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## MEBL: 2QCY24 EPS clocks in at PKR 14.88, up 55% YoY, DPS PKR 7.00

### Meezan Bank Limited

PSX: MEBL | Bloomberg: MEBL PA | Reuters: AMZN.PSX

- MEBL announced its 2QCY24 result today, wherein the bank recorded an EPS of PKR 14.88, up 55% YoY. Along with the result announcement, the bank declared a cash dividend of PKR 7.0/sh, taking the payout for 1HCY24 to PKR 14.0/sh.
- The net interest income for 2QCY24 arrived at PKR 70.3bn, marking a 42% YoY increase. Interest earned grew at a faster pace (+29% YoY) to PKR 130.2bn, compared to interest expense, which rose by 16% YoY to PKR 59.9bn.
- Non-interest income increased by 4% YoY to PKR 5.3bn on the back of a significant rise in dividend income (+119% YoY) to PKR 476mn.
- MEBL booked a provision reversal of PKR 935mn, compared to PKR 1.5bn in SPLY.
- Admin expenses for 2QCY24 rose by 35% YoY to PKR 22.2bn, translating into a cost-to-income ratio of 29%, compared to 30% in 2QCY23.
- Effective tax rate clocked in at 51%, compared to 53% in SPLY.
- We have a 'Hold' stance on the stock with Dec-24 PT of PKR 194/sh, providing a capital downside of 20%, while the stock is offering a dividend yield of 11%.

#### Key Data

PSX Ticker	MEBL
Target Price (PKR)	194
Current Price (PKR)	242
Upside/(Downside) (%)	-20%
Dividend Yield (%)	11%
Total Return (%)	-8%
12-month High (PKR)	256
12-month Low (PKR)	115
Outstanding Shares (mn)	1,791
Market Cap (PKR mn)	433,304

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	2QCY23	2QCY24	YoY	1HCY23	1HCY24	YoY
M/up Earned	101,032	130,204	29%	182,985	249,351	36%
M/up Expense	51,499	59,872	16%	92,407	111,454	21%
<b>Net Interest Income</b>	<b>49,533</b>	<b>70,332</b>	<b>42%</b>	<b>90,578</b>	<b>137,897</b>	<b>52%</b>
Non-Interest Income	5,110	5,324	4%	8,976	11,681	30%
Total Provisions	1,504	(935)	NM	3,634	(672)	NM
Admin Expenses	16,389	22,162	35%	31,326	43,370	38%
<b>Profit Before Tax</b>	<b>36,750</b>	<b>54,430</b>	<b>48%</b>	<b>64,594</b>	<b>106,880</b>	<b>65%</b>
Tax	19,588	27,774	42%	32,008	55,127	72%
<b>Profit After Tax</b>	<b>17,161</b>	<b>26,656</b>	<b>55%</b>	<b>32,586</b>	<b>51,753</b>	<b>59%</b>
EPS	9.59	14.88	-	18.21	28.89	-
DPS	4.00	7.00	-	7.00	14.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	17.4	25.1	47.2	55.4	50.2	47.5
EPS Growth	11.2%	44.2%	87.7%	17.4%	-9.3%	-5.3%
DPS	5.6	8.2	20	27.5	29.8	28.8
BVPS	48.3	64.4	103.2	131.4	152.8	170.9
PER	13.2	9.1	4.9	4.1	4.6	4.8
Dividend Yield	2.3%	3.4%	8.3%	11.4%	12.3%	11.9%
P/B	5.0	3.8	2.3	1.8	1.6	1.4
ROE	38.8%	45.4%	58.3%	51.0%	37.0%	30.6%

Source: Company Accounts, Akseer Research

### Valuation Basis

Our PT for Meezan Bank Limited (MEBL) has been computed using the dividend discounting method, with the Justified P/B for the calculation of the terminal value. We have used sustainable ROE of 26% to calculate exit P/B, along with a risk-free rate of 15%, a beta of 1.0, and a market risk premium of 6% to arrive at a cost of equity of 21%.

### Investment Thesis

We have a 'Hold' recommendation on the stock based on our Dec-24 PT of PKR 194/sh, which provides a downside of 20% along with a dividend yield of 11%. Our investment case on MEBL is based on (1) normalization of deposit growth, and (2) decline in interest rates.

### Risks

Key risks to our investment thesis are: 1) a lower-than-anticipated decline in interest rates, 2) lower-than-anticipated growth in advances and deposits, 3) higher-than-expected provisioning.

### Company Description

Meezan Bank Limited is the largest Islamic commercial bank operating in the country since 2002. Currently, the bank is engaged in corporate, commercial, consumer, investment and retail banking activities. As of March 2024, MEBL operated 1,007 branches in Pakistan.

### Financial Highlights - MEBL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	110,073	232,121	431,722	508,254	503,143	473,318
Mark-up/interest expensed	41,151	110,418	205,293	241,872	230,436	205,832
<b>Net interest income</b>	<b>68,921</b>	<b>121,704</b>	<b>226,429</b>	<b>266,382</b>	<b>272,707</b>	<b>267,486</b>
<b>Non-interest income</b>	<b>14,892</b>	<b>19,103</b>	<b>22,107</b>	<b>28,197</b>	<b>29,761</b>	<b>30,909</b>
Provision charged	993	4,177	7,340	5,031	7,475	8,281
Operating expenses	35,324	48,245	71,788	95,086	108,618	123,197
<b>Profit after tax</b>	<b>28,355</b>	<b>45,007</b>	<b>84,476</b>	<b>101,430</b>	<b>89,923</b>	<b>85,128</b>

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	170,501	117,743	242,612	266,873	306,904	343,732
Investments	620,132	1,283,210	1,572,388	1,617,882	1,819,398	2,037,697
Advances	758,086	995,508	961,673	1,185,245	1,398,998	1,556,924
Operating Fixed Assets	35,454	42,271	60,890	60,850	74,077	90,180
Other Assets	63,802	85,379	128,130	147,320	169,418	189,748
<b>Total Assets</b>	<b>1,902,971</b>	<b>2,577,398</b>	<b>3,012,109</b>	<b>3,329,227</b>	<b>3,827,513</b>	<b>4,284,044</b>
Borrowings from FIs	220,414	573,326	377,495	415,244	477,531	534,834
Deposits	1,455,886	1,658,490	2,217,474	2,439,221	2,805,105	3,141,717
Other Liabilities	82,982	169,095	167,305	173,779	199,846	223,827
<b>Total Liabilities</b>	<b>1,816,414</b>	<b>2,462,077</b>	<b>2,827,201</b>	<b>3,093,944</b>	<b>3,553,792</b>	<b>3,978,006</b>
Equity	86,558	115,321	184,908	235,283	273,720	306,038
<b>Total Liabilities &amp; Equity</b>	<b>1,902,971</b>	<b>2,577,398</b>	<b>3,012,109</b>	<b>3,329,227</b>	<b>3,827,513</b>	<b>4,284,044</b>

Source: Company Accounts, Akseer Research

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