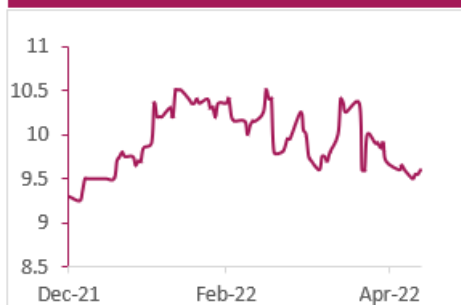




ACCESSCORP | BANKING | Q1 2022

Rating	STRONG BUY
Price	₦9.60
FVE	₦12.80
52-week range	₦9.55-₦10.10
Market Cap.	331.85bn
1-month Avg. Vol	13.86m
Curr.PB	0.33x

ACCESSCORP: - Share Price Trend



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ACCESS HOLDINGS Plc. (ACCESSCORP)

Stock Report

Asset Expansion Enhance Performance

- In its recently released Q122 financial statements, Access Bank Plc posted a 33.1% and 8.5% respective YoY growth in Gross Earnings and Profit before Tax to ₦295.7bn and ₦65.1bn. The performance was supported by impressive performance on both the Interest and Non-Interest Income legs.
- Interest Income increased 20.8% YoY to ₦173.7bn, owing to increased income from fixed income assets (+56% to ₦46bn) and income from loans (+12% to ₦92bn). This performance echoes the bullish sentiments in the fixed income market in the first quarter of the year and the 31.6% expansion in the loan book. Overall, total assets increased by 33.4% YoY to ₦12.1tn.
- As reported across peers, Interest Expense soared 73.2% to ₦86.3bn due to a surge in interest paid on customer deposits by 156% to ₦54bn. As customer deposits grew by 31.8% to ₦7.5tn compared to a faster rise in interest paid on the deposits, annualized Cost of Funds surged 79bps to 3.8%. Overall, Net Interest Income declined 7.0% to ₦87.4bn due to the sharper rise in interest expense and Net Interest Margin dropped 1.81ppts to 3.8%.
- For Non-Interest Revenue (NIR), performance was splendid, as it grew (+55.8%) to ₦122.0bn. We observed this as depicting impressive outing in Fee & Commission (+44.5%), Realized Foreign Exchange Gains of ₦85.8bn (Vs ₦1bn in Q121) and a ₦17.5bn gain on Hedging Instruments (Vs ₦5bn in Q121). These gains largely masked the ₦85.5bn loss on non-hedging derivatives and bolstered NIR growth.

- Operating expenses increased 28.1% YoY to ₱117.2bn driven by sharper growth in personnel expenses (+45.8%), AMCON charges (+26.8%), and IT&E-Business expenses (+44.6%). Thus, cost-to-income ratio soared 4.0ppts to 59.8%.
 - We observed that topline growth was enough to amplify profitability, evidence by the 8.5% and 9.2% growth in PBT and PAT to ₱65.1bn and ₱57.4bn, respectively. Nonetheless, Efficiency ratios - RoE and RoA dropped to 20.9% and 3.8% in Q122 from 26.5% and 5.6% in the corresponding period in 2021. A testament to the impact of a not-so-favourable regulatory environment, and how it continues to impair profitability per unit of Total Assets and Shareholders Fund.
 - Access Bank, given its size, is poised for growth in topline and increased profitability. Already, Gross Earnings and profits, when annualized, slightly exceeded our estimates for FY22. It is noteworthy that we expect this performance to be sustained through the year. In addition, cost of funds, relative to its peers, remains a major concern. We set a 1-year target price of ₱12.80 for ACCESSCORP, a 33.3% upside to its current close of ₱9.60. Thus, we give a **STRONG BUY** rating on the stock.
-

Summary of Results

N'million	Q1 2022	Q1 2021	YoY
Gross Earnings	295,736	222,140	33.1%
Net Interest Income	87,359	93,959	-7.0%
Non-Interest Revenue	122,048	78,342	55.8%
Operating Expenses	(117,187)	(91,496)	28.1%
Impairment	(13,685)	(12,536)	9.2%
PBT	65,134	60,052	8.5%
PAT	57,399	52,549	9.2%
EPS	1.6	1.5	9.2%
N'million	Q1 2022	Q1 2021	YoY
Loans	4,285,714	3,256,216	31.6%
Total Assets	12,082,447	9,054,204	33.4%
Deposits	7,494,464	5,684,591	31.8%
Total Liabilities	10,986,129	8,261,129	33.0%
Net Assets	1,096,318	793,075	38.2%
BVPS	30.8	22.3	38.2%
	Q1 2022	Q1 2021	YoY (pps)
Cost of Funds	3.8%	3.0%	0.8%
Net Interest Margin	3.8%	5.6%	-1.8%
Cost-Income Ratio	59.8%	55.8%	4.0%
ROE	20.9%	26.5%	-5.6%
ROA	1.9%	2.3%	-0.4%

Balance Sheet	2020	2021A	2022E	2023E	2024E
Assets					
Interbank	392,821	284,548	298,776	313,714	329,400
Inv. Securities	1,749,549	2,270,338	2,542,778	2,797,056	3,020,821
Net loans	3,218,107	4,161,364	4,910,409	5,646,970	6,211,667
Interest-earning assets	6,292,302	9,096,423	10,282,906	11,415,232	12,132,356
Total Assets	8,679,748	11,731,965	12,943,348	14,104,591	14,852,079
Liabilities					
Borrowings	960,615	1,435,755	1,555,526	1,687,036	1,760,595
Deposits	6,545,815	8,651,348	9,516,483	10,391,628	11,264,014
Interest-bearing liabilities	7,506,431	10,087,103	11,072,009	12,078,664	13,024,609
Total liabilities	7,928,706	10,681,936	11,703,352	12,788,299	13,772,076
Shareholders'Equity	751,041	1,050,029	1,239,996	1,316,292	1,080,002

Income Statement	2020	2021A	2022E	2023E	2024E
Gross Earnings	727,812	971,793	1,063,708	1,150,809	1,284,432
Interest Income	489,217	601,701	681,864	742,457	839,498
Interest Expense	(226,267)	(300,243)	(332,681)	(360,538)	(396,546)
Net Interest Income	262,950	301,459	349,183	381,919	442,952
Non-Interest Revenue	252,374	329,503	381,844	408,352	444,934
Operating Expenses	(326,509)	(371,141)	(445,926)	(482,065)	(550,930)
Provision Charge	(62,893)	(83,213)	(90,989)	(97,650)	(96,470)
PBT	125,922	176,701	194,111	210,555	240,486
Tax	(19,912)	(16,485)	(26,598)	(27,264)	(28,843)
Net Profit	106,010	160,216	167,513	183,292	211,644
Dividends	28,436	35,545	40,501	41,825	51,529

Key Growth Rates	2020	2021A	2022E	2023E	2024E
Loans	17.8%	23.1%	17.2%	14.4%	9.7%
Interest Earning Assets	25.8%	44.6%	13.0%	11.0%	6.3%
Deposits	20.3%	32.2%	10.0%	9.2%	8.4%
Interest Bearing Liabilities	21.3%	34.4%	9.8%	9.1%	7.8%
Assets	21.5%	35.2%	10.3%	9.0%	5.3%
Gross Earnings	4.8%	33.5%	9.5%	8.2%	11.6%
PBT	12.5%	40.3%	9.9%	8.5%	14.2%
PAT	12.7%	51.1%	4.6%	9.4%	15.5%

Per-share data	2020	2021A	2022E	2023E	2024E
No of common shares (mn)	35,545.23	35,545.23	35,545.23	35,545.23	35,545.23
EPS	2.95	4.45	4.66	5.09	5.88
DPS	0.80	1.00	1.14	1.18	1.45
BVPS	20.92	28.88	34.89	37.03	30.38

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%	N/A	
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	Minimize exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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