

Reaping the Dividends of Retailing

Best-in-Sector Topline Performance in 2023FY

In its full year result for 2023, Access Holdings Plc. (**ACCESSCORP**) reported impressive financial results across key financial metrics. Like its peers, the group grew its gross earnings to its highest level by 87.01% YoY to NGN2.59trn – highest in the banking sector. This remarkable growth is credited to improvements in both income and non-income streams. Interest income expanded by 99.93% YoY to NGN1.65trn (vs NGN827.47bn in 2022FY). This surge reflects the prevailing high-yield environment which is evinced in the 275bps increase in asset yield to 11.83% (vs 9.09% in 2022FY), thus fueling a growth in interest earned on loans and advances (+62.73% YoY) and investment securities (+165.00% YoY). Leveraging its robust retail banking arm and recent acquisitions, the group attained a +57.58% YoY growth in its loan portfolio (bolstered by loans repricing). Non-interest income also rose by 67.90% YoY to NGN939.38bn (vs NGN559.54bn in 2022FY). This growth was driven by heightened activity in investment securities and gains from fees and commission income (+40.43% YoY), attributed to higher transactions on its online banking channels. The banking subsidiary is known for the strength of its treasury department in facilitating trading activities and this is evinced in the 66.94% YoY growth in trading income to NGN628.93bn (66.94% of non-interest income).

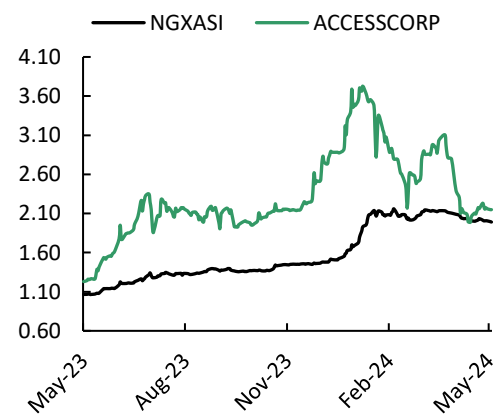
In 2024, we foresee a rise in asset yield driven by several factors, including expanded lending activities, higher average lending rates, and increased yields on investment securities. Additionally, initiatives aimed at growing the group's assets under management and leveraging its non-banking subsidiaries are anticipated to drive substantial growth in non-interest income. As a result of these anticipated developments, we project a substantial +29.83% YoY increase in gross earnings to NGN3.37trn in 2024FY.

Strong Profitability Despite Rising Costs

Amidst a challenging high-interest environment, the upward adjustment in the interest payable on savings deposits from 10% to 30% of the Monetary Policy Rate resulted in an uptick in the cost of funds to 5.37% (vs 4.05% in 2022FY). This was complemented by a 74.93% YoY increase in interest-bearing liabilities to NGN22.72trn (vs NGN12.99trn in 2022FY). Despite this, net interest margin rose by 132bps to 4.97% (vs 3.95% in 2022FY). Mirroring the high inflationary environment, operating expenses rose by 38.44% YoY to NGN767.22bn from NGN554.21bn in the prior period, primarily driven by escalations in various cost components. Specifically, personnel expenses grew by 43.97% YoY to offset inflationary pressures while regulatory expenses and IT expenses rose by 30.48% YoY and 74.90% YoY, respectively. More so, the addition of new subsidiaries in Angola, Cameroon, and France during the period incurred additional costs. Despite these factors, the cost-to-income ratio improved, dropping to a record-level of 51.31% (vs 76.83% in 2022FY), on the back of improvements in the group's core operations and various cost optimization initiatives. Overall, Profit After Tax (PAT) grew by +305.05% YoY to NGN619.32bn from NGN152.90bn in 2022FY. Furthermore, a final dividend of NGN1.80 was declared, bringing total dividend for the period to NGN2.10 while earnings per share jumped to NGN17.23 (vs NGN4.33 in 2022FY).

Considering our outlook for persistent inflationary pressures, we foresee a continued rise in operating expenses as the group continues to expand its reach across Africa. Nevertheless, it is expected that the substantial rise in operating income will counterbalance the impact of higher personnel expenses and operational costs. Thus, our forecast points to a 22.98% YoY growth in PAT, reaching NGN761.63bn in 2024FY.

Company	ACCESSCORP
Valuation	
Trailing EPS	13.51
BVPS	61.48
P/E	1.29
P/BV	0.28
Target PE	1.80x
Dec 2024 Exp. EPS	NGN14.28
Dec 2024 Target price	NGN25.68
Current Price	NGN17.40
Up/Downside Potential	+48.37%
Ratings	BUY
Key metrics	
ROE	21.97%
ROA	1.80%
Net margin	17.76%
Asset Turnover	0.10x
Leverage	12.21x
Yr Hi	NGN30.00
Yr Lo	NGN16.00
YTD return	-25.27%
Beta	0.88
Adjusted Beta	0.90
Proposed DPS	NGN1.80
Shares outstanding	35.55bn
Market cap [NGN]	614.93bn
Financial year end	December



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Proactive Risk Management, Strong Prudential Ratios

Despite the relative attractiveness of government instrument and the rally in the stock market during the period, **ACCESSCORP** was able to grow deposits by 65.63% YoY to NGN15.32trn. This growth trajectory was propelled by both real expansion in the deposit base and the favourable impact of foreign exchange (FX) rate unification. The growth in deposits bolstered the bank's ability to create more loan assets for non-cyclical sectors, as such, loans to customers advanced by 57.58% YoY with loans-to-deposits ratio standing at 53.48% (vs 56.21% in 2022FY). Non-performing loan (NPL) and NPL coverage ratios also improved to 3.08% and 62.10%, respectively (vs 3.40% and 55.92% in 2022FY), on the back of proactive monitoring and the group's disciplined approach to risk management.

However, we note the negative impact of the Naira devaluation on the bank's risky assets as risk-weighted assets grew by 50.33% to NGN9.46trn (vs NGN6.29trn in 2022FY). Despite this, capital adequacy ratio (CAR) improved to 21.09% (vs 20.20% in the prior year) owed to a more significant +56.59% growth in total regulatory capital. **ACCESSCORP** maintains a robust liquidity position, with the liquidity ratio comfortably exceeding the regulatory threshold at 49.90%. **We view ACCESSCORP's key prudential metrics as adequate and are expected to remain above the regulatory limits in 2023FY.**

Recommendation

Following our PAT forecast, we revised our expected 2024FY EPS upward to NGN14.28. Combining this with a target PE of 1.80x, we arrived at a target price of NGN25.68. Compared to the closing price on May 15, 2024, this translates to an upside potential of **+48.37%**. Thus, we rate the ticker a **BUY**.

Chart 1: Sensitivity Analysis

Sensitivity Analysis of Dec-2024 Target Price to key model inputs						Min	30.54
EPS						Max	46.03
	25.68	11.93	12.18	12.43	12.68	12.93	
Target PE	2.56x	30.54	31.18	31.82	32.46	33.10	
	2.81x	33.52	34.23	34.93	35.63	36.33	
	3.06x	36.51	37.27	38.04	38.80	39.57	
	3.31x	39.49	40.32	41.14	41.97	42.80	
	3.56x	42.47	43.36	44.25	45.14	46.03	

Financial Highlights and Forecasts (NGN billion)

Profit & Loss Account	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Gross Earnings	1,387.52	2,594.74	3,368.75	3,832.09	4,215.41	4,524.97	4,851.72
Interest Income	827.47	1,654.35	2,013.00	2,254.98	2,516.84	2,692.71	2,871.97
Interest Expense	467.84	958.99	1,181.30	1,401.41	1,539.07	1,586.77	1,660.07
Net Impairment Charges	197.79	139.53	243.25	292.02	303.50	336.66	352.86
Net Interest income after impairment charges	161.84	555.83	588.45	561.55	674.27	769.28	859.04
Non-Interest Income	559.54	939.48	1,021.07	1,148.46	1,282.15	1,437.41	1,611.81
Operating Income	721.38	1,495.31	1,609.52	1,710.00	1,956.42	2,206.69	2,470.86
OPEX	554.21	767.22	772.57	820.80	939.08	1,059.21	1,186.01
PBT	167.68	729.00	836.95	889.20	1,017.34	1,147.48	1,284.85
PAT	152.90	619.32	761.63	809.17	925.78	1,044.21	1,169.21

Balance Sheet	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Cash and Balances with Central Banks	1,969.78	3,059.19	4,756.18	5,209.68	5,911.40	5,384.51	6,254.22
Loans and Advances to Banks and customers	5,556.52	8,918.26	12,721.65	13,914.07	15,087.18	16,201.11	17,397.99
Investment Securities	4,531.76	8,954.96	14,600.46	15,486.63	16,435.85	17,453.52	18,326.20
Property and Equipment	298.35	424.70	560.61	627.88	703.22	787.61	882.13
Other Assets	2,642.00	5,331.73	6,788.63	7,125.36	7,471.89	7,835.56	8,217.23
Total Assets	14,998.40	26,688.83	39,427.53	42,363.62	45,609.54	47,662.32	51,077.76
Deposits from Banks and Customers	11,256.55	19,759.94	29,224.90	31,675.77	34,353.45	35,747.50	38,477.81
Financial Liabilities	307.25	585.02	976.99	928.14	974.55	1,023.27	1,074.44
Other Liabilities	2,203.20	4,158.23	5,622.73	5,495.55	5,968.59	6,492.98	7,074.74
Total Liabilities	13,767.01	24,503.20	35,824.62	38,099.46	41,296.58	43,263.76	46,626.98
Shareholders' fund	1,231.39	2,185.63	3,602.91	4,264.16	4,312.96	4,398.56	4,450.78

Financial Ratios	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Asset Yield	9.09%	11.83%	8.91%	7.95%	8.26%	8.26%	8.28%
Cost of Funds	4.05%	5.37%	5.00%	2.80%	3.00%	3.20%	3.50%
Net Interest Margin	5.03%	6.46%	3.91%	5.15%	5.26%	5.06%	4.78%
Cost to Income Ratio	76.83%	51.31%	48.00%	48.00%	48.00%	48.00%	48.00%
Net Margin	11.02%	23.87%	22.61%	21.12%	21.96%	23.08%	24.10%
Return on Asset	1.14%	2.97%	2.30%	1.98%	2.10%	2.24%	2.37%
Return on Equity	13.68%	37.32%	27.19%	21.23%	22.28%	24.75%	27.28%
Earnings Per Share	4.33	17.23	14.28	15.18	17.36	19.58	21.93
Asset Turnover	0.10x	0.12x	0.10x	0.09x	0.10x	0.10x	0.10x
Financial Leverage	12.41x	12.65x	11.29x	10.25x	10.92x	11.19x	11.85x

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We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

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- BUY:** Target Price of the stock is above the current market price by at least **10 percent**
- HOLD:** Target Price of the stock ranges between **-10 percent and 10 percent** from the current market price.
- SELL:** Target Price of the stock is more than **10 percent** below the current market price.

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Price Targets: Price targets reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or market and may not occur if the company's earnings fall short of estimates.

Asset allocation: The recommended weighting for equities, cash and fixed income instrument is based on a number of metrics and does not relate to a particular size change in one variable.

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-Jan-2023	9.00	-	13.48	-	BUY
07-July-2023	18.35	13.48	17.01	BUY	HOLD
10-Oct-2023	15.75	17.01	18.47	HOLD	BUY

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Access Holdings Plc.	

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