

## Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	23.65	31.5%	BUY
Equity bank	58.81	46.45	26.6%	BUY
KCB bank	62.39	38.55	61.8%	BUY
Co-op bank	18.13	12.60	43.9%	BUY
ABSA bank	12.32	12.55	-1.8%	HOLD
StanChart bank	108.61	161.25	-32.6%	SELL
NCBA bank	38.68	37.35	3.6%	HOLD
I&M bank	30.56	18.00	69.8%	BUY
Stanbic bank	89.16	111.00	-19.7%	SELL
DTB bank	122.70	50.00	145.4%	BUY
EABL	164.58	180.25	-8.7%	HOLD
Bamburi Cement	51.96	27.90	86.2%	BUY
BAT Kenya	544.27	479.75	13.4%	HOLD

## Kenya Weekly Commentary

### Kenya Market Summary

#### Equity market commentary and outlook

- During the week, Equity bank rallied further to hit a 22-day high on account of continued local demand. On the back of foreign investors' sell-off, Safaricom touched a 12-day low. BAT Kenya finished the week at a 10-month high as management announced earnings growth of 6.3% y/y and final DPS of KES 52.00.

#### Debt market commentary and outlook

- For the second successive week, overall subscription rates increased to 191.3%, up from 187.1% registered last week. Demand remained strong on the 91-Day T-Bill and there was a notable increase in the 182-Day T-Bill to the highest levels in the last 85-weeks. Yields across all tenors notched upwards for the seventh straight week.

### Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,680.5	0.5%	-0.2%	0.8%	-5.5%	-12.3%	0.3%
Kenya NASI Return	128.0	-0.2%	3.0%	-0.1%	-12.5%	-23.3%	0.4%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	0.0%	0.0%	-19.4%	0.0%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	0.0%	0.0%	-24.3%	0.0%
FTSE Kenya Bond Index Return	94.7	0.0%	0.0%	0.0%	0.0%	-1.9%	0.0%

Source: NSE, Kestrel Research

### NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-1.6%	1.8%	-3.6%	-16.6%	-30.6%	-1.3%
Johannesburg Index	-4.3%	-4.9%	4.3%	7.3%	-13.5%	2.6%
Nigeria Stock Exchange	-0.8%	2.3%	16.3%	1.3%	3.4%	5.0%
Ghana Stock Exchange	1.3%	-4.3%	14.5%	-24.5%	-52.7%	-19.5%
Egyptian Stock Exchange	6.6%	6.3%	12.1%	8.6%	-21.9%	-2.9%
MSCI EFM ex SA Index	2.0%	5.6%	5.4%	-3.3%	-23.2%	2.5%

**Other market statistics**

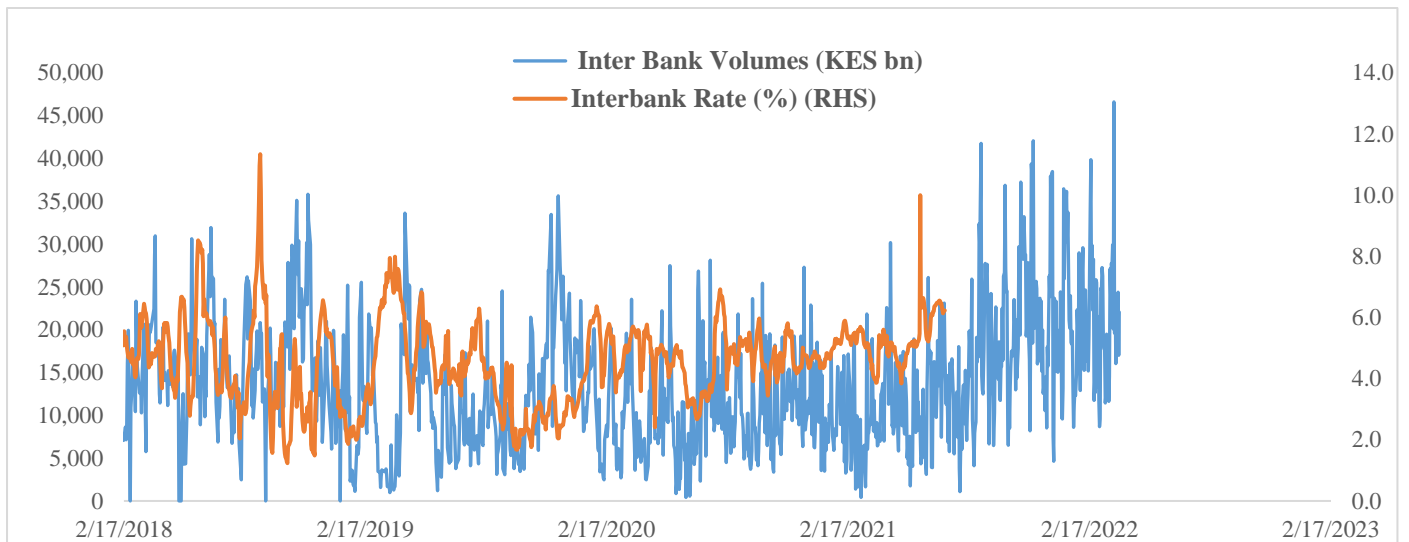
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	125.8	-0.9%	-1.3%	-3.0%	-4.8%	-9.6%	-1.9%
USD/ZAR	18.1	-3.2%	-5.1%	-4.2%	-5.8%	-16.8%	-5.6%
USD/EGP	30.6	-0.9%	-2.3%	-19.8%	-37.3%	-48.5%	-19.0%
USD/NGN	460.9	0.0%	0.1%	-3.8%	-7.2%	-9.3%	0.0%
USD/GHS	12.4	-1.7%	-3.8%	16.8%	-20.8%	-47.1%	-18.2%

**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	404.3	-249.1	64.8%	-1.0%	-2.1%	-38.9%	14.8%
Equity bank	252.4	-43.2	44.6%	1.8%	4.4%	-13.2%	19.1%
BAT Kenya	224.4	-202.0	53.0%	7.8%	4.3%	-5.7%	18.8%
Stanbic bank	100.1	99.9	49.9%	-0.7%	8.8%	-2.6%	23.3%
KCB bank	84.3	17.3	16.7%	-0.5%	1.2%	-16.2%	10.1%

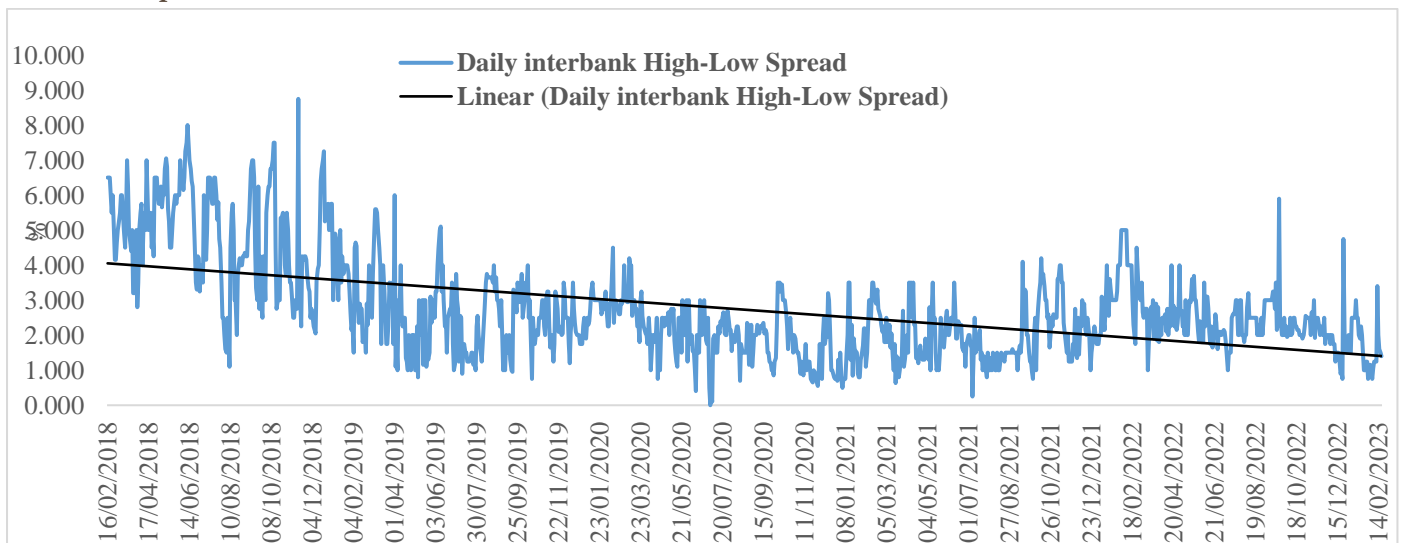
**Key Rates and Spreads**

**Inter-bank rate decline for the third successive week**



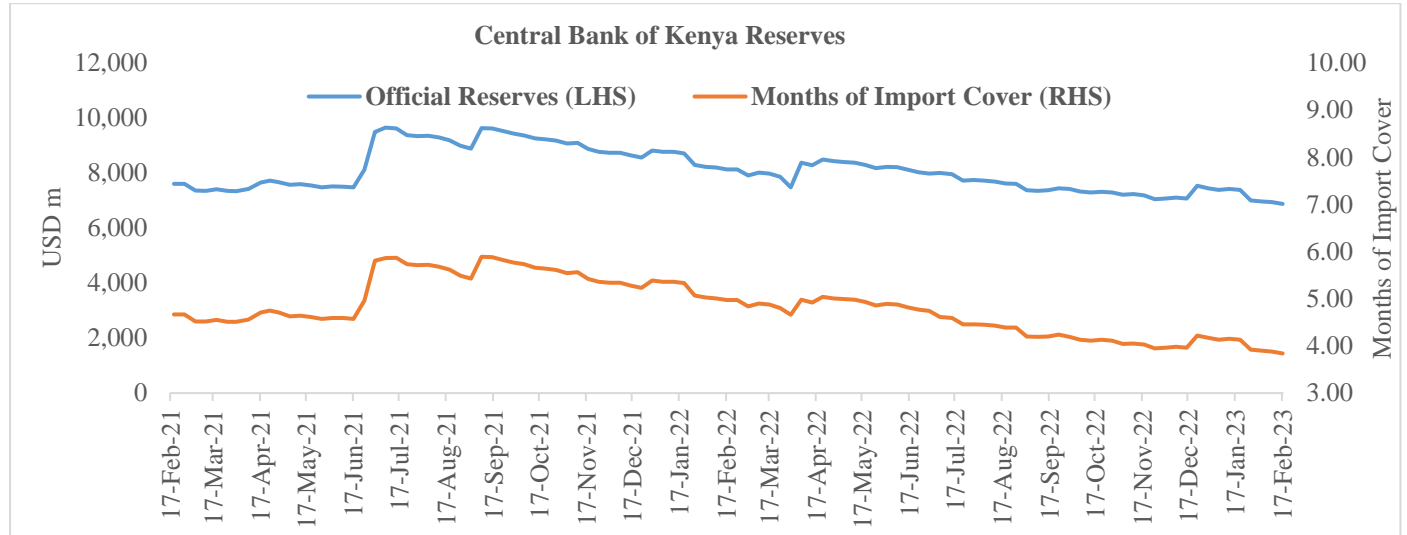
Source: CBK

**Inter-bank spread thin week-on-week**



Source: CBK

Months of import cover & FX reserves fall for the fifth straight week, remain below the recommended 4.0x levels



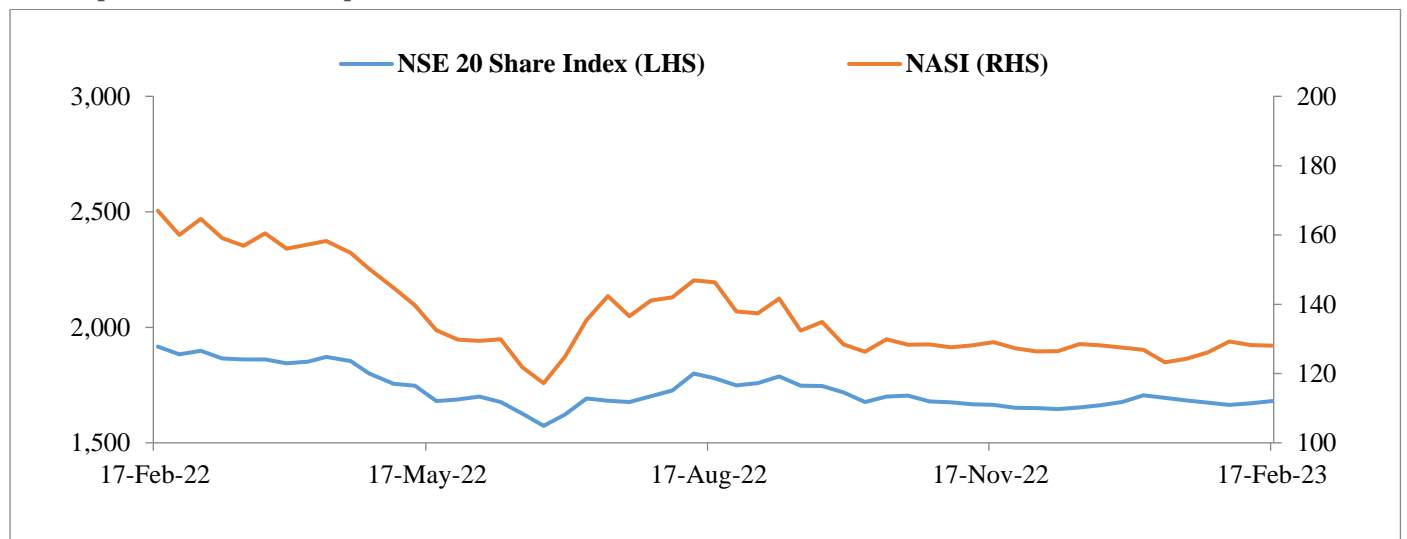
Source: CBK

Equity market trading commentary

Equity turnover declined a modest 4.6% w/w to settle at USD 10.5m (KES 1.3bn). Marking the second week of losses, the NASI came off 0.2% w/w to 128.02. Posting gains for the second week in a row, the NSE 20 added another 0.5% w/w to end at 1,680.50. Foreign investors emerged as overall net sellers at USD 3.1m (KES 384.9m) after reporting net inflows the prior week. For the fourth consecutive week, local investors drove market activity at the bourse at 43.1% of total turnover, up from 38.7% marked the previous week. Safaricom (USD 2.0m, KES 249.1m) and BAT Kenya (USD 1.6m, KES 202.0m) saw the highest net foreign outflows. On the other hand, Stanbic bank (USD 0.8m, KES 99.9m) and KCB bank (USD 0.1m, KES 17.3m) experienced the highest net foreign outflows.

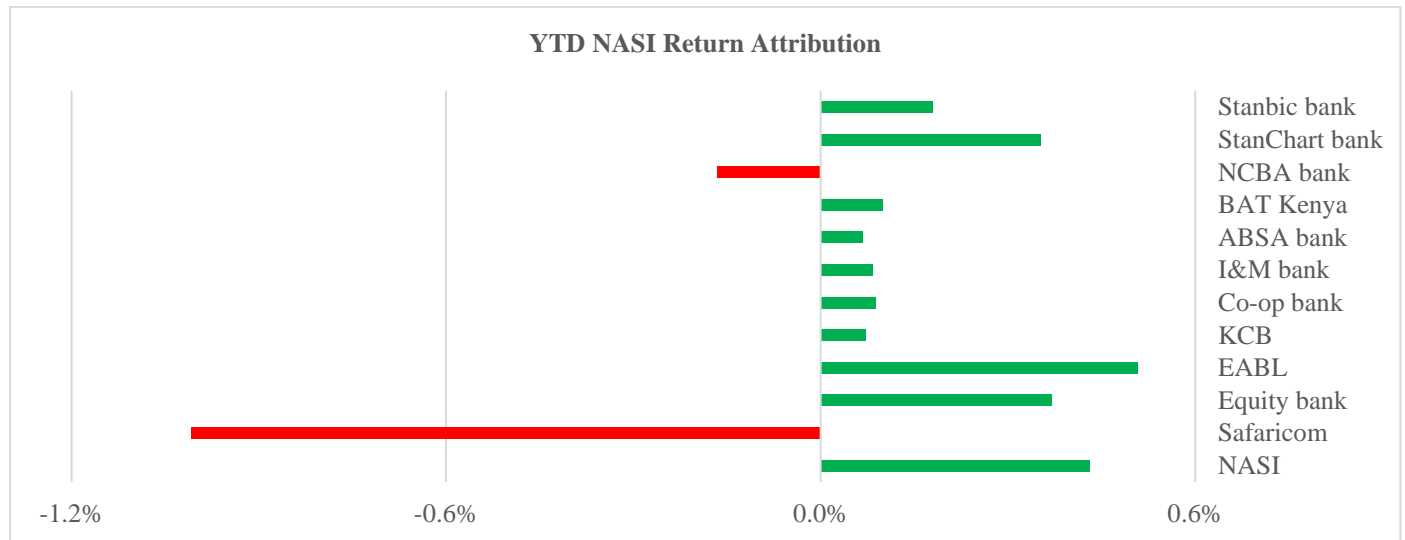
During the week, Equity bank rallied further to hit a 22-day high on account of continued local demand. On the back of foreign investors' sell-off, Safaricom touched a 12-day low. BAT Kenya finished the week at a 10-month high as management announced earnings growth of 6.3% y/y and final DPS of KES 52.00.

Market performance over the past 12 months



Source: NSE

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



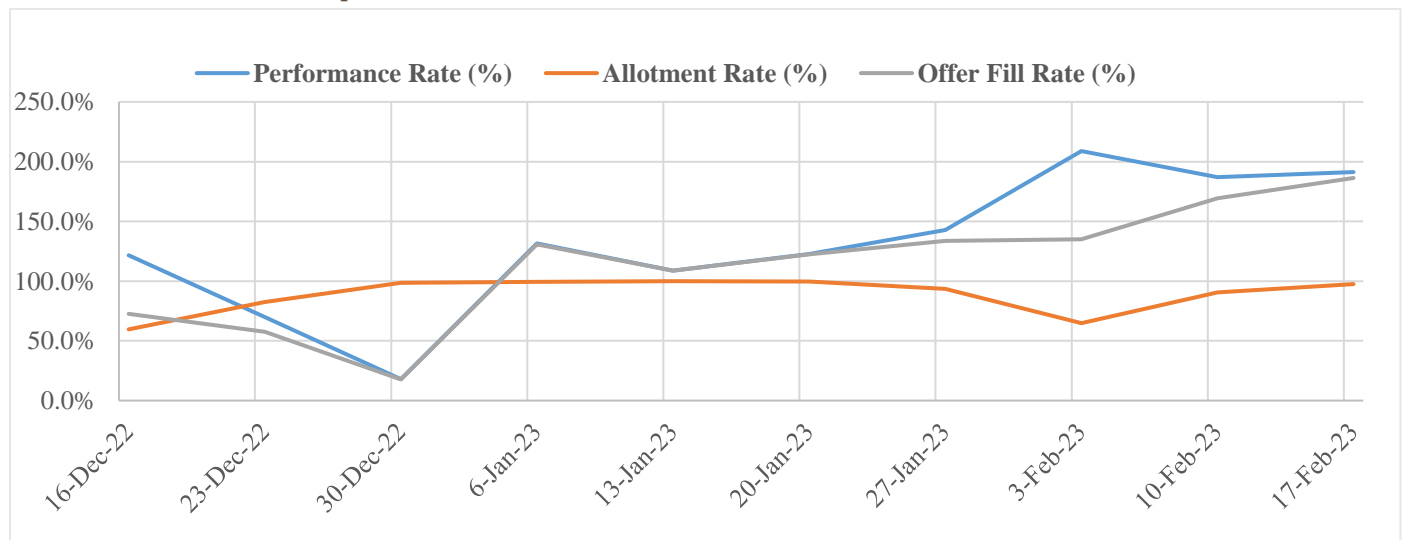
Source: Kestrel Research

Debt market trading commentary

For the second successive week, overall subscription rates increased to 191.3%, up from 187.1% registered last week. Demand remained strong on the 91-Day T-Bill and there was a notable increase in the 182-Day T-Bill to the highest levels in the last 85-weeks. Yields across all tenors notched upwards for the seventh straight week.

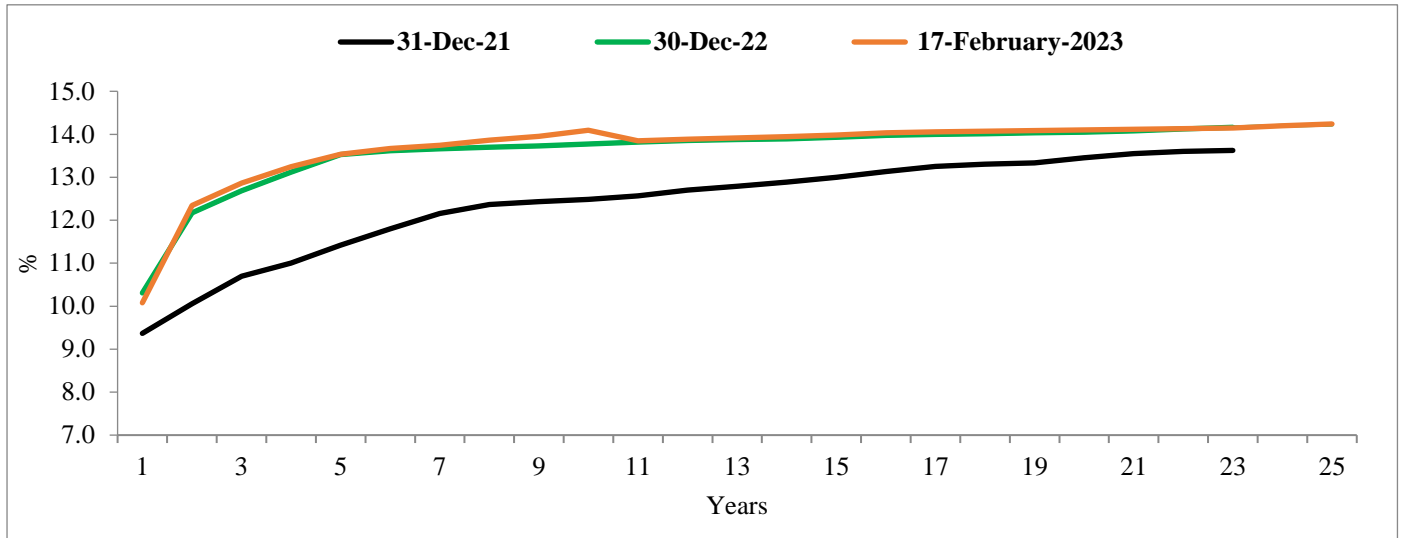
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 22.1bn for the 91-Day T-Bill, implying a subscription rate of 552.22%. It accepted bids worth KES 20.9bn at an average yield of 9.623% (+2.2bps w/w). The 182-Day T-Bill received bids worth KES 17.5bn, implying a performance rate of 175.27%. It accepted bids worth KES 17.5bn at an average yield of 10.079% (+3.7bps w/w). The 364-Day T-Bill received bids worth KES 6.3bn, implying a performance rate of 62.98%. It accepted bids worth KES 6.3bn at an average yield of 10.638% (+3.5bps w/w).

T-Bills Performance: Overall performance rates rise for the second week in a row



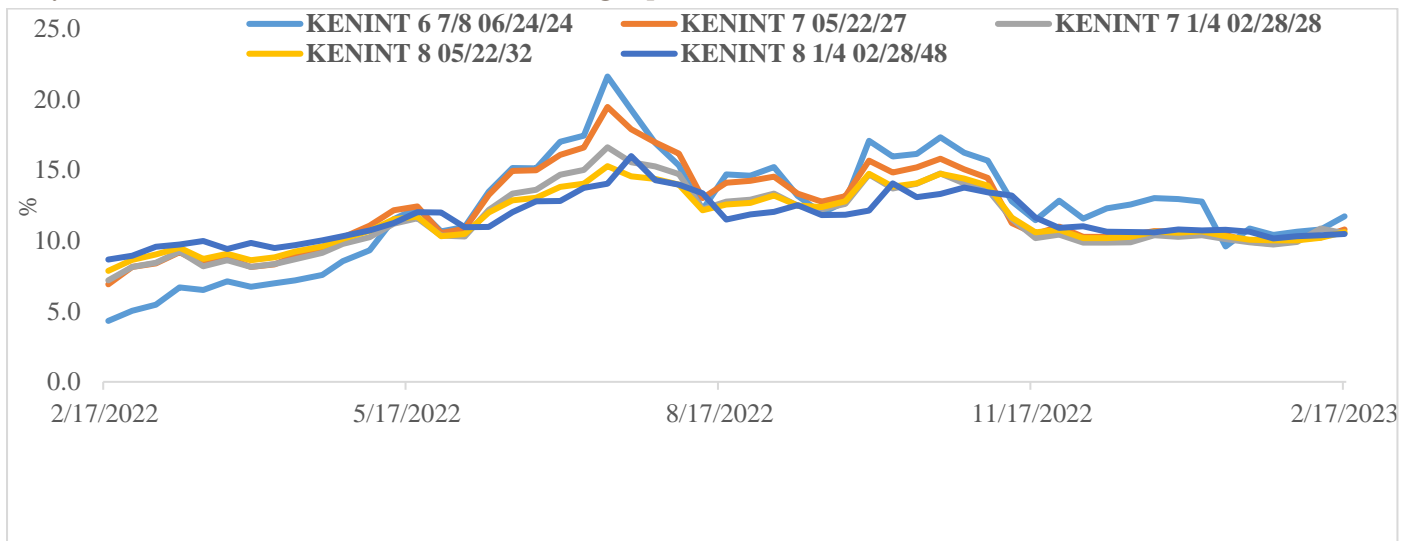
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across most tenor edge upwards for the third successive week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market <sup>1</sup>	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading <sup>1</sup>	
Safaricom	Telecom	Mar	38.70	20.60	23.65	-2.1	7,543	47.3%	1.74	1.39	3.5	13.6	5.9	6.8	49.9	1,120,349	
Equity Bank	Banking	Dec	53.50	39.00	46.45	4.4	1,395	8.7%	12.24	3.00	40.8	3.8	6.5	1.1	30.0	471,845	
EA Breweries	Breweries	Jun	181.50	110.00	180.25	7.6	1,135	7.1%	15.00	11.00	20.5	12.0	6.1	8.8	73.2	180,032	
KCB Bank	Banking	Dec	46.00	35.00	38.55	1.2	986	6.2%	12.25	3.00	58.4	3.1	7.8	0.7	21.0	177,640	
Co-op Bank	Banking	Dec	13.30	10.70	12.60	2.4	588	3.7%	3.75	1.00	17.2	3.4	7.9	0.7	21.8	60,385	
Absa Bank	Banking	Dec	12.70	9.70	12.55	2.0	543	3.4%	2.15	1.10	10.9	5.8	8.8	1.2	19.7	46,617	
NCBA Bank	Banking	Dec	40.00	23.00	37.35	-5.1	490	3.1%	10.02	4.25	49.1	3.7	11.4	0.8	20.4	19,263	
StanChart Bank	Banking	Dec	161.25	123.75	161.25	13.0	485	3.0%	30.18	13.00	146.8	5.3	8.1	1.1	20.6	46,964	
BAT Kenya	Tobacco	Dec	509.00	404.00	479.75	4.3	382	2.4%	68.92	57.00	163.8	7.0	11.9	2.9	42.1	168,189	
Stanbic Bank	Banking	Dec	114.00	90.00	111.00	8.8	349	2.2%	22.99	7.30	127.4	4.8	6.6	0.9	18.0	36,150	
I&M Holdings	Banking	Dec	21.50	16.50	18.00	5.9	237	1.5%	5.74	1.50	41.4	3.1	8.3	0.4	13.9	7,922	
Bank of Kigali	Banking	Dec	32.75	27.00	31.00	-1.6	221	1.4%	7.95	3.28	41.8	3.9	10.6	0.7	19.0	475	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	173	1.1%	(2.79)	-	(14.7)	-	-	-	-	-	
KenGen	Power	Jun	4.00	2.67	2.67	-17.1	140	0.9%	0.16	0.18	32.4	16.8	6.7	0.1	0.5	4,468	
Umeme Ltd.	Power	Dec	9.96	5.50	9.96	34.2	129	0.8%	2.74	1.73	17.6	3.6	17.4	0.6	15.6	1,041	
Total Oil	Oil	Dec	25.85	21.75	22.55	-5.5	113	0.7%	4.35	1.31	45.4	5.2	5.8	0.5	9.6	494	
DTB Bank	Banking	Dec	60.00	46.00	50.00	0.0	111	0.7%	17.27	3.00	250.7	2.9	6.0	0.2	6.9	35,427	
Jubilee Insurance	Insurance	Dec	300.00	181.00	183.00	-7.9	106	0.7%	94.22	14.00	544.4	1.9	7.7	0.3	17.3	5,569	
Britam	Insurance	Dec	7.34	4.97	5.12	-1.5	103	0.6%	0.03	-	7.5	179.1	-	0.7	0.4	2,152	
Bamburi Cement	Cement	Dec	38.85	28.25	27.90	-11.4	81	0.5%	2.15	3.58	0.1	13.0	12.8	339.8	2,618.6	1,562	
Kakuzi	Agric	Dec	441.25	367.50	415.00	7.8	65	0.4%	39.24	18.00	278.0	10.6	4.3	1.5	14.1	460	
Centum Investment	Finance	Mar	14.30	7.90	9.00	7.7	48	0.3%	(2.01)	0.59	65.1	-	6.5	0.1	(3.1)	5,509	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	42	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
CIC Insurance	Insurance	Dec	2.29	1.72	1.99	2.1	41	0.3%	0.30	-	3.0	6.6	-	0.7	9.9	1,801	
Kenya Re	Insurance	Dec	2.30	1.74	1.82	-0.5	41	0.3%	1.17	0.10	13.4	1.6	5.5	0.1	8.7	1,317	
Crown Paints	Manufac.	Dec	44.00	33.65	35.40	-15.4	40	0.3%	5.13	4.00	24.1	6.9	11.3	1.5	21.3	416	
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	21.50	-4.2	39	0.2%	5.11	1.00	56.5	4.2	4.7	0.4	9.1	1,131	
Carbacid	Gases	July	14.15	10.35	12.45	3.8	25	0.2%	2.22	0.70	13.5	5.6	5.6	0.9	16.4	10,674	
Kenya Power	Power	Jun	2.08	1.31	1.58	1.3	25	0.2%	1.80	-	30.8	0.9	-	0.1	5.8	8,769	
Nation Media	Media	Dec	23.20	14.55	15.50	-2.8	23	0.1%	2.59	1.49	42.1	6.0	9.6	0.4	6.2	869	
Liberty K. Holdings	Insurance	Dec	7.48	4.28	4.99	-10.9	21	0.1%	0.15	-	15.9	32.7	-	0.3	1.0	80	
TPSEA Serena	Tourism	Dec	17.50	10.85	13.80	3.4	20	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	205	
NSE	Finance	Dec	8.40	6.38	6.58	-2.9	14	0.1%	0.51	1.40	8.0	12.9	21.3	0.8	6.4	1,331	
Unga Ltd	Food	Jun	36.25	26.00	21.85	-31.7	13	0.1%	2.48	-	58.3	8.8	-	0.4	4.2	227	
Car & Gen	Motors	Sept	76.00	30.00	36.00	-24.1	11	0.1%	26.33	3.20	135.8	1.4	8.9	0.3	19.4	867	
Housing Finance	Banking	Dec	3.84	2.86	3.67	15.0	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	812	
BOC Kenya	Gases	Dec	93.25	65.00	70.00	-1.1	11	0.1%	4.78	6.70	84.3	14.7	9.6	0.8	5.7	156	
WPP Scangroup	Media	Dec	4.41	2.84	3.03	0.7	10	0.1%	(0.30)	-	11.9	-	-	0.3	(2.5)	533	
Sanlam Kenya	Insurance	Dec	15.00	7.86	8.58	-10.4	10	0.1%	(3.77)	-	3.9	-	-	2.2	(97.1)	80	
Limuru Tea	Agric	Dec	510.00	320.00	400.00	-4.8	8	0.0%	(0.50)	0.70	75.9	-	0.2	5.3	(0.7)	732	
Standard Newspapers	Media	Dec	15.80	8.74	10.15	-2.9	7	0.0%	(0.90)	-	10.5	-	-	1.0	(8.5)	34	
Longhorn	Publishing	Jun	4.07	2.74	3.00	0.0	7	0.0%	0.62	-	2.8	4.9	-	1.1	22.2	165	
EA Portland	Cement	Jun	8.80	6.10	6.02	-11.5	4	0.0%	6.02	-	239.8	1.0	-	0.0	2.5	33	
TransCentury	Finance	Dec	1.31	0.79	1.10	18.3	3	0.0%	(6.72)	-	(9.5)	-	-	-	-	2,193	
												<b>Average</b>	<b>16.5</b>	<b>6.7</b>	<b>6.0</b>	<b>51.0</b>	<b>2,430,275</b>

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