

BIMB Holdings Bhd

(5258 | BIMB MK) Financial Services | Finance

Maintain BUY

Did surprisingly well

Revised Target Price: RM4.25
(from RM4.05)

KEY INVESTMENT HIGHLIGHTS

- **Results was above expectations as we had overestimated the income attributable to depositors**
- **Earnings was driven by lower taxation and Bank Islam's performance**
- **Better than expected gross financing growth**
- **Bank Islam managed its cost of fund well**
- **Revising FY20/FY21/FY22 earnings forecast upwards**
- **Maintain BUY with revised TP of RM4.25 (from RM4.05)**

Above expectations. The Group's 1QFY20 earnings was above ours but within consensus' expectations. Its net profit was 34.6% and 27.3% of our and consensus' full year estimates respectively. The variance was due to our overestimation of the income attributable to depositors.

Driven by lower taxation and to certain extent Bank Islam. The Group saw its net profit growing +3.3%yoy. This was due to lower taxation where it came in -8.4%yoy lower. Bank Islam also contributed marginal as its PBZT expanded marginally by +0.8%yoy to RM221.5m. Meanwhile, PBZT of Syarikat Takaful was almost flat, marginally declining -0.1%yoy to RM114.4m.

Bank Islam boosted by financing growth...Bank Islam PBZT was driven by net income grew +30.2%yoy to RM539.3m as a result of better than expected gross financing growth. It rose +9.5%yoy to RM50.4b; doubled the industry's loans & financing growth of +4.0%yoy as at 1QFY20. This compensated the decline in average asset rate of -40bp yoy to 4.99%. We had expected that financing growth to be weak this year given the prevailing cautious sentiment. Nevertheless, expansion in consumer financing segment continued to be strong as it expanded +5.9%yoy to RM37.7b. This was driven by house and personal financing as it grew +7.6%yoy to RM20.6b and +6.4%yoy to RM14.9b respectively. Vehicle financing fell -14.0%yoy to RM1.6b.

...and cheaper cost of funding. Comparing the total deposits and investments accounts (IA) as at 1QFY19 with 1QFY20, Bank Islam posted an increase of +3.1%yoy to RM55.5b. This was due to CASA and transactional IA growth of +13.2%yoy to RM19.9b while non CASA-like deposits fell -1.8%yoy to RM35.6b. As a result average liabilities fell -19bp yoy to 2.61%. This had moderated the NIM compression to -21bp yoy to 2.38% despite three OPR cuts totaling 75bp over the period.

Asset quality improved. The gross impaired financing (GIF) ratio improved by -12bp yoy to 0.83% as at 1QFY20. This could be the result of the high growth in gross financing and steady profile of its borrowers such as government employees.

Is provisions enough? Meanwhile, total provisions increased +35.6%yoy, leading to credit cost rise of +4bp yoy to 0.24%. This was an outlier when compared against its peers. The question will be is this enough given the impact of Covid-19. We expect that credit cost might rise further but given its borrowers profile, might remain manageable.

RETURN STATISTICS

Price @ 28 th May 2020 (RM)	3.61
Expected share price return (%)	+17.7
Expected dividend yield (%)	+4.4
Expected total return (%)	+22.2

SHARE PRICE CHART




Share price performance (%)	Absolute	Relative
1 month	15.0	8.9
3 months	11.1	-2.9
12 months	-20.8	-11.8

KEY STATISTICS

FBM KLCI	1,457.50
Syariah compliant	Yes
Issue shares (m)	1764.28
Estimated free float (%)	10.59
Market Capitalisation (RM'm)	6471.52
52-wk price range	RM2.79 - RM4.72
Beta vs FBM KLCI (x)	0.98
Monthly velocity (%)	0.00
Monthly volatility (%)	14.58
3-mth average daily volume (m)	0.67
3-mth average daily value (RM'm)	2.17
Top Shareholders (%)	
Lembaga Tabung Haji	52.97
Employees Provident Fund Board	12.86
Amanah Saham Nasional Bhd	7.98

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Revising earnings estimates. In light of the Group's better than expected results, we are revising our FY20, FY21 and FY22 earnings forecast upwards to RM695.3m, RM717.4m and RM754.3m respectively.

Valuation and recommendation. The Group continues to exhibit a strong earnings growth momentum despite a challenging environment. Of particular note was the pace of the gross financing growth. Also, it seems that the Group was able to manage its cost of funds very well as evident by the moderated NIM compression. While we expect that Bank Islam's credit cost will increase and asset quality will come under pressure, we believe that due to the profile of its borrowers, it will be manageable to say the least. As such, we maintain our **BUY** call. We revise our **TP to RM4.25** (from RM4.05) as we rollover our valuation to FY21. Our TP is based on PBV of 1.1x. 

INVESTMENT STATISTICS

Financial year ending 31 December (in RM'm, unless otherwise stated)	2018A	2019A	2020E	2021F	2022F
Total distributable income	4,102.7	5,277.3	4,278.4	4,420.8	4,617.0
Total net income	2,744.1	3,087.3	2,946.1	3,031.9	3,169.1
Operating profit	1,209.0	1,343.1	1,275.9	1,311.8	1,371.9
PBT	1,065.5	1,205.0	1,130.6	1,166.4	1,226.5
PAZTAMI	682.1	786.9	695.3	717.4	754.3
EPS (sen)	40.4	44.6	42.5	43.8	46.1
EPS growth (%)	6.5	10.5	-4.8	3.2	5.2
PER (x)	10.6	9.9	8.5	8.2	7.8
Net dividend (sen)	15.5	16.0	19.0	20.0	21.0
Dividend yield (%)	4.2	4.4	5.3	5.5	5.8
BV (RM)	2.91	3.34	3.73	3.88	4.05
PBV (x)	1.2	1.1	1.0	0.9	0.9
ROE (%)	11.7	13.4	11.4	11.3	11.4

Source: Company, MIDFR

1QFY20 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results				
	1Q20	4Q19	1Q19	YoY	QoQ
Income from depositors' funds	691.0	668.7	707.8	-2.4%	3.3%
Income from investment account funds	134.0	116.6	74.8	79.1%	14.9%
Income from shareholders' funds	93.5	127.3	111.6	-16.3%	-26.6%
Net income from Takaful business	325.4	439.7	429.0	-24.1%	-26.0%
Reversal of/(allowance for) impairment	(30.3)	3.4	(22.4)	35.6%	<-100%
Direct expenses	(3.6)	(4.4)	(3.9)	-8.4%	-17.9%
Total distributable income	1,210.0	1,351.4	1,297.0	-6.7%	-10.5%
Wakalah fees from RIA	0.1	0.1	0.2	-47.8%	15.7%
Income attributable to depositors	(302.3)	(330.1)	(349.8)	-13.6%	-8.4%
Income attributable to investment account	(65.8)	(51.6)	(28.4)	>100%	27.6%
Income attributable to Takaful business	(27.4)	(168.7)	(140.3)	-80.4%	-83.7%
Total net income	814.6	801.1	778.7	4.6%	1.7%
Personal expenses	(206.4)	(218.5)	(197.7)	4.4%	-5.6%
Other overhead expenses	(251.3)	(281.1)	(227.4)	10.5%	-10.6%
Finance cost	(35.1)	(34.9)	(34.1)	3.0%	0.5%
Profit before tax and zakat	321.8	266.6	319.6	0.7%	20.7%
Zakat	(4.0)	0.1	(4.1)	-4.0%	<-100%
Taxation	(67.6)	(55.7)	(73.9)	-8.4%	21.4%
PAZTAMI	209.2	180.9	202.5	3.3%	15.7%
EPS (sen)	11.7	10.3	11.6	0.7%	14.2%

Source: Company, MIDFR

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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	Total return is expected to be <10% 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.