

BYMA1Q20 Earnings Report – Reiterating Buy

Following 1Q20 results, we are maintaining our “Buy” recommendation and reiterating our Target Price of ARS 400 per share as we still consider the stock as the healthiest financial player in Argentina. Despite of weak quarterly results, heavily influenced by accounting distortions, we consider BYMA’s valuation cheap with current EV/EBITDA 1.5x.

BYMA benefits from its leading position in the Custody business through Caja de Valores. We see the company as one of the most interesting equity stories in Argentina. In our view, due to BYMA’s cash resources of USD180 mm, composed of 92% USD and only 8% ARS, the company is well positioned to remain a strategic asset amid an uncertain political and economic environment in Argentina. Moreover, provided that Argentina’s economy takes off following an arrangement with bondholders, the company could benefit from its leading market share position in Argentina, capturing the new flows for equity and fixed income that could potentially come into the country.

In Thursday’s aftermarket BYMA reported 1Q20 results. Net Income -without inflation adjustment- came at ARS 867 mm (EPS ARS 11.1), falling 14% YoY, and 38.1% QoQ.

Total revenues fell in peso terms by 6.9% YoY to ARS 823mn, while operating expenses increased 54% YoY to ARS 511.7mn (+6% QoQ) driven by higher salaries and USD-linked consultancy fees, resulting in operating margin contracting by 2 percentage points (p.p) sequentially and 12 (p.p) YoY. The Operating income was affected mainly by a strong decline in financial income generated with third party cash that reached only ARS40.3 million in 1Q20, compared to 263.2 million in 1Q19 as a consequence of A) lower CB interest rates, B) accounting differences in positions taken in USD which are valued at official FX, and mark to market of sovereign bonds. Moreover, the company reported 1Q20 EBITDA (nominal) of ARS 312mn, a decline of 58% QoQ and 43.5% YoY. However BYMA’S LTM EBITDA margin is still above 55%, according to the company remains higher than the average EBITDA margin for other exchanges.

The Central Securities Depository core service segment (45% of total revenues) increased 8% YoY in peso terms, which is considerably lower than inflation in the same period. On the contrary, Trading, Clearing and Settlement fees (31% of revenues) came in with an impressive 96% YoY increase. The great performance in the business was driven by an increase of 70% in equities (mostly driven by CEDEARS ADTV) and fixed income ADTV that jumped 121% YoY. BYMA is the leading exchange with a market share of more than 60%.

BYMA AR

Target Price: ARS 400

Last Price: ARS 376

Exhibit 1: 1Q20 Earnings Summary
Exhibit 14: BYMA 1Q20 earnings summary

ByMA	1Q20	4Q19	QoQ	1Q19	YoY
<i>Figures in ARS mn</i>					
CSD Business					
ADC Services	367,2	379,6	-3,3%	341,3	7,6%
ACRyP Services	9,8	9,3	5,4%	8,9	10,1%
Additional Services	99,5	91,9	8,3%	107,6	-7,5%
CSD Revenues	476,5	480,9	-0,9%	457,8	4,1%
Exchange Business					
Trading C&S fees	248,1	217,8	13,9%	126,5	96,1%
Market Data	37,4	31,9	17,2%	23,8	57,1%
Other fees	21,1	28,6	-26,2%	12,7	66,1%
Exchange Revenues	306,6	278,2	10,2%	163,0	88,1%
Interest income (from third party deposits)	40,3	463,3	-91,3%	263,2	-84,7%
Total Revenues	823,4	1222,3	-32,6%	884,0	-6,9%
Operating Expenses	-511,7	-481,4	6,3%	-332,1	54,1%
EBITDA	311,7	741,0	-57,9%	551,8	-43,5%
Operating Income	294,0	719,8	-59,2%	533,3	-44,9%
Operating Margin (excl. Int income)	35%	37%		47%	
Net Financial Income	873,8	962,3	n.m	905,7	-3,5%
Earnings from participations in other companies	-100,5	-33,4		-10,5	
EBT	1067,3	1648,7	-35,3%	1429,2	-25,3%
Income Tax	200,8	249,2		416,5	
Net Income	866,5	1399,4	-38,1%	1012,6	-14,4%
EPS					

Operational Figures	4Q19	4Q19	QoQ	1Q19	YoY
<i>Figures in ARS mn</i>					
Custody					
Assets under Custody	3.799.752	3.516.439,0	8,1%	4.257.543,0	-10,8%
Exchange - ADTV by Asset Class					
Equity	1.047	1.247,00	-16,0%	790,00	32,5%
Fixed Income	14.873	12.283,00	0,21	6.714,00	121,5%

Source: Company filings, Cohen

Sales & Trading

Martín Durruty
Institutional Sales
mdurruty@cohen.com.ar
+5411 5218-1100, int 120

Santiago Ruíz Guiñazú
Institutional Sales
sruiz@cohen.com.ar
+5411 5218-1100, int 119

Ricardo Herrero
Head of Trading
rherrero@cohen.com.ar
+5411 5218-1100, int 123

Hernán Maidana
Trader
hmaidana@cohen.com.ar
+5411 5218-1100, int 125

Laureano Grane
Trader
lgrane@cohen.com.ar
+5411 5218-1100, int 121

Leonardo Laconi
Trader
llaconi@cohen.com.ar
+5411 5218-1100, int 124

Agustín Benítez
Trader
abenitez@cohen.com.ar
+5411 5218-1100, int 127

Research

Juan José Vazquez
Head of Research
jvazquez@cohen.com.ar
+5411 5218 1100 int 134

Cristóbal Morales
Research Analyst
cmorales@cohen.com.ar
+5411 5128 1100 int 184

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