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BAFL: 3QCY24 EPS to clock in at PKR 6.45, up 18% YoY; DPS PKR 2.00

Bank Alfalah Limited

PSX: BAFL | Bloomberg: BAFL PA | Reuters: BAFL.PSX

- Bank Alfalah Limited (BAFL) is scheduled to announce its 3QCY24 financial result on 17 October, 2024, wherein we expect the bank to post an unconsolidated EPS of PKR 6.45 during 3QCY24, up 18% YoY. Along with the results, we expect BAFL to announce an interim cash dividend of PKR 2.00/sh.
- Net interest income (NII) for the quarter is anticipated to arrive at PKR 30.2bn (down by -5% YoY), with interest expense expected to outpace interest income, increasing by 29% YoY vs 19% YoY during 3Q.
- Non-interest income is estimated to increase by 85% YoY to PKR 10.2bn during 3QCY24. We have assumed capital gains of PKR 1.4bn (average of H1 2024) whereas fee & commission income is expected to stand at PKR 5.4bn (up 41% YoY), with forex income estimated to clock in at PKR 2.7bn.
- The provisioning expense for 3Q is expected to arrive at PKR 908mn, compared to PKR 4.2bn in SPLY. To recall, BAFL booked a hefty impairment of PKR 1.2bn on account of its subsidiary - Alfalah CLSA Securities Private Limited in 2QCY24. Absence of such impairment is expected to reduce the overall provisioning in 3QCY24.
- We expect administrative expenses to increase to PKR 19.6bn (up 18% YoY) compared to PKR 16.3bn in SPLY.
- We have a 'Hold' rating on the scrip with Dec-25 PT of PKR 69/share, providing an upside of 2%, along with a dividend yield of 12%.

Key Data

PSX Ticker	BAFL
Target Price (PKR)	69
Current Price (PKR)	68
Upside/(Downside) (%)	+2%
Dividend Yield (%)	12%
Total Return (%)	14%
12-month High (PKR)	71
12-month Low (PKR)	38
Outstanding Shares (mn)	1,577
Market Cap (PKR mn)	106,853

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24E	YoY	9MCY23	9MCY24E	YoY
M/up Earned	109,776	130,815	19%	286,233	386,703	35%
M/up Expense	77,982	100,603	29%	195,247	295,039	51%
Net Interest Income	31,794	30,211	-5%	90,985	91,664	1%
Non-Interest Income	5,531	10,227	85%	18,519	30,081	62%
Total Provisions	4,162	908	-78%	9,164	2,310	-75%
Admin Expenses	16,274	19,584	20%	47,587	58,174	22%
Profit before Tax	16,888	19,946	18%	52,753	60,765	15%
Tax	8,256	9,774	18%	25,501	29,984	18%
Profit after Tax	8,632	10,173	18%	27,252	30,781	13%
EPS	5.47	6.45	-	17.28	19.52	-
DPS	0.00	2.00	-	3.00	6.00	-

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS	9.0	11.5	23.1	25.2	23.4	21.1
EPS Growth	35.7%	28.1%	100.2%	9.2%	-7.4%	-9.7%
DPS	4.5	5.6	8.0	8.0	9.3	9.5
BVPS	63.4	63.4	87.4	102.4	120.4	133.2
PER	7.5	5.9	2.9	2.7	2.9	3.2
Dividend Yield	6.6%	8.3%	11.8%	11.8%	13.6%	14.0%
P/B	1.1	1.1	0.8	0.7	0.6	0.5
ROE	14.9%	18.2%	30.6%	26.6%	21.0%	16.7%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for Bank Alfalah Limited (BAFL) has been computed on the dividend discounting method using Justified P/B for the calculation of the terminal value. We have used sustainable ROE of 20% to calculate exit P/B, 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 Dec-25 PT of PKR 69/share, which results in an upside of 2% along with a dividend yield of 12%. Our investment case on BAFL is based on (1) strong deposit growth (2) banks focused on reducing cost-to-income ratio in the medium term, and (3) prudent exposure management of its loan book.

Risks

Key risks to our investment thesis are: 1) higher-than-anticipated growth in NPLs, especially from consumer portfolio, 2) lower-than-expected growth in advances and deposits 3) higher-than-anticipated increase in cost-to-income ratio.

Company Description

Bank Alfalah Limited commenced its banking operations in November 1992 and got listed on the Pakistan Stock Exchange in 2004. The bank is engaged in banking services, with a key focus on the consumer financing with a network of 1,009 branches (including 348 Islamic branches) across the country, and operating 10 overseas and one offshore banking unit.

Financial Highlights - BAFL

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest Earned	100,182	213,897	411,948	509,932	394,731	331,383
Mark-up/interest Expensed	54,134	136,558	285,877	387,812	269,579	218,533
Net interest Income	46,048	77,340	126,070	122,120	125,151	112,850
Non-interest Income	16,474	21,786	28,063	40,644	46,835	63,611
Provision Charged	2312	12468	9,462	3,218	9,623	8,369
Operating Expenses	36,840	50,497	66,497	80,677	90,058	98,532
Profit after Tax	14,217	18,206	36,456	39,761	36,876	35,476

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	105,606	140,613	202,692	214,854	236,339	259,973
Investments	809,214	1,114,407	2,067,263	1,897,787	2,046,803	2,187,747
Advances	673,881	732,375	735,052	1,080,515	1,237,680	1,423,510
Operating Fixed Assets	40,615	49,721	63,138	80,151	91,663	104,829
Other Assets	105,005	216,081	277,773	288,070	316,877	348,565
Total Assets	1,734,321	2,253,197	3,345,917	3,561,377	3,929,363	4,324,624
Borrowings from FIs	383,809	491,180	909,543	964,116	1,060,528	1,166,580
Deposits	1,139,045	1,486,845	2,084,997	2,210,097	2,431,107	2,674,217
Other Liabilities	111,465	175,157	213,453	225,691	247,841	272,329
Total Liabilities	1,634,319	2,153,182	3,207,994	3,399,904	3,739,475	4,113,127
Equity	100,003	100,015	137,923	161,473	189,888	211,497
Total Liabilities & Equity	1,734,321	2,253,197	3,345,917	3,561,377	3,929,363	4,324,624

Source: Company Accounts, Akseer Research

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

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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