

Bank AL Habib Limited

Result Preview

PSX: B AHL Bloomberg: B AHL: PA Reuters: BKEQ: PSX

Pakistan Research

BAHL: 2QCY24 EPS to clock in at PKR 8.12, up 19% YoY, DPS PKR 3.50

- BAHL's BoD meeting is scheduled on August 7th, 2024 to approve the financial result for 2QCY24, wherein we expect the bank to report an EPS of PKR 8.12, up 19% YoY. Along with the result, we expect the bank to announce an interim cash payout of PKR 3.50/sh.
- We anticipate the NIMs to adjust downwards on the back of cut in policy rate, however this is expected to be partially supplemented by the faster repricing of liabilities. Resultantly, Net Interest Income (NII) is expected to remain flattish on a sequential basis (-2%) whereas on a YoY basis, we expect the NII to increase 37% YoY to PKR 36.3bn in 2QCY24.
- Non-interest income is likely to increase by 37% YoY during 2Q to PKR 7.7bn on the expectation of a sizable increase in FX income and higher fee income (+18% YoY).
- Provisions for 2QCY24 are anticipated to clock-in at PKR 6.8bn versus a reversal of PKR 142mn SPLY.
- The bank's branch expansion strategy and inflationary pressures are expected to push the admin expenses by 10% YoY to PKR 19.4bn in 2QCY24. Moreover, the cost to income ratio is expected to clock in at 44% in 2QCY24 versus 55% in 2QCY23.
- Effective tax rate of B AHL is expected at 49% as compared to 48% in SPLY.
- We have a 'BUY' rating on the scrip. Our Dec-24 price target of PKR 112/share offers a capital upside of 7%, along with a dividend yield of 15%.

Key Data

PSX Ticker	BAHL
Target Price (PKR)	112
Current Price (PKR)	105
Upside/(Downside) (%)	+7%
Dividend Yield (%)	15%
Total Return (%)	22%
12-month High (PKR)	117
12-month Low (PKR)	44
Outstanding Shares (mn)	1,111
Market Cap (PKR mn)	118,089
Year End	December

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	2QCY23	2QCY24E	YoY	1HCY23	1HCY24E	YoY
M/up Earned	86,413	119,746	39%	161,219	238,819	48%
M/up Expense	60,109	83,459	39%	110,290	167,786	52%
Net Interest Income	26,304	36,287	37%	50,929	72,971	43%
Non-Interest Income	5,617	7,715	37%	12,066	15,722	30%
Total Provisions	(142)	6,755	NM	(1,122)	13,629	NM
Admin Expenses	17,598	19,358	10%	32,343	37,292	15%
Profit Before Tax	14,465	17,696	22%	31,138	37,218	20%
Taxation	6,881	8,671	26%	12,929	17,961	39%
Profit After Tax	7,584	9,025	19%	18,209	19,257	6%
EPS	6.82	8.12	-	16.38	17.33	-
DPS	4.50	3.50	-	4.50	7.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios

	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	16.8	14.9	31.8	36.2	34.9	32.5
EPS Growth	5.0%	-11.4%	113.1%	13.8%	-3.4%	-7.1%
DPS	7.0	7.0	14.0	16.1	18.0	18.3
BVPS	81	85.7	113.9	134.1	151.6	180.2
PER	5.4	6	2.8	2.5	2.6	2.8
Dividend Yield	6.7%	6.7%	13.3%	15.2%	17.1%	17.4%
P/B	1.3	1.2	0.9	0.8	0.7	0.6
ROE	22.0%	17.9%	31.8%	29.2%	24.5%	19.6%

Source: Company Accounts, Akseer Research

Syeda Khadija Tul Qubra
syeda.khadija@akseerresearch.com

Valuation Basis

Our PT for Bank Al-Habib Limited (BAHL) has been computed on dividend discounting method using Justified P/B for the calculation of terminal value. We have used sustainable ROE of 18% to calculate exit P/B, along with a risk free rate of 15%, a beta of 1.0 and market risk premium of 6% to arrive at a cost of equity of 21%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our Dec-24 PT of PKR 112/share which results in an upside of 7% along with a dividend yield of 15%. Our investment case on BAHL is based on (1) one of the best asset qualities among banks (2) an aggressive branch expansion strategy to drive deposits (3) an investment book focused on short term instruments.

Risks

Key risks to our investment thesis are: 1) higher-than-expected NPLs, 2) lower-than-anticipated growth in advances & deposits 3) higher-than-expected increase in cost-to-income ratio.

Company Description

Incorporated in 1991 in Karachi, Bank AL Habib Limited provides retail and commercial banking products and services in Pakistan, the Middle East, the Asia Pacific, and Africa. Through its subsidiary the bank is also present in Retail Brokerage segments. Further, the bank engages in all treasury and international trade related activities. It operates through a network of 1,084 branches, 29 sub-branches, 4 representative branches and two overseas branches. The bank's network also includes 201 Islamic Banking branches as of December 31, 2023.

Financial Highlights - BAHL

Income Statement (PKR mn)						
	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	116,752	200,921	373,902	456,623	420,778	401,186
Mark-up/interest expensed	61,143	123,602	249,755	313,247	274,666	253,677
Net interest income	55,609	77,319	124,148	143,376	146,112	147,508
Non-interest income	14,027	21,196	23,227	26,900	25,476	26,557
Provision charged	(47)	12,871	4,200	10,683	4,669	2,909
Operating expenses	39,410	52,761	72,047	81,224	90,760	100,375
Profit after tax	18,702	16,570	35,319	40,193	38,841	36,099

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	125,340	109,231	148,397	148,190	177,828	204,502
Investments	826,600	1,158,521	1,503,895	1,540,493	1,888,641	2,208,477
Advances	733,799	813,535	869,459	1,133,897	1,316,075	1,489,297
Operating Fixed Assets	55,961	62,440	79,697	79,159	79,159	79,159
Other Assets	107,952	128,342	139,572	139,862	167,834	193,010
Total Assets	1,849,652	2,272,068	2,741,020	3,041,601	3,629,538	4,174,445
Borrowings from FIs	302,213	418,989	477,438	525,182	630,218	724,751
Deposits	1,309,823	1,568,138	1,934,037	2,127,440	2,552,928	2,935,867
Other Liabilities	147,601	189,698	202,939	239,920	277,875	313,566
Total Liabilities	1,759,637	2,176,826	2,614,413	2,892,542	3,461,021	3,974,184
Equity	90,015	95,242	126,607	149,059	168,516	200,260
Total Liabilities & Equity	1,849,652	2,272,068	2,741,020	3,041,601	3,629,538	4,174,445

Source: Company Accounts, Akseer Research

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Valuation Methodology

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

Ratings Criteria

JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

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Contact Details**Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8,
off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: info@akseerresearch.com

Alpha Capital (Pvt) Limited (Formerly: Alfa Adhi Securities (Pvt) Limited)

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH
Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: info@alphacapital.com.pk