



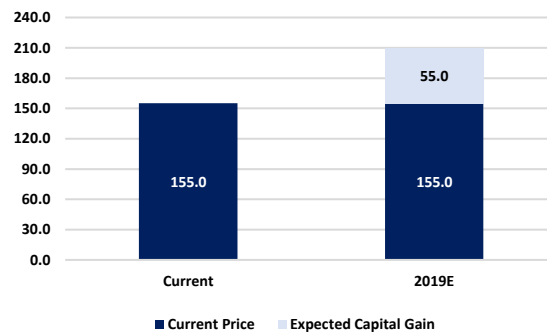
SAMPATH BANK PLC [SAMP.N0000]

UPGRADE TO BUY, SUBSCRIBE FOR RIGHTS AND APPLY FOR ADDITIONAL 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

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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 report, SAMP share price has further plunged by 16% to LKR 157.0 (as of 30 Apr 2019).

UPGRADE TO BUY, SUBSCRIBE FOR RIGHTS AND APPLY FOR ADDITIONAL RIGHTS

SAMP has announced the intended dates of the Rights issue (pending Shareholder approval) to be decided at the EGM which will be held on 15 May 2019. We expect the SAMP share price to bottom-out around LKR 150.0-155.0 levels. 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 also recommend to subscribe for the rights issue at LKR 136.0. We further recommend to apply for additional rights to gain from the likely undersubscription of the original shareholders. With earnings of LKR 14.4Bn we maintain our TP at LKR 210.0 for 2019E. **UPGRADE TO BUY, SUBSCRIBE FOR RIGHTS AND APPLY FOR ADDITIONAL RIGHTS**

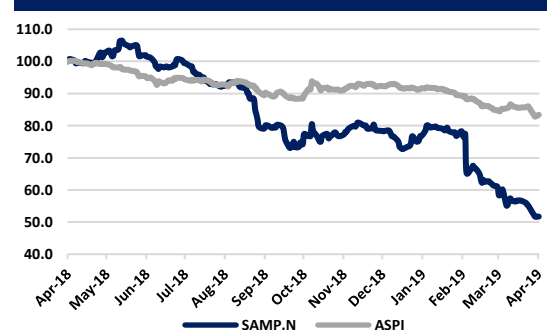
KEY DATA

CSE Ticker	SAMP.N0000
Bloomberg Ticker	SAMP SL
Share Price (LKR)	157.0
52w High (LKR)	319.0
52w Low (LKR)	154.7
Avg. Daily Volume (Shares)	181,353
Avg. Daily Turnover (LKR)	3,201,335
Issued Share Capital (Shares 'Mn)	292.5
Market Cap (LKR 'Mn)	45,915
Market Cap (USD 'Mn)	261

*1 USD = LKR 176

Price Performance (%)	1 mth	3 mths	12mths
SAMP	-14%	-35%	-48%
ASPI	-1%	-9%	-16%

SAMP vs ASI



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

Minimum Return for BUY:

Buy Below [AER of 16.22% with DPS]: LKR 189.8
 SAMP is categorized as 'Grade A' counter.

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.



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