

FMI, MTSH & TMH Earnings Reports & Future Outlooks



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Investing in Myanmar Treasury Bonds & Bills



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Yangon Stock Exchange Market Summary

From April to June 2019, the total number of shares traded on the Yangon Stock Exchange (YSX) was over 610,000 shares with total trading value of about MMK 3.25 billion. In the same trading period, FMI, MTSH and MCB stocks were also traded via block trading system (trading above 10,000 shares of any YSX stock), with total volumes of 10,513 shares, 470,251 shares and 401,000 shares respectively.

STOCK	3-MONTH HIGH (MMK)	3-MONTH LOW (MMK)	AVERAGE DAILY VOLUME	TOTAL TRADING VALUE (MMK)
FMI	12,500	8,400	2,074	1,357.6 mil
MTSH	3,450	2,800	5,990	1,133.1 mil
MCB	7,900	7,000	210	94.7 mil
FPB	24,500	20,000	260	350.6 mil
TMH	3,100	2,600	1,783	317.1 mil

SECM to open up Yangon Stock Exchange to foreigners

Securities & Exchange Commission of Myanmar (SECM) issued a notification (1/2019) on July 12, 2019 (Friday) that officially allows any foreigner or foreign organization, regardless of the residential status in Myanmar, to hold stakes totaling up to 35% in YSX listed companies.

The YSX is required to declare the start date of trading for foreigners and issue the necessary investing procedures for foreign participation, subject to approval from the SECM. The YSX is also required to have a single class of shares between foreigners and locals, keep foreign stake within the share percentage allowed by designated listed company and designate the direct shares owned by the foreign companies.

The start date of trading for foreigners is expected to be in 2-3 months time as securities companies and the YSX prepare the trading system to accommodate foreign trading while the SECM will provide further instructions on foreign account opening procedures and requirements to securities companies.



Mark Your Calendars

**AUG
3**

**FMI 27th ANNUAL
GENERAL MEETING**
9AM to 11.30AM
Sedona Hotel Yangon

**SEP
1**

YSX EXPO 2019
9:30AM to 15:30PM
Novotel Yangon Max
Hotel

**SEP
1**

**MTSH 6th ANNUAL
GENERAL MEETING**
Starts 2PM
Myanmar Expo Hall

**SEP
22**

**TMH ANNUAL
GENERAL MEETING**
Time TBA

MTSH 2018-19 Dividend Schedule

Last day to trade to entitle as a shareholder on record date	July 9, 2019
Ex-dividend date	July 10, 2019
Record date	July 12, 2019
Dividend payment date	TBA

TMH 2018-19 Dividend Schedule

Last day to trade to entitle as a shareholder on record date	July 23, 2019
Ex-dividend date	July 24, 2019
Record date	July 26, 2019
Trading halt	July 24 – 31, 2019
Bonus share entitlement date	July 31, 2019
Cash dividend payment date	Sept 27, 2019

Listed Companies' News Update

FMI's Acquisition and Shareholding Changes in Yoma Bank

On 23 May 2019, Yoma Bank agreed to convert part of the outstanding convertible loan with International Finance Corporation (IFC) into 5% of the share capital of Yoma Bank, pursuant to the convertible loan agreement entered between Yoma Bank and IFC on 16 September 2014. This conversion, which serves as Transaction 1 of the proposed acquisition and shareholding changes in Yoma Bank, makes Yoma Bank Myanmar's first commercial bank with a foreign stakeholder. FMI's stake in Yoma Bank before and after the execution of Transaction 1 will be as follows:



For Transaction 2, FMI has entered into a conditional share swap agreement with Yangon Land, to acquire 669,553 shares of Yoma Bank owned by Yangon Land by way of a share swap issuance of 9.09 million new ordinary shares in the capital of FMI (nominal issue price per share = MMK 10,000) and cash payment of MMK 10.1 billion to Yangon Land. The transaction, with further capital expansion, will allow FMI to maintain its position as a major shareholder of Yoma Bank as follows:



MCB's MOU Signings for Transaction Services & Tha Bar Wa Project

In February, Myanmar Citizens Bank (MCB) agreed to collaborate with Queen Bee Capital, a Tokyo-based fund transfer service provider to allow customers in Japan to transfer their money to MCB. Customers in Japan can now transact to current accounts, saving accounts and ATM cards at MCB and other local banks for their convenient withdrawals.

In May, MCB also signed Memorandum of Understandings (MOUs) with a number of local suppliers for the on-going Tha Bar Wa Project, an initiative that aims to bring out the good manufacturing practices reducing pollutions in Myanmar Food and Beverages Sector.

TMH's MOU Signing with Shan State Government

On 24 May 2019, TMH Telecom Co., Ltd (TMH) signed a Memorandum of Understanding (MOU) with Shan state government to carry out feasibility studies on 4 Hydropower stations located in Namadu, Northern Shan state. If the results of the study are feasible, TMH will be in charge of all construction power distribution permission.

This MOU signing signals TMH's recent strategic business plan to expand to the energy sector besides current operations in ICT, BTS and Fiber businesses. There is no funding involved under this MOU and the board will provide disclosure should there be a need to establish a joint venture operation.

First Myanmar Investment (FMI) - Earnings Report & Future Outlook

Strong Group revenue amid higher expenses

FMI Group's revenue for FY 2019 was recorded at Ks 279.7 billion, mainly driven by a 36.5% increase in revenue from the Group's financial service operations. Despite a 36% increase in Group revenue from last financial year, FMI Group's expenses increased by 49.7% largely due to higher employee compensation and professional fees for business expansion, marketing and promotion expenses, finance expenses and specific provision on non-performing loans from the bank subsidiary. Therefore, the Group's net profit margin decreased by 6.9% to 5.2% in FY 2019, compared to 12.1% in FY 2018. FMI's earning per share is recorded at Ks 338 per share. In FY 2019, the group's capital has increased by 12.9% to Ks 306.2 billion while FMI's net debt has also increased by 40.8% to Ks 119.1 billion, thus recording a net gearing ratio of 39%.

	FY 2019	FY 2018	% CHANGE
FOR THE FINANCIAL YEAR (MMK '000)			
Revenue	279,735,934	205,619,926	36.0%
Gross Profit	110,728,849	72,765,909	52.2%
Net Profit	14,443,389	24,777,453	(41.7%)
Net Profit attributable to Equity Holders	9,011,337	18,617,449	(51.6%)
Net Cash and Cash Equivalent	350,634,146	286,955,946	22.2%
Earnings per share (MMK per share)	338	746	(54.7%)
AS AT 31 MARCH 2019 (MMK '000)			
Non-Controlling Interests	92,904,252	88,221,605	5.3%
Net Debt ¹	119,051,822	84,541,033	40.8%
Total Capital ²	306,197,602	271,105,976	12.9%

Ref: FMI Co., Ltd

FY 2019

Gross Profit Margin

39.6%

Net Profit Margin

5.2%

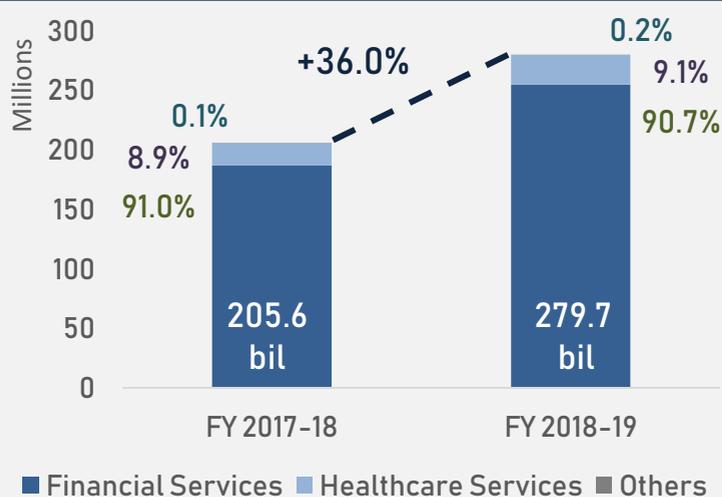
Net Gearing Ratio

39.0%

Financial sector continues to drive the Group revenue

FMI's financial service sector continues to be the main driver of the Group's revenue, with 91% of it coming from Yoma Bank's operations. The Group's healthcare sector has also seen a steady increase in revenue in the past years with the FY 2019 revenue recorded at Ks 24.9 billion which is a 32.6% increase from last year. FMI's share of profit of associates and joint ventures increased by 74.9% to Ks 20.5 billion, mainly driven by fair value gains of investment properties from Thanlyin Estate Development and one-time profit gained from Pun Hlaing Link Services for transfer of investment in financial assets to Yangon Land Co., Ltd.

FY 2019 FMI Revenue Breakdown (MMK)



Associates & Joint Venture	Profit/Loss ('000)
Chindwin Holdings	(50,642)
Thanlyin Estate Development	17,539,469
Meeyahtar International Hotel	128,287
LSC-FMI Co., Ltd	(1,640)
Pun Hlaing Link Services	3,313,681
FMI Garden Development	(163,331)
FMI Decaux	(189,156)
Total	20,576,668

A Quick Look at the Fundamentals

	FY 2018	FY 2019
Book Value per share (MMK)	12,336	11,672
Cash Dividend (MMK)	100	-
Dividend Yield	0.87%	-
Dividend Payout Ratio	13.40%	-
Earnings per share (MMK)	746	338
Price to Earnings Ratio	15.41	33.99
Price to Book Ratio	0.93	0.99
Current Ratio	0.89	0.86
Return on Assets	1.08%	0.51%
Return on Equity	13.28%	7.72%
Profit Margin	12.05%	5.16%
Debt to Equity Ratio	0.45	0.64
Net Gearing Ratio	31.18%	38.88%

- Earnings per share and PE ratio subject to change after FMI's proposed transactions on Yoma Bank shareholding changes.
- No dividend proposed by the board of directors for FY 2019.
- Group's profitability ratios decline due to a decrease in net profit for FY 2019.
- Group's increase in net debt was higher than the increase in capital, leading to higher net gearing ratio recorded in FY 2019.
- Net gearing ratio of 39% remains below the Group's gearing target of 40%.

Note: Price multiples based on MMK 11,500 per share.

Going Forward...

Financial Services

Following transactions for the proposed acquisition and shareholding changes in Yoma Bank, FMI's major shareholder position will increase to 62.52% stake in Yoma Bank. This serves as a major support for the future growth of FMI considering Yoma Bank's consistently rapid growth in recent years and its continued contribution to over 90% of the Group's revenue. However, it is important to take note that the Group's earnings per share and net tangible assets will be diluted following the proposed transactions with the additional issue of about 9 million FMI shares in the share swap deal with Yangon Land Co., Ltd.

Real Estate Services

In FY 2019, the Group's real estate brand, Yoma Land expanded its real estate offering with the launch of the City Loft Project, a modern affordable housing that targets the middle-income market in Yangon. Myanmar's real estate sector is going through a period of adjustment and City Loft, which has started construction in April 2019, will provide the Group with a new income stream from real estate operations. Yoma Land's flagship project, the Yoma Central, is expected to complete in 2021 as scheduled. FMI currently has a 12% stake in the Yoma Central project.

Healthcare & Tourism Services

The Group's expansion plans for the 'Hub and Spoke' healthcare service delivery model will largely remain the same while the new partnership with Singapore Stock Exchange listed OUE Lippo Healthcare limited will add commercial value and accelerate FMI's future strategic alliances. In tourism sector, Myanmar government's relaxed visa stipulations on Chinese travelers and visa exemptions to travelers in some East Asian countries recently have led to an increase in Asian tourist arrivals, offsetting a decrease in Western travelers due to the Rohingya issue. The launch of Myanmar Tourism Bank (MTB) to spur development in the sector and Bagan's recent inscription on the UNESCO World Heritage List, tourism sector is expected to continue its positive recent rebound in the coming year. Memories Group is likely to benefit from this positive sector outlook as it continues to expand its hotel portfolios through acquisitions of well-located hotels within Myanmar.

Myanmar Thilawa SEZ Holdings (MTSH) - Earnings Report & Future Outlook

MTSH's current stake in its associate investments



Associate investments continue to deliver despite challenging market conditions

MTSH's revenue for FY 2019 was recorded at Ks. 5.3 billion, which is a 51% decrease from previous financial year due to reduction in construction revenue and residential and commercial land lease. Despite a fall in revenue, MTSH's gross profit margin increased by 12.8% to 60.3% this year mainly due to increase in sales commission income. MTSH's share of profit from associate investments increased by 25% to Ks 11.4 billion in FY 2019. MJTD, which is responsible for the development and operation of Thilawa SEZ, achieved an 11% increase in net profit to

USD 18.3 million. MTSH's other associate investment, TPD recorded a 83% decrease in net profit to Ks 614 million in FY 2019, due to challenging market conditions in residential and commercial real estate sector. Other major sources of income includes interest income and foreign exchange gain in FY 2019. With increased FY 2019 net profit, MTSH's earning per share increased by 28% to Ks 398, compared to Ks 310 in FY 2018.

Kyat in million			
	Percentage changed	31-Mar-19	31-Mar-18 (Restated)
Revenue	(51%)	5,382	11,001
Cost of sales	(63%)	(2,134)	(5,771)
Gross profit	(38%)	3,248	5,230
Expenses	11%	(2,825)	(2,535)
Share of profit from associate	25%	11,395	9,083
Operating profit	0%	11,818	11,778
Income/(expense) from non-operating activities	283%	4,096	1,070
Total profit before tax	24%	15,915	12,849
Income tax expense	600%	(304)	(43)
Net profit	22%	15,610	12,805
Gross profit margin	27%	60%	48%
Earning per share (Kyat)	28%	398	310

FY 2019

Gross Profit Margin

60.3%

MTSH relies heavily on associate investments to generate cashflow. The holding company generates relatively small revenue; thus higher net profit compared to sales.

Ref: MTSH Public Co., Ltd

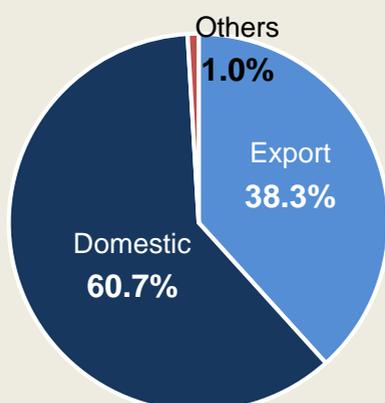
Investment Breakdown in Thilawa SEZ

Reservation Agreement – 107

Investment Permit - 102

Factory Construction - 90

Commercial Operation - 72



Ref: MTSH Public Co., Ltd

Thilawa SEZ Industrial Area Sales

Development Area	Sales Progress
Zone A	99%
Zone B – Phase 1	81%
Zone B – Phase 2	42%
Zone B – Phase 3	65%

(As of July 2019)

Top Investment Category

1. Construction Material – 17
2. Packaging – 10
3. Garment – 9
4. Food & Beverage – 9
5. Agricultural Product – 8

Top Investing Country

1. Japan – 55
2. Thailand – 15
3. Korea – 8
4. Taiwan – 6
5. Singapore – 3

Continued strong interest in Zone A and B industrial areas

As of July 2019, MTSH has completed sales of up to 99% of Zone A project while 81%, 42% and 65% of phase 1, 2 and 3 has been sold in Zone B project. There are currently 107 companies in industrial area of Thilawa SEZ, 90 of which are offshore companies from Japan, Thailand and Korea among others. The other 17 companies are made up of joint ventures and Myanmar companies. These companies bring in about \$1.6 billion of investment while the entry of multinational companies such as Toyota Motor Corporation will inject more foreign investments in the industrial zone.

A Quick Look at the Fundamentals

	FY 2018	FY 2019
Book Value per share (MMK)	2,194	2,365
Cash Dividend (MMK)	230	250
Dividend Yield	7.19%	7.58%
Dividend Payout Ratio	74.24%	62.84%
Earnings per share (MMK)	310	398
Price to Earnings Ratio	10.33	8.29
Price to Book Ratio	1.46	1.40
Current Ratio	16.14	22.74
Return on Assets	13.92%	16.00%
Return on Equity	16.44%	18.49%
Profit Margin	116.40%	290.04%
Debt to Equity Ratio	-	-
Net Gearing Ratio	-	-

Note: Price multiples based on MMK 3,300 per share.

With consistent dividend payments in the range of Ks 230 – 260 in the past 4 years, MTSH can be considered as a dividend stock for investors looking into passive income streams.

- Based on closing price on last Day of trading for dividend entitlement, MTSH's 7.58% dividend yield is highly comparable to saving deposit rates of private banks.
- Due to increase in net profits supported by share of profit from associates, earnings per share increased to Ks. 398 in FY 2019.
- MTSH's profitability ratios have improved in FY 2019 due to continued strong earnings.
- The holding company continues to run its operations debt-free, thus debt to equity and net gearing ratios are not applicable.

Going Forward...

Stable cash flows expected to be reinforced by further foreign investments

MTSH will continue to benefit from revenue of land sales, lease and rental of factories and utilities services from its associate investment, MJTD. Zone A sales have almost been completed while the development of Zone B is progressing well. Thus, there is also a stable and recurring revenue generating regular cash flows from both projects. Despite weak market sentiment in residential and commercial real estate sector, MJTD's increased profits highlight strong and consistent demand for Thilawa SEZ industrial zone, both from local and abroad. Toyota Motor Corporation will invest USD 52.6 million in Thilawa SEZ which will further reinforce the holding company's already strong cash flows. Such significant investment from a multinational company could also pave the way for further major foreign investments in the industrial zone.

Medium and long-term prospects look promising with investment plans beyond Thilawa SEZ

Upcoming projects such as the development of a shopping mall complex in Thilawa SEZ and future plans for the establishment of Logistics Development Area Zone and railway logistics will further support the company's cash flows in the medium-term. The holding company's long-term future prospects look promising as approximately 75% of Thilawa SEZ is yet to be implemented and put on sale after Zone A and B projects. The management is also preparing to move forward the company's business to the next level and venture into new investments outside of Thilawa SEZ with investment considerations in Kyauk Phyu SEZ, Deep Sea Port Project and Myitkyina Economic Development Zone.

TMH Telecom (TMH) Earnings Report & Future Outlook

Revenue and profits shrank in challenging business environment

TMH's revenue for FY 2019 was recorded at Ks 8.9 billion, a 10.1% decrease compared to that of the previous year. In FY 2019, TMH dealt with headwinds from challenging market conditions, particularly in the ICT sector where there was a significant drop in foreign investments. Since the expansion of the ICT sector is highly dependent on foreign investments, this drop impacted TMH as the company faced more competition between Myanmar players. With a decline in revenue, TMH also recorded a reduction in its gross and net profit at Ks 4.1 billion and Ks 633.9 million respectively. TMH's earnings per share is recorded at Ks 52, a 62.3% decrease compared to that of the previous year.

FY 2018-19 FY 2017-18

	MMK	MMK	% Change
Revenue	8,939,871,162	9,940,424,952	-10.1%
Costs of Good Sold	(4,869,957,058)	(4,358,820,344)	11.7%
Gross Profit	4,069,914,104	5,581,604,608	-27.1%
Other Income	84,699,174	111,061,506	-23.7%
Expense	(3,062,502,072)	(3,316,647,302)	-7.7%
Profit before Tax	1,092,111,206	2,376,018,812	-54.0%
Tax Expense	(458,210,283)	(695,905,799)	-34.2%
Net Profit after Tax	633,900,923	1,680,113,013	-62.3%
Fair value adjustment of Investments	(71,246,500)		
Total Comprehensive Income	562,654,423	1,680,113,013	-66.5%
Basic EPS (MMK)	52	138	

FY 2019

Gross Profit Margin

45.5%

Net Profit Margin

7.1%

Ref: TMH Public Co., Ltd

BTS operations, the main revenue stream of TMH business

In FY 18-19, the revenue for BTS operations decreased by 6.8% to Ks 6.06 billion amid the cancellation of various projects in a more challenging business environment. Despite decreasing revenue, BTS operations still account for 81% of TMH's overall revenue, providing services for MPT, MyTel and China Unicom. As of FY 2019, TMH has built more than 60 towers and maintained over 800 towers, impacting 1.3 million people.

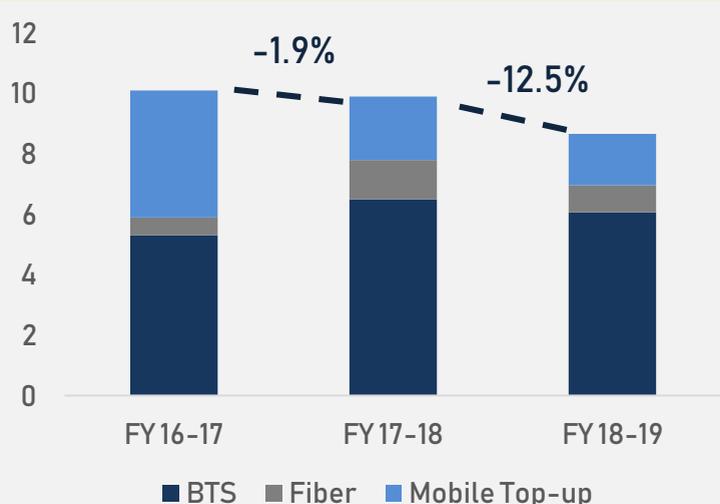
Fiber operations

The revenue for fiber operations decreased by 30.8% to Ks 0.9 billion compared to Ks. 1.3 billion last year. In FY 18-19, TMH's fiber operations provided over 1,000 km of fiber maintenance services for MPT in Yangon, Mandalay and Magway regions. In addition, TMH installed over 500 km of optical fiber for its associate, Myanmar GT Broadband, 99% of which will be owned by the associate.

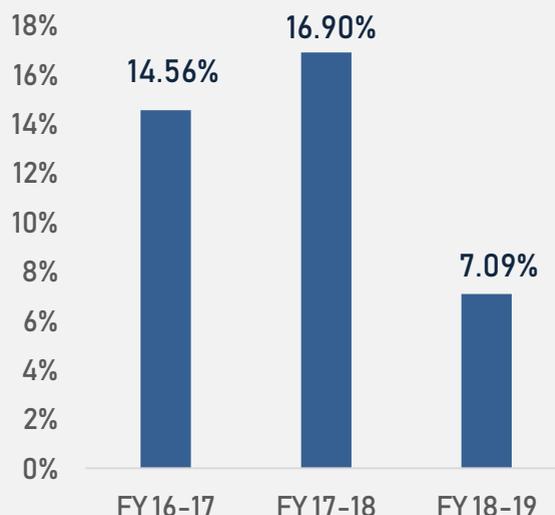
Mobile Top-up operations

The revenue for mobile top-up operations also decreased by 19.0% to Ks 1.7 billion compared to Ks 2.1 billion last year. TMH's 2 operating sites manufactured 69.1 million prepaid top-up cards last year for MPT, covering 18 townships in Yangon East Region and Northern Shan State. In addition, TMH launched a mobile application, *Thi P Lar*, a one stop platform between merchants and customers to further boost revenue.

TMH's Main Revenue Breakdown (MMK)



TMH's Net Profit Margin



Note: Revenue breakdown does not include other income sources.

Ref: TMH Public Co., Ltd

A Quick Look at the Fundamentals

	FY 2018	FY 2019
Book Value per share (MMK)	1,478	1,316
Cash Dividend (MMK)	200	50
Dividend Yield	6.56%	1.72%
Dividend Payout Ratio	145.38%	96.33%
Earnings per share (MMK)	138	52
Price to Earnings Ratio	22.17	55.87
Price to Book Ratio	2.06	2.20
Current Ratio	8.32	9.10
Return on Assets	8.47%	3.64%
Return on Equity	9.31%	3.93%
Profit Margin	16.90%	7.09%
Debt to Equity Ratio	0.00	-
Net Gearing Ratio	0.01%	-

Note: Price multiples based on MMK 2,900 per share.

- With FY 18-19 earnings per share recorded at Ks 52, TMH's proposed cash dividend of Ks 50 signals a high dividend payout ratio of 96.33%.
- In addition to the cash dividend of Ks 50 per share, TMH's board of directors proposed a bonus issue of 1 share for every 20 shares owned.
- Due to decreasing profits, profitability ratios for TMH declined in FY 2019
- TMH is currently trading at a PE ratio of 55.87, reflecting investor's strong willingness to pay per dollar of TMH earnings.
- The company operated debt-free in FY 18-19, thus debt to equity and net gearing ratios are not applicable.

Going Forward...

ICT operations will continue to grow while TMH considers investment in energy sector

TMH plans to invest and explore new business opportunities in the ICT sector that will structurally continue to grow. The company's vision aligns with the government's strategy, which aims to establish a "Digital in Myanmar" by 2025. TMH is expanding the footprint of its operations and its customer base in Yangon, Shan, Mon and Sagaing states while investing more to expand its optical fiber network in almost all the Myanmar states. The recent MOU with Shan state government for a feasibility study of 4 hydropower stations also signals the company's expansion of business to the energy sector on top of the currently focused sectors.

Investing in Myanmar Treasury Bonds & Bills

What are Treasury Bonds & Bills?

Treasury bonds and bills are marketable securities issued by the Government with a promise to pay periodic interest payments and repay the face value on the maturity date. The Myanmar Government issues bonds and bills to generate cash and invest in national projects such as infrastructure works and other projects that are beneficial to Myanmar's socioeconomic well-being. Currently, investors can invest in Myanmar treasury bonds and bills by taking part in auctions via securities companies at the Central Bank of Myanmar.

Basic differences between bonds and bills



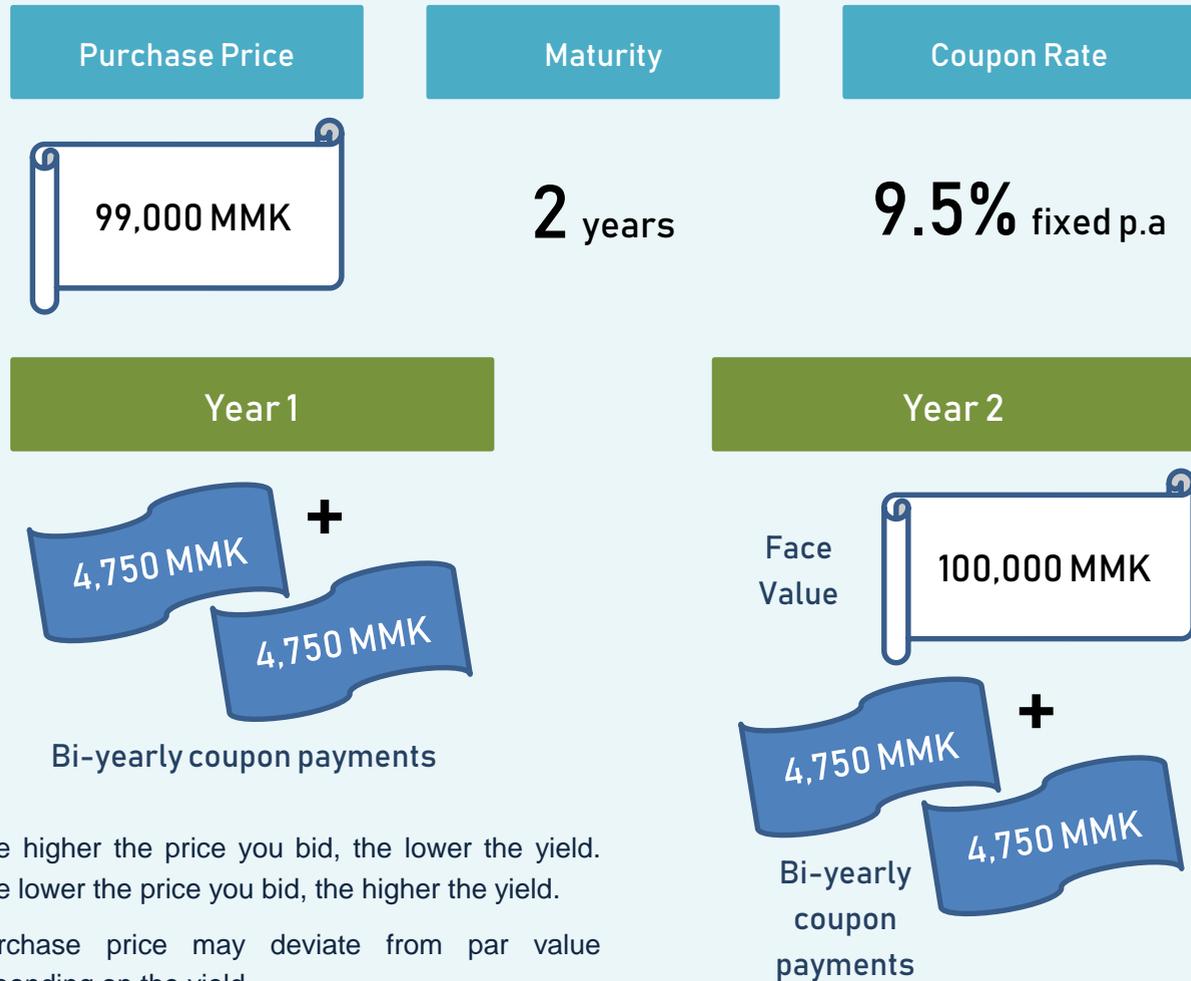
How do current bond and bill auctions work?



- Bond auctions take place **once** a month while bill auctions take place **twice** a month.
- Coupon payments for bonds are paid every 6 months in May and November.
- Treasury bills do not pay coupon interest. Investors bid on discount yield instead.

How do you generate capital-gain from bond/bill investment?

Investing in a 100k MMK Myanmar treasury bond scenario



- The higher the price you bid, the lower the yield. The lower the price you bid, the higher the yield.
- Purchase price may deviate from par value depending on the yield.

Latest Auction Results in July 2019

Treasury Bill	Auction twice every month		
Maturity	91 days	182 days	357 days
Yield Range	7.97% - 8.25%	8.90% - 9.15%	9.00% to 9.50%
Volume (MMK)	21,000 mil	40,000 mil	25,000 mil
Treasury Bond	Action once every month		
Maturity	2 yrs 4 mths 26 days	3 yrs 10 mths 25 days	4 yrs 10 mths 25 days
Yield Range	9.50% - 9.90%	9.45% - 9.89%	9.65% - 9.85%
Volume (MMK)	106,500 mil	80,500 mil	100,000 mil

Why should you invest in Treasury Bonds and Bills?



Mark Your Calendars

Treasury Bill Auction Calendar

Time	Auction Date
105 th (TB0105)	14-8-2019 (Wed)
106 th (TB0106)	28-8-2019 (Wed)
107 th (TB0107)	11-9-2019 (Wed)
108 th (TB0108)	25-9-2019 (Wed)

Treasury Bond Auction Calendar

Time	Auction Date
36 th (GB0036)	20-8-2019 (Tue)
37 th (GB0037)	17-9-2019 (Tue)

Auction announcements usually made 2-3 business days before the auction day.

KBZSC Securities Trading Department Contact Details

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