

## Myanmar Investments International Limited

### Strategic and Business update

Myanmar Investments International Limited [AIM: MIL] (“MIL” or the “Company”), the AIM-quoted Myanmar focused investment company, today announces a Strategic and Business Update which gives detail on the Company’s recent performance for the year ended 31 March 2018 and an update on the Company’s strategy and business plans for its next stage of development. All financial estimates are based on unaudited initial management estimates.

#### Country Overview

Over the last seven years Myanmar has undergone a transition from military dictatorship to civilian government. This remarkable change has not been without its difficulties and the situation in Rakhine state, which stems from a complex and historically charged background, remains un-remedied.

The economy is rebounding and macroeconomic imbalances have stabilised, however the country is still at an early stage of its growth and, whilst there have been a number of significant improvements in the way in which foreign investment can be undertaken, there is still scope for further improvement both in legislation as well as implementation.

The Board continues to be a strong believer in Myanmar’s long term potential as a new and growing market in the broader vibrant ASEAN economy. The Company has built a robust platform for managing, sourcing and executing investment opportunities. However, at the same time our on-the-ground presence means that we know that the next few years will see additional challenges. As such the Company plans to adapt its approach to ensure we protect and grow our existing investments with a leaner structure that will still allow the business to take advantage of meaningful opportunities as and when they arise.

#### Strategic Update

To date the Company has made significant and impactful investments in businesses active in the telecom towers, microfinance and retail pharmacy sectors. The telecom towers and microfinance investments are now established and operating businesses with good track records and strong positions in their sectors. The retail pharmacy franchise business is new, and the roll-out of stores is progressing well.

We continue to see a number of interesting investment opportunities. However, evaluating, negotiating, structuring and executing a new business investment properly requires a significant level of commitment in terms of human resources and, as a result, overheads. Often these opportunities are small, ‘venture capital’ or start-up opportunities that will take time to get to scale.

In the year ended 31 March 2018, the Company estimates its annual recurring cash overheads, including costs of being a listed company, were approximately US\$2.2 million. This was designed with the intention to manage an investment portfolio of US\$100 million or above. However, at the current scale of our investment portfolio, and in light of the Directors' assessment of the economic, political and business landscape in country over the next few years, the Directors believe that this level of expense is not the best use of shareholders’ funds.

The Board has therefore decided to refine the execution of the Company's business plan. Its primary focus will be to continue to develop its three existing businesses within the investment portfolio. However, a more selective approach will be taken in reviewing new investment opportunities. It is expected that new investments will be those that are larger, already generating profit and require less start-up development work than has been the case in the past. As a result the Board believes it will be able to operate a more streamlined business model with a significantly lower level of overheads. The Directors will seek to target a reduction in the level of cash overheads by over 50 per cent. before the end of this financial year. There will be no change to the Company's underlying investment policy.

In addition to the reduction to the operating costs, the Directors are proposing an adjustment to the terms of the existing warrants to allow warrant holders greater flexibility in benefitting from the longer term growth potential of the Company.

### **Summary Business Update**

The Company has invested in three businesses in Myanmar, all of which have good future prospects and all of which have a positive impact on the lives of Myanmar's citizens.

- MIL's joint venture businesses have achieved positive results over the period:
  - Apollo Towers Pte Ltd ("Apollo Towers"), one of Myanmar's leading telecom tower companies with an approximate 12 per cent. share of the Myanmar telecom tower market, has shown a marked improvement in profitability on the back of a strong increase in the number of co-tenancies on its towers. Its adjusted EBITDA for the month of March 2018 was US\$2.8 million, a year-on-year ("Y-o-Y") increase of 239 per cent. Its co-location rate at year end was 2.0x; up from 1.4x a year ago.
  - MIL continues to evaluate an investment opportunity in Myanmar's telecom tower space which could have a significant positive impact on its telecom towers business.
  - After the year end, Myanmar Finance International Limited ("MFIL"), the Company's microfinance joint venture, secured a US\$6 million, local-currency denominated loan facility which will be used to further expand its loan portfolio and open new branches as well as continuing to roll out its newly launched micro-business loan product. This loan increases MFIL's capital base by 67 per cent. Even without this injection of new funds, in the year to 31 March 2018 MFIL grew its loan book by a combined annual growth rate ("CAGR") of 114 per cent. (since investment) to US\$8.6 million and the number of borrowers has increased to over 54,000.
  - Medicare International Health & Beauty ("Medicare"), a joint venture with Medicare Vietnam has now opened nine pharmacy, health and beauty stores in Yangon. To date MIL has invested US\$1,395,000 for a 48.1 per cent. stake and has plans to invest up to US\$5 million as the roll-out of the stores progresses. The Medicare store concept has so far been well received by the domestic consumers and eight more stores will be opened by the end of 2018.
  - With respect to Myanmar Voyages Group, the Company and the Myanmar partners decided not to proceed with the establishment of the tourism joint venture which had previously been announced in October 2017.

- MIL continues to keep its cash overheads tightly under control. In the year ended 31 March 2018, management estimates that its recurrent cash overheads were approximately US\$2.2 million. Whilst up compared with the previous year's cost of US\$2 million, on a per share basis this equates to a 4 per cent. reduction year-on-year. As stated above, the Directors will seek to target a reduction in the level of cash overheads by over 50 per cent. before the end of this financial year.
- As at 31 March 2018, management estimates the Company had approximately US\$6.2 million of cash (2017: US\$3.3 million). As such, the Company has adequate cash resources to fund its scaled down overheads for the foreseeable future.
- The Company will retain a significant in-country investment management capability to scale existing investments and provide a platform for potential new investments in the future.
- The Company will selectively continue to develop its proprietary business pipeline in segments of the economy where the Directors see investment and growth opportunities arising.
- In June 2017, the Company raised US\$7.3 million from existing shareholders and new investors, including institutional investors, family offices, high net worth individuals and a few retail and other investors.
- In light of these refined business plans, the Directors will be proposing an amendment to the Company's existing warrants to provide warrant holders with additional flexibility. These are detailed below.
- The Company has also implemented changes to the Board and these are detailed below.

William Knight, the Company's Chairman said "The long-term opportunity that Myanmar presents to investors remains as great as ever and with our on the ground presence we have a firm finger on the pulse of the economy and business. It is our current assessment, however, that there will be significant challenges in the immediate future that will make it harder to source and execute sensible investment opportunities. As such we have decided to adjust our cost structure to a level commensurate with the existing size of our portfolio. At the same time we will ensure that we maintain our solid foundation from which we will be able to protect and grow our existing investments and be able to move forward with any new investments when the time is right."

Aung Hun added "With over US\$6 million of cash in the bank MIL is in a strong financial position. Myanmar has always been a long term growth story and we believe it to be a prudent approach to modify our investment style to reflect the economic changes in country.

Craig Martin, who will rotate from a non executive Director role to become the Company's Managing Director, added: "MIL has established a strong Yangon-based platform and core investments that I'm very excited about and delighted to get to work more closely with. Our refined strategy will make us a leaner organization while retaining our ability to rapidly respond to meaningful investment opportunities and utilise the platform, network and market position that Aung and Mike have developed over the last five years."

## **Strategy**

The Board remains unchanged in its belief that Myanmar's economic emergence will offer profitable investment opportunities. Our permanent capital structure and investment discipline will allow us to

take advantage of opportunities both to build capital gains as well as generate income from various different sources.

In essence, MIL's strategy remains the same: to build net asset value per share as well as to generate dividends either from income or from distributing sale proceeds, when it becomes commercially appropriate. Over time the Board expects that this will provide an attractive total return to its shareholders.

Given the Directors' assessment of the possible operating environment over the next few years the Company will focus on building its current strong portfolio while still pursuing selected opportunities.

## **Business Update**

### **Apollo Towers**

#### *Background*

Apollo Towers is the second largest independent telecom tower company in Myanmar. Established in 2013 it provides tower and power services to all of the country's mobile network operators, being Telenor of Norway (Apollo Towers' anchor tenant), Ooredoo of Qatar, MPT (the state-owned enterprise jointly managed with KDDI and Sumitomo) and the newly established, Viettel-led consortium, MyTel.

MIL first invested in Apollo Towers in July 2015 when it led a consortium of investors that invested US\$30 million for a 14.18 per cent. shareholding in Apollo Towers. The other shareholders are TPG Growth ("TPG"), the middle market and growth equity investment platform of TPG (formerly Texas Pacific Group), the global investment firm, and Sanjiv Ahuja, the ex-Orange CEO. As at 31 March 2018, MIL's indirect shareholding in Apollo Towers is now 9.0 per cent. for a cost of US\$21 million. In June 2016, Apollo Towers successfully secured a US\$250 million loan from the United States' Overseas Private Investment Corporation ("OPIC") marking OPIC's first financing in the country. As previously disclosed, it has also secured additional funding that has strengthened its financial position and which will be sufficient to finance its organic growth for the foreseeable future.

#### *Update*

- The Myanmar telecoms sector continues to experience solid growth with continuing demand for capacity expansion. Myanmar's mobile penetration rate continues to grow with estimates currently as high as 89 per cent.
- Myanmar presently has 15,100 towers and is expected to reach 23,000 towers within the next few years.
- Apollo Towers has nearly doubled its tower portfolio to 1,800 towers since MIL's investment in 2015 and the company has plans and capacity to further expand its tower portfolio.
- Equally significantly, as at 31 March 2018 its co-location rate (meaning the number of multiple tenancies on its towers) was 2.0x, an increase of 31 per cent. since September 2017; boosting Apollo Tower's monthly adjusted EBITDA in March 2018 to US\$2.8 million for the month; an increase of 239 per cent. in comparison to the same month in 2017. Whilst co-location growth has been slower than originally anticipated at the time of the investment it has increased significantly in the past six months.
- 12 per cent. of Myanmar's telecom towers are now under Apollo Towers' management, making it the second largest independent telecom tower in Myanmar.
- The growth in co-locations has been driven in part by new contracts from Myanmar National Tele & Communications ("Mytel"), the country's most recent and fourth Mobile Network Operator ("MNO"). In conjunction with new business from the country's multiple new internet service

providers, these developments have allowed Apollo Towers to substantially increase its co-location rate, revenue and EBITDA.

- Apollo Towers' unaudited management accounts for the year ended 31 March 2018 show that the company achieved revenues and adjusted EBITDA of US\$51.8 million and US\$24.9 million, a Y-o-Y increase of 12 per cent. and 24 per cent. respectively. There is an opportunity to significantly increase MIL's participation in the telecom tower industry in Myanmar. If successful, the transactions (including a consolidation of assets) would result in MIL holding an interest in the country's largest independent telecom tower company. MIL has the opportunity to invest up to US\$30million in this potential transaction.

## **Myanmar Finance International Limited ("MFIL")**

### *Background*

MFIL is one of the leading microfinance operators in Myanmar and provides small loans (US\$158 on average per borrower, but it can be as high as US\$7,300) to small-scale business operators in rural and semi-urban areas in Yangon and Bago. It is one of the few approved deposit-taking microfinance institutions in Myanmar.

MFIL was established as a microfinance joint venture in August 2014 by MIL and Myanmar Finance Company Limited ("MFC") a company controlled by U Htet Nyi, a Myanmar entrepreneur and honorary consul for Norway and Finland. In November 2015, the Norwegian Investment Fund for Developing Countries ("Norfund"), the Norwegian development finance institution, also became a shareholder such that the shareholdings today are MIL 37.5 per cent, MFC 37.5 per cent. and Norfund 25 per cent., with a total paid up capital of nearly US\$6 million. MIL's total investment cost to date is US\$2.3 million.

### *Update*

- During the period under review, the shareholders of MFIL injected an additional US\$1 million shareholder capital into MFIL, on a pro-rata basis among all shareholders. This takes the paid-up capital of MFIL to nearly US\$6 million from US\$5 million previously.
- MFIL continued its strong growth trajectory since investment, with its borrower base now at over 54,000 borrowers and its loan book up to MMK 11.5 billion (US\$8.6 million), a CAGR of 62 per cent. and 114 per cent. respectively since MIL's initial investment.
- The average loan size provided by MFIL has increased by 164 per cent. to MMK 212,000 (US\$158) from MMK 80,000 at the time of the initial investment.
- Loan quality remains outstanding, with non-performing loans ("NPLs") at 0.4 per cent. as at February 2018.
- MFIL now has eight branches, including five in Yangon and three in Bago.
- MFIL is profitable and by taking on additional leverage, with no foreign currency exposure, it will continue to increase its profitability. The fact that it has incurred low NPLs is attributable to its prudent business model and strong banking discipline.
- In April 2018, MFIL secured a US\$6 million, local-currency denominated loan facility (approximately MMK 8 billion) from Yoma Bank, one of Myanmar's leading banks. Security for the loan was provided by the Norwegian Investment Fund for Developing Countries ("Norfund"), one of MIL's joint venture partners in MFIL, together with third parties Triple Jump B.V. ("Triple Jump") and Developing World Markets LLC ("DWM"). Like Norfund, Triple Jump and DWM are international investors/lenders focused on lending to microfinance institutions globally. MFIL will use the loan to further expand its loan portfolio and open new branches in Yangon and Bago, as well as continuing to roll out its newly launched micro-business loan product.

- Including this new facility, MFIL now has US\$9 million worth of Kyat-denominated debt facilities now in place, with US\$3 million drawn down. MFIL is working to finalise additional Kyat loans from a number of development finance institutions.

## **Medicare International Health & Beauty (“Medicare”)**

### *Background*

Medicare operates a nascent chain of modern pharmacy, health and beauty franchise stores. All of these stores demonstrate the “Medicare” brand concept of being informative, friendly and bright with an energetic and smart style. Similar to a “Boots”, “Watsons” or “Walgreens”, such branded quality chains are not yet common in Myanmar; the bulk of the 8,000 or so pharmacies in Myanmar are stand-alone “Mom & Pop” stores.

In May 2017, MIL formed this joint venture with the following joint venture partners:

- H&B Management Solutions Pte. Ltd., which owns Medicare Vietnam, one of the largest pharmacy, health, beauty and personal care retail group that runs over 70 outlets in Vietnam; and,
- Randy Guttery, an industry veteran with significant experience leading Asian-based retail concepts.

It is expected that Medicare will fill a vacuum in the present retail landscape and at the same time tap into the rapid growth of the middle and affluent classes in Myanmar.

### *Update*

- Since its establishment in May 2017, the Medicare has rolled out 9 stores in downtown Yangon with 8 more stores expected to open by the end of 2018.
- From a standing start, it now employs over 90 staff. All store managers are pharmacists, who are University educated and are bi-lingual in Myanmar and English.
- The concept has been well received by the Myanmar consumer. At this stage, Medicare is refining its product offering both in terms of the range of products that it offers as well as the locations in which it operates. It is expected that once this testing phase is concluded, that Medicare will then expand the number of stores to over 50 stores, predominantly in Yangon and the other major cities.
- MIL is excited at the prospects for the pharmacy, healthcare and personal care retail sector given the expected rise in consumer spending power. McKinsey has predicted that the middle and affluent classes in Myanmar are set to boom in the coming years and this segment could grow to 19 million people by 2030, tripling consumer spending from US\$35 billion to US\$100 billion.
- To date MIL has invested US\$1,395,000 for a shareholding of 48.1 per cent. and expects to invest up to US\$5 million as part of the store roll-out programme over the next few years.

## **Myanmar Voyages Group**

### *Background*

- In October 2017, MIL entered into a conditional agreement to establish a tourism holding joint venture, Myanmar Voyages Group, with two Myanmar partners.

### *Update*

- MIL and the Myanmar Partners have mutually decided not to proceed with the joint venture.

## **Fundraising**

In June 2017, the Company raised US\$7.3 million through an issue of new ordinary shares. The proceeds have been and will continue to be used for investment as well as covering the Company's general overheads. Whilst a number of existing shareholders continued to support the Company's growth by participating in the fundraising, a number of new shareholders also participated.

MIL has raised over US\$41 million since inception from a broad-based group of shareholders with an increasing number of institutional investors. In accordance with the Company's strategy, we would consider raising additional capital to fund further investments.

In light of the refined business plan, the Directors have taken the decision not to pursue a secondary listing in Asia for the Company for the time being.

## **Warrants**

In light of the refined business plan described above, the Directors will table a proposed amendment to the terms of the Company's existing warrants such that warrant holders will have the choice to:

- a) exercise their warrants as scheduled on or before 21 June 2018 at an exercise price of US\$0.75 per warrant; or
- b) have the flexibility to defer exercising their warrants until 31 December 2021 at an increased exercise price of US\$0.90 per warrant. Should a shareholder choose to defer the exercise of their warrants, they will also have the choice of exercising their warrants on a cashless basis such that they receive a lower number of new shares that represent the embedded "in the money" value of the warrants.

A circular to put this proposal to shareholders and warrant holders will be despatched shortly.

The Company is aware that a number of its ordinary shares and warrants are held by Beaufort Securities Limited, which has recently been placed into administration, and/or Beaufort Asset Clearing Services Limited, which has recently been placed into special administration. Special arrangement relating to how shareholders and warrant holders affected by this may exercise their votes in respect of the changes to the Warrants are set out in the circular.

## **Board changes**

After 5 years, Aung Htun, the Company's co-founder and original Managing Director, will be appointed as the Company's Non-executive Deputy Chairman. Aung will continue to serve on the Investment Committee and will continue to identify new investment opportunities within Myanmar for MIL.

Craig Martin, a Non-executive Director since inception and chairman of the Investment and Audit Committees, will be appointed as Managing Director. Craig was, until recently, co-CEO of CapAsia, a private equity firm investing in the infrastructure sector in emerging Asia with approximately US\$300 million of assets under management, where he worked for over seven years. Craig has lived and worked in South East Asia for 25 years including four years with Standard Chartered Private Equity and five years with Prudential Asset Management (now Eastspring) and is an investor, advisor and board member on private equity and listed funds in South East Asia. He is also a trustee of Exceed Worldwide, a UK charity providing prosthetic and orthotic devices and services to developing countries.

Mike Dean, the Company's co-founder and Finance Director has agreed to continue in that capacity.

Henrik Bodenstab and Christopher Appleton remain on the Board as Non-executive Directors with Mr Bodenstab becoming Chairman of the Investment Committee. William Knight, the Chairman will also assume the chairmanship of the Audit Committee.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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**Notes to Editors:**

Myanmar Investments International Limited (AIM: MIL) was the first Myanmar-focused investment company to be admitted to trading on the AIM market of the London Stock Exchange. MIL was established in 2013 with the intention of building long term shareholder value by proactively investing in a diversified portfolio of Myanmar businesses that will benefit from the country's re-emergence and ongoing economic development. The Company is led by an experienced and entrepreneurial team who between them have considerable industrial, corporate and financial management experience.

MIL aims to identify investments with strong growth which if necessary can be "de-risked" through the introduction of experienced senior line-management, mentors and / or strategic partners sourced by MIL's management board. The Company's main focus is on opportunities that are experiencing acute supply and demand imbalances.

MIL provides investors with a highly disciplined and conservative investment process into one of the most promising growth opportunities of this era.

MIL's largest investment (US\$21 million cost for a 9.3 per cent. shareholding) is in Apollo Towers, one of Myanmar's top telecom towers companies with 1,800 towers. Apollo operates in the high growth telecom sector with a strong management that is growing the number of co-locations (i.e. multiple tenancies) on its portfolio of towers. In June 2016, the US Government's Overseas Private Investment Corporation ("OPIC") provided a US\$250 million debt facility to Apollo Towers.

MIL's first investment in August 2014 was into Myanmar Finance International Limited ("MFIL") which today is one of the leading microfinance companies in Myanmar. Since MIL invested, MFIL's business has expanded rapidly. The business is profitable with a sustainable expansion plan for long term growth. In November 2015, the Norwegian Government's Norwegian Investment Fund for



Developing Countries ("Norfund"), the Norwegian development finance institution, also became a 25 per cent. shareholder in MFIL.

MIL's third investment in May 2017 was into Medicare International Health and Beauty Pte Ltd, ("Medicare"). This was a greenfield pharmacy, healthcare and personal care product retail franchise joint venture. The joint venture partners are a) H&B Management Solutions Pte. Ltd., which owns Medicare Vietnam, one of the largest pharmacy, health, beauty and personal care retail group that runs over 70 outlets in Vietnam and b) Randall Steve Guttery, an industry veteran with significant experience leading Asian-based retail concepts. It is expected that Medicare will fill a vacuum in the present retail landscape and at the same time tap into the rapid growth of the middle and affluent classes in Myanmar.

Myanmar, a country of approximately 51.4 million people and roughly the size of France, has been isolated for much of the last 50 years. Once it was one of the more prosperous countries in Southeast Asia as it has an abundance of natural resources (oil, natural gas, arable land, tourist attractions and a long coastline), it is now one of the least developed countries in the world.

The country has undergone an unprecedented transformational reform process, initiated by U Thein Sein's Administration in 2011. This is now continuing under the elected civilian administration led by Daw Aung San Suu Kyi which came to power in April 2016 as a result of the first democratic elections in 50 years. While the process is still evolving, the new government has broad support and significant progress has been made to the economic prospects of the country.

In October 2016, the United States government lifted all remaining sanctions against Myanmar and re-admitted the country into its preferred tariff system.

**For more information about MIL, please visit [www.myanmarinvestments.com](http://www.myanmarinvestments.com)**

MMK 1,327 = US\$1.00 (as at 27 April 2018)