

**SAMPATH BANK PLC [SAMP.N0000]****SUBSCRIBE FOR RIGHTS****FLASHNOTE****Fair Value [2019E]: LKR 210.0**

P/E 31 December	2015	2016	2017	2018	2019E	2020E	2021E
Estimates (LKR 'Mn)							
Net Interest Income	18,550	23,955	30,297	40,872	47,313	53,477	60,898
Total Operating Income	26,742	33,957	42,473	57,233	62,048	69,117	77,291
Net Profit	6,623	9,496	12,683	12,606	14,447	16,618	19,226
Adjusted EPS (LKR)	16.8	24.1	32.2	32.0	36.7	42.2	48.9
YoY Growth (%)	26%	43%	34%	-1%	15%	15%	16%
Valuations							
PER (x)	9.3x	6.5x	4.9x	4.9x	4.3x	3.7x	3.2x
PBV (x)	1.6x	1.2x	0.9x	0.7x	0.6x	0.5x	0.4x
DY (%)	8.3%	11.9%	11.0%	9.9%	7.0%	7.9%	10.3%

FIRST CAPITAL RESEARCH

Amanda Lokugamage +94 11 263 9868
amanda@firstcapital.lk

FIRST CAPITAL DOWNGRADED TO HOLD IN MAR 2019

With the expected moderation in earnings in 2019E First Capital Research downgraded SAMP to HOLD in our Corporate Update report published on 15 Mar 2019. We expected earnings of LKR 14.4Bn in 2019E amidst the expected slowdown in credit growth of 14%, while 32% increase in no. of ordinary shares is expected to significantly dilute the RoE to 14% over 2019-21E from previous 21% in 2016-17. Moderation in earnings growth at 15% over 2019-21E justified the PER of 5.5x, lower than industry average of 5.8x which depleted the TP to LKR 210.0 (Adjusted for Rights, assuming rights issue is fully subscribed) for 2019E.

SHARE PRICE FOLLOW A DOWNTREND FOLLOWING RIGHTS ANNOUNCEMENT

SAMP announced the issue of 89.0Mn rights shares to raise LKR 12.1Bn to strengthen the capital base, thereby supporting the credit growth. Rights issue was priced at LKR 136.0, 58% discount to the book value of LKR 320.58 (as of 31 Dec 2018). Following the rights issue announcement on 01 Mar 2019, SAMP share price plunged by 16% during the day to close at LKR 195.7. Sluggish sentiment in the market saw SAMP share price dipping by further 4% to LKR 187.5 on 15 Mar 2019, the date we published our Corporate Update report. Since our last corporate update, SAMP share price further plunged by 16% to LKR 157.0 (as of 30 Apr 2019). At LKR 157.0, we upgraded SAMP to a BUY while also recommending to SUBSCRIBE for rights and apply for additional rights.

SUBSCRIBE FOR RIGHTS BUT DO NOT APPLY FOR ADDITIONAL

SAMP announced the intended dates of the Rights issue and obtained approval at the EGM held on 15 May 2019. SAMP being the 3rd largest private listed bank, at current market price, we are bullish on the counter and recommend an OVERWEIGHT on the counter. With our upgrade to buy we continue to recommend subscribing for the rights at LKR 136.0. However, we withdraw our recommendation to apply for additional due to the plunge in the share price to LKR 139.90 and additional risks created in the economy. With earnings of LKR 14.4Bn we maintain our TP at LKR 210.0 for 2019E. **SUBSCRIBE FOR RIGHTS**

Entitlement date for Rights	15-May-19
XR date	16-May-19
Date of commencement of trading of shares	29-May-19
Last date for acceptance and payment	7-Jun-19

Disclosure on Shareholding:

First Capital Group does not hold shares in SAMP and will not trade in this share for three trading days following the issue of this document.



First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000

Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Hiruni Perera	+94 11 2639 864
Atchuthan Srirangan	+94 11 2639 863	Nisansala Kuruppumudali	+94 11 2639 866
Amanda Lokugamage	+94 11 2639 868		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Sewwandi Kathriarachchi	+94 77 3461 734	Mahesh Amarasinghe	+94 77 0073 684
Nethalie De Mel	+94 11 2639 854	Dharshanie Vasanthajothy	+94 77 9159 878

EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042	Negombo	
			Priyanka Anuruddha	+94 70 2910 035
Colombo			Priyantha Wijesiri	+94 70 2910 036
Damian Le Grand		+94 70 2910 032		
Nishantha Mudalige		+94 70 2910 041		
Isuru Jayawardana		+94 70 2910 034		
Ifadh Marikar		+94 77 9625 679		
Thushara Pathiraja		+94 70 2910 037		
Anushka Buddhika		+94 70 2910 030		

UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Deepal Pathmaperuma	+94 77 9159 878
Imali Abeygunawardena	+94 77 1764 799		

BRANCHES

Kandy	Kurunegala	Matara	Negombo
2nd Floor, No.121 Kotugodella Veediya (E L Senanayake Veediya) Kandy 20000.	Ground Floor No. 42, Mihindu Mawatha, Kurunegala 60000.	2nd Floor, E.H. Cooray Building No: 24, 1/3, Anagrika Dharmapala Mawatha, Matara 81000.	1st Floor No: 163B, Colombo Road, Negombo 11500.
Manager: Salinda Samarakoon	Manager:	Manager: Rohana Jayakody	Manager:
Tel: +94 81 2236 1010	Tel: +94 37 2222 930	Tel: +94 41 2222 988	Tel: +94 31 2233 299

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