

17 / March / 2022

ACLEDA Bank Plc.

Recommendation

BUY

Price: KHR 13,500 (~USD 3.35)
 Target Price: KHR 16,600 (~USD 4.12)
 Market Cap: KHR 5,848 bn (~USD 1.45 bn)
 Avg Daily Trading Value: KHR 813 mn (~USD 202 k)

Research Analyst

Ms. Som Sokhea

069 79 11 17

sokhea@cambodiasecurities.com

Stock Code	ABC
52w High	KHR 13,860
52w Low	KHR 10,180
52w Avg. Daily Trading Value	KHR 813 m (~USD 202k)
Free Float	5%
Shareholders (8th Nov 21)	
AFT	25.7392%
SMBC	18.0669%
COFIBRED	12.1271%
ORIX	12.1271%
TMF	2.5252%
TFSF	2.1595%
TSFF	1.5026%
Shareholders Legalized from ASA	20.7492%
Public Shareholders	5.0031%

*Exchange Rate: KHR 4,033

Financial Overview

	2020A	2021A	2022F
NII (\$ m)	364.3	401.4	461.8
PBT (\$ m)	180.0	204.8	249.0
PAT (\$ m)	141.5	166.7	196.5
EPS (KHR)	1,329	1,566	1,846
ROE (%)	13.78	14.53	15.63
DPS (KHR)	398.84	469.82	553.86
P/E (x)	12.86	6.72	9.00
P/B (x)	1.67	0.93	1.35

Brief Overview of ACLEDA Bank

The Bank is originally founded in January 1993 as a national NGO for micro and small enterprises' development and credit. It was licensed as a commercial bank in December 2003 to enable it to provide full banking services.

ABC has established the largest branch network to every province and town in Cambodia (262 branches) and expanded its operations abroad to include Laos (38 branches), and Myanmar (17 branches).

ABC officially listed on the CSX on 25th May 2020 with the IPO price of KHR 16,200.

ABC: Potential with High-liquidity Stock

- ACLEDA Financial Trust to purchase ABC shares from 2022 to 2026**
 This is a strong signal that the shares of the Bank are traded way below its intrinsic value. On 4th February 2022, ABC announced that ACLEDA Financial Trust, one of the shareholders, will purchase the Bank shares on the CSX from 2022 to 2026 based on their internal budget plan and 5-year strategy. This investment plan had also been reviewed and approved by their Board of Trustees and regulators.
- Net loans grew more than USD 900mn in 2021**
 Net loans constitute 80% of the interest earning assets of the Bank. It is crucial for the Bank to keep growing its loan portfolio to continue to generate more interest income. In 2021, the Bank grew its net loans remarkably high of USD 922mn despite covid-19 taking place. In fact, 2021 was the year in which net loans of the Bank grew the highest since its inception. We estimate that net loans will reach USD 6.1bn by the end of 2022.
- Double-digit annual growth rate net income for the last 5 years**
 Net Income had grown 17.07% in 2020, and 17.80% in 2022 with a 5-year annual growth rate of 15.85%. This is the result of the Bank's expansion and digitalization strategies such as the removal of mobile banking service fees, the new update on user interface of its mobile app, and the increase in self-automation ATMs countrywide.



- Dividend distribution is expected to be in three months or less**
 On 1st June 2021, the Bank announced dividend distribution to public shareholders with a dividend payout ratio of 30% which was KHR 399.267 per share. The record date of the dividend distribution last year was on 3rd May 2021. For 2022, we expect the payout ratio to remain 30%. Hence, the dividend per share is expected to be KHR 470 (expected dividend yield of 3.40%).

Stock Code	52w Avg. Daily Trading Value (KHR' Mn)	52w Avg. Daily Trading Value (USD)
ABC	813.09	201,609
PPSP	355.99	88,269
PPAP	96.87	24,020
DBDE	61.66	15,289
JSL	58.90	14,604
PWSA	55.45	13,750
PAS	39.37	9,763
GTI	12.57	3,117
PEPC	6.74	1,671

- Highest Liquidity Stock among other Listed Stocks on the CSX**
 ABC stock is the most traded stock on the CSX. For the last 52w, it has a daily trading value of KHR 813m (~USD 202k). We are confident that ABC stock will continue to remain the most traded stock throughout 2022.
- Target price KHR 16,600 (22.96% upside)**
 According to our estimate, we project net income of the Bank by the end of 2022 to increase 17.9% from USD 166.67mn to USD 196.49mn. Whereas the P/E ratio to slightly increase from 8.62x P/E to 9.0x P/E. The forecast of P/E of the Bank is purely from our judgement taking into account the market sentiment and perception of the Bank valuation on the Cambodia Stock Market.

Stock Price Movement (1st Mar 2021 – 16th Mar 2022)



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Financial Statements

Balance Sheet					
In USD	2017A	2018A	2019A	2020A	2021A
Interest income	425,345,629	423,256,184	483,543,466	515,094,476	573,799,753
Interest expense	(149,641,260)	(151,404,682)	(156,872,680)	(150,777,317)	(172,370,812)
Net interest income	275,704,369	271,851,502	326,670,786	364,317,159	401,428,941
Fee and commission income	58,862,019	64,413,418	48,734,619	45,775,165	42,936,361
Fee and commission expense	(2,867,061)	(749,501)	(996,897)	(1,742,125)	(2,666,006)
Net fee and commission income	55,994,958	63,663,917	47,737,722	44,033,040	40,270,355
Provision for loan losses and balances with other banks	(34,250,324)	(40,711,110)	(23,411,205)	(20,794,031)	(13,541,974)
Provision for off-balance sheet commitments	(1,814,620)	142,248	87,989	54,156	139,449
Net impairment losses	(36,064,944)	(40,568,862)	(23,323,216)	(20,739,875)	(13,402,525)
Net income after provision	295,634,383	294,946,557	351,085,292	387,610,324	428,296,771
Other incomes	10,601,824	14,933,916	17,849,723	18,351,358	19,961,617
General and administrative expenses	(189,863,915)	(203,272,792)	(215,412,394)	(225,926,220)	(243,504,971)
Profit before income tax	116,372,292	106,607,681	153,522,621	180,035,462	204,753,417
Income tax expense	(23,844,294)	(22,598,413)	(32,662,809)	(38,542,872)	(38,079,069)
Profit for the year	92,527,998	84,009,268	120,859,812	141,492,590	166,674,348
EPS (USD)	0.21	0.19	0.28	0.33	0.38
EPS (KHR)	861	782	1,125	1,317	1,552

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Financial Statements

Balance Sheet					
In USD	2017A	2018A	2019A	2020A	2021A
Cash on hand	321,744,245	407,864,703	421,527,238	412,759,051	450,375,149
Balances with the central banks	1,497,133,324	1,470,592,514	587,730,531	534,653,146	577,117,298
Balances with other banks	120,254,917	26,567,692	527,474,976	566,674,523	801,084,392
Loans and advances to customers	3,085,214,651	3,513,593,815	3,846,020,519	4,471,300,618	5,393,953,503
Other assets	49,569,779	51,351,402	17,529,833	22,766,913	28,141,190
Statutory deposits	307,159	248,880	587,336,099	360,377,008	415,456,960
Property and equipment	133,328,287	137,862,097	131,159,792	127,546,441	139,431,244
Intangible assets	11,340,345	11,197,887	8,998,993	14,690,675	12,286,098
Deferred tax assets	25,321,024	21,939,917	14,814,354	11,195,845	9,068,606
Other investments	153,529	153,529	32,569,457	29,529,768	28,337,884
Total Assets	5,244,367,260	5,641,372,436	6,175,161,792	6,551,493,988	7,855,252,324
Due to other banks and financial institutions	212,455,089	286,941,309	285,175,145	317,009,459	483,740,992
Deposits from customers	3,117,209,726	3,548,889,040	4,082,722,853	4,294,286,048	5,232,278,693
Provision for off-balance sheet commitments	1,814,620	1,666,147	-	-	-
Other liabilities	86,097,342	103,963,704	58,810,875	63,751,108	78,422,171
Borrowings	906,378,182	784,671,879	564,971,701	542,398,916	608,488,803
Subordinated debts	108,684,090	77,101,490	139,302,580	167,158,623	156,492,941
Derivative liabilities, net	-	-	-	-	506,158
Lease liabilities	-	-	30,915,939	28,617,902	27,874,940
Current income tax liabilities	23,971,605	13,810,997	30,459,303	30,292,370	36,315,767
Employee benefits	47,541,284	17,952,505	18,341,796	18,354,055	26,096,817
Total Liabilities	4,504,151,938	4,834,997,071	5,210,700,192	5,461,868,481	6,650,217,282
Share capital	358,544,956	395,224,105	428,818,154	433,163,019	433,163,019
Share premium	-	-	-	11,706,215	11,706,215
Reserves	285,503,904	327,141,992	414,748,726	503,094,236	592,909,744
Retained earnings	91,684,504	84,009,268	120,894,720	141,662,037	161,263,307
Non-controlling interests	4,481,958	-	-	-	5,992,757
Total Equity	740,215,322	806,375,365	964,461,600	1,089,625,507	1,205,035,042
Book Value Per Share (USD)	1.71	1.86	2.23	2.52	2.78
Book Value Per Share (KHR)	6,892	7,508	8,980	10,145	11,220

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Forecasted 5-year Financial Data

Summary Income Statement					
In USD	2022F	2023F	2024F	2025F	2026F
Net interest income	461,793,502	519,593,068	586,941,382	656,539,858	727,462,811
Net fee and commission income	39,734,235	42,179,419	44,077,493	49,807,567	55,784,475
Net impairment losses	(15,282,398)	(17,574,758)	(20,035,224)	(22,639,803)	(25,356,579)
Net income after provision	486,245,339	544,197,729	610,983,651	683,707,622	757,890,706
Other income and G&A	(236,895,115)	(267,003,397)	(305,878,717)	(338,939,046)	(371,749,902)
Profit before income tax	249,350,224	277,194,332	305,104,934	344,768,575	386,140,804
Profit for the year	196,487,976	218,429,134	240,422,688	271,677,637	304,278,954
EPS (USD)	0.45	0.50	0.56	0.63	0.70
EPS (KHR)	1,829	2,034	2,238	2,529	2,833

Summary Balance Sheet					
In USD	2022F	2023F	2024F	2025F	2026F
Cash on hand	506,275,286	553,815,771	607,067,287	667,693,073	727,328,126
Balance with the central banks and other banks	1,545,932,467	1,806,223,146	2,083,377,078	2,372,509,059	2,677,698,262
Loans and advances to customers	6,112,959,265	7,029,903,155	8,014,089,597	9,055,921,244	10,142,631,793
Property and equipment	149,431,244	159,431,244	169,431,244	179,431,244	189,431,244
Other assets	418,200,688	493,345,478	574,734,219	661,475,729	752,384,565
Total assets	8,732,798,950	10,042,718,793	11,448,699,424	12,937,030,349	14,489,473,991
Due to other banks and financial institutions	555,667,997	639,018,197	728,480,744	823,183,241	921,965,230
Deposits from customers	6,174,088,858	7,100,202,186	8,094,230,492	9,146,480,457	10,244,058,111
Borrowings	354,761,897	418,987,635	452,754,897	499,846,782	616,945,528
Subordinated debts	176,839,179	203,365,056	231,836,163	261,974,865	293,411,848
Other liabilities	161,521,177	174,737,900	224,092,213	264,990,452	239,672,174
Total liabilities	7,422,879,108	8,536,310,974	9,731,394,510	10,996,475,796	12,316,052,892
Share capital	433,163,019	433,163,019	433,163,019	433,163,019	433,163,019
Share premium	11,706,215	11,706,215	11,706,215	11,706,215	11,706,215
Reserves	662,569,875	837,116,694	1,026,020,235	1,218,014,924	1,418,280,154
Retain earnings	196,487,976	218,429,134	240,422,688	271,677,637	304,278,954
Non-controlling interests	5,992,757	5,992,757	5,992,757	5,992,757	5,992,757
Total equity	1,309,919,843	1,506,407,819	1,717,304,914	1,940,554,552	2,173,421,099
Book Value Per Share (USD)	3.02	3.48	3.96	4.48	5.02
Book Value Per Share (KHR)	12,196	14,026	15,989	18,068	20,236



Common Size Analysis

Income Statement					
In Percentage to Total Assets	2017A	2018A	2019A	2020A	2021A
Net interest income	5.26%	4.82%	5.29%	5.56%	5.11%
Net fee and commission income	1.07%	1.13%	0.77%	0.67%	0.51%
Net impairment losses	-0.69%	-0.72%	-0.38%	-0.32%	-0.17%
Net income after provision	5.64%	5.23%	5.69%	5.92%	5.45%
Other incomes	0.20%	0.26%	0.29%	0.28%	0.25%
General and administrative expenses	-3.62%	-3.60%	-3.49%	-3.45%	-3.10%
Profit before income tax	2.22%	1.89%	2.49%	2.75%	2.61%
Income tax expense	-0.45%	-0.40%	-0.53%	-0.59%	-0.48%
Profit for the year	1.76%	1.49%	1.96%	2.16%	2.12%

Balance Sheet					
In Percentage to Total Assets	2017A	2018A	2019A	2020A	2021A
Balances with the central banks	28.55%	26.07%	9.52%	8.16%	7.35%
Balances with other banks	2.29%	0.47%	8.54%	8.65%	10.20%
Loans and advances to customers	58.83%	62.28%	62.28%	68.25%	68.67%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%
Due to other banks and financial institutions	4.05%	5.09%	4.62%	4.84%	6.16%
Deposits from customers	59.44%	62.91%	66.12%	65.55%	66.61%
Borrowings	17.28%	13.91%	9.15%	8.28%	7.75%
Subordinated debts	2.07%	1.37%	2.26%	2.55%	1.99%
Total liabilities	85.89%	85.71%	84.38%	83.37%	84.66%
Share capital	6.84%	7.01%	6.94%	6.61%	5.51%
Share premium	0.00%	0.00%	0.00%	0.18%	0.15%
Reserves	5.44%	5.80%	6.72%	7.68%	7.55%
Retained earnings	1.75%	1.49%	1.96%	2.16%	2.05%
Non-controlling interests	0.09%	0.00%	0.00%	0.00%	0.08%
Total equity	14.11%	14.29%	15.62%	16.63%	15.34%

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Key Ratios

Balance Sheet					
	2017A	2018A	2019A	2020A	2021A
Capital Ratios					
Equity to total assets	14.11%	14.29%	15.62%	16.63%	15.34%
Debt to equity	6.08x	6.00x	5.40x	5.01x	5.52x
Asset Quality Ratios					
Substandard loans to gross loans	1.22%	0.28%	0.23%	0.73%	1.22%
Doubtful loans to gross loans	0.50%	0.39%	0.23%	1.11%	0.50%
Loss loans to gross loans	0.42%	1.06%	0.77%	0.48%	0.42%
NPL ratio	2.14%	1.73%	1.24%	2.33%	2.33%
Profitability Ratios					
ROaA	-	1.54%	2.05%	2.22%	2.31%
ROaE	-	10.86%	13.65%	13.78%	14.53%
Yield on loan portfolio	-	12.45%	12.88%	12.28%	11.55%
Yield on interest-earning assets	-	8.71%	9.70%	9.78%	9.30%
Net interest margin	-	5.60%	6.55%	6.92%	6.50%

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Appendix: Declaration

Analyst Declaration

The research analyst certifies that (1) all of the views, analysis, opinions, reflect his or her personal views and judgment on those securities or companies; and (2) no part of his or her compensation was, is, or will be directly or indirectly link to the recommendations or opinions as expressed by that research analyst in the research report.

Type of our Recommendations

Buy: Positive outlook – we recommend investors to invest in this stock.

Hold: Fairly stable outlook – we recommend investors to hold their position on this stock.

Sell: Negative outlook – we recommend investors to exit their investments in this stock.

No Recommendation: Unable to form any views – we still keep track of the company to formulate a recommendation.

Note: Unless specified in the research report, our research report would cover a 12-month target price and recommendation.

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