

25 September 2018 | Corporate Update

CIMB Group Holdings Bhd

Nothing to be concerned about

INVESTMENT HIGHLIGHTS

- **Group Chairman is stepping down by 31 December 2018**
- **We are neutral on the news and believe it will not have any negative impact to the Group's operations**
- **The Group's fundamental remains solid**
- **Maintaining forecast**
- **Reiterate BUY with unchanged TP of RM7.85**

Group Chairman stepping down. The Group announced yesterday that Dato' Sri Nazir Razak will be stepping down as the Group's Chairman and all other positions within the Group by 31 December 2018. Dato' Sri Nazir has served CIMB for 29 years, since 1989, including as Group CEO for 15 years and as Group Chairman since 2014.

Not to be concerned by the news. We are neutral on the news and do not believe that it will be negative impact to the Group. This is because the Group could be considered "institutionalized" and does not depend on an individual. It had a transition in the position of CEO in 2014 without any detrimental effect.

Operationally remains solid. The Group continues to have solid operations and earnings potential. For example, as at 1HFY18, normalised 1HFY18 net profit grew +3.3%yoy despite net income declining -5.2%yoy as it was moderated lower loan provisions which fell -29.4%yoy to RM746m. Also, since the introduction of its T18 initiative, management have managed to contained OPEX. In 2QFY18, OPEX fell for the second consecutive quarter with -2.5%yoy (vs. -6.8%yoy in 1QFY18). Furthermore, we opine that the Group is on track to achieve its FY18 targets, with possible headwinds in terms of income to be moderated by containment in expenses and credit cost.

Forecasts unchanged. We maintain our FY18 and FY19 forecasts.

Reiterate BUY. In our opinion, the fundamentals of the Group remains solid and the recent announcement will not have any negative impact. Earnings growth will be driven by lower OPEX and credit cost, while traction for its loans growth will help to mitigate the pressure on income. We also believe that this could resolve any overhang issue with the stock and may turn investors' sentiment around. At current valuation, we believe that the stock is undervalued given its prospects and have lagged its peers recently. Hence, we reiterate our **BUY** call with unchanged **TP of RM7.85** based on pegging its FY19 BVPS to a PBV of 1.3x. Also, we believe the expected dividend yield of 4.3% will limit any downside risk.



Reiterate BUY

Unchanged Target Price (TP): RM7.85

RETURN STATS	
Price (24 September 2018)	RM6.03
Target Price	RM7.85
Expected Share Price Return	+30.2%
Expected Dividend Yield	+4.3%
Expected Total Return	+34.5%

STOCK INFO	
KLCI	1,800.17
Bursa / Bloomberg	1023 / CIMB MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	9,365.8
Market cap. (RM'm)	56,475.7
Price over NA	1.2x
52-wk price Range	RM5.21 – RM7.39
Beta (against KLCI)	1.56
3-mth Avg Daily Vol	12.13m
3-mth Avg Daily Value	RM69.03m
Major Shareholders	
Khazanah	27.37%
EPF	13.89%
KWAP	7.26%

Some banking abbreviations used in this report:

CA = Collective Impairment Allowance
 CI = Cost to Income
 CET1 = Common Equity Tier 1
 GIL = Gross Impaired Loan
 LD = Loan-Deposit
 NII = Net Interest Income
 NOII = Non-interest income
 NIM = Net Interest margin
 CASA = Current and Savings Accounts
 COF = Cost of Funds
 IB = Investment Banking
 LLC = Loan Loss Coverage
 PPOP = Pre-Provisioning Operating Profit
 FVTPL = Fair Value Through Profit Or Loss

INVESTMENT STATISTICS OF CIMB GROUP

FYE Dec	FY16	FY17	FY18F	FY19F
Net interest income (RM'm)	9,826	10,459	10,980	11,415
Islamic banking income (RM'm)	1,704	2,132	1,951	2,068
Non-interest income (RM'm)	4,386	5,036	5,851	6,144
Total income (RM'm)	16,065	17,626	18,782	19,627
Pretax profit (RM'm)	4,884	6,110	7,366	7,434
Net profit	3,564	4,475	5,731	5,785
Core Net profit (RM'm)	3,564	4,475	4,984	5,785
Core EPS (sen)	41	50	61	58
PER (x)	14.7	12.2	9.9	10.2
Net Dividend (sen)	20	25	26	26
Net Dividend Yield (%)	3.3	4.1	4.3	4.3
Book value per share (RM)	5.11	5.23	5.54	5.88
PBV (x)	1.2	1.2	1.1	1.0
ROE (%)	8.3	9.6	11.3	10.3

Forecast by MIDFR

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

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.