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**ANALYSIS OF BUSINESS VALUATION METHODS
OF MYANMAR CITIZENS BANK IN
YANGON STOCK EXCHANGE**

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(EMBF – 6th BATCH)**

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**ANALYSIS OF BUSINESS VALUATION METHODS OF
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YANGON STOCK EXCHANGE**

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ABSTRACT

The main objective of this study is to identify the current condition of Myanmar Citizens Bank In Yangon Stock Exchange and to compare the calculated stock price and actual trading market price. Both primary and secondary data are used. Discussion with Department Head of Myanmar Citizens Bank Limited are very contributory for the analysis and financial statements of Myanmar Citizens Bank Limited are main source of the study. The study periods are covered from 2015-16 to 2017-18, six-month year ended 30.09.2018 and 2018-19 financial years. The three valuation methods were used in this study; (1) assets based valuation – on historic basis and on replacement basis, (2) income based valuation – PE ratio method and Earning Yield method, and (3) Cash flow based valuation – dividend model and dividend growth model. According to the study of setting market share price of Myanmar Citizen bank limited was nearly the price based on the net asset value on historic value because of influence by market condition of demand and supply of share market. In earliest financial year the calculated share price of dividend model was higher than actual trading price. That was primarily due to the dividend per share are higher than in later financial year. As per calculated resulted share price based on earning yield's ratio was the highest price in those three. It is found that the earning per share of Myanmar Citizens Bank 561 ks was the highest in the study period. Even though there were differences between the theoretical calculated share prices and the actual trading prices, finally the share price based on the theoretical way may be quoted on capital market.

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LIST OF ABBREVIATIONS

CAPM	-	Capital Asset Pricing Model
CBM	-	Central Bank of Myanmar
DDL	-	Disclosure Document for Listing
EPS	-	Earnings per share
EY	-	Earnings Yield
MCB	-	Myanmar Citizen Bank Limited
FY	-	Financial Year
HP	-	Hire Purchase
MFRS	-	Myanmar Financial Reporting Standard
LC	-	Letter of Credit
FPB	-	First Private Bank Limited
MSEC	-	Myanmar Securities Exchange Centre
P/E ratio	-	Price to Earnings ratio
TT	-	Telegraphic Transfer
YSX	-	Yangon Stock Exchange

CHAPTER (1)

INTRODUCTION

Business valuation is a process that involves defining the fair market value of an entity. Valuations may be required in many situations, including business reorganizations, shareholder disputes, employee stock or share option plans, mergers and acquisitions, and expropriations. Most professionals see valuations as a central basis of proper decision-making for organizations, both in the present and in the future. Even though it is not possible to predict the future, for businesses to survive, they need to prepare for uncertainty. It is also a critical financial analysis that needs to be done by a valuation expert who has appropriate qualifications. Business owners who go for low-cost valuations often miss out on the significant benefits brought by performing a full valuation analysis using certified valuation professionals. Business owners are able to negotiate a tactical sale of their entity, plan an exit strategy, acquire financing, and reduce the financial risk during litigation. Business valuation to a company is an important exercise since it can help in improving the company.

Individual investors can also use company valuation in order to assess investment opportunities in companies. Valuation is also used in public offerings, as identification of value drivers and strategic planning. Valuation can also be used in litigation contexts, in which dissident shareholders may take legal action in order to dispute the price per share offered in a merger. Lastly, valuation can be used in taxable transactions involving business, for example when a business owner gives a family member shares in a private company as a gift, and the value of these shares must be calculated for tax purposes.

Professionally, investment bankers and other types of corporate finance professionals use the valuation techniques in order to value companies to assess merger- and acquisition opportunities. The different techniques are often used together and the resulting valuations are often presented in combination with each other, giving a more nuanced valuation perspective than only using one technique. The share value of the business however is determined by the demand and supply of the capital market although the share prices are predicated by theoretical methods.

Currently, Myanmar capital markets are underdeveloped, inhibiting local businesses' opportunity to raise the capital needed to finance their operations or expansion. A company's ability to raise capital also impacts the broader economy, to include higher productivity growth, greater employment opportunities, and improved economic stability. In Myanmar domestic financing at competitive rates was difficult to obtain, and most loans were secured by real property mortgages or deposits of cash or other liquid assets.

The capital market of Myanmar was leading by Yangon Stock Exchange Joint- Venture Company Limited (YSX) which was incorporated by Myanmar Economic Bank 51%, Diawa Institute of Research Ltd 30.25% and Japan Exchange Group, Inc. 18.75% at 2014 by Joint-Venture agreement. YSX held the grand opening ceremony on 9th December 2015. In August 2016, YSX made a listing approval to the Myanmar Citizens Bank.

1.1 Rationale of the Study

There has only five companies trade on the YSX, which implies an initial public offering (IPO) rate of less than one per year and indicates the exchange is not a significant source of capital raising for local businesses. The names of five listed companies in YSX are First Myanmar Investment Public Co., Ltd. (FMI), Myanmar Thilawa SEZ Holdings Public Co., Ltd. (MTSH), Myanmar Citizens Bank Ltd. (MCB), Myanmar Citizens Bank Ltd. (FPB) and the last one is TMH Telecom Public Co., Ltd. (TMH).

According to Yangon Stock Exchange website's report in October-2019, the YSX had a market capitalization of MMK 660,974 million or approximately USD 440.6 million and total volume (shares) is 12,003. Encouraging all companies, including those that are privately owned, to build stronger cooperate governance and maintain more rigorous accounting standards could reduce the benefits of private ownership, thus make an IPO more compelling. Moreover, stronger governance and accounting standards probably would entice greater investment and ease their ability to raise debt, even if these companies were to remain private.

Valuation of companies is an important part of finance. The most common use is within mergers and acquisitions. When companies want to merge or acquire another company, or evaluate and acquisition proposal, it has to decide how much the target

company is worth. Mergers and acquisition are, due to the fundamental effect they have on the combined entity, some of the most important corporate events. A sensible valuation can be the difference between a successful and failed acquisitions, and can thus dictate the future of a company. Therefore, accurate is very important across all geographies, industries and company-sizes (Damodaran,2011).

In the primary market, a company issues shares to investors who remit capital to the company for the shares. It is only at this time that the company receives capital for their shares (this is the process of equity financing). Once the shares are issued at the specified offering price, the company receives their cash. In the secondary market, investors who originally bought the issue in the primary market sell their shares to other investors, who in turn hold their shares and eventually sell them to other investors as well. It is this secondary market that is actively followed by the media, business valuation and produces the daily price changes in stocks. However, it is still advantageous for a public company to have a strong share price because it increases the company's market capitalization and thus its ability to issue more equity shares at relatively high offering prices.

Myanmar Citizens Bank is a public bank established in 1991, with company registration No. (274/1991-92) granted on 30.10.1991, under special company act. With the Banking License no. Ma Ba Ba/ J (i) -1(5)1992 granted by Central Bank of Myanmar on 25th of May 1992, MCB started its business on 2.6.1992 at No. 383, Maharbandoola Road, Kyauktada Township, Yangon. Authorized Capital of MCB at the time of establishment, in June 1992 was 1 Billion Kyats. Now, Authorized capital is 75 Billion Kyats and paid up capital is 52 Billion kyats. Of 52 Billion Kyats paid up capital, Ministry of Commerce has paid up 5.12 Billion Kyats and the public paid up 46.88 Billion kyats.

1.2 Objectives of the Study

There are two objectives in this study. These are:

1. To identify current condition of Myanmar Citizens Bank in YSX
2. To evaluate business valuation methods of Myanmar Citizens Bank in YSX and to compare the actual trading market price

1.3 Scope and Method of the Study

The scope of the study concerned with business valuation method in Myanmar Citizens Bank Limited. In this study, Descriptive Statistics method is mainly applied and both primary data and secondary data were used. The primary data was collected from the result of the face to face interviewing with responsible person of Myanmar Citizens bank Limited. Secondary Data was used from Audited Annual Report from MCB website. Required information was referenced from previous research papers, literature relevant to the subject matter of this research and other relevant websites were also referenced for this paper.

The various Business Valuation methods were used for this study such as: Asset Based Valuation Approach, Income Based Valuation Approach and Cash Flow Based Valuation Approach.

1.4 Organization of the Study

This study is organized into five chapters. Chapter one includes introduction with four subtitles such as rationale of the study; objectives of the study; scope, methods and limitation of the study and organization of the study. Chapter two presents theoretical background concerned with various Business Valuation methods. Chapter three includes the profile of the Myanmar Citizens Bank Limited. Chapter four the calculation of the business valuation of the Myanmar Citizens Bank Limited in theoretical ways and compare the comparison of the valuation of Myanmar Citizens Bank Limited. Chapter five, the last chapter and conclusion of the whole study, includes finding, suggestions and needs for further study of Business Valuation.

CHAPTER II

THEORETICAL BACKGROUND

This chapter concerns theoretical background of business valuation for banking sector. Therefore, this chapter includes importance of valuation of stock, business valuation methodologies and factor influencing the valuation.

2.1 Importance of Valuation of Stock

Many owners of small businesses know their companies inside and out. Yet, they rarely know one critical fact – how much their company is actually worth on the open market. Determining the true value of a business, a process called “business valuation,” is not just important when the owner is looking to sell the company. It’s also important for other reasons: Business succession planning: Savvy business owners often arrange to transfer shares to a partner or heir (after a “triggering event,” such as death, disability or retirement) through a buy-sell agreement, which is often funded with life insurance. But before the owner can identify the buyout price (and thus, know how much the buy-sell agreement needs to be funded with), the value of the business must be determined. The Internal Revenue Service (IRS) needs to know the value of the business: At the death of the business owner, the value of the business will be used to help determine estate taxes and tax basis for any future sale. (The Guardian Life Insurance Company of America)

The cost to conduct a comprehensive business valuation can range from a few to more. Regardless of the cost or methods, it is important for the process to be conducted objectively by a qualified licensed appraiser. Normally, the appraisal is a document in which the appraiser describes the methodology that was used to value the business and provides an estimated fair market value that is designed to satisfy the IRS and courts. Additionally, this estimated value of the business may be useful data for the owner in putting together a succession, estate or personal retirement plan.

There are many circumstances where need for the valuation of shares arises. Where companies amalgamate or are similarly reconstructed, it may be necessary to arrive at the value of shares held by the members of the company being absorbed or taken over. Where shares are held jointly by the partners in a

company and partnership firm dissolved, it becomes necessary to value of shares. Where a portion of the shares is to be given by a member of proprietary company to another member as the member cannot sell it in the open market, it becomes necessary to certify the fair price of these shares by an auditor. When a loan advanced on the security of shares, it becomes necessary to know the value of shares on the basis of which loan has been advanced. When shares are given in a company as gift it may be necessary for the purpose of assessing gift tax, to place a value on the shares. When preference shares or debentures are converted into equity share it becomes necessary to value the equity shares for ascertaining the number of equity shares required to be issued for debentures or preference shares which are to be converted. When equity shareholders are to be compensated on the acquisition of their shares by the government under a scheme of nationalization then it is necessary to value the equity shares. (Account learning. BlogSpot)

Although many business owners have a vague idea of what their companies are worth, most are merely guessing – and over time, such guesswork can prove costly. In the worst case, not knowing fair market value could cause owners to sell their businesses for less than they actually are worth – or for heirs to pay more than their fair share of estate taxes after the owner's death. For these reasons, the cost of a business valuation can be an excellent investment. (The Guardian Life Insurance Company of America).

2.2 Valuation Methodologies

In finance, valuation is a process of determining the fair market value of an asset. Equity valuation therefore refers to the process of determining the fair market value of equity securities.

Every asset whether financial assets or real assets have value attached to them. The key to invest successfully and managing assets depend in understanding not only the value but also the source of the value. Valuation is tools for investors to understand what the true price of the asset should be, is the current price overvalued or undervalued, should the investors buy or sell the assets. Valuation is very important for investors because without doing valuation they will become a blind man who cross the street, taking a high risk without even know which way and how he can get to across the street. There are two types of valuation which are fundamental

value and market value. Market value is a valuation which aiming to know how much the market is willing to pay for the assets, while fundamental value or book value is a valuation which aiming to know how much money the asset really worth.

Businesses need to be valued for a number of reasons such as their purchase and sale, obtaining a listing, inheritance tax and capital gains tax computations. Generally, valuation difficulties are restricted to unlisted companies because listed companies have a quoted share price. However, even listed companies can present valuation challenges for example when one is trying to predict the effect of a takeover on the share price.

Whenever a company is bought what the new owners have a right to depends on the stake they hold: Majority holders: have access to their share of earnings and, because they can opt for a winding up, their share of net assets of the company. Minority holders: have access to the dividends the majority decide to pay and a share of the net assets if the majority decides to wind the company up. Therefore, because minority holders have little power and no control, a 20% share of a company should be less than 20% of its total value. Conversely, an 80% share should be worth more than 80% of the full value of the company. Majority holders should be prepared to pay a premium for control. (BPP Learning Media, 2009)

There are three broad approaches to do share valuation which are as follows;

- a) Asset based Valuation Approach,
- b) Income based Valuation Approach, and
- c) Cash flow based Valuation Approach.

2.2.1 Asset Based Valuation Approach

The business is estimated as being worth the value of its net assets. The difficulty in an asset valuation method is establishing the asset values to use. Values ought to be realistic. An individual asset may vary considerably depending on whether it is valued on a going concern or a break-up basis. Possibilities include:

- a) Historic basis (book value) – unlikely to give a realistic value as it is dependent upon the business's depreciation and amortization policy,
- b) Replacement basis – if the assets are to be used on an on-going basis, and
- c) Realizable basis – if the assets are to be sold, or the business as a whole broken up. This won't be relevant if a minority shareholder is selling his stake, as the assets will continue in the business's use.

In this valuation method, the following formula can be used for valuing for share price;

$$\text{Share Price} = \frac{\text{Net Tangible Assets}}{\text{No. of Share Issued}} \quad \text{Eq. (2.1)}$$

The book value approach is practically useless. The book value of non-current assets is based on historical (sunk) costs and relatively arbitrary depreciation. These amounts are unlikely to be relevant to any purchaser (or seller). The book values of net current assets (other than cash) might also not be relevant as inventory and receivables might require adjustment.

Replacement values approach is not of great practical benefit. The approach tries to determine what it would cost to set up the business if it were being started now. The value of a successful business using replacement values is likely to be lower than its true value unless an estimate is made for the value of goodwill and other intangible assets, such as brands. Furthermore, estimating the replacement cost of a variety of assets of different ages can be difficult.

Realizable value approach is net realizable values of the assets less liabilities. This amount would represent what should be left for shareholders if the assets were sold off and the liabilities settled. However, if the business being sold is successful, then shareholders would expect to receive more than the net realizable value of the net assets because successful businesses are more than the sum of their net tangible assets: they have intangible assets such as goodwill, knowhow, brands and customer lists – none of which is likely to be reflected in the net realizable value of the assets less liabilities. Net realizable value therefore represents a ‘worst case’ scenario because, presumably, selling off the tangible assets would always be available as an option. The selling shareholders should therefore not accept less than the net realizable amount – but should usually hope for more.

Those three approaches, net realizable value is likely to be the most useful because it presents the sellers with the lowest value they should accept. The net assets valuation method can be used as one of many valuation methods, or to provide a lower limit for the value of a company. By itself it is unlikely to produce

the most realistic value.

The net assets basis of valuation might be used in three circumstances. (1) As a measure of the 'security' in a share value. A share might be valued using an earnings basis. This valuation might be higher or lower than the net asset value per share. If the earnings basis is higher, then if the company went into liquidation, the investor could not expect to receive the full value of his shares when the underlying assets were realized. The asset backing for shares thus provides a measure of the possible loss if the company fails to make the expected earnings or dividend payments. Valuable tangible assets may be a good reason for acquiring a company, especially freehold property which might be expected to increase in value over time. (2) As a measure of comparison in a scheme of merger. (3) As a 'floor value' for a business that is up for sale – shareholders will be reluctant to sell for less than the NAV. However, if the sale is essential for cash flow purposes or to realign with corporate strategy, even the asset value may not be realized.

2.2.2 Income Based Valuation Approach

There are two methods to use for valuation of business which are as follows;

- d) The P/E ratio valuation method, and
 - e) The earnings yield valuation method
- (1) The P/E ratio Valuation Method

The P/E ratio produces an earnings-based valuation of shares by deciding a suitable P/E ratio and multiplying this by the EPS for the shares which are being valued.

$$\text{Share price} = \text{P/E ratio} \times \text{Earnings per share} \quad \text{Eq. (2.2)}$$

The EPS could be a historical EPS or a prospective future EPS. For a given EPS figure, a higher P/E ratio will result in a higher price. P/E ratios are used when a large block of shares, or a whole business, is being valued. This method can be problematic when quoted companies' P/E ratios are used to value unquoted companies. This method relies on finding listed companies in similar businesses to the company being valued (the target company), and then looking at the relationship they show between share price and earnings. Using that relationship as a model, the share price of the target company can be estimated. The P/E ratio is the price per share divided by the earnings per share and shows how many years' worth of earnings are paid for in the share price.

All the P/E ratios are very similar. Sometimes they are not – even in the same sector because one or more has been distorted for whatever reason. For example, a company's market price might be unusually high because of bid speculation, or its earnings might be low because of once-off restructuring costs written off in the latest financial statements. Usually, any P/E that seems adrift from the others is left out of further calculations.

However, just as the listed companies' P/E ratios might be distorted, so might the earnings of the company being valued. For example, if its owners had known for some time that they wanted to sell the company, they could have planned to create inflated earnings. Current earnings can be flattered by cutting back on 'discretionary' costs such as research and development, maintenance, training and recruitment. Although this will make current earnings look good, it is likely to store up trouble and extra costs for the future when the company has to catch up with neglected expenditure. There is therefore a double trap for purchasers: paying a purchase price based on unsustainable earnings and then finding themselves owners of a company that has unexpected 'catch-up' expenses. To account for these differences, particularly the move from a listed to a private company, it is normal for the value of an unquoted company to be reduced by 1/3 – 1/2. There is no great theory behind these reductions but they are common in practice.

A high P/E ratio may indicate:

(a) Expectations that the EPS will grow rapidly

a high price is being paid for future profit prospects. Many small but successful and fast-growing companies are valued on the stock market on a high P/E ratio. Some stocks (for example those of some internet companies in the late 1990s) have reached high valuations before making any profits at all, on the strength of expected future earnings.

(b) Security of earnings - A well-established low-risk company would be valued on a higher P/E ratio than a similar company whose earnings are subject to greater uncertainty.

(c) Status - If a quoted company (the bidder) made a share-for-share takeover bid for an unquoted company (the target), it would normally expect its own shares to be valued on a higher P/E ratio than the target company's shares.

This is because a quoted company ought to be a lower-risk company; but in addition, there is an advantage in having shares which are quoted on a stock market: the shares can be readily sold. The P/E ratio of an unquoted company's shares might be around 50% to 60% of the P/E ratio of a similar public company with a full Stock Exchange listing.

However, using the P/E ratios of quoted companies to value unquoted companies may be problematic. Finding a quoted company with a similar range of activities may be difficult. Quoted companies are often diversified - A single year's P/E ratio may not be a good basis, if earnings are volatile, or the quoted company's share price is at an abnormal level, due for example to the expectation of a takeover bid. If a P/E ratio trend is used, then historical data will be being used to value how the unquoted company will do in the future. The quoted company may have a different capital structure to the unquoted company.

(1) The Earnings Yield Valuation Method

Another income based valuation model is the earnings yield method. This method is effectively a variation on the P/E method (the EY being the reciprocal of the P/E ratio), using appropriate earnings yield effectively as a discount rate to value the earnings:

$$\text{Share Price} = \frac{\text{Earnings per Share}}{\text{Earnings Yield}} \quad \text{Eq. (2.3)}$$

Exactly the same guidelines apply to this method as for the P/E method. Note that where high growth is envisaged, the EY will be low, as current earnings will be low relative to a market price that has built in future earnings growth. A stable earnings yield may suggest a company with low risk characteristics. This method can be incorporated with earnings growth as follows;

$$\text{Share Price} = \frac{\text{Do} (1+g)}{\text{Ke} - g} \quad \text{Eq. (2.4)}$$

Where:

- Do = earnings for the year 0
- Ke = rate of return required by the equity shareholders
- G = earnings growth rate

2.2.3 Cash Flow Based Valuation Approach

Cash flow based valuation models include which are as follows;

- a) The dividend valuation model,
- b) The dividend growth valuation model, and
- c) The discounted cash flow model

(1) The Dividend Valuation Model

The dividend valuation model is based on the theory that an equilibrium price for any share (or bond) on a stock market is calculated based the future expected stream of income from the security and discounted at a suitable cost of capital.

Equilibrium market price is thus a present value of a future expected income stream. The annual income stream for a share is the expected dividend every year in perpetuity. The basic dividend-based formula for the market value of shares is expressed in the dividend valuation model as follows:

$$\text{Share Price} = \frac{\text{Do}}{\text{Ke}} \quad \text{Eq. (2.5)}$$

Where:

$$\begin{aligned}\text{Do} &= \text{Constant Annual Dividned} \\ \text{Ke} &= \text{Shareholders' required rate of return}\end{aligned}$$

(2) The Dividend Growth Valuation Model

When there was growth in dividend paid throughout the study period, the growth rate should be considered in calculating the share price. The dividend growth valuation model suggests that the market value of a share is supported by the present value of future dividends.

$$\text{Share Price} = \frac{\text{Do} (1+g)}{\text{Ke} - g} \quad \text{Eq. (2.6)}$$

Where:

$$\begin{aligned}\text{Do} &= \text{Dividend at time 0} \\ \text{Ke} &= \text{Shareholders' required rate of return} \\ g &= \text{future annual dividend growth rate}\end{aligned}$$

Three amounts have to be estimated if this approach is to be used: D0, Ke and

g. D₀ is the dividend that has either just been paid or is just about to be paid: it is the dividend of now. This amount is easy to identify. K_e is the return required by ordinary shareholders. Just as with P/E ratios, K_e would be estimated using statistics from appropriate listed companies. K_e depends on both business risk and gearing risk.

Both of these risks have to be appropriate to the unlisted company being valued. Business risk derives from the type of business that the company is engaged in (such as house building, supermarkets, air travel, car manufacturing). Gearing risk is related to the amount of borrowing in the company's capital structure. The more borrowing there is, the more risk that shareholders are exposed to and the higher will be their required return.

There are three ways can be used to estimate K_e:

By using Dividend Valuation Model

$$K_e = D_0 / P_0 \quad \text{Eq. (2.7)}$$

By using Dividend growth model

$$K_e = (D_1 / P_0) + g \quad \text{Eq. (2.8)}$$

(Or)

By using Capital Asset Pricing Model (CAPM) - the capital asset pricing model can be used to calculate a cost of equity and incorporates risk. The CAPM is based on a comparison of the systematic risk of individual investments with the risks of all shares in the market.

$$K_e = R_f + \beta (R_m - R_f) \quad \text{Eq. (2.9)}$$

Where:

R_f = risk free rate

R_m = return from the market

β = the beta value for a listed company in the same type of business, appropriately adjusted for gearing.

(3) Discounted Cash Flow Model

This method of share valuation may be appropriate when one company intends to buy the assets of another company and to make further investments in order to improve cash flows in the future. Valuation models based on the discounted cash flow concentrate on valuation by reference to one of several expected cash-

flow proxies. These include dividends, cash flow and accounting earnings. In a perfect world these variables should produce identical results; however, the empirical examination provides varying results because different variables suggest different estimates of expected future cash flows and, thus, different market value. The most basic of these models can be written as follows.

$$\text{Share Price} = \frac{\text{CF}_1}{(1+\text{Ke})^1} + \frac{\text{CF}_2}{(1+\text{Ke})^2} + \dots + \frac{\text{CF}_{\infty}}{(1+\text{Ke})^{\infty}} \quad \text{Eq. (2.10)}$$

Where;

- CF = net cash flow for the year
Ke = rate of return required by the equity shareholders
 ∞ = no. of years of operations

2.3 Other Factors Influencing the Value of Share

The value of the company is in the eye of beholder. Investors should carefully evaluate information they can obtain about the company in order to develop expectation of current and future value. The value of a company is determined by both internal factors which are subject to the control of management, and external factors, which are out of the control of a company. The reason for, sometimes, wide range in value estimates by various investors is the knowledge about the key value drivers. Here are key factors that influence the valuation – (SriSattva Group, 2017)

a) Nature and history of the business

The first impression about a business is totally dependent on its history and the nature of business it is into. A business with strong background and a success story behind its growth earns more attention and value. The decision of considering a business for purchase or investment is based on its prior years' growth pattern and its future projection of further growth. Another related factor is the nature of business, whether the current market conditions are favorable to its sustainability and growth or not.

b) Business Growth

What is that buyers look for? Growth!!! If a business can display methodical quality revenue and earnings growth, then the business valuation will be favorable. It helps to improve the value if future growth prospects can be substantiated and clearly articulated to the buyer.

c) Customer Base

The growth of a business is directly proportional to the growth of revenue which again depends on the growth in customer base. If a business has a diverse customer base, then its value will be higher than the businesses dependent on a few key customers only. If the top ten customers constitute more than 50% of the revenue for the year, then, this factor will have a negative impact on valuation.

d) Audited Financial Statements

An audited financial statement improves the certainty and accuracy of the numbers presented by the business, as it represents a third party confirmation by an independent qualified professional. The audited financial statement by a reputed auditor adds value. An unaudited financial statement leads to uncertainty prompting the buyer to increase their risk premium thereby reducing the valuation of the venture.

e) Management Team

Management team plays a key role in determination of the value of the business. The quality of the management teams is one of the most important requirements for silent buyers like a private equity or a venture capitalist firm. Whenever the silent buyers' role is only to invest in the Company and not to manage it, the investments are based on various projections and future potential of the Company. In such cases, the investor places more reliance on those businesses, wherein, the management capacity and capability to run the show is better. A professional and experienced management team can add value.

f) Competency of the Staff

The value of the Company is not only affected by the management team but also by the key employees of the organization. The employees who fit into the definition of key employees are those who manage the important functions of the organization, eg: operation head, plant in charge, warehouse in charge, finance head, HR head etc. Having too many employees does not help as it shows a lower per employee efficiency, similarly, an understaffed business also loses value as the organization becomes dependent on the available employees and the loss of those employees could be detrimental to the business.

Other factors which may affect the commercial value of the business may include:

Day-to-day involvement of the Business Owners

- One of the most important, if not the most important, factor that affects the value of a business is how the business works without the owners' day to day involvement.
- A Business is much more valuable to a potential buyer if the owners of the business are not involved on a day to day business because the business basically runs itself and the potential purchaser does not have to put anyone in or personally get involved too deeply in the business.

The general economic climate and the state of the particular industry in which the company trades and the position of the business within it.

- Obviously, these factors involve a certain amount of judgement.

Management stability

- The stability and importance of key employees and management is very important. If the Business relies heavily on one particular employee, because for example that employee is responsible for the majority of sales and sales relationships then should that employee not be happy or be threatening to leave

and take the customers with him then that would be disastrous to the value of a business.

Systemization of the business

- This is a really crucial issue. If there are no systems in place that a new owner can follow, then a disaster is waiting to happen and indeed may make the business potentially unsaleable.

Relationships with customers and suppliers

- It is often key business relationships that provide the most value to a business.

If the business relies on a few major customers, then there is a higher risk attaching to the business than one where there is a good customer diversification spread.

Risk

- The more risks from a purchaser's perspective then the lower the value of the business. To make business less risky and therefore more

valuable then ensure that the business is fully systemized and that key business relationships with customers, suppliers and employees are protected in some legal format such as contracts.

Legal Comfort

- The legal and commercial due diligence process is very important and the comfort given by the resulting warranties and indemnities can make a big difference to the price a willing buyer will pay. The better the warranties and indemnities then the higher the value and the lower the risk. No warranties then the lower the value and a much greater risk of a buyer losing all of his investment.

Another external factor that can have a major effect on business value is the cost of capital and its availability. In times of high interest rates or when the market is strained for capital due to investors sitting on the side line and lenders tightening their credit policies, business values are negatively impacted. The cost of capital has a direct correlation to the return on investment buyers can achieve, and therefore, they will consider paying less if the capital is harder to obtain or costs them more. This also raises their perceived risk, which lowers the price they are willing to pay during these economic conditions. (The Business Valuer).

CHAPTER III

PROFILE OF MYANMAR CITIZENS BANK LIMITED

This chapter consists of discussion on history in Myanmar banking sector which is followed by the Myanmar Citizens Bank Limited. The profile of the Myanmar Citizens Bank includes the background of the bank, vision and mission of the bank, financial services provided by the bank, current condition of the bank in YSX, future prospect of the bank and overview of the securities market in Myanmar.

3.1. History of Myanmar Banking Sector

Myanmar ‘s banking history dates back to the 19th century, when Myanmar was under British colonial rule and the Indian Presidency Bank of Bengal opened its Yangon branch in 1861. The Yangon branch office of the Reserve Bank of India became the first Central Bank in Myanmar (1939 –1947). After Myanmar ‘s independence in 1948, the banking sector, including domestic and foreign banks, developed quickly under the democratic government and accounted for at least one-third of Myanmar ‘s GDP. But after the Revolutionary Council had taken state power, all banks (ten domestic and 14 foreign) were nationalized in 1963. One consequence of the then established socialist banking system was the country-wide deployment of nationalized banks which was intended to create more outreach (banks were almost exclusively present in Yangon before). A total of three demonetization waves hit the country since independence, the most recent one in 1987, which rendered 75% of the currency in circulation worthless. New financial laws such as the Central Bank of Myanmar Law and the Financial Institutions of Myanmar Law were promulgated in July 1990. Subsequently, the Myanmar Citizens Bank licenses were issued in 1992. In early 2003, the collapse of numerous Ponzi type institutions, which took advantage of a weak interest rate policy at that time, finally led to a banking, a financial, and an economic crisis in Myanmar. Most monetary transactions through the banks stopped which included the payment of employees and business operations. While private banks tried to acquire liquidity through selling their properties, they were also compelled to recall their loans, which in turn forced individuals and companies to sell assets and suspend or close down their business operations to meet their loan obligations. As one of the consequences, a secondary market for frozen bank accounts

emerged, with prices largely under face value. Trust in the banking and financial sector, already shaken by the waves of demonetization, was severely affected by this banking crisis. To regain public confidence, private banks put much effort into providing good customer services. Since the financial year 2007, their efforts proved successful with loan and deposit portfolios growing steadily. Nevertheless, Myanmar's banking sector remains underdeveloped and the economy functions in large on a cash basis.

3.2 Overview of The Securities Market In Myanmar

(a) Yangon Stock Exchange

YSX is owned by Yangon Stock Exchange Joint-Venture Company Limited, a joint venture company owned by Myanmar Economic Bank, a state-owned bank, Daiwa Institute of Research, a Japanese company, and Japan Exchange Group, a Japanese company, and trading of shares on the YSX commenced on 25 March 2016. There are currently two listed companies on the YSX, being First Myanmar Investment Co. Ltd. and Myanmar Thilawa SEZ Holdings Public Ltd.

(b) Myanmar Securities Exchange Centre

MSEC was established in 1996 as a joint venture company between Myanmar Economic Bank and Daiwa Securities Group Inc., a Japanese Securities Company to develop the capital markets in Myanmar in accordance with the guidance of the Ministry of Finance. Before the establishment of the YSX, shares of two public companies have been traded since late 1990.

(c) Over the Counter Markets

In addition to the stock exchange described below, the SE Law also has provisions for an over-the-counter ("OTC") market, or an organized market for trading of unlisted securities. It can be formed by not less than three securities companies with the permission of the SECM. The requirements and procedures for the permission, as well as organizational matters and its functions and duties, are provided in the SE Rules. However, during the transitional period, MSEC is allowed under the SE Law to operate the functions of a stock exchange and an over-the-counter market.

(d) STOCK EXCHANGE SYSTEM

A stock exchange is the centerpiece of the Myanmar securities market. It can be formed as a limited liability company or a joint-venture under Myanmar law.

Although it is not clear from the provisions of the SE Law, it is envisaged, in particular in relation to YSX, that trading participants who can trade on a stock exchange market are securities companies and that they are not necessarily shareholders of a stock exchange. A stock exchange must obtain a permit from the SECM and is subject to its supervisory and regulatory authority, including permission for any amendment of its charter or business rules.

3.2.1 Background of Myanmar Citizens Bank Ltd (MCB)

MCB is a public bank established in 1991, with company registration No. (274/1991-92) granted on 30.10.1991, under special company act. With the Banking License No. Ma Ba Ba/ J (i) -1(5)1992 granted by Central Bank of Myanmar on 25th of May 1992, MCB started its business on 2.6.1992 at No. 383, Mahabandoola Road, Kyauktada Township, Yangon. Authorized Capital of MCB at the time of establishment, in June 1992 was 1 Billion Kyats. Now, Authorized capital is 75 Billion Kyats and paid up capital is 52 Billion kyats. Of 52 Billion Kyats paid up capital, Ministry of Commerce has paid up 5.12 Billion Kyats and the public paid up 46.88 Billion kyats. MCB was granted the Foreign Exchange Authorized Dealer License by the CBM on 17-8-2012 and became a member of the Society for Worldwide Inter Bank Financial Telecommunication (SWIFT) on 5 January 2013. MCB has established correspondent bank relationships and maintained NOSTRO Accounts with UOB, OCBC, DBS, Commerz Bank, ICBC, May Bank, Kasikorn Bank, Siam Commercial Bank and Krung Thai Bank and have RMA relationship with 47 banks. By connecting with correspondent banks, MCB is currently providing Foreign Currency Current Account opening, Export/Import Settlements, Cash disbursement, Bank Guarantee, Account Transfers and Foreign Exchange Market activities to our customers. MCB was granted the money changer license on 24 October 2011 and it has opened money changer counters at Kyauktada Branch, Muse Branch, Mandalay Branch and Dawpon Mini Branch. MCB has offered the Acquiring services for Visa, MasterCard since 2014 and issued "Citizen Card", branded of MasterCard. MCB has partnered with Money Gram, IME, transfec, Merchantrade to offer inbound money transfer services. MCB started its Mobile Payment Services (663), to offer service to unbanked and rural areas, in July, 2015. MCB listed on Yangon Stock Exchange in August 2016.

3.2.2 Vision, Mission and objectives of MCB

(a) Vision of MCB

- To build a strong, stable, sustainable bank which is value creative to all our stake holders by harnessing and contributing to the spirit of progress in Myanmar.

(b) Mission of MCB

- Create value for our investors through sound financial performance embedded in transparency, accountability and good governance.
- Support and develop a customer base in the Commercial, SME, HP and Consumer segment.
- Enhance financial inclusiveness through a network delivering accessibility and availability.
- Recruit and develop talent to create sustainable long term workforce of dedicated employees.
- Build a secure, robust IT infrastructure and roadmap to support the bank in managing its business effectively and efficiently.
- Build efficient and innovative technology to deliver to customers convenient and secure products and services.
- Build, develop and incorporate operational and risk practices and methodologies into the banks operations.

3.2.3 Financial Services of MCB

MCB's first operational branch and headquarters was established at No. 383 Mahabandoola Road, Kyauktada Township in Yangon providing services such as the acceptance of deposits, advancing of loans and money transfer. The capacity to conduct the business arises from Banking License (License No. Ma Bha Ba/J (I) -1/5) granted to the MCB by the Central Bank of Myanmar dated 25 May 1992, the following business activities can initially be carried out under Section 25 of the Financial Institutions of Myanmar Law 1990.

a) Domestic banking services such as

Saving Deposit, Current Deposit, Time Deposit, Call Deposit, E-payment

- service for Import License fees payment, Internal Remittance and Payment Order.
- b) Loan Services of MCB are -
Commercial Loan, Pledge Loan, Trade Guarantee, Bank Guarantee / Performance Guarantee.
 - c) International Banking Services are -
Export & Import Services (L/C, TT), International Remittance and International Money Transfer Services (Money Gram, IME, transfec, Merchant trade), Guarantee Issuing Service, International Card Business (Visa / MasterCard Acquiring, MasterCard Issuing) , Money Changer Service (vi) Foreign Exchange Market, Payment Order.
 - d) Hire Purchase Services are-
HP for agricultural equipment, HP for motor cars, HP for various rice mill equipment, HP for various construction machinery and equipment.
 - e) MCB also offers the following services:
663 Mobile payment services, MPU Card Issuing & JCB, CUP Acquiring Service, Meter Bill Service.

3.3 Current Condition of MCB in YSX

MCB has not much business during the years 2008 and 2009. The bank's loan business really gets going in the year 2010, and grows to remarkably to approximately 5.7 times the amount handled in that year by 2015. MCB became the listed company on the Yangon Stock Exchange on 26th August 2016 and is the first bank approved to sell banks' shares. It was opened the market with base price of MMK 6800 per share and it reaches MMK 8200 per share today. As per MCB's annual report, continuous trading volume of MCB was 127,035 with trading value 1.205 bn in 2016. Although, the trading volume decreased to 72,870 and 32,193 in 2017, and 2018. Thus, the value also decreases to 0.644bn to 0.243 bn. Current price per share in the market is about MMK 8400.

The value of traded stocks on the YSX last month hit a high of Ks1.23 billion, according to monthly trading data released online by YSX. While this figure is the highest value so far this year, with trading volume of 286,328 shares, the value is lower than the figure for July 2017. Currently MCB has 10.40 million issued share and market capitalization is 85,288 kyats in million.

Its network of brick and mortar branches continues to remain a crucial part of service delivery model. The branch-expansion initiative, invested in building the network of physical branches, which now consists of 42 branches as of 31st March 2019 across all over Myanmar. Thus, by taking strategic steps in branch expansion, to create an industry wide awareness and a multiplier effect, whereby the growing presence and brand awareness of MCB has bigger impact in the industry creating a confidence that can attract more customers and more revenue growth.

Myanmar has seen a strong growth in digitizing banking and payments transactions in the past one year and MCB will not be left behind in providing banking services via digital devices. MCB plan to bring banking services to consumer's mobile device instead of them visiting the bank's branches. Project is ongoing to develop a secured and safe mobile platform for the bank's customers to transact efficiently and conveniently which will be made available in the near future. There are also plans to expand customer touch points at areas where MCB does not have a branch presence to serve the community.

CHAPTER IV

VALUATION OF MYANMAR CITIZENS BANK LIMITED

This chapter explores the value of share of Myanmar Citizens Bank Ltd. (MCB) with applying the Business valuation methods and compare the comparison of actual trading market price and calculated stock price of MCB bank. Data are used four fiscal years from FY 2015-16 to FY 2017-18, 6 months' period ended from April 2018 to September 2018 and FY 2018-19.

4.1 The Value of Share Price of MCB

In this section, the value of share price of MCB was explored by using the various way of business valuation methods mentioned in section 2.2 of chapter 2.

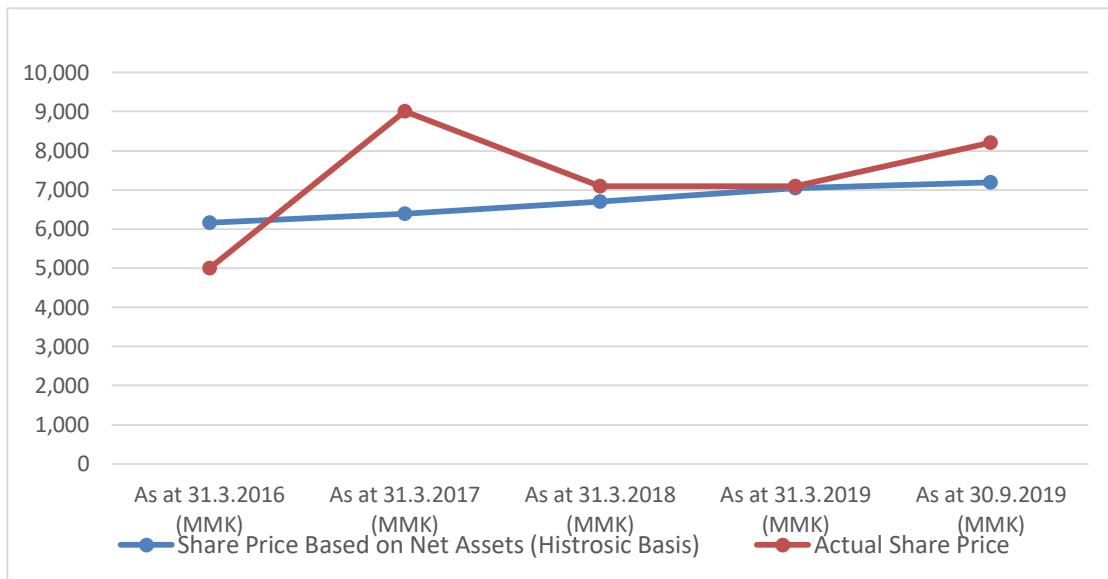
4.1.1 Actual Share Prices vs. Calculated Prices Based on Net Assets Valuation Approach (Historic basis)

The total assets of MCB has increased from 164.20million kyats in FY2014-2015 to 229.81million kyats in FY2015-2016 and this increase in total assets is very much caused by the increase in loans & overdrafts from 87.12million kyats in FY2014-2015 to 115.28million kyats in FY2015-2016. Started from FY 2017-18, the total asset of MCB were increased that was mainly due to the deposit from customer was 34.6% higher than FY (2016-17). In current financial year total assets of MCB is 525.318 million kyats. At the time the share price had also high that were influenced by market condition. As per increasing total asset year by year, the calculated share price based on net assets were not slightly different actual trading prices. The prices comparison was shown in Table 4.1.

Table (4.1) Comparison of Actual and Calculated Share Prices Based on Net Assets Valuation Approach (Historic Basis)

Method	As at 31.3.2016 (MMK)	As at 31.3.2017 (MMK)	As at 31.3.2018 (MMK)	As at 31.3.2019 (MMK)	As at 30.9.2019 (MMK)
Net Assets (Historic Basis)	6,163	6,389	6,701	6,867	7,194
Actual Share Price	5,000	9,000	7,100	7100	8,200

Figure (4.1) Comparison of Actual and Calculated Share Prices Based on Net Assets
Valuation Approach (Historic Basis)



Source; Survey data, 2019

In later of FY (2016-17) the calculated share price based on net asset (historic basis) were so closed to actual market price on YSX because of the high supply side of the MCB share on the market.

4.1.2 Actual Share Prices vs. Calculated Prices Based on Income based valuation Approach

This income based valuation method is also called relative method because the figures of PE ratio and Earning Yield ratio must be used from similar organization. So the figures of those ratios from the Audited Financial Statement of Myanmar Citizens Bank Limited as at 31st March 2017 So were used in this study. The PE ratio of FPB was 12.03 and Earning Yield was 8.31%. The share price based on PE ratio was easily calculated as per formula mentioned in chapter 2 (using Eq. 2.2).

Cost of equity K_e was calculated based on Capital Asset Pricing Model (CAPM) due to the dividend per share paid during this four fiscal years. So the dividend growth method cannot be used to calculate the cost of capital K_e . Moreover, the CAPM was more preferred to considering the business risk and financial risk. By using CAPM, the three constants – risk free rate (RF), market rate of return (R_m) and risk factor (β) figure must be used to calculate K_e .

The risk free rate is the expected return on a riskless asset, and it is known with certainty for the time horizon of the analysis. The duration of the default free security used as a risk free asset should match to the duration of the cash flow in the analysis. As the risk-free rate I will use minimum bank deposit interest rate shown in CBM's website, which is 8%.

The future track of risk in the banking sector is of critical importance to banks, their shareholders and policy makers. Some envisage a "back to basics" world of low risk/low return utility banking. Others suggest that credit risk, interest rate risk and liquidity risk mean such a world is impossible to achieve – the fortunes of the banking sector will always be entwined with the broader economy. The report envisages a post-crisis equilibrium in which bank equity costs fall from current figures of around 12%. (Nick Forrest and Miles Kennedy, 2012, PwC report).

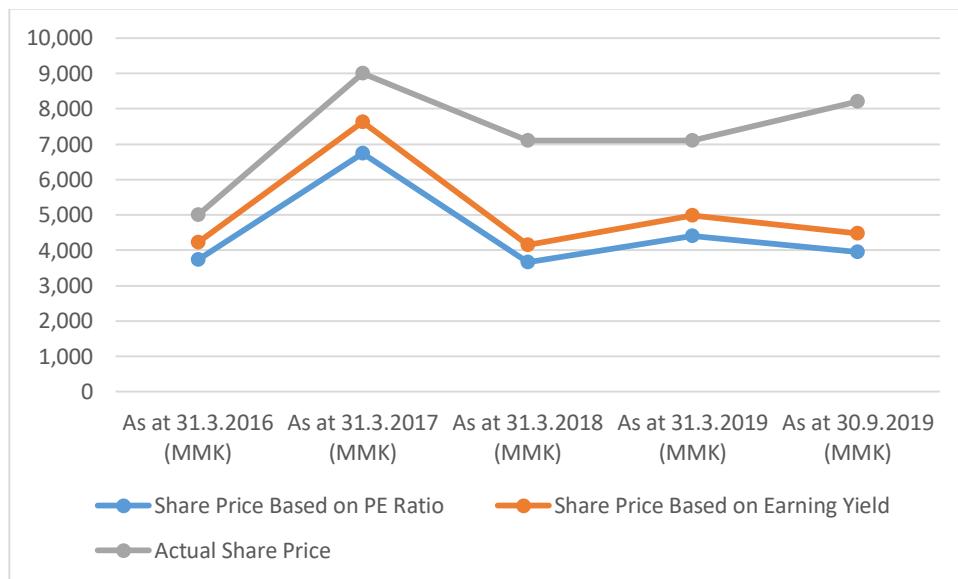
There are three approaches available for estimating the beta: Use historical data on market prices for individual investments. Estimate the beta from the fundamental characteristics of the investment. Use accounting data using the first approach, the market beta of a security is determined by regression of returns on the investment against returns on a market index, where the slope coefficient of the regression is the beta of the stock. While applying suggested by Greg DePersio the beta is 5.3. (Greg DePersio, 2015).

So the cost of equity K_e was resulted 10.12% by using these three figures (using Eq.2.9). Based on above figures the share price of MCB on 31st March 2016 to 30th September 2019 were shown in Table 4.2 (using Eq.2.2 and Eq.2.4) as per calculated in Appendix B and C. The comparison conditions were shown in Table 4.2.

Table (4.2) Comparison of Actual and Calculated Share Price Based on Income based Valuation Approach

Method	As at 31.3.2016 (MMK)	As at 31.3.2017 (MMK)	As at 31.3.2018 (MMK)	As at 31.3.2019 (MMK)	As at 30.9.2019 (MMK)
PE Ratio	3,738	6,747	3,668	4,402	3,957
Earning Yield	4,229	7,633	4,150	4,980	4,476
Actual Share Price	5,000	9,000	7,100	7100	8,200

Figure (4.2) Comparison of Actual and Calculated Share Price Based on Income based Valuation Approach



Source; Survey data, 2019

As per this method calculation result, the share price based on PE and earning yield ratio were significantly different from actual trading share price. Although MCB's net profit after tax was 3,100 KS 'million before listing on YSX, earning growth rate was lower than previous year in FY(2017-18) & FY(2018)-According to MCB's Management discussion and analysis thus was mainly due to high operational cost incurred for new branch expansion project and also high cost of funds. Thus cause to be earning per share was reduced on year by year due to decreasing of earning and increasing of share issued.

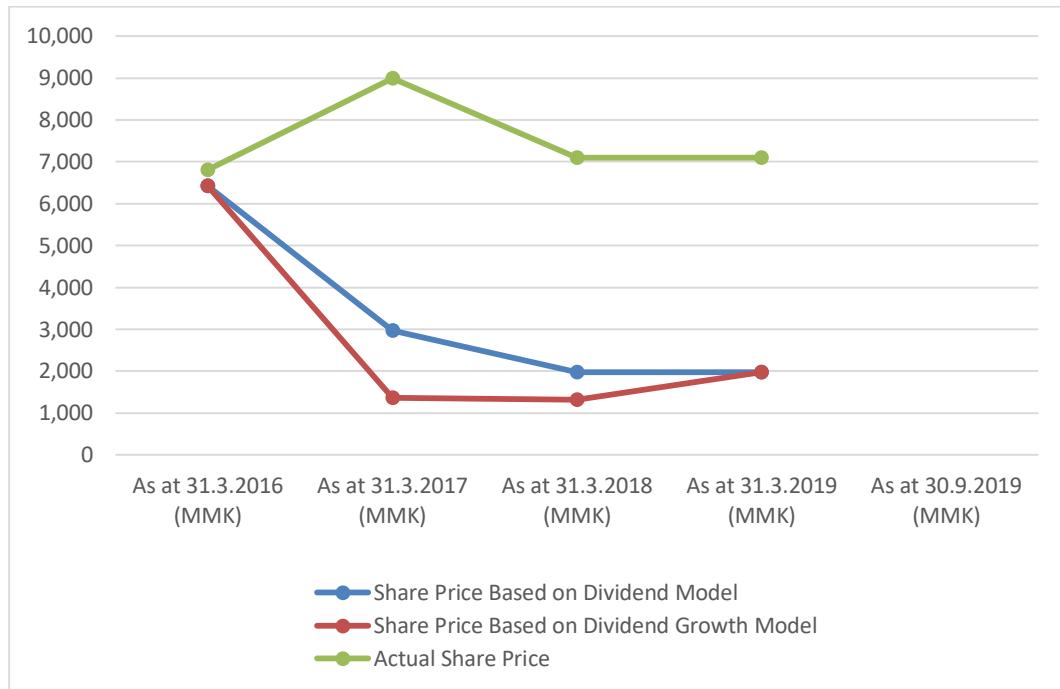
4.1.3 Actual Share Prices vs. Calculated Prices Based on Cash Flow based valuation Approach

This method of share valuation may be appropriate when one company intends to buy the assets of another company and to make further investments in order to improve cash flows in the future. The result of the cost of capital K_e from above method was used again in Eq 2.5 when calculating the share price based on dividend model.

Table (4.3) Comparison of Actual and Calculated Share Price Based on Cash Flow based Valuation Approach

Method	As at 31.3.2016 (MMK)	As at 31.3.2017 (MMK)	As at 31.3.2018 (MMK)	As at 31.3.2019 (MMK)	As at 30.9.2019 (MMK)
Dividend Model	6,423	2,964	1,976	1,976	1,976
Dividend Growth Model	6,423	1,368	1,318	1,976	1,976
Actual Share Price	5,000	9,000	7,100	7100	8,200

Figure (4.3) Comparison of Actual and Calculated Share Price Based on Cash Flow based Valuation Approach



Source; Survey data, 2019

In this method the actual market price was higher than the calculated share price. The dividend per share was Ks 650 in FY (2015-16), Ks 300 in FY (2016-17), Ks 200 in FY (2017-18) and Ks400 in FY (2018-19). As a consequence, the resulted prices were slightly changes due to the consideration of growth rate. The comparison for those share prices were shown in Table 4.3.

CHAPTER V

CONCLUSION

This chapter was conclusion for this study and include the findings of the study, the suggestions for management of Myanmar Citizens Bank Limited and further study for business valuation especially bank valuation using “A Contingent Claim Approach”.

5.1 Findings

The study has been concluded with the objectives of to identify current condition of Myanmar Citizens bank in Yangon Stock Exchange and compare the actual trading share price with the calculated share price of MCB Limited.

Valuing a company on the basis of its asset values alone is rarely appropriate if it is to be sold on a going concern basis. Exceptions would include property investment companies and investment trusts, the market values of the assets of which will bear a close relationship to their earning capacities. Myanmar Citizens Bank Limited is typical of a lot of service companies, a large part of whose value lies in the skill, knowledge and reputation of its personnel. This is not reflected in the net asset values, and renders this method quite inappropriate. A potential purchaser of Myanmar Citizens Bank Limited will generally value its intangible assets such as knowledge, expertise, customer/supplier relationships, brands etc. more highly than those that can be measured in accounting terms. Knowledge of the net asset value of a company will, however, be important as a floor value for a company in financial difficulties or subject to a takeover bid. Shareholders will be reluctant to sell for less than the net asset value even if future prospects are poor.

The P/E ratio measures the multiple of the current year's earnings that is reflected in the market price of a share. It is thus a method that reflects the earnings potential of a company from a market point of view. Provided the marketing is efficient, it is likely to give the most meaningful basis for valuation. One of the first things to say is that the market price of a share at any point in time is determined by supply and demand forces prevalent during small transactions, and will be dependent upon a lot of factors in addition to a realistic appraisal of future prospects.

A downturn in the market, economies and political changes can all affect the day-to-day price of a share, and thus its prevailing P/E ratio.

The P/E ratio of Myanmar Citizens Bank Limited can be taken to be indicative of its true worth, using it as a basis to value a smaller, unquoted company in the same industry can be problematic. The status and marketability of shares in a quoted company have tangible effects on value but these are difficult to measure. The P/E ratio will also be affected by growth prospects – the higher the growth expected, the higher the ratio. The earnings yield method of valuation could however be useful. This can result in a very inaccurate result if account has not been taken of all the differences involved.

The dividend valuation model is a cash flow based approach, which valued the dividends that the shareholders expect to receive from the company by discounting them at their required rate of return. It is perhaps more appropriate for valuing a minority shareholding where the holder has no influence over the level of dividends to be paid than for valuing a whole company, where the total cash flows will be of greater relevance. The practical problems with the dividend valuation model lie mainly in its assumptions. Even accepting that the required 'perfect capital market' assumptions may be satisfied to some extent, in reality, the formula used in calculation assumes constant growth rates and constant required rates of return in perpetuity. Determination of an appropriate cost of equity is particularly difficult for an unquoted company, and the use of an 'equivalent' quoted company's data carries the same drawbacks as discussed above. Similar problems arise in estimating future growth rates, and the results from the model are highly sensitive to changes in both these inputs. It is also highly dependent upon the current year's dividend being a representative base from which to start.

Among above valuation methods, the share price of Myanmar Citizens Bank Limited based on Earning Yield was highest price due to the reason of Earing Yield figure of First Private Bank Limited was high in market. The share price based on dividend model was resulted lowest price due to the dividend paid was slightly lower by year on year. According to the study of setting market share price of Myanmar Citizens bank limited was nearly the price based on the net asset value on historic value because of influence by market condition of demand and supply of share market. In earliest financial year the calculated share price of dividend model was higher

than actual trading price. That was primly due to the dividend per share are higher than in later finical year. As per calculated resulted share price based on earning yield's ratio was the highest price in those three. It is found that the earning per share of Myanmar Citizens Bank 561 ks was the highest in the study period. Even though there were differences between the theoretical calculated share prices and the actual trading prices, finally the share price based on the theoretical way may be quoted on capital market.

Finally, the calculation of estimated share price was only the setting of rage of share prices between the lowest and highest prices of share of the organization. So after calculating the share price, the organization can say the base price of share to the potential buyer or trader to consider the choice of investment.

5.2 Suggestions

The management of Myanmar Citizens Bank Limited should consider the market value of property in the calculation of share trading price for future decision making of share price because Myanmar Citizens Bank Limited have many properties on various locations. But the market value of property should be taken in according the advice from professional valuer. Before making decision on setting the share price, the management of Myanmar Citizens Bank Limited should calculate the possible share price by using various theoretical methods and should consider the current market condition of public listed company and business environment of related industries.

5.3 Needs for Further Study

When calculating the estimated the share price, many organization always use the above methods for deciding their share price. Although calculating the estimated share price using the above methods mention in chapter four was not completed because of lack of informational transparency of the organization. Discount Cash flow method (DCF) needed to apply for this study because of this method consider the future operation of organization and cash in-out up to end of the life of organization. This study should use another approach of bank valuation that is "A Contingent Claim Approach". This approach was formulated in 2014 by Enahoro Alfred Owoloko, Nicholas Amienwan Omoregbe and Michael Akindele Okedoye of Department of Computer and

Infromation Sciences/Mathematics, Covenant University, P.M.B.Ota, Ogun State,
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Myanmar Citizens Limited
Share Price Calculation Working
Currency in MMK

Appendix - A

Particulars	2015-2016	2016-2017	2017-2018	01.04.2018 To	2018-2019
Nominal value	5,000	5,000	5,000	5,000	5,000
No. of Share issued (millions)	9.97	10.40	10.40	10.40	10.40
Share Capital (millions)	49,870	52,005	52,005	52,005	52,005
Share Premium (millions)	4,799	5,119	5,119	5,119	5,119
Total Share issued value (millions)	54,669	57,124	57,124	57,124	57,124
Total Assets (millions)	229,812	250,041	310,150	376,189	525,318
Total Liabilities (millions)	168,346	183,588	240,454	304,768	450,498

Total Assets (Book value) - Total

Share price based on
Net Assets (Historic Basic) =

—————
Liabilities No. of share issued

229,812- 168,346

=

9.97

For 2015- 2016 = 6613 MMK per share

Myanmar Citizens bank Limited
Share Price Calculation Working
Currency in Myanmar Kyats

Appendix - B

Particulars	2015-16	2016-17	2017-18	01.04.2018 To 30.09.2018	2018-19
Profit After Tax (Millions)	3,100	5,883	3,171	3,805	3,420
Share Market Price	6,800	9,000	7,100	7,100	8,200
Earnings Per Share	311	561	305	366	329
Share Price Based On PE Ratio (EPS* PE Ratio)	3,738	6,747	3,668	4,402	3,957
Share Price Based On EY Ratio (EPS* (1+g))/Ke-g	4,229	7,633	4,149	4,979	4,476
PE Ratio @ FPB	12.03	12.03	12.03	12.03	12.03

Myanmar Citizens Limited
Share Price Calculation Working
Currency in MMK

Appendix - C

Particulars	2015-16	2016-17	2017-18	01.04.2018 To 30.09.2018	2018-19
Cost of Equity (ke)	10.12%	10.12%	10.12%	10.12%	10.12%
Dividend per Share	650	300	200	200	200
Dividend Growth Rate	0%	-54%	-33%	0%	0%
Share Price based On Dividend Model = (DPS/Ke)	6,422	2,964	1,976	1,976	1,976
Share Price based On Dividend Growth model ={DPS (1+g)}/Ke-g	6,422	1,368	1,317	1,976	1,976