

17 May 2011

MCB Finance Group

Year End	Revenue (€m)	PBT (€m)	EPS* (c)	DPS (c)	P/E** (x)	Yield ** (%)
12/09	15.7	(0.6)	(6.1)	0.0	N/A	N/A
12/10	11.8	0.5	1.3	0.0	34.3	N/A
12/11e	16.8	2.8	10.8	0.0	4.2	N/A
12/12e	20.3	4.1	16.0	0.0	2.9	N/A

Note: *PBT and EPS are normalised. ** converted at €1.14 to £.

Investment summary: Estimates nearly doubled

MCB is a geared play on the Fenno-Baltic specialist lending market. When times are good, opportunities multiply and in its recent trading statement MCB advised new credit issued is up 45% on last year. Operational gearing means most of this revenue growth drops down to profit. Credit losses are in line with expectations and in 2011 there will be write backs. We have raised our 2011 /2012 pre-tax profit estimates from €1.6m and €2.1m, to €2.75m and €4.1m respectively, Our net income is raised from €1.1m and €1.5m to €1.8m and €2.7m and EPS from 6.8c and 9.6c to 10.8c and 16.0c. Even with recent share price rise, MCB trades on under 3x 2012 P/E.

Even gently improving macro-economic conditions mean more customers want to borrow, and more meet the company's credit standards. Effective advertising and new distribution arrangements have compounded this market growth. In our initiation, we stated that our 20% credit issued growth forecast was conservative, but recent growth has been 45%. Operational gearing means the cost increase is modest relative to this revenue growth. With a short average loan, credit deterioration is quickly evident and we believe that MCB's new lending, nearly two thirds of which will be repaid within the year, is around its target loss of c 20% of revenue. 2011 will also see an above average benefit of write backs from losses incurred in previous years.

The near doubling of near term estimates increases the Gordon's Growth valuation measure to 82p. This is still only a 5x 2012 multiple and leaves considerable room for upgrading, noting option dilution will increase as the share price rises.

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Price 40.5p
Market Cap £7m

Share price graph



Share details

Code MCRB
Listing AIM
Sector Financials
Shares in issue 17.39m

Price

52 week High Low
61.5p 10.0p

Business

MCB Finance Group is a leading online provider of short- and medium-term loans to customers in Finland, Estonia, Latvia and Lithuania using the Credit24 brand.

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