

## KBZSC Treasury Bond & Bill Secondary Market

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## What's Next For the Myanmar Capital Market?

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## Yangon Stock Exchange Market Summary

From April to June 2020, the total number of shares traded on the Yangon Stock Exchange (YSX) was more than 590,000 shares with total trading value of about MMK 3.43 billion.

Ref: YSX

STOCK	APR-JUN HIGH (MMK)	APR-JUN LOW (MMK)	AVERAGE DAILY VOLUME	TOTAL TRADING VALUE (MMK)
FMI	11,000	9,400	1,950	1,140.1 mil
MTSH	3,850	3,400	5,424	1,130.8 mil
MCB	9,100	7,400	96	44.0 mil
FPB	24,000	21,000	556	716.3 mil
TMH	2,900	2,650	968	151.7 mil
EFR	2,750	2,600	3,839	249.2 mil

## YSX News Update

### Ever Flow River Public Co., Ltd (EFR) Becomes 6<sup>th</sup> YSX Listed Company

On 28<sup>th</sup> May, Ever Flow River Group Public Co., Ltd (EFR) became the first logistics company and sixth public company to be listed on the Yangon Stock Exchange (YSX). Base price on the day of listing was Ks 2,300. Chairman U Kyaw Lwin Oo celebrated the first day of listing by ringing the opening bell and EFR share trading opened at Ks 2,700. EFR closed at Ks 2,700 with over 30,000 shares traded on its first day of listing.

EFR is a fully integrated logistics service provider and an investment holding company that owns 8 subsidiaries and 2 associate companies offering services in different spectrum of the total logistics supply chain. KBZSC is proud to have participated as the lead manager and financial advisor for the listing process of EFR. As of writing, EFR shares are currently trading at Ks 2,700.

### MTSH Announcement of New CEO and Proposed Dividend

**JUN 24**

**MTSH 7<sup>th</sup> ANNUAL  
GENERAL MEETING**

10.00 AM  
(Online Meeting)

On 4<sup>th</sup> May, Myanmar Thilawa SEZ Holdings Public Company Limited (MTSH) board of directors announced that the resignation of U Kyaw Zaw Wai as the Chief Executive Officer (CEO) of MTSH and the appointment of U Myint Zaw, who is currently an executive director and a board member, as the new CEO of the company. According to the company's disclosure, U Myint Zaw has over 20 years of experience in multiple sectors ranging from construction to trading and has a strong track record of rapid operational performance improvement.

Meanwhile, MTSH has also announced the proposed amount of dividend of Ks 200 per share to be paid for the financial year ended September 30, 2019. The total dividend payout amount by the company was Ks 7.79 billion. The dividend payment date will be announced by MTSH upon the final approval of shareholders at the annual general meeting.

### EFR Participation in the UN Global Compact Network

From 1<sup>st</sup> June 2020, EFR became a member of the UN Global Compact Network in accordance with the ten principles of the UN Global Compact which include pledges not limited to protection of human rights, child labor, environmental responsibility and anti-corruption. EFR's membership in the UN Global Compact Network will further enhance EFR's reputation as a sustainable total logistics solutions provider and promote transparency in its current and future operations.

According to the company's disclosure, United Nations Global Compact is a body with more than 10,000 participants from over 160 countries that commits to global sustainability and supports the UN visions.

### Q&A with FMI on Covid-19 Business Continuity

In May, KBZSC reached out to U Khant Zaw Maw, Managing Associate of First Myanmar Investment Public Co., Ltd regarding the Group's near-term business strategies and business continuity plans during the Covid-19 period.

**Q: How has Covid-19 impact FMI's specific near-term business plans? Will there be any impact on the Group's financials?**

As with the general situation across all businesses, Covid-19 has impacted FMI's day to day operation capacity. Certain delays in operational execution as well as delivery of planned business development initiatives are expected. On Group's financials, decrease in turnover to some extent across the various business entities are expected. However, overall net result should not be impacted very significantly as the Group plans to mitigate financial losses through cost cuts and alternative revenue generation.

**Q: Has Covid-19 changed the Group's long-term strategy and business expansion plans?**

The Group's long-term strategy and business expansion plans will not change significantly due to this situation.

**Q: How will FMI navigate through Covid-19 situation and adjust to unforeseen changes? Are there any overall business continuity plans (BCP) put in place?**

As part of the enlarged Yoma Group, FMI has plans in place for continuation of the business that are in line with overall policy of the enlarged Group. In general, the Group will continue to prioritize its employees' safety and continuous engagement through clear work-from-home (WFH) guidelines and policies where applicable. Additionally, the Group will also monitor its short-term liquidity position and evaluate potential restructuring of its financing options and budget, and will also continue to maintain consistent engagement with its stakeholders including shareholders, employees, investors and regulatory authorities on key updates.

**Q: How will the demand disruption, particularly for Memories Group and FMI's real estate businesses, impact FMI and how will the Group recover from its aftermath?**

The Group's tourism and real estate businesses are working through ensuring its employees, partners, and other stakeholders are able to maintain continued relationship with the businesses so that the workflow can resume quicker once the sectors are able to rebound. The impact on these sectors is inevitable, hence it is important for these businesses to be able to weather through current times with strong foundations intact.

**Q: Will Covid-19 have any impact on the progress of the Yoma Central project? What business continuity plans have been put in place to meet the project deadlines?**

The project development is going as scheduled and the management is not aware of any revision to plan to date.

**Q: Will there be any changes to the Group's dividend policy in the coming financial year?**

There is no significant changes to dividend policy and dividend distribution is subject to business performance and funding need for deployment.

## 5 Questions to Ask Yourself Before Investing in Stocks

Investors are recommended to do some prior research and have a thorough understanding of the interested stock in order to make the right investment decision. What should the investor focus on when doing research? KBZSC would like to offer some tips on questions to ask yourself before investing in stocks.



### 1) Do you know the company's business?

Investors are recommended to understand what kind of business a company is currently operating in before investing in a stock. If the business model is not clear cut and is too complicated to understand, it is possible that it may not be the right investment for the investor.

It may also be helpful to know what kind of industry a company is operating in before investing in a stock. The overall industry performance may affect a company's operating performance which in turn, may have an impact on the company's stock price. Some industries such as construction and tourism industries can be cyclical in nature. Understanding this cyclicity may help investors with the right timing when making investment decisions.

Below is a list of industries that YSX listed companies are currently operating in –

Listed Company	Industry Exposure
First Myanmar Investment Public Co., Ltd (FMI)	Financial Services, Healthcare, Real Estate, Tourism
Myanmar Thilawa SEZ Holdings Public Co., Ltd (MTSH)	Industrial & Real Estate Development
Myanmar Citizens Bank Ltd (MCB)	Financial Services
First Private Bank Ltd (FPB)	Financial Services
TMH Telecom Public Co., Ltd (TMH)	Telecommunications
Ever Flow River Group Public Co., Ltd (EFR)	Logistics

## 2) Do you understand the revenue model of the company?

A company's revenue model may play a part in investment decisions when picking stocks. Investors may want to know from which revenue streams the company is generating income and whether such income streams are sustainable. It may be useful to understand the main revenue and recurring revenue of a company to gauge the sustainability of the company's revenue.

For example, MTSH's revenue includes the sale and leasing of industrial and commercial real estate and residential housing projects while its recurring revenue comes from maintenance fees, electricity and utilities fees and other charges.

## 3) Does the company have potential to grow and increase their profits in the future?

The nature of businesses may change rapidly in a few years and it may be useful to know whether the company will continue its profitability in the future. One way investors may gauge the profitability potential is to research a company's business expansion plan, look into projects that a company is currently invested in and understand how these projects will drive a company's profits in the future.

For example, FMI is a holding company that is invested in various sectors (Finance, Real Estate, Healthcare and Tourism). Therefore, FMI may benefit from the rapid growth of the different sectors as Myanmar continues to grow.

## 4) Do you know the management team?

It may be useful for investors to know the management past performance, how the management team has navigated through and recovered from challenging times and also how the company has performed at least over the last few years. In the YSX, companies such as FMI may be viewed as a company at the forefront of its respective industries and has been established for many years. Investors may gauge the management performance through the company's annual reports in the past years to understand how the management team has performed in several business cycles.

## 5) Does the company have a decent track record of paying dividends?

For investors looking for regular passive income from dividends, it may be useful to do research on the company's track record of dividend payments before investing in a stock. A well-established company that has a track record of paying out regular dividends can be considered as dividend stocks. However, this does mean a company without regular dividend payments are bad investments. Some companies may be more focused on growth by re-investing

their earnings back into the company and investors may benefit from the possible capital appreciation of the stock as a result of business growth.

Below is the recent track record of cash dividend payments by YSX listed companies –

Listed Company	2015	2016	2017	2018	2019	2020
FMI	120	135	100	100	-	-
MTSH	200	250	260	230	250	200
MCB	650	650	300	200	400	N/A
FPB	2,200	2,000	2,000	2,000	2,500	N/A
TMH	N/A	N/A	25	200	50	N/A
EFR	N/A	N/A	N/A	N/A	N/A	N/A

## Introducing KBZSC Treasury Bond & Bill Secondary Market

Investors can now trade and invest in Treasury Bonds & Bills at prevailing market rates just like stocks! KBZSC currently provides daily buy and sell quotes on KBZSC Facebook Page.

### How can you buy Treasury Bonds & Bills?

Normally, investors who wish to buy treasury bills can participate in primary auctions, held at the Central Bank of Myanmar every two weeks, via securities companies. Currently, the minimum amount required to participate in primary auctions is MMK 500 million. For most retail investors, this minimum requirement poses as the main challenge to take part in auctions.

It is for this reason KBZSC took the initiative to create the retail market for treasury bills in the beginning of this year. Now, retail investors can buy treasury bills starting from MMK 10 lakhs via phone call or in-person at the KBZSC office.

### How does the KBZSC Bond & Bill Secondary Market work?

We are also pleased to announce that starting April this year, we have started accommodating for secondary market buying and selling of treasury bonds and bills. Before, investors normally hold a bill till maturity without buying or selling throughout the period. With KBZSC secondary market, investors now have an additional investment opportunity to buy and sell treasury bonds and bills (without commission) based on buying and selling rates posted on KBZSC Facebook page. In addition, KBZSC investors who are in need of funds can also now sell their bonds and bills to a certain limit immediately with a quoted buying price for the day.

### How do bond and bill pricing work?

Market price for treasury bills will be affected by settlement date, market interest rate and current market demand and supply. It is important to note that a discount rate or yield and a bond/bill price are inversely related. This means, when the yield drops, a bond/bill price will increase and when the yield increases, a bond/bill price will drop. With KBZSC secondary market, investors will now have an investment opportunity to buy and sell treasury bills based on prevailing market rates at any time.



## KBZSC Bond & Bill Secondary Market Quotes (As of 9/7/2020)

Security Identifier	Security Name	Maturity Date (DD/MM/YYYY)	Buying (MMK)	Selling (MMK)
GVT2103057	Govt. of MM 05 March 2021 T-Bill	05-03-2021	<b>95,218.22</b> (7.8% p.a)	- -
GVT2105078	Govt. of MM 07 May 2021 T-Bill	07-05-2021	<b>93,797.06</b> (8.1% p.a)	<b>94,013.04</b> (7.8% p.a)
GVTB22086	Govt. of MM 15 August 2022 T-Bond	15-08-2022	<b>102,292.67</b> (7.6% p.a)	<b>102,958.10</b> (7.25% p.a)

\*All prices are based on MMK 100,000

\*\* Treasury bond prices include accrued interest portion that has to be paid to the government.

\*\*\*No commission charged for secondary market buying and selling of treasury bonds & bills.

## KBZSC Panel Discussion – What’s Next for the Myanmar Capital Market

With the aim to provide investors with relevant investment information during the time of Covid-19, KBZSC held the “What’s Next for Myanmar Capital Market” panel discussion via Facebook Live this month. The speakers for the panel discussion include U Thet Htun Oo – Executive Senior Manager of the Yangon Stock Exchange, U Sun Win – Director of Market Surveillance of the Securities Exchange Commission of Myanmar and U Myint Htay Win – Deputy Head of Equity Capital Markets of KBZSC. The summary of their discussion is included as follows:



### How does YSX plan to promote investor confidence in the market during this uncertain time of Covid-19?

**U Thet Htun Oo** – Before a potential company gets listed at the YSX, we follow multiple steps of business and financial due diligence on the company based on the rigorous listing criteria established at the YSX. Once the company gets listed, we conduct market surveillance on the company’s operational results and trading information diligently to protect investors. In addition, we educate listed company directors on important trading guidelines on prevention of insider trading and market manipulation. At the same time, we hold regular education seminars to teach local investors on how to make the right investment decision. During such uncertain time as covid-19 period, we have also instructed each listed company to announce disclosures regarding the impact of Covid-19 on the listed company’s businesses and operational results so that investors can stay updated and be well informed of the company’s latest news. This way, we try to alleviate some of the anxiety that investors have on the current market situation.

**Has Covid-19 impacted the timeline for future listings and initial public offerings (IPOs)? What steps have the SECM taken to make sure the original timelines are still intact?**

**U Sun Win** – Covid-19 has had some impact on the listing timeline of companies. For example, EFR's date of listing was postponed for a few months due to Covid-19 but was successfully listed in May 2020. As of now, SECM is currently working with a few companies that are planning to get listed. In addition to necessary measures taken by the SECM, YSX has also assembled a Special Task Force (STF) made up of JICA and SECM members while we provide free consultation services for companies that are planning to get listed.

**How has Covid-19 impacted small-and-medium enterprises (SMEs) in Myanmar? How has it affected the current M&A and IPO landscape?**

**U Myint Htay Win** – Covid-19 has had a certain level of impact on SMEs in Myanmar. However, the government has also initiated the Covid-19 Economic Relief Plan (CERP) to support these companies and lessen the impact of Covid-19. Since the value of local companies has declined a bit during the time of Covid-19, foreign investors may be tempted to engage in merger and acquisition transactions on companies that they see value and growth. In this way, the M&A landscape in Myanmar generally has a rather positive outlook. At the same time, we expect more activity in terms of IPO and has a similar positive outlook on the IPO market.

**How does the SECM plan to support companies that are planning to get listed or raise funds at the YSX but are affected by Covid-19?**

**U Sun Win** – While the government has initiated the CERP on the national scale, the SECM is also holding discussions related to the corporate bond market during this period so that companies can find an additional channel to raise funds in the future. At the same time, we are also overseeing the listing process of companies so that the originally planned listing timelines are still intact. We are also planning to reconsider some of the listing criteria of the YSX on a case-by-case basis to support companies that are planning to get listed but are affected by Covid-19.

**What challenges do companies trying to raise funds have during this period?**

**U Myint Htay Win** – Generally, there are two ways to raise funds – equity financing and debt financing. Normally, strategic investors and private equity firms tend to invest in local companies that are among the best in their respective industries. Therefore, small and medium sized companies are the ones that currently has the biggest challenge in trying to raise funds in the current market.

**How do you think the government's Covid-19 relief plan will help local businesses?**

**U Thet Htun Oo** – The government's Covid-19 relief plan generally has a positive impact on local businesses. The reduction of interest rates by the government has somewhat benefitted the cash flows of the majority of businesses. The 1% interest rate soft loan initiative has also further improved the cash flows of local businesses. Recently, the government has also stepped up its efforts in the M&A sector which can be seen as another good initiative for private businesses. Going forward, if the government can effectively develop the bond market, companies can look into not just the stock market but also the bond market to raise funds.

**Are there plans to set up the second board in Myanmar similar to what regional peers have done in the past?**

**U Thet Htun Oo** – The listing criteria currently established by YSX in line with the international standards. For some public companies here that are not able to meet the rigorous YSX listing criteria, we are planning to set up the second board that will allow these companies to raise funds. At the same time, the second board will give local investors an additional platform to invest in local companies. Currently, preparations for the establishment of the second board has been drafted and the proposal has been sent to respective ministry for approval.

**Now that foreign participation has started at the YSX, what can investors learn from other stock exchanges that have started foreign participation years ago?**

**U Thet Htun Oo** – Since foreign participation is now allowed at the YSX, listed companies can raise up to 35% of their capital from foreign investors. Historically, stock exchanges in the region has allowed foreign participation, starting with a certain percentage to 100% foreign participation in their markets. Just as how mutual funds and trust funds were set up in other countries that led to more complete and efficient capital markets, local investors can expect a similar efficient capital market here in the future.

**What kind of impact do you expect the development of the bond market will have on the Myanmar capital market?**

**U Sun Win** – Although equity financing and debt financing options are available in the current market, most investors are only familiar with equity financing and are not too aware of debt financing, in the form of issuing bonds yet. If you look at our regional peers, Cambodia's stock exchange has 6 listed equity securities and 6 listed corporate bond securities. In order to issue corporate bonds like Cambodia, we need to establish a secondary bond market here first and this has been discussed in our monthly meetings related to Asian Bond Markets Initiative (ABMI). Since 2016, we have set up the framework for setting up of secondary bond market and the implementation of such market can be expected in the near future.

**KBZSC would like to thank U Thet Htun Oo from YSX and U Sun Win from SECM for participating in our “What’s Next for the Myanmar Capital Market” panel discussion.**

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