

FY19 Results Update

February 23, 2020

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	26.1
Target Price (SAR)	25.1
Upside/Downside (%)	(3.6%)

As of February 18th, 2020

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	19.5
52 Wk High (SAR)	30.3
52 Wk Low (SAR)	22.4
Total outstanding shares (in mn)	750.0
Free Float (%)	47.3%

ALBILAD vs. TASI (Rebased)

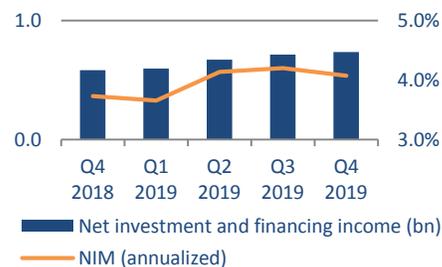


Price Performance (%)	Absolute	Relative
1m	(6.8%)	0.2%
6m	(10.8%)	(2.8%)
12m	10.0%	18.4%

Major Shareholders (%)

Mohamed Ibrahim Al-Subaei & Sons Co.	19.34%
Abdullah Ibrahim Al Subaei Investment Co.	11.14%
Khaled Abdulrahman Saleh Al Rajhi	10.54%

Net investment and financing income (SAR bn) and NIM (annualized)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of 18th February 2020

Al Bilad's net income more than doubled, driven by higher operating income

AlBilad Bank (AlBilad)'s net income grew 103.0% YoY to SAR 1.2bn in FY19, primarily due to a rise in net income from investment and financing activities, net investments gains, dividend income, and other operating income. Fees from banking services and exchange income, however, declined annually. Pre-provision profit rose 20.1% YoY to SAR 1.9bn, driven by a higher operating income that offset the increase in operating expense. Net loan were up 17.3% YoY to reach SAR 59.4bn, whereas customer deposits increased 16.8% YoY to SAR 66.8bn. Therefore, the loan-to-deposit ratio (LDR) rose marginally to 88.9% in FY19 from 88.5% in FY18.

The credit growth in 2019 was boosted by the rate cuts by the Saudi Arabian Monetary Authority (SAMA), in line with the US Federal Reserve's rate cut announcements in 2019. The company's financing income was up 22.8% YoY to SAR 2.9bn aided by a 17.3% YoY growth in the loan books to SAR 59.4bn. On the other hand, operating expenses continued to rise despite a sharp decline in the rental expenses. Besides, the funding costs is expected to rise which may negatively impact the company's net interest margin expansion. Saudi Banks may benefit from financing the state backed projects as the government strives to boost the non-oil economy. Albilad bank is poised to further expand its portfolio in FY20 given its strong corporate portfolio which accounts more than 50% of the total portfolio. Given the countervailing factors, we maintain our "Neutral" rating on the stock.

- Net financing and investment income grew 25.5% YoY to SAR 2.7bn as a result of the expansion in the loan portfolio and 22.8% YoY increase in financing income to SAR 2.9bn. Barring the fees from banking services and net exchange income, all the components of the bank's operating income increased. Total operating income was up 15.5% YoY and reached SAR 3.9bn in FY19.
- Operating expense grew 11.5% YoY to SAR 2.0bn in FY19 owing to a rise in employee salaries, depreciation, and other administrative expense. On the other hand, rental expense slumped 58.2% YoY in FY19 to SAR 103.8mn.
- Pre-provision profits increased 20.1% YoY to SAR 1.9bn in FY19. Impairment charges for the year were up 9.2% YoY to reach SAR 535.6mn.
- The bank's total assets increased 16.9% YoY to SAR 86.1bn, supported by a rise in investments, net loans, property and equipment, and other assets. Return on equity (ROE) for the year improved to 14.4% in FY19 compared to 7.9% in FY18; return on assets (ROA) stood at 1.6% in FY19 as against 0.9% a year ago.
- Albilad's board of directors recommended a 5% cash dividend for the 2H19 at SAR 0.5 per share, amounting to SAR 375 million. For the year, the total dividend for FY19 amounted to SAR 0.9 per share, aggregating to SAR 675mn.

Valuation: We revise our target price to a fair value of SAR 25.1 per share and retain our "Neutral" rating on the stock.

	4Q'19	4Q'18	% YoY	FY20E	FY19	% YoY
Net Financing and Invest Income (SAR bn)	0.7	0.6	22.1%	2.9	2.7	8.5%
Operating Inc (SAR bn)	1.0	0.9	15.4%	4.3	3.9	10.0%
EPS (SAR) – Adjusted for Bonus Share	0.44	(0.18)	NM	1.8	1.7	8.0%
Net Int.Margin (%)	4.1%	3.8%	0.3%	3.7%	3.9%	(0.2%)
Cost to Income (%)	51.8%	55.3%	(3.5%)	50.8%	51.3%	(0.5%)
RoE (%)	14.4%	(6.9%)	NM	13.3%	14.4%	(1.1%)
Total Assets (SAR bn)	86.1	73.6	16.9%	101.0	86.1	17.3%
Loans and Advances Portfolio (SAR bn)	59.4	50.6	17.3%	70.6	59.4	18.9%

Source: Company Financials, FALCOM Research

FALCOM Rating Methodology

FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10%.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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