

MEBL

1QCY22 Result Review: BUY Stance Maintained

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MEBL has announced its 1QCY22 result where it posted a profit after tax of Rs9.206bn (EPS: Rs5.66) as compared to a profit after tax of Rs6.101bn (EPS: Rs3.75) in the same period last year, up by 50.9% YoY.

The bank has posted a net interest income of Rs21.437bn against Rs15.055bn in SPLY, recording a growth of 42.4% YoY due to an increase in interest rate.

Non-interest income has been increased by 20.7% YoY to Rs4.3bn as compared to Rs3.56bn during SPLY, mainly due to the increase of 44.7% in fee and commission.

The operating cost to income ratio has decreased to 39% as compared to 42.1% during SPLY. Lastly, the bank has charged a provision of Rs228mn as compared to a provision of Rs285mn during SPLY down by 19.9%.

MEBL is currently trading at CY22E PE of 6.29x. Furthermore, the scrip is trading at a CY22E P/B of 2.06x which offers a discount of 37% relative to its historical 3-year average of 3.3x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-22 TP of Rs.175 which provides an upside potential of 45%. Furthermore, the scrip also provides a dividend yield of 5% which brings the total return to 29%.

Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Interest earned	38,111	24,229	57.3% ▲	110,073	106,589	3.3% ▲
Interest expensed	-16,674	-9,175	81.7% ▲	-41,151	-41,740	1.4% ▼
Net Interest Income	21,437	15,055	42.4% ▲	68,921	64,849	6.3% ▲
Fee and commission income	2,990	2,067	44.7% ▲	9,353	5,914	58.1% ▲
Dividend income	304	283	7.4% ▲	1,192	624	91.2% ▲
Foreign exchange income	813	822	1.0% ▼	3,158	2,154	46.6% ▲
(Loss) / gain on securities	178	250	29.0% ▼	840	697	20.4% ▲
Non-Interest Income	4,300	3,563	20.7% ▲	14,892	10,072	47.9% ▲
Operating expenses	-10,033	-7,836	28.0% ▲	-34,356	-28,809	19.3% ▲
Workers' Welfare Fund	-335	-254	31.6% ▲	-940	-873	7.7% ▲
Other charges	-1	-1	18.1% ▼	-28	-93	69.8% ▼
Profit Before Provisions	15,369	10,526	46.0% ▲	48,489	45,146	7.4% ▲
Provisions	-228	-285	19.9% ▼	-993	-8,210	87.9% ▼
Profit Before Taxation	15,141	10,242	47.8% ▲	47,496	36,936	28.6% ▲
Taxation	-5,935	-4,140	43.3% ▲	-19,141	-14,770	29.6% ▲
Profit After Taxation	9,206	6,101	50.9% ▲	28,355	22,166	27.9% ▲
Earnings Per Share	5.66	3.75	50.9% ▲	17.43	13.62	27.9% ▲
Dividend	1.75	1.50	16.7% ▲	6.00	1.00	500.0% ▲
Bonus	0.0%	0.0%		12.5%	0.0%	

Closing Period: May 9, 2022 to May 11, 2022

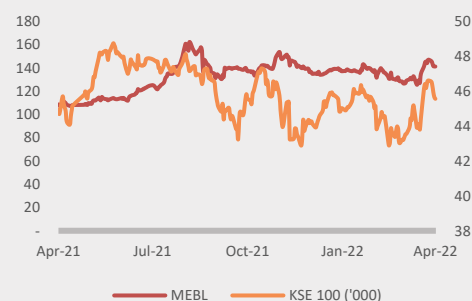
Operating Cost to Income	-39.0%	-42.1%	3.1% ▼	-41.0%	-38.5%	2.5% ▲
Effective Taxation	-39.2%	-40.4%	1.2% ▼	-40.3%	-40.0%	0.3% ▲

Source: ACPL Research, Company Financials

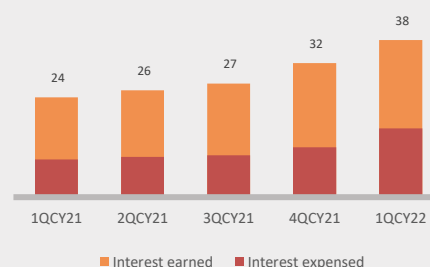
Key Statistics

Symbol	MEBL
TP - Dec 22	175
LDPCP	141.48
Upside (%)	24
Free Float ('mn)	407
Market Cap. (Rs.'mn)	230,178

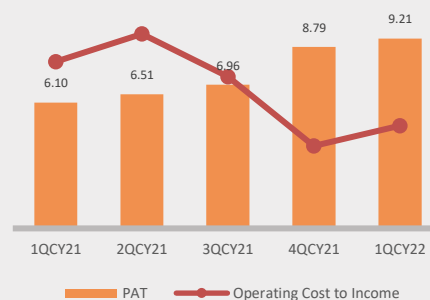
MEBL vs KSE 100



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	163,212	190,519	222,021	258,648
Mark-up / Return / Interest expensed	-47,731	-41,740	-41,151	-79,014	-85,862	-99,651	-115,654
Net Mark-up / Interest Income	46,539	64,849	68,921	84,198	104,657	122,370	142,994
Fee and commission income	6,175	5,914	9,353	12,159	15,806	20,548	22,603
Dividend income	341	624	1,192	1,403	1,648	1,933	2,262
Foreign exchange income	2,684	2,154	3,158	3,790	4,548	5,457	6,549
Gain on securities	-418	683	349	410	482	565	661
Other income	538	697	840	1,010	1,216	1,464	1,762
Total non-markup / interest income	9,320	10,072	14,892	18,773	23,700	29,967	33,837
Non mark-up / interest expenses							
Operating expenses	-24,831	-28,809	-34,356	-39,129	-48,776	-57,888	-67,196
Workers' Welfare Fund	-610	-873	-940	-1,213	-1,512	-1,795	-2,083
Other charges	-82	-93	-28	-28	-28	-28	-28
Profit Before Provisions	30,337	45,146	48,489	62,600	78,041	92,626	107,523
Provisions / (reversal of provisions)	-4,186	-8,210	-993	-1,350	-1,601	-1,346	-784
Profit before income tax	26,151	36,936	47,496	61,250	76,440	91,279	106,739
Income tax expense	-10,919	-14,770	-19,141	-24,684	-30,805	-36,785	-43,015
Profit for the year	15,232	22,166	28,355	36,567	45,635	54,494	63,724
EPS	9.36	13.62	17.43	22.48	28.05	33.50	39.17

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%	48.3%	16.7%	16.5%	16.5%
Mark-up / Return / Interest expensed	133.3%	-12.6%	-1.4%	92.0%	8.7%	16.1%	16.1%
Net Mark-up / Interest Income	65.2%	39.3%	6.3%	22.2%	24.3%	16.9%	16.9%
Fee and commission income	17.5%	-4.2%	58.1%	30.0%	30.0%	30.0%	10.0%
Dividend income	-39.8%	82.6%	91.2%	17.7%	17.4%	17.2%	17.1%
Foreign exchange income	103.6%	-19.8%	46.6%	20.0%	20.0%	20.0%	20.0%
Gain on securities	-5126.5%	-263.6%	-48.9%	17.6%	17.4%	17.2%	17.1%
Other income	72.8%	29.7%	20.4%	20.4%	20.4%	20.4%	20.4%
Total non-markup / interest income	24.9%	8.1%	47.9%	26.1%	26.2%	26.4%	12.9%
Non mark-up / interest expenses							
Operating expenses	28.7%	16.0%	19.3%	13.9%	24.7%	18.7%	16.1%
Workers' Welfare Fund	67.9%	43.2%	7.7%	29.1%	24.7%	18.7%	16.1%
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%	29.1%	24.7%	18.7%	16.1%
Provisions / (reversal of provisions)	258.4%	96.1%	-87.9%	36.0%	18.6%	-15.9%	-41.7%
Profit before income tax	76.8%	41.2%	28.6%	29.0%	24.8%	19.4%	16.9%
Income tax expense	87.3%	35.3%	29.6%	29.0%	24.8%	19.4%	16.9%
Profit for the year	70.0%	45.5%	27.9%	29.0%	24.8%	19.4%	16.9%
EPS	70.0%	45.5%	27.9%	29.0%	24.8%	19.4%	16.9%

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	8.40	8.41	8.41	8.41
Interest Cost	%	4.75	3.00	2.37	4.22	3.95	3.96	3.96
Net Interest Margin	%	4.40	4.46	3.78	4.18	4.46	4.45	4.45
Operating Cost to Income	%	45.69	39.74	42.15	39.21	39.20	39.20	39.19
Return on Equity	%	25.81	32.05	32.76	32.75	31.99	30.38	28.67
Return on Assets	%	1.36	1.46	1.49	1.77	1.90	1.94	1.95
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Deposits Growth	%	18.73	34.51	16.06	16.06	16.06	16.06	16.06
CASA to Deposits	%	72.73	74.84	81.66	81.66	81.66	81.66	81.66
Advances to Deposits	%	52.95	40.86	52.07	52.36	52.61	52.80	52.94
Investments to Deposits	%	24.20	34.61	42.59	43.39	43.91	44.36	44.74
Gross Infection Ratio	%	1.78	2.81	1.86	1.36	0.96	0.66	0.46
Provisioning Coverage	%	92.09	91.09	92.31	94.33	94.33	94.33	94.33
Net Infection Ratio	%	0.14	0.26	0.15	0.08	0.06	0.04	0.03
Capital Adequacy Ratio	%	16.58	17.82	17.81	20.51	22.19	23.71	25.03
Leverage Ratio	%	4.27	4.09	3.92	4.35	4.79	5.20	5.55
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Market Share - Deposits	%	6.37	7.02	6.94	7.02	7.09	7.17	7.24
Market Share - Advances	%	6.21	6.26	7.66	7.74	7.82	7.91	7.99
Market Share - Investments	%	2.43	3.70	4.36	4.47	4.57	4.67	4.76
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	7.50	9.50	11.50	13.50
Dividend Yield	%	3.53	4.24	4.24	5.30	6.71	8.13	9.54
Dividend Cover	x	1.87	2.27	2.90	3.00	2.95	2.91	2.90
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	22.48	28.05	33.50	39.17
Book Value Per Share		36.27	42.51	53.20	68.62	87.68	110.27	136.63
Price to Earnings	x	15.11	10.38	8.12	6.29	5.04	4.22	3.61
Price to Book Value	x	3.90	3.33	2.66	2.06	1.61	1.28	1.04

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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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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