BYMA – CVSA Announces Fee Reduction

CVSA further reduces fees charged on Sovereign Bonds

Neutral

BYMA AR

New Target Price: ARS 464

Last Price: ARS 326,5

Yesterday, Caja de Valores (CVSA) announced it will lower fees on accretion of income on National Government debt securities to 0.05% from 0.075%, effective April 1, 2019; and then further to 0% in the next 12 months. We maintain our Neutral rating, but slightly lower our target price to ARS 464, down from ARS 466 as a result of the slightly lower income expected.

According to the company, the revenue loss would be of ARS 30mn (-0.7%) in 2019E, resulting in a net income decrease of ARS 22 (-1%), reaching ARS 3,629mn. From 2020 and beyond, when the fee is likely to be reduced to 0%, the revenue loss could amount to USD ~1-2mn per year, according to our estimates.

The announcement is consistent with the annual fee reduction on CVSA's fees on Sovereign debt instruments that has been applying since 2016. On March 2018, CVSA announced another to 0,075% from 0,10%. We were somewhat surprised by the announcement, as assets under custody (measured in ARS) grew only 24% YoY in 4Q18 (below both inflation and if measured in USD terms) and we expect them to grow 13% in 2019 on average (20% when comparing 4Q19E to 4Q18), challenged by the prevailing macroeconomic condition, which disables private debt issuances and equity listings.

On a separate note, BYMA has repurchased 33.627 shares (as of March 19) at an average price of ARS 329.8. We note that the current ARS 240mn share repurchase program ends on April 9, 2019.

Exhibit 1: Fee reduction impact on our estimates

	2019E			2020E			2021E		
	New	Old	Var (%)	New	Old	Var (%)	New	Old	Var (%)
Revenues (ARS mn)	4294	4324	-0,7%	5038	5139	-2%	5910	6052	-2%
EBITDA (ARS mn)	2906	2934	-1,0%	3284	3377	-3%	3822	3954	-3%
Net income (ARS mn)	3629	3651	-0,6%	4061	4142	-2%	4356	4473	-3%

Source: Cohen

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BYMA – A Priced-in Attractive Growth Story

Initiate with Neutral: A Priced-in Attractive Growth Story

We are initiating coverage of Bolsas y Mercados Argentinos (BYMA) with a Neutral rating and a 12-month target price of ARS 466 per share, which implies a 42% total return in ARS (including a 1.0% dividend yield) from current prices. Our valuation is based on a Discounted Cash Flow analysis, with a 13.6% WACC and a terminal growth of 4.0%. On a relative basis, BYMA is trading at an 7.3x P/E 2019E, 60% lower than the peer average of 19.3x. On an EV/EBITDA basis, the company is trading at a 7.3x EBITDA 2019E multiple (in USD terms), which compares to the peer average of 13.0x. We believe the discount is warranted due to higher inherent risks derived from bearing exposure to Argentina.

BYMA has a unique position to benefit from the development of the market… We view BYMA as a pure growth play to the development of the Argentine capital market, as the market is undeveloped and the growth possibilities are huge. BYMA is in a unique position to leverage the development of the market through higher volumes traded and new IPOs and debt issuances that will likely occur in the coming years after if the political risk is solved, as BYMA is only vertically integrated exchange in Argentina. The growth potential is massive, considering that ADVT in equities have ranged USD 15-20mn in the last months, and could easily increase to 50-60mn in the next years, and that domestic market cap to GDP (which reached only 10% as of 4Q18) should triple only to match the closest Latam peers.

…although investors should be aware of bumps down the road. We believe there is considerable risk of underperformance should the estimated growth takes longer-than-expected. We see some headwinds to the quick development of the market, given by i) absence of private pension funds; ii) lack of basic financial education among a considerable segment of the population; and iii) illiquidity in locally listed equities and a small investor base, which could discourage new IPOs in the local exchange. All these structural issues are unlikely to be solved in the near term, thus making the development of the market a bumpy road which the Company will have to sort. We note that BYMA is being proactive in offering new investment products, such as derivatives, short selling and new indices that should be launched in the coming months. In the same line, BYMA expects to introduce a secondary market for electronic invoices, which could enchance custody fees if it proves successful. We welcome the agreement reached between BYMA and S&P Dow Jones Indices to revamp the argentine indices and enhance their visibility, governance and transparency.

Base case scenario is currently priced into the stock. We believe the market is currently fairly pricing our base case growth scenario for the coming years, which is far from pessimist. Our base case implies equity volumes traded ramping up in 2019-2020 from USD 17mn in ADVT during 4Q18 to USD 53mn in 4Q20 and then growing 10% annually in USD terms (broadly in-line with the growth rates seen during the Macri administration prior to the market turmoil in 3Q18) through 2028. For Assets under Custody, we expect a ramp up after 2020 when the Government should tap the debt markets to repay the IMF loan, combined with higher private debt and equity issuances.

Neutral

BYMA AR

Target Price: ARS 466

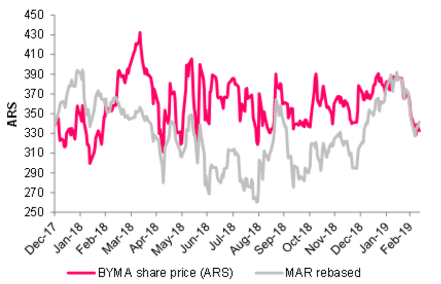
Last Price: ARS 332,5

Market Data	
Shares Outstanding (mn)	76,25
Market Cap (USD mn)	614
YTD Return (in ARS)	-12,1%

Earnings & Valuation Metrics	2017A	2018	2019E
Net income (USD mn)	69	116	84
P/E (USD)	9,1x	5,3x	7,3x
EV/EBITDA (USD)	N/A	6,6x	7,3x

Source: Cohen

BYMA Share Price vs Benchmark



Source: Bloomberg, Cohen. Prices as of 03/11/19

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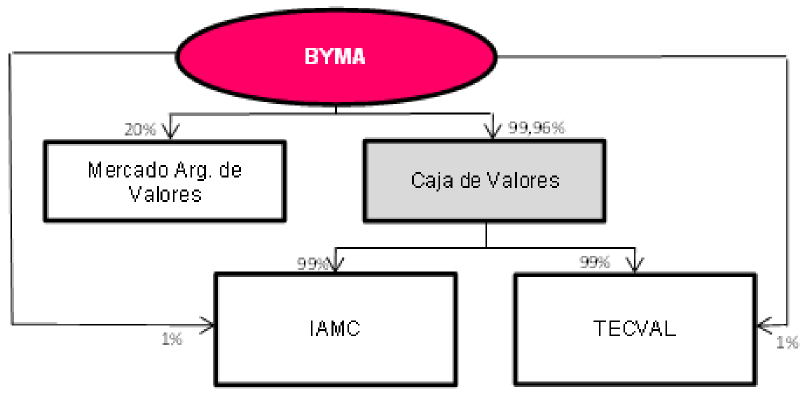
Investment Thesis & Company Description

We are initiating coverage of Bolsas y Mercados Argentinos (BYMA) with a Neutral rating and a 12-month price target of ARS 466 per share, which implies a 39% total return in ARS (including a 1.0% dividend yield) from current prices. Our valuation is based on a Discounted Cash Flow analysis, with a 13.6% WACC and a terminal growth of 4.0%. On a relative basis, BYMA is trading at an 7.5x P/E 2019E, 62% lower the peer average of 18.8x. On an EV/EBITDA basis, the company is trading at a 7.5x EBITDA 2019E multiple (in USD terms), which compares to the peer average of 12.7x. We believe the discount to peers is warranted due to higher inherent risks derived from exposure to Argentina.

BYMA is the only vertically integrated exchange in Argentina, as it owns a Central Counterparty Clearing House (CCP) and the only Central Securities Depository (CSD) in the country, Caja de Valores (CVSA; ARS 5.5bn book value as of 3Q18). Through its CCP, BYMA is the only local exchange for equities, and it also trades fixed income and derivative securities, although it is not the main actor in these asset classes.

Exhibit 1: BYMA Corporate Structure



Source: Company reports, Cohen

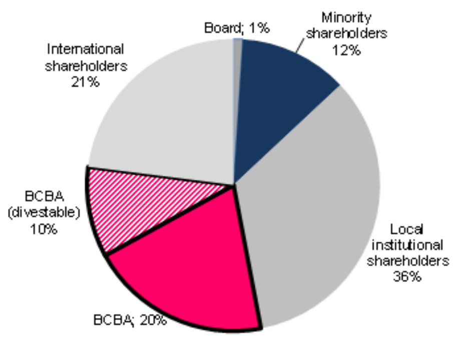
BYMA owns the Instituto Argentino de Mercado de Capitales (IAMC, ARS 0.1mn BV), whose main purposes are to provide technical support to Registered Agents and to disclose how capital markets work as an investment and financing tool, both for professionals of the financial system and for general investors.

BYMA also owns Tecnología de Valores (TecVal, ARS 4.3mn BV) and Mercado de Argentino de Valores (MAV; ARS 493mn BV). TecVal develops capital markets solutions and fosters equal opportunities for all market participants, while MAV is an exchange mostly focused on SMEs.

The company does not have a controlling shareholder, although Bolsa de Comercio de Buenos Aires (BCBA) owns 30% of the shares, and due to regulatory issues it has to divest 10% in the near term, as all participants are banned from owning more than 20% of a market. We expect that the local SEC will be flexible with the timing of the divestiture.

We view BYMA as a pure growth play to the development of the Argentine capital market, as the market is undeveloped and the growth possibilities are huge. BYMA is in a unique position to leverage the development in the market through higher volumes traded and new IPOs and debt issuances that will likely occur in the coming years after if the political risk is solved. The growth potential is massive, considering that Average Daily Volume Traded (ADVT) in equities ranged USD 15-20mn in the last months, and could easily increase to 50-60mn in the next years, and that domestic market cap to GDP (which reached only 10% as of 4Q18) should triple only to match the closest Latam peers.

Exhibit 2: Ownsership Structure (2018)

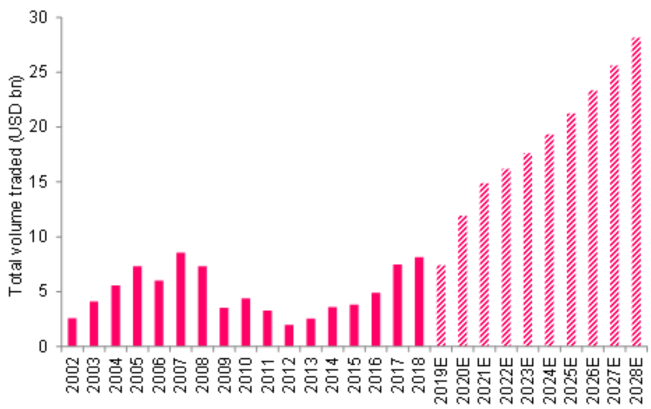


Source: BYMA; Cohen

However, as with every pure-growth play, we believe the risk of underperformance shall the estimated growth does not materialize, or takes longer than expected, is considerable. Moreover, we do see some structural headwinds to the quick development of the market, given by i) absence of private pension funds; ii) lack of basic financial education among a considerable portion of the population; and iii) illiquidity in locally listed equities and small investor base, which could discourage new IPOs in the local exchange (more in Investment Negatives). All these structural issues are unlikely to be solved in the near term, and some are beyond BYMA's scope. That said, we note that BYMA is being proactive in the effort of developing the capital market by offering new investment products, such as derivatives and FX futures, short selling, the introduction of electronic invoices and new indices that should be launched in the coming months. We welcome the agreement reached between BYMA and S&P Dow Jones Indices to revamp the argentine indices and enhance their visibility, governance and transparency.

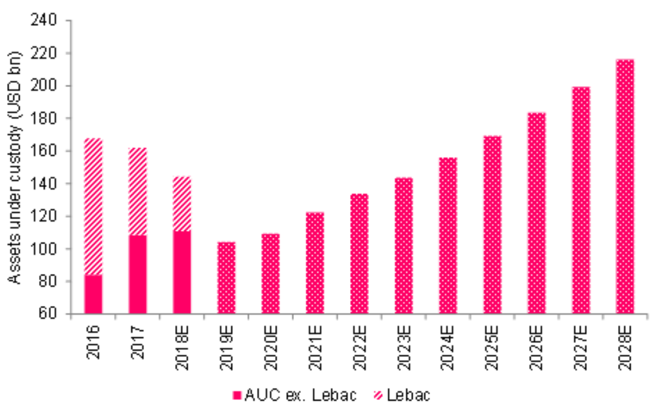
BYMA's revenues are derived primarily from equity volume traded and Assets under Custody (AUC) at CVSA. We believe the market is currently fairly pricing our base case growth scenario for the coming years, which is far from pessimist. Our base case implies volumes traded ramping up in 2019-2020 from USD 17mn in ADVT during 4Q18 to USD 53mn in 4Q20, and then growing 10% annually in USD terms through 2028 (broadly in-line with the growth rates seen during the Macri administration).

Exhibit 3: Equity volumes traded, 2002-2028E



Source: IAMC; Cohen S.A

Exhibit 4: Assets under custody (USD bn)



Source: BYMA; CVSA; Cohen S.A

Regarding AUC, we estimate a 9% CAGR until 2028, from USD ~103bn on average during 4Q18 (excluding Lebacs) to USD 216bn. According to our estimates, however, 2019-2020 could prove challenging for the Custody business given the USD 57bn IMF program that will replace private financing, and the disappearance of ARS 1.2tn LEBACS (which were under CVSA' scope) that have been mostly swapped for Leliqs (ARS 962 outstanding), not held at CVSA. However, ARS-denominated LECAPS (held at CVSA) have become one of the Government's preferred funding instruments, so new issuances are likely to continue. We note that LECAPs oustanding increased from ARS 37bn to ARS 386bn from January through December 2018.

According to our estimates, AUC will be flat during 2019, at USD 104bn. According to the Government's Financial Program, USD 14.1bn of domestic bonds and Letes maturing in 2019 would not be rolled over, while only USD 4.1bn net debt would be issued in 2020. However, we estimate the Government will be able to roll over a greater portion of the maturing debt than the Program estimates, thus resulting in flat levels of debt outstanding. From 2021 and beyond, debt issuances will presumably be required to repay the USD 57bn IMF program, although we expect the issuances to take place mostly internationally, therefore eluding CVSA's custody. We note that the Government has been recently encouraging local issuances (mostly in ARS) which are held in CVSA.

From 2021 and beyond, the increase in assets under custody will be sustained by new listings and debt issuances, both at the public and private sectors. We note that our estimates could prove conservative if the market of electonic invoices is proved successful. These invoices would be held at CVSA, thus resulting in added custody fees for BYMA. Again, like in the remaining business lines, the potential increase of the electronic invoices is massive, since the traded volumes in Latam peers amount to 3.5-5.0% of GDP.

Business Overview

BYMA's revenues are derived from three segment units: the CSD Business, through its subsidiary Caja de Valores; the Exchange business and from investing third party cash left in investment accounts.

Central Securities Depository Business (CSD Business)

The CSD Business is done through Caja de Valores S.A. (CVSA), which is the only depository in the country, and provides custody related services for public and private negotiable instruments. This allows BYMA to offer to any local or foreign market participant all trading, post-trading and custody related services for all types of negotiable instruments in Argentina, with a single account in CVSA. During 4Q18, Assets under Custody averaged ARS 4.1tn (USD ~103bn), while 2018 revenues totaled ARS 1.5bn (49% of total).

Custody charges average ~2.5bps per year. CVSA has been reducing fees charged on the services of accretion on Sovereign Government notes during the last years, which resulted in a reduction in fees from 3.5bps to 2.1bps during 2016, and again to 1.0bp in February 2017 for those securities. Although CVSA has not published a fee reduction schedule, this should occur when/if assets under custody ramp up from new debt and equity issuances.

BYMA has announced in late 2016 it intended create a commercial Bank (BYMA Bank) which will be a subsidiary of Caja de Valores, with the objective to liquidate of BYMA's operations. The project is currently awaiting for Central Bank approval, although the process is taking more than initially expected – possibly due to the frequent changes in the CB authorities occurred in the last years. The Bank will offer overdrafts and FX exchange services to market participants, and it will also offer cash accounts and accept deposits from the participants of the securities settlement systems; in an attempt to enhance the system's liquidity and stability.

Exchange Business

The Exchange Business derives its revenues primarily from market fees (includes trading, clearing and settlement), which accounts for more than 80% of the segment's revenues, while the remaining is obtained from the sale of market data and other income (such as membership, SENEBI fee, primary placements, etc.). BYMA charges 8 bps per trade on equities and CEDEARs, with a 2.5bps fee discount for intraday operations. The average charged fee results in ~7.5bps, which is substantially higher than the ~3.0bps that Latin American peers charge on average.

We believe that volumes traded in the Argentine equity markets should increase significantly in the coming years, with the expected expansion of the market. In this scenario, fees charged should fall substantially, converging to the Latam peers. The expected increase in volumes traded should be more than enough to offset the revenue loss due to the lower fees charged, in our view.

Financial Income

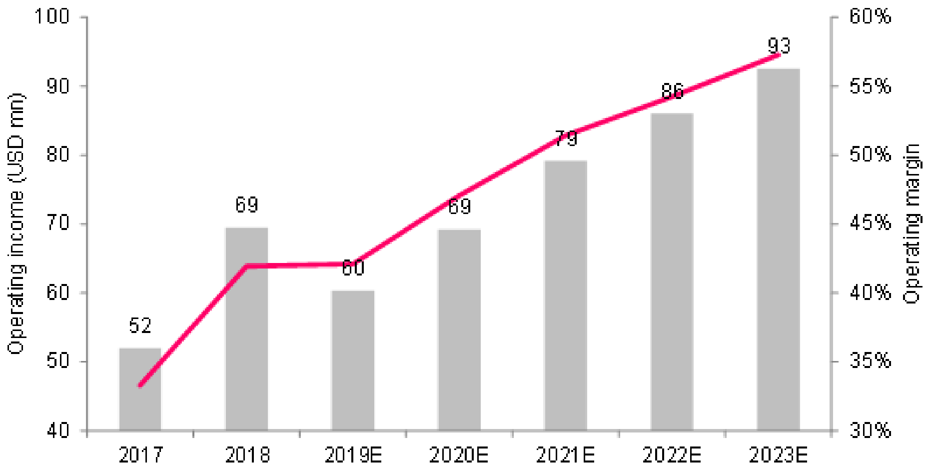
The last source of revenue is comprised of interest income received on third-party funds left on investment accounts, and timing differences between receipt and payable dates on coupons and dividends. During 4Q18, these funds averaged USD 344mn and ARS 2.0bn, and BYMA earned ARS 1,204mn interest income (or 39% of total revenues) during the year, fueled by the high interest rate environment. We expect interest income to be gradually lower, as interest rates converge to a more normalized low-double digit range in 2021.

Although not included in revenue, BYMA also earns considerable income from its own funds. BYMA has a sizeable USD ~107mn portfolio, as a consequence of the cap that it can distribute as dividends (see: Investment Negatives). During 2018, BYMA's interest income (ARS 686mn) and FX gains (ARS 1,539mn) accounted for 54% of total profit before taxes, benefitting from a high interest rate environment and a net long USD position. As of December 2018, 84% of BYMA's portfolio was invested in USD denominated assets.

Investment Positives

BYMA has a stable business with strong cash flow generation. BYMA has a stable business, with strong EBITDA margins. During 2018, the company had an operating margin (excluding financial results on third party deposits) of 42%, and aims to a 50% operating margin target in 2020. We estimate operating margins (excluding financial income) to remain flat in 2019, given the challenging environment for BYMA's bussinesses. We estimate BYMA's operating margin will improve in the coming years with the expected expansion of Assets under Custody and volumes traded, reaching the company's target of 50% margin in 1Q21, broadly in-line with the Company's target.

Exhibit 5: Operating income (USD mn) and margins should improve in the coming years



*Note: Excludes interest income from third party deposits

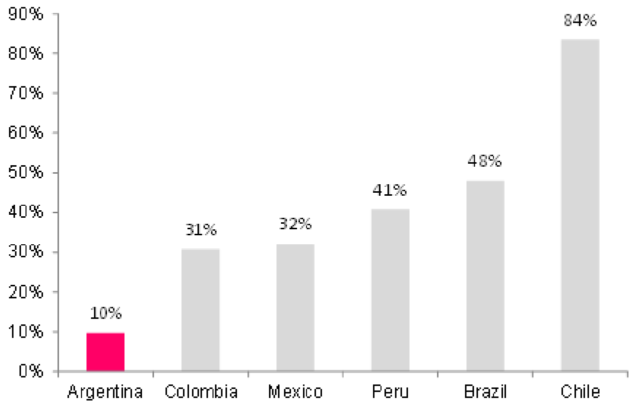
BYMA owns the only depositary in Argentina. Founded in 1974, Caja de Valores is the only depository and custodian in Argentina, thus benefiting from all the equity and debt issuances locally listed. During 4Q18, Assets under Custody averaged ARS 4.1tn, and LTM revenues amounted to ARS 1.5bn. While CVSA does not have a legal monopoly and thus another Depository could be established, currently it does not make economic sense, given the high fixed costs of operating the business and the tiny size of the financial market.

According to media reports, during 2016 the Argentine Banks intended to create a new depository for their operations, arguing that CVSA charged excessive fees and was inefficient. The initiative was not blessed by the local SEC, arguing that the technological and fixed costs of having two depositories were too high for the current size of the market. During that period, CVSA lowered fees charged on sovereign bonds twice, from 3.5bps to 1.0, as an attempt to show willingness to lower fees charged and to appease Bank's claims, in our view.

While we cannot rule out that the project could be refreshed eventually if the market develops, or that a new depository could be established, we note that the entrant would need regulatory approval from the local SEC.

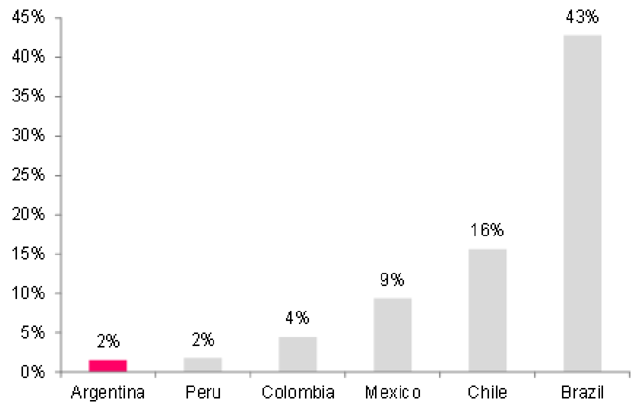
Existence of ample growth opportunities. The current financial market in Argentina is microscopic. Domestic market cap to GDP stands at 10% as of 2018, which compares to ~30% of Colombia and Mexico and 41/48/84% of Peru, Brazil and Chile, respectively. By owning the only CSD in Argentina, BYMA's position to take advantage of the development of the country is unmatcheable.

Exhibit 6: Domestic Market Cap to GDP; 2018



Source: IMF; WFE; Cohen

Exhibit 7: Total equity volume traded to GDP; 2018



Source: IMF; WFE; Cohen

BYMA earns abnormal interest income on third party deposits. The company benefits from third party deposits (USD ~344mn and ARS 2.0bn on average during 4Q18), which yield 0% to investors as they keep the funds uninvested in their investments accounts, or if issuers transfer the money (dividends, coupons or principals) to CVSA in advance of the payable date. BYMA is able to invest these funds in short term securities, and earn interest until the funds are redeemed or transferred to investors. The investment policy includes short-term duration notes and avoiding currency risk. During 2018, the Company earned ARS 1.2bn in interest from these deposits, which compares to ARS 4.3bn in pretax income over the same period.

The inclusion of Argentina in the MSCI Emerging Markets Index could result in sizeable fund inflows. In June 2018, MSCI reclassified Argentina to Emerging Market status, and by May 2019, passive funds which replicate the Index must add exposure to Argentine equities, which could amount to USD 1.3-1.5bn, according to analysts. MSCI only included ADR listed companies in the index, so the increase in trading volumes will likely occur abroad, rather than in BYMA. We expect, however, that some volume will spill over to the local exchange, thus resulting in increased trading fees.

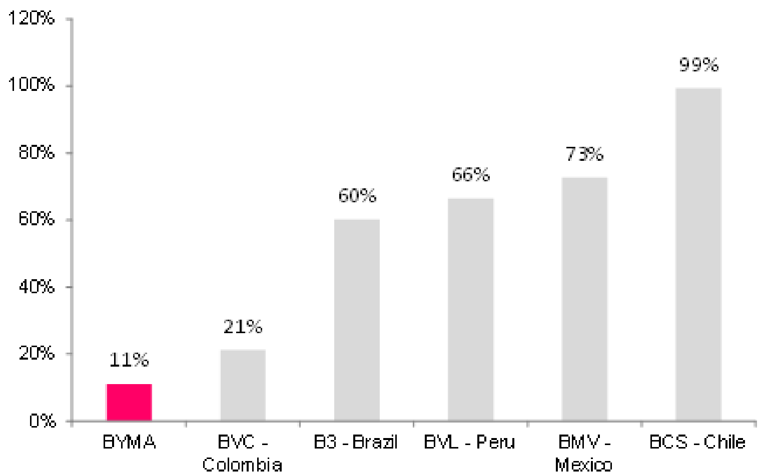
There is a more benign regulatory environment since Macri took office. In the last years, some newly listed companies did IPO in NY and chose not to trade in BYMA (the list includes Despegar, Globant, Mercado Libre and Corporación America). One of the main reasons for this issue, in our view, was explained by the Law N° 26.831, which regulated the Capital Markets: on its 20th Article, the Law allowed the local SEC to name Advisors in listed companies that could veto Board decisions. The new Capital Markets Bill approved in 2018 removed this article, thus increasing companies willingness to list their shares in the local exchange. However, liquidity and investor base differences in both markets remain sizeable and will contribute to the biggest listings taking place abroad, or becoming dually listed (with the highest volumes being traded abroad, in our view).

Investment Negatives

BYMA has a cap on the dividends it can distribute to shareholders. BYMA has not defined a dividend policy yet, although there are regulatory constraints to the payout. The presidential decree of 1974 (n° 659) that founded Caja de Valores established it would not be able to distribute more than 10% of its net income as dividends. Moreover, the Exchange business' regulation requires that at least 50% of net income must be allocated to a Deposit Guarantee. In 2018, Caja de Valores accounted for ~80% of net income while the 20% remaining was earned at the exchange, thus leaving the maximum possible payout at ~18%. We estimate a 15% payout ratio for the coming years.

We view this effective cap on possible dividend payouts as one of the Company's major drawbacks. BYMA's business requires minimum capital expenditures, it has high operating margins and no financial debt, which could allow the company to distribute a substantial amount of its free cash flow, like other Latin American peers do.

Exhibit 8: Dividend payout ratio



Source: Bloomberg; Cohen

The lift of the cap on dividends at the Caja de Valores level would require a Presidential decree or a Bill passed by Congress, which we view as unlikely to occur before the next Presidential elections. It is our understanding that BYMA has been actively contacting members of the Executive Power to describe the situation and in an attempt to induce an amendment to the legislation. If achieved, it would be a positive catalyst for both the stock and our investment thesis.

The argentine capital market lacks of large institutional investors. According to the Argentine Chamber of Mutual Funds (CAFCI), as of November 2018 there were only USD 15bn under custody in mutual funds, with a clear dominance of fixed income assets: 80% of funds were allocated to pure fixed income (57%) or money market (23%) funds, while only 4% of funds were invested in equity. As a comparison, Banks hold USD 29.7bn private sector deposits in foreign currency, thus showing that the mutual fund industry has not yet matured and that the preferred saving instrument is through USD cash or time deposits.

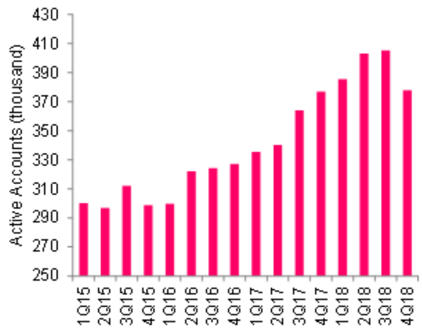
After the nationalization of the private pension funds in 2008, USD 22.5bn from the private sector pension funds were transferred to Anses, which has adopted a buy-and-hold strategy. This disappearance of long term oriented institutional investors, together with the currency controls established in 2011 (until 2015 when Macri took office) sharply depressed equity traded volumes to only USD 2.0bn in 2014 (down from USD 8.5bn in 2007), which resulted in daily USD equity volumes that have not increased in over a decade.

Exhibit 9: Historical annual equity volume traded (USD bn)

*For 2012-2015 blue chip swap FX rate was used
Source: IAMC; Cohen

Although we believe the market' size should increase in the coming years, we remain cautions on a sudden change in the society's reluctance to invest in financial assets other than time deposits or buying dollars, considering the lack of basic financial education among the majority of the population (there are less than 400k active accounts outstanding at Caja de Valores). We note that BYMA is being proactive in offering new investment products, such as derivatives, short selling, electronic invoices and new indices that should be launched in the coming months. In that sense, we welcome the agreement reached between BYMA and S&P Dow Jones Indices to revamp the argentine indices and enhance their visibility, governance and transparency.

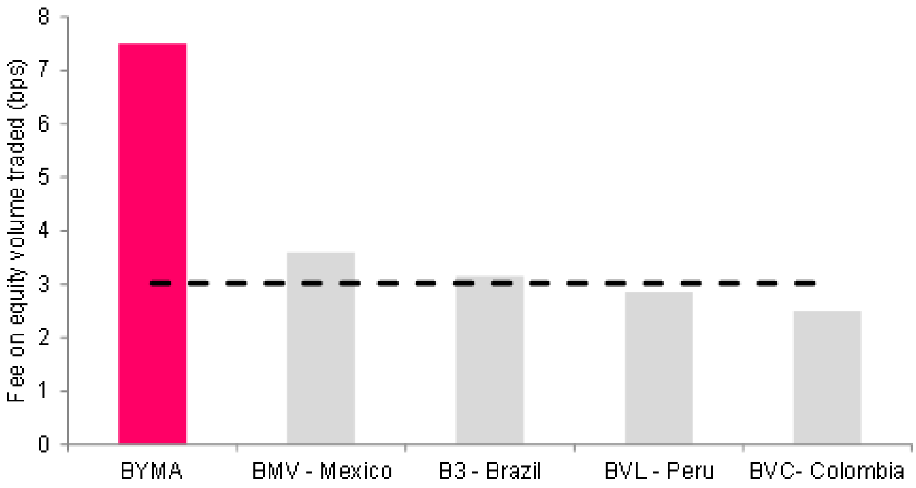
Exhibit 10: Active custody accounts outstanding



Source: Caja de Valores; Cohen

Actual fees charged at the exchange and custody segments are high and should decrease as the market develops. BYMA actually charges 8.0bps to equity trades, and there is a 2.5bps reduction for intraday operations (leaving the effective fee rate in 7.5bps in the last quarters), while other exchanges charge ~3bps, with variable fees depending on monthly volumes traded in the exchange and on the size of the trades.

Exhibit 11: Fees charged on equity volumes traded (bps) & Latam avg (ex. Arg)



Source: Cohen, Company reports

In the CSD business, the effective fee is ~2.5bps per year. CVSA has been reducing fees charged on the services of accretion on income on public negotiable instruments issued by the National Government during the last years, which resulted in a reduction in fees from 3.5bps to 2.1bps during 2016, and again to 1.0 bp in February 2017. This discount was applied on the fees of Accretion on Interest Income; since the Accretion on Amortization does not bear commission. For non National Government traded instruments and equities, fees remain at 3.5bps. Although CVSA has not published a schedule for fee reduction, these should be reduced if Assets under Custody ramp up with new debt and equity issuances. A sooner-than-expected fee reduction could result in lower revenues, shall volumes or assets under custody do not increase as expected.

Valuation

We valued BYMA using a DCF model, and arrived to a 12-month target price of ARS 466, impliying a 39% total return in ARS (including a 1% dividend yield) from current prices. Our estimate is consistent with a 2019 P/E of 7.2x and EV/EBITDA of 11x, in USD terms. Our valuation is based on a Discounted Cash Flow analysis, with a 13.6% WACC and a terminal growth of 4.0%.

Exhibit 12: Sensitivity Analysis

Termial growth rate (%) \ WACC (%)	15,1	14,6	14,1	13,6	13,1	12,6	12,1
2,5	389	403	423	437	456	475	500
3,0	399	413	427	447	466	490	514
3,5	403	418	437	456	475	500	528
4,0	408	427	447	466	490	514	543
4,5	418	437	456	475	504	528	562
5,0	427	447	466	490	519	548	581
5,5	437	456	480	504	533	567	605

Source: Cohen

Exhibit 13: BYMA DCF Valuation

USDmn	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Avg. FX (ARS/USD)	*29,4*	*43,5*	*51,6*	*57,9*	*63,0*	*67,4*	*71,3*	*75,4*	*79,8*	*84,4*	*89,3*
EBIT	70	64	63	66	72	79	87	95	103	111	123
-Tax	-21	-19	-16	-16	-18	-20	-22	-24	-26	-28	-31
+D&A	3	3	2	2	2	2	2	2	2	2	2
-Capex	-2	-2	-3	-3	-4	-4	-5	-5	-5	-6	-6
FCFF	50	46	47	49	52	57	63	68	74	80	88
Terminal value											959
Firm Value @ 2019 EOP			606								
+ Net Cash (2019 EOP)			134								
Equity Value @ 2019 EOP			740								
Equity Value per share (USD)			9,7								
Target Price (ARS)			**466**								

WACC	
Risk free	2,7%
Beta	0,7
Risk premium	4,8%
Country risk	7,5%
Cost of equity	**13,6%**
Cost of Debt	**N/A**
E/(E+D)	100%
D/(E+D)	0%
Tax Rate	30%
WACC	13,6%
g	4,0%

Source: Cohen

On a relative basis, BYMA is trading at a 60/41% 2019E P/E and EV/EBITDA discount to the Latam average, respectively. We view this discount as fair considering BYMA's higher cost of equity and higher dependence on growth to sustain the valuation.

Exhibit 14: Relative Valuation

Company Name	Ticker	Market Cap (USD mn)	P/E 2017	P/E 2018E	P/E 2019E	EV/EBITDA 2017	EV/EBITDA 2018E	EV/EBITDA 2019E
BOLSAS Y MERCADOS ARGENTINOS	**BYMA**	614	9,1	5,3	7,3	N/A	6,6	7,3
Latam Peers								
B3 SA-BRASIL BOLSA BALCAO	B3SA3	17.602	32,2	26,4	22,3	27,8	19,0	16,4
BOLSA MEXICANA DE VALORES SA	BOLSAA	1.219	17,2	17,4	16,4	12,2	10,8	9,6
BOLSA DE COMERCIO DE SANTIAGO	BOLSASTGCI	203	20,7	N/A	N/A	11,6	12,2	N/A
BOLSA DE VALORES DE COLOMBIA	BVC	223	11,3	N/A	N/A	14,8	N/A	N/A
BOLSA DE VALORES DE LIMA	BVLAC1	166	20,1	N/A	N/A	N/A	N/A	N/A

Source: Bloomberg; Cohen

4Q18 Review: Mixed Q, affected by financial results

Last week, BYMA reported 4Q18 mixed earnings results, with net income for the quarter reaching ARS 449mn, down 70% QoQ, and EBITDA of ARS 527mn (-32% QoQ). The reduction in Net Income was largely expected due to the long USD position that the company holds (which resulted in FX losses as the ARS appreciated), and lower traded volumes in the exchange. We note that net income was positively affected by an ARS 119mn tax benefit due to tax-deductible investments in *Sociedades de Garantía Reciproca*.

Custody revenues at Caja de Valores increased 28% QoQ, fueled by higher fees charged on inflation-denominated bond coupons paid. The increase in revenues was despite that average AUC decreased 2.5% QoQ, from ARS 4.19tn in 3Q18 to ARS 4.09n mostly as a result of the maturity of ARS 340bn Lebacs that were under custody as of 3Q18 and have not been fully offset by Lecaps issuances. On the flip side, trading fees decreased 18% QoQ, explained by a 29% decrease in equity volumes traded during the quarter (ARS 41bn) and a 6% decrease in Fixed Income volumes, partially offset by higher volumes in derivatives.

Financial income (including FX gains/losses) came at ARS 70mn, down from ARS 1,940mn in 3Q17, impacted from an ARS 376mn FX loss (vs an ARS 1,158mn gain in 3Q17), and a reduction of ARS 336mn (-43%) in interest income (both from own and third-party deposits).

BYMA announced an ARS 5.0 dividend per share (dividend yield 1.5%), and the renewal of a 30-day, ARS 240mn share repurchase program, at a maximum price of ARS 330 per share.

Exhibit 15: BYMA 4Q18 earnings summary

ByMA	4Q18	4Q17	YoY	3Q18	QoQ
Figures in ARS mn					
CSD Business					
ADC Services	339	217		265	28%
ACRyP Services	9	9		8	6%
Additional Services	102	59		97	5%
CSD Revenues	**449**	**285**	58%	**370**	21%
Exchange Business					
Trading C&S fees	109	96		132	-18%
Market Data	22	6		16	38%
Other fees	14	12		14	1%
Exchange Revenues	**144**	**114**	26%	**162**	-11%
Interest income (from third party deposits)	263	163	61%	522	-50%
Total Revenues	**857**	**562**	52%	**1054**	-19%
Operating Expenses	(352)	(305)	15%	(301)	17%
EBITDA	**527**	**312**	**69%**	**774**	**-32%**
Operating Income	**505**	**258**	96%	**753**	-33%
Operating Margin (excl. Int income)	*41%*	*24%*		*43%*	
Net Financial Income	**(193)**	**244**	N/A	**1367**	N/A
Earnings from participations in other companies	18	3		7	
EBT	**330**	**505**	-35%	**2127**	-85%
Income Tax	119	(71)		(614)	
Net Income	**449**	**434**	**3%**	**1514**	**-70%**
EPS	**$ 5,89**	**$ 5,69**		**$ 19,85**	

Operational Figures	4Q18	4Q17	YoY	3Q18	QoQ
Figures in ARS mn					
Custody					
Assets under Custody	4.091.961	3.306.529	24%	4.195.067	-2%
Exchange - ADTV by Asset Class					
Equity	676	722	-6%	921	-27%
Fixed Income	7027	4726	49%	7049	0%

Source: Company Filings, Cohen

Estimates

Income Statement	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Figures in ARS mn												
CSD Revenues	940	1458	1722	2115	2648	3147	3613	4159	4761	5466	6275	7223
Exchange Revenues	350	584	901	1455	1939	2278	2620	3016	3312	3628	3963	4564
Financial Income (third party deposits)	418	1244	1701	1569	1465	1613	1731	1895	2138	2401	2684	2990
Total revenues	**1707**	**3286**	**4324**	**5139**	**6052**	**7038**	**7964**	**9069**	**10212**	**11495**	**12922**	**14778**
Total expenses	860	1185	1519	1890	2228	2483	2664	2862	3064	3283	3519	3795
Operating income	**847**	**2100**	**2805**	**3249**	**3824**	**4556**	**5301**	**6208**	**7148**	**8212**	**9402**	**10982**
D&A	76	79	128	128	130	136	143	151	162	173	187	202
EBITDA	**923**	**2178**	**2934**	**3377**	**3954**	**4691**	**5444**	**6359**	**7310**	**8386**	**9589**	**11184**
Financial Income	683	2235	2236	2242	2105	2132	2066	2235	2731	3262	3877	4587
Participation in Other Companies	35	79	30	32	36	40	42	44	47	50	53	56
EBT	**1565**	**4412**	**5071**	**5522**	**5965**	**6727**	**7408**	**8488**	**9926**	**11524**	**13332**	**15625**
Income Tax	-406	-1000	-1420	-1381	-1491	-1682	-1852	-2122	-2482	-2881	-3333	-3906
Net Income	**1160**	**3412**	**3651**	**4142**	**4473**	**5045**	**5556**	**6366**	**7445**	**8643**	**9999**	**11719**

Balance Sheet	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Figures in ARS mn												
Cash and Equivalents	4.949	14.655	20.783	27.211	33.086	40.307	48.923	58.614	69.641	82.111	96.197	112.263
Financial assets	5.793	6.569	7.985	9.706	11.797	13.001	13.755	14.553	15.397	16.290	17.234	18.234
Other current assets	4.122	5.393	11.390	14.639	17.702	19.516	22.549	26.066	30.143	34.873	40.359	46.724
Total current assets	**14.864**	**26.617**	**40.159**	**51.556**	**62.585**	**72.824**	**85.227**	**99.232**	**115.181**	**133.273**	**153.790**	**177.221**
Other financial assets	481	1.680	2.042	2.482	3.017	3.168	3.327	3.493	3.668	3.851	4.044	4.246
PP&E	63	389	392	403	421	442	465	490	516	544	573	604
Intangible assets	1.210	2.082	2.057	2.061	2.095	2.203	2.338	2.504	2.696	2.920	3.178	3.484
Other non-current assets	81	300	299	299	298	298	298	297	297	296	296	296
Total non-current assets	**1.836**	**4.451**	**4.791**	**5.245**	**5.832**	**6.112**	**6.428**	**6.783**	**7.176**	**7.611**	**8.090**	**8.629**
Total assets	**16.700**	**31.068**	**44.950**	**56.801**	**68.417**	**78.936**	**91.654**	**106.016**	**122.357**	**140.884**	**161.880**	**185.851**
Accounts Payable	7.154	14.803	19.276	24.186	28.799	33.059	37.901	43.167	48.892	55.111	61.863	69.191
Other current liabilities	4.801	6.799	12.917	16.265	19.414	21.299	24.376	27.939	32.066	36.848	42.389	48.812
Total current liabilities	**11.954**	**21.602**	**32.192**	**40.450**	**48.213**	**54.358**	**62.277**	**71.106**	**80.958**	**91.958**	**104.252**	**118.003**
Total non-current liabilities	**60**	**157**	**157**	**157**	**157**	**157**	**157**	**157**	**157**	**157**	**157**	**157**
Total Liabilities	**12.014**	**21.759**	**32.349**	**40.607**	**48.370**	**54.515**	**62.434**	**71.263**	**81.115**	**92.115**	**104.409**	**118.160**
Non-controlling interest	1	3	3	3	3	3	3	3	3	3	3	3
Equity	**4.684**	**9.307**	**12.598**	**16.192**	**20.044**	**24.419**	**29.218**	**34.750**	**41.240**	**48.766**	**57.469**	**67.688**

Segment Information (ARS mn)

Caja de Valores	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
ADC Services	697	1073	1273	1587	1987	2361	2710	3120	3572	4101	4707	5419
ACRyP Services	33	33	37	47	58	69	80	92	105	121	139	159
Additional Services	209	351	411	482	603	717	823	947	1084	1245	1429	1645
Total revenues	**940**	**1458**	**1722**	**2115**	**2648**	**3147**	**3613**	**4159**	**4761**	**5466**	**6275**	**7223**

Exchange	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Trading C&S fees	281	480	726	1232	1670	1973	2289	2655	2920	3202	3498	4059
Market Data	16	55	108	137	165	187	204	221	241	262	285	310
Other fees	50	48	68	86	104	118	128	139	151	165	179	195
Total revenues	**350**	**584**	**901**	**1455**	**1939**	**2278**	**2620**	**3016**	**3312**	**3628**	**3963**	**4564**

Operating Data												
Equities ADVT (USD mn)	31	30	30	47	58	63	69	76	83	91	100	110
Equities total value traded (ARS bn)	126	218	323	617	864	1023	1188	1381	1604	1864	2165	2515
Volume growth	73%	73%	48%	91%	40%	18%	16%	16%	16%	16%	16%	16%
FI Total Value Traded (PPT, ARSbn)	878	1493	2377	3052	3749	4438	5156	5990	6959	8085	9394	10914
FI Total Value Traded (SENEBI, ARSbn)	1208	1948	2888	3709	4555	5392	6264	7278	8456	9824	11413	13260
AUC (ARS tn, market value)	2709	4004	4544	5650	7091	8432	9680	11112	12757	14645	16812	19300
AUC Growth rate		48%	13%	24%	26%	19%	15%	15%	15%	15%	15%	15%
GDP YoY	*2,9%*	*-2,4%*	*-0,9%*	*2,6%*	*2,8%*	*2,9%*	*3,0%*	*3,0%*	*3,0%*	*3,0%*	*3,0%*	*3,0%*
Inflation (CPI YoY, eop)	*25%*	*48%*	*31%*	*20%*	*14%*	*10%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*

Source: Cohen

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