

Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.95	29.95	13.4%	HOLD
Equity bank	60.84	48.00	26.8%	BUY
KCB bank	59.61	41.15	44.9%	BUY
Co-op bank	16.15	11.90	43.6%	BUY
ABSA bank	12.47	11.05	35.7%	BUY
StanChart bank	134.08	133.00	0.8%	HOLD
NCBA bank	33.44	24.50	36.5%	BUY
I&M bank	21.43	17.00	26.1%	BUY
Stanbic bank	94.83	95.50	-0.7%	HOLD
DTB bank	106.48	49.00	117.3%	BUY
EABL	256.11	155.25	65.0%	BUY
Bamburi Cement	89.84	33.10	171.4%	BUY
BAT Kenya	521.50	440.00	18.5%	BUY

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- After announcing a 172.2% y/y growth in FY22 EPS, EABL traded up to a 5-month high on account of foreign and local demand. Similarly, Equity bank rallied to a 3-month high, buoyed by local and foreign demand. Centum Investments dropped to a 13-year low on account of foreign investors' sell-off.

Debt market commentary and outlook

- Following three weeks of heightened activity, overall subscription rate decreased to 82.1%, down from 144.1% recorded the prior week, mainly weighed by reduced activity on the 182-day and 364-day T-Bills. Activity continued to be biased on the 91-day T-Bill, with its yield rising for the ninth successive week. After trending upwards for the last five weeks, the yield on the 182-day paper broke its upward trajectory. For the second consecutive week, Eurobond yields across all tenors declined.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,701.3	1.5%	4.8%	-8.2%	-9.3%	-13.8%	-10.6%
Kenya NASI Return	141.1	3.3%	12.9%	-8.9%	-12.4%	-20.5%	-15.3%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	-14.6%	-16.8%	-19.8%	-18.8%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	-18.2%	-21.5%	-27.8%	-22.7%
FTSE Kenya Bond Index Return	94.7	0.0%	-0.6%	-0.1%	-2.0%	-1.9%	-1.4%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	3.1%	12.0%	-8.5%	-16.3%	-27.5%	-19.6%
Johannesburg Index	-10.3%	-0.1%	-7.6%	-8.3%	-13.4%	-10.5%
Nigeria Stock Exchange	-3.9%	-4.2%	1.0%	22.9%	26.1%	17.3%
Ghana Stock Exchange	-0.6%	-5.5%	-16.8%	-34.2%	-34.4%	-34.2%
Egyptian Stock Exchange	0.9%	-1.5%	-17.0%	-30.1%	-27.6%	-34.9%
MSCI EFM ex SA Index	-1.3%	0.1%	-12.4%	-23.4%	-21.4%	-22.2%

Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	119.0	-0.2%	-0.9%	-4.5%	-7.7%	-8.7%	-4.9%
USD/ZAR	16.6	1.4%	-4.4%	-7.5%	-10.1%	-12.3%	-3.9%
USD/EGP	18.9	0.0%	-0.8%	-16.9%	-17.0%	-16.9%	-17.0%
USD/NGN	426.7	-0.8%	-1.8%	-2.0%	-3.6%	-3.6%	-0.6%
USD/GHS	8.5	-3.6%	-5.9%	-25.0%	-28.4%	-29.3%	-26.8%

NSE most active counters

Counter	Value Traded (KES m)	Foreign Investor Net Buying/(Selling) (KES m)	Foreign Investor Activity as % of total	Weekly Price Change (%)	YTD (%)	% Below 12-month high	% Above 12-month low
Equity bank	649.7	-445.8	43.8%	6.7%	-9.0%	-11.5%	23.1%
Safaricom	318.5	-172.9	46.9%	3.3%	-21.1%	-33.4%	29.7%
KCB bank	151.1	-117.0	38.8%	6.9%	-9.5%	-17.5%	17.6%
EABL	51.6	0.6	55.1%	8.2%	-5.9%	-15.9%	41.1%
Co-op bank	34.6	-6.2	8.9%	5.8%	-8.1%	-14.7%	11.2%

Notable Events

EABL's FY22 EPS grows 172.2% y/y – Above Expectations

EABL published its FY22 results. EPS grew 172.2% y/y to KES 15.00, mainly driven by higher net revenue (+16.5% y/y) on the back of price benefits and volume growth as well as lower other expenses (-32.0% y/y). Earnings came in 58.9% above estimates on account of higher-than-expected net sales revenue. The Board of directors recommend a final DPS of KES 7.25, bringing the total DPS in FY22 to KES 11.00 versus the prior year – interim DPS of KES 3.75. Book closure is set for 15th September 2022.

Summary Performance Table

	FY21A	FY22A	y/y	FY22E	VAR
Net sales revenue	86.0	109.4	27.3%	93.9	16.5%
Cost of sales	-48.5	-56.6	16.5%	-55.9	1.2%
Gross profit	37.4	52.9	41.3%	38.0	38.9%
Gross margins	43.5%	48.3%	11.0%	40.5%	7.8%
Selling & distribution costs	-7.4	-9.7	32.2%	-8.0	21.0%
Administration expenses	-9.3	-10.8	16.3%	-10.3	5.5%
Other costs & expenses	-9.9	-8.3	-16.3%	-3.3	147.0%
Profit before tax	10.9	24.0	121.2%	16.4	46.7%
Tax	-3.9	-8.4	116.7%	-4.4	92.8%
Profit after tax	7.0	15.6	123.7%	12.0	29.8%
Attributable income	4.4	11.9	172.2%	7.5	58.9%
Minorities	2.6	3.7	42.5%	2.8	34.4%

*Amounts in KES bn

What stood out for us?

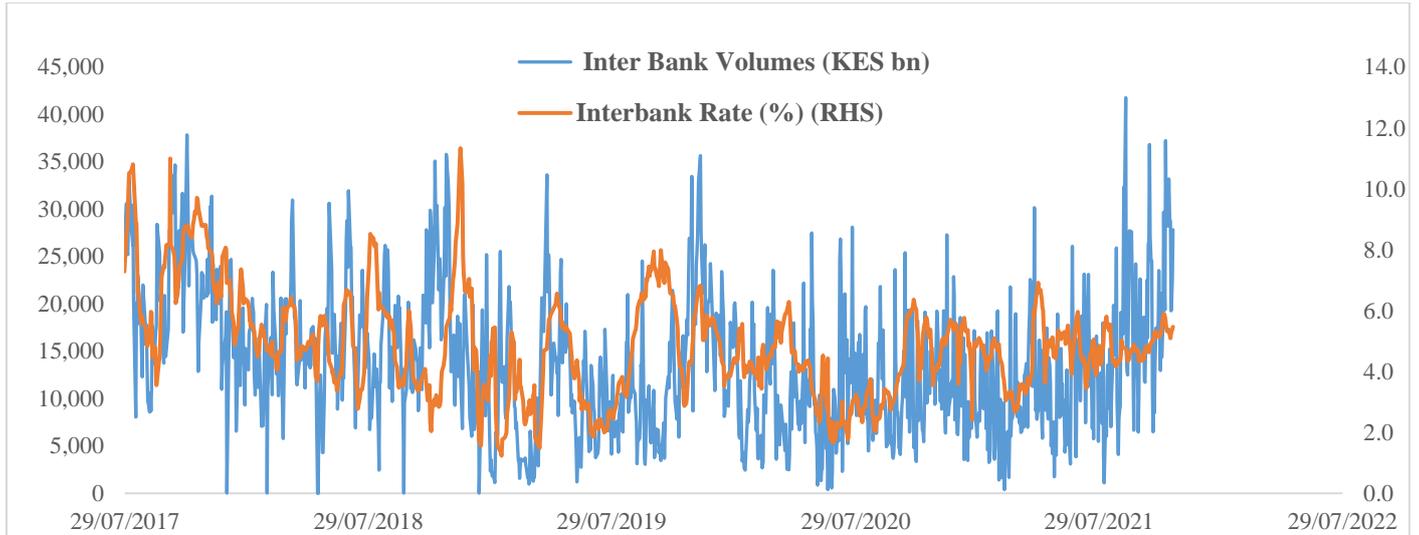
- **Higher-than-expected net sales revenue:** EABL's net revenue was attributable to price increments in Kenya and Uganda as well as volumes growth across the regional markets of Kenya (+30.0% y/y), Uganda (+24.0% y/y) and Tanzania (+21.0% y/y).
- **Higher-than-expected operating costs:** Selling, distribution and administration expenses inflated 23.3% y/y - higher-than-expected – ahead of our estimates by 12.3% y/y. We believe that costs escalated on account of inflationary pressures and volume growth.

Impact on outlook

- We expect to raise our growth estimates on volume growth and model higher average prices largely driven by excise duty increments on beers (+10.0%) and spirits (+20.0%). We also expect to increase our projections on costs due to inflationary pressures.

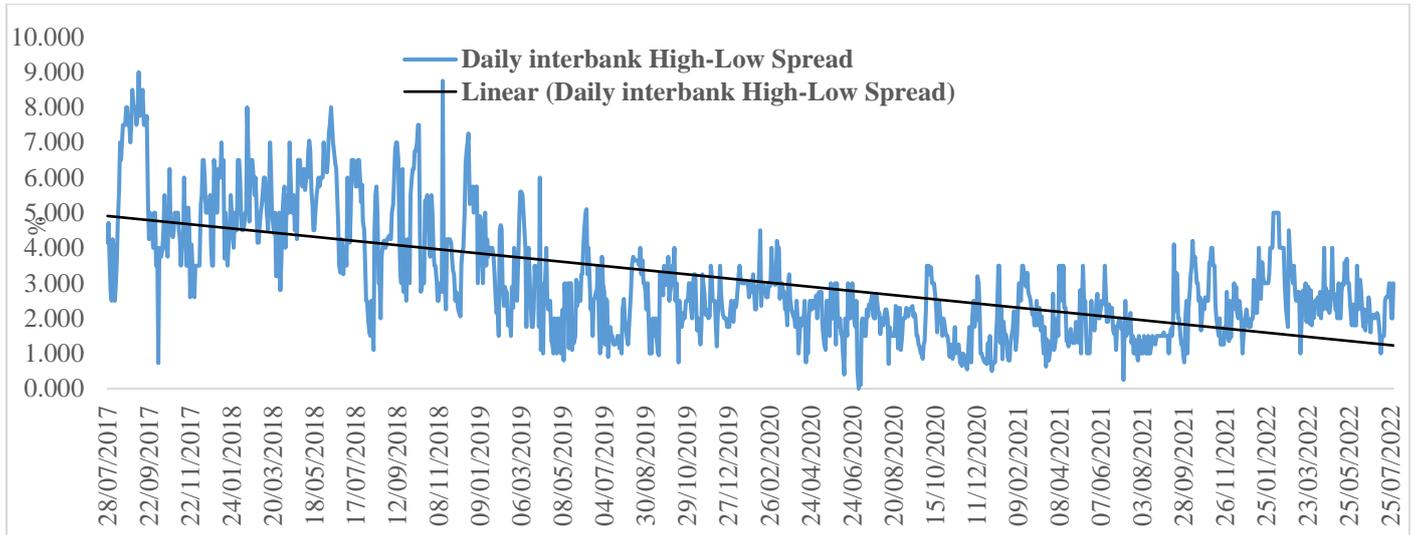
Key Rates and Spreads

Inter-bank rate rises week-on-week



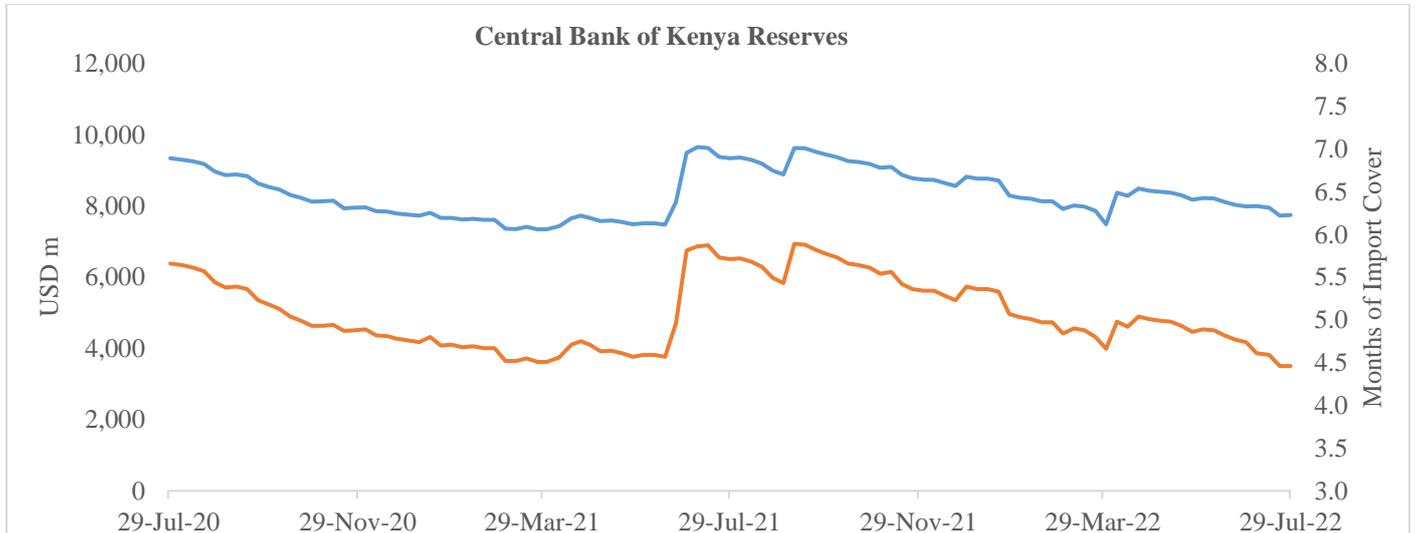
Source: CBK

Inter-bank spread remain flat week-on-week



Source: CBK

Forex reserves and import cover remain largely unchanged week-on-week



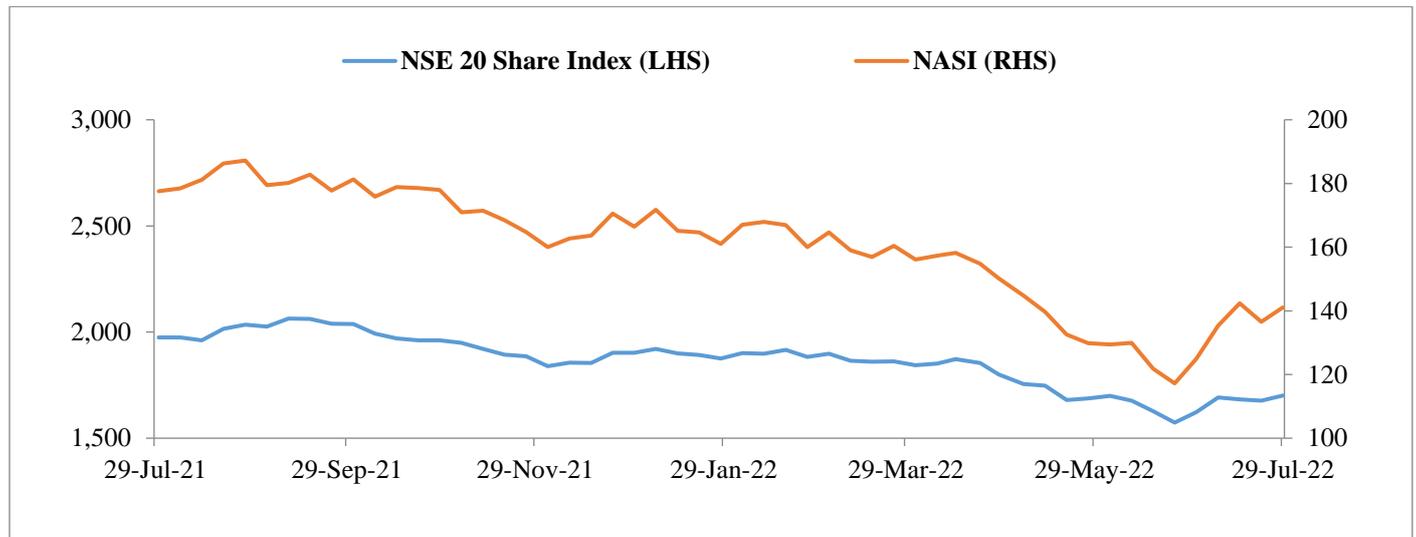
Source: CBK

Equity market trading commentary

Weekly turnover fell by 26.2% w/w to end at USD 11.4m (KES 1.3bn). Rebounding from last week’s losses, the NASI edged up 3.3% w/w to 141.05. Halting its two weeks declining streak, the NSE 20 notched up 1.5% w/w to 1,701.31. Local investors largely drove trading activity at the bourse – local investors’ participation levels increased to 59.5% of total turnover compared to 48.7% the previous week. For the twenty fourth successive week, foreign investors remained net sellers. Net foreign outflows stood at USD 6.4m (KES 763.3m). Equity bank (USD 3.8m, KES 445.8m), Safaricom (USD 1.5m, KES 172.9m) and KCB bank (USD 1.0m, KES 117.0m) registered the highest net foreign outflows. On the other hand, EABL saw the highest net foreign inflows of USD 5.1k (KES 0.6m).

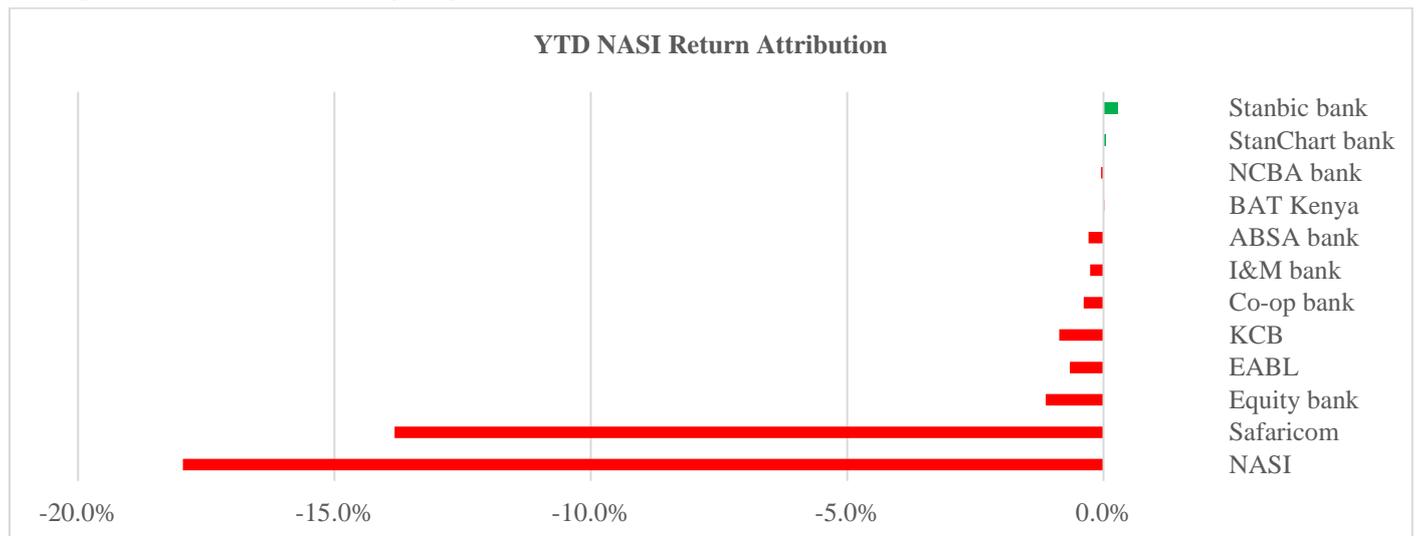
After announcing a 172.2% y/y growth in FY22 EPS, EABL traded up to a 5-month high on account of foreign and local demand. Similarly, Equity bank rallied to a 3-month high, buoyed by local and foreign demand. Centum Investments dropped to a 13-year low on account of foreign investors’ sell-off. Its’s Loss before tax settled at KES 1.6bn vs KES 2.3bn the comparative year.

Market performance over the past 12 months



Source: NSE

NASI performance: Year-to-date (YTD) Return Attribution



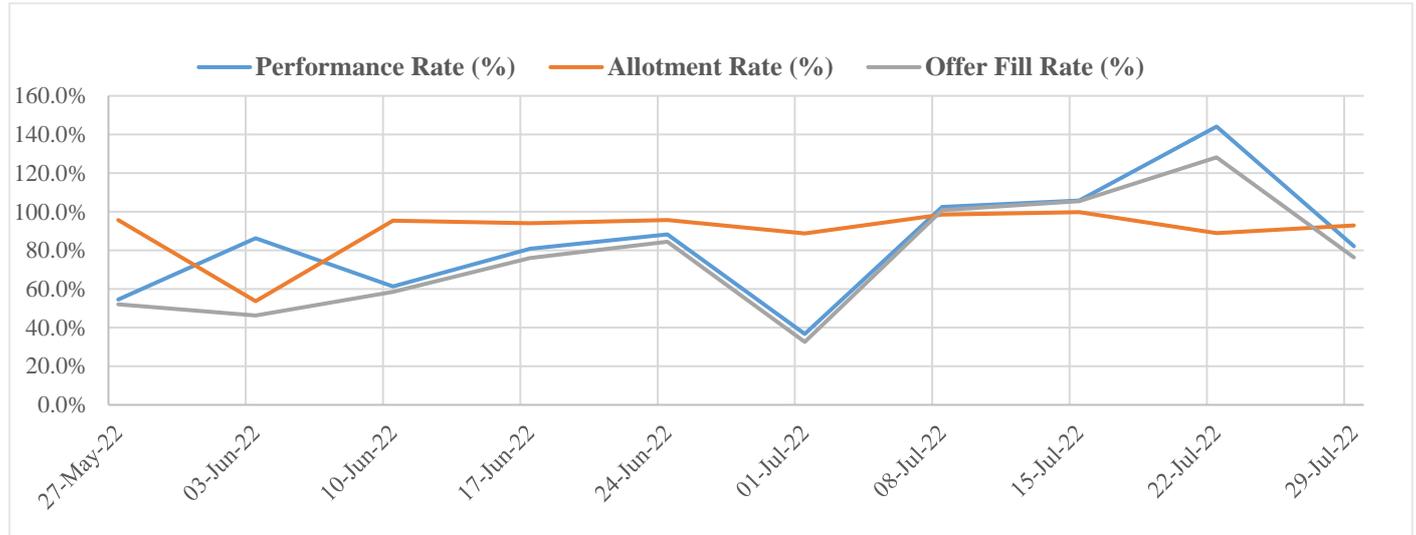
Source: Kestrel Research

Debt market trading commentary

Following three weeks of heightened activity, overall subscription rate decreased to 82.1%, down from 144.1% recorded the prior week, mainly weighed by reduced activity on the 182-day and 364-day T-Bills. Activity continued to be biased on the 91-day T-Bill, with its yield rising for the ninth successive week. After trending upwards for the last five weeks, the yield on the 182-day paper broke its upward trajectory.

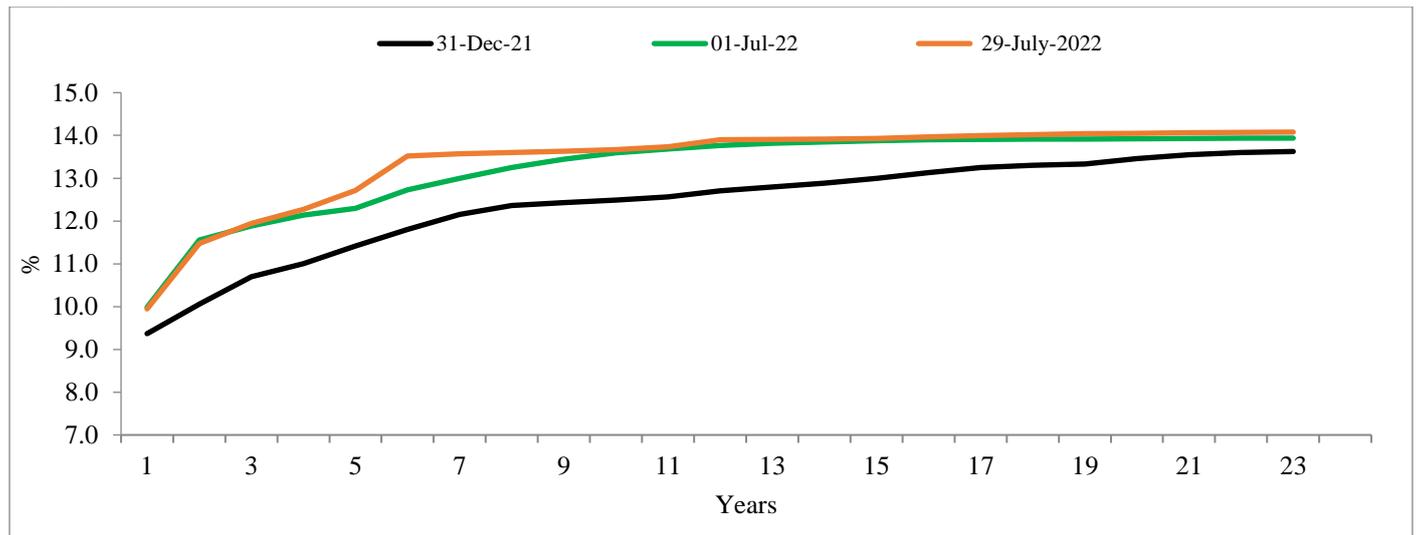
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 14.1bn for the 91-Day T-Bill, implying a subscription rate of 351.94%. It accepted bids worth KES 14.1bn at an average yield of 8.399% (+7.7bps w/w). The 182-Day T-Bill received bids worth KES 3.3bn, implying a performance rate of 32.50%. It accepted bids worth KES 1.9bn at an average yield of 9.392% (-0.1bps w/w). The 364-Day T-Bill received bids worth KES 2.4bn, implying a performance rate of 23.79%. It accepted bids worth KES 2.4bn at an average yield of 9.946% (-2.2bps w/w).

T-Bills Performance: Overall performance rate falls following three weeks of heightened activity



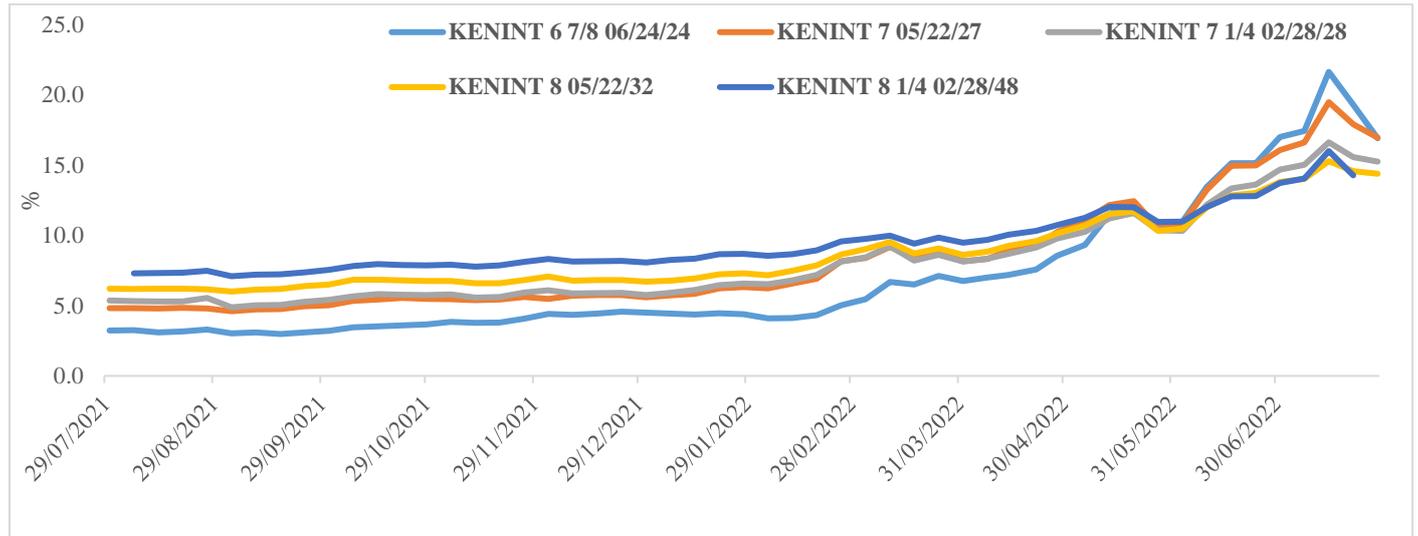
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors continue to decline for the second straight week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market ¹	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹
		end	High	Low		%	cap (USD m)					ratio x	yld %	ratio x		vol (USD)
Safaricom	Telecom	Mar	44.95	23.10	29.95	-21.1	10,101	54.3%	1.74	1.39	3.5	17.2	4.6	8.6	49.9	2,010,444
Equity Bank	Banking	Dec	54.25	39.00	48.00	-9.0	1,525	8.2%	11.15	3.00	44.3	4.3	6.3	1.1	25.2	635,366
KCB Bank	Banking	Dec	49.90	35.00	41.15	-9.5	1,113	6.0%	11.67	3.00	56.6	3.5	7.3	0.7	20.6	326,765
EA Breweries	Breweries	Jun	184.50	110.00	155.25	-5.9	1,033	5.6%	15.00	11.00	20.5	10.4	7.1	7.6	73.2	346,427
Co-op Bank	Banking	Dec	13.95	10.70	11.90	-8.1	588	3.2%	3.23	1.00	17.5	3.7	8.4	0.7	18.4	30,899
Absa Bank	Banking	Dec	12.70	9.70	11.05	-6.8	505	2.7%	2.15	1.10	10.9	5.1	10.0	1.0	19.7	25,701
StanChart Bank	Banking	Dec	146.25	123.75	133.00	3.7	423	2.3%	24.92	19.00	147.2	5.3	14.3	0.9	16.9	60,843
BAT Kenya	Tobacco	Dec	509.00	404.00	440.00	-0.3	370	2.0%	67.10	55.00	129.1	6.6	12.5	3.4	52.0	49,906
NCBA Bank	Banking	Dec	28.15	23.00	24.95	-1.0	346	1.9%	6.56	3.00	48.7	3.8	12.0	0.5	13.4	76,416
Stanbic Bank	Banking	Dec	108.00	85.00	95.50	9.5	318	1.7%	18.81	7.30	122.8	5.1	7.6	0.8	15.3	152,153
I&M Holdings	Banking	Dec	23.25	16.50	17.00	-19.4	237	1.3%	5.38	1.50	42.6	3.2	8.8	0.4	12.6	17,771
Bank of Kigali	Banking	Dec	40.00	24.30	29.00	0.0	219	1.2%	7.95	3.28	41.8	3.6	11.3	0.7	19.0	2,228
KenGen	Power	Jun	4.98	3.38	3.49	-16.7	194	1.0%	0.16	0.18	32.4	21.9	5.2	0.1	0.5	7,309
Kenya Airways	Airlines	Dec	3.99	3.83	3.83	0.0	183	1.0%	(2.79)	-	(14.7)	-	-	-	-	-
Jubilee Insurance	Insurance	Dec	380.00	244.50	248.75	-21.5	152	0.8%	94.22	14.00	544.4	2.6	5.6	0.5	17.3	2,561
Britam	Insurance	Dec	8.38	5.44	6.08	-18.9	129	0.7%	0.03	-	7.5	212.7	-	0.8	0.4	3,587
Total Oil	Oil	Dec	26.00	21.75	22.40	-10.4	119	0.6%	4.35	1.31	45.4	5.1	5.8	0.5	9.6	642
DTB Bank	Banking	Dec	66.75	48.40	49.00	-17.6	115	0.6%	14.80	3.00	240.7	3.3	6.1	0.2	6.2	14,968
Umeme Ltd.	Power	Dec	8.30	5.50	7.40	9.8	101	0.5%	2.74	1.73	17.6	2.7	23.4	0.4	15.6	4,211
Bamburi Cement	Cement	Dec	39.80	32.15	33.10	-12.9	101	0.5%	3.58	3.58	83.5	9.2	10.8	0.4	4.3	5,377
Kakuzi	Agric	Dec	441.25	367.50	367.50	-4.5	61	0.3%	27.77	18.00	275.9	13.2	4.9	1.3	10.1	22,908
Centum Investment	Finance	Mar	17.85	8.00	9.32	-33.9	52	0.3%	(2.01)	0.59	65.1	-	6.3	0.1	(3.1)	14,798
Crown Paints	Manufac.	Dec	44.00	23.20	39.80	30.5	48	0.3%	5.13	4.00	24.1	7.8	10.1	1.7	21.3	792
Kenya Re	Insurance	Dec	2.68	1.94	2.00	-13.0	47	0.3%	1.06	0.10	13.2	1.9	5.0	0.2	8.0	2,542
CIC Insurance	Insurance	Dec	3.18	1.87	2.04	-7.7	45	0.2%	0.26	-	3.1	8.0	-	0.7	8.4	841
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	45	0.2%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Sasini Tea & Coffee	Agric	Sept	129.00	-	20.40	9.1	39	0.2%	(1.48)	0.50	56.5	-	2.5	0.4	(2.6)	238
Nation Media	Media	Dec	26.10	16.20	19.10	3.5	31	0.2%	2.59	1.49	42.1	7.4	7.8	0.5	6.2	2,129
TPSEA Serena	Tourism	Dec	17.00	11.50	17.00	11.5	26	0.1%	(3.47)	-	33.3	-	-	0.5	(10.4)	668
Liberty K. Holdings	Insurance	Dec	9.28	5.02	5.60	-20.0	25	0.1%	0.15	-	15.9	36.7	-	0.4	1.0	71
Carbacid	Gases	July	13.25	10.35	11.55	5.0	25	0.1%	2.22	0.70	13.5	5.2	6.1	0.9	16.4	1,479
Kenya Power	Power	Jun	2.02	1.31	1.40	-20.0	23	0.1%	2.65	-	29.3	0.5	-	0.0	9.0	9,276
Unga Ltd	Food	Jun	36.25	27.00	29.50	6.7	19	0.1%	2.89	-	56.2	10.2	-	0.5	5.1	77
NSE	Finance	Dec	10.15	6.60	7.60	-5.0	17	0.1%	0.51	1.40	8.0	14.9	18.4	1.0	6.4	3,062
Sanlam Kenya	Insurance	Dec	15.00	9.70	12.00	3.9	15	0.1%	(3.77)	-	3.9	-	-	3.1	(97.1)	71
Car & Gen	Motors	Sept	76.00	30.00	43.05	26.8	15	0.1%	26.33	3.20	135.8	1.6	7.4	0.3	19.4	206
BOC Kenya	Gases	Dec	93.25	62.00	80.00	14.3	13	0.1%	4.78	6.70	84.3	16.7	8.4	0.9	5.7	152
WPP Scangroup	Media	Dec	5.74	2.86	3.44	-16.9	13	0.1%	(0.09)	-	12.0	-	-	0.3	(0.7)	934
Housing Finance	Banking	Dec	4.90	2.86	3.33	-14.6	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,272
Limuru Tea	Agric	Dec	462.00	263.00	462.00	44.4	9	0.1%	(0.50)	0.70	75.9	-	0.2	6.1	(0.7)	381
Standard Newspapers	Media	Dec	20.00	11.55	12.50	-7.7	9	0.0%	(0.90)	-	10.5	-	-	1.2	(8.5)	52
Longhorn	Publishing	Jun	4.4	2.74	3.24	-19.0	7	0.0%	0.62	-	2.8	5.3	-	1.2	22.2	111
EA Portland	Cement	Jun	9.40	6.06	7.70	15.6	6	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	37
TransCentury	Finance	Dec	1.47	1.00	1.12	-4.3	4	0.0%	(6.72)	-	(9.5)	-	-	-	-	47
											Average	13.5	6.1	5.5	38.3	3,845,581

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