

## MCB & FPB Earnings Reports & Future Outlooks



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## Commentary: Looking Beyond the Ayala Deal



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## Yangon Stock Exchange Market Summary

From January to November 2019, the total number of shares traded on the Yangon Stock Exchange (YSX) was more than 2.2 million shares with total trading value of about MMK 12.6 billion. In the same trading period, the total number of shares traded via block trading system (trading above 10,000 shares of any YSX stock) was more than 1.4 million shares with total trading value of about MMK 7.9 billion.

| STOCK | JAN-NOV<br>HIGH (MMK) | JAN-NOV<br>LOW (MMK) | AVERAGE DAILY<br>VOLUME | TOTAL TRADING VALUE<br>(MMK) |
|-------|-----------------------|----------------------|-------------------------|------------------------------|
| FMI   | 12,500                | 8,400                | 1,884                   | 4,549 mil                    |
| MTSH  | 4,500                 | 2,800                | 6,943                   | 5,490 mil                    |
| MCB   | 8,600                 | 6,400                | 153                     | 257 mil                      |
| FPB   | 27,000                | 20,000               | 300                     | 1,539 mil                    |
| TMH   | 3,200                 | 2,600                | 1,211                   | 761 mil                      |

## 2019 Listed Companies' Investment Returns

| Stock | Price<br>(January) | Price<br>(November) | Dividend Payment | Current Investment<br>Return |
|-------|--------------------|---------------------|------------------|------------------------------|
| FMI   | 10,000             | 12,000              | -                | 20.00%                       |
| MTSH  | 2,950              | 3,850               | 250              | 38.98%                       |
| MCB*  | 7,300              | 8,300               | 400              | 19.18%                       |
| FPB*  | 23,000             | 23,000              | 2,500            | 10.87%                       |
| TMH** | 2,800              | 2,850               | 50               | 3.57%                        |

\* MCB and FPB paid out dividends for the periods of 2018 (6-month mini budget) and 2018-19 full financial year.

\*\* TMH issued 1 fully paid bonus share for every 20 existing ordinary shares held, in addition to the cash dividend.

# Important Dates for Investors

**DEC 8**

## MCB ANNUAL GENERAL MEETING

9AM to 12.30PM  
Lotte Hotel, Yangon

**DEC 13**

## AMATA ANNUAL GENERAL MEETING

1PM to 3PM  
IBC Hall, Pyay Road,  
Yangon

### MCB Dividend Schedule

|                       |                  |
|-----------------------|------------------|
| Last day to trade     | October 31, 2019 |
| Ex-dividend date      | November 1, 2019 |
| Record date           | November 5, 2019 |
| Dividend payment date | December 9, 2019 |

### FPB Dividend Schedule

|                       |                    |
|-----------------------|--------------------|
| Last day to trade     | September 30, 2019 |
| Ex-dividend date      | October 2, 2019    |
| Record date           | October 4, 2019    |
| Dividend payment date | December 16, 2019  |

## Listed Companies' News Update

### Sale of Shares in Wave Money

FMI has entered into a transaction agreement with Yoma Strategic Investments Limited, a subsidiary of Yoma Strategic Holdings Limited, for the sale of its remaining 10% stake in Digital Money Myanmar Company Limited (Wave Money). Under the agreement, the trading value of the sale shares is US\$ 6 million based on the US\$ 59.92 million total equity valuation of Wave Money. The definitive sale and purchase agreement is targeted within 12 months from the date of the transaction agreement.

While FMI's financial subsidiary, Yoma Bank will continue to have 5% stake in Wave Money, FMI will cease to be a shareholder of Wave Money upon the completion of the proposed disposal. FMI will continue to focus on one of its main pillars which is the financial sector through Yoma Bank.

*Note: Under the above transaction agreement, should any third party investor acquire an interest in Wave Money at a valuation higher than the above transaction value within 12 months, the transaction value will be subjected to a potential adjustment of up to US\$ 10 million.*

Ref: YSX

### MCB & International Finance Corporate (IFC) sign agreement

Myanmar Citizens Bank (MCB) signed an agreement with the International Finance Corporation (IFC), a member of the World Bank Group, regarding advisory services in a bid to take a leap in its banking performance over the next few years. The project will be delivered over two years, focusing on customer value propositions in corporate, SME and retail banking, improving branch and sales networks, enhancement of risk management capabilities and other aspects.

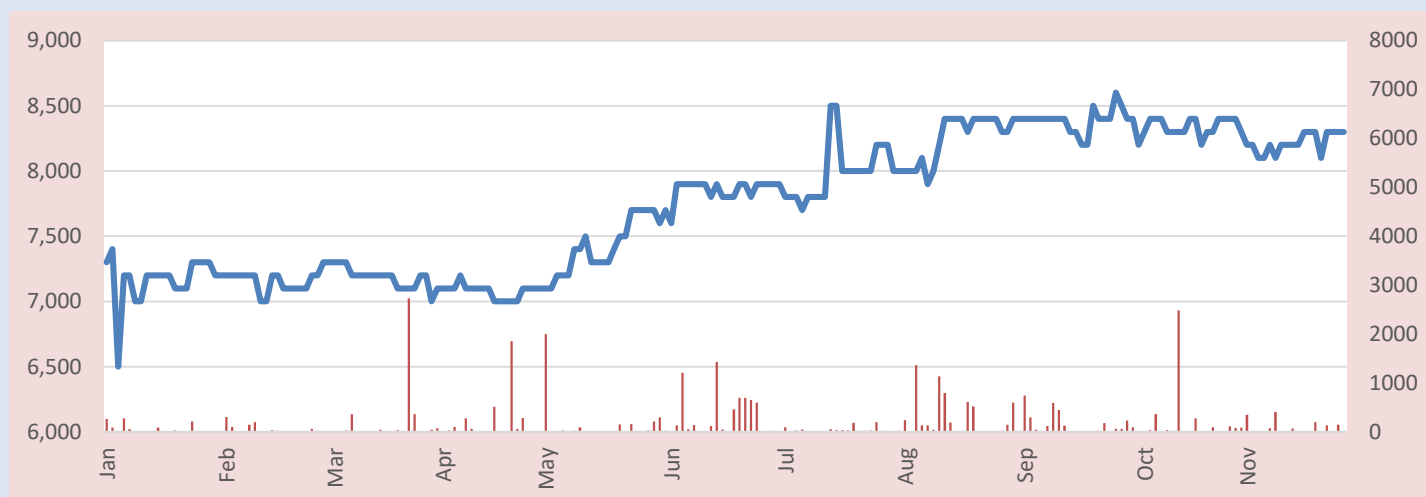
Since IFC has a vast experience as the largest global development institution focused on the private sector in emerging markets, MCB's agreement with IFC will allow the company to achieve its business goals over the next few years and better serve its customers.

Ref: YSX

# Myanmar Citizens Bank (MCB) – Earnings Report & Future Outlook

## MCB's Share Prices & Volume (2019 January – November)

From January to November 2019, the highest share price for MCB was at MMK 8,600 per share and the lowest share price was at MMK 6,400 per share. MCB was traded at around MMK 7,200 per share during the early months of 2019. MCB's share prices went up after May and currently, the stock is trading at around MMK 8,300 per share.



## Profitability & Business Growth

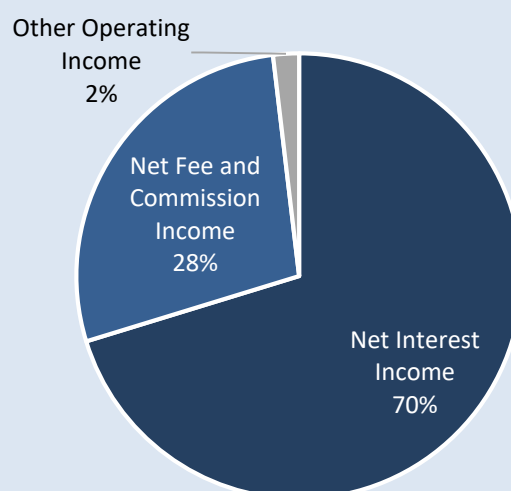
With the launch of the core banking platform last year and the opening of several bank branches, MCB's loans and advances increased by 37% to MMK 315.2 billion in FY 2018-19 compared to FY 2017-18. In the latest financial year, MCB's has also seen business growth as deposit from customers increased by 53% compared to the previous financial year. The bank's net interest income, which is the main stream of revenue for the company, was recorded at MMK 13.7 billion. While there was an increase in the net interest income, MCB has also seen an increase in expenses mainly due to new bank branch openings and business costs related to core banking platform. Thus, MCB's profit declined in the latest financial year.

### 2018-19 Balance Sheet

|                          | 30 September 2019<br>MMK | 30 September 2018<br>MMK |
|--------------------------|--------------------------|--------------------------|
| <b>Assets</b>            |                          |                          |
| Cash in hand and at bank | 78,049,507,652           | 61,474,952,943           |
| Loans and advances       | 315,298,403,755          | 230,496,367,772          |
| Investment               | 103,795,951,300          | 59,871,153,048           |
| Other assets             | 9,121,471,197            | 7,040,336,614            |
| Property and equipment   | 15,569,478,699           | 13,750,316,732           |
| Intangible assets        | 3,483,145,152            | 3,555,988,706            |
| <b>Total assets</b>      | <b>525,317,957,755</b>   | <b>376,189,115,815</b>   |
| <b>Liabilities</b>       |                          |                          |
| Deposit from customers   | 434,045,333,412          | 283,222,102,714          |
| Other liabilities        | 15,452,360,925           | 12,545,796,154           |
| Borrowings               | 1,000,000,000            | 9,000,000,000            |
| <b>Total liabilities</b> | <b>450,497,694,337</b>   | <b>304,767,898,868</b>   |

Ref: MCB Audited Financial Statements

### 2018-19 Revenue Breakdown (MMK)



|                               |             |
|-------------------------------|-------------|
| Net Interest Income           | Ks 13.7 bil |
| Net Fee and Commission Income | Ks 5.44 bil |
| Other Operating Income        | Ks 0.37 bil |

## A Quick Look at the Fundamentals

|                            | FY 2019 | FY 2018 |
|----------------------------|---------|---------|
| Book Value per share (MMK) | 7,194   | 6,867   |
| Cash Dividend (MMK)        | 400     | 230     |
| Dividend Yield             | 4.82%   | 2.99%   |
| Dividend Payout Ratio      | 121.58% | 39.65%  |
| Earnings per share (MMK)   | 329     | 580     |
| Share Price on LTD         | 8,300   | 7,700   |
| Price to Earnings Ratio    | 25.25   | 13.27   |
| Price to Book Ratio        | 1.15    | 1.12    |
| Current Ratio              | 1.10    | 1.15    |
| Return on Assets           | 0.65%   | 1.60%   |
| Return on Equity           | 5.53%   | 10.18%  |

- In FY 2018-19, MCB's total assets increased by 39.64% from MMK 376.1 billion to MMK 525.3 billion.
- Due to a decline in net profits in FY 2018-19, MCB's earnings per share decreased by 43.28% to MMK 329.
- MCB paid out dividends for the periods of 2018 (6-month mini budget) and 2018-19 full financial year.

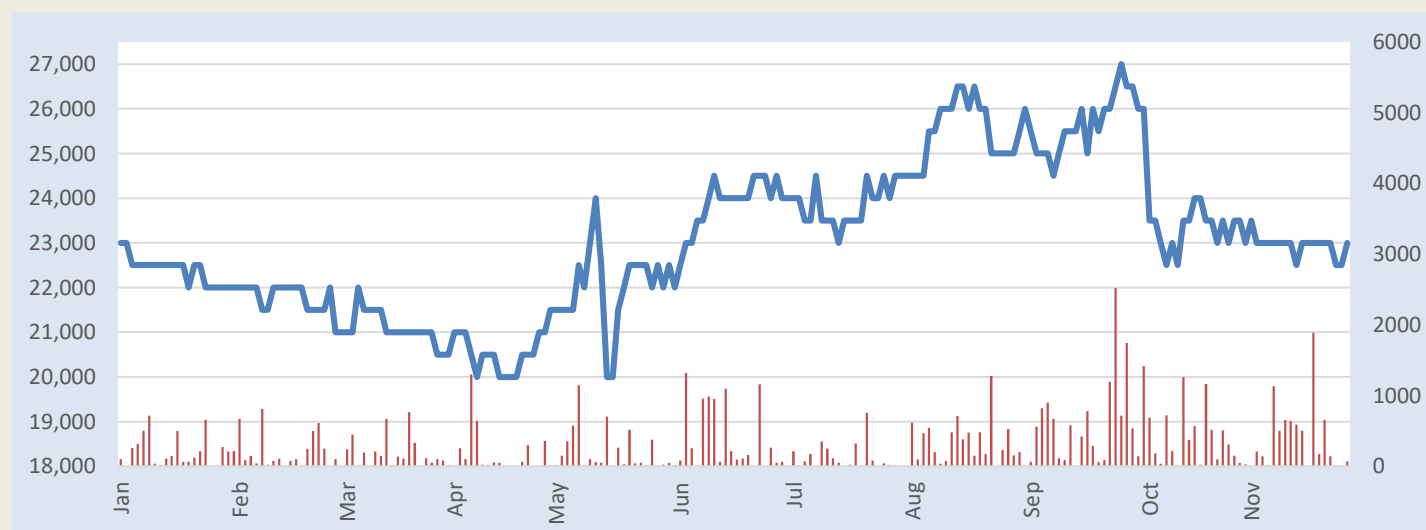
## MCB's Future Outlook

As part of the bank's network expansion project, MCB is focused on the opening of new bank branches and currently has over 40 bank branches operating within Myanmar. With the expansion of the bank's network, MCB strives to become a household brand that is trusted by its customers which in turn, will generate more revenue for the bank. The current trend in Myanmar's banking industry includes the digitalization of banks and likewise, MCB is also focused on the technological aspect of its business expansion in order to provide a safe and secure digital platform for its customers.

## First Private Bank (FPB) – Earnings Report & Future Outlook

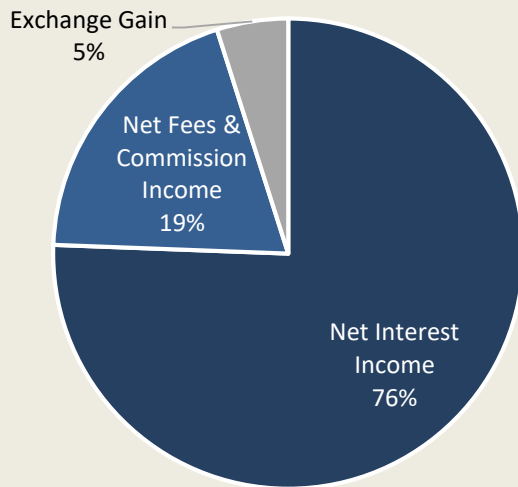
### FPB's Share Prices & Volume (2019 January – November)

From January to November 2019, the highest share price for FPB was at MMK 27,000 per share and the lowest share price was at MMK 20,000 per share. The share price increased after May and reached its peak before the ex-dividend day on September 30<sup>th</sup>. After the ex-dividend day, share prices have declined again and currently, FPB is trading at MMK 23,000 per share.



## Profitability & Business Growth

In FY 2018-19 (ending September 2019), FPB's deposit from customers was recorded at MMK 205.5 billion, which is a 11% increase compared to FY 2017-18 (ending March 2019). During the same period, the bank's loan book also increased from MMK 175.6 billion to MMK 179.4 billion. In FY 2018-19, FPB's revenue increased by 7.8% to MMK 26.2 billion compared to the previous financial year. Despite that, FPB's interest expenses and other expenses related to its core banking system increased, resulting in a decline in FPB's net profit by 0.72% to MMK 7.8 billion.



### 2018-19 Revenue Breakdown (MMK)

|                               |             |
|-------------------------------|-------------|
| Net Interest Income           | Ks 8.30 bil |
| Net Fee and Commission Income | Ks 2.14 bil |
| Exchange Gain                 | Ks 0.54 bil |

Due to a change in scheduling of the financial year, FY 2017-18 was recorded from April 2017 to March 2018 and FY 2018-19 was recorded from October 2018 to September 2019.

## A Quick Look at the Fundamentals

|                            | FY 2019 | FY 2018 |
|----------------------------|---------|---------|
| Book Value per share (MMK) | 25,286  | 23,732  |
| Cash Dividend (MMK)        | 2,500   | 2,000   |
| Dividend Yield             | 9.62%   | 7.41%   |
| Dividend Payout Ratio      | 99.75%  | 79.21%  |
| Earnings per share (MMK)   | 2,506   | 2,525   |
| Share Price on LTD         | 26,000  | 27,000  |
| Price to Earnings Ratio    | 10.37   | 10.69   |
| Price to Book Ratio        | 1.03    | 1.14    |
| Return on Assets           | 2.14%   | 2.49%   |
| Return on Equity           | 25.06%  | 25.25%  |

- In FY 2018-19, FPB's total assets increased by 6.55% from MMK 58.7 billion to MMK 62.5 billion.
- Due to a decline in net profits in FY 2018-19, FPB's earnings per share decreased by 7.52% to MMK 2,506.
- FPB paid out dividends for the periods of 2018 (6-month mini budget) and 2018-19 full financial year.

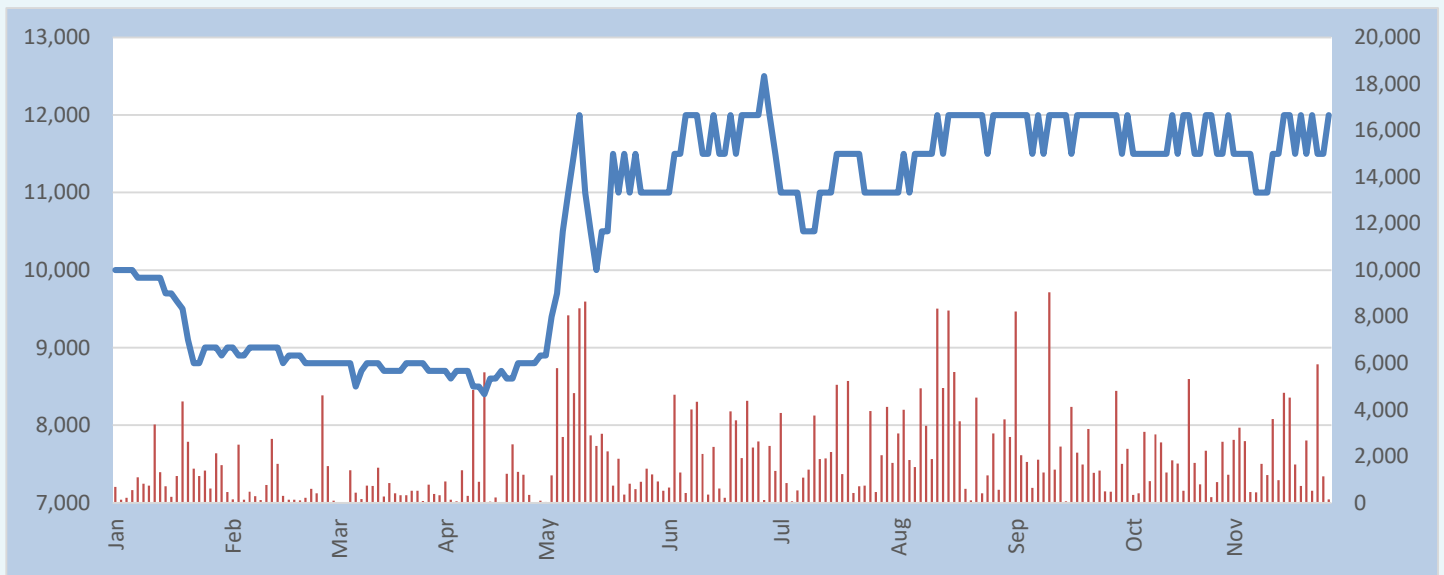
Ref: FPB Annual Report (2019)

## FPB's Future Outlook

FPB will continue to implement its core banking system in line with modern banking operations that use world-class technology. Thus, FPB will be able to provide more effective banking services to its customers. In accordance with the Board of Directors' future plans, FPB will continue to open new bank branches in strategically located cities within Myanmar which will support future business growth of the bank. In addition, FPB will continue to focus on employees development and service quality enhancement programs in order to achieve its business goals.

# Commentary: Looking Beyond the Ayala Deal

## FMI's Share Prices & Volume (2019 January – November)



**In 2019, FMI's share prices reached the high of MMK 12,500 per share and the low of MMK 8,400 per share.**

FMI becomes the first YSX-listed company to receive major foreign investment following the convertible loan agreement with Philippine conglomerate, Ayala Corporation. According to the agreement, Ayala will invest US\$ 82.5 million for a 20% stake in FMI. The share issue price of MMK 15,000 per share for FMI represents a premium of 36.5% over the average trading price on 13 November 2019, highlighting Ayala's confidence in the future of FMI and Myanmar.

For local investors, the share issue price underscores a significant upside opportunity, considering FMI's historical prices of the past 2 years. According to the deal, Ayala currently values FMI at around US\$ 412.5 million and should have discounted for the current weakness in the country's real estate sector. The proposed share swap transaction on Yoma Bank with Yangon Land Co., Ltd and the conversion of the loan with FMI will increase the final outstanding number of shares to around 41 million shares. Despite the impending share dilution, FMI's stock price will still be valued around MMK 15,000 per share based on the valuation of the current deal.

The convertible loan deal will have short-term implications on FMI's balance sheet as convertible loan will be treated as an equity instrument and therefore, will lower the company group's net gearing ratio. FMI also has plans to use the proceeds from this transaction as well as the extensive experience of Ayala Corporation across FMI's existing and future core business areas. In the long-run, the synergy between FMI and Ayala will help shape the growth of FMI's business segments and improve FMI's financial performance.



Photo Ref: Mizzima

With FMI's current prices being relatively stable and consistent strong support around MMK 11,500 per share in the past several months, the convertible loan deal currently represents a significant upside opportunity for the investors with limited downside risk.



# Understanding the Holding Period Return

Investors are recommended to manage their existing portfolios in a timely manner in order to make the right investment decision. It is important to know your investment goals in order to understand if you are making the right investment. Holding Period Return is useful in determining how much is your return during the period you have held your investment.

$$\text{Holding Period Return} = \frac{(\text{End of Period Value} - \text{Initial Value}) + \text{Income}}{\text{Initial Value}}$$

- End of Period Value = Investment value at the time of sale
- Initial Value = Investment value at the time of purchase
- Income = Earnings during the time the investment has been held (eg. Dividend, Rent)

**How much is your return now if you have purchased MTSH & FPB at the beginning of the year?**

## MTSH's Holding Period Return

$$= \frac{(3,850 - 2,950) + 250}{2,950} = 38.98\%$$

- Current Market Price = MMK 3,850
- Purchase Price = MMK 2,950
- Dividend Payment = MMK 250

## FPB's Holding Period Return

$$= \frac{(23,000 - 23,000) + 2,500}{23,000} = 10.87\%$$

- Current Market Price = MMK 23,000
- Purchase Price = MMK 23,000
- Dividend Payment = MMK 2,500

VS

**Do you know how much is your current return from your investments?**

By using the Holding Period Return, investors can fully understand how much their current returns are from their diversified investments. In this way, investors can make performance comparisons of their different investments in a timely manner and can manage their portfolios effectively.

# Building your Portfolio based on your needs

One of the best long-term investment strategies that may allow you to achieve financial freedom is to invest in dividend stocks. Dividend stocks are stocks that pay out consistent dividend payments every year. By investing in such stocks, investors can not only receive steady passive income from their stock investments, but also can increase their wealth during the bear market. It is important for investors to understand their needs in order to build a portfolio with the desired passive income from their stock investments.

$$\text{Your Portfolio} = \frac{\text{Desired Annual Dividend Income}}{\text{Annual Dividend Yield}}$$

- Annual Dividend Yield = Annual Dividend / Current Stock Price
- Currently, MTSH & FPB can be considered as dividend stocks in the Yangon Stock Exchange.

## How much do you need to invest monthly now in order to earn MMK 5 lakhs of annual passive income from stock investment in 5 years?

- Desired Dividend Income per Annum = MMK 500,000
- Annual Dividend Yield = 8.0%



**Stock's Portfolio**

$$= \frac{Ks\ 500,000}{8.0\%} = Ks\ 6,250,000$$

$$\begin{array}{l} \text{Amount of money} \\ \text{to invest monthly} \end{array} = \frac{Ks\ 6,250,000}{60} = Ks\ 104,167$$

In order to earn MMK 5 lakhs of annual passive income in 5 years from a stock that has a dividend yield of 8.0%, you will need a portfolio that is worth MMK 62.5 lakhs. That means you will have to invest about MMK 1 lakh every month in order to build up your portfolio to the targeted value of MMK 62.5 lakhs.

It is important to answer the following questions in order to understand how big should be your portfolio be and how much money you should invest monthly –

- What is your desired annual dividend income from stocks?
- In how many years' time do you expect to receive your desired annual dividend income?

## KBZSC's Main Services

License No. 001

KBZ Stirling Coleman Securities Co., Ltd is a joint venture between the KBZ Group and Singapore-based Stirling Coleman Holding which has over 14 years of investment experience.

### Brokerage Services

- One-on-one Investment Advisory
- Equity & Fixed Income Broker
- Leading Capital Market Educator

### Investment Banking Services

- Mergers & Acquisitions
- Initial Public Offering
- Financial Advisory & Consulting

### KBZSC Securities Trading Department Contact Details

|             |                                                            |              |                                                                      |
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