

MEBL

1HCY22 Result Review: BUY Stance Maintained

Equity Research | Commercial Banks | Thursday, 11 August, 2022



MEBL has announced its 1HCY22 result where it posted a profit after tax of Rs17.119bn (Diluted EPS: Rs9.57) as compared to a profit after tax of Rs12.608bn (Diluted EPS: Rs7.05) in the same period last year, up by 35.8% YoY.

The bank has posted a net interest income of Rs45.522bn against Rs31.205bn in SPLY, recording a growth of 45.6% YoY due to an increase in interest rate.

Non-interest income has been increased by 56.5% YoY to Rs10.658bn as compared to Rs6.811bn during SPLY, mainly due to the increase of 50.2% in fee and commission as well as an increase of 95.1% in Foreign Exchange income.

The operating cost to income ratio has decreased to 36.5% as compared to 42.8% during SPLY. Furthermore, the bank has charged a provision of Rs1189mn as compared to a provision of Rs443mn during SPLY up by 174.8%. Lastly, effective taxation has increased to 49.2% as compared to 39.5% during SPLY due to the imposition of super tax by the government.

MEBL is currently trading at CY22E PE of 6.32x. Furthermore, the scrip is trading at a CY22E P/B of 1.93x which offers a discount of 36% relative to its historical 3-year average of 3.04x. We recommend our investors to **BUY** the scrip with a Justified PB Jun-23 TP of Rs.160 which provides an upside potential of 23%. Furthermore, the scrip also provides a dividend yield of 5% which brings the total return to 28%.

Rupees' millions	2QCY22	2QCY21	YoY	1HCY22	1HCY21	YoY
Interest earned	50,185	25,887	93.9% ▲	88,296	50,116	76.2% ▲
Interest expensed	-26,200	-9,736	169.1% ▲	-42,874	-18,911	126.7% ▲
Net Interest Income	23,985	16,151	48.5% ▲	45,422	31,205	45.6% ▲
Fee and commission income	3,172	2,035	55.9% ▲	6,161	4,102	50.2% ▲
Dividend income	119	129	7.9% ▼	424	413	2.6% ▲
Foreign exchange income	2,318	784	195.9% ▲	3,132	1,605	95.1% ▲
(Loss) / gain on securities	582	183	218.2% ▲	760	433	75.3% ▲
Non-Interest Income	6,358	3,248	95.7% ▲	10,658	6,811	56.5% ▲
Operating expenses	-10,433	-8,424	23.8% ▲	-20,466	-16,259	25.9% ▲
Workers' Welfare Fund	-402	-230	74.9% ▲	-737	-484	52.2% ▲
Other charges	-5	-4	35.9% ▲	-6	-5	20.7% ▲
Profit Before Provisions	19,503	10,742	81.6% ▲	34,872	21,268	64.0% ▲
Provisions	-961	-148	548.3% ▲	-1,189	-433	174.8% ▲
Profit Before Taxation	18,542	10,593	75.0% ▲	33,682	20,835	61.7% ▲
Taxation	-10,628	-4,087	160.1% ▲	-16,563	-8,227	101.3% ▲
Profit After Taxation	7,914	6,507	21.6% ▲	17,119	12,608	35.8% ▲
Earnings Per Share	4.42	3.64	21.6% ▲	9.57	7.05	35.8% ▲
Dividend	1.75	1.50	16.7% ▲	3.50	3.00	16.7% ▲
Bonus	10.0%	0.0%		10.0%	0.0%	

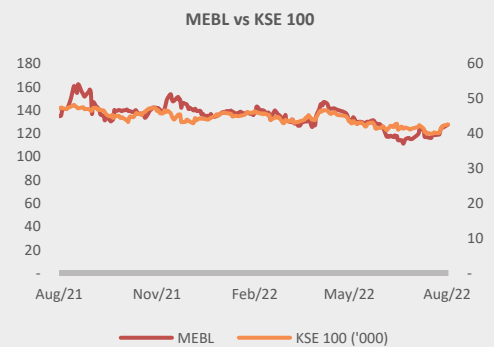
Closing Period: August 24, 2022 to August 26, 2022

Operating Cost to Income	-34.4%	-43.4%	9.0% ▼	-36.5%	-42.8%	6.3% ▼
Effective Taxation	-57.3%	-38.6%	18.7% ▲	-49.2%	-39.5%	9.7% ▲

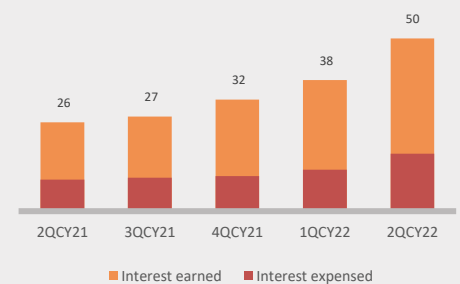
Source: ACPL Research, Company Financials

Key Statistics

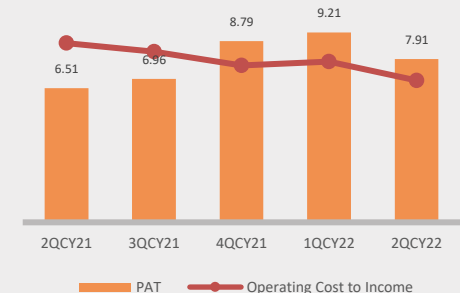
Symbol	MEBL
TP - Jun 23	160
LDPCP	130.45
Upside (%)	23
Free Float ('mn)	407
Market Cap. (Rs.'mn)	212,233



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	94,270	106,589	110,073	176,891	230,475	244,002	255,883
Mark-up / Return / Interest expensed	-47,731	-41,740	-41,151	-87,724	-134,699	-155,407	-165,761
Net Mark-up / Interest Income	46,539	64,849	68,921	89,166	95,777	88,594	90,122
Fee and commission income	6,175	5,914	9,353	12,346	16,296	21,511	23,662
Dividend income	341	624	1,192	860	1,000	1,160	1,345
Foreign exchange income	2,684	2,154	3,158	6,210	7,955	10,191	13,055
Gain on securities	-418	683	349	361	1,303	1,513	1,753
Other income	538	697	840	1,523	2,033	2,716	3,627
Total non-markup / interest income	9,320	10,072	14,892	21,300	28,589	37,091	43,442
Non mark-up / interest expenses							
Operating expenses	-24,831	-28,809	-34,356	-40,873	-53,486	-54,054	-57,442
Workers' Welfare Fund	-610	-873	-940	-1,395	-1,421	-1,436	-1,526
Other charges	-82	-93	-28	-28	-28	-28	-28
Profit Before Provisions	30,337	45,146	48,489	68,171	69,430	70,168	74,568
Provisions / (reversal of provisions)	-4,186	-8,210	-993	-2,373	-1,541	-1,286	-768
Profit before income tax	26,151	36,936	47,496	65,797	67,889	68,881	73,800
Income tax expense	-10,919	-14,770	-19,141	-32,241	-30,550	-30,997	-33,210
Profit for the year	15,232	22,166	28,355	33,557	37,339	37,885	40,590
EPS	9.36	13.62	17.43	20.63	22.95	23.29	24.95

Source: ACPL Research, Company Financials

Horizontal Analysis

	2019	2020	2021	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	93.9%	13.1%	3.3%	60.7%	30.3%	5.9%	4.9%
Mark-up / Return / Interest expensed	133.3%	-12.6%	-1.4%	113.2%	53.5%	15.4%	6.7%
Net Mark-up / Interest Income	65.2%	39.3%	6.3%	29.4%	7.4%	-7.5%	1.7%
Fee and commission income	17.5%	-4.2%	58.1%	32.0%	32.0%	32.0%	10.0%
Dividend income	-39.8%	82.6%	91.2%	-27.9%	16.2%	16.0%	15.9%
Foreign exchange income	103.6%	-19.8%	46.6%	96.6%	28.1%	28.1%	28.1%
Gain on securities	-5126.5%	-263.6%	-48.9%	3.6%	260.6%	16.0%	15.9%
Other income	72.8%	29.7%	20.4%	81.4%	33.6%	33.6%	33.6%
Total non-markup / interest income	24.9%	8.1%	47.9%	43.0%	34.2%	29.7%	17.1%
Non mark-up / interest expenses							
Operating expenses	28.7%	16.0%	19.3%	19.0%	30.9%	1.1%	6.3%
Workers' Welfare Fund	67.9%	43.2%	7.7%	48.4%	1.8%	1.1%	6.3%
Other charges	401.1%	13.3%	-69.8%	0.0%	0.0%	0.0%	0.0%
Profit Before Provisions	90.1%	48.8%	7.4%	40.6%	1.8%	1.1%	6.3%
Provisions / (reversal of provisions)	258.4%	96.1%	-87.9%	139.0%	-35.1%	-16.5%	-40.3%
Profit before income tax	76.8%	41.2%	28.6%	38.5%	3.2%	1.5%	7.1%
Income tax expense	87.3%	35.3%	29.6%	68.4%	-5.2%	1.5%	7.1%
Profit for the year	70.0%	45.5%	27.9%	18.3%	11.3%	1.5%	7.1%
EPS	70.0%	45.5%	27.9%	18.3%	11.3%	1.5%	7.1%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	9.14	7.45	6.15	9.17	10.37	9.54	8.70
Interest Cost	%	4.75	3.00	2.37	4.72	6.32	6.34	5.89
Net Interest Margin	%	4.40	4.46	3.78	4.45	4.05	3.19	2.81
Operating Cost to Income	%	45.69	39.74	42.15	38.29	44.17	44.17	44.17
Return on Equity	%	25.81	32.05	32.76	30.57	27.68	23.57	21.52
Return on Assets	%	1.36	1.46	1.49	1.64	1.58	1.40	1.30
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Deposits Growth	%	18.73	34.51	16.06	15.00	15.00	15.00	15.00
CASA to Deposits	%	72.73	74.84	81.66	79.90	79.90	79.90	79.90
Advances to Deposits	%	52.95	40.86	52.07	48.82	49.05	49.22	49.35
Investments to Deposits	%	24.20	34.61	42.59	46.52	47.01	47.43	47.81
Gross Infection Ratio	%	1.78	2.81	1.86	1.87	1.47	1.17	0.97
Provisioning Coverage	%	92.09	91.09	92.31	91.70	91.70	91.70	91.70
Net Infection Ratio	%	0.14	0.26	0.15	0.16	0.12	0.10	0.08
Capital Adequacy Ratio	%	16.58	17.82	17.81	20.32	21.46	22.11	22.48
Leverage Ratio	%	4.27	4.09	3.92	4.31	4.61	4.77	4.86
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Market Share - Deposits	%	6.37	7.02	6.94	6.95	6.96	6.97	6.98
Market Share - Advances	%	6.21	6.26	7.66	7.19	7.20	7.21	7.22
Market Share - Investments	%	2.43	3.70	4.36	4.77	4.83	4.88	4.93
No. of Branches		760	815	902	992	1091	1201	1321
Investment Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Dividend Per Share		5.00	6.00	6.00	7.00	8.00	8.00	8.50
Dividend Yield	%	3.83	4.60	4.60	5.37	6.13	6.13	6.52
Dividend Cover	x	1.87	2.27	2.90	2.95	2.87	2.91	2.94
Retention Ratio	%	46.60	55.96	65.57	65.57	65.57	65.57	65.57
Payout Ratio	%	53.40	44.04	34.43	34.43	34.43	34.43	34.43
No. of Shares	('m)	1627	1627	1627	1627	1627	1627	1627
Earnings Per Share		9.36	13.62	17.43	20.63	22.95	23.29	24.95
Book Value Per Share		36.27	42.51	53.20	67.47	82.93	98.80	115.92
Price to Earnings	x	13.93	9.57	7.48	6.32	5.68	5.60	5.23
Price to Book Value	x	3.60	3.07	2.45	1.93	1.57	1.32	1.13

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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