



FMI Monitoring Report (No. 1)

1. Summary of FY2018-19 Business Results (April 2018 – March 2019)

FMI (First Myanmar Investment Public Co., Ltd.) FY 2018-19 sales registered growth of 36% in comparison with the previous year to a total of 279,736 million kyat, while net recurring profits suffered a decline of 41.7% to 14,443 million kyat. As a result, earnings per share fell significantly from the previous year's 746 kyat to 338 kyat, and dividend payment to shareholders was postponed.

Major decline in profits despite growth in earnings from affiliates and joint ventures was due to the increase in losses on non-performing loans held by Yoma Bank, and growth in expenses for the improvement of banking efficiency and increasing professionalism, which led to increased expenditures of 49.7% in comparison with the previous year to a total of 104,745 million kyat. Meanwhile, losses from a failed real estate venture, and the halting or postponement of plans to construct a hospital, as well as foreign exchange losses on US dollar denominated debt brought other income (losses) a decline of 143.7% in comparison with the previous year to -5,834 million kyat.

Despite this situation, the company's earnings environment with its core business centering on Yoma Bank is not necessarily in such bad shape, with gross profit margin having improved from 35.4% during the previous year to its current 39.6%. Losses incurred in its real estate business and hospital construction are limited to the FY2018-19 period and are only temporary. There is still a very good chance that year-to-year growth in net recurring profits can be achieved in FY2019-20.



Summary of Income Statement

	FY 2018-19 (in million Kyat)	FY 2017-18 (in million Kyat)	change %
Revenue	279,736	205,620	36.0
Cost of Sales	(169,007)	(132,854)	27.2
Gross Profit	110,729	72,766	52.2
Expenses	(104,745)	(69,949)	49.7
Other gains (losses)	(5,834)	13,340	(143.7)
Profit from associates and joint venture	20,577	11,766	74.9
Profit before tax	20,726	27,923	(25.8)
Tax Expense	(6,283)	(3,145)	99.8
Net Profit after Tax	14,443	24,777	(41.7)
Earning per share(MMK)	338	746	(54.7)

As for the sales breakdown by area, financial and banking services accounts for 91.0%, while health services account for 8.6%, and other business 0.4%. The majority of sales comes from financial and banking services centering on Yoma Bank (FMI holds 51% ownership). This tendency has continued over the past several years, so that currently, FMI has a business structure which is largely dependent on financial services. In light of this fact, FMI is working on expanding Yoma Bank's business, while at the same time strengthening the efficiency of its operations and professional expertise. As for business expansion, the bank is keeping costs down by limiting the number of branches, while at the same time strengthening digital banking. In this way the company's strategy differs from other banks. Its digital banking product, SMART, was started up in August 2017. This allows customers to make use of banking services without going to an actual bank branch. The main purpose of this move was to increase the number of new customers the bank could attract. As for operational efficiency and strengthening of professional expertise, the bank now offers a paperless application process for housing loans and installment payments. Meanwhile, a new method of making credit decisions has been adopted making use of past data in credit scoring. This series of initiatives promises to lead to the strengthening of Yoma Bank's earnings power in the future by cutting costs.



Breakdown of Revenue by Segment

	FY 2018-19 (in million Kyat)	FY 2017-18 (in million Kyat)	change %
Financial Services	254,598	186,586	36.5
Healthcare Services	24,929	18,802	32.6
Dividend Income	155	174	(11.1)
Rental	54	58	(6.4)
Total	279,736	205,620	36.0

As for the status of the company's earnings from its associates and joint ventures, earnings from the Thanlyin District development accounts for over 80%, making it an extremely important source of earnings. Thanlyin Estate Development has carried out sales of luxury condominiums, such as Star City and Galaxy Tower, but the company changed its strategy as of January 2019. It has now begun selling condominiums oriented toward the middle-class.

Profit (Loss) from Associates & Joint Venture

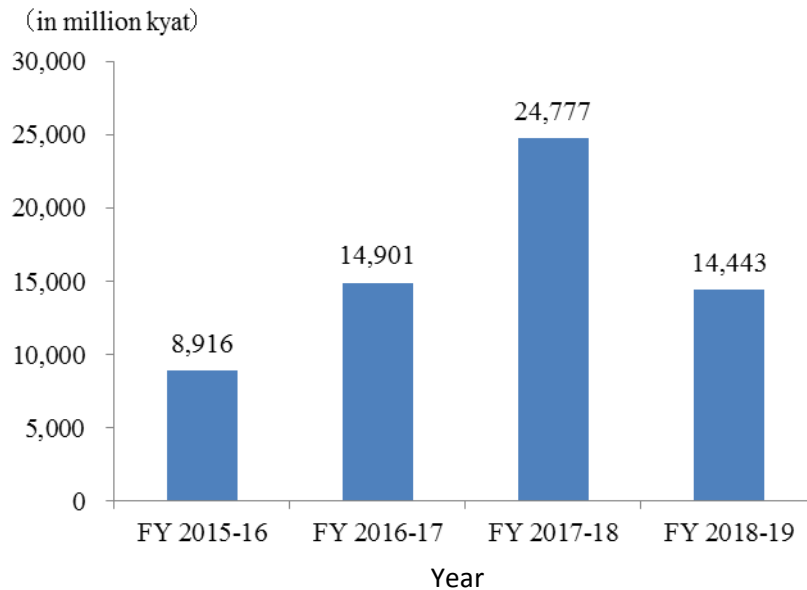
Associates & Joint Venture	(in million Kyat)	Stake %
Chindwin Holdings Pte Ltd	(51)	30.0
Thanlyin Estate Development Co, ltd	17,539	30.0
Meeyahtar International Hotel Ltd	128	20.0
LSC-FMI Co.,Ltd	(2)	50.0
Pun Hlaing link services Co., Ltd	3,314	30.0
FMI Garden Development Co.,Ltd	(163)	47.5
FMIDecaux Co.,Ltd	(189)	40.0
Total	20,577	

The company has begun selling a line of condominiums oriented toward the middle-class called City Loft. There are several choices of floor plans, including a one-room studio, 1-bedroom apartment, 2-bedroom, 3-bedroom, and 4-bedroom condominium, with prices ranging from 46 million kyat to 120 million kyat. Room sizes are slightly on the small side, while construction costs are held down. This makes it possible to provide condominiums at a much lower price than the company could in the past. Meanwhile, Yoma Bank loans with payment plans of up to 25 years are also available to buyers, making the process more convenient for buyers than in the past. Sales of new City Loft condominiums oriented toward the middle-class are favorable due to the above mentioned factors, and the company is now in the process of expanding its sales volume of the product.



For some time to come, FMI's earnings performance will be influenced largely by the business performance of Yoma Bank and sales of City Loft condominiums. As for Yoma Bank, earnings opportunities are expected to grow in the continually expanding fields of micro-finance and digital banking as the bank makes use of its growing competitiveness achieved through reviewing its operational procedures to improve convenience for the customer, as well as upping its efficiency as a result of its investment in computerized systems. As for City Loft condominiums, pricing has been set to conform to Myanmar's current economic reality. For this reason there is a growing number of highly motivated buyers from the middle-class, and there are excellent possibilities for continuing favorability in sales in the future. Hence we expect a positive earnings trend in in the future for FMI.

FMI Net Profit



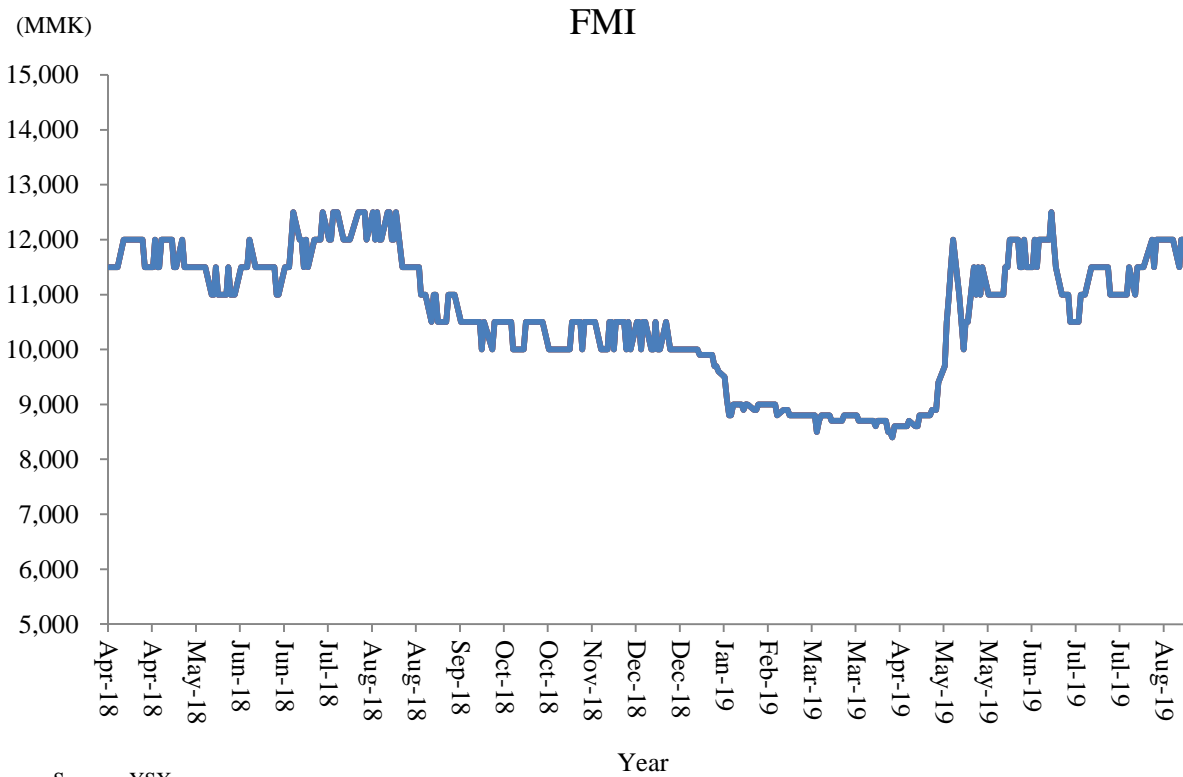
In addition, looking at the mid to long-term, there are a number of developments which are positive for FMI. These are as follows: (1) New Myanmar Companies Law went into effect in August 2018. The law defines a Myanmar company as one with 35% or less foreign ownership (a domestic company), (2) a decision was made in November 2018 to establish a new government agency to proactively handle direct investment from overseas, coordinating between different government agencies as necessary. This is the Ministry of Investment and Foreign Economic Relations, (3) China's Belt and Road Initiative could encourage more foreign investment in Myanmar, and there is a good possibility that it could be a plus to Myanmar's economy. If the growth rate of Myanmar's economy is increased, one of the sectors that would profit greatly is real estate. This puts FMI in an advantageous situation due to its involvement in many areas of business and its expertise in many fields.

FMI's net profit continued to grow between FY2015-16 and FY2017-18, but then declined in FY2018-19 to the level it had been back in FY2016-17. Considering the fact that the



business environment FMI finds itself in has been showing signs of making a comeback recently and promises to continue doing so in the future, the company’s net profit can be expected to again return to growth.

2. Change Over Time in FMI Stock Price



Source : YSX

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