



Price	NGN20.00
52-week range	NGN15.65- NGN30.70
<b>TP</b>	<b>NGN25.47</b>
<b>Rating</b>	<b>STRONG BUY</b>
Market Cap	NGN709.13bn

## ACCESS HOLDINGS PLC (ACCESSCORP)

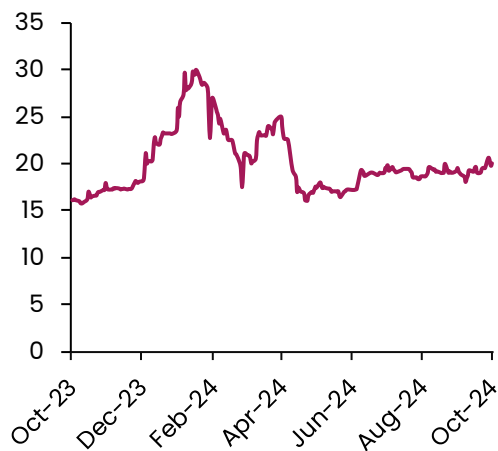
### Earnings Note: H1:2024

#### Higher Cost of Fund Limits Bottomline

In its recently released audited H1:2024 results, Access Holdings' Gross Earnings grew by 133.56% YoY<sup>1</sup> to NGN2.20trn mainly due to the spike in interest income (+142.59% YoY to NGN1.47trn) and non-interest income (+116.11% YoY to NGN719.83bn), an offshoot of the fair value and foreign exchange gain. Elsewhere, Operating Expenses increased by 127.61% YoY to NGN719.10bn, following higher personnel expenses and IT & e-business expenses in the period. Profit Before Tax (PBT) and Profit After Tax (PAT) increased by 108.19% YoY and 107.71% YoY each to NGN348.92bn and NGN281.33bn respectively. Overall, Net Profit Margin declined to 12.82% in the period (vs. 14.41% in H1:2023).

*We retain our target price for ACCESSCORP at NGN25.47 for 2024FY. At its current price of NGN20 as of 4<sup>th</sup> October 2024, this translates to an upside prospect of 27%. Thus, we put a "STRONG BUY" rating on the stock.*

#### ACCESSCORP-Share Price Trend



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<sup>1</sup> Year-on-Year

### Income from Investment Securities and Customers Loan Buoy Performance

Interest Income rose by 142.59% YoY to NGN1.47bn, an offshoot of higher income from investment securities (+152.46% YoY to NGN654.71bn) and interest on loans to customers (+117.21% YoY to NGN691.86bn). This is following an expansion in investment securities (+122.10%) and loans and advances to customers (+61.49%). We believe that the improvement in interest income was supported by loan reprising amid higher interest rate environment in the period. (MPR<sup>2</sup> as of June 2024; 26.25% vs. MPR as of June 2023; 18.75%). Additionally, the higher fixed income yields in H1:2024 relative to H1:2023 contributed to the higher income from investment securities.

### Higher Interest Expense Limits Net Interest Income

Interest expense surged 150.58% YoY to NGN958.73bn as interest expense on deposit from financial institutions (+262.80% YoY to NGN419.23bn) and deposit from customers (+98.11% YoY to NGN411.22bn). We attribute this to the increase in deposits from financial institutions (+198.55% YoY to NGN7.24trn) and customer deposits (60.79% YoY to NGN20.11trn) as well as the higher rate paid on customer deposits due to the upward review of MPR in the period. Consequently, annualized cost of funds surged to 6.22% (vs. 4.39% in H1:2023), regardless of the slight improvement in the proportion of cheap deposits (CASA) settling at 66.44% of total deposits in H1:2024 (H1:2023: 64.63%). Due to the sharp increase in interest expenses, net interest income settled at NGN513.39bn (vs. NGN224.24bn).

### Non- Interest Revenue – Fair Value & FX Gain Takes Center Stage

Non-interest income grew by 116.99% YoY to NGN723.61bn, mainly due to the increase in fair value and foreign exchange gain (+111.88% YoY to NGN406.91bn). Specifically, the increase was attributed to net gains on financial instruments of NGN165.61bn while net FX gain grew marginally by 3.92% to NGN253.90bn. Meanwhile, fees and commissions grew by 100.73% YoY to NGN250.95bn due to improved credit related fees and commissions (+86.22% YoY to NGN91.74bn), channels and other E-business income (+67.96% YoY to NGN73.81bn) and

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<sup>2</sup> Monetary Policy Rate

commission on other financial services (+267.47% YoY to NGN38.17bn). Finally, other operating income increased by 286.77% YoY to NGN61.97bn.

#### Personnel Expenses Takes the Lead

Operating expenses increased by 127.61% YoY to NGN719.10bn. This is attributable to increased personnel expenses (+93.72% YoY to NGN158.85bn). Furthermore, IT & e-business expenses surged by 265.13% YoY to NGN111.24bn while AMCON expenses increased by 63.10% YoY to NGN112.22bn. Finally, administrative expenses (+128.54% YoY to NGN62.54bn) further increased in the period. Consequently, cost-to-Income ratio declined by 0.50% to 60.41% in H1:2024.

#### Profitability Improved in the Period

Despite an impressive NGN2.2trn Gross Earnings, spiraling interest expenses and operating expenses limits bottom line performance. Overall, Profit Before Tax and Profit After Tax increased by 108.19% YoY and 107.71% YoY to NGN348.92bn and NGN281.33bn respectively. Likewise, Return on Asset and Return on Equity increased to 1.54% and 19.83% in H1:2024.

#### Outlook: Positive Outing in 2024FY

We expect to see improvement in the Group's interest income and non-interest income for the rest of the year riding on an elevated interest rate environment, consequently leading to robust profitability.

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## Summary of Results

NGN' million	H1:2024	H1:2023	YoY
Gross Earnings	2,195,256	939,927	133.6%
Net Interest Income	513,391	224,239	128.9%
Non-Interest Revenue	723,613	333,472	117.0%
Operating Expenses	(719,100)	(315,941)	127.6%
Net Impairment Charge on Financial assets	(122,738)	(37,175)	230.2%
PBT	348,922	167,600	108.2%
PAT	281,327	135,439	107.7%
EPS	7.61	3.74	103.5%
NGN'million	H1:2024	H1:2023	YoY
Loans	12,275,727	7,623,266	61.0%
Total Assets	36,596,696	20,853,268	75.5%
Deposits	27,352,466	14,933,248	83.2%
Total Liabilities	33,759,270	19,121,783	76.5%
Net Assets	2,837,426	1,731,485	63.9%
BVPS	79.83	48.71	63.9%
Ratios	H1:2024	H1:2023	YoY ppts
Cost of Funds	6.22%	4.39%	1.8%
Net Interest Margin	3.83%	3.12%	0.7%
Cost-Income Ratio	60.41%	60.72%	(0.3%)
ROE	19.83%	15.64%	4.2%
ROA	1.54%	1.30%	0.2%

**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
<b>STRONG BUY</b>	>20%	<b>BUY</b>	>20%
<b>OVERWEIGHT</b>	10% – 20 %	<b>HOLD</b>	5% – 20 %
<b>HOLD</b>	0% – 10 %	<b>SELL</b>	<5%
<b>UNDERWEIGHT</b>	-5% – 0%	<b>N/A</b>	
<b>SELL</b>	< -5%		

Ratings	Recommendation
<b>BUY</b>	Accumulate security to a substantial extent constrained only by portfolio diversification considerations.
<b>OVERWEIGHT</b>	Accumulate security to an extent moderated by cognizance of its benchmark weight
<b>HOLD</b>	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
<b>UNDERWEIGHT</b>	Minimize exposure to security taking cognizance of its index weighting
<b>SELL</b>	Sell-off security completely from portfolio

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