

### Unlocking Great Strides as Gross Earnings Exceeds NGN1trn

In the group's first financial year as a financial holding company, Access Holdings Plc. (**ACCESSCORP**) – Africa's leading bank by customer base – became the first Nigerian-based financial institution to hit the NGN1.00trn gross earnings milestone. Similar to its peers, the group recorded a double-digit growth rate (+42.77% YoY) in gross earnings to NGN1.39trn in 2022FY, buoyed by a combined expansion in interest income (+37.53% YoY) and non-interest income (+51.30% YoY). As a benefit of the high-interest rate environment, **ACCESSCORP** increased its asset yield (9.20% in 2022FY vs 8.60% in 2021FY) via loan repricing and a higher yield on investment securities. In addition, the group leveraged its growth in retail banking and wholesale bank consolidation to grow its loan book volume. Similarly, the growth in non-funded income was primarily driven by higher trading income (+131.38% YoY) and fees & commission income (+24.33% YoY), despite the significant dip in net foreign exchange gains and other operating income. Likewise, in Q1:2023, **ACCESSCORP's** gross earnings improved by 43.68% YoY to NGN424.92bn despite the fears around global financial stability. This growth trajectory was like the full-year dynamics, sustained by the additional 150bps Monetary Policy Rate (MPR) hike and increased electronic banking fees. **In 2023, we anticipate higher asset yield stemming from increased lending, higher average lending rate and the yield on investment securities. In addition, expanding the group's assets under management and leveraging other non-banking financial subsidiaries are expected to boost non-interest income. Subsequently, we project a 12.65% YoY increase in gross earnings to NGN1.56trn in 2023FY.**

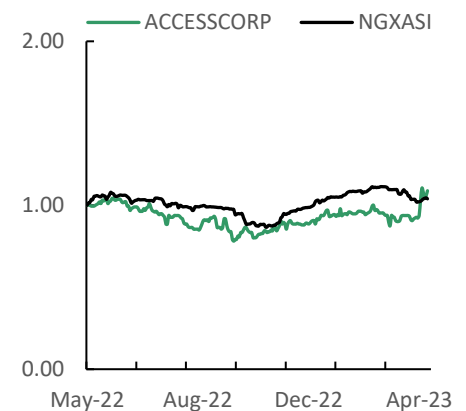
### Record Dividend Payout Despite Lower Earnings

The group's profound drive for retail banking growth and the higher borrowing cost pushed the cost of funds up to 4.10% in 2022FY (vs 3.40% in 2021FY). Thus, the Net Interest Margin was suppressed by 30bps to 4.00% during the period. In addition, adopting a holding structure and the several mergers and acquisitions made during the period raised professional fees by 92.86% YoY. That, as well as regulatory fees (c.16% of total operating expenses), and personnel and IT expenses, pushed operating expenses by 35.43% YoY to NGN502.36bn. Notwithstanding, its cost-to-income ratio in 2022FY improved by 90bps to 57.92% - its lowest since at least 2013. However, a significant surge in the group's impairment charges (+137.69% YoY) dampened its profitability prospects. As a result, **ACCESSCORP** reported a lower Profit After Tax (PAT) in 2022FY (NGN152.90bn), a 4.49% YoY decline from its 2021FY figure. Interestingly, despite the decline in profit, the group declared a record NGN1.30 final dividend (c.30% payout ratio). Contrary to its 2022FY performance, its Q1:2023 PAT rose substantially by 23.92% to NGN71.66bn. **For 2023FY, we expect the uptick in operating expenses to continue owing to higher funding costs and a surge in inflationary pressures. Also, we expect lower impairment charges during the period. Nonetheless, the solid operating income growth should suppress the expenses. Thus, we project a PAT of NGN193.41bn, translating to 26.49% YoY growth.**

### Sufficient Provisions; Minimal Exposure

Like most top Nigerian banks, **ACCESSCORP** reported a substantial impairment loss due to the recent sovereign debt restructuring programme by the Ghanaian Government. Thus, the group recorded a NGN103.10bn impairment charge on Ghana's domestic debt and Eurobonds. **Notably, the group's exposure to Ghanaian's sovereign debt is 2.32% of its total assets.** Although the Ghanaian Government has yet to disclose the restructuring terms for its Eurobonds, the group has taken a proactive step to make arguably sufficient provisions. Moreso, the group's minimal exposure provides a level of comfort.

Company	ACCESSCORP
<b>Valuation</b>	
Trailing EPS	NGN4.30
BVPS	NGN34.65
P/E	2.10x
P/BV	0.29x
Target PE	2.48x
Dec-2023 Exp. EPS	NGN5.44
Dec 2023 Target price	<b>NGN13.48</b>
Current Price	NGN10.40
Up/Downside Potential	<b>+29.75%</b>
<b>Ratings</b>	<b>BUY</b>
<b>Key metrics</b>	
ROE	13.40%
ROA	1.25%
Net margin	11.02%
Asset Turnover	0.10x
Leverage	12.18x
Yr Hi	NGN10.60
Yr Lo	NGN8.40
YTD return	+22.35%
Beta	0.41
Adjusted Beta	0.61
Proposed DPS	NGN1.30
Shares outstanding	35.55bn
Market cap [NGN]	369.67bn
Free Float	95.31%
Financial year end	December
Most Recent Period	2022FY



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**Asset Quality Undeterred by Loan Book Growth**

The group further strengthened its position as the largest Nigerian bank by total assets (NGN14.99trn) as it grew its gross loan book by 23.05% to NGN5.66trn. Despite the deteriorating macroeconomic conditions in the country, the group consciously maintained a better-diversified loan book by mitigating concentration risk to critical sectors. As a result, the group's Non-Performing Loans (NPL) ratio declined to 3.10% (vs 4.00% in 2021FY). Equally, it reported a higher NPL coverage ratio of 100.40% in 2022FY (vs 86.50% in 2021FY). Furthermore, the group's Capital Adequacy Ratio (CAR) and Liquidity Ratio came in above prudential levels at 19.60% and 39.50%, respectively.

**Recommendation**

Following our PAT forecast, we revised our expected 2023FY EPS upward to NGN5.44. Combining this with a Target PE of 2.48x, we arrived at a target price of **NGN13.48**. Compared to the closing price on 2<sup>nd</sup> May 2023, our target price shows that the stock has an upside potential of **+29.75%**. Thus, we rate the ticker a **BUY**.

Chart 1: Sensitivity Analysis

Sensitivity Analysis of Dec-2023 Target Price to key model inputs							Min	9.77
EPS							Max	17.69
		4.94	5.19	5.44	5.69	5.94		
Target PE	1.98x	9.77	10.27	10.76	11.26	11.75		
	2.23x	11.01	11.56	12.12	12.68	13.24		
	2.48x	12.24	12.86	13.48	14.10	14.72		
	2.73x	13.47	14.16	14.84	15.52	16.20		
	2.98x	14.71	15.45	16.20	16.94	17.69		

### Financial Highlights and Forecasts (NGN billion)

<i>Profit &amp; Loss Account</i>	2021FY	2022FY	2023F	2024F	2025F	2026F	2027F
Gross Earnings	971.47	1,387.00	1,562.49	1,673.35	1,809.51	1,922.64	2,003.32
Interest Income	601.65	827.47	955.24	1,018.34	1,114.46	1,224.19	1,295.52
Interest Expense	300.24	467.83	568.23	608.48	657.30	683.95	681.31
Net Impairment Charges	83.21	197.79	95.58	89.54	85.96	87.20	85.89
Net Interest income after impairment charges	218.20	161.84	291.43	320.32	371.20	453.04	528.33
Non-Interest Income	369.82	559.54	607.26	655.01	695.05	698.45	707.79
Operating Income	630.64	867.32	927.46	991.38	1,073.58	1,156.92	1,236.97
OPEX	370.94	502.36	619.17	670.84	708.18	746.80	786.82
PBT	176.58	167.68	212.70	231.00	279.44	322.92	364.26
<b>PAT</b>	<b>160.10</b>	<b>152.90</b>	<b>193.41</b>	<b>207.90</b>	<b>248.70</b>	<b>284.17</b>	<b>331.48</b>

<i>Balance Sheet</i>	2021FY	2022FY	2023F	2024F	2025F	2026F	2027F
Cash and Balances with Central Banks	1,487.67	1,969.78	1,891.80	2,671.53	3,452.66	5,063.92	5,385.23
Loans and Advances to Banks and customers	4,445.91	5,556.52	6,101.01	6,620.32	7,428.12	7,932.04	8,477.33
Investment Securities	2,270.34	2,761.07	3,232.67	3,539.04	4,056.42	4,682.59	5,377.00
Property and Equipment	247.73	298.35	294.09	340.18	387.20	431.25	474.72
Other Assets	3,280.32	4,412.68	5,166.12	5,498.54	5,234.88	4,515.44	4,727.78
<b>Total Assets</b>	<b>11,731.96</b>	<b>14,998.40</b>	<b>16,685.69</b>	<b>18,669.60</b>	<b>20,559.29</b>	<b>22,625.24</b>	<b>24,442.06</b>
Deposits from Banks and Customers	6,954.83	9,251.24	10,876.48	11,957.24	13,265.75	14,477.98	15,729.47
Financial Liabilities	3,132.28	3,702.60	4,176.87	4,842.70	5,250.00	5,888.37	6,264.89
Other Liabilities	594.83	813.17	39.38	44.49	53.16	63.27	57.80
<b>Total Liabilities</b>	<b>10,681.94</b>	<b>13,767.01</b>	<b>15,092.73</b>	<b>16,844.43</b>	<b>18,568.90</b>	<b>20,429.62</b>	<b>22,052.16</b>
Shareholders' fund	1,487.67	1,969.78	1,891.80	2,671.53	3,452.66	5,063.92	5,385.23

<i>Financial Ratios</i>	2021FY	2022FY	2023F	2024F	2025F	2026F	2027F
Asset Yield	8.60%	9.20%	9.13%	8.73%	8.27%	7.74%	7.24%
Cost of Funds	3.40%	4.04%	4.04%	3.80%	3.70%	3.50%	3.20%
Net Interest Margin	4.30%	4.00%	5.30%	5.15%	4.78%	4.43%	4.22%
Cost to Income Ratio	58.82%	57.92%	66.76%	67.67%	65.96%	64.55%	63.61%
Net Margin	16.48%	11.02%	12.38%	12.42%	13.74%	14.78%	16.55%
Return on Asset	1.73%	1.25%	1.34%	1.31%	1.42%	1.50%	1.55%
Return on Equity	17.78%	13.40%	13.70%	12.16%	13.04%	13.58%	14.46%
Earnings Per Share	4.58	4.30	5.44	5.85	7.00	7.99	9.33
Asset Turnover	0.10x	0.10x	0.10x	0.09x	0.09x	0.09x	0.09x
Financial Leverage	11.17x	12.18x	10.47x	10.23x	10.33x	10.30x	10.23x

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**Movements in Price Target**

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**Company Name:** Access Holdings Plc.

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
27-Jan-2023	9.00	-	11.12	-	BUY
02-May-2023	10.40	-	13.48	-	BUY

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Company	Disclosure
Access Holdings Plc.	

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