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21st October, 2024

MEBL: 3QCY24 EPS clocks in at PKR 14.36, up 1% YoY, DPS PKR 7.00

Meezan Bank Limited

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

- Meezan Bank Limited (MEBL) announced its 3QCY24 result today, wherein the bank recorded an EPS of PKR 14.36, up 1% YoY. Along with the result announcement, the bank declared an interim cash dividend of PKR 7.0/sh, taking the payout for 9MCY24 to PKR 21.0/sh.
- The net interest income for 3QCY24 arrived at PKR 76.9bn, marking a 20% YoY increase. Interest earned increased to PKR 128.5bn (+6% YoY) compared to interest expense, which decreased by 9% YoY to PKR 51.7bn.
- Non-interest income increased by 5% YoY to PKR 6.5bn on the back of a rise in fee and commission income (+28% YoY) to PKR 5.9bn.
- MEBL booked a provision expense of PKR 2.6bn, compared to PKR 0.78bn in SPLY (up by 2x YoY). On a sequential basis, the bank booked a provision expense in 3Q compared to a reversal in 2Q due to the absence of credit allowance reversal on advances.
- Admin expenses for 3QCY24 rose by 19% YoY to PKR 23.2bn, translating to a cost-to-income ratio of 28%, similar to that in 3QCY23.
- Effective tax rate clocked in at 55%, compared to 49% in SPLY.
- We have a 'Hold' stance on the stock with Dec-25 PT of PKR 221/sh, 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)	1,794
Market Cap (PKR mn)	434,327

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)	3QCY23	3QCY24	YoY	9MCY23	9MCY24	YoY
M/up Earned	120,832	128,506	6%	303,817	377,857	24%
M/up Expense	56,765	51,650	-9%	149,171	163,104	9%
Net Interest Income	64,067	76,856	20%	154,645	214,753	39%
Non-Interest Income	6,193	6,527	5%	15,168	18,208	20%
Total Provisions	782	2,572	229%	4,416	1,900	-57%
Admin Expenses	19,507	23,180	19%	50,833	66,549	31%
Profit before Tax	49,971	57,632	15%	114,565	164,512	44%
Tax	24,519	31,858	30%	56,528	86,985	54%
Profit after Tax	25,451	25,774	1%	58,037	77,527	34%
EPS	14.21	14.36	-	32.42	43.26	-
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	57.6	55.6	52.7
EPS Growth	27.9%	58.7%	87.7%	22.1%	-3.4%	-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	4.2	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 MEBL has been computed using the dividend discounting method, with the justified P/B applied to calculate the terminal value. We have used a sustainable ROE of 26% to calculate the exit P/B ratio, along with a risk-free rate of 14%, a beta of 1.0, and a market risk premium of 6% to arrive at a cost of equity of 20%.

Investment Thesis

We have a 'Hold' recommendation on the stock based on our Dec-25 PT of PKR 221/sh, 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) a 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 (MEBL) 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
Markup/Interest Earned	110,073	232,121	431,722	489,090	408,308	377,127
Markup/Interest Expensed	41,151	110,418	205,293	204,910	127,699	100,628
Net Interest Income	68,921	121,704	226,429	284,181	280,609	276,500
Non-interest Income	14,892	19,103	22,107	24,734	24,999	25,978
Provision Charged	993	4,177	7,340	2,807	3,100	3,749
Operating Expenses	35,324	48,245	71,788	91,413	94,537	102,980
Profit after Tax	28,355	45,007	84,476	103,121	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	1,696,600	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	3,475,756	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	3,232,099	3,746,007	4,193,473
Equity	86,558	115,321	184,908	243,657	287,136	326,431
Total Liabilities & Equity	1,902,971	2,577,398	3,012,109	3,475,756	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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