

Day Break

Thursday, 14 April 2016

Company Update

Bank AL-Habib Limited

Commercial Banks

Recommendation	BUY
Target Price	57.7
Last Closing	42.1
Upside	37%

Market Data

Bloomberg Tkr.		BAHL PA
Shares (mn)		1,111.4
Market Cap (PKRbn USDmn)	46.7	446.4
Exchange		KSE 100

Price Info.	90D	180D	365D
Abs. Return	(3.4)	1.0	(5.5)
Low	125.9	40.1	40.1
High	149.0	46.5	48.0

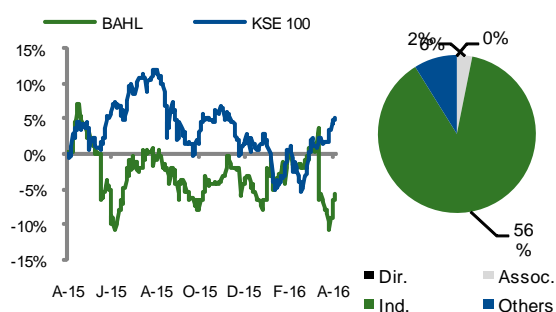
Key Company Financials

PKRbn	CY14A	CY15E	CY16F	CY17F
Total Revenue	23.0	29.3	29.8	31.9
Net Income	6.4	7.1	7.7	7.6
EPS (PKR)	5.8	6.4	7.0	6.9
DPS (PKR)	3.0	3.5	3.8	3.8
Total Assets	578.9	639.7	750.3	829.0
Total Equity	32.6	37.9	41.4	44.8

Key Financial Ratios

ROE (%)	20%	19%	19%	17%
P/E (x)	7.3	6.6	6.0	6.1
P/B (x)	1.4	1.2	1.1	1.0
DY (%)	7.1	8.3	9.0	9.0

Relative Price Performance & Shareholding



About the Company

The Bank was incorporated in Pakistan on October 15, 1991 as a public limited company. It is a scheduled bank principally engaged in the business of commercial banking with a network of 351 branches, 108 sub branches and 3 representative offices.

Source: Bloomberg, KSE 100 & IGI Research

Analyst

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Commercial Banks

BAHL: Earnings estimated to show +35%YoY growth to PKR 1.94/share for 1QCY16

- We expect the bank to post earnings of PKR 2.16bn (or PKR 1.94/share) during the period, up by +35%YoY.
- At current price of PKR 42.1/share, we recommend a 'Buy' recommendation based on our Dec-16 target price of PKR 57.7/share, offering +37% upsides. The scrip is trading at CY16F P/B of 1.1x and P/E of 6.0x, offering a decent 9.0% dividend yield.

BAHL: Earnings to post +34%YoY growth in 1QCY16 to PKR 1.94/share

Bank Al-Habib Limited (BAHL) is schedule to announce its 1QCY16 result on 14th Apr-16. We expect the bank to post earnings of PKR 2.16bn (EPS PKR 1.94) during the period, up by +35%YoY. We do not expect cash pay-out during the period.

We base our estimates on a) +8% growth in interest income, b) Lower provision charge down by 76%YoY and c) lower non-interest income owing to slowdown in fee and FX income.

Investment Case

BAHL remains one of our top picks within banking sector due to: a) stable earnings growth (+4% CAGR in CY16-18F), b) capital strength (CAR of CY15 stood at 13.8%) and superior balance sheet quality (infection Ratio: 3% along with specific coverage ratio of 94%), c) expanding loan sheet (CY15 loan sheet expanded by +14%YoY compared to industry's +7%YoY), d) increasing deposit market share (~6% estimated in CY15, deposit growth of +16%YoY compared to industry's +12%YoY). We expect the bank to sustain ROE of ~18%.

Recommendation

At current price of PKR 42/share, we recommend a 'Buy' call based on our Dec-16 target price of PKR 57.7/share, offering +37% upside. The scrip is trading at CY16F P/B of 1.1x and P/E of 6.0x, offering a decent 9.0% dividend yield.

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Exhibit: Financial Highlights

PKRmn	1QCY16E	1QCY15	YoY	4QCY15	QoQ
Interest Income	6,251	5,810	8%	6,537	-4%
Non-Interest Income	1,140	1,168	-2%	1,054	8%
Total Revenue	7,391	6,977	6%	7,591	-3%
Operating expenses	3,764	3,549	6%	3,712	1%
Pre-provisioning Operating Profits	3,627	3,429	6%	3,879	-7%
Provisioning Charge	301	972	-69%	601	-50%
Taxation	1,164	851	37%	1,176	-1%
Profit After Tax	2,162	1,606	35%	2,103	3%
EPS	1.94	1.44		1.89	
DPS	-	-		-	
BVPS	36.0	29.1		34.1	

Source: IGI Research, Company Financials, KSE

Analyst Certification

The analyst[^] hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price to book

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate

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