



Q1:2024 EARNINGS UPDATE

ACCESS HOLDINGS PLC
(ACCESSCORP)



3RD MAY, 2024

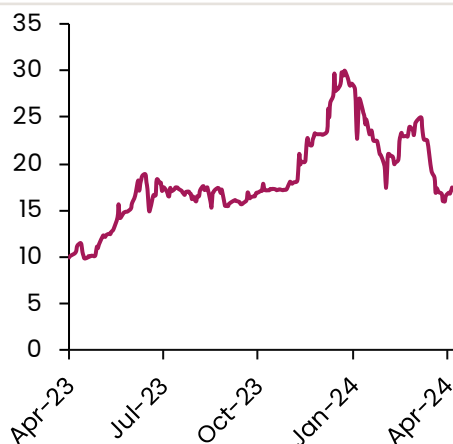
BANKING | EQUITY RESEARCH

Price	NGN17.50
52-week range	NGN9.6-NGN30.7
TP	NGN25.88
Rating	STRONG BUY
Market Cap	NGN580.17bn

ACCESS HOLDINGS PLC | Core

Banking Income Sets the Stage

ACCESSCORP-Share Price Trend



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In its Q1:2024 financial statements, Access Holdings Plc posted a 129.20% and 148.03% YoY growth in Gross earnings and Profit before Tax to NGN974.24bn and NGN202.74bn respectively. The performance was mainly driven by impressive returns on interest income.

Interest Income climbed 183.07% YoY to NGN719.60bn while non-Interest revenue grew 39.86% YoY to NGN254.64bn. On the other hand, Operating Expenses rose by 86.46% YoY to NGN279.31bn as personnel expenses, regulatory expenses and IT and e-business expenses rose sharply in the period. Overall, Net Profit Margin slipped 54bps to 16.35% in Q1:2024.

Income from Investment Securities & Customers Loans

Interest Income increased 183.07% YoY to NGN254.22bn, owing to increased interest on investment securities (+256.02% YoY to NGN321.50bn), and interest from loans and advances to customers (+125.25% YoY to NGN335.84bn). This performance echoes the expansion in the loan book (+91.03% YoY to NGN9.62trn) and investment securities (+142.52% YoY to NGN8.52trn) amid rising interest rate and fixed income yield environment. Overall, total assets increased by 106.90% YoY to NGN32.57trn.

Spiraling Interest Expense Amid Deteriorating Cheap Deposits

Interest Expense spiked 179.28% YoY to NGN443.88bn, due to a surge in interest paid on deposit from financial institutions (+364.72% YoY to NGN181.80bn) and customer deposits (+108.43% YoY to NGN204.44bn). This mirrors the expansion in deposits from financial institutions (+265.49% YoY) and deposits from customers (+81.87% YoY) Additionally, we are not oblivious of the higher interest rate environment and its effect on deposit rates. Furthermore, the proportion of cheap deposit to total deposit declined in the period to 57.54% (vs. 64.63% in Q1:2023). Consequently, annualized Cost of Funds surged 164bps to 6.37%. Overall, Net Interest Income grew by 189.39% YoY to NGN275.72bn and Net Interest Margin (NIM) increased by 141bps to 4.80%.

Non-Interest Revenue – Fee and Commission Income Takes the Lead

Non-Interest Revenue (NIR) grew (+39.86% YoY) to NGN254.64bn. We observed this as depicting impressive outing in Fees and Commission (+83.44% YoY) to NGN112.38bn. This is following growth in credit related fees and commissions (+97.44% YoY to NGN44.39bn), channels and other E-business income (+61.56% YoY to NGN33.39bn) and account maintenance charge and handling commission (+109.92% YoY to NGN13.80bn). Furthermore, other operating income also supported the growth in NIR following impressive dividends on equity securities (NGN9.59bn), increase in income from other investments (+354.23% YoY to NGN4.24bn) and income from other financial services (+860.40% YoY to NGN3.32bn). Additionally, Fair value and foreign exchange gain grew by 12.67% YoY to NGN19.23bn in the period.

Higher Personnel & Regulatory Expenses

Operating expenses increased 86.46% YoY to NGN279.31bn driven by a spike in personnel expenses (+137.88% YoY to NGN79.85bn) mirroring the increasing inflationary environment. Furthermore, AMCON levy surged 68.43% YoY to NGN56.11bn as well as IT and e-business expenses (+119.60% YoY to NGN22.35bn). However, Cost-to-income ratio improved in the quarter as operating income grew faster than operating expenses (55.33% in Q1:2024 Vs 59.86% in Q1:2023).

Asset Quality

Annualized Cost of Risk (COR) declined by 67bps to 0.67% as the Group's provisioning for impairment on customer's loan slightly declined by 4.38% YoY. Capital Adequacy Ratio also improved by 1.77% to 20.78%, remaining above the regulatory requirement.

Topline Supports Profitability

Despite the surge in expenses, we observed that topline growth was enough to increase profitability, evidenced by the 148.03% and 121.84% growth in PBT and PAT to NGN202.74bn and NGN159.29bn, respectively. Consequently, annualized efficiency ratios – Return on Equity (ROE) and Return on Asset (ROA) increased to 25.02% and 1.96% in Q1:2024 from 20.57% and 1.82% in the corresponding period in 2023.

Outlook: Positive Outing in Topline and Bottom-Line

Access Holdings Plc, given its size, is poised for growth in topline and increased profitability. Already, Gross Earning and profits, when annualized, slightly exceeded our estimates for 2024FY. It is noteworthy that we expect this performance to be sustained in the year, given the elevated interest rate and fixed income yield environment. However, Cost of fund may continue its uptrend given higher borrowing cost.

We maintain our **STRONG BUY** rating on ACCESSCORP with a target price of **NGN25.88** for 2024FY. At its current price of NGN17.50 as of 2nd May 2024, this translates to an upside prospect of 48%.

Summary of Results

N'million	Q1:2024	Q1:2023	YoY
Gross Earnings	974,242	425,062	129.2%
Net Interest Income	275,719	95,277	189.4%
Non-Interest Revenue	254,643	170,846	49.0%
Operating Expenses	(279,308)	(149,792)	86.5%
Impairment	(22,794)	(18,710)	21.8%
PBT	202,738	81,740	148.0%
PAT	159,286	71,801	121.8%
EPS	4.35	1.99	118.6%
N'million	Q1:2024	Q1:2023	YoY
Loans	10,900,098	5,809,895	87.6%
Total Assets	32,570,324	15,742,013	106.9%
Deposits	24,734,203	11,761,535	110.3%
Total Liabilities	30,023,352	14,345,779	109.3%
Net Assets	2,546,972	1,396,234	82.4%
BVPS	71.65	39.28	82.4%
Annualized Ratios	Q1:2024	Q1:2023	YoY
Cost of Funds	6.37%	44.73%	-38.4%
Net Interest Margin	4.80%	3.40%	1.4%
COR	0.67%	1.34%	-0.7%
ROE	25.02%	20.57%	4.5%
ROA	1.96%	1.82%	0.1%

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%		

Ratings	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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