



TMH Monitoring Report (No. 1)

1. Summary of FY2018 (Apr. 2018 – Mar. 2019) Financial Statement

TMH FY2018 sales suffered a decline of 10.1% in comparison with the previous year at 8,940 mil kyat. The major factor behind the decline in sales was the setback for FY2018 investments from overseas in the ICT dept., with investment amount falling from its former 900 million dollars during the previous year to 680 million dollars currently. Gross profit fell by 27.1% y/y to 4,070 mil kyat, while the gross profit margin fell from 56.1% in comparison with the previous year to 45.5%. The main factor behind the decline in gross profit margin was the increase in the number of corporations finding low-cost means of entering Myanmar's market, which also brought downward pressure on prices of goods offered by these same companies. The sales expense ratio is also much higher than the previous year when it was at 1.25%, growing to 4.62% as a result of increasing competition in the market. Net profits after tax suffered a major decline of 62.3% y/y to 634 mil kyat. As a result, earnings per share of the company's stock fell from 138 kyat during the previous fiscal year to 52 kyat. As a result, dividend per share also fell from 200 kyat to 50 kyat during the same period.

Summary of Income Statement

	FY 2018-19 (in million kyat)	FY 2017-18 (in million kyat)	change %
Revenue	8,940	9,940	(10.1)
Cost of Goods Sold	(4,870)	(4,359)	11.7
Gross Profit	4,070	5,582	(27.1)
Other Income	85	111	(23.7)
Expense	(3,063)	(3,317)	(7.7)
Profit before Tax	1,092	2,376	(54.0)
Tax Expense	(458)	(696)	(34.2)
Net Profit after Tax	634	1,680	(62.3)
Earning per share(MMK)	52	138	(62.3)

The company has decided to carry out an allotment of shares without contribution at 1 share per every 20 shares owned as a means of compensating for the dividend reduction.



As for the share of profit by sector, (1) network engineering service was at 6%, while (2) optical fiber network installation and maintenance was at 11%, and (3) wireless station installation and maintenance was at 64%, with (4) mobile phone top-up card manufacturing and sales at 19%. Comparing with the previous fiscal year, we see that wireless station installation and maintenance increased its share by 17%, while network engineering service saw its share decrease by 8%, and optical fiber network installation and maintenance decreasing by 6%, with mobile phone top-up card manufacturing and sales seeing its share reduced by 3%. This indicates that the wireless station installation and maintenance business is the company's main focus.

The company's main source of earnings will continue to be from the mobile phone related business in the future, and as will be explained further, it has decided that as a business strategy, weight should be placed on the building and maintenance of both individual and corporate internet environments. The share of profit by network engineering services is therefore expected to grow further next fiscal year.

Breakdown of Net Profit by Sector (%)

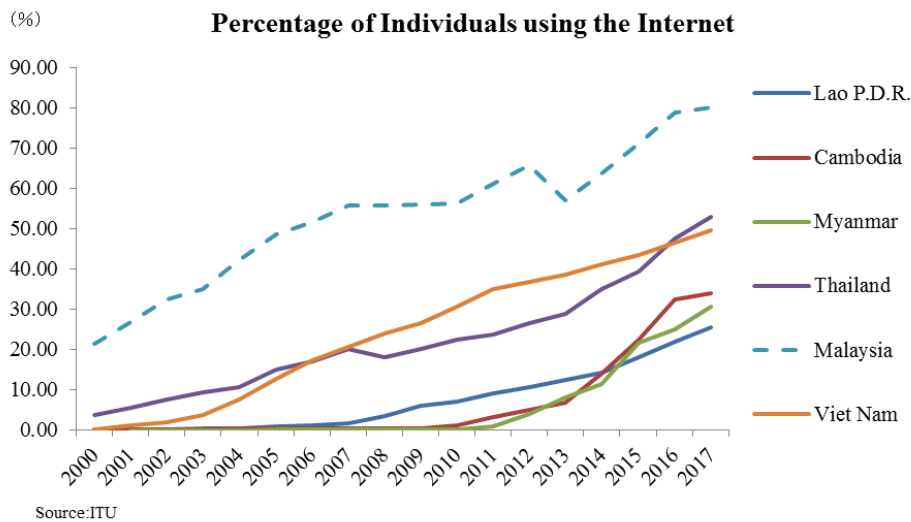
	FY 2018-19	FY 2017-18
Network engineering services	6	14
Installation & maintenance of carbon fiber networks	11	17
Installation & maintenance of wireless base stations	64	47
Manufacture and sale of top up cards	19	22
Total	100	100

The company plans on handling increasing competition, which has caused its gross profit margin to decline, in the following ways: (1) establish a clear-cut sales strategy, (2) reduce costs by improving efficiency of operations, and (3) increase the skills of its technical staff through further training. TMH is approaching these goals in the following ways.

In regard to sales strategy, which focuses on wireless station installation and maintenance, concentration will be in the building and maintenance of both individual and corporate internet environments, which is a field that is still fairly behind in Myanmar. In terms of regions, the company plans on focusing especially on the Tanintharyi Division and Kachin State. According to ITU data, the internet usage rate among individuals in the ASEAN countries as of 2017 was as follows: Laos 25.51%, Myanmar 30.68%, and Cambodia 34.00%. Meanwhile, Vietnam was at 49.57%, with



Thailand at 52.89% and Malaysia at 80.14%. There is major room for growth in the internet usage rate in Myanmar in the future.



Meanwhile, the company is considering starting up new businesses in addition to the communications field. In May of this year, the company signed an agreement with the government of Shan State to perform a feasibility study regarding the development of hydropower generation. If this project is realized, the company stands to receive orders for the building and maintenance of infrastructure for electrical power supply. This promises to bring further growth for the company’s business.

As for improving efficiency of operations, the company has reduced the ratio of general administrative expenses to sales from 31.1% to 29.6% by reviewing its operational procedures. As for personnel training, expenses devoted to training have been increased, and the percentage of technical staff participating in further training grew from 13% to 33%.

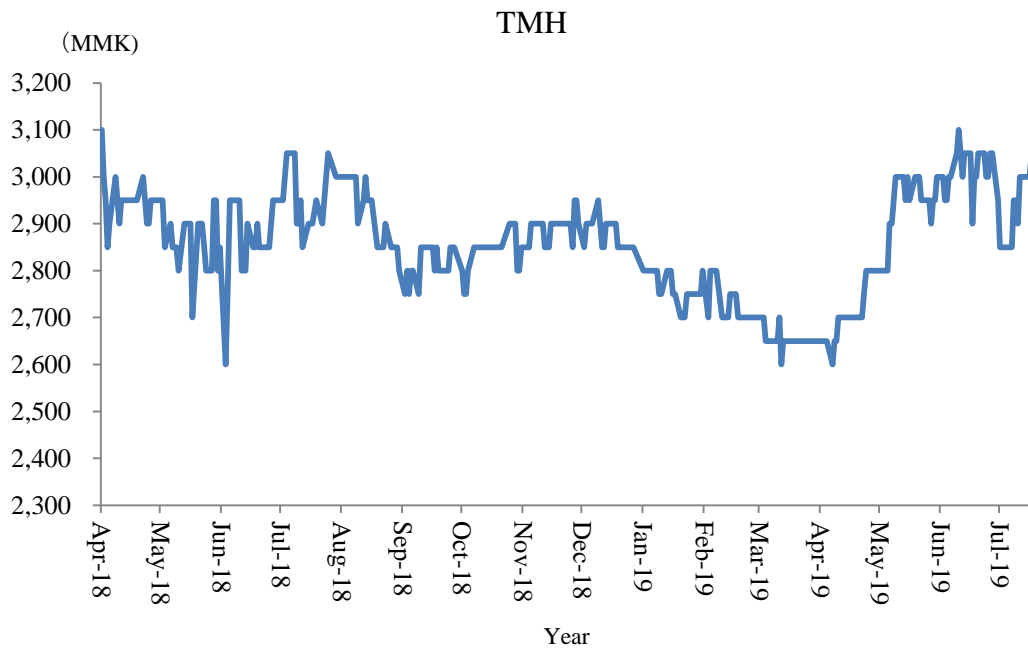
The building and maintenance of communications infrastructure in Myanmar has been centered on urban areas up to this point, and much progress has been made in cities, but when viewed nationally, there are still many regions still without infrastructure. What this means is that there continues to be an extremely large number of business opportunities available for telecommunications related businesses. TMH is one of Myanmar’s best known companies acting as a leader in the development of the country’s new digital economy, and is a promising company which will continue to expand its business performance in the future. Competition between corporations in this field is heating up, which is why we are seeing a decline in profit ratio. However, TMH runs a stable business and has a customer list which includes major companies such as MPT, Mytel, and China Unicom.



The company has built over 800 towers and handles the maintenance on these towers. In addition, it is putting efforts into improving the level of its technical staff and making business operations more efficient. Considering this fact, the company shows promise in improving its competitiveness in the future. Meanwhile, the company is also proactive in developing better corporate governance; hence confidence in its corporate management is also increasing. The company's business environment is one which encourages the ability to continue providing continually improving products and services in the future.

Questions to consider in the future are (1) can the company expand its sales route in the future as planned, and (2) can it arrest the process of decline in its profit ratio which has come as a result of competition with other companies, or even improve it.

2. Change Over Time in TMH Stock Price



Source: YSX

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