

## Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	15.20	102.0%	BUY
Equity bank	43.67	42.60	2.5%	HOLD
KCB bank	47.26	24.00	96.9%	BUY
Co-op bank	20.46	14.05	45.6%	BUY
ABSA bank	12.89	14.00	-7.9%	HOLD
StanChart bank	138.26	183.00	-24.4%	SELL
NCBA bank	40.68	41.55	-2.1%	HOLD
I&M bank	33.32	19.90	67.4%	BUY
Stanbic bank	108.85	118.00	-7.8%	HOLD
DTB bank	116.13	49.30	135.6%	BUY
EABL	151.28	119.75	26.3%	BUY
Bamburi Cement	27.61	45.00	-38.6%	SELL
BAT Kenya	460	413.75	11.2%	HOLD

## Kenya Market Summary

### Equity market commentary and outlook

- During the week, Safaricom rallied to a 6-month high ahead of its dividend book closure. Buoyed by the final dividend announcement, Stanchart Bank marked a 46-month high.

### Debt market commentary and outlook

- Overall subscription rates declined to 93.5%, down from 174.2% the prior week. Investors remained skewed on the 91-Day T-Bill despite a reduction in activity from the previous week and similarly, activity decreased from the previous week on the 182-Day T-Bill and the 364-Day T-Bill. The yield on the 91-Day T-Bill edged up for 63 weeks now, the yield on the 182-Day T-Bill notched up for the eleventh straight week and the yield on the 364-Day T-Bill upsurged for the sixteenth week in a row.

## Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,637.7	5.2%	7.6%	8.2%	7.0%	7.0%	9.1%
Kenya NASI Return	101.8	7.3%	11.8%	8.4%	2.9%	-1.5%	10.5%

Source: NSE, Kestrel Research

## NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	11.8%	33.0%	24.1%	12.6%	-16.5%	28.8%
Johannesburg Index	-1.2%	0.7%	-0.1%	1.0%	-7.2%	-7.7%
Nigeria Stock Exchange	3.6%	-5.5%	-26.2%	-25.6%	-45.6%	-19.8%
Ghana Stock Exchange	-0.4%	1.5%	-0.3%	-3.2%	28.3%	-0.9%
Egyptian Stock Exchange	3.3%	-28.7%	-18.0%	4.5%	23.0%	-17.9%
MSCI EFM ex SA Index	0.0%	-15.5%	-15.3%	-10.9%	-11.3%	-14.7%

## Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	134.54	4.2%	18.6%	14.0%	8.3%	-5.2%	16.6%
USD/ZAR	18.77	-0.2%	1.3%	1.0%	0.4%	-3.4%	-2.2%
USD/EGP	47.80	3.3%	-35.4%	-35.4%	-35.4%	-35.6%	-35.3%
USD/NGN	1,607.23	-0.8%	-10.3%	-50.1%	-52.9%	-71.3%	-43.3%
USD/GHS	12.92	-0.9%	-3.9%	-7.0%	-11.7%	-2.5%	-7.5%

## 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	1,581.0	-52.9	88.9%	9.4%	9.4%	-22.8%	30.5%
Equity	520.0	-33.7	89.5%	6.5%	26.6%	-8.1%	26.6%
KCB	341.6	75.0	55.2%	15.9%	9.6%	-35.2%	52.4%
EABL	98.4	76.9	39.4%	4.1%	5.0%	-31.4%	19.8%
StanChart	19.4	6.4	23.5%	12.6%	13.0%	0.0%	35.3%

## StanChart bank FY23 EPS grows 14.9% y/y – Above our estimates

StanChart bank published its FY23 results. Reported EPS – KES 36.17, +14.9% y/y, largely driven by higher funded income (+32.0% y/y). Earnings were pulled back by inflated costs (+20.2% y/y) and increased loan loss provisioning (+154.4% y/y). Against our expectations, earnings came in 10.1% ahead of estimates on account of better-than-expected net interest income (+16.4%) and lower-than-expected loan loss provisions (-18.0%). The Board of Directors recommended a final DPS of KES 23.00. In addition to the interim DPS of KES 6.00, the total DPS for FY23 is KES 29.00, +31.8% y/y.

### Summary Performance Table

	Reported	Forecast	Variance
NIM	8.0%	7.1%	0.9%
NIR growth	32.0%	13.3%	18.7%
NFI mix	29.7%	38.0%	-8.3%
NFI growth	5.5%	31.1%	-25.6%
CoR	1.9%	2.6%	-0.7%
CTI	44.8%	45.6%	-0.8%
OpEx Growth	20.2%	19.1%	1.1%
EPS	36.17	32.84	10.1%
DPS	29.00	22.95	26.4%
Net Loan growth	17.0%	11.2%	5.8%
Deposit growth	22.9%	8.1%	14.8%
NPL Ratio	9.6%	17.2%	-7.6%
NPL Coverage*	70.8%	52.0%	18.8%
ROE	22.5%	22.2%	0.3%

\*CBK Coverage

### What stood out for us?

- **Higher-than-expected net interest margins:** net interest margins were 90bps above our estimates, mainly on the back of lower cost of funds. Notably, cost of funds were 45bps below our projections as the bank cheaply mobilized deposits – 97% of the deposits are in current & savings accounts.
- **Lower-than-expected cost of risk:** cost of risk was 70bps than our expectations. We attribute the lower cost of risk to the notable decline in non-performing loans (GNPLs fell 23.9% y/y), with the NPL ratio closing at 9.6% (a 10-year low).

### Impact to our investment thesis

- StanChart bank is currently trading at a P/B of 1.1x. We expect to lower our cost of risk and cost of funding estimates, a potential boost for earnings. **Owing to better-than-expected results and the decent dividend yield of 17%, we consider StanChart bank a HOLD.**

### Stanbic bank FY23 EPS increases 34.2% y/y – Ahead of Estimates

Stanbic bank announced its FY23 results. Reported EPS – KES 30.75, +34.2% y/y, driven by higher total income from both funded and non-funded income. However, the earnings were weighed by inflated costs (+17.9% y/y) and increased loan loss provisions (+46.8% y/y). Earnings came in 11.2% below our expectations largely on account of lower-than-expected FX income (-30.4%). The Board of Directors recommended a final DPS of KES 14.20, up 12.7% y/y. Books closure is set for 17th May 2024.

#### Summary Performance Table

	Reported	Forecast	Variance
NIM	5.5%	6.7%	1.2%
NIR growth	35.0%	33.5%	-1.5%
NFI mix	37.9%	41.8%	-3.9%
NFI growth	22.4%	38.5%	-16.1%
CoR	2.5%	1.8%	0.7%
CTI	43.5%	43.5%	0.0%
OpEx Growth	17.9%	26.3%	-8.4%
EPS	30.75	34.63	-11.2%
DPS	15.35	19.04	-19.4%
Net Loan growth	10.4%	11.1%	-0.7%
Deposit growth	17.3%	5.1%	12.2%
NPL Ratio	9.2%	10.9%	-1.7%
NPL Coverage*	61.9%	70.8%	-8.9%
ROE	20.4%	24.6%	-4.2%

\*CBK Coverage

#### What stood out for us?

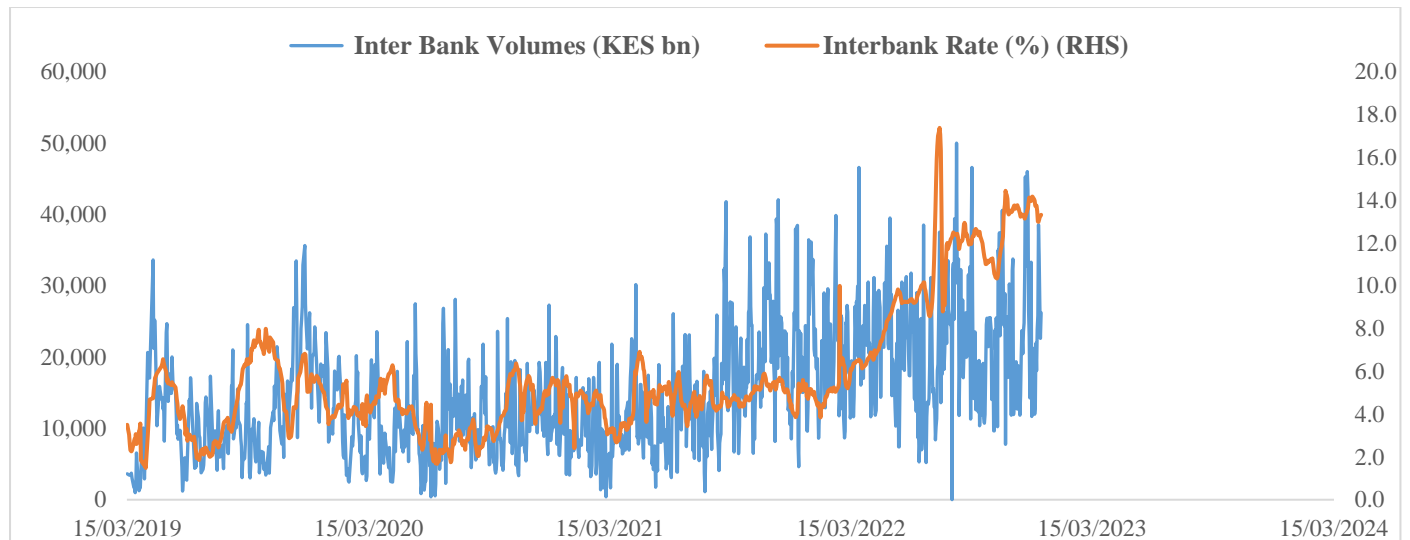
- **Lower-than-expected funded income:** While non-funded income grew 22.4% y/y, but it was 11.6% below estimates on the back of lower-than-expected FX income. We believe that the lower FX income was on account of reduced FX spreads and reduced trading activities.

#### Impact to our investment thesis

- Stanbic bank is currently trading at a P/B of 0.7x. At current levels, our fair value estimate of KES 108.85 implies 12.1% downside potential. We therefore have a HOLD recommendation.

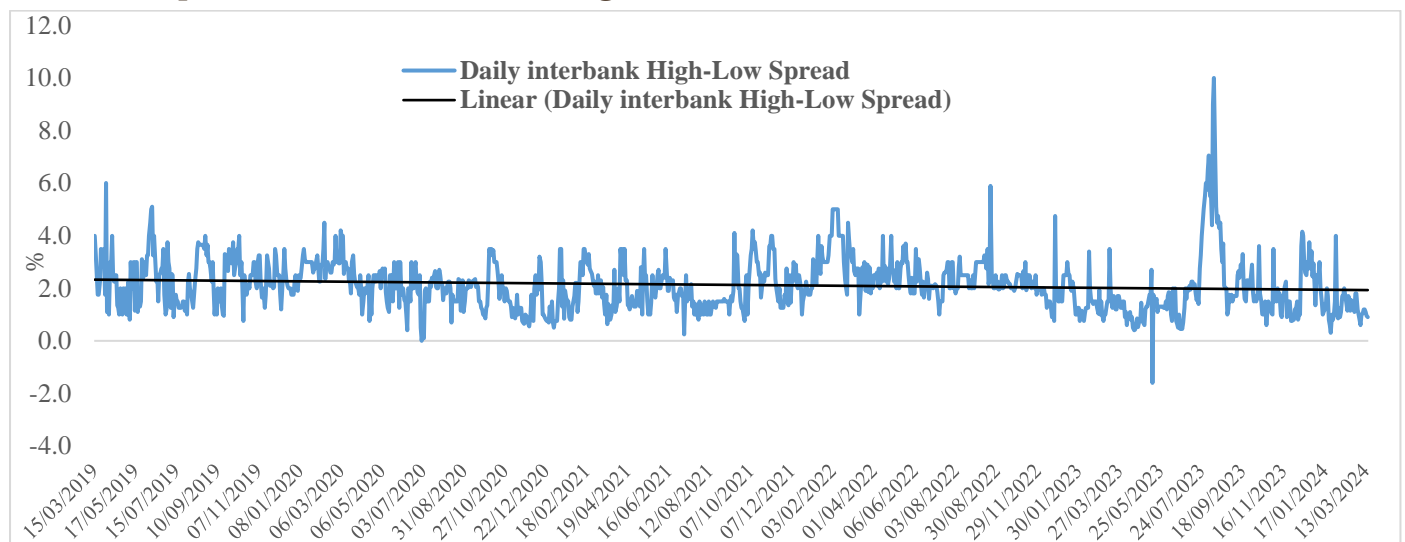
## Key Rates and Spreads

Inter-bank Rates increase week-on-week after two weeks of decline



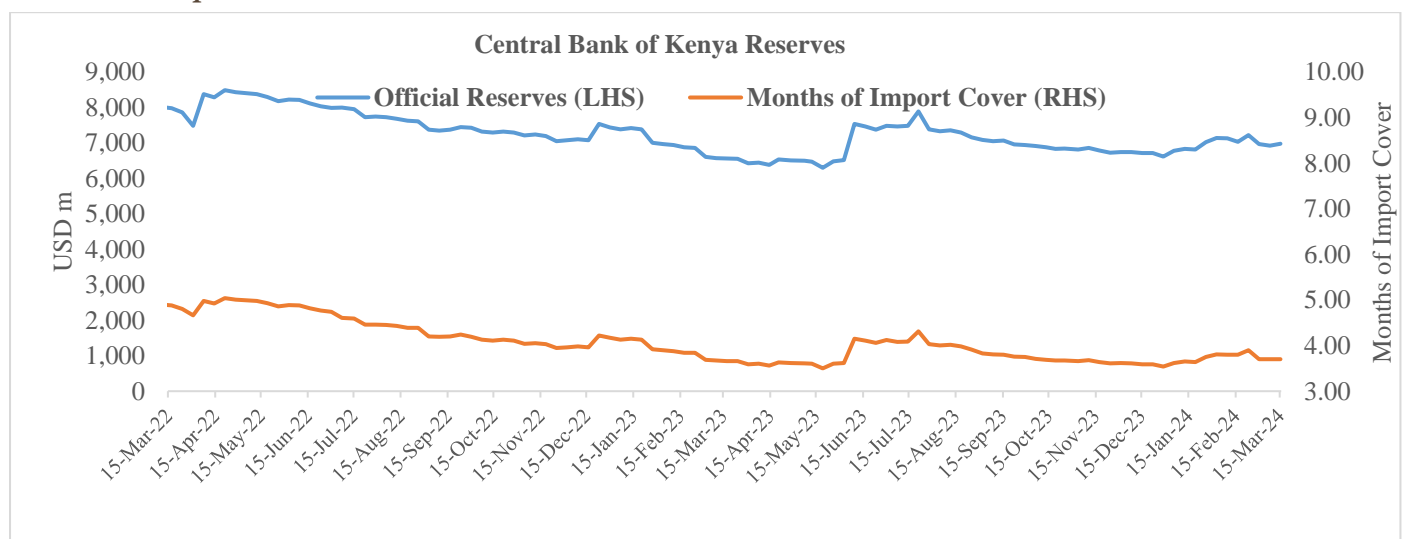
Source: CBK

Inter-bank Spreads narrow for the fifth straight week



Source: CBK

Months of import cover & CBK FX reserves increase week-on-week



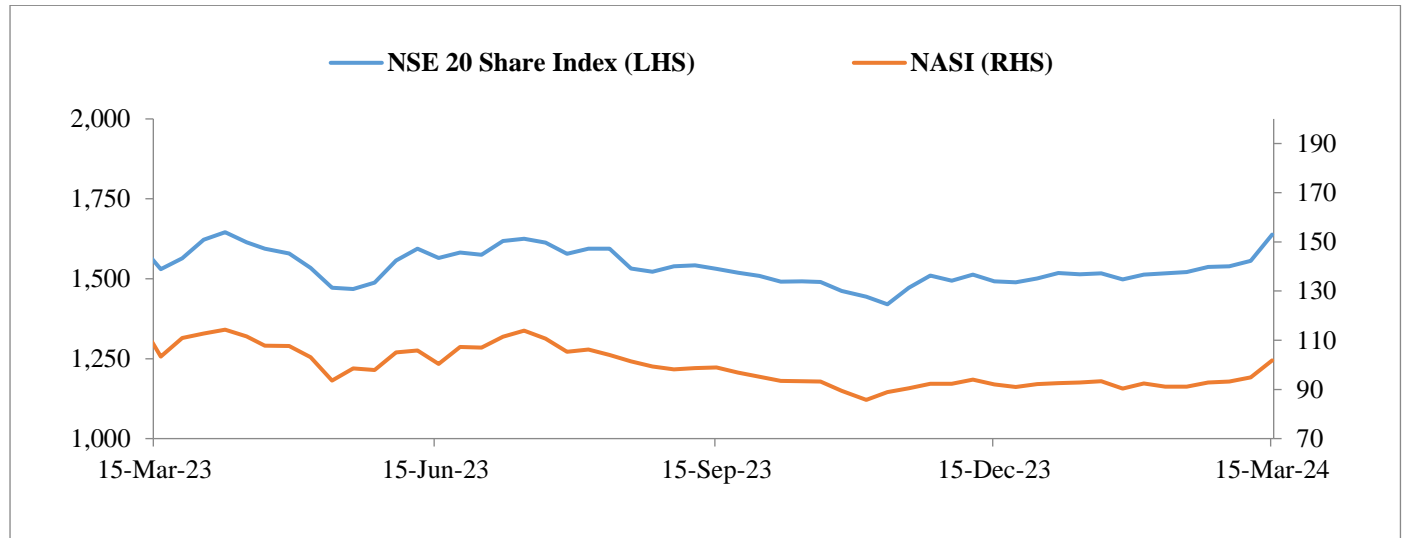
Source: CBK

## Equity market trading commentary

Market turnover surged by 306.7% to stand at USD 20.3m (KES 2.7bn). The NASI appreciated for the fourth consecutive week by 7.3% to close at 101.82 and the NSE 20 as well rose for the seventh successive week by 5.2% w/w to finish at 1,637.74. Foreign investors led trading at 78.4% of total turnover, improving from 56.2% last week. Notably, foreign investors turned net buyers at USD 0.5m (KES 66.5m) after six weeks of net selling. EABL (USD 0.6m, KES 76.9m) and KCB bank (USD 0.6m, KES 75.0m) saw the highest net foreign inflows. On the other hand, Safaricom posted the highest net foreign outflows at USD 0.4m (KES 52.9m).

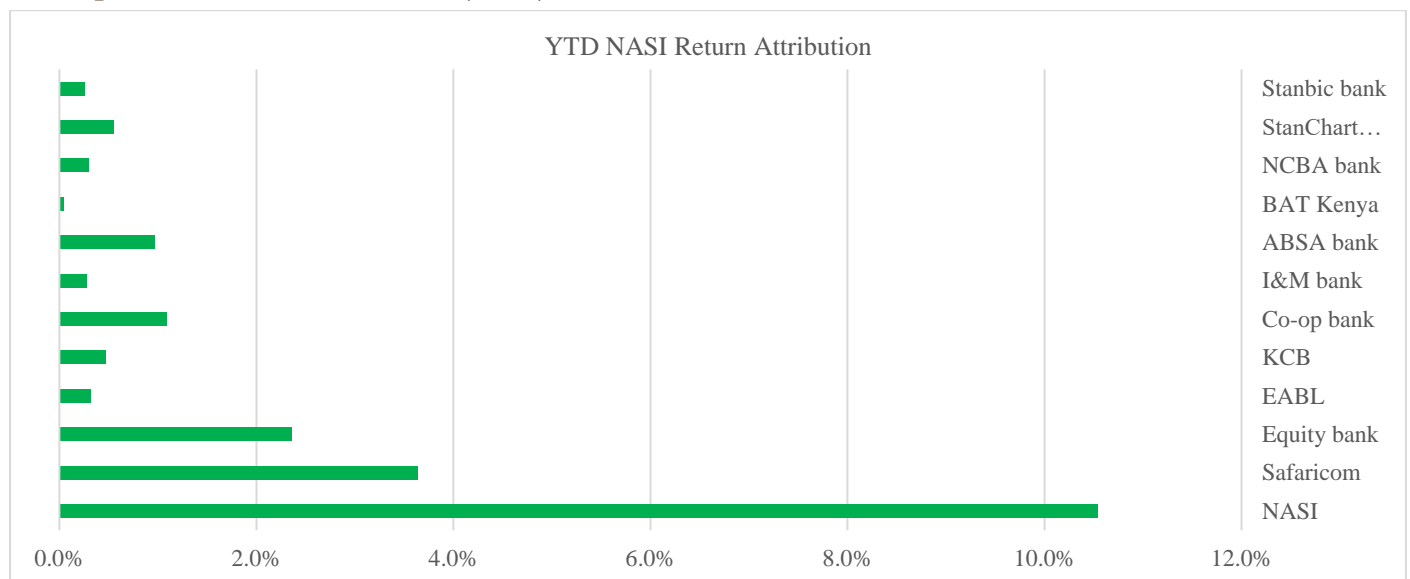
During the week, Safaricom rallied to a 6-month high on account of their dividend book closure. Buoyed by interim dividend announcement, StanChart Bank marked a 46-month high. The NASI sustained an eight-day winning streak.

## Market performance over the past 12 months



Source: NSE

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



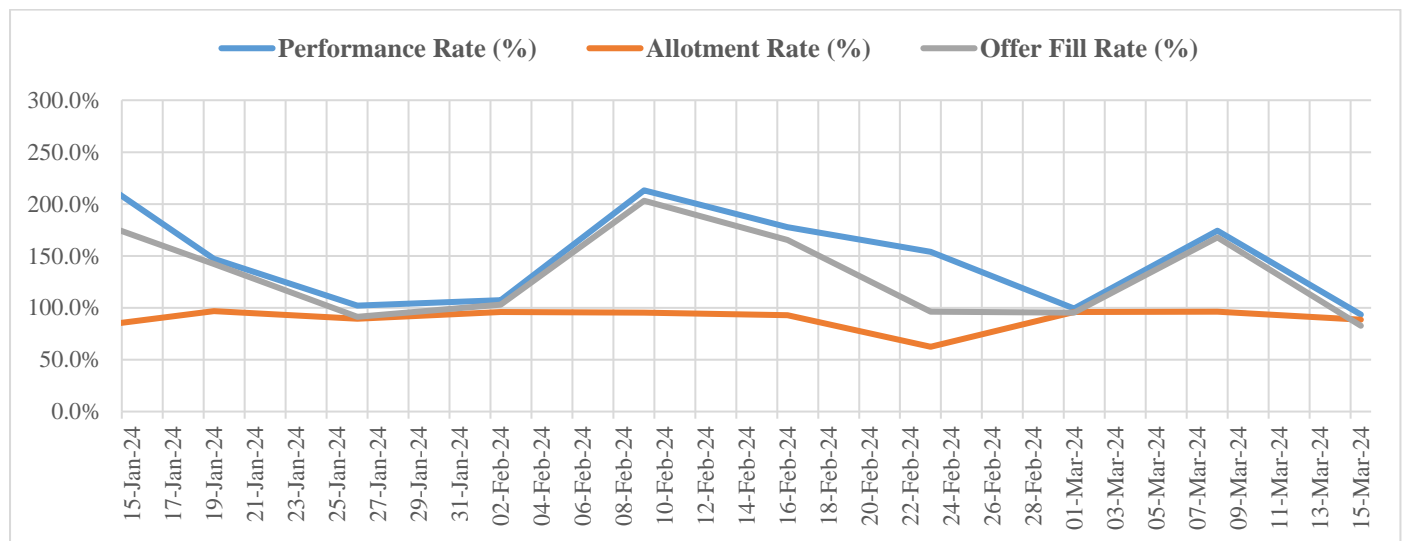
Source: Kestrel Research

## Debt market trading commentary

Overall subscription rates declined to 93.5%, down from 174.2% the prior week. Investors remained skewed on the 91-Day T-Bill despite a reduction in activity from the previous week and similarly, activity decreased from the previous week on the 182-Day T-Bill and the 364-Day T-Bill. The yield on the 91-Day T-Bill edged up for 63 weeks now, the yield on the 182-Day T-Bill notched up for the eleventh straight week and the yield on the 364-Day T-Bill upsurged for the sixteenth week in a row.

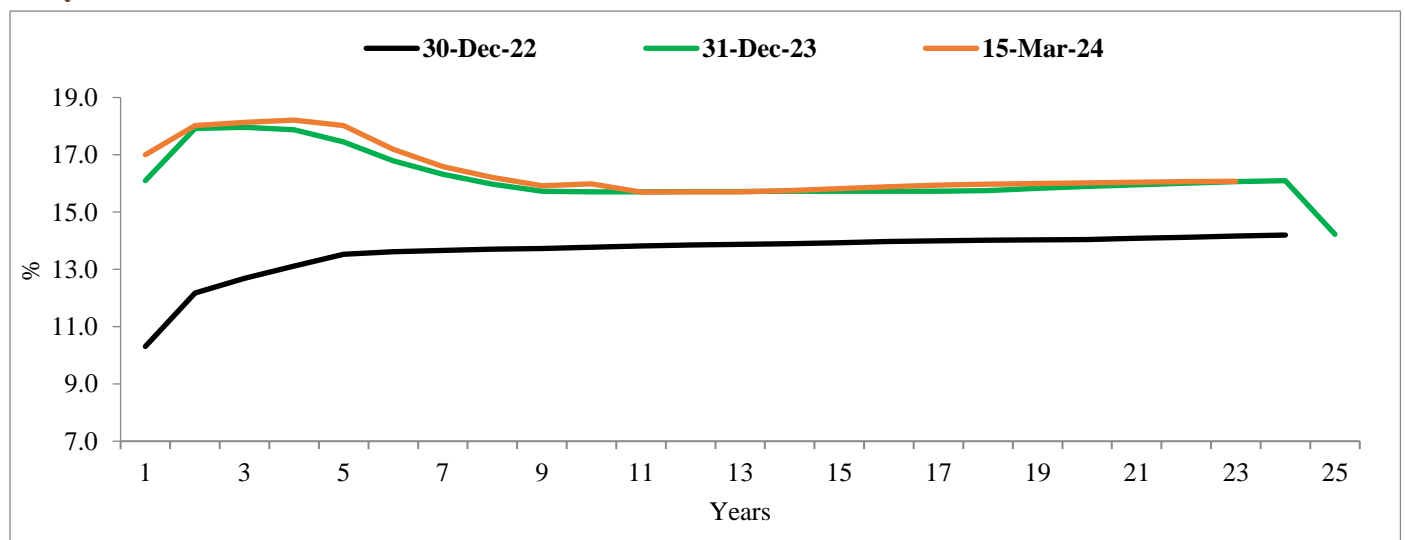
The CBK also offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 14.1 bn for the 91-Day T-Bill, implying a subscription rate of 351.40%. It accepted bids worth KES 13.8bn at an average yield of 16.698% (+3.8 bps w/w). The 182-Day T-Bill received bids worth KES 3.6bn, implying a performance rate of 36.0%. It accepted bids worth KES 3.3bn at an average yield of 16.890% (+4.2 bps w/w). The 364-Day T-Bill received bids worth KES 4.8bn, implying a performance rate of 47.8%. It accepted bids worth KES 2.3bn at an average yield of 16.989% (+0.5bps w/w).

### T-Bills Performance rates decline week-on-week



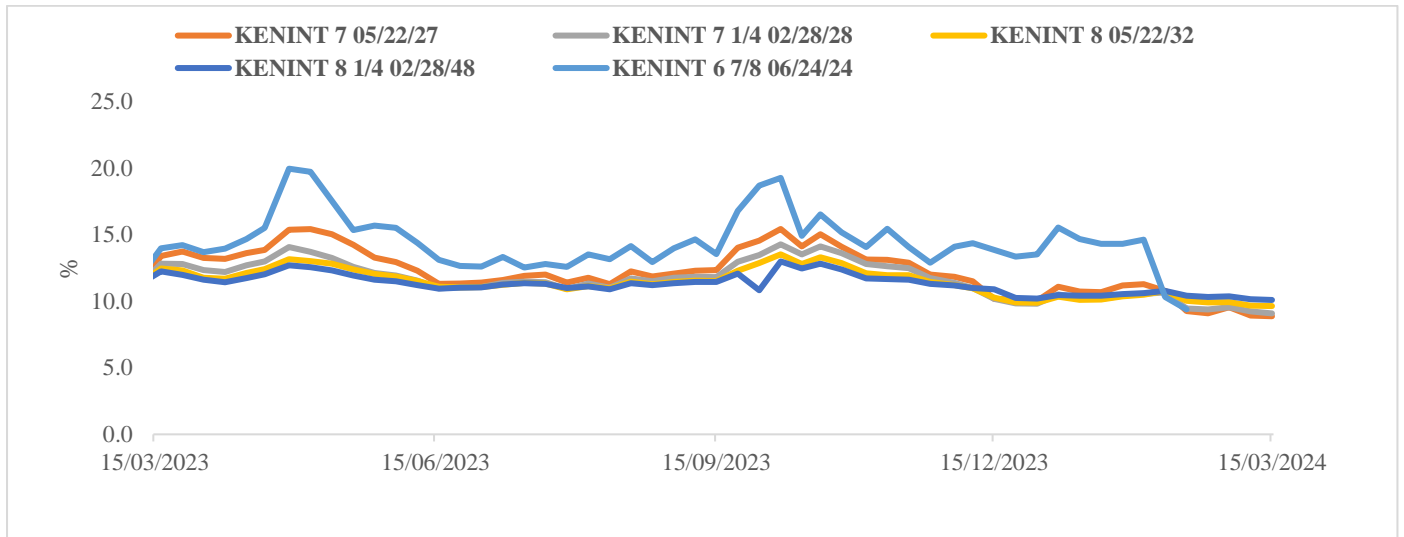
Source: CBK

### Kenya Domestic Yield Curve



Source: CBK

### Kenya Eurobond Yields decline from previous week



Source: Bloomberg

## Top counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Market <sup>1</sup> cap (USD m)	Weighting	EPS	DPS	NAV	P/E ratio x	Div yld %	P/B ratio x	ROE %	Daily Trading <sup>1</sup> vol (USD)	
Safaricom	Telecom	Mar	19.70	11.65	15.20	9.4	4,506	38.1%	1.55	1.20	4.7	9.8	7.9	3.2	33.2	494,679	
Equity Bank	Banking	Dec	46.35	33.65	42.60	26.6	1,190	10.1%	12.22	3.00	48.7	3.5	7.0	0.9	25.1	390,725	
EA Breweries	Breweries	Jun	174.50	100.00	119.75	5.0	701	5.9%	12.47	5.50	27.1	9.6	4.6	4.4	46.1	36,981	
Co-op Bank	Banking	Dec	14.05	10.20	14.05	23.2	610	5.2%	3.98	1.50	18.4	3.5	10.7	0.8	21.6	30,316	
NCBA Bank	Banking	Dec	41.70	30.70	41.55	6.7	507	4.3%	9.48	4.00	53.7	4.4	9.6	0.8	17.6	7,377	
Absa Bank	Banking	Dec	14.00	10.10	14.00	22.3	563	4.8%	2.98	1.55	12.0	4.7	11.1	1.2	24.8	17,927	
KCB Bank	Banking	Dec	37.05	15.75	24.00	9.6	571	4.8%	12.47	2.00	68.1	1.9	8.3	0.4	18.3	136,799	
StanChart Bank	Banking	Dec	183.00	135.25	183.00	13.0	512	4.3%	34.62	29.00	158.0	5.3	15.8	1.2	21.9	13,052	
Stanbic Bank	Banking	Dec	129.75	97.25	118.00	8.5	345	2.9%	28.71	15.35	140.8	4.1	13.0	0.8	20.4	16,332	
BAT Kenya	Tobacco	Dec	477.25	401.25	413.75	1.5	306	2.6%	55.68	50.00	163.8	7.4	12.1	2.5	34.0	4,000	
BK Group	Banking	Dec	37.00	28.65	36.15	1.0	240	2.0%	7.55	3.28	46.8	4.8	9.1	0.8	16.1	739	
I&M Holdings	Banking	Dec	21.00	15.85	19.90	13.7	243	2.1%	7.35	2.25	47.8	2.7	11.3	0.4	15.4	8,535	
Umeme Ltd.	Power	Dec	17.75	9.12	13.85	-13.4	166	1.4%	3.03	2.12	20.7	4.6	15.3	0.7	14.7	3,452	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	161	1.4%	(2.79)	-	(14.7)	-	-	-	-	-	
Bamburi Cement	Cement	Dec	45.00	22.50	45.00	25.5	121	1.0%	2.15	3.58	82.1	20.9	8.0	0.5	2.6	42,353	
KenGen	Power	Jun	2.45	1.96	2.00	-0.5	98	0.8%	0.76	0.30	41.6	2.6	15.0	0.0	1.8	11,758	
Jubilee Insurance	Insurance	Dec	200.00	148.25	190.00	2.7	102	0.9%	68.38	14.00	613.8	2.8	7.4	0.3	11.1	19,766	
DTB Bank	Banking	Dec	54.75	44.00	49.30	9.4	102	0.9%	22.56	5.00	256.8	2.2	10.1	0.2	8.8	6,926	
Britam	Insurance	Dec	5.68	4.05	5.20	8.6	97	0.8%	0.53	-	9.2	9.8	-	0.6	5.7	2,379	
Total Oil	Oil	Dec	22.40	15.80	17.15	-4.7	80	0.7%	3.88	1.31	48.0	4.4	7.6	0.4	8.1	385	
Kakuzi	Agric	Dec	430.00	240.00	371.00	-3.6	54	0.5%	43.15	24.00	303.5	8.6	6.5	1.2	14.2	116	
CIC Insurance	Insurance	Dec	2.52	1.68	2.20	-1.8	43	0.4%	0.42	0.13	3.3	5.3	5.9	0.7	12.8	2,379	
Centum Investment	Finance	Mar	9.50	8.00	8.54	1.7	42	0.4%	(8.95)	0.60	55.8	-	7.0	0.2	(16.1)	2,211	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	39	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
Crown Paints	Manufac.	Dec	44.80	34.20	39.40	10.5	42	0.4%	5.13	4.00	24.1	7.7	10.2	1.6	21.3	1,208	
Kenya Re	Insurance	Dec	2.02	1.54	1.93	2.7	40	0.3%	1.17	0.10	13.4	1.7	5.2	0.1	8.7	3,180	
Sasini Tea & Coffee	Agric	Sept	31.40	18.20	19.50	-2.5	33	0.3%	3.82	1.00	61.7	5.1	5.1	0.3	6.2	4,790	
Carbacid	Gases	July	17.55	12.00	16.50	10.0	31	0.3%	2.98	0.70	13.6	5.5	4.2	1.2	21.9	2,718	
Nation Media	Media	Dec	21.60	14.15	20.60	2.7	29	0.2%	16.74	1.49	43.1	1.2	7.2	0.5	38.9	2,759	
Kenya Power	Power	Jun	1.72	1.35	1.55	9.2	22	0.2%	(1.64)	-	29.1	-	-	0.1	(5.6)	14,448	
TPSEA Serena	Tourism	Dec	16.45	11.00	15.00	-8.8	20	0.2%	(3.47)	-	33.3	-	-	0.5	(10.4)	1,776	
Liberty K. Holdings	Insurance	Dec	5.54	3.45	5.50	49.1	22	0.2%	0.15	-	15.9	36.0	-	0.3	1.0	630	
BOC Kenya	Gases	Dec	90.25	70.00	76.00	-7.3	11	0.1%	7.58	5.95	85.1	10.0	7.8	0.9	8.9	6,405	
NSE	Finance	Dec	6.58	5.52	6.16	2.3	12	0.1%	0.05	0.20	7.1	116.5	3.2	0.9	0.7	600	
Housing Finance	Banking	Dec	5.10	3.25	4.20	20.7	12	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,520	
Unga Ltd	Food	Jun	23.00	14.00	15.10	-10.4	8	0.1%	2.48	-	58.3	6.1	-	0.3	4.2	19	
Sanlam Kenya	Insurance	Dec	9.14	5.60	6.98	16.3	7	0.1%	(3.77)	-	3.9	-	-	1.8	(97.1)	630	
Car & Gen	Motors	Sept	41.50	21.30	28.00	12.0	8	0.1%	26.33	3.20	135.8	1.1	11.4	0.2	19.4	57	
Limuru Tea	Agric	Dec	430.00	380.00	380.00	0.0	7	0.1%	4.73	2.50	80.9	80.4	0.7	4.7	5.8	10	
WPP Scangroup	Media	Dec	3.18	1.99	2.18	0.0	7	0.1%	(0.30)	-	11.9	-	-	0.2	(2.5)	572	
EA Portland	Cement	Jun	9.40	5.32	8.50	6.3	6	0.0%	6.02	-	239.8	1.4	-	0.0	2.5	20	
Standard Newspapers	Media	Dec	10.05	5.10	6.16	-20.4	4	0.0%	(10.05)	-	0.4	-	-	14.0	(2,284)	10	
Longhorn	Publishing	Jun	2.93	2.01	2.38	-1.2	5	0.0%	0.62	-	2.8	3.9	-	0.9	22.2	61	
TransCentury	Finance	Dec	1.07	0.40	0.45	-13.5	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	94	
												Average	<b>10.1</b>	<b>8.5</b>	<b>2.0</b>	<b>24.8</b>	<b>1,374,826</b>



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