

29 November 2018 | 3QFY18 Results Review

BIMB Holdings Berhad

Going strong

INVESTMENT HIGHLIGHTS

- In line with our expectation but beat consensus'
- Bank Islam and Syarikat Takaful continue to support earnings growth
- Gross financing growth continue to be strong
- Asset quality remained healthy and stable
- Interim dividend of 15.5 sen
- No change to earnings forecast.
- We maintain our BUY with adjusted TP of RM4.85 (previously RM5.15)

Within our expectation. For 9MFY18, the Group net profit came in line with our but beat consensus' expectations. Its PAZTAMI was 77.6% and 81.3% of respective full year estimates. Total net income expanded +7.7%yoy to mitigate the +5.2%yoy rise to RM1.12b in operating expenses.

Double digit growth for Bank Islam and Takaful Malaysia. Bank Islam Group's 9MFY18 PAZT grew +14.8%yoy to RM453.3m due to robust net income growth of +8.0%yoy to RM1.43b. For Takaful Malaysia Group, its PAZT rose +35.5%yoy to RM202.5m.

NIM was surprisingly stable. We were pleasantly surprised by the stable net income margin (NIM) that Bank Islam Group posted in 3QFY18. NIM came in at 2.65% which was an improvement of +6bps yoy. Although, average liabilities rate went up +3bps qoq, it was able to compensate with reciprocal higher average asset rate. We opine that it was able to still re-price its asset and liabilities from the OPR hike.

Strong gross financing growth. Overall gross financing grew +10.4%yoy to RM44.3b. This follows from robust growth in all segments, namely consumer, commercial and corporate. These expanded +10.1%yoy to RM34.2b, +9.8%yoy to RM6.4b and +17.6%yoy to RM4.2b respectively. As for the consumer financing segment, we saw that the growth for house and personal financing remains unabated. House financing book grew +11.9%yoy to RM18.2b while personal financing book rose +12.1%yoy to RM13.5b.

Financing growth well funded. Total deposits grew +9.1%yoy to RM45.7b, while investment accounts grew +8.8%yoy to RM4.7b. Together of these grew +9.1%yoy. However, CASA declined slightly by -0.7%yoy to RM13.8b but it was moderated by expansion of transactional investment accounts which rose +28.3%yoy to RM2.4b.

Asset quality remains solid. GIF ratio as at 3QFY18 was maintained from 2QFY18 level of 0.97%. This was an improvement of -10bps yoy.

Maintain BUY

Adjusted Target Price (TP): RM4.85
(previously RM5.15)

RETURN STATS	
Price (28 Nov. 2018)	RM3.60
Target Price	RM4.85
Expected Share Price Return	+34.7%
Expected Dividend Yield	+4.2%
Expected Total Return	+38.9%

STOCK INFO	
KLCI	1,686.55
Bursa / Bloomberg	5258 / BIMB MK
Board / Sector	Main / Finance
Syariah Compliant	Yes
Issued shares (mil)	1,693.6
Market cap. (RM'm)	6,096.8
Price over NA	1.3x
52-wk price Range	RM3.40 – RM4.45
Beta (against KLCI)	0.76x
3-mth Avg Daily Vol	0.14m
3-mth Avg Daily Value	RM0.52m
Major Shareholders (%)	
LTH	53.47
EPF	12.75
ASB	5.25
PNB	5.69
KWAP	2.25

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Impact on earnings. We make no change to our earnings forecast as the result was within expectations.

No change to optimism on the Group. We remain with our optimism on the Group's prospects. We continue to like the Group for its ability to maintain its NIM despite presence of pressure in the banking system. We also like its conservatism as this keeps its asset quality stable. We believe that the Group should present an attractive investment case. In addition, Takaful Malaysia seems to be able to solidify its position as the leading Shariah compliant insurance provider.

Recommendation. We are maintaining our BUY call for the stock with an adjusted TP of RM4.85 (from RM5.15) as we adjust our PBV to 1.5x which 1 standard deviation lower from its 5-year historical average. We believe this adjustment is justified to reflect current market conditions.

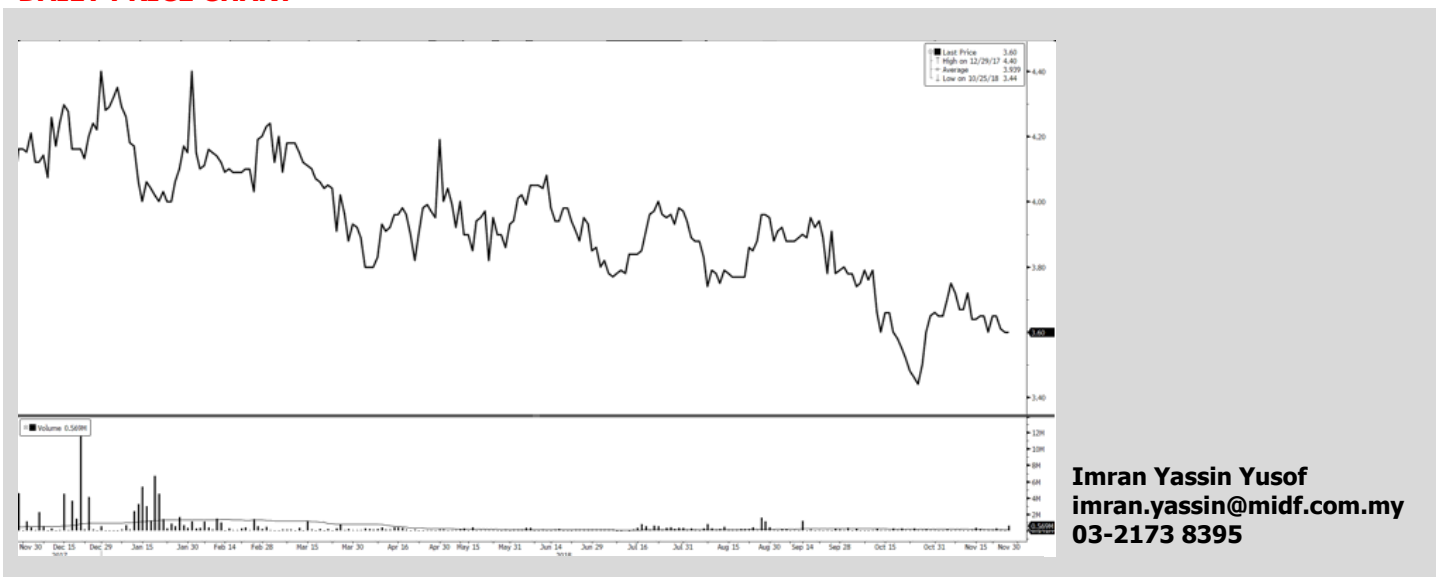


INVESTMENT STATISTICS

FYE Dec	FY16	FY17	FY18F	FY19F
Total distributable income (RM'm)	3,410.7	3,716.0	3,828.3	4,053.1
Total net income (RM'm)	2,327.9	2,528.7	2,666.8	2,727.2
Operating profit (RM'm)	979.7	1,063.7	1,129.5	1,151.4
PBT (RM'm)	869.2	948.3	1,015.7	1,040.5
PAZTAMI (RM'm)	559.0	619.8	671.0	687.3
EPS (sen)	35.2	37.9	42.2	43.3
EPS growth (%)	-0.8	7.5	11.4	2.4
PER (x)	10.2	9.5	8.8	8.6
Net dividend (sen)	13.0	14.0	15.0	16.0
Dividend yield (%)	3.6	3.9	4.2	4.4
BV (RM)	2.44	2.77	2.96	3.22
PBV (x)	1.5	1.3	1.2	1.1
ROE (%)	14.4	13.7	13.9	13.0

Forecast by MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

3QFY18 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results				
	3Q18	2Q18	3Q17	YoY	QoQ
Income from depositors' funds	680.2	623.7	579.2	17.4%	9.1%
Income from investment account funds	58.7	59.2	61.4	-4.4%	-0.8%
Income from shareholders' funds	123.6	126.5	100.0	23.6%	-2.3%
Net income from Takaful business	227.1	182.4	172.0	32.1%	24.5%
Reversal of/(allowance for) impairment	(26.1)	(14.8)	43.8	<100%	76.7%
Direct expenses	(4.3)	(4.6)	(4.4)	-2.4%	-6.8%
Total distributable income	1,059.3	972.5	951.9	11.3%	8.9%
Wakalah fees from RIA	0.1	0.3	0.2	-31.1%	-56.2%
Income attributable to depositors	(322.4)	(309.4)	(272.8)	18.2%	4.2%
Income attributable to investment account	(18.8)	(19.3)	(25.3)	-25.5%	-2.3%
Total net income	718.2	644.1	654.0	9.8%	11.5%
Personal expenses	(195.2)	(186.1)	(178.6)	9.3%	4.9%
Other overhead expenses	(193.7)	(188.0)	(176.3)	9.8%	3.0%
Finance cost	(32.9)	(32.7)	(28.3)	16.2%	0.8%
Profit before tax and zakat	296.3	237.3	270.8	9.4%	24.9%
Zakat	(4.1)	(4.0)	(3.0)	37.4%	2.6%
Taxation	(59.9)	(62.9)	(65.0)	-7.9%	-4.8%
PAZTAMI	198.6	149.9	183.4	8.3%	32.5%
EPS (sen)	11.7	8.9	11.2	4.7%	32.5%

Source: Company, MIDFR

CUMMULATIVE QUARTER RESULT SUMMARY

FYE Dec (RM'm)	Quarterly Results		
	9MFY18	9MFY17	YoY
Income from depositors' funds	1,916.5	1,749.5	9.5%
Income from investment account funds	176.6	177.0	-0.2%
Income from shareholders' funds	360.1	307.9	17.0%
Net income from Takaful business	627.7	538.9	16.5%
Reversal of/(allowance for) impairment	(61.9)	10.0	<100%
Direct expenses	(13.3)	(14.2)	-6.3%
Total distributable income	3,005.6	2,769.1	8.5%
Wakalah fees from RIA	0.5	2.2	-78.4%
Income attributable to depositors	(926.8)	(820.5)	13.0%
Income attributable to investment account	(57.9)	(73.0)	-20.7%
Total net income	2,021.4	1,877.8	7.7%
Personal expenses	(554.7)	(529.0)	4.9%
Other overhead expenses	(561.2)	(531.8)	5.5%
Finance cost	(98.3)	(84.7)	16.0%
Profit before tax and zakat	807.3	732.3	10.2%
Zakat	(12.0)	(8.1)	48.1%
Taxation	(191.9)	(193.9)	-1.0%
PAZTAMI	520.7	470.2	10.7%
EPS (sen)	30.8	28.8	7.0%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO ROMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	<i>Negative</i> total return is expected, by -10% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.