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MCB: 3QCY24 EPS to clock in at PKR 13.22, down 10% YoY, DPS PKR 9.00

MCB Bank Limited

PSX: MCB | Bloomberg: MCB PA | Reuters: MCB.PSX

- MCB is scheduled to announce its 3QCY24 financial result today, wherein we anticipate the bank to post an unconsolidated EPS of PKR 13.22, down 10% YoY. Along with the result, we expect MCB to announce an interim cash dividend of PKR 9.00/share.
- We expect the net interest income to arrive at PKR 38.4bn for 3QCY24, remaining flattish on a YoY basis (-2.7%). Interest income is expected to increase by 7% YoY to PKR 96.8bn, while interest expense is estimated to clock in at PKR 58.4bn, up 15% YoY.
- Non-interest income is anticipated to grow by 16% YoY to PKR 9.9bn during 3Q on the back of higher FX income which is expected increase by 20% YoY to PKR 2.8bn.
- We expect MCB to book a provision expense of PKR 750mn versus a provision reversal of PKR 675mn in SPLY.
- Admin expenses are likely to increase by 17% YoY to PKR 16.8bn in 3QCY24 with cost to income for the quarter expected to clock-in at 32%.
- The effective tax rate is expected to arrive at 49% in 3Q versus a similar tax rate in SPLY.
- We have a 'Hold' rating on the scrip with Dec-25 price target of PKR 234/share, providing a downside of 5% along with a dividend yield of 12%.

Key Data

PSX Ticker	MCB
Target Price (PKR)	234
Current Price (PKR)	247
Upside/(Downside) (%)	-5%
Dividend Yield (%)	12%
Total Return (%)	7%
12-month High (PKR)	259
12-month Low (PKR)	142
Outstanding Shares (mn)	1,185
Market Cap (PKR mn)	293,136

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)	3QCY23	3QCY24E	YoY	9MCY23	9MCY24E	YoY
M/up Earned	90,102	96,795	7%	235,381	279,975	19%
M/up Expense	50,694	58,435	15%	128,964	166,759	29%
Net Interest Income	39,408	38,359	-2.7%	106,417	113,217	6%
Non-Interest Income	8,535	9,917	16%	22,600	28,173	25%
Total Provisions	(675)	750	-211%	1,236	1,255	2%
Admin Expenses	14,364	16,806	17%	39,684	46,697	18%
Profit Before Tax	34,254	30,720	-10%	88,095	93,438	6%
Tax	16,794	15,053	-10%	43,949	45,834	4%
Profit After Tax	17,460	15,667	-10%	44,147	47,605	8%
EPS	14.73	13.22	-	37.25	40.17	-
DPS	8.00	9.00	-	21.00	27.00	-

Key Financial Ratios	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
EPS (PKR)	26.0	27.6	50.3	50.1	47.9	45.7
EPS Growth	6.1%	6.3%	82.1%	-0.4%	-4.4%	-4.6%
DPS (PKR)	19.0	20.0	30.0	32.5	29.0	32.0
BVPS	147.2	159.9	194.7	200.7	201.6	202.5
PER	9.5	9.0	4.9	4.9	5.2	5.4
Dividend Yield	7.7%	8.1%	12.1%	13.1%	11.7%	12.9%
P/B	1.7	1.5	1.3	1.2	1.2	1.2
ROE	16.9%	18.0%	28.4%	25.3%	23.8%	22.6%

Source: Company Accounts, Akseer Research

Valuation Basis

Our PT for MCB Bank Limited (MCB) has been computed on dividend discounting method using Justified P/B for the calculation of terminal value. We have used a sustainable ROE of 21.4% to arrive 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 234/share which results in an downside of 5% along with a dividend yield of 12%. Our investment case on MCB is based on 1) One of the highest CASA in the industry 2) higher CAR to ensure sustainability of payouts, and 3) lowest cost to income ratio.

Risks

Key risks to our investment thesis are: 1) lower than anticipated growth in advances and deposits 2) higher than anticipated provisioning.

Company Description

MCB Bank Limited is a banking company incorporated in Pakistan providing commercial banking and related services in Pakistan and outside the country. The bank was incorporated in 1947 and is based in Lahore, Pakistan. As of Dec 31, 2023, MCB is operating through 1,430 branches in Pakistan and 8 branches outside the country, including Karachi Export Processing Zone.

Financial Highlights - MCB

Income Statement (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Mark-up/interest earned	123,334	200,763	328,057	367,141	333,040	290,729
Mark-up/interest expensed	59,347	113,607	180,356	222,008	185,723	148,980
Net interest income	63,987	87,156	147,701	145,133	147,317	141,749
Non-interest income	20,074	24,613	32,916	39,989	42,899	46,334
Provision charged	(4,823)	(2,782)	373	(5,195)	1,684	2,566
Operating expenses	35,381	41,495	51,838	59,127	63,524	66,538
Profit after tax	30,811	32,741	59,631	59,375	56,734	54,100

Source: Company Accounts, Akseer Research

Balance Sheet (PKR mn)	CY21A	CY22A	CY23A	CY24E	CY25F	CY26F
Cash & Treasury Balances	183,443	121,241	205,790	256,855	297,952	345,624
Investments	1,035,585	978,731	1,249,439	1,462,776	1,716,951	2,016,276
Advances	589,711	753,400	577,863	707,158	778,298	855,838
Operating Fixed Assets	58,307	80,719	214,016	87,430	85,694	83,993
Other Assets	60,955	93,301	214,016	256,819	297,910	345,576
Total Assets	1,970,468	2,085,355	2,557,338	2,858,896	3,278,719	3,765,528
Borrowings from Fls	269,526	340,237	216,611	259,933	301,523	349,766
Deposits	1,411,852	1,378,717	1,805,387	2,166,465	2,513,099	2,915,195
Other Liabilities	89,365	137,769	101	179,132	207,793	241,040
Total Liabilities	1,796,061	1,895,861	2,047,195	2,620,997	3,039,824	3,525,595
Equity	174,407	189,495	230,707	237,898	238,896	239,933
Total Liabilities & Equity	1,970,468	2,085,355	2,277,902	2,858,896	3,278,719	3,765,528

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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