

### Profitable Half-Year Despite Biting Costs

**Recommendation: BUY TP: 10.24 CP: 8.05 UPP: +27.20%**

**Summary:** Access Holdings Plc (ACCESSCORP), recorded a 31.31% YoY growth in gross earnings to NGN591.69bn in H1:2022. The company's topline growth was driven by interest and non-interest income. Expansion in Interest income is attributed to increase (35.45% YoY) in interest on loan and advances even as interest on investment securities declined by 8.20% YoY. Non-interest income grew by 67.62% YoY to NGN219.38bn, aided by gains in income from trading and derivatives related activities (+214.97% YoY to NGN128.25bn) after recording losses in H1:2021. We note the rise in contribution of non-interest income to 37.08% in H1:2022 vs 29.04% in H1:2021. Also, there was an increase in impairment charges to NGN36.86bn (vs NGN28.67bn in H1:2021); however, cost-of-risk declined to 1.30% (vs 1.40% in H1:2021) due to increase in the stock of loans and advances. Rising input cost, high regulatory cost, and FX movement in the year led to a 35.23% YoY increase in OPEX to NGN256.68bn. Nevertheless, the company reported a 2.08% growth in Profit-After-Tax to NGN88.75bn (vs NGN86.94bn in H1:2021).

**Positives:** Growth in profitability and higher transaction velocity across digital channels and other e-business (+98.00% YoY)

**Negatives:** Cost-to-Income ratio and Cost-of-Fund increased vs H1:2021, Net Interest Margin declined vs H1:2021.

**Outlook:** We project 2022FY gross earnings of NGN1.07tn hinged higher interest income and contributions of new subsidiary.

#### Financial Highlight (NGN'bn)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Gross Earnings	591.69	450.61	+31.31%
Interest Income	372.30	319.73	+16.44%
Non-Interest Income	219.38	130.88	+67.62%
Operating Income	391.22	315.96	+23.82%
Operating Expense	256.68	189.80	+35.23%
PBT	97.80	97.50	+0.31%
PAT	88.75	86.94	+2.08%

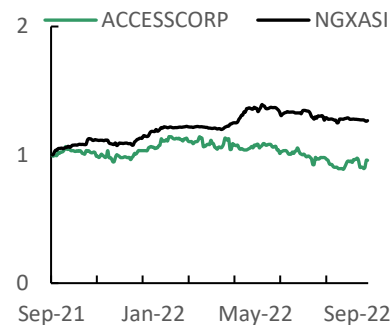
Balance Sheet	H1:2022	2021A	YtD % Change
Loans and Advances	4,926.80	4,445.91	+10.82%
Other Assets	8,273.12	7,286.05	+13.55%
Total Assets	13,199.92	11,731.96	+12.51%
Deposits from Customers	9,914.79	8,651.35	+14.60%
Other Liabilities	2,212.46	2,030.59	+8.96%
Total Liabilities	12,127.25	10,681.94	+13.53%
Shareholders' Fund	1,072.66	1,050.03	+2.16%

#### Valuation

Trailing EPS	4.62
BVPS	30.18
P/E	1.74
P/BV	0.27
Target PE	2.23x
Dec-2022 Exp. EPS	4.64
Dec 2022 Target price	<b>NGN10.24</b>
Current Price	NGN8.05

#### Stock Highlights

Yr Hi	10.40
Yr Lo	8.05
YTD return	-13.34
Beta	0.77
Adjusted Beta	0.85
Shares outstanding	35.55bn
Market cap [NGN]	<b>286.14bn</b>
Financial year end	December



#### Sensitivity Analysis of Dec-2022 Target Price to key model inputs

	Min	EPS					Max
		4.54	4.59	4.64	4.69	4.74	
<b>Target P/E</b>	2.11x	9.56	9.67	9.77	9.88	9.98	10.93
	2.16x	9.79	9.90	10.01	10.11	10.22	10.93
	2.21x	10.02	10.13	<b>10.24</b>	10.35	10.46	10.93
	2.26x	10.24	10.36	10.47	10.58	10.70	10.93
	2.31x	10.47	10.59	10.70	10.82	10.93	10.93

Key Metrics	H1:2022	2021A	3-yr Hist. Avg
Net Interest Margin	4.50%	4.30%	5.27%
Cost of Funds	3.20%	3.40%	3.90%
Capital Adequacy Ratio	22.50%	24.50%	21.70%
Non-Performing Loan Ratio	3.70%	4.00%	4.70%
Liquidity Ratio	53.60%	51.00%	48.00%
Asset Yield	8.60%	8.60%	10.13%
Cost-of-Risk	1.30%	2.17%	1.63%
Cost-to-Income Ratio	65.60%	58.80%	62.77%
Financial Leverage	12.31x	11.17x	11.50x

### Revised Financial Forecasts

<b>Financial Forecasts (NGN'bn)</b>					
<b>Profit and Loss Account</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Gross Earnings</b>	1,080.92	1,177.84	1,259.43	1,364.93	1,414.07
Interest Income	707.13	783.17	845.36	930.41	957.76
Interest Expense	164.83	164.98	174.31	224.39	221.54
Non-Interest Income	373.79	394.67	414.07	434.51	456.31
Operating Income	691.02	734.74	772.42	849.51	883.91
Operating Expenses	409.02	439.51	454.62	477.14	499.65
PBT	183.14	185.37	200.36	260.92	261.10
<b>PAT</b>	<b>164.83</b>	<b>164.98</b>	<b>174.31</b>	<b>224.39</b>	<b>221.54</b>
<b>Balance Sheet</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Loans and Advances	5,367.83	5,890.31	6,428.23	7,435.01	7,944.42
Other Assets	8,260.55	9,423.64	10,488.94	11,418.57	12,214.76
<b>Total Assets</b>	<b>13,746.39</b>	<b>15,424.55</b>	<b>17,017.83</b>	<b>18,941.28</b>	<b>20,237.83</b>
Deposits from customers	9,548.50	10,491.19	12,547.46	14,483.40	15,361.78
Other Liabilities	3,054.31	3,654.81	3,050.10	2,849.58	3,208.25
<b>Total Liabilities</b>	<b>12,602.94</b>	<b>14,147.51</b>	<b>15,599.74</b>	<b>17,336.33</b>	<b>18,576.29</b>
Shareholders' Fund	1,143.45	1,277.04	1,418.09	1,604.95	1,661.54

#### Key forecast drivers:

- High interest rate to drive interest income growth
- Increased scale and velocity of digital lending and digital channel transaction to drive non-interest income
- Expansion of business activities via Holdco subsidiaries development

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### Movements in Price Target

**Company Name:** Access Holdings Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
27-Sept-2022	8.80	11.99	10.15	BUY	BUY
02-June-2022	9.90	11.99	11.99	BUY	BUY

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