

Day Break

Tuesday, 19 April 2016

Company Update

MCB Bank Limited

Commercial Banks

Recommendation	BUY
Target Price	260.3
Last Closing	203.2
Upside	28%

Market Data

Bloomberg Tkr.		MCB PA
Shares (mn)		1,113.0
Market Cap (PKRbn USDmn)	226.1	2,160.1
Exchange		KSE 100

Price Info.	90D	180D	365D
Abs. Return	1.4	(16.0)	(24.0)
Low	190.2	190.2	190.2
High	210.1	245.9	287.5

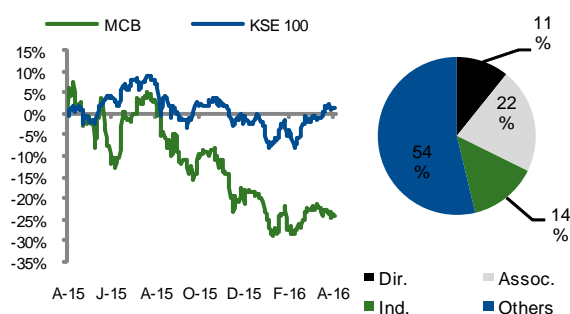
Key Company Financials

PKRbn	CY14A	CY15A	CY16E	CY17F
Total Revenue	56.9	66.4	66.5	70.3
Net Income	24.3	25.6	27.3	28.4
EPS (PKR)	21.9	23.0	24.5	25.5
DPS (PKR)	14.0	16.0	17.1	17.7
Total Assets	934.6	1,016.6	1,110.6	1,212.0
Total Equity	130.1	137.8	146.1	154.7

Key Financial Ratios

ROE (%)	19%	19%	19%	18%
P/E (x)	9.3	8.9	8.3	8.0
P/B (x)	1.7	1.6	1.5	1.5
DY (%)	6.9	7.9	8.4	8.7

Relative Price Performance & Shareholding



About the Company

The Bank was incorporated in Pakistan and is engaged in commercial banking and related services. Its Global Depository Receipts (GDRs) are traded on the International Order Book System of the London Stock Exchange.

Source: Bloomberg, KSE 100 & IGI Research

Analyst

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Commercial Banks

MCB:Earnings Estimated to Show Sequential Growth of +28%QoQ to PKR 6.16/share

- MCB Bank Limited (MCB) is schedule to announce its 1QCY16 result on 19th Apr-16. YoY. We expect the bank to post earnings of PKR 6.86bn (EPS PKR 6.16) during the period, up by +28%QoQ. Along with the result we expect the bank to announce PKR 4.25/share cash dividend.
- At current price of PKR 203.1/share, we recommend a 'Buy' call based on our Dec-16 target price of PKR 260.3/share, offering +28% upside. The scrip is trading at CY16F P/B of 1.6x and P/E of 8.3x, offering a decent 8.4% dividend yield.

MCB: Earnings Estimated to Show Sequential Growth of +28%QoQ to PKR 6.16/share

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We base our estimates on a) relatively unchanged interest income - expecting slowdown in interest earned, while lower deposit cost will keep overall interest expense on the lower side, b) Lower capital gain, keeping non-interest income growth static - compared to PKR 2.5bn capital gain in Mar-16, and c) hefty provision charge booked in 4QCY15, we expect overall quantum of provision charge to be restricted under 100mn.

Recommendation

At current price of PKR 203.1/share, we recommend a 'Buy' call based on our Dec-16 target price of PKR 260.3/share, offering +28% upside. The scrip is trading at CY16F P/B of 1.6x and P/E of 8.3x, offering a decent 8.4% dividend yield.

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Exhibit: Financial Highlights

PKRmn (Period end=Dec)	1QCY16E	1QCY15	YoY	4QCY15	QoQ
Interest Income	12,399	11,975	4%	12,437	0%
Non-Interest Income	3,441	5,243	-34%	3,637	-5%
Total Revenue	15,840	17,218	-8%	16,074	-1%
Operating expenses	5,234	5,610	-7%	6,180	-15%
Pre-provisioning Operating Profits	10,605	11,608	-9%	9,893	7%
Provisioning Charge	58	(266)	n.m.	1,628	-96%
Pre-Tax Profits	10,547	11,874	-11%	8,265	28%
Taxation	3,692	3,962	-7%	2,930	26%
Profit After Tax	6,856	7,912	-13%	5,336	28%
EPS	6.16	7.11		4.79	
DPS	4.25	4.00		4.00	
BVPS	125.72	122.81	2%	123.81	2%

Source: IGI Research, Company Financials

Analyst Certification

The analyst[^] hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

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Rating system

IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

Valuation Methodology

The analyst[^] has used following valuation methodology to arrive at the target price of the said security (ies):

- Justified Price to book

Time Horizon

- Dec-16

Risk

- Changes in State Bank of Pakistan Policy Rate

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