



TMH Telecom Public Co., Ltd.

Summary

TMH Telecom Public Co., Ltd. is a telecommunications infrastructure company established in August, 2007 in Myanmar, originally under the name Tah Moe Hnye Chan Thar Tun Wai Thar Co, Ltd. Its name was changed to TMH Telecom Public Co, Ltd in May 2016, and was listed under that name on the Yangon Stock Exchange on January 26, 2018.

The company was originally a manufacturer of telephone switchboards when it was first established, but later expanded into information and communications technology (ICT). Currently, its main business encompasses (1) network engineering, (2) the installation and maintenance of carbon fiber networks, (3) installation and maintenance of wireless base stations, (4) manufacture and sale of top-up cards, and (5) conference system. The company's business is especially favorable in the areas of installation and maintenance of wireless base stations and the manufacture and sale of top-up cards, with these two fields accounting for over 60% of its earnings.

The company's stated strategy is to increase market share. The ability to cut back on costs by procuring large amounts of raw materials all at once is a plus factor for the company's earnings achieved in its approach to handling large-scale telecommunications infrastructure projects. The fact that commanding a large market share allows them to do this explains why this is central to their business strategy. In order to achieve its goals, the company is making efforts towards improving its customer service by offering discounts on first time infrastructure installations, and strengthening its technical expertise.

Myanmar's telecommunications market, centering on broadband, has plenty of room to grow in the future. TMH Telecom Public Co Ltd is a company which has seized the moment, and has taken the lead in heading toward the expansion of telecommunications infrastructure.

Myanmar's telecommunications infrastructure has improved rapidly since the year 2013 when the Myanmar government licensed Telenor of Norway and Ooredoo of Qatar to operate as telecommunications carriers. These two companies and KDDI provided technical support to Myanmar Posts and Telecommunications (MPT), bringing large amounts of investment into Myanmar's telecommunications field making further improvements and bringing it to a more desirable level. One local company that has taken advantage of the positive situation is TMH Telecom Public Co, Ltd. The company was established in August, 2007 in Myanmar, originally under the name Tah Moe Hnye Chan Thar Tun Wai Thar Co, Ltd. It was changed to TMH Telecom Public Co, Ltd in January 2016, and was listed under that name on the Yangon Stock Exchange on May 26, 2018.

The company was originally a manufacturer of telephone switchboards when it was first established, but later expanded into the ICT field. In 2016, predicting that the broadband market would expand in the future, the company made a tie-up agreement with the Chinese company, GCI Science & Technology Co, Ltd, and established Myanmar GT Broadband Co, Ltd. TMH has a 38.8% share in this company. The diffusion rate of broadband in Myanmar is still quite low in comparison to other countries in Asia, and major growth is expected in the future. Myanmar GT Broadband Co, Ltd is therefore an important and highly profitable affiliate for TMH.



Currently, the main business of TMH encompasses (1) network engineering, (2) the installations and maintenance of carbon fiber networks, (3) installation and maintenance of wireless base stations, (4) manufacture and sale of top-up cards and (5) conference call systems. Share of profits by area of business in FY2016 was as follows: (1) network engineering 10%, (2) installation and maintenance of carbon fiber networks 18%, (3) installation and maintenance of wireless base stations 32%, (4) manufacture and sale of top-up cards 32%, and (5) conference call systems 8%. Installation and maintenance of wireless base stations and the manufacture and sale of top-up cards together account for over 60% of the company's earnings. This reflects the major growth which has been experienced in Myanmar in the diffusion rate of mobile phones, going from 2.38% in 2011 to 89.26% in 2016.

Looking at the company's before tax profit for FY2016, we see that growth of 28% to approximately 1.8 billion kyat was achieved in comparison to the FY2015 business year which recorded around 1.4 billion kyat. TMH has a close business relationship with the state-owned enterprise Myanmar Posts and Telecommunications (MPT), as well as with the Chinese company Huawei, which is growing rapidly. This puts TMH in the position to gain further growth in earnings in the future.

Chart 1: Breakdown of Profits by Area of Business (%, FY 2016)	
Network Engineering Services	10
Installation & Maintenance of Carbon Fiber Networks	18
Installation & Maintenance of Wireless Base Stations	32
Manufacture and Sale of Top-Cards	32
Conference Systems	8
Total	100

Source: TMH Telecom Public; compiled by writer of this report.

Staffing of its various departments is determined by profitability of the area of business. So in other words, more employees are assigned to the more profitable areas. As of January 2018 the number of employees totaled 423, with 186 assigned to installation and maintenance of wireless base stations. Breaking down staffing further in this field there are 8 project managers, 40 senior engineers, 11 assistant managers, 107 junior engineers, and 20 employees in document control. Second in number of employees is manufacture and sale of top-cards at a total of 100.

The breakdown of employees by age-group is as follows: 280 employees or 60% of the total is age 18-28. As for employee educational background, 289 or over 60% of total employees have completed post-graduate studies. This suggests that TMH is a company with a high level of advanced knowledge and youthful energy.



In the field of telecommunications, there is always the risk that new technical advances will bring about a major change in the company’s business model. Human resources with a wealth of knowledge and ability to respond to new situations are of course a major requirement, and TMH is thought to have the capability of handling new business situations.

As for staffing of offices by region, there are 231 employees in Yangon, 56 in Mandalay, 40 in Naypyidaw, 32 in Lashio, and 21 in Bago. Distribution of employees tells us immediately that the city of Yangon is the country’s main business center. Staffing of offices by region is likely to change as telecommunications infrastructure begins to spread more to the various regions of Myanmar.

Chart 2: Breakdown of Number of Employees by Field of Business (Number of Persons as of January 2018)	
Network Engineering Services	36
Installation & Maintenance of Carbon Fiber Networks	31
Installation & Maintenance of Wireless Base Stations	186
Manufacture and Sale of Top-Cards	100
Conference Systems	5
Management	17
General Affairs	48
Total	423

Source: TMH Telecom Public; compiled by writer of this report.

TMH’s stated strategy is increasing market share. One of the unique characteristics of telecommunications infrastructure projects is that large-scale raw materials costs are often unavoidable. However, if market share expands, costs can be cut back by procuring large amounts of raw materials all at once. If this becomes possible, it would be a plus factor for the company’s earnings. This explains why expanding market share is central to their business strategy. In order to achieve this goal, the company is making efforts towards improving its customer service by offering discounts on first time infrastructure installations, and strengthening its technical expertise.

Myanmar’s telecommunications infrastructure, centering on mobile phones, has grown rapidly since the year 2013. As of the end of 2017, the diffusion rate of mobile phones reached nearly 100%. Hence future growth will most likely become more moderate than before. However, if we look instead at the broadband market, we see that the diffusion rate is still low, leaving plenty room for more growth in the future. Meanwhile, the internet, which is closely related to the broadband diffusion rate, has a diffusion rate of just under 30%, and this market is also expected to see major growth in the future. Looking at the market by region, first infrastructure will be provided in the Yangon and Mandalay areas, and then expand into



other regions such as Shan State, Kachin State, Chin State, Rakhine State, and elsewhere. Providing internet infrastructure in Yangon and Mandalay has just begun, so there are a lot of rooms left to grow.

TMH Telecom Public Co Ltd is a company which has seized the moment, and has taken the lead in heading toward the expansion of telecommunications infrastructure. The company is expected to see further expansion of its business in the future.