



Equity Research | Access Bank Plc.

ARM Research

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8 April 2014

Initial View

FY 2013 ended 31st December 2013

Recommendation: STRONG BUY

Revenue streams continue to offset with mild overall growth

- Access Bank Plc (Access) reported 1% YoY contraction in gross earnings to ₦206.8billion for the 12 months to December 2013. PBT of ₦45billion was flat YoY while PAT declined 13% YoY to ₦37.5billion.
- Access announced a final dividend of ₦0.35 which brings total FY 13 dividend to ₦0.60 per share and translates into a 40% payout ratio and dividend yield of 8.2% as at last close.
- Access reported 23% QoQ growth in total earning assets to ₦1.67trillion with cash (+162%) and loans (+7%) benefiting at the expense of securities (-2%). Though similar to Q4 13 dynamics with most other banks, this was already an established pattern with Access which on an ongoing basis was redeploying liquidity into loans (+34% YTD) although cash focus in Q4 13 hurt asset yields which declined 200bps in the quarter. As a result of the pricing pressure, interest income extended further declined 3% QoQ to ₦36.1billion, 9% short of our estimates. In contrast, non-interest revenue marked another quarter of strong gains rising 18% QoQ to ₦16.3billion, 26% ahead of our estimates. Growth in the period was driven by fee

Income Statement Data

	2013- 12 'm	2012 - 12 'm	%chg
Revenue	206,786	208,309	-1%
PBT	44,997	44,880	0%
Tax	(7,499)	(2,018)	272%
PAT	37,498	42,862	-13%

Balance Sheet Data

	2013-Dec 'm	2012 -Dec 'm	%chg
Cash	439,460	296,185	48%
Loans	810,750	604,073	34%
Deposit	1,331,419	1,201,482	11%
Fixed Asset	67,243	64,566	4%
Net Assets	244,483	240,990	1%

Stock Data

Price	₦7.33
52 week range	₦7.22 - ₦11.75
Market Cap. (N'm)	167,731.80
1-month Avg. Vol	27,094,005
Curr. PE	4.5x
Bloomberg Ticker	ACCESS: NL
Reuters Ticker	ACCESS.LG

Access Bank Plc - Share Price Trend



Analyst(s)

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income, which doubled QoQ to ₦10.2billion, and other income, which at ₦16.3billion was moderately ahead of 9M quarterly run-rate. However, trading income moderated 70% to ₦6.2billion from an exceptionally strong Q3. Overall, Q4 13 gross earnings of ₦52.4billion was 3% higher QoQ but matched our estimates.

- Interest expense of ₦18billion was also in line with our estimates (+2%) but 10% higher QoQ reflecting higher deposits which rose 9% QoQ to ₦1.33trillion and drove a similar-sized expansion in total funding base. However, an underlying shift from term towards low-cost funding extended the year-long trend of falling funding costs with annualized WACF dipping 30bps further in Q4 13 to 4.5% vs. our 4.4% estimate.

Cost containment remains a boon for profits

- Opex moderated further in Q4 13 with a 7% QoQ decline to ₦22.8billion, 13% behind our estimates which had factored in slightly faster balance sheet expansion than actual. Incidentally, the opex decline comes despite significant Q4 13 balance sheet growth and Access ascribing opex growth as at 9M 13 to regulatory costs; hence, we would have to clarify specific drivers of moderation from management.
 - Impairment charges rose 67% QoQ to ₦2.5billion which nonetheless was in line with our ₦2.6billion estimates and supports our earlier assertion that the undercurrent of recoveries remains strong with FY write-backs at ₦6.2billion. The QoQ rise likely reflects specific loan loss provisions and the overall level appears somewhat tempered relative to peers.
 - Largely reflecting stronger non-interest revenue and lower opex, PBT of ₦9.9billion was 10% higher QoQ whereas the same factors drove a wider 69% outperformance relative to our estimates which incorporated opex growth and subdued NIR. As we anticipated, Q4 13 tax charge was negligible, putting PAT of ₦9.8billion 40% higher QoQ and 71% above our estimates. Corresponding FY 13 margins at 22% for PBT and 18% for PAT are 100bps slower than 9M 13
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for the former but flat for the latter. On a YoY basis, PBT margin is at par but PAT is 300bps behind.

Upward profit revisions to uphold BUY rating

- Overall, the performance firms up Access' core operating improvements from a write-back boosted Q2. Whilst we continue to expect deeper funding synergies based on newfound scale, progress thus far remains tangible especially in light of recent regulatory headwinds. Furthermore, current PE of 4.5x and P/Bv of 0.7x compare favourably to peers' 6x and 1.2x respectively. Based on faster than expected profit growth which we expect could persist, our net revisions could lead FV estimate higher. Hence, with already significant upside potential based on our last FV estimate, we think our **STRONG BUY** rating will remain unchanged.

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 reasonable portfolio constraints
UNDERWEIGHT	Minimise exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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