



# First Myanmar Investment (FMI)

1HFY17 Results Review

1<sup>st</sup> December 2016

**BUY**

## Banking on growth

Share Price: Ks 16,000

Target Price: Ks 25,000

12M hi/lo: Ks 41,000/ 16,000

Shares outstanding:  
23,480,013

Free Float (est.): 25%

Market cap: Ks 376 billion

Average daily volume: 8,750

Average daily value:  
266,091,667

### Yoma Bank's strong gain and investment income underpinned 1HFY17 profit:

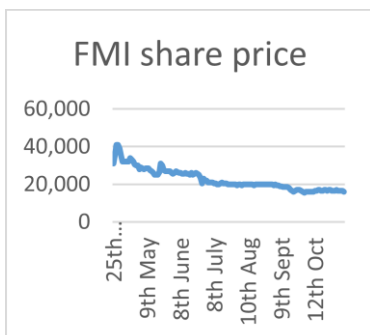
Ks ('000)	1HFY17	1HFY16	% change
Revenue	74,633,848	49,956,398	+49.3
Gross profit	23,071,664	14,837,829	+55.5
Operating Profit	2,622,761	-2,834,229	
Share of profit of associates	-118,120	457,263	
Non-operating profit	5,268,447	7,304,918	-27.9
Profit before tax	7,773,088	4,927,950	+57.8
Less Income Tax	-1,575,015	-847,023	
Less Minority Interest	-1,346,872	1,290,166	
Net profit after tax and minority interest	4,851,201	5,371,093	-9.7
EPS (Ks) #	207	235	

Note: # 1HFY17 and 1HFY16 EPS were computed based on 23,435,754 shares and 22,855,714 respectively

Quality of FMI's earnings improved on the back of stronger than expected revenue from its 51%-owned Yoma Bank (YB), and higher gross margins of its hospital division. The financial and healthcare sectors reported a half-time revenue of Ks 67.5 billion and Ks 7.1 billion respectively. YB's deposit based grew to Ks 1.27 trillion +16.5% y-o-y, with Loan/Deposit ratio at 67%. Higher patient volume contributed to Pun Hlaing Hospital 's strong gross margin. Gain on partial disposal of MTSB shares accounted for most of the group's non-operating income of Ks 5.3 billion. The significantly higher taxes and minority interest charges were due to the robust performance of YB.

**Expect a stronger second half:** We revised our full year pre-tax profit forecast to Ks 14.6 billion from Ks 13.6 billion on the back of higher profit contribution from YB. We expect the bank's deposit base to reach Ks 1.44 trillion with a 68% loan/deposit ratio. The Healthcare division is likely to incur a loss of Ks 1 billion (similar to the last FY). Contribution from FMI's 30%-owned Galaxy Tower project, though expected to be higher in 2H, would still be much lower than our earlier estimate. Further sale of the remaining 2.5% stake in MTSB should help offset a smaller real estate contribution.

**Target price reduced to Ks 25,000/share:** Our previous target price of Ks 42,000 /share priced in a substantial scarcity premium assuming a similar investor behaviour observed in Vietnam and China would be repeated here. However, the initial excitement lasted only three days with share price reaching a high of Ks 41,000. We have revised down the 12-month target price to Ks 25,000, based on a sum-of-parts valuation methodology without imputing any scarcity premium.



Analyst: Michael Ong

Financials (Ks '000)	31 Mar 15A	31 Mar 16A	31 Mar 17E	31 Mar 18 F
Revenue	33,318,535	110,024,282	148,690,289	188,529,002
Operating profit	(1,712,946)	(1,361,511)	6,311,029	11,857,657
Share of associates income	15,452,800	3,961,058	1,193,076	2,956,951
Non-operating gains	60,490,657	7,915,887	7,057,054	5,177,999
Profit before tax	74,230,511	10,515,434	14,561,159	19,992,607
Net profit after tax and MI	71,590,924	8,404,851	8,948,990	12,169,223
EPS (Ks)	3,811	358	381	518
PER (x)	4	45	42	31