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MEBL: 3QCY24 EPS to clock in at PKR 16.34, up 15% YoY, DPS PKR 7.00

Meezan Bank Limited

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

- Meezan Bank Limited (MEBL) is scheduled to announce its 3QCY24 financial result today, wherein we expect the bank to post an unconsolidated EPS of PKR 16.34 during 3QCY24, up 15% YoY. Along with the results, we expect MEBL to announce an interim cash dividend of PKR 7.00/sh.
- We expect the bank's Net interest income to grow by 19% YoY to PKR 75.9bn in 3QCY24. Interest income is likely to increase by 11% YoY to PKR 134bn while the interest expense is expected to grow at a slower pace of 2% YoY to PKR 58.1bn.
- Non-interest income is expected to remain muted at PKR 5.9bn (down -5% YoY) in 3QCY24.
- We expect the bank to book a provisioning expense of PKR 630mn during 3QCY24 against a provisioning expense of PKR 782mn in SPLY.
- Operating expenses are likely to clock in at PKR 23.8bn during 3QCY24, up 22% YoY, translating into a cost to income ratio of 29% for 3QCY24 vs 28% for 3QCY23.
- Effective tax rate of the bank is anticipated to record at 49% in 3QCY24.
- We have a 'Hold' stance on the stock with Dec-25 PT of PKR 221/share, providing a capital downside of 8% while the stock is offering a dividend yield of 12%.

Key Data

PSX Ticker	MEBL
Target Price (PKR)	221
Current Price (PKR)	241
Upside/(Downside) (%)	-8%
Dividend Yield (%)	12%
Total Return (%)	3%
12-month High (PKR)	256
12-month Low (PKR)	133
Outstanding Shares (mn)	1,795
Market Cap (PKR mn)	432,443

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24E	YoY	9MCY23	9MCY24E	YoY
M/up Earned	120,832	134,084	11%	303,817	383,435	26%
M/up Expense	56,765	58,135	2%	149,171	169,589	14%
Net Interest Income	64,067	75,949	19%	154,645	213,845	38%
Non-Interest Income	6,193	5,857	-5%	15,168	17,538	16%
Total Provisions	782	630	-19%	4,416	(649)	NM
Admin Expenses	19,507	23,799	22%	50,833	67,168	32%
Profit Before Tax	49,971	28,115	-44%	114,565	164,864	44%
Tax	24,519	28,115	15%	56,528	83,539	48%
Profit After Tax	25,451	29,262	15%	58,037	81,325	40%
EPS	14.21	16.34	-	32.40	45.40	-
DPS	5.00	7.00	-	12.00	21.00	-

Source: Company Accounts, Akseer Research

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	15.8	25.1	47.2	60.0	55.6	52.7
EPS Growth	27.9%	58.7%	87.7%	27.2%	-7.3%	-5.2%
DPS	5.1	8.2	20.0	28.0	28.0	31.5
BVPS	48.3	64.4	103.2	133.5	160.3	182.2
PER	15.2	9.6	5.1	4.0	4.3	4.6
Dividend Yield	2.1%	3.4%	8.3%	11.6%	11.6%	13.1%
P/B	5.0	3.7	2.3	1.8	1.5	1.3
ROE	38.8%	45.4%	58.3%	52.9%	42.9%	38.8%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Meezan Bank Limited (MEBL) has been computed on dividend discounting method using Justified P/B for the calculation of terminal value. We have used sustainable ROE of 26% to calculate exit P/B, along with a risk free rate of 14%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 20%.

Investment Thesis

We have a 'Hold' recommendation on the stock based on our Dec-25 PT of PKR 221/share which provides a downside of 8% along with a dividend yield of 12%. 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) lower than anticipated decline in interest rates, 2) lower than estimated 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 Dec 31, 2023, MEBL operated 1,004 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	496,434	408,308	377,127
Mark-up/interest expensed	41,151	110,418	205,293	212,147	127,699	100,628
Net interest income	68,921	121,704	226,429	284,287	280,609	276,500
Non-interest income	14,892	19,103	22,107	24,063	24,999	25,978
Provision charged	993	4,177	7,340	152	3,100	3,749
Operating expenses	35,324	48,245	71,788	92,043	94,537	102,980
Profit after tax	28,355	45,007	84,476	107,484	99,617	94,407

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	170,501	117,743	242,612	279,003	320,854	359,356
Investments	620,132	1,283,210	1,572,388	1,721,638	2,001,718	2,260,132
Advances	758,086	995,508	961,673	1,247,105	1,426,404	1,587,636
Operating Fixed Assets	35,454	42,271	60,890	44,229	44,024	43,819
Other Assets	63,802	85,379	128,130	154,017	177,119	198,373
Total Assets	1,902,971	2,577,398	3,012,109	3,500,794	4,033,143	4,519,903
Borrowings from FIs	220,414	573,326	377,495	434,119	499,237	559,145
Deposits	1,455,886	1,658,490	2,217,474	2,550,095	2,932,609	3,284,522
Other Liabilities	82,982	169,095	167,305	181,678	208,930	234,001
Total Liabilities	1,816,414	2,462,077	2,827,201	3,261,729	3,746,007	4,193,473
Equity	86,558	115,321	184,908	239,065	287,136	326,431
Total Liabilities & Equity	1,902,971	2,577,398	3,012,109	3,500,794	4,033,143	4,519,903

Source: Company Accounts, Akseer Research

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Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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