

PP14767/09/2012(030761)

Wednesday, May 27, 2015

BIMB Holdings Bhd

“Brilliant Beginning”

Results Review

- **Actual vs. expectation.** BIMB Holdings Berhad (BIMB) recorded outstanding 1Q15 earnings to equity holders of RM153 million (+12% y-o-y, -6% q-o-q), spot on at 25% of our full year forecast but beaten consensus full year net profit forecast of 28%. The outstanding earnings were assisted by higher contribution from immense PBT contribution from syarikat takaful that surged 39.1% y-o-y to RM62.2 million. Additionally, BIMB’s earnings were helped by lower expenses of RM140 million (-8% y-o-y)
- **Dividend.** No dividend declared in this quarter.
- **Topline vs. Bottom line.** BIMB’s 1Q15 net income rose to RM529 million (+3% y-o-y) due to higher contribution from takaful income (+10% y-o-y) and income from investment of depositor fund (+14% y-o-y). However, income from shareholder funds fell marginally (-1% y-o-y) on the back of lower dealing income by RM5.8 million y-o-y. Loan loss allowance jumped by RM13 million y-o-y on the back of higher provision on specific allowance to RM21.2 million.
- **Financing growth no signs of slowing down.** Despite guiding slower financing growth of 15% for FY15, Bank Islam 1Q15’s financing growth surged to 20.8% y-o-y due to higher growth in wholesale and retail trade by 22.6% y-o-y. However, efficiency in gross impaired loans (GIL) unable to be sustained after weakening slightly to 1.2% vs. 1.14% in FY14 hurt by escalating transport financing. Bank Islam superiority in CASA ratio (35% in 1Q15) assisted customer deposits to soar by 14% y-o-y vs. 10% guidance for FY15. Based on our check, Bank Islam financing to deposits (FTD) stood at 74.6% in 1Q15 vs. 72.6% in FY14 and hence, we suspect that the strong financing growth was aided by its low FTD position.

BUY (TP:RM4.84)

Current Price (RM)	RM4.07
New Fair Value (RM)	RM4.84
Previous Fair Value (RM)	RM4.84
Previous Recommend.	BUY
Upside To Fair Value	19%
Dividend Yield (FY15)	4.1%

Stock Code

Bloomberg	BIMB MK
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Stock & Market Data

Listing	MAIN MARKET	
Sector	Banking	
Shariah Compliance	Yes	
Issued Shares (mn)	1,542	
Market Cap (RM mn)	6,276	
YTD Chg In Share Price	0%	
Beta (x)	0.74	
52-week Hi/Lo (RM)	RM4.44	RM3.70
3M Average Volume (shrs)	0.86 mil	
Estimated Free Float	25.8%	

Major Shareholders

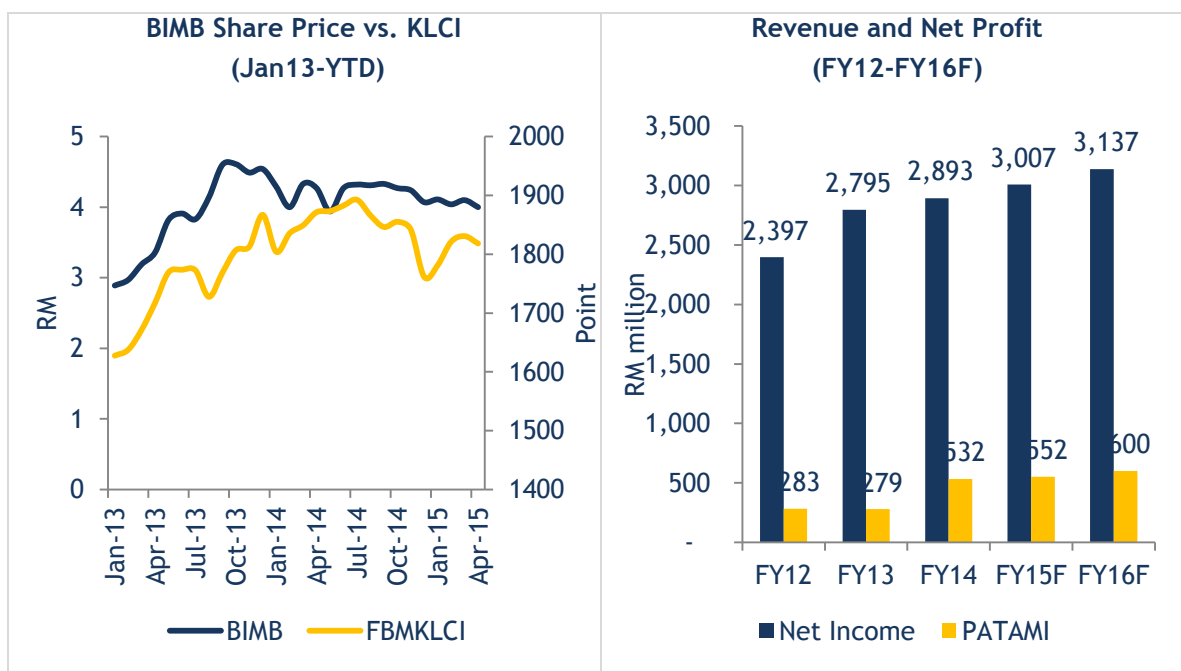
Lembaga Tabung Haji	55.9%
EPF	10.1%
KWAP	6.1%

- **Takaful maintains strong position.** Syarikat takaful's revenue gained commendably by 30.2% y-o-y to RM562.5 million underpinned by higher sales by both family takaful and general takaful as well as higher net investment income. Family takaful recorded gross earnings of RM237 million (+14.5% y-o-y) lifted by well response on its medical and term products. Nevertheless, despite the surge in revenue, the shift to wakalah based products shaved surplus transfer from family takaful by RM3.7 million to RM21.7 million.
- **Expenses remain at high side, but within guidance.** We are not surprise with the expenses level that remained high in 1Q15 of RM151 million (-1% y-o-y) with cost to income (CIR) stood at 51%. Moving forward, the high level of CIR could remain at this level as management guided to open more branches in FY15.
- **Change in earnings forecast.** Despite the 1Q15 earnings to equity holders reported within our expectations, we tweak higher our forecast due to house-keeping exercise and hence, we raise our earnings to equity holders assumption by 1.5% and 3.3% in FY15 and FY16 respectively. We estimate that FY15 and FY16 earnings to grow by 3.8% and 8.7% assisted by i) market leader in family takaful industry ii) securing more corporate loans underpinned by GLC affiliation iii) focus on growing Bank Islam's non-financing income.
- **Outlook.** Although BIMB's 1Q15 financing growth shows no sign of slowing down, however we expect that financing growth to taper within management guidance of 15% y-o-y on the back weak private consumption trend. Additionally, we expect that BIMB efforts to nurture floating based financing to 80% threshold will not have severe impact on its financing growth as FTD level is stood comfortably below industry level and hence, to achieve 15% y-o-y financing growth is not really a big barrier for BIMB. On takaful, we expect that Syarikat Takaful to maintain its number 1 position in takaful segment (based on gross contribution) given the absence of insuring to the civil service that dragged surplus transfer from takaful segment in FY14.
- **Valuation & recommendation.** We maintain our **BUY** recommendation on BIMB at unchanged TP of RM4.84 as we roll into FY16 based on 10% premium on its 3-year average P/BV of 2.69x. Rerating catalyst for the stock could emanate from i) exceeding its key target for turnaround plan phase 3 ii) stronger than expected fee-based income (takaful) iii) M&A activity and expansion to Indonesia

Table 1: Peers Comparison

Company	Year Ended	Price (RM)	EPS (RM)		P/E (x)		P/B (X)		ROE (%)	Div Yield (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
AFG	March	4.75	0.4	0.4	12.7	12.0	1.7	1.6	14.3	1.9	5.05	Hold
AMMB	March	6.37	0.6	0.6	11.0	11.0	1.4	1.3	14.1	4.5	6.80	Hold
BIMB	Dec	4.07	0.3	0.4	11.7	11.3	1.8	2.0	16.0	5.8	4.84	Buy
CIMB	Dec	5.75	0.5	0.6	12.1	10.4	1.3	1.5	9.2	3.5	6.10	Hold
Maybank	Dec	9.26	0.7	0.8	12.6	11.9	1.5	1.5	13.6	6.2	10.70	Buy
RHB Cap	Dec	7.52	0.8	0.9	9.7	9.1	1.1	1.1	11.5	1.3	8.30	Hold
Public Bank	Dec	19.14	1.2	1.3	15.3	14.2	2.6	2.8	18.7	2.9	20.60	Hold
Affin	Dec	2.82	0.3	0.3	9.0	8.5	0.7	0.7	7.8	5.1	NR	NR
MBSB	Dec	1.89	0.2	0.3	9.1	8.4	1.2	1.1	29.6	2.3	NR	NR
STMB	Dec	16.20	NA	NA	NA	NA	NA	NA	24.3	6.6	NR	NR
HL Bank	June	13.96	1.2	1.3	12.0	11.2	1.6	1.5	14.7	2.9	NR	NR
Average			0.6	0.7	11.5	10.8	1.5	1.5	15.8	3.9		

Source: Bloomberg, M&amp;A Securities



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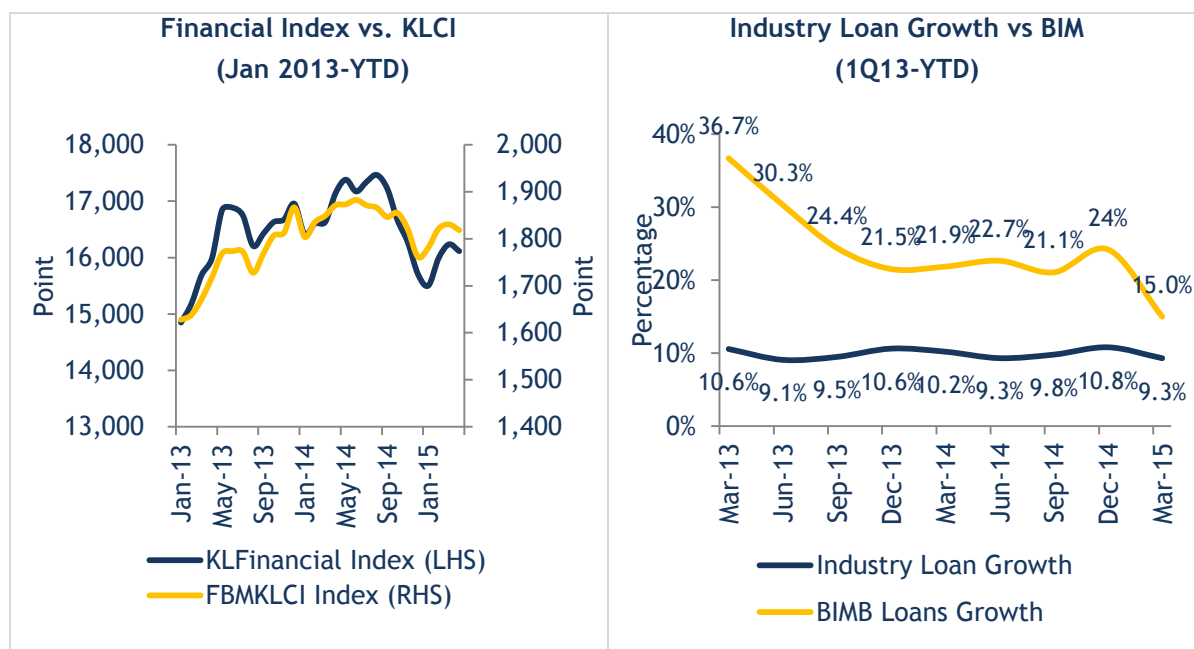


Table 2: Operational Ratio

Y/E: Dec (RM'mil)	FY12	FY13	FY14	3M15
<b>Asset Quality</b>				
Gross Impairment	1.55%	1.18%	1.14%	1.2%
Allowance Coverage	142.6%	175.8%	170.4%	160.6
<b>Profitability</b>				
ROA	0.6%	0.6%	1.0%	0.3%
ROE	13.3%	18.5%	16.9%	4.4%
Cost to Income	56.3%	62.3%	54.1%	51%
<b>Lending and Deposits</b>				
Financing Growth		21.5%	24%	15%
Deposits Growth		15.7%	6.6%	14%
Financing to Deposits	61.6%	65.7%	72.6%	74.6%
<b>Margin</b>				
Net Interest Margin	2.57%	2.9%	2.7%	2.85%
<b>Capital Strength</b>				
CET1	Nil	13%	12.2%	12.0%
Tier1	Nil	13%	12.2%	12.0
Total capital	Nil	14%	13.4%	13.1%

Table 2: Results Analysis

YE: Dec (RM million)	1Q15	4Q14	1Q15	y-o-y	q-o-q	3M15	3M14	y-o-y
Income from depositors funds	542	532	474	14%	2%	542	474	14%
Income from investment	103	87	104	-1%	18%	103	104	-1%
Income from takaful business	164	142	149	10%	16%	164	149	10%
Loan Loss Provision	-30	-4	-17	83%	699%	-30	-17	83%
Direct expenses	0	3	0	0%	-100%	0	0	0%
Total distributable income	-7	-5	-4	79%	38%	-7	-4	79%
Income attributable to depositors	772	756	706	9%	2%	772	706	9%
Total net income	-243	-235	-191	27%	3%	-243	-191	27%
Overhead expenses	529	521	515	3%	2%	529	515	3%
Operating profit	-151	-151	-151	-1%	0%	-151	-151	-1%
Associates result	-140	-116	-153	-8%	21%	-140	-153	-8%
PBT	0	-16	0	0%	-100%	0	0	0%
Tax and Zakat	238	237	211	13%	0%	238	211	13%
PAT	-18	-17	-17	4%	2%	-18	-17	4%
EPS	0	0	0	0%	0%	0	0	0%
PBT Margin	220	220	194	13%	0%	220	194	13%
PAT Margin	-3	-5	-3	24%	-38%	-3	-3	24%

Source: Bursa Malaysia, M&amp;A Securities

Table 2: Financial Forecast

Y/E: Dec (RM'mil)	FY12	FY13	FY14	FY15F	FY16F
Income derived from investment of depositors fund	1,651	1,851	2,032	2,135	2,222
Income derived from investment of shareholder funds	351	405	393	414	436
Net income from takaful business	472	553	543	537	550
Allowance for impairment on financing and advances	(66)	15	(60)	(79)	(83)
Reversal of impairment on investment and other asset	4	(4)	4	(3)	0
Direct expenses	(15)	(26)	(18)	(20)	(22)
Total distributable income	2,397	2,795	2,893	2,985	3,102
Income attributable to depositors	(591)	(773)	(845)	(878)	(909)
Total net income	1,807	2,022	2,048	2,107	2,194
Personnel expenses	(524)	(594)	(599)	(608)	(617)
Other overhead expenses	(478)	(545)	(504)	(522)	(540)
Depreciation	(57)	(61)	(61)	(63)	(64)
Operating profit	747	823	884	913	972
Finance cost	-	(3)	(68)	(97)	(84)
Result of associate company	2	(0)	-	-	-
PBT	749	819	815	816	888
Zakat	(10)	(14)	(13)	(14)	(15)
Tax expense	(210)	(242)	(215)	(196)	(213)
PAT	529	563	587	606	659
MI	(245)	(284)	(55)	(55)	(59)
PATAMI	283	279	532	552	600
EPS (sen)	23.7	25.8	35.6	35.8	38.9
Dividend - sen	7	8.5	23.2	21.5	23.3
Dividend payment (RM mil)	108	131	358	331	360
Dividend payout (%)	38%	47%	67%	60%	60%
Retained Earnings (RM mil)	175	148	175	221	240
PER (x)	11%	18%	11%	11%	10%
Gross Yield	3%	2%	6%	5%	6%
BV	1.0	1.7	1.5	1.7	1.8
P/BV	2.7	2.7	2.7	2.5	2.3

Source: M&amp;A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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