

Price	₦8.50
FVE (last communicated)	₦11.80
52-week range	₦5.30-12.00
Market Cap. (₦bn)	302,134
1-month Avg. Vol	24,655,607
Curr. PB	0.49x

ACCESS:NL - Share Price Trend



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Access Bank Plc. (ACCESS.NL)

Initial View

Depressed Q4 performance

- Access Bank Plc released its audited FY 19 results on Friday with Q4 PBT and PAT declining by 57.7% QoQ and 75.6% QoQ respectively. Despite an ease in funding cost pressure; lower NIR and higher loan loss provisioning were the major drivers of the moderation in earnings over Q4 19. For the full-year period, PBT was higher by 11.8% YoY while PAT expanded only 2.7% YoY due to a higher effective tax rate. Key driver for the FY performance was a strong growth in Net Interest Income (+59.7% YoY). That said, Access declared a final dividend of ₦0.40/share which translates to a dividend yield of ~5% based on last closing price.
- Looking more closely at the quarterly numbers, NIR declined by 71.6% QoQ largely reflecting FX trading loss of ₦74.8 billion (vs ₦23.6 billion gain in Q3 19) and unrealized FX revaluation loss of ₦14.2 billion (vs ₦481 million gain in Q3 19). Meanwhile, fee income growth held steady at 2.3% QoQ.
- Elsewhere, net loan loss provision expanded by 67% QoQ to ₦9.6 billion. Much of the expansion was driven by an impairment charge of ₦1.4 billion on accounts receivable compared to a write-back of ₦4.6 billion in Q3 19. Meanwhile, asset quality improved over the quarter with NPL ratio moderating to 6.0% (Q3 19: 6.3%).
- On interest earnings, funding cost fell faster (-15.9% QoQ) than interest income (-0.23% QoQ), resulting into an expansion of 21.7% QoQ in Net Interest Income. Access bank benefited from an improvement in CASA mix (Q3 19: 54%, Q4 19: 58%) as well as a lower rate environment in Q4 19. Consequently, both interest expense on customer deposits and banks moderated by 11.8% QoQ and 48.4% QoQ respectively. NIM advanced by 89 bps QoQ mirroring a faster decline in WACF (-125 bps) compared to asset yield (-49 bps). Elsewhere, CIR worsened to 73% in Q4 19 (Q3 19: 67%) despite OPEX moderating by 16.1% QoQ.
- Just less than a year after merging with Diamond bank, Access bank acquired Transnational Bank of Kenya as part of its 5-year strategy plan ending 2022. While we note the positives: diversification and reduced exposure to tight regulations in Nigeria, we do not expect gains to feed through immediately from the merger and acquisitions. The impact of this would be a significant outlay of capital without realizing full benefits in the interim.

- Currently, operations outside Nigeria (majorly Ghana and UK) contributes circa 28% to the group's PBT. Overall, despite improved funding cost, we note our concern on the sustainability of Access bank's FX gains. Against this backdrop, we note our reservation for the stock in the near term.
- The stock currently trades at a current P/B of 0.49x which is at a premium to its one-year average of 0.45x. We will revisit our numbers after further discussion with management.

Summary of Results

N'million	FY 19	FY 18	YoY (pps)	Q4 19	Q3 19	QoQ
Gross Earnings	666,754	528,745	26.10%	153,098	189,280	-19.12%
Net interest income	277,229	173,578	59.71%	67,011	55,072	21.68%
Non-interest revenue	112,109	138,229	-18.90%	14,364	50,594	-71.61%
Operating expenses	-253,770	-193,962	30.83%	-59,522	-70,947	-16.10%
Impairment charges	-20,189	-14,657	37.75%	-9,579	-5,731	67.14%
PBT	115,379	103,188	11.81%	12,275	28,988	-57.66%
PAT	97,510	94,981	2.66%	6,770	27,715	-75.57%
EPS	2.74	3.28	-16.45%	0.19	0.78	-75.57%
-	FY 19	FY 18	YoY (pps)	Q3 19	QoQ	
Loans	2,911,580	1,993,606	46.05%	2,768,270	5.18%	
Investment Securities	1,690,160	1,055,125	18.21%	1,661,566	-3.72%	
Total Assets	7,146,610	4,954,160	44.25%	6,606,271	8.18%	
Deposits	4,255,837	2,564,908	65.93%	4,239,083	0.40%	
Total liabilities	6,532,808	4,461,309	46.43%	5,988,386	9.09%	
Net Assets	613,802	492,851	24.54%	614,841	-0.17%	
BVPS	17.3	17.0	1.36%	17.4	-0.66%	
-	FY 19	FY 18	YoY (pps)	Q4 19	Q3 19	YoY (pps)
Asset Yields	12.59%	11.56%	1.04%	9.58%	10.07%	-0.49%
WACF	0.00%	5.25%	-5.25%	4.30%	5.55%	-1.25%
Net interest margins	5.80%	5.72%	0.09%	7.02%	6.14%	0.89%
Cost-income ratio	65.18%	62.21%	2.97%	73.15%	67.14%	6.00%
Cost of risk	0.69%	0.74%	-0.04%	1.25%	0.78%	0.47%
ROAE	15.83%	19.61%	-3.78%	4.30%	5.55%	-1.25%

ARM ratings and recommendations

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6-month period (minimum) to the review date. We adopt a 5-point rating system for this category of stocks and a 3-point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

TOP 20		NON-TOP 20	
Rating	Deviation	Rating	Deviation
STRONG BUY	>20%	BUY	>20%
OVERWEIGHT	10% — 20 %	NEUTRAL	5% — 20 %
NEUTRAL	0% — 10 %	SELL	<5%
UNDERWEIGHT	-5% — 0%		
SELL	<-5%		

RECOMMENDATION KEY	
Rating	Recommendation
BUY	Accumulate security to a substantial extent constrained only by portfolio diversification considerations
OVERWEIGHT	Accumulate security to an extent moderated by cognizance of its benchmark weight
NEUTRAL	Maintain status quo for security with respect to current holding—i.e. keep if already holding and don't buy otherwise—subject to reas portfolio constraints
UNDERWEIGHT	Minimize exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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