

Extra dividend potential

Following the better than expected Q1/21 profits and lower loan provisions, we raise our dividend forecast and factor in an extraordinary dividend for this year. We believe the valuation gap to the Baltic peer banks is too high, implying an upside for the Siauliu Bankas (SAB) share.

Significantly better profits

The 4% lower than estimated Q1/21 Operating income was more than offset by lower than forecast Operating expenses (EUR 12.5m vs. est. 14.7m) and loan provisions (EUR 0.1m vs. est. 3.0m), resulting in a 31% better than expected Net profit (EUR 12.7m vs. est. 9.7m).

Dividend forecast raised

The ordinary 2021 dividend forecast is raised to EUR 0.037/shr (0.022). In addition, we foresee an extraordinary dividend of EUR 0.040/shr as the company is overcapitalized vs. the desired Capital adequacy ratio (CAR) of 15.5% (currently 20.2%). We expect these dividends to be announced and paid in 2022.

Valuation

Since Jan 2020, the shares of Baltic peers LHV, and Coop Bank have more than doubled, while the SAB share is up 25%. Our Base case DDM indicate a motivated SAB share price of EUR 0.79 (upside +20%). Based on peers (LHV, Coop Bank), a SAB share price of EUR 1.00 (Bull case) could be motivated.

Key figures (MEUR)

	2019	2020	2021E	2022E	2023E
Net interest income	72.4	75.7	83.8	98.7	111.1
Commissions	16.7	16.0	18.5	21.1	23.1
Total operating income	118.5	113.0	124.4	142.1	156.7
Profit before loan losses	68.1	64.8	68.7	81.1	90.7
Loan losses	-8.4	-12.0	-6.5	-7.4	-8.3
Profit after loan losses	59.8	52.8	62.3	73.7	82.4
Tier 1 ratio excl. hybrids	14.99%	19.53%	18.41%	15.37%	15.24%
Loan loss ratio	0.60%	0.77%	0.37%	0.37%	0.37%
Coverage ratio	42.5%	33.1%	31.3%	31.3%	31.3%
P/E	5.6	8.8	7.4	6.3	5.6
P/BV	1.0	1.1	1.1	1.0	0.9
EPS	0.09	0.07	0.08	0.10	0.11
EPS growth %	-6.76%	-20.24%	18.61%	18.39%	11.76%
Div. per share*	0.00	0.01	0.08**	0.04	0.04
Dividend yield	0.00%	0.87%	12.22%	6.05%	6.23%
ROE %	17.60%	12.93%	14.28%	16.06%	16.27%

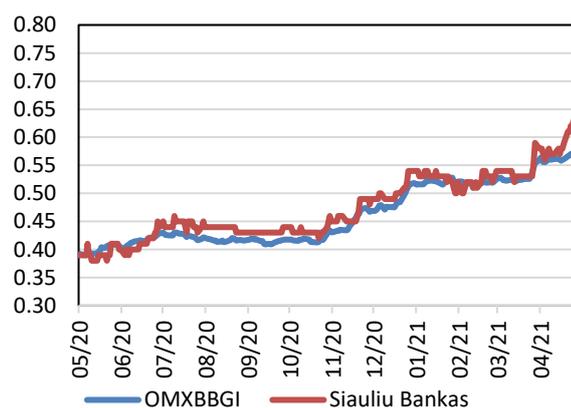
Source: Company data, Enlight Research (estimates), *Before 15% withholding tax, **ordinary dividend EUR 0.037 + extraordinary dividend EUR 0.040

Fair value range

Bull	1.00
Base	0.79
Bear	0.65

Key Data

Price (EUR)	0.63
Ticker	SAB1L
Country	Lithuania
Listed	Vilnius (Lithuania)
Market Cap	378
Net debt	na
Shares (m)	601
Free float	74%



Price range

52-week high	0.64
52-week low	0.38

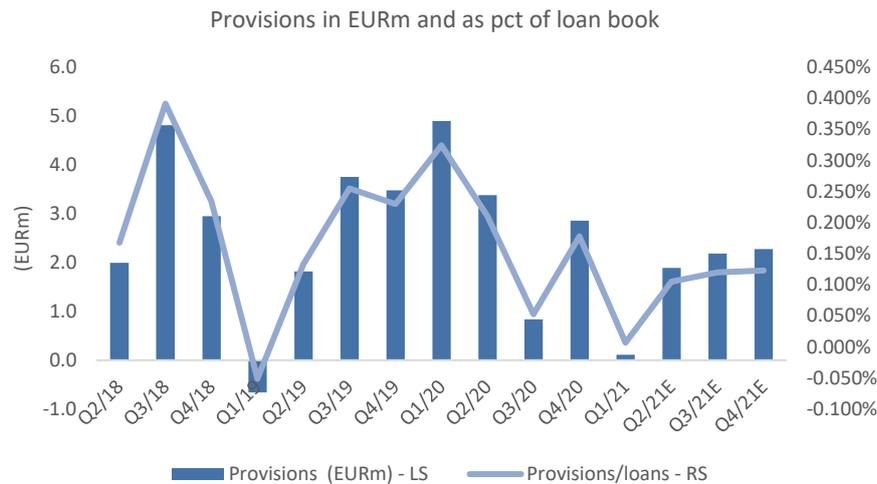
Analyst

ResearchTeam@enlightresearch.net

Q1 2021 Key takeaways

Loan provisions much lower than expected

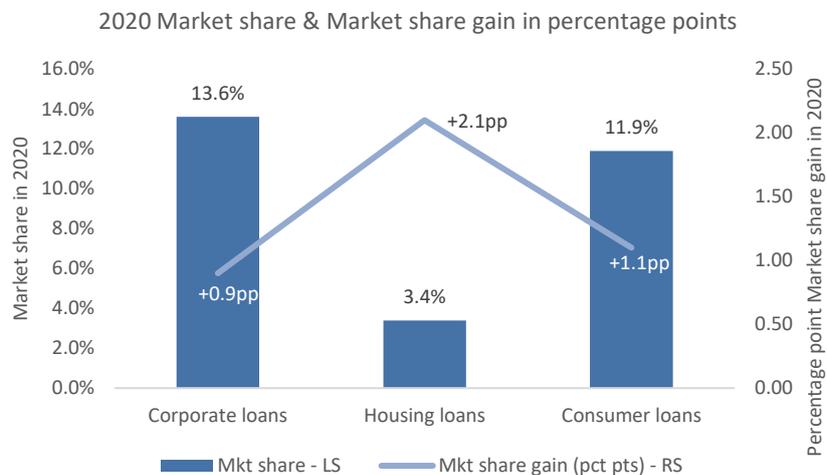
The Q1/21 loan loss provision of EUR 0.1m was much lower than our estimate of EUR 3.0m. This means the actual loan loss ratio (loan loss provisions as percentage of loan book) was just 0.007% vs. our forecast of 0.180%. For the remaining quarters of 2021, we forecast a loan loss ratio of 0.105-0.123%, which could be considered conservative following the Q1/21 report. The company has not changed their previous guidance of a loan loss ratio (CoR = Cots of Risk) of 0.600% in 2021 (est. 0.350%), which we believe is more out of caution than concrete trouble ahead.



Source: Company reports, Enlight Research (estimates)

Market share gains in all areas

In the Q1/21 Webinar, management presented statistics showing that Siauliu Bank gained market share in all major areas in 2020. Especially interesting is the 2.1 percentage point market share gain of the housing loan market as it shows that Siauliu Bank is well on its way to successfully enter this high growth market (the whole Lithuanian market grew 9% in 2020). Given that Siauliu Banks’s market share is still low at 3.4%, we see good potential for growth in the housing loan segment, which is supported by the mortgage portfolio’s Q1/21 sequential growth of 10% (record new mortgage agreements signed in Q1/21 worth EUR 41.2m).



Source: Company reports

We raise our dividend forecast and factor in an extra dividend

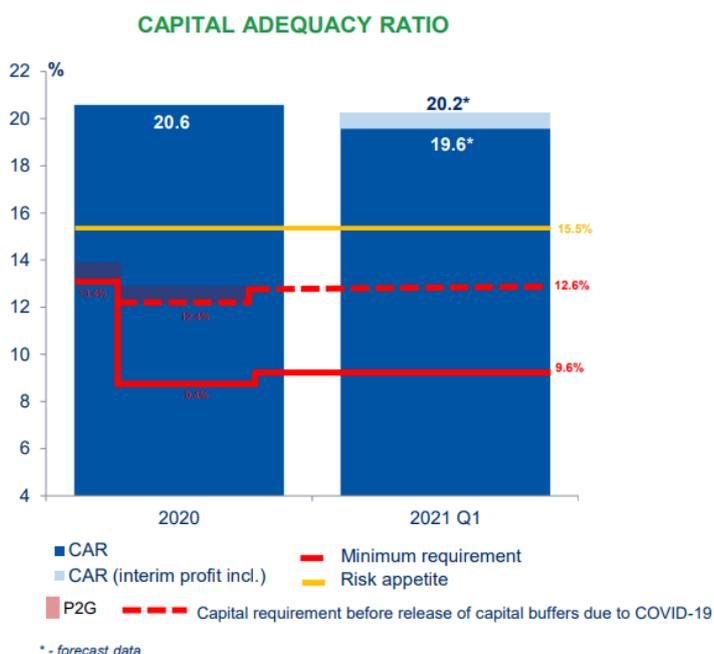
We foresee attractive regular dividends plus an extra dividend to be declared and paid in 2022 (from 2021 year’s profits). As we wrote in our report “Nice yield coming up” on 5 Mar 2021, we foresee nice dividends once the ECB will lift the dividend restriction which we expect to happen in September this year. We raise our 2021 regular dividend forecast to EUR 0.037 from EUR 0.022 on the back of better than expected Q1/21 profits, and a downward adjustment of loan provisions for the remainder of the year. In addition, we now foresee an extra dividend of EUR 0.04 for 2021 as the company is overcapitalized. According to our calculation, the company has EUR 95m or EUR 0.16 per share in excess capital given the desired (in Q1/21 webinar presentation) risk appetite Capital adequacy ratio of 15.5% (currently 20.2%). Worth noting is that our 2021 estimated regular and extra dividends are not expected to be proposed until March 2022 in connection with the announcement of the Annual General Meeting. Our forecast 2021 regular dividend yield is 5.9% (5.0% net) while our extra dividend corresponds to a yield of 6.3% (5.4% net) for a total yield of 12.2% (10.4% net). We do not foresee an extra dividend in 2022 or 2023, but the regular dividend yield of 6.0% (5.1% net), and 6.2% (5.3% net), respectively is attractive in our view.

Dividend forecast

	2020	2021E	2022E	2023E
Regular dividend (EUR)	0.006	0.037	0.038	0.039
Regular dividend growth	na	573%	3%	3%
Regular dividend yield	0.9%	5.9%	6.0%	6.2%
Regular post-tax dividend yield*	0.7%	5.0%	5.1%	5.3%
Extra dividend	0.000	0.040	0.000	0.000
Extra dividend yield	na	6.3%	na	na
Extra post-tax dividend yield*	na	5.4%	na	na
Total yield	0.9%	12.2%	6.0%	6.2%
Total post-tax dividend yield*	0.7%	10.4%	5.1%	5.3%

Source: Company reports, Enlight Research (forecast), *Lithuanian dividend withholding tax is 15%, yield calculated on share price of EUR 0.63

Risk appetite Capital adequacy ratio vs actual estimated current Capital adequacy ratio



Source: Company Q1 2021 webinar presentation

Q1 2021 forecast deviations

The Q1/21 Total operating income was EUR 1.2m or 4% below our forecast of EUR 29.1m. However, this was more than offset by EUR 2.2m lower than expected Operating expenses resulting in a Profit before provisions that was EUR 1.3m or 9% higher than expected. The Q1/21 provisions were EUR 2.9m below our forecast resulting in a Pre-tax profit that was EUR 4.1m or 36% above our estimate. A higher tax rate (18% vs. 15% estimate) meant that the Q1/21 Net profit was EUR 3.0m or 31% above our forecast.

Forecast deviation table Group

Group forecast Income statement	Q1/21 Estimate	Q1/21 Outcome	Deviation	
			EURm	%
Net interest income	19.842	18.438	-1.404	-7.1%
Net fee and commission income	4.300	3.895	-0.405	-9.4%
Other operating income	4.958	5.544	0.586	11.8%
Total operating income	29.100	27.877	-1.223	-4.2%
Salaries and related expenses	-6.455	-6.819	-0.364	5.6%
Depreciation & Amortization	-1.040	-1.123	-0.083	8.0%
Expenses related to insurance activities	-2.413	-1.743	0.670	-27.8%
Other operating expenses	-4.826	-2.810	2.016	-41.8%
<i>Total Operating expenses</i>	<i>-14.733</i>	<i>-12.495</i>	<i>2.238</i>	<i>-15.2%</i>
Pre-provision operating profit	14.346	15.621	1.275	8.9%
Provisions	-2.964	-0.112	2.852	-96.2%
Pre-tax profit	11.381	15.509	4.128	36.3%
Income tax expense	-1.707	-2.824	-1.117	65.4%
Net profit	9.674	12.685	3.011	31.1%

Growth y-on-y	Q1/21 Estimate	Q1/21 Outcome	Deviation	
			EURm	Bps
Net interest income	5.0%	-0.4%	na	-539
Net fee and commission income	4.0%	-3.4%	na	-738
Other operating income	598.3%	680.8%	na	8258
Total operating income	24.6%	19.3%	na	-524

Margins	Q1/21 Estimate	Q1/21 Outcome	Deviation	
			EURm	Bps
Net interest income margin	1.22%	1.13%	na	-9
Loan loss ratio	0.180%	0.01%	na	-17
PTP margin	39.1%	55.2%	na	1602
Net profit margin	33.3%	45.1%	na	1185

Source: Company report (outcome), Enlight (estimate)

Forecast

Group P&L (EURm)	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21E	Q3/21E	Q4/21E	2020	2021E
Interest revenue	18.9	19.6	20.0	20.1	19.3	21.2	21.9	22.6	78.5	84.9
Other similar income	2.0	1.8	1.8	1.9	1.9	2.2	2.4	2.8	7.5	9.2
Interest expense and similar charges	-2.4	-2.5	-2.6	-2.8	-2.7	-2.7	-2.6	-2.4	-10.3	-10.3
Net interest income	18.5	18.9	19.1	19.2	18.4	20.7	21.7	23.0	75.7	83.8
Fee and commission income	5.8	5.2	5.8	5.8	5.6	5.3	5.9	8.5	22.6	25.3
Fee and commission expense	-1.6	-1.7	-1.5	-1.8	-1.4	-1.4	-1.6	-2.3	-6.6	-6.8
Net fee and commission income	4.1	3.5	4.3	4.0	4.1	3.9	4.3	6.2	16.0	18.5
Total interest & fee income	22.6	22.5	23.4	23.2	22.6	24.6	26.0	29.2	91.8	102.4
Net gain from trading activities	-2.1	5.4	4.4	3.9	3.2	3.2	3.2	3.2	11.6	12.8
Net gain (loss) derecognition financial assets	0.5	0.4	0.0	0.3	0.1	0.1	0.1	0.1	1.3	0.4
Net gain (loss) disposal tangible assets	0.3	0.1	0.1	-0.1	0.1	0.1	0.1	0.1	0.4	0.5
Revenue related to insurance activities	1.8	1.7	1.8	1.9	1.9	1.9	1.9	1.9	7.2	7.5
Other operating income	0.1	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.8	0.9
Total non-interest & non-fee income	0.7	7.9	6.5	6.1	5.5	5.5	5.5	5.5	21.2	22.1
Total revenues	23.4	30.4	30.0	29.3	28.1	30.1	31.5	34.7	113.0	124.4
Salaries and related expenses	-6.1	-4.6	-5.9	-6.9	-6.8	-6.9	-7.0	-7.9	-23.5	-28.7
Depreciation & Amortisation	-1.0	-1.0	-1.0	-1.1	-1.1	-1.2	-1.2	-1.3	-4.1	-4.8
Expenses related to insurance activities	2.2	-2.9	-1.8	-2.9	-1.7	-1.9	-2.0	-2.2	-5.4	-7.9
Other operating expenses	-3.4	-3.0	-3.9	-4.9	-2.8	-3.4	-3.6	-4.5	-15.2	-14.3
<i>Total operating expenses</i>	<i>-8.2</i>	<i>-11.6</i>	<i>-12.7</i>	<i>-15.7</i>	<i>-12.5</i>	<i>-13.4</i>	<i>-13.8</i>	<i>-16.0</i>	<i>-48.2</i>	<i>-55.7</i>
Operating profit before impairments	15.1	18.8	17.3	13.5	15.6	16.7	17.7	18.7	64.8	68.7
Allowance impairment losses on loans	-4.9	-3.4	-0.8	-2.9	-0.1	-1.9	-2.2	-2.3	-12.0	-6.5
Pre-tax profit	10.2	15.4	16.5	10.7	15.5	14.8	15.5	16.5	52.8	62.3
Income tax expense	-1.9	-2.9	-3.1	-2.0	-2.8	-2.7	-2.8	-2.9	-9.9	-11.2
Other	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Net profit	8.4	12.5	13.4	8.8	12.7	12.1	12.7	13.5	43.0	51.1

Source: Company reports, Enlight Research (estimates)

Estimate changes

We raise our regular Dividend estimates significantly following the low loan provisions in Q1/21 which further reveals the overcapitalization. Our 2021 estimated dividend is raised from EUR 0.022 to EUR 0.037, equal to a 65% increase. Our regular dividend for 2022, 2023 is raised by 41%, and 30%, respectively. In addition to the regular dividend, we now also forecast an extra dividend of EUR 0.04 per share in 2021 (to be paid in 2022). We make minor changes (up/down 2-3%) to our Revenue and Pre-tax profit estimates in the forecast period 2021-23. Our EPS estimates are lowered by 5-7% in the forecast period due to the temporary higher corporate tax rate (20% instead of 15%) implemented on banks by Lithuania. Worth noting is that the higher tax rate is not applied to the dividend withholding tax which remains at 15%.

Estimate changes

Total operating income (EURm)	2021E	2022E	2023E
Old estimate	126.6	141.5	153.0
New estimate	124.4	142.1	156.7
Change	-2.2	0.6	3.7
Change (pct)	-1.7%	0.4%	2.4%

Pre-tax Profit (EURm)	2021E	2022E	2023E
Old estimate	63.4	76.3	85.3
New estimate	62.3	73.7	82.4
Change	-1.1	-2.6	-2.9
Change (pct)	-1.8%	-3.4%	-3.4%

EPS (EUR)	2021E	2022E	2023E
Old estimate	0.09	0.11	0.12
New estimate	0.08	0.10	0.11
Change	-0.00	-0.01	-0.01
Change (pct)	-5.2%	-6.8%	-6.8%

Ordinary Dividend (EUR)	2021E	2022E	2023E
Old estimate	0.022	0.027	0.030
New estimate	0.037	0.038	0.039
Change	0.0	0.0	0.0
Change (pct)	65.2%	41.1%	30.0%

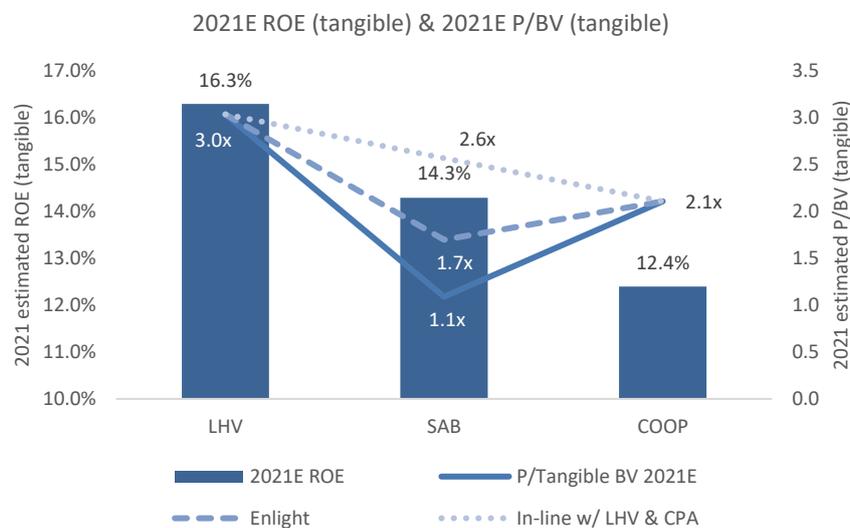
Extraordinary Dividend (EUR)	2021E	2022E	2023E
Old estimate	0.000	0.000	0.000
New estimate	0.040	0.000	0.000
Change	0.040	0.000	0.00
Change (pct)	nm	0.0%	0.0%

Source: Enlight Research

Valuation

Relative valuation indicates significant upside

Since 1 January 2020, the Estonian listed banks LHV Group (LHV1T) and Coop Pank (CPA1T), have roughly doubled their share prices while the Siauliu Bank (SAB1L) share has gained “just” 25%. This means the SAB share is trading at a P/BV discount of 64% to LHV and 48% to Coop. Meanwhile, the estimated 2021 ROE (tangible) of 14.3% is not far below LHV’s (16.3%), and even higher than Coop’s (12.4%). If SAB were to be valued in line with LHV and Coop relative to its ROE, the P/BV ratio would be 2.6x implying a share price of EUR 1.51 (“In-line” in below chart). We dare not argue for such as a high multiple as it could also be that LHV, and Coop are overvalued. However, in a positive scenario, we find it plausible that SAB can be valued at 1.7x tangible BV (compared to 3.0x for LHV and 2.1x for Coop), implying a share price of EUR 1.00 (“Enlight” in below chart), which is our Bull scenario motivated share price.



Source: Enlight Research (forecast)

Share price development of Baltic listed banks since 1 January 2020



Source: Nasdaq Baltic

Dividend discount model

We apply the Dividend Discount Model to calculate the motivated share price of our three scenarios (Bull, Base, Bear). All scenarios use our estimated 2021 dividend of EUR 0.037 as the base dividend. Our Base scenario assumes a terminal dividend growth of 2.00% which implies a share price of EUR 0.79 indicating an upside of +20%. Our Bull scenario assumes a terminal dividend growth of 3.00%, which implies a share price of EUR 1.00 indicating an upside of +50%, while our Bear scenario assumes a terminal dividend growth of 1.00% which implies a share price of EUR 0.65 (around the current share price).

		Dividend growth								
		1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
0.053		0.93	0.97	1.02	1.07	1.13	1.19	1.26	1.34	1.43
0.052		0.91	0.95	1.00	1.05	1.11	1.17	1.24	1.32	1.41
0.051		0.89	0.94	0.98	1.03	1.09	1.15	1.21	1.29	1.38
0.050		0.88	0.92	0.96	1.01	1.06	1.12	1.19	1.27	1.35
0.049		0.86	0.90	0.94	0.99	1.04	1.10	1.17	1.24	1.32
0.048		0.84	0.88	0.92	0.97	1.02	1.08	1.14	1.22	1.30
0.047		0.82	0.86	0.90	0.95	1.00	1.06	1.12	1.19	1.27
0.046		0.81	0.84	0.88	0.93	0.98	1.03	1.10	1.16	1.24
0.045		0.79	0.83	0.87	0.91	0.96	1.01	1.07	1.14	1.22
0.044		0.77	0.81	0.85	0.89	0.94	0.99	1.05	1.11	1.19
0.043		0.75	0.79	0.83	0.87	0.91	0.97	1.02	1.09	1.16
0.042		0.74	0.77	0.81	0.85	0.89	0.94	1.00	1.06	1.14
0.041		0.72	0.75	0.79	0.83	0.87	0.92	0.98	1.04	1.11
0.040		0.70	0.73	0.77	0.81	0.85	0.90	0.95	1.01	1.08
0.039		0.68	0.72	0.75	0.79	0.83	0.88	0.93	0.99	1.05
0.038		0.67	0.70	0.73	0.77	0.81	0.85	0.90	0.96	1.03
Div. 2021E	0.037	0.65	0.68	0.71	0.75	0.79	0.83	0.88	0.94	1.00
0.036		0.63	0.66	0.69	0.73	0.77	0.81	0.86	0.91	0.97
0.035		0.61	0.64	0.67	0.71	0.74	0.79	0.83	0.89	0.95
0.034		0.60	0.62	0.65	0.69	0.72	0.76	0.81	0.86	0.92
0.033		0.58	0.61	0.63	0.67	0.70	0.74	0.79	0.84	0.89
0.032		0.56	0.59	0.62	0.65	0.68	0.72	0.76	0.81	0.86
0.031		0.54	0.57	0.60	0.63	0.66	0.70	0.74	0.78	0.84
0.030		0.53	0.55	0.58	0.61	0.64	0.67	0.71	0.76	0.81
0.029		0.51	0.53	0.56	0.59	0.62	0.65	0.69	0.73	0.78
0.028		0.49	0.51	0.54	0.57	0.60	0.63	0.67	0.71	0.76
0.027		0.47	0.50	0.52	0.55	0.57	0.61	0.64	0.68	0.73
0.026		0.46	0.48	0.50	0.53	0.55	0.58	0.62	0.66	0.70
0.025		0.44	0.46	0.48	0.51	0.53	0.56	0.60	0.63	0.68
0.024		0.42	0.44	0.46	0.48	0.51	0.54	0.57	0.61	0.65
0.023		0.40	0.42	0.44	0.46	0.49	0.52	0.55	0.58	0.62
0.022		0.39	0.40	0.42	0.44	0.47	0.49	0.52	0.56	0.59
0.021		0.37	0.39	0.40	0.42	0.45	0.47	0.50	0.53	0.57

Source: Enlight Research

Risk factors

Macro risk

The banking sector in general is exposed to macro economic factors such as GDP growth, salary growth, unemployment etc. Siauliu Bankas is not exception and hence a sharp downturn in e.g., the GDP growth will most likely mean that our forecast is too optimistic.

Interest rate and liquidity risk

Siauliu Bankas as all commercial banks face an interest rate risk, with its core business reliant on generating a spread between lending and borrowing activities. Rapidly declining interest rates can potentially lead to a contraction in this spread, especially with deposit rates already near zero. Therefore, a sharp drop in interest rate could mean our Net interest margin forecast is too optimistic.

Non-performing loan risk

The majority of the SAB's assets consist of loans to corporations, government, and households. The bank needs to see consistent servicing of these loans to remain viable. If a large proportion of these loans are not repaid concurrently, the bank can be forced to write down its loan base, resulting in losses.

Pandemic risk

Our forecast is based on that the Lithuanian economy gradually goes back to normal, especially in the second half of 2021. If this does not happen, our forecast and motivated share prices are most likely too optimistic.

Income Statement	2019	2020	2021E	2022E	2023E
Net interest income	72.4	75.7	83.8	98.7	111.1
Commissions	16.7	16.0	18.5	21.1	23.1
Result financial items	2.4	1.3	0.4	0.4	0.4
Trading income	15.0	11.6	12.8	12.8	12.8
Capital gains	3.5	0.4	0.5	0.5	0.5
Insurance	7.0	7.2	7.5	7.6	7.8
Other income	1.5	0.8	0.9	1.0	1.1
Total operating income	118.5	113.0	124.4	142.1	156.7
Costs	-50.4	-48.2	-55.7	-61.0	-66.0
Profit before loan losses	68.1	64.8	68.7	81.1	90.7
Loan losses	-8.4	-12.0	-6.5	-7.4	-8.3
Ass. companies' profit/loss	0.0	0.0	0.0	0.0	0.0
Life profit	0.0	0.0	0.0	0.0	0.0
Profit after loan losses	59.8	52.8	62.3	73.7	82.4
Core earnings	0.0	0.0	0.0	0.0	0.0
Investm. portfolio income	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0
Non-recurring items	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	59.8	52.8	62.3	73.7	82.4
Taxes on cont. operations	-8.2	-9.9	-11.2	-13.3	-14.8
Net income from disc. Op.	0.0	0.1	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Net earnings	51.5	43.0	51.1	60.4	67.6
Adjusted net earnings	51.5	43.0	51.1	60.4	67.6

Balance Sheet	2019	2020	2021E	2022E	2023E
ASSETS					
Deposits with fin. inst.	0.3	1.6	1.7	1.8	1.8
Debt securities	559.9	743.8	458.0	450.8	473.3
Lending to the public (net)	1,514.6	1,605.7	1,846.5	2,105.0	2,378.7
Investment assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	19.8	22.0	23.8	25.2	19.7
Goodwill	1.4	1.4	1.4	1.4	1.4
Other intangible rights	2.9	4.4	4.7	5.0	5.1
Other assets	409.3	650.0	935.1	878.2	760.9
Total assets	2,508.2	3,028.8	3,271.2	3,467.4	3,640.8
LIABILITIES					
Deposits from fin. inst.	74.4	227.8	246.0	277.4	291.3
Deposits from the public	2,033.6	2,347.4	2,551.5	2,669.9	2,785.2
Wholesale funding	7.1	5.7	6.2	6.6	7.3
Subordinated debt	20.0	20.0	25.8	27.0	28.4
Provisions (insurance)	33.5	36.3	25.2	34.7	36.4
Other liabilities	28.7	36.5	56.5	59.0	54.6
Total liabilities (banks)	2,197.4	2,673.8	2,911.3	3,074.6	3,203.2
Share capital	174.2	174.2	174.2	174.2	174.2
Retained earnings	106.4	149.5	154.3	191.8	235.8
Other equity	30.2	31.4	31.4	26.7	27.6
Equity total	310.8	355.1	359.9	392.8	437.6
Total equity and liabilities	2,508.2	3,028.8	3,271.2	3,467.4	3,640.8

Key figures	2019	2020	2021E	2022E	2023E
CET1 ratio	14.99%	19.53%	18.41%	15.37%	15.24%
Tier 1 ratio	14.99%	19.53%	18.41%	15.37%	15.24%
Capital ratio	16.19%	20.58%	19.38%	16.20%	16.01%
ROE	17.60%	12.93%	14.28%	16.06%	16.27%
ROE Tangible	17.83%	13.13%	14.52%	16.33%	16.52%
RORWA	3.29%	2.41%	2.57%	2.69%	2.70%
ROA	2.16%	1.55%	1.62%	1.79%	1.90%
Loan loss ratio	0.60%	0.77%	0.37%	0.37%	0.37%
C/I	0.43	0.43	0.45	0.43	0.42
Loan loss res./lending	2.54%	2.66%	2.50%	2.50%	2.50%
NPL/lending	5.99%	8.05%	8.00%	8.00%	8.00%
Coverage ratio	42.47%	33.10%	31.25%	31.25%	31.25%

Share data	2019	2020	2021E	2022E	2023E
EPS, unadjusted	0.09	0.07	0.08	0.10	0.11
EPS diluted	0.09	0.07	0.08	0.10	0.11
BV/share	0.52	0.59	0.60	0.65	0.73
Tangible equity/Share	0.51	0.58	0.59	0.64	0.72
Div. per share	0.00	0.01	0.08	0.04	0.04

Pricing and key ratios	2019	2020	2021E	2022E	2023E
Share price	0.51	0.63	0.63	0.63	0.63
Market cap	303.97	378.46	378.46	378.46	378.46
P/E diluted	5.63	8.79	7.41	6.26	5.60
P/BV	0.98	1.07	1.05	0.96	0.86
P/Tangible equity	0.99	1.08	1.07	0.98	0.88
Payout ratio	0.00%	7.68%	90.61%	37.88%	34.91%
Dividend yield	0.00%	0.87%	12.22%	6.05%	6.23%

Shareholders	Capital	Votes
EBRD	98.475	26.02 %
AB Invalda INVL	20.739	5.48 %
Gintaras Kateiva	19.907	5.26 %

Key people	
CEO	Vytautas Sinius
CFO	Donatas Savickas
IR Chairman	Donatas Savickas

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	DPS Dividend for financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share $\frac{\text{Enterprise value}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x) $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets} - \text{interest-bearing debt}}{\text{Number of shares}}$	Asset turnover (x) $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest-free short-term debt} - \text{long-term advances received and accounts payable (average)}}$	Debt/Equity, % $\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest-bearing debt (average)}}$	Equity ratio, % $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, % Cumulative annual growth rate = Average growth rate per year
P/Tangible equity $\frac{\text{Share price}}{\text{Book value per share} - \text{intangible assets}}$	CET1 Ratio $\frac{\text{CET1 capital}}{\text{Risk-weighted assets}}$
Loan loss ratio $\frac{\text{Loan losses}}{\text{Lending to public}}$	Coverage ratio $\frac{\text{Loan loss reserve}}{\text{Non-performing loans}}$
ROE Tangible $\frac{\text{ROE Tangible}}{\text{Tangible equity}}$	RORWA $\frac{\text{Net earnings}}{\text{Risk-weighted assets, average}}$
C/I $\frac{\text{Costs}}{\text{Total income}}$	Loan loss reserve / lending $\frac{\text{Loan loss reserve}}{\text{Lending to public}}$
NPL/lending $\frac{\text{Non-performing loans}}{\text{Lending to public}}$	

Disclaimer

Enlight Research OÜ's main valuation methods are discounted cash flow valuation and peer valuation with common multiples such as Price to Earnings, Enterprise Value to EBITDA, dividend yield etc. Aforementioned methods are used to estimate a company's fair value according to the following three scenarios: Bull (positive), Base (main scenario), and Bear (negative).

This report is commissioned by the company covered in this report which means Enlight Research OÜ receives compensation to write research on the company. The compensation is pre-determined and does not depend on the content in the report. This report is not to be considered investment research under MiFID regulations. Enlight Research OÜ does not issue investment recommendations or advice.

This report is for informational purposes only i.e. it should not be considered as an offer to sell or buy. Investors are encouraged to make their own research and not rely solely on this report when making their investment decisions. The decision to invest or not to invest is fully the responsibility of the investor i.e. Enlight Research OÜ takes no responsibility nor gives any guarantees with regards to investment decisions made by investors. Investing in equities entails risk e.g. the price of an equity decreases. Past performance is not a guarantee for future performance.

This report is based on information and sources that Enlight Research OÜ deemed to be reliable. However, Enlight Research OÜ cannot guarantee the accuracy or completeness of the information. All forward-looking statements and financial forecasts entail uncertainty and are subject to change without notice. Enlight Research OÜ accept no liability for any loss or damage resulting from the use of this report.

The analyst(s) writing this report own shares in the company in this report: Yes

The analyst(s) responsible for this report are not allowed to trade in any financial instruments of the company in this report until one trading day after the analyst report has been published, or if published during non-trading hours, the upcoming trading session, or if other conflict of interest exist e.g. advisory related.

Investors should assume that Enlight Research OÜ is seeking, or is performing, or have performed advisory services or other revenue generating services for the company in this report. An analyst's compensation is never directly related to advisory projects. An analyst working on advisory projects will be taken over the "Chinese wall" as soon as relevant regulations and/or guidelines require this.

The document may not be copied, reproduced, distributed, or published to physical or legal entities that are citizens of or domiciled in any country where relevant laws and/or regulations prohibit this.

This report may not be copied, reproduced, distributed, or published other than for personal reasons without written permission by Enlight Research OÜ. To apply for permission, send an email to below address:

ResearchTeam@enlightresearch.net

© Copyright 2019 Enlight Research OÜ



Follow on Twitter

@ResearchEnlight

Contact information

ResearchTeam@EnlightResearch.net