

# MEBL

## CY22 Result Review: BUY Stance Maintained

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MEBL has announced its CY22 result where it posted a profit after tax of Rs45.01bn (EPS: Rs25.15) as compared to a profit after tax of Rs28.36bn (EPS: Rs15.84) in the same period last year, up by 58.7% YoY mainly due to the expansion of net interest income in addition to a surge in other income.

The bank has posted a net interest income of Rs232.12bn against Rs110.07bn in SPLY, recording a massive growth of 76.6% YoY due to an increase in interest rate.

Non-interest income has been increased by 28.3% YoY to Rs19.10bn as compared to Rs14.89bn during SPLY, mainly due to the increase of 42.4% in fee and commission in addition to an increase of 14.5% in Foreign Exchange income.

The operating cost to income ratio has decreased to 32.8% as compared to 41% during SPLY. Furthermore, the bank has charged a provision of Rs4.18bn as compared to a provision of Rs0.99bn during SPLY up by 320.7%. Lastly, effective taxation has increased to 49.1% as compared to 40.3% during SPLY.

MEBL is currently trading at CY23E PE of 2.74x. Furthermore, the scrip is trading at a CY23E P/B of 1.08x which offers a discount of 44% relative to its historical 3-year average of 1.92x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-23 TP of Rs120 which provides an upside potential of 29%. Furthermore, the scrip also provides a dividend yield of 14% which brings the total return to 43%.

Rupees' millions	4QCY22	4QCY21	YoY	CY22	CY21	YoY
Interest earned	78,242	32,458	141.1% ▲	232,121	110,073	110.9% ▲
Interest expensed	-33,688	-12,055	179.5% ▲	-110,418	-41,151	168.3% ▲
<b>Net Interest Income</b>	<b>44,555</b>	<b>20,403</b>	<b>118.4% ▲</b>	<b>121,704</b>	<b>68,921</b>	<b>76.6% ▲</b>
Fee and commission income	3,716	2,744	35.4% ▲	13,316	9,353	42.4% ▲
Dividend income	435	619	29.7% ▼	988	1,192	17.2% ▼
Foreign exchange income	-249	1,009	124.7% ▼	3,617	3,158	14.5% ▲
(Loss) / gain on securities	-132	10	1437.5% ▼	-55	349	115.8% ▼
Other Income	287	242	18.8% ▲	1,237	840	47.4% ▲
<b>Non-Interest Income</b>	<b>4,057</b>	<b>4,624</b>	<b>12.3% ▼</b>	<b>19,103</b>	<b>14,892</b>	<b>28.3% ▲</b>
Operating expenses	-13,495	-9,509	41.9% ▲	-46,240	-34,356	34.6% ▲
Workers' Welfare Fund	-667	-211	217.1% ▲	-1,910	-940	103.3% ▲
Other charges	-6	-22	71.7% ▼	-95	-28	237.7% ▲
Profit Before Provisions	34,443	15,285	125.3% ▲	92,561	48,489	90.9% ▲
Provisions	-2,441	-439	455.6% ▲	-4,177	-993	320.7% ▲
Profit Before Taxation	32,002	14,846	115.6% ▲	88,385	47,496	86.1% ▲
Taxation	-15,591	-6,057	157.4% ▲	-43,378	-19,141	126.6% ▲
<b>Profit After Taxation</b>	<b>16,410</b>	<b>8,789</b>	<b>86.7% ▲</b>	<b>45,007</b>	<b>28,355</b>	<b>58.7% ▲</b>
<b>Earnings Per Share</b>	<b>9.17</b>	<b>4.91</b>	<b>86.7% ▲</b>	<b>25.15</b>	<b>15.84</b>	<b>58.7% ▲</b>
<b>Dividend</b>	<b>3.00</b>	<b>1.50</b>	<b>100.0% ▲</b>	<b>8.50</b>	<b>6.00</b>	<b>41.7% ▲</b>
<b>Bonus</b>	<b>0.0%</b>	<b>12.5%</b>		<b>10.0%</b>	<b>12.5%</b>	

Closing Period: Mar 22, 2023 to Mar 29, 2023

Operating Cost to Income	-27.8%	-38.0%	10.2% ▼	-32.8%	-41.0%	8.2% ▼
Effective Taxation	-48.7%	-40.8%	7.9% ▲	-49.1%	-40.3%	8.8% ▲

Source: ACPL Research, Company Financials

### Key Statistics

Symbol	MEBL
TP - Dec 23	120
LDCP	92.75
Upside (%)	29
Free Float ('mn)	447
Market Cap. (Rs.'mn)	165,988



### 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	2022	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	106,589	110,073	232,121	300,585	333,209	365,323	411,299
Mark-up / Return / Interest expensed	-41,740	-41,151	-110,418	-134,751	-158,643	-182,076	-216,723
<b>Net Mark-up / Interest Income</b>	<b>64,849</b>	<b>68,921</b>	<b>121,704</b>	<b>165,835</b>	<b>174,566</b>	<b>183,247</b>	<b>194,576</b>
Fee and commission income	5,914	9,353	13,316	14,864	16,591	18,250	20,075
Dividend income	624	1,192	988	1,147	1,345	1,574	1,840
Foreign exchange income	2,154	3,158	3,617	2,713	2,849	2,991	3,141
Gain on securities	683	349	-55	214	251	294	344
Other income	697	840	1,237	1,534	1,903	2,359	2,925
<b>Total non-markup / interest income</b>	<b>10,072</b>	<b>14,892</b>	<b>19,103</b>	<b>20,472</b>	<b>22,938</b>	<b>25,469</b>	<b>28,326</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	-28,809	-34,356	-46,240	-61,182	-71,656	-75,723	-80,870
Workers' Welfare Fund	-873	-940	-1,910	-2,378	-2,496	-2,638	-2,817
Other charges	-93	-28	-95	-95	-95	-95	-95
<b>Profit Before Provisions</b>	<b>45,146</b>	<b>48,489</b>	<b>92,561</b>	<b>122,652</b>	<b>123,258</b>	<b>130,260</b>	<b>139,120</b>
Provisions / (reversal of provisions)	-8,210	-993	-4,177	-4,555	-4,124	-5,869	-8,059
<b>Profit before income tax</b>	<b>36,936</b>	<b>47,496</b>	<b>88,385</b>	<b>118,097</b>	<b>119,133</b>	<b>124,390</b>	<b>131,061</b>
Income tax expense	-14,770	-19,141	-43,378	-57,538	-53,610	-55,976	-58,978
<b>Profit for the year</b>	<b>22,166</b>	<b>28,355</b>	<b>45,007</b>	<b>60,559</b>	<b>65,523</b>	<b>68,415</b>	<b>72,084</b>
<b>EPS</b>	<b>12.39</b>	<b>15.84</b>	<b>25.15</b>	<b>33.84</b>	<b>36.61</b>	<b>38.23</b>	<b>40.28</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	2020	2021	2022	2023E	2024E	2025E	2026E
Mark-up / Return / Interest earned	13.1%	3.3%	110.9%	29.5%	10.9%	9.6%	12.6%
Mark-up / Return / Interest expensed	-12.6%	-1.4%	168.3%	22.0%	17.7%	14.8%	19.0%
<b>Net Mark-up / Interest Income</b>	<b>39.3%</b>	<b>6.3%</b>	<b>76.6%</b>	<b>36.3%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>6.2%</b>
Fee and commission income	-4.2%	58.1%	42.4%	11.6%	11.6%	10.0%	10.0%
Dividend income	82.6%	91.2%	-17.2%	16.1%	17.2%	17.1%	16.9%
Foreign exchange income	-19.8%	46.6%	14.5%	-25.0%	5.0%	5.0%	5.0%
Gain on securities	-263.6%	-48.9%	-115.8%	-489.0%	17.2%	17.1%	16.9%
Other income	29.7%	20.4%	47.4%	24.0%	24.0%	24.0%	24.0%
<b>Total non-markup / interest income</b>	<b>8.1%</b>	<b>47.9%</b>	<b>28.3%</b>	<b>7.2%</b>	<b>12.0%</b>	<b>11.0%</b>	<b>11.2%</b>
<b>Non mark-up / interest expenses</b>							
Operating expenses	16.0%	19.3%	34.6%	32.3%	17.1%	5.7%	6.8%
Workers' Welfare Fund	43.2%	7.7%	103.3%	24.5%	4.9%	5.7%	6.8%
Other charges	13.3%	-69.8%	237.7%	0.0%	0.0%	0.0%	0.0%
<b>Profit Before Provisions</b>	<b>48.8%</b>	<b>7.4%</b>	<b>90.9%</b>	<b>32.5%</b>	<b>0.5%</b>	<b>5.7%</b>	<b>6.8%</b>
Provisions / (reversal of provisions)	96.1%	-87.9%	320.7%	9.1%	-9.5%	42.3%	37.3%
<b>Profit before income tax</b>	<b>41.2%</b>	<b>28.6%</b>	<b>86.1%</b>	<b>33.6%</b>	<b>0.9%</b>	<b>4.4%</b>	<b>5.4%</b>
Income tax expense	35.3%	29.6%	126.6%	32.6%	-6.8%	4.4%	5.4%
<b>Profit for the year</b>	<b>45.5%</b>	<b>27.9%</b>	<b>58.7%</b>	<b>34.6%</b>	<b>8.2%</b>	<b>4.4%</b>	<b>5.4%</b>
<b>EPS</b>	<b>45.5%</b>	<b>27.9%</b>	<b>58.7%</b>	<b>34.6%</b>	<b>8.2%</b>	<b>4.4%</b>	<b>5.4%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		2020	2021	2022	2023E	2024E	2025E	2026E
Yield on Earning Assets	%	7.45	6.15	13.13	13.20	12.51	11.76	11.46
Interest Cost	%	3.00	2.37	6.04	6.22	6.32	6.26	6.42
Net Interest Margin	%	4.46	3.78	7.09	6.97	6.19	5.50	5.04
Operating Cost to Income	%	39.74	42.15	34.26	34.17	37.59	37.59	37.59
Return on Equity	%	32.05	32.76	39.04	39.48	33.63	28.69	28.14
Return on Assets	%	1.46	1.49	2.18	2.51	2.33	2.09	1.91
<b>Balance Sheet Analysis</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Deposits Growth	%	34.51	16.06	16.06	16.06	16.06	16.06	16.06
CASA to Deposits	%	74.84	81.66	74.90	74.90	74.90	74.90	74.90
Advances to Deposits	%	40.86	52.07	52.24	52.28	52.33	52.36	52.39
Investments to Deposits	%	34.61	42.59	43.39	43.54	43.72	43.83	43.89
Gross Infection Ratio	%	2.81	1.86	1.64	1.64	1.64	1.64	1.64
Provisioning Coverage	%	91.09	92.31	92.31	92.31	92.31	92.31	92.31
Net Infection Ratio	%	0.26	0.15	0.13	0.13	0.13	0.13	0.13
Capital Adequacy Ratio	%	17.82	17.81	21.09	23.59	25.42	26.57	26.68
Leverage Ratio	%	4.09	3.92	4.50	5.19	5.69	6.01	5.55
<b>Operational Analysis</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Market Share - Deposits	%	7.02	6.94	7.02	7.09	7.17	7.24	7.32
Market Share - Advances	%	6.26	7.66	7.74	7.82	7.91	7.99	8.08
Market Share - Investments	%	3.70	4.36	4.47	4.57	4.67	4.76	4.84
No. of Branches		815	902	992	1091	1201	1321	1453
<b>Investment Ratios</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Dividend Per Share		6.00	6.00	9.50	13.00	14.00	14.50	15.00
Dividend Yield	%	6.47	6.47	10.24	14.02	15.09	15.63	16.17
Dividend Cover	x	2.06	2.64	2.65	2.60	2.62	2.64	2.69
Retention Ratio	%	51.56	62.13	62.22	62.22	62.22	62.22	62.22
Payout Ratio	%	48.44	37.87	37.78	37.78	37.78	37.78	37.78
No. of Shares	('m)	1790	1790	1790	1790	1790	1790	1790
Earnings Per Share		12.39	15.84	25.15	33.84	36.61	38.23	40.28
Book Value Per Share		38.64	48.37	64.41	85.72	108.87	133.23	143.13
Price to Earnings	x	7.49	5.85	3.69	2.74	2.53	2.43	2.30
Price to Book Value	x	2.40	1.92	1.44	1.08	0.85	0.70	0.65

Source: ACPL Research, Company Financials

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

### VALUATION METHODOLOGY

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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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
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