26%

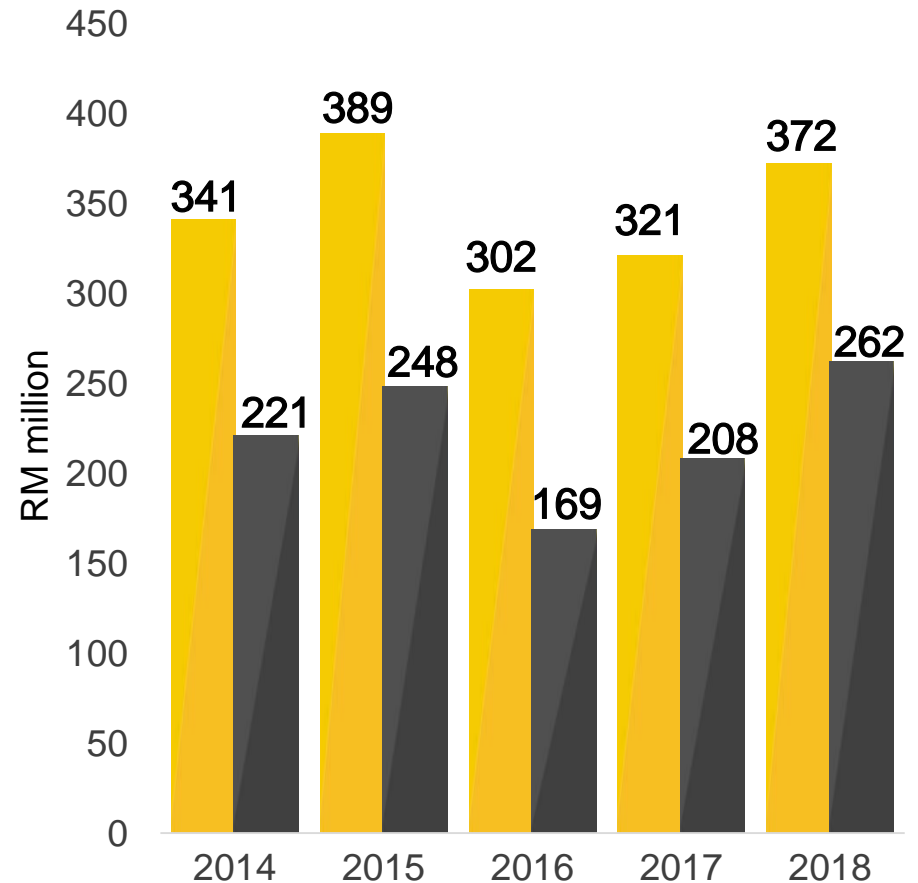
2. The Group's PATNCI of RM262.14 million for 2018 is a record as it eclipsed the previous all-time high of RM248.15 million achieved in 2015
3. The improvement was mainly due to the quantum leap in the performance of its associates as their PATNCI catapulted by 159% to RM105.34 million in 2018 from RM40.64 million in 2017
4. The main contributor to this astounding performance is the strong turnaround of OMS in 2018 as its plant achieved full production and commodity prices improved. Our 25% share achieved a PATNCI of RM63.84 million for 2018 compared to loss of RM5.43 million for 2017



## Revenue

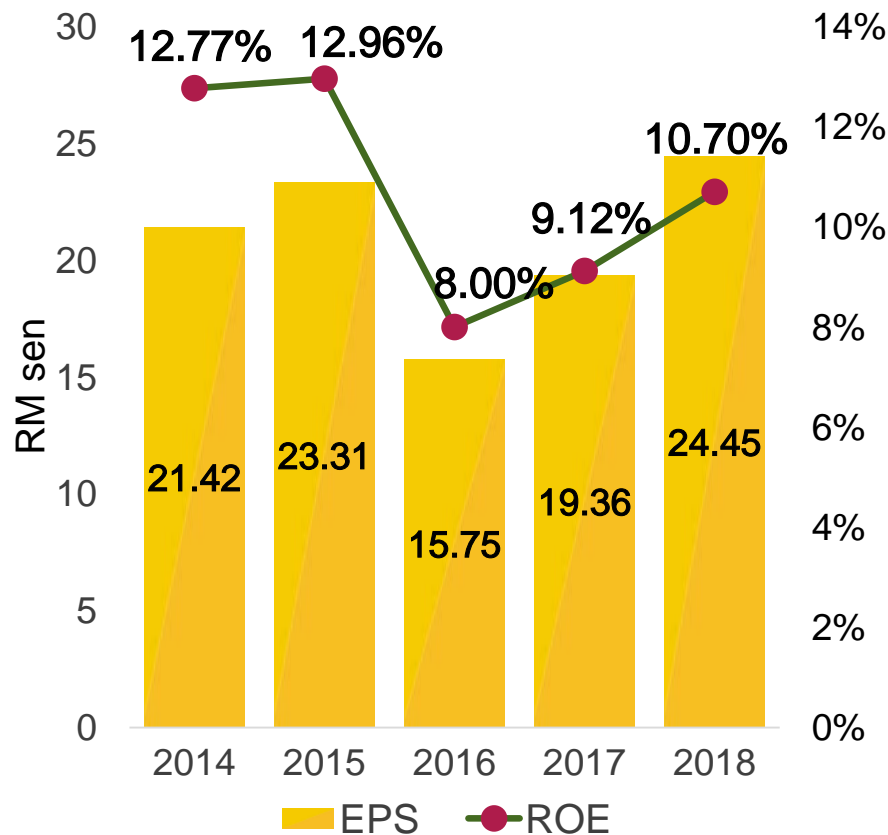


## PBT & PATNCI

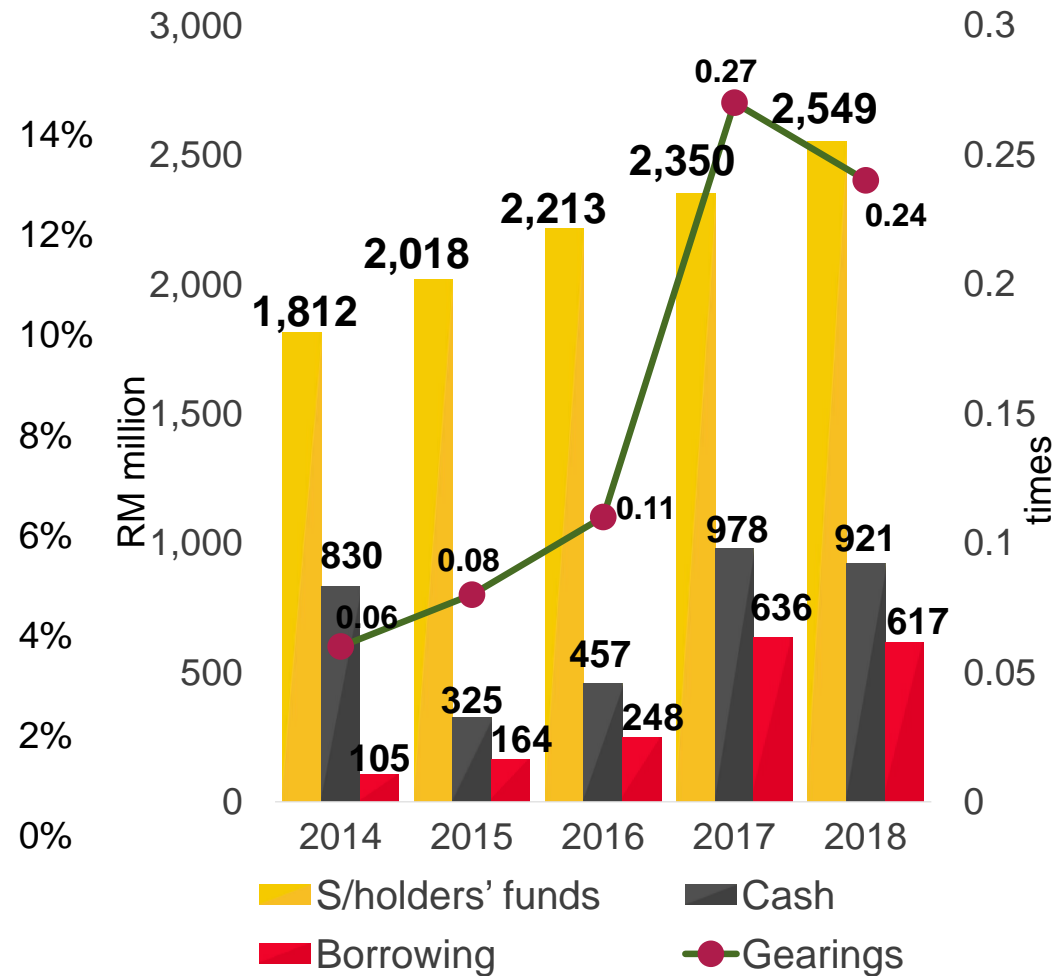




## EPS & ROE



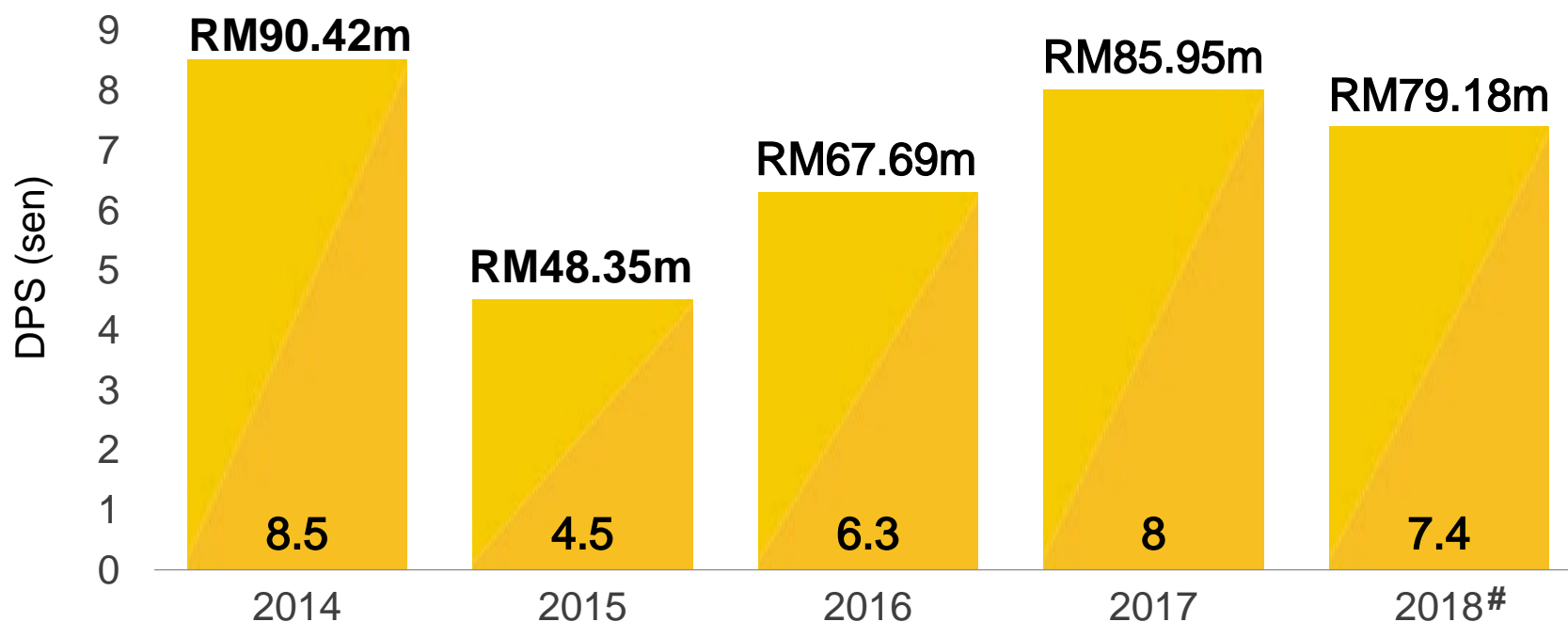
## Balance Sheet





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

## Dividend Per Share and Payout



# Subject to shareholders' approval at the AGM



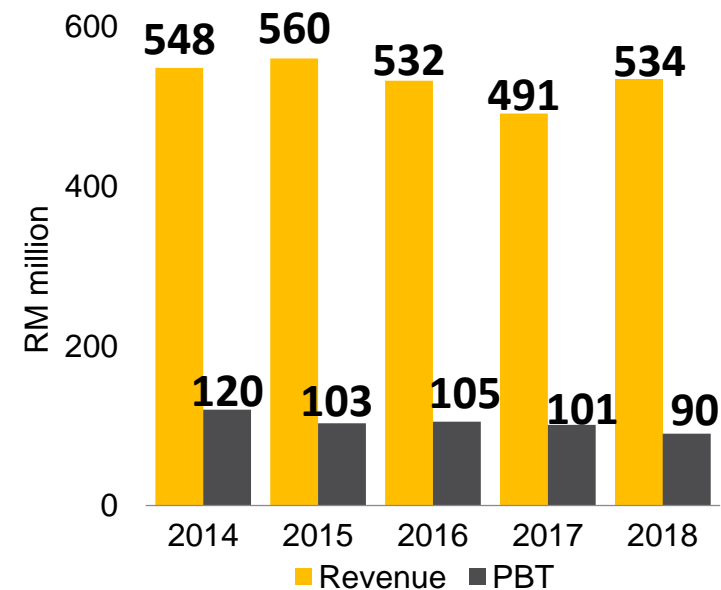
**CAHYA MATA SARAWAK**

## **II. Business Overview**

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



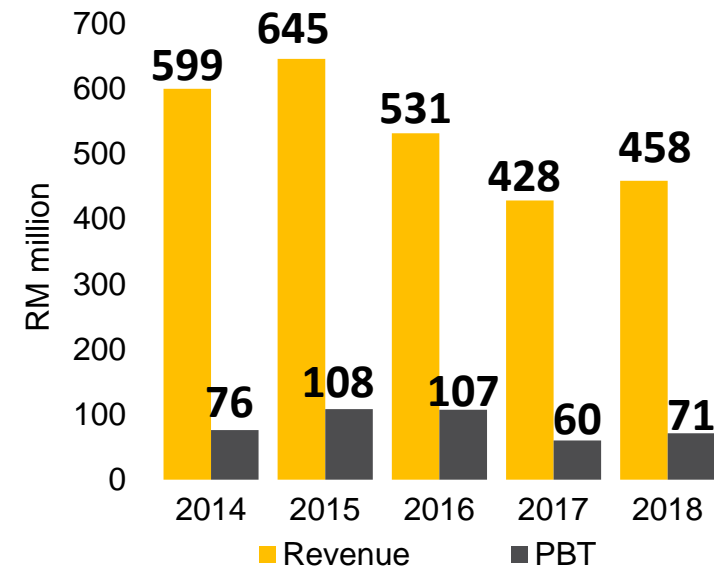
1. For FY2018, reported revenue of RM534.47 million (FY2017: RM491.21 million) and PBT of RM90.14 million (FY2017: RM101.34 million)
2. Lower PBT mainly due to:
  - 2.1 Repair costs at clinker plant;
  - 2.2 Increase in clinker price; and
  - 2.3 Strong USD.
3. Going forward, we are confident on the prospects of the Division:
  - 3.1 Since the major repairs in 2018, operation of the clinker plant has stabilised;
  - 3.2 The price of imported clinker has plateaued; and
  - 3.3 Unprecedented spike in major infrastructure projects in Sarawak in the run-up to the 2021 State election will increase demand and revenue.







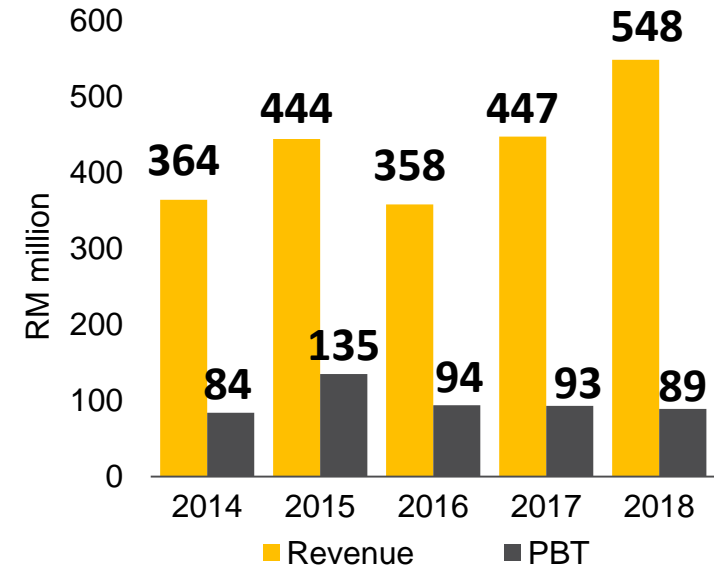
1. For FY2018, reported revenue of RM457.75 million (FY2017: RM428.29 million) and PBT of RM71.29 million (FY2017: RM59.71 million)
2. Result in 2017 included a provision of RM20 million without which the PBT for 2018 would be lower than 2017
3. The low PBT was the result of:
  - 3.1 Production stoppage at Penkuari due to slope instability;
  - 3.2 Lower production of premix due to State wide shortage of quarry sand; and
  - 3.3 Increase in prices of bitumen and diesel.
4. Going forward, we are positive on the prospects of the Division:
  - 4.1 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;
  - 4.2 Have firmed up dedicated sources for supply of quarry sand; and
  - 4.3 Unprecedented spike in infrastructure projects in Sarawak in the run-up to the 2021 State election will increase demand and revenue.





## II.C || Traditional Core Businesses - Construction & Road Maintenance

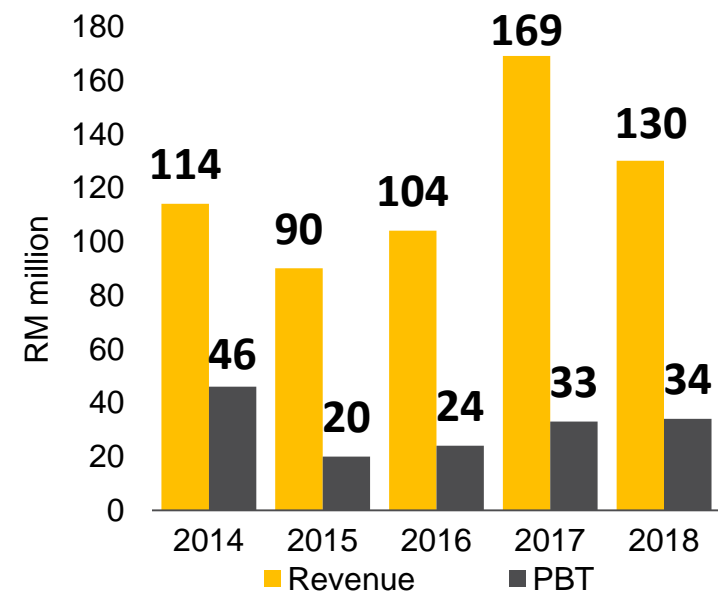
1. For FY2018, reported revenue of RM547.87 million (FY2017: RM447.18 million) and PBT of RM88.96 million (FY2017: RM93.35 million)
2. Current orderbook stands at RM1.47 billion
3. State road contract extended until June 2019 to allow the State to develop a comprehensive road management and maintenance contracting strategy for State roads
4. Going forward, we are positive on the prospects of the Division:
  - 4.1 Awarded a RM466.68 million Coastal Road package (Bintulu-Jepak Bridge) in March 2019 to PPES Works - CCCC JV and pursuing additional packages;
  - 4.2 Unprecedented spike in infrastructure projects in Sarawak in the run-up to the 2021 State election will present more work opportunities; and
  - 4.3 On State road maintenance, we are confident to continue to play a dominant role.



## II.D || Traditional Core Businesses - Property Development

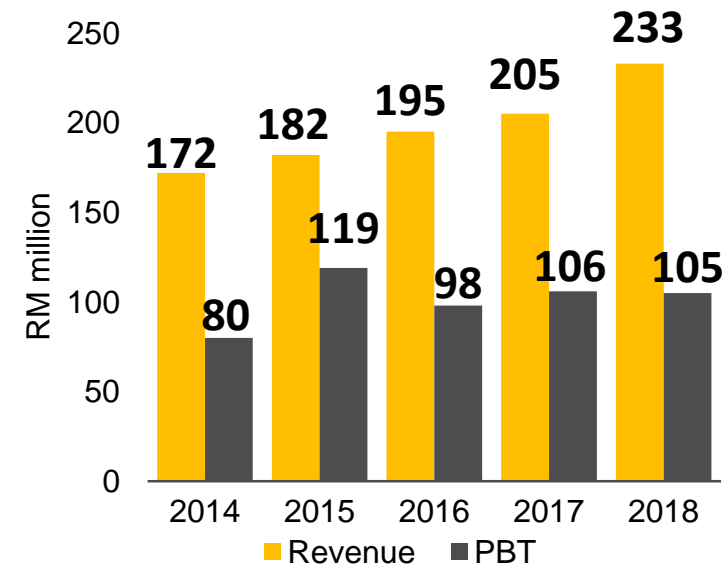


1. For FY2018, reported revenue of RM130.34 million (FY2017: RM168.55 million) and PBT of RM33.59 million (FY2017: RM32.86 million)
2. 2018's PBT 3% stronger than 2017 due to higher profit recognised especially from the Rivervale development
3. The prospects for this Division in 2019 is challenging:
  - 3.1 Softening property market; and
  - 3.2 Development of its flagship Rivervale project coming to an end.
4. The Division will focus on landed houses at affordable prices where there still is demand. It will launch 160 units in 3Q 2019. Planning approval has also been secured for 590 units of affordable homes
5. The Division has a large land bank of 6,279 acres. Of this, the larger land banks are located in Kuching with 3,793 acres and Samalaju with 2,486 acres





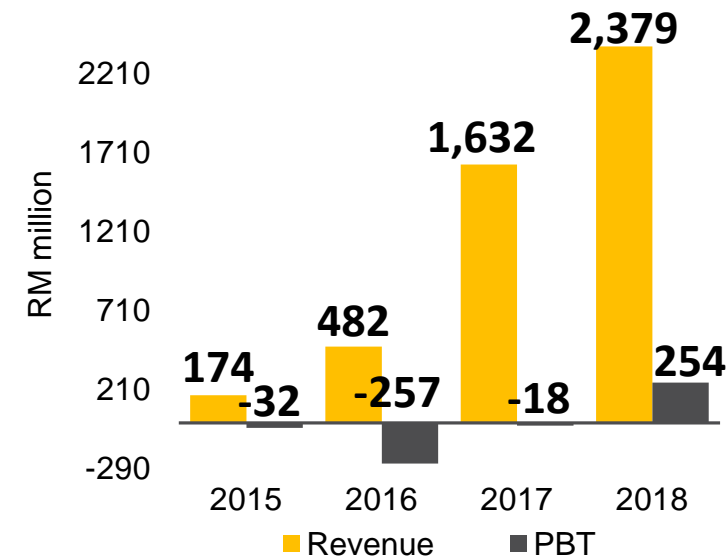
1. For FY2018, reported revenue of RM232.64 million (FY2017: RM205 million) and PBT of RM104.97 million (FY2017: RM105.82 million)
2. Has constructed, maintain and operate approximately 1,350 towers and more than 10,500 km of fibre optic cable
3. A business with strong margin. Competitors have emerged 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 RM2 billion for the development of telco-infrastructure







OM MATERIALS (SARAWAK)



1. For FY2018, reported revenue of RM2.38 billion (FY2017: RM1.63 billion) and PBT of RM254.30 million (FY2017: LBT of RM18.33 million)
2. The PAT of RM64 million, which is CMS' 25% share of the profits, catapulted OMS to be the second biggest profit contributor to the Group after the Cement Division
3. A total of 16 furnaces were in full operation since June 2018 with 10 furnaces producing FeSi and 6 furnaces producing manganese alloy
4. The prospects for this company is challenging and in the immediate term will be impacted by:
  - 4.1 The trade war between China and US; and
  - 4.2 The expected slow down of China's economy.



1. The project is now implemented in 2 phases. Total investment for Phase I is approximately RM1 billion to be funded via mixture of shareholders' equity and long-term loan
2. Financing facility of RM400 million for Phase I is being 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

**MPAS**

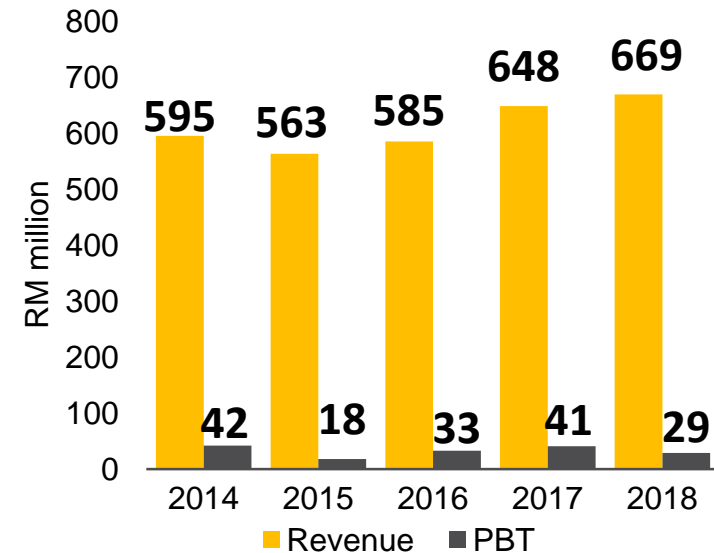




## II.E || Strategic Investments - Kenanga

1. For FY2018, reported revenue of RM669.37 million (FY2017: RM648.24 million) and PBT of RM28.85 million (FY2017: RM40.62 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

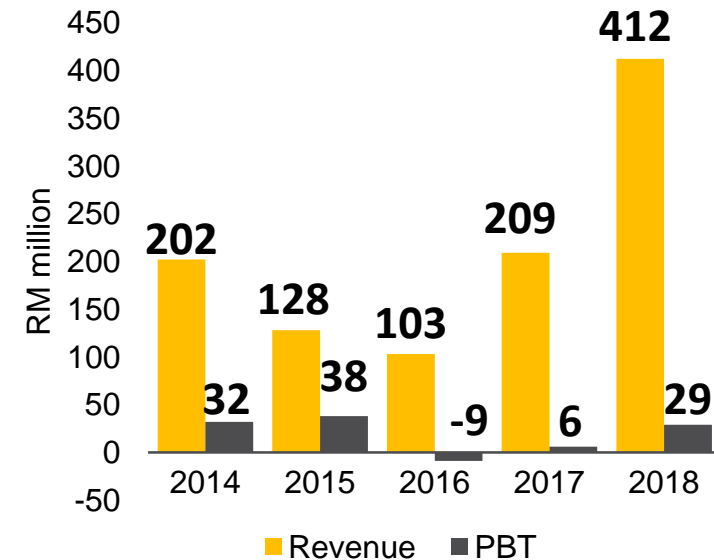
# kenanga



## II.E || Strategic Investments - KKB Engineering



1. For FY2018, KKB registered revenue of RM412.48 million (FY2017: RM209.30 million) and PBT of RM29.49 million (FY2017: RM6.37 million)
2. KKB has strongly recovered from a loss position in 2016 to a profit of RM6.37 in 2017 which more than double to RM29.49 in 2018
3. Going forward, we are positive on the prospects of this company as it recently secured:
  - i. A three-year Petronas-Approved Supplier license for “Offshore Facilities Const-Major Onshore Fabrication”;
  - ii. Phase I of the State Water Grid project; and
  - iii. Supply of steel products for State Electricity project.
4. The healthy order book of RM900 million will keep KKB occupied through the next 3 years







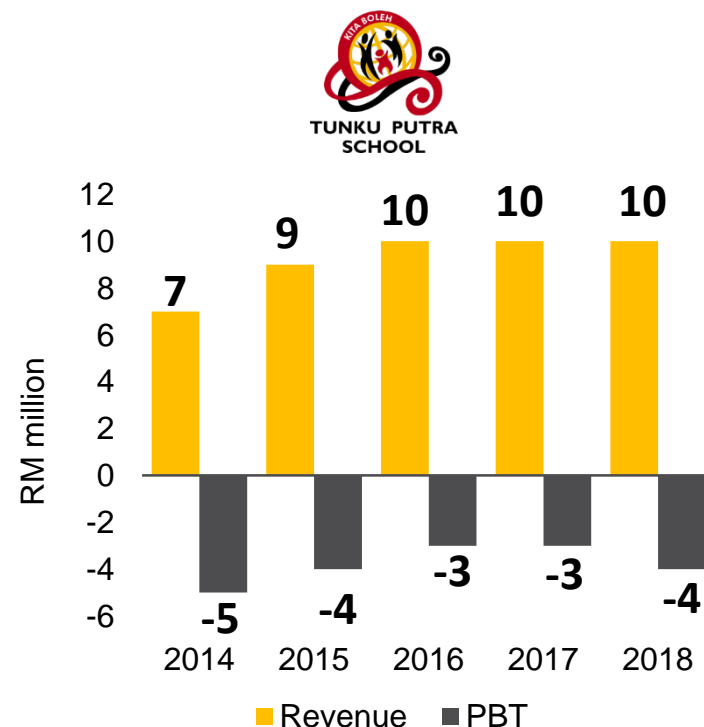
1. In FY2018, COPE and its 2 funds reported LBT of RM6.46 million (CMS' share of PAT: RM0.88 million) in comparison to a PBT of RM124.43 million in FY2017 (CMS' share of PAT: RM28.76 million) where it fully realised its investment in Serba Dinamik
2. COPE's Fund 2 was recognised as Global Top 5 Performing Growth Fund in 2018 by *Preqin*, a leading PE publication
3. COPE now has FUM exceeding RM560 million
4. Aside from incorporating Shariah-compliant investment principles, COPE has also started to introduce ESG policy across all its investments starting in 2018
5. Going forward, given the geopolitical and economic uncertainties on the horizon, COPE expects 2019 to be a challenging year

**COPE**  
PRIVATE EQUITY





1. For FY2018, CMS Education registered a revenue of RM9.63 million (FY2017: RM10.41 million) and LBT of RM4.19 million (FY2017: RM3.09 million)
2. In March 2018, announced a strategic tripartite JV with:
  - 2.1 HELP Education Group - a leading education provider in Malaysia; and
  - 2.2 Ibraco Berhad - a renowned property developer in Sarawak with strong landbanks in Southern Kuching.
3. The JV is building a new purpose-built campus in Southern Kuching to be completed by September 2019 with first intake in January 2020
4. Going forward, we are now optimistic on the school's prospects:
  - 4.1 Increased intake expected for 2020 due to the school's new location in a larger catchment area and management by a leading education provider; and
  - 4.2 The school, which posted losses for 22 consecutive years, targets to financially break-even by 2020 and be profitable from 2021.





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### **III. Sustainability & Governance Achievements**

# III. || Sustainability & Governance Achievements



## Sustainability

- ✓ CMS is the only Sarawak company to be made a constituent of the FTSE4Good index and one out of 56 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)

## Work Place

- ✓ CMS was ranked as one of top 4 employers in Sarawak by JobStreet.com

## 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



**CAHYA MATA SARAWAK**

## **IV. Group Outlook**



### **1. CMS Group is well positioned in all key economic drivers for Sarawak:**

- 1.1 Sarawak Corridor of Renewable Energy (SCORE) – the only Sarawak company, through OMS and MPAS, having a footprint in SCORE;
- 1.2 Pan Borneo Highway project, the largest single infrastructure project in Sarawak – Package 6 and a major supplier of construction materials;
- 1.3 Unprecedented spike in major infrastructure project in run-up to 2021 State election – secured Bintulu-Jepak Bridge project through JV with CCCC and bidding for more packages;
- 1.4 Development of the Baleh Dam – supply of 250,000 MT of cement; and
- 1.5 Sarawak's push to fully embrace the digital economy – through SACOFA.

### **2. The changing political landscape, which is springing out new competitors in almost all of CMS' business sectors, will continue to be a major challenge**



### 1. Two-Pronged Strategy

- 1.1 Reposition and fortify all traditional core businesses and fully implement the strategic businesses
- 1.2 Reposition and strengthen the CMS brand

### 2. Key Foundation Stones for the Strategy

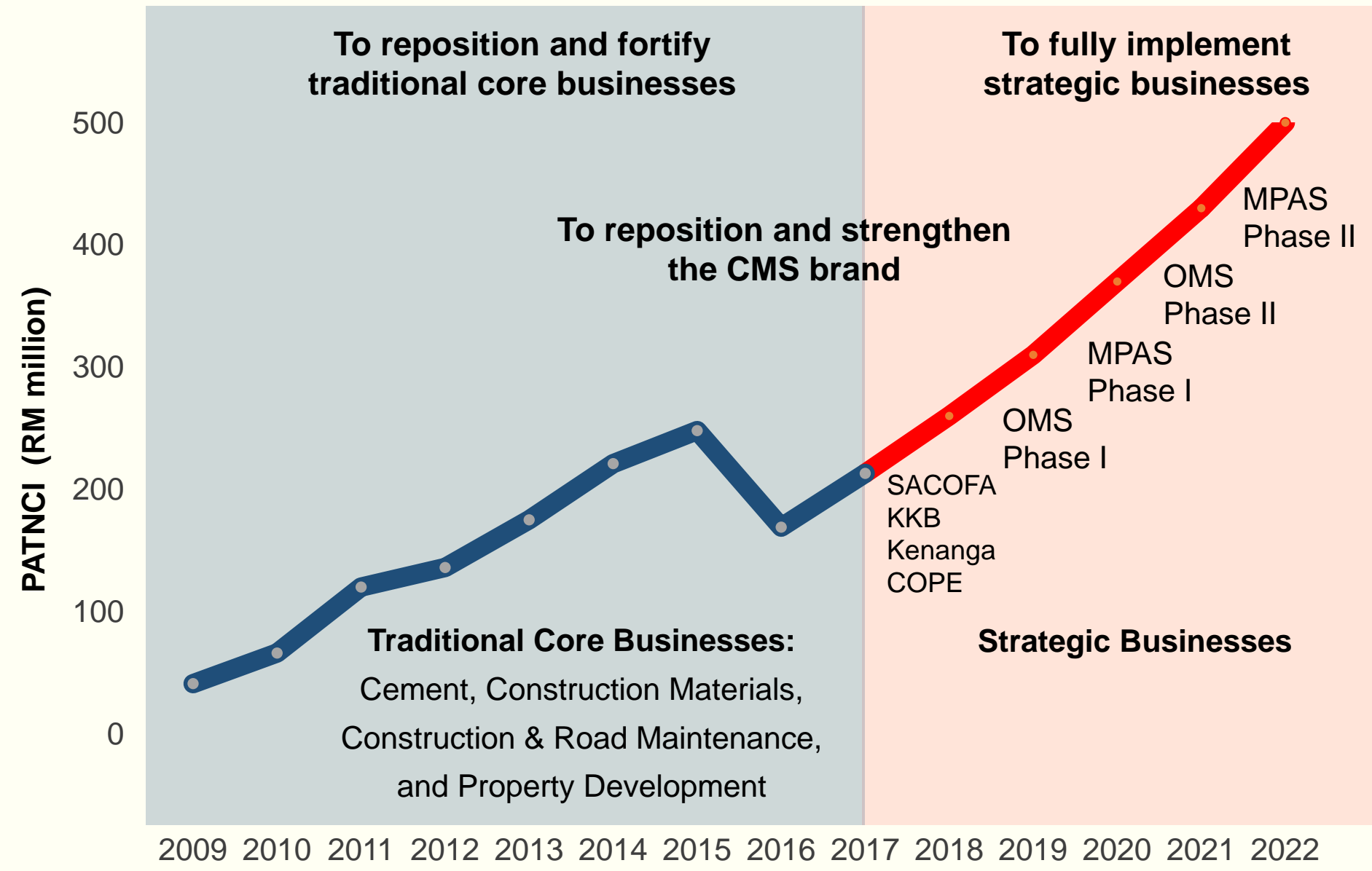
- 2.1 A visionary, unified and engaging leadership
- 2.2 Introduce transformational efficiencies into all businesses focusing on innovation, quality, cost and delivery through the employment of digital technology
- 2.3 Embed sustainability as a culture in CMS emphasizing care for the environment, employees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

### 3. 5-Year Target

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



# IV.C || The CMS Growth Strategy







*Thank  
you*