



CMS POSTS LOWER Q1 RESULTS BUT IS ON TRACK TO REGAIN BUSINESS MOMENTUM

Tuesday, 30 June 2020

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Kuching (Sarawak), Tuesday, 30 June 2020 – Cahya Mata Sarawak Berhad (CMS or the Group) today reported that although its financial performance for the first quarter ended 31 March 2020 (1Q 2020) had dipped, it is taking proactive actions to regain business momentum amidst the Recovery Movement Control Order (RMCO) phase.

For 1Q 2020, the Group posted total revenue of RM282.45 million and a pre-tax profit (PBT) of RM26.81 million – a 32% and 57% dip in revenue and PBT respectively in comparison to 1Q 2019's revenue of RM418.18 million and PBT of RM62.44 million. The softer performance in 1Q 2020 stemmed from lower revenue contributions by all its Divisions. With the exception of CMS' Cement Division, all other traditional core businesses reported lower PBT margins. Contribution from associates too decreased by 15% to RM11.39 million from 1Q 2019's contribution of RM13.35 million.

Commenting on the Group's Q1 2020 performance, CMS Group Managing Director, Dato Isaac Lugun said: "While CMS' quarterly results were impacted by external headwinds, including the Movement Control Order (MCO) towards the latter part of the first quarter, we managed to maintain our profitability although at a lower level. Profits for all our businesses shrank with the exception of the Cement Division which posted a 69% improvement in PBT on the back of enhanced operational efficiencies and reduced costs."

"Like most other businesses whose operations were affected by the sudden but necessary MCO restrictions, we expect our Q2 2020 results too to be adversely impacted. We anticipate that we will only begin making real headway again over the second half of 2020. Nevertheless, following the reopening of our operations across the Group, we are now laser-focused on implementing catch-up strategies to ensure our financial resilience."



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“Our efforts include enhancing operational efficiencies to attain cost savings and strengthening cost control measures including rationalising our capital expenditure (capex). As such, non-essential capex has been minimised, while essential capex will be implemented in stages. On top of this, we continue to preserve cash for business operations and future investment.”

The CMS Group achieved the following results over the first quarter ended 31 March 2020:

The **Cement Division's** 1Q 2020 revenue declined by 18% to RM120.25 million as compared to RM146.39 million in 1Q 2019. However, its PBT improved 69% to RM18.59 million as compared to RM11.00 million previously. The improvement in profitability was mainly driven by higher usage of its clinker facilities, lower repair and maintenance costs, as well as cheaper imported clinker. Moving forward, the Division will focus on strengthening operational efficiency by improving its clinker plant production. It is well positioned to capitalise on opportunities related to the expected spike in major infrastructure projects in Sarawak.

The **Construction Materials & Trading Division's** 1Q 2020 revenue declined by 31% to RM77.91 million while its PBT contracted by 68% to RM6.72 million. This Division recorded lower revenue from its quarry, premix and trading sectors. The drop in PBT against 1Q 2019 was also partially attributable to a one-off provision reversal amounting to RM9.0 million in 1Q 2019. Given the Division's involvement in the execution of various infrastructure projects throughout Sarawak, it will be one of the key contributors to the Group's profitability in 2020.

The **Construction & Road Maintenance Division's** 1Q 2020 revenue decreased by 37% to RM81.25 million as compared to RM129.75 million in 1Q 2019. Road maintenance revenue for 1Q 2020 decreased as the road length maintained effective 1 January 2020 was almost half of that maintained previously. The Division's road maintenance gross profit margin was also impacted due to the including of more scope under the new road maintenance contract whilst the contract value has remained the same. Meanwhile, the lower revenue from construction works was mainly due to less work performed. The Division's PBT declined by



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60% to RM6.06 million in 1Q 2020 from RM15.33 million in 1Q 2019. The Division's mid-term prospects are well supported by its order book of some RM1.23 billion.

The **Property Development Division's** 1Q 2020 revenue declined by 59% to RM18.34 million in comparison to RM44.55 million in 1Q 2019. This was mainly due to the drop in the number of properties sold. This Division recognised revenue of RM4.4 million from land sale versus RM12.25 million in 1Q 2019. Consequently, its PBT dropped by 71% year-on-year to RM4.38 million in 1Q 2020.

In terms of its **Strategic Investments**, the Group recorded share of profits from its associates of RM11.39 million in 1Q 2020. This was lower by 15% as compared to the RM13.35 million garnered in 1Q 2019. The lower contribution from associates was mainly due to losses incurred by Kenanga Investment Bank in the first quarter.

Dato Isaac also went on to say, "The current pandemic has brought about significant disruption and uncertainty to businesses and economies globally. CMS' Management has stepped up its efforts to navigate the turbulence with grit and persistence to ensure that our operations regain the positive momentum that we initially had. We remain focused on growing our portfolio of businesses by taking advantage of three major growth areas within Sarawak. These include opportunities in the area of energy-intensive businesses within the Sarawak Corridor of Renewable Energy (SCORE), the unprecedented spike in infrastructure development within the state, and telecommunications infrastructure development under Sarawak's Digital Economy initiative.

Commenting on CMS' strategy moving forward, Dato Isaac said: "CMS will continue to bring into play a three-pronged strategy which will see our team working to reposition and fortify our traditional core businesses; fully implement and grow our strategic businesses; and reposition and strengthen the CMS brand. With our increasingly strong business fundamentals, coupled with other measures taken by Management to position the Group for long-term sustainable



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revenue and profitability growth, barring unforeseen circumstances, we are cautiously optimistic that we will be able to deliver a satisfactory performance in 2020.”

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About Cahya Mata Sarawak Berhad

Cahaya Mata Sarawak Berhad (CMS) is a leading corporation listed on the Main Market of the Malaysian stock exchange, Bursa Malaysia, and is a major private-sector player in Sarawak, the largest State in Malaysia. CMS has evolved from a single product manufacturer of cement (beginning in 1974) to become a corporation focused on its Vision "To Become the Pride of Sarawak & Beyond". Today, CMS' portfolio spans over 35 companies involved in the manufacturing and trading of cement and construction materials; construction; road maintenance; property and infrastructure development; financial services; education; steel and pipe fabrication plus installation; ferro silicon and manganese smelting; and telecommunication infrastructure.

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