

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.27	18.10	83.8%	BUY
Equity bank	54.37	47.50	14.5%	HOLD
KCB bank	74.22	43.30	71.4%	BUY
Co-op bank	18.33	16.60	10.4%	HOLD
ABSA bank	11.52	19.10	-39.7%	SELL
StanChart bank	245.66	300.00	-18.1%	SELL
NCBA bank	40.63	48.45	-16.1%	SELL
I&M bank	38.37	33.95	13.0%	HOLD
Stanbic bank	118.55	157.00	-24.5%	SELL
DTB bank	109.36	70.00	56.2%	BUY
EABL	341.24	179.50	90.1%	BUY
BAT Kenya	411.34	370.25	11.1%	HOLD

Kenya Market Summary

Equity market commentary and outlook

- During the week, Kenya Airways (KQ) resumed trading on the NSE after the lifting of a four-year ban, following profitability in 1H'24 and the withdrawal of the National Aviation Management Bill. The NSE 20 broke a three-day climbing streak. Local investors led trading for the week at 67.3% of trading activity. Foreign investors emerged as net sellers at USD 5.3m (KES 691.6m). Safaricom registered the highest net foreign outflows at USD 3.4m (KES 440.4m), while Stanbic Bank marked the highest net foreign inflows at USD 0.1m (KES 13.1m).

Debt market commentary and outlook

- Overall subscription rates rose to 138.1% from 65.4% the previous week. Investors remained skewed on the 91-Day T-Bill. Activity improved for all three T-Bills. The yield on all three T-Bills fell, with the 91-Day T-Bill declining consecutively for the twenty-fifth week straight, and the 182-Day T-Bill and the 364-Day T-Bill declining repeatedly for the second week and twenty fourth week respectively.

Key Market Indicators

Index	Level	1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	2,145.3	29.2%	27.0%	41.7%	48.6%	39.8%	6.7%
Kenya NASI	129.6	23.8%	21.6%	39.7%	51.2%	25.8%	5.0%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	2.4%	6.2%	7.8%	0.3%	46.3%	-40.5%
Johannesburg Index	-3.3%	-7.3%	-1.7%	9.2%	14.1%	-11.9%
Nigeria Stock Exchange	1.5%	4.2%	7.0%	-2.3%	-30.2%	31.4%
Ghana Stock Exchange	-0.2%	3.4%	18.0%	2.9%	1.4%	-21.5%
Egyptian Stock Exchange	-1.6%	-2.3%	-4.3%	7.5%	-28.6%	39.5%
MSCI EFM ex SA Index	-0.7%	-0.2%	0.0%	0.7%	4.7%	-5.0%

Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	129.27	0.0%	0.0%	-0.3%	0.1%	23.4%	0.0%
USD/ZAR	19.11	-2.0%	-6.5%	-8.8%	-6.0%	-2.4%	-2.0%
USD/EGP	50.56	0.4%	0.5%	-3.9%	-5.1%	-38.9%	0.4%
USD/NGN	1547.49	-0.2%	0.1%	5.0%	3.7%	-38.1%	-0.2%
USD/GHS	14.77	-0.5%	-0.4%	7.9%	4.3%	-18.9%	-0.5%

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
Safaricom	678.7	-440.4	45.3%	4.3%	6.2%	-6.2%	39.2%
KCB Bank	352.3	-181.5	26.1%	1.2%	4.1%	0.0%	127.9%
Equity Bank	341.2	-60.7	56.7%	-1.0%	-1.7%	-5.0%	33.6%
EABL	331.2	-9.1	63.3%	1.7%	2.3%	-10.1%	79.5%
Absa Bank	295.1	-2.5	0.4%	0.5%	5.8%	0.0%	69.8%

Macro Update: Kenya's GDP in 3Q'24

Kenya's real GDP expanded by 4.0% in 3Q'24 against 6.0% in 3Q'23. The construction and the mining & quarrying sectors contracted 2.0% and 11.1%, respectively. However, the agricultural (4.2% vs. 5.2%), transport (5.2% vs. 5.1%), financial services (4.7% vs. 15.5%), Real Estate (5.5% vs. 7.7%), Wholesale and Retail (4.8% vs. 3.1%) and hospitality (13.7% vs. 34.5%) sector, registered positive growth. Overall, over the last 9 months, the real GDP declined 4.5% compared to 5.7% the corresponding period.

Inflation in the quarter under review had reduced to 4.1% compared to 6.9% in 3Q'23, driven by a reduction in the price of food and non-alcoholic beverages. The Kenyan Shilling strengthened against all major currencies and the Central Bank rate stood at 12.75% compared to 10.50% signalling tighter monetary stances by the Central Bank of Kenya (CBK).

Agriculture, Forestry and Fishing grew by 4.2% in 3Q'24 compared to 5.1% growth in 3Q'23. The growth was driven by favourable weather conditions for the first three months of 2024. Sub-sectors that supported the growth were sugarcane and milk production that went up by 188.7% and 6.5% respectively. The slow growth was from a decline in tea production by 12.2% compared to the previous quarter.

Manufacturing grew by 2.3% in 3Q'24 compared to 2.8% growth in 3Q'23. The expansion, albeit slow was supported by increased activity in the food manufacturing sector. Sugar, soft drink and milk production grew by 197.4%, 27.5% and 6.5% respectively. The decline was driven by the non-food sub sector, where the production of galvanized sheets, cement and motor vehicle assembly fell by 4.2%/ 12.1% and 0.4% respectively.

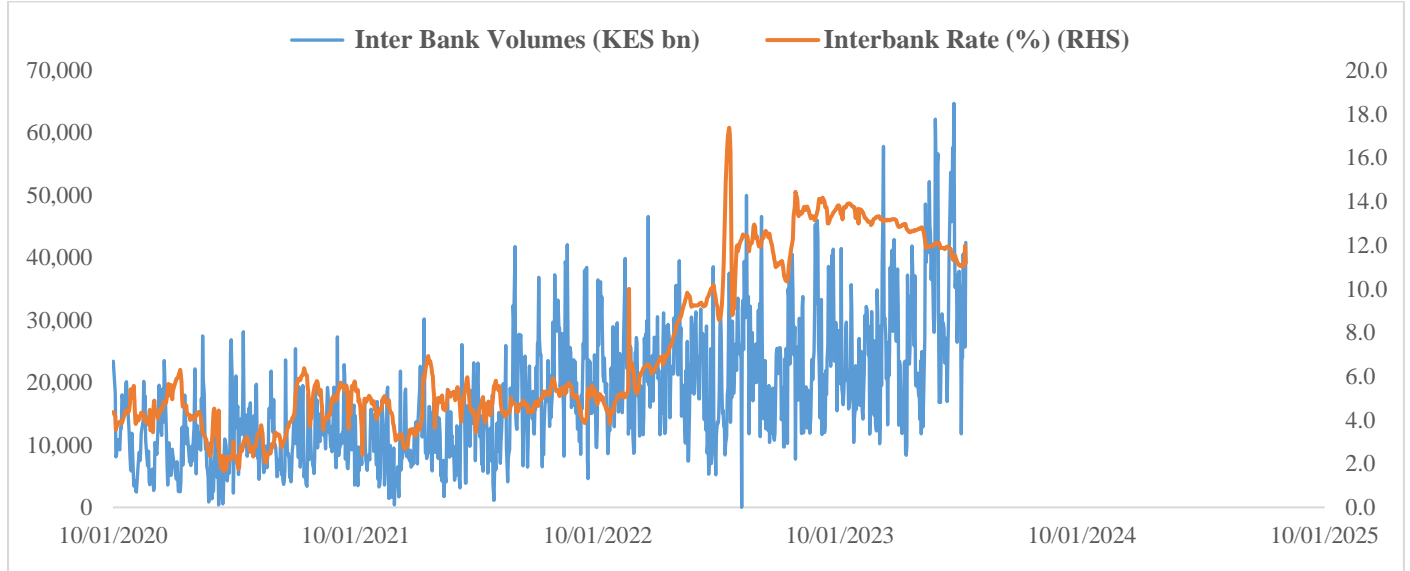
Electricity and Water Supply fell to 0.9% in 3Q'24 compared to 3.3% growth in 3Q'23. The slow growth was due to an overall reduction in the production of electricity by 1.4%. Contributing to the growth were hydro power generation that rose by 21.0% and the reduction of thermal power generation by 10.2%, a positive as it relies on costly inputs. Electricity generated from geothermal, wind and solar reduced by 7.8%, 8.2% and 13.4%.

Construction recorded a 2.0% contraction compared to 4.0% the previous quarter. Key industry indicators such as cement consumption, imported bitumen, galvanized sheets production all fell by 10.0%, 94.1% and 4.2% respectively. Credit to the sector reduced by 13.6%. Steel & iron imports grew by 11.5%.

Transport grew by 4.2% in 3Q'24 compared to 5.1% growth in 3Q'23. Growth was supported by an increase in the import of light diesel by 2.7% and port throughput which rose by 14.1%. The price of diesel reduced by 8.1% in the quarter, providing relief for transporters. SGR passengers and freight declined by 7.2% and 0.8%.

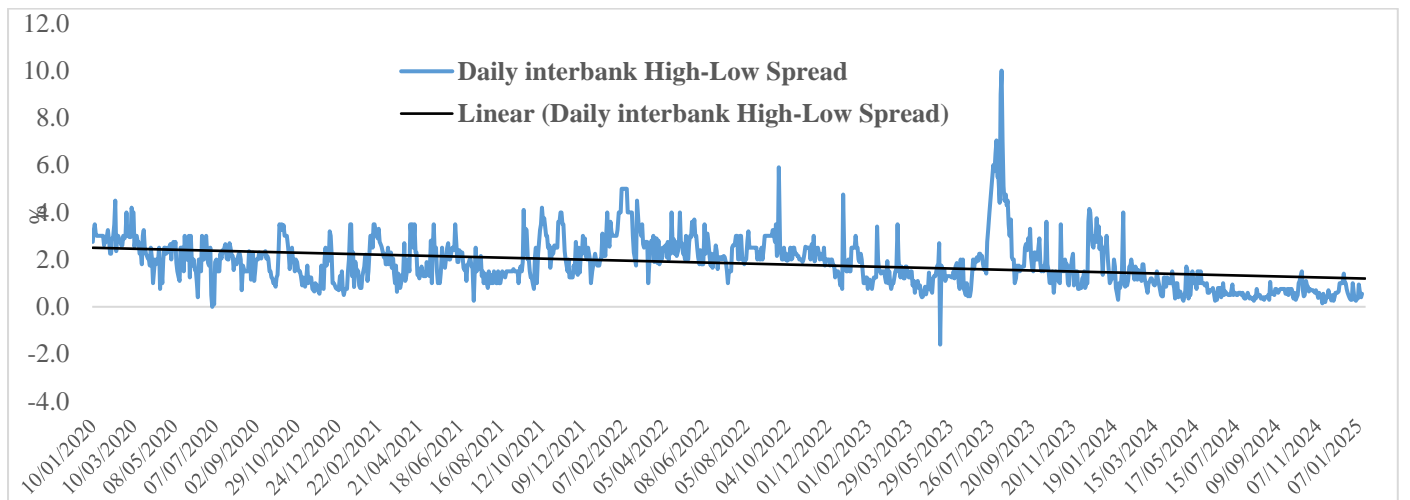
Key Rates and Spreads

Inter-bank Rates rises week-on-week.



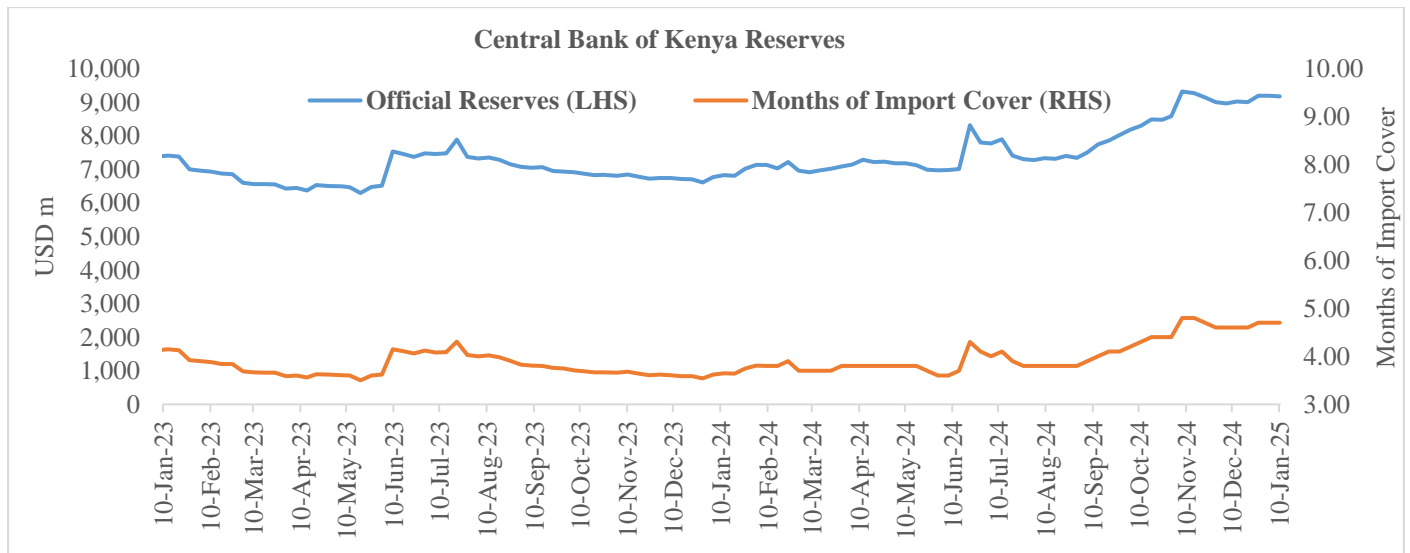
Source: CBK

Interbank spreads widen week-on-week.



Source: CBK

Months of import cover and CBK FX remain steady.



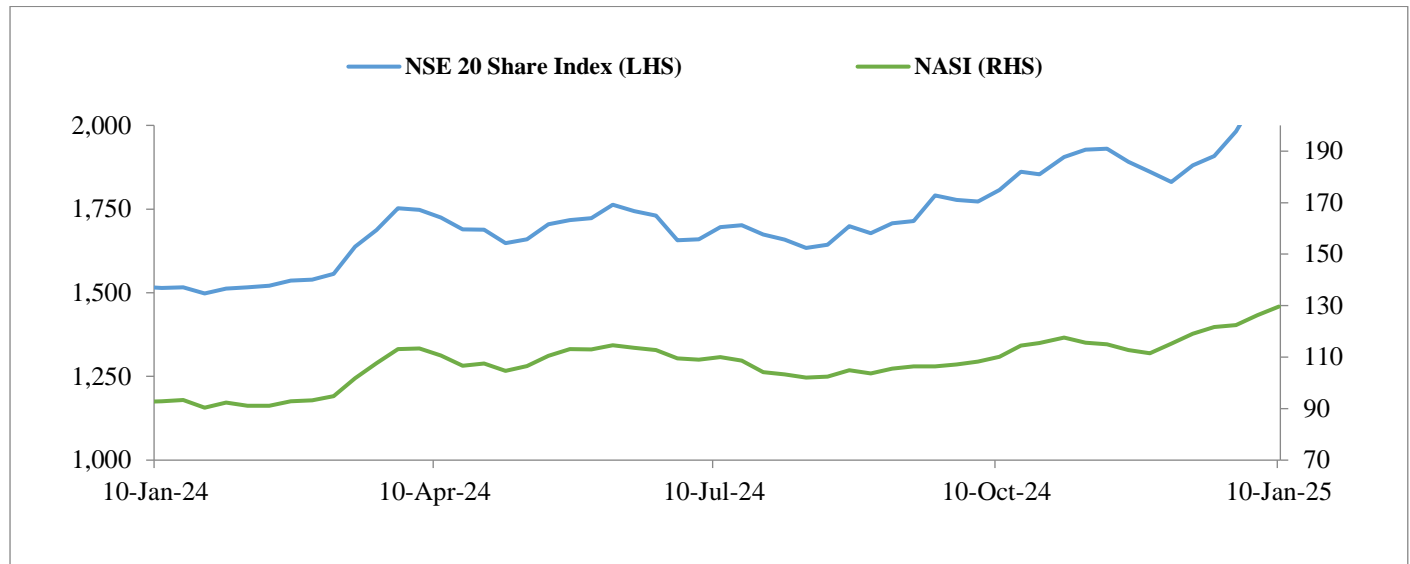
Source: CBK

Equity market trading commentary

Total market turnover stood at USD 21.5m (KES 2.8bn), improving by 407.0% from the previous week. The NASI notched up by 2.6% to conclude at 129.64, as the NSE 20 climbed by 2.7% to end at 2,145.27. Local investors led trading for the week at 67.3% of trading activity. Foreign investors emerged as net sellers at USD 5.3m (KES 691.6m). Safaricom registered the highest net foreign outflows at USD 3.4m (KES 440.4m), while Stanbic Bank marked the highest net foreign inflows at USD 0.1m (KES 13.1m).

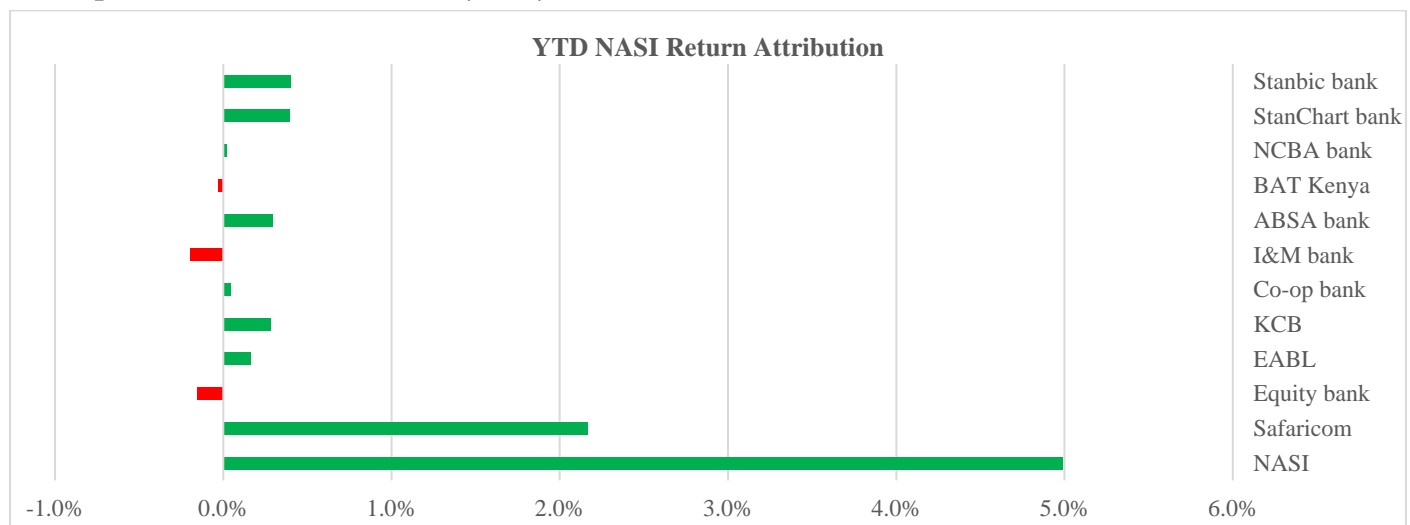
During the week, the NSE 20 broke a three-day climbing streak.

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

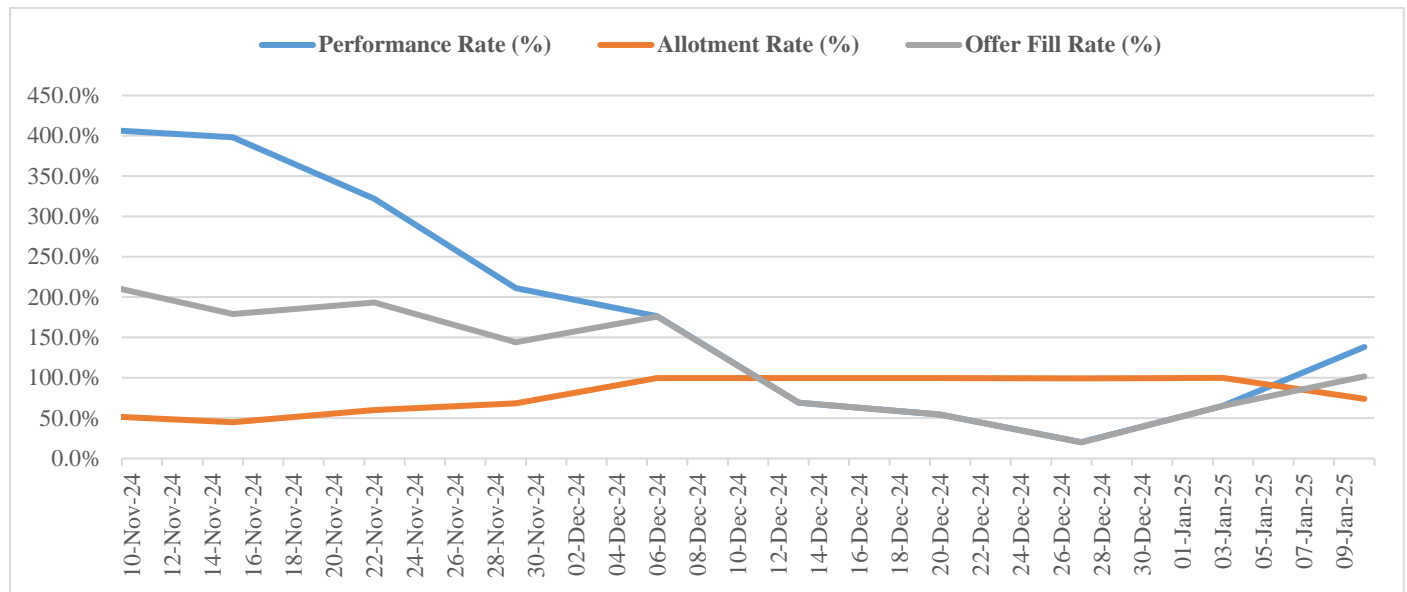
Overall subscription rates rose to 138.1% from 65.4% the previous week. Investors remained skewed on the 91-Day T-Bill. Activity improved for all three T-Bills. The yield on all three T-Bills fell, with the 91-Day T-Bill declining consecutively for the twenty-fifth week straight, and the 182-Day T-Bill and the 364-Day T-Bill declining repeatedly for the second week and the twenty fourth week respectively.

The CBK also 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 13.3bn for the 91-Day T-Bill, implying a subscription rate of 333.12%. It accepted bids worth KES 9.4bn at an average yield of 9.593% (-23.2 bps w/w).

The 182-Day T-Bill received bids worth KES 9.7bn, implying a performance rate of 97.11%. It accepted bids worth KES 9.7bn at an average yield of 10.025% (-0.1bps w/w).

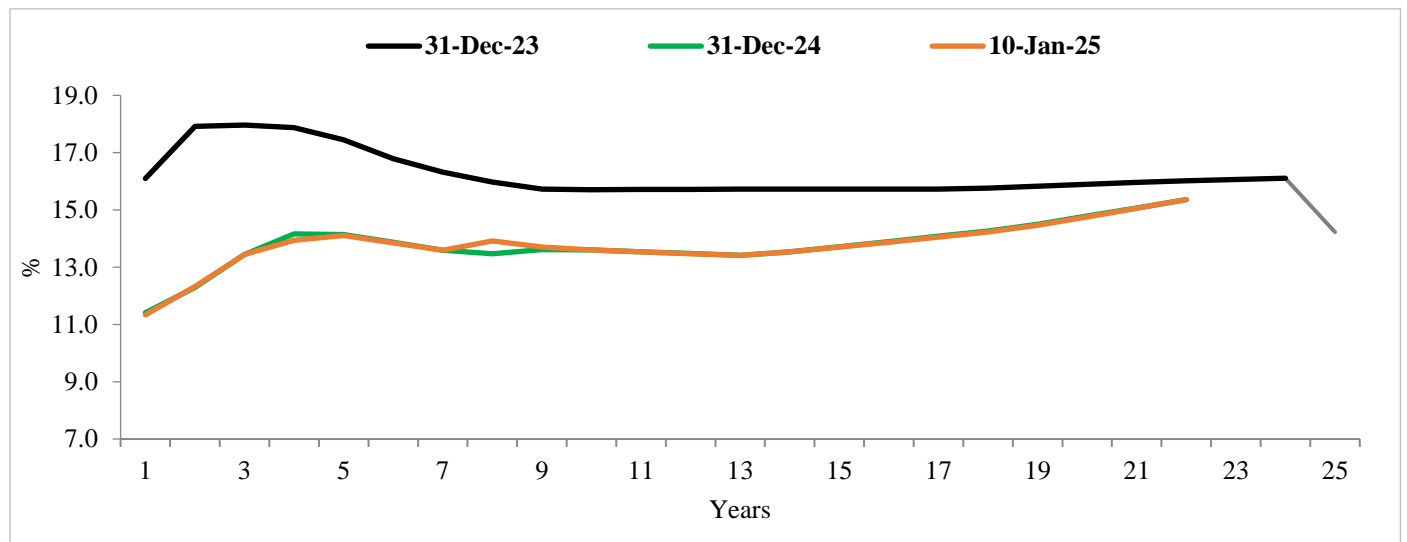
The 364-Day T-Bill received bids worth KES 10.1bn, implying a performance rate of 101.07%. It accepted bids worth KES 5.4bn at an average yield of 11.334% (-3.7bps w/w).

T-Bills Performance rates



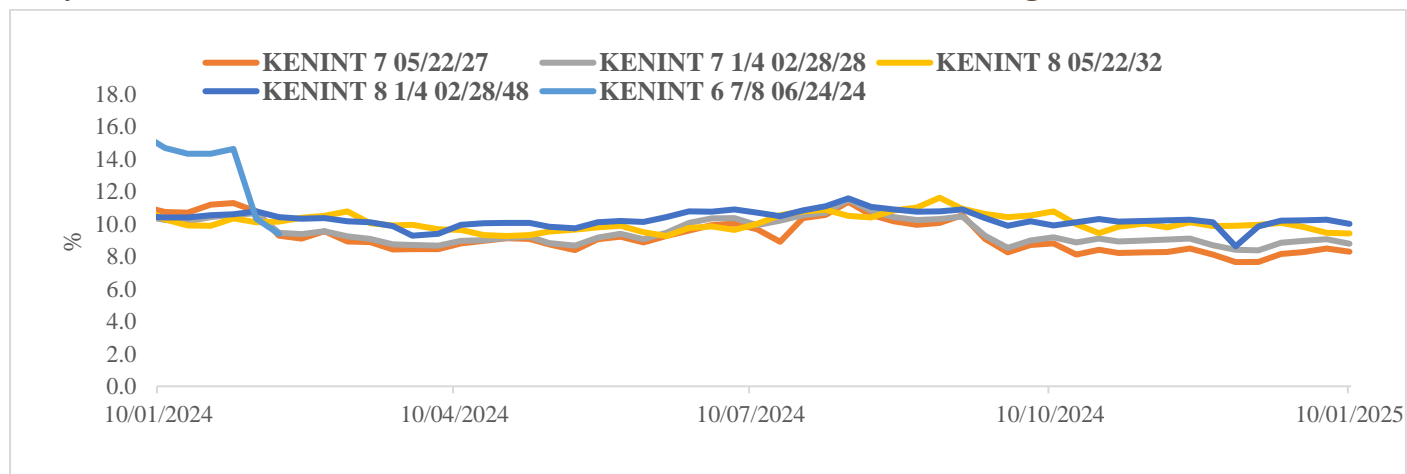
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields decline across all tenors after a three-week climbing streak.



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Market ¹ cap (USD m)	Weighting	EPS	DPS	NAV	P/E ratio x	Div yld %	P/B ratio x	ROE %	Daily Trading ¹ vol (USD)
Safaricom	Telecom	Mar	19.30	13.00	18.10	6.2	5,600	35.6%	1.06	1.20	4.7	17.0	6.6	3.9	22.7	1,003,553
Equity Bank	Banking	Dec	50.00	35.55	47.50	-1.7	1,384	8.8%	20.58	4.00	48.7	2.3	8.4	1.0	42.2	342,981
EA Breweries	Breweries	Jun	199.75	100.00	179.50	2.3	1,096	7.0%	11.38	6.00	27.1	15.8	3.3	6.6	42.0	227,855
Co-op Bank	Banking	Dec	17.80	11.20	16.60	0.9	752	4.8%	6.91	1.50	18.4	2.4	9.0	0.9	37.5	58,576
NCBA Bank	Banking	Dec	51.00	36.30	48.45	0.5	616	3.9%	13.30	3.00	53.7	3.6	6.2	0.9	24.8	30,642
Absa Bank	Banking	Dec	19.10	11.25	19.10	5.8	801	5.1%	3.46	1.55	12.0	5.5	8.1	1.6	28.8	65,116
KCB Bank	Banking	Dec	43.30	19.00	43.30	4.1	1,075	6.8%	15.79	1.50	68.1	2.7	3.5	0.6	23.2	282,074
StanChart Bank	Banking	Dec	302.50	157.25	300.00	7.2	875	5.6%	38.05	37.00	158.0	7.9	12.3	1.9	24.1	41,901
Stanbic Bank	Banking	Dec	157.00	101.75	157.00	14.4	479	3.0%	31.16	15.00	140.8	5.0	9.6	1.1	22.1	35,498
BAT Kenya	Tobacco	Dec	430.00	331.75	370.25	-1.5	286	1.8%	48.82	54.02	163.8	7.6	14.6	2.3	29.8	42,301
BK Group	Banking	Dec	37.00	30.15	35.00	7.5	242	1.5%	10.26	3.28	46.8	3.4	9.4	0.7	21.9	11,174
I&M Holdings	Banking	Dec	36.55	17.15	33.95	-6.3	434	2.8%	8.48	3.85	47.8	4.0	11.3	0.7	17.7	33,175
Umeme Ltd.	Power	Dec	17.45	13.35	17.05	1.8	214	1.4%	0.26	0.92	22.0	65.2	5.4	0.8	1.2	2,558
Kenya Airways	Airlines	Dec	5.74	3.83	5.74	49.9	252	1.6%	2.63	-	(14.7)	2.2	-	-	-	1,544
Bamburi Cement	Cement	Dec	82.00	34.80	54.00	-1.8	151	1.0%	(0.28)	5.47	82.1	-	98.6	0.1	(0.3)	2,374,232
KenGen	Power	Jun	4.32	1.96	4.30	18.1	219	1.4%	1.03	0.65	41.6	4.2	15.1	0.1	2.5	56,796
Jubilee Insurance	Insurance	Dec	200.00	150.00	190.50	9.8	107	0.7%	67.32	12.00	613.8	2.8	6.3	0.3	11.0	9,274
DTB Bank	Banking	Dec	70.00	43.25	70.00	1.4	151	1.0%	29.76	6.00	256.8	2.4	8.6	0.3	11.6	33,094
Britam	Insurance	Dec	7.08	4.48	6.58	13.4	128	0.8%	1.45	-	9.2	4.5	-	0.7	15.6	25,049
Total Oil	Oil	Dec	23.75	16.50	20.90	4.5	102	0.6%	5.12	1.92	48.0	4.1	9.2	0.4	10.7	749
Kakuzi	Agric	Dec	440.00	353.50	400.00	3.9	61	0.4%	34.98	24.00	303.5	11.4	6.0	1.3	11.5	1,730
CIC Insurance	Insurance	Dec	2.47	1.98	2.32	7.9	47	0.3%	0.55	-	3.3	4.2	-	0.7	16.9	1,947
Centum Investment	Finance	Mar	10.95	7.88	10.80	9.3	56	0.4%	(8.95)	0.32	55.8	-	3.0	0.2	(16.1)	13,076
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	41	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	40.05	29.50	32.00	-2.7	35	0.2%	(0.47)	4.00	24.1	-	7.4	2.2	(2.0)	298
Kenya Re	Insurance	Dec	2.87	1.04	1.53	19.5	33	0.2%	1.78	0.30	13.4	0.9	19.6	0.1	13.2	49,345
Sasini Tea & Coffee	Agric	Sept	22.00	14.40	16.05	7.0	28	0.2%	3.11	0.50	61.7	5.2	3.1	0.3	5.0	1,315
Carbacid	Gases	July	24.10	15.00	19.35	-7.6	38	0.2%	4.01	1.70	13.6	4.8	8.8	1.4	29.4	6,211
Nation Media	Media	Dec	22.00	11.75	13.55	-5.9	20	0.1%	(5.09)	-	43.1	-	-	0.3	(11.8)	2,293
Kenya Power	Power	Jun	7.40	1.35	6.94	44.3	105	0.7%	15.41	0.70	29.1	0.5	10.1	0.2	52.9	63,896
TPSEA Serena	Tourism	Dec	20.05	11.75	16.25	9.1	23	0.1%	8.08	-	33.3	2.0	-	0.5	24.3	256
Liberty K. Holdings	Insurance	Dec	8.00	4.53	7.14	6.9	30	0.2%	2.04	0.37	15.9	3.5	5.2	0.4	12.8	3,584
BOC Kenya	Gases	Dec	95.00	67.00	86.25	-2.8	13	0.1%	10.73	8.55	85.1	8.0	9.9	1.0	12.6	11,254
NSE	Finance	Dec	6.76	5.44	6.76	12.7	14	0.1%	0.21	0.16	7.1	32.1	2.4	0.9	3.0	11,831
Housing Finance	Banking	Dec	5.80	3.29	5.80	28.6	17	0.1%	1.23	-	20.5	4.7	-	0.3	6.0	11,089
Unga Ltd	Food	Jun	17.70	11.45	17.00	13.3	10	0.1%	(18.92)	-	58.3	-	-	0.3	(32.4)	364
Sanlam Kenya	Insurance	Dec	7.60	3.90	5.12	3.4	6	0.0%	2.27	-	3.9	2.3	-	1.3	58.6	441
Car & Gen	Motors	Sept	30.40	18.85	24.00	5.5	7	0.0%	(7.68)	-	135.8	-	-	0.2	(5.7)	262
Limuru Tea	Agric	Dec	380.00	350.00	350.00	0.0	6	0.0%	0.11	1.00	80.9	-	0.3	4.3	0.1	5
WPP Scangroup	Media	Dec	2.89	1.90	2.89	16.5	10	0.1%	0.06	-	11.9	45.5	-	0.2	0.5	1,048
EA Portland	Cement	Jun	50.75	4.46	27.50	-10.1	19	0.1%	(14.13)	-	239.8	-	-	0.0	(5.9)	1,661
Standard Newspapers	Media	Dec	7.86	4.51	4.71	-6.2	3	0.0%	(10.05)	-	0.4	-	-	10.7	(2,284)	102
Longhorn	Publishing	Jun	2.6	2.02	2.45	6.5	5	0.0%	(2.45)	-	2.8	-	-	0.9	(88.1)	81
TransCentury	Finance	Dec	0.71	0.32	0.44	12.8	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	411
Average												13.5	8.0	2.4	24.3	4,870,926

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