

MEBL

9MCY22 Result Review: BUY Stance Maintained

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MEBL has announced its 9MCY22 result where it posted a profit after tax of Rs28.60bn (EPS: Rs15.98) as compared to a profit after tax of Rs19.57bn (EPS: Rs10.93) in the same period last year, up by 46.2% YoY mainly due to the expansion of net interest margins.

The bank has posted a net interest income of Rs77.15bn against Rs48.52bn in SPLY, recording a growth of 59% YoY due to an increase in interest rate.

Non-interest income has been increased by 46.5% YoY to Rs15.05bn as compared to Rs10.27bn during SPLY, mainly due to the increase of 45.3% in fee and commission as well as an increase of 79.9% in Foreign Exchange income.

The operating cost to income ratio has decreased to 35.5% as compared to 42.3% during SPLY. Furthermore, the bank has charged a provision of Rs1,735mn as compared to a provision of Rs553mn during SPLY up by 213%. Lastly, effective taxation has increased to 49.3% as compared to 40.1% during SPLY due to the imposition of super tax by the government.

MEBL is currently trading at CY22E PE of 5.44x. Furthermore, the scrip is trading at a CY22E P/B of 1.78x which offers a discount of 30% relative to its historical 3-year average of 2.55x. We recommend our investors to **BUY** the scrip with a Justified PB Jun-23 TP of Rs.140 which provides an upside potential of 37%. Furthermore, the scrip also provides a dividend yield of 7% which brings the total return to 44%.

Rupees' millions	3QCY22	3QCY21	YoY	9MCY22	9MCY21	YoY
Interest earned	65,582	27,499	138.5% ▲	153,879	77,615	98.3% ▲
Interest expensed	-33,855	-10,185	232.4% ▲	-76,730	-29,096	163.7% ▲
Net Interest Income	31,727	17,313	83.3% ▲	77,149	48,519	59.0% ▲
Fee and commission income	3,439	2,507	37.2% ▲	9,600	6,609	45.3% ▲
Dividend income	128	161	20.0% ▼	552	573	3.7% ▼
Foreign exchange income	735	544	35.1% ▲	3,867	2,149	79.9% ▲
(Loss) / gain on securities	-105	81	229.2% ▼	77	339	77.3% ▼
Other Income	191	165	15.9% ▲	950	598	59.0% ▲
Non-Interest Income	4,388	3,457	26.9% ▲	15,046	10,268	46.5% ▲
Operating expenses	-12,279	-8,588	43.0% ▲	-32,745	-24,847	31.8% ▲
Workers' Welfare Fund	-506	-245	106.3% ▲	-1,243	-729	70.4% ▲
Other charges	-83	-2	5067.4% ▲	-89	-7	1264.6% ▲
Profit Before Provisions	23,247	11,936	94.8% ▲	58,118	33,203	75.0% ▲
Provisions	-546	-121	352.9% ▲	-1,735	-553	213.6% ▲
Profit Before Taxation	22,701	11,815	92.1% ▲	56,383	32,650	72.7% ▲
Taxation	-11,224	-4,857	131.1% ▲	-27,787	-13,084	112.4% ▲
Profit After Taxation	11,477	6,958	64.9% ▲	28,596	19,566	46.2% ▲
Earnings Per Share	6.41	3.89	64.9% ▲	15.98	10.93	46.2% ▲
Dividend	2.00	1.50	33.3% ▲	5.50	4.50	22.2% ▲
Bonus	0.0%	0.0%		10.0%	0.0%	

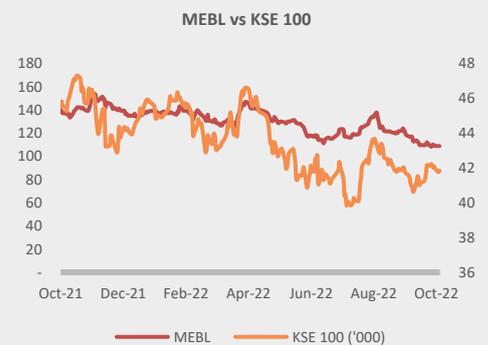
Closing Period: Oct 31, 2022 to Nov 2, 2022

Operating Cost to Income	-34.0%	-41.3%	7.3% ▼	-35.5%	-42.3%	6.7% ▼
Effective Taxation	-49.4%	-41.1%	8.3% ▲	-49.3%	-40.1%	9.2% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MEBL
TP - Jun 23	150
LDCP	109.75
Upside (%)	37
Free Float ('mn)	447
Market Cap. (Rs.'mn)	196,411



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	2020	2021	2022E	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	106,589	110,073	209,321	252,927	280,778	298,319	314,643
Mark-up / Return / Interest expensed	-41,740	-41,151	-106,547	-144,539	-172,612	-185,547	-201,863
Net Mark-up / Interest Income	64,849	68,921	102,774	108,389	108,166	112,772	112,781
Fee and commission income	5,914	9,353	12,346	16,296	21,511	23,662	26,029
Dividend income	624	1,192	851	989	1,148	1,330	1,540
Foreign exchange income	2,154	3,158	5,211	6,675	8,551	10,955	14,034
Gain on securities	683	349	107	1,303	1,513	1,753	2,029
Other income	697	840	3,358	4,485	5,990	8,000	10,684
Total non-markup / interest income	10,072	14,892	21,873	29,749	38,712	45,700	54,315
Non mark-up / interest expenses							
Operating expenses	-28,809	-34,356	-49,111	-60,072	-63,873	-68,915	-72,665
Workers' Welfare Fund	-873	-940	-1,888	-1,952	-2,075	-2,239	-2,361
Other charges	-93	-28	-113	-113	-113	-113	-113
Profit Before Provisions	45,146	48,489	73,535	76,001	80,817	87,205	91,957
Provisions / (reversal of provisions)	-8,210	-993	-2,373	-1,541	-1,286	-768	-1,234
Profit before income tax	36,936	47,496	71,161	74,460	79,531	86,437	90,724
Income tax expense	-14,770	-19,141	-35,068	-33,507	-35,789	-38,897	-40,826
Profit for the year	22,166	28,355	36,093	40,953	43,742	47,541	49,898
EPS	12.39	15.84	20.17	22.88	24.44	26.56	27.88

Source: ACPL Research, Company Financials

Horizontal Analysis

	2020	2021	2022E	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	13.1%	3.3%	90.2%	20.8%	11.0%	6.2%	5.5%
Mark-up / Return / Interest expensed	-12.6%	-1.4%	158.9%	35.7%	19.4%	7.5%	8.8%
Net Mark-up / Interest Income	39.3%	6.3%	49.1%	5.5%	-0.2%	4.3%	0.0%
Fee and commission income	-4.2%	58.1%	32.0%	32.0%	32.0%	10.0%	10.0%
Dividend income	82.6%	91.2%	-28.6%	16.2%	16.0%	15.9%	15.8%
Foreign exchange income	-19.8%	46.6%	65.0%	28.1%	28.1%	28.1%	28.1%
Gain on securities	-263.6%	-48.9%	-69.3%	1116.9%	16.0%	15.9%	15.8%
Other income	29.7%	20.4%	300.0%	33.6%	33.6%	33.6%	33.6%
Total non-markup / interest income	8.1%	47.9%	46.9%	36.0%	30.1%	18.0%	18.9%
Non mark-up / interest expenses							
Operating expenses	16.0%	19.3%	42.9%	22.3%	6.3%	7.9%	5.4%
Workers' Welfare Fund	43.2%	7.7%	100.9%	3.3%	6.3%	7.9%	5.4%
Other charges	13.3%	-69.8%	300.0%	0.0%	0.0%	0.0%	0.0%
Profit Before Provisions	48.8%	7.4%	51.7%	3.4%	6.3%	7.9%	5.4%
Provisions / (reversal of provisions)	96.1%	-87.9%	139.0%	-35.1%	-16.5%	-40.3%	60.6%
Profit before income tax	41.2%	28.6%	49.8%	4.6%	6.8%	8.7%	5.0%
Income tax expense	35.3%	29.6%	83.2%	-4.5%	6.8%	8.7%	5.0%
Profit for the year	45.5%	27.9%	27.3%	13.5%	6.8%	8.7%	5.0%
EPS	45.5%	27.9%	27.3%	13.5%	6.8%	8.7%	5.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2020	2021	2022E	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	7.45	6.15	10.85	11.37	10.96	10.12	9.28
Interest Cost	%	3.00	2.37	5.74	6.78	7.05	6.59	6.24
Net Interest Margin	%	4.46	3.78	5.12	4.59	3.91	3.52	3.04
Operating Cost to Income	%	39.74	42.15	41.01	44.98	44.98	44.97	44.97
Return on Equity	%	32.05	32.76	32.73	29.93	26.59	24.35	22.17
Return on Assets	%	1.46	1.49	1.76	1.73	1.61	1.52	1.39
Balance Sheet Analysis		2020	2021	2022E	2023E	2024E	2025E	2026E
Deposits Growth	%	34.51	16.06	15.00	15.00	15.00	15.00	15.00
CASA to Deposits	%	74.84	81.66	79.90	79.90	79.90	79.90	79.90
Advances to Deposits	%	40.86	52.07	48.82	49.05	49.22	49.35	49.47
Investments to Deposits	%	34.61	42.59	46.52	47.01	47.43	47.81	48.13
Gross Infection Ratio	%	2.81	1.86	1.87	1.47	1.17	0.97	0.77
Provisioning Coverage	%	91.09	92.31	91.70	91.70	91.70	91.70	91.70
Net Infection Ratio	%	0.26	0.15	0.16	0.12	0.10	0.08	0.06
Capital Adequacy Ratio	%	17.82	17.81	20.40	21.71	22.53	23.13	23.19
Leverage Ratio	%	4.09	3.92	4.33	4.67	4.88	5.04	5.04
Operational Analysis		2020	2021	2022E	2023E	2024E	2025E	2026E
Market Share - Deposits	%	7.02	6.94	6.95	6.96	6.97	6.98	6.99
Market Share - Advances	%	6.26	7.66	7.19	7.20	7.21	7.22	7.23
Market Share - Investments	%	3.70	4.36	4.77	4.83	4.88	4.93	4.97
No. of Branches		815	902	992	1091	1201	1321	1453
Investment Ratios		2020	2021	2022E	2023E	2024E	2025E	2026E
Dividend Per Share		6.00	6.00	7.50	8.50	9.50	10.00	10.50
Dividend Yield	%	5.47	5.47	6.83	7.74	8.66	9.11	9.57
Dividend Cover	x	2.06	2.64	2.69	2.69	2.57	2.66	2.66
Retention Ratio	%	51.56	62.13	62.13	62.13	62.13	62.13	62.13
Payout Ratio	%	48.44	37.87	37.87	37.87	37.87	37.87	37.87
No. of Shares	('m)	1790	1790	1790	1790	1790	1790	1790
Earnings Per Share		12.39	15.84	20.17	22.88	24.44	26.56	27.88
Book Value Per Share		38.64	48.37	61.61	76.46	91.93	109.11	125.79
Price to Earnings	x	8.86	6.93	5.44	4.80	4.49	4.13	3.94
Price to Book Value	x	2.84	2.27	1.78	1.44	1.19	1.01	0.87

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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