



AYS

SBM HOLDINGS

EARNINGS REVIEW

Q2 FY-19

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EXECUTIVE SUMMARY

SBM HOLDINGS RATINGS UPDATE

- We revise our Fair Value (FV) for **SBM** to **Rs6.07** (+2% on previous FV) following the publication of its Q2-FY19 – mainly on account of a revised PAT forecast of Rs2.00bn for FY-19 (up from Rs1.85bn) despite rising **CIR** – representing an 11% upside on its closing price on Aug 9th 2019 of **Rs5.48**
- We therefore **upgrade** our rating on SBM from “HOLD” to “**ACCUMULATE**”
- Q2 **Op. Income** grew 18% YoY to **Rs2.4bn** however EBIT shrank by 17% to **Rs827M**. **NIE** rocketed 52% YoY to **Rs1.56bn** largely a consequence of its regional expansion spree into Kenya and Seychelles (operations to begin in Q3-19), and rising op. costs in India & Madagascar where SBM is striving to enhance offerings. Q2-19 **PAT** stood at **Rs617M** up 3% from Q1-19.
- We note a shift in SBM’s **Balance Sheet** following the acquisitions of carved-out Assets & Liabilities in Kenya such that funds are almost equally deployed between Loans and Markets. While Loan growth has stalled, we expect it to resume in H2-19 following a recalibration of its **risk appetite** triggered by the 2018 impairment debacle

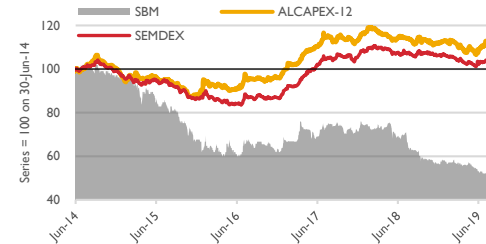
RATING

ACCUMULATE



FAIR VALUE

Rs6.07



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