

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.27	17.75	87.4%	BUY
Equity bank	54.37	46.65	16.5%	BUY
KCB bank	74.22	42.00	76.7%	BUY
Co-op bank	18.33	15.95	14.9%	HOLD
ABSA bank	11.52	18.80	-38.7%	SELL
StanChart bank	245.66	304.00	-19.2%	SELL
NCBA bank	40.63	52.25	-22.2%	SELL
I&M bank	38.37	34.95	9.8%	HOLD
Stanbic bank	118.55	160.00	-25.9%	SELL
DTB bank	109.36	79.75	37.1%	BUY
EABL	341.24	185.25	84.2%	BUY
BAT Kenya	411.34	369.25	11.4%	HOLD

Kenya Market Summary

Equity market commentary and outlook

- During the week, Stanchart Bank, Absa Bank, and Co-op Bank released their FY24 results and declared a final dividend of KES 37.00, KES 1.55, and KES 1.50 respectively. Local investors led trading for the week at 80.0%, and foreign investors remained net sellers at USD 1.2m (KES 153.4m). KCB Bank had the highest net foreign outflows at USD 0.8m (KES 97.9m) while Safaricom registered the highest net foreign inflows for the week at USD 0.4m (KES 53.7m).

Debt market commentary and outlook

- Overall subscription rates declined to 129.0% from 149.2% the previous week. Investors were skewed towards the 364-Day T-Bill and activity declined for the 91-Day and 182-Day T-Bills. The yield on all three T-Bills fell, with that of the 91-Day T-Bill declining for the thirty-fifth week, the 182-Day T-Bill maintaining a nine-week decline and the 364-Day T-Bill falling repeatedly for the seventh week.

Key Market Indicators

Index	Level	1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	2,245.0	35.2%	32.9%	48.3%	55.5%	46.3%	11.7%
Kenya NASI	130.2	24.4%	22.2%	40.3%	51.9%	26.4%	5.5%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	0.6%	-2.5%	8.9%	14.1%	1.4%	-16.7%
Johannesburg Index	1.9%	-0.3%	5.0%	-3.7%	24.5%	-14.7%
Nigeria Stock Exchange	-0.6%	-4.8%	10.5%	9.1%	-18.9%	10.2%
Ghana Stock Exchange	1.1%	10.0%	8.4%	18.6%	2.7%	-18.5%
Egyptian Stock Exchange	1.4%	1.1%	1.9%	-6.0%	2.4%	5.2%
MSCI EFM ex SA Index	0.6%	1.2%	5.5%	-0.8%	1.2%	-2.0%

Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	129.34	0.0%	0.1%	-0.1%	-0.3%	2.3%	-0.1%
USD/ZAR	18.23	-0.2%	0.9%	0.4%	-4.6%	4.2%	2.6%
USD/EGP	50.57	0.2%	0.0%	0.7%	-4.2%	-8.2%	0.4%
USD/NGN	1546.31	0.0%	-2.9%	0.1%	5.7%	-5.8%	-0.1%
USD/GHS	15.50	0.0%	0.2%	-5.4%	1.5%	-18.8%	-5.4%

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
Liberty Insurance	623.5	0.0	0.0%	6.5%	22.5%	0.0%	70.1%
KCB Bank	566.7	-97.9	13.3%	-0.4%	1.0%	-8.3%	64.4%
Equity Bank	349.4	-81.0	33.0%	-2.0%	-3.4%	-6.7%	21.2%
Safaricom	326.8	53.7	67.3%	0.0%	4.1%	-8.0%	23.3%
Stanchart Bank	92.0	-4.4	4.5%	12.3%	8.7%	-1.8%	84.5%

Stanchart Bank FY 24 Results

StanChart bank published its FY24 results. Reported FY24 EPS: KES 52.65, +45.6% y/y, largely driven by total income (+24.0%) and supported by lower loan loss provisions (-26.0% y/y). Earnings came in 3.0% behind estimates, largely in line with projections. The Board of Directors recommended a final DPS of KES 37.00, in addition to the interim dividend of KES 8.00.

Summary Performance Table

	Reported	Forecast	Variance
NIM	9.8%	10.2%	-0.4%
NIR growth	15.3%	24.7%	-9.4%
NFI mix	34.4%	32.1%	2.3%
NFI growth	44.9%	41.3%	3.6%
CoR	1.5%	2.1%	-0.6%
CTI	39.6%	37.6%	2.0%
OpEx Growth	11.8%	10.9%	0.9%
EPS	52.65	54.30	-3.0%
DPS	45.00	43.54	3.5%
Net Loan growth	-7.1%	-6.0%	-2.0%
Deposit growth	-13.8%	-15.1%	-1.3%
NPL Ratio	7.3%	14.0%	-6.7%
NPL Coverage*	71.1%	54.7%	16.4%
ROE	28.0%	31.3%	-3.3%

*CBK Coverage

What stood out for us?

- **Lower-than-expected loan loss provisions:** provisions came in 31.9% below estimates on account of improved loan recoveries and enhanced credit book management. NPL ratio came down to 7.3%, way below our estimated NPL ratio of 14.0%. We also believe KES appreciation positively impacted the NPLs within the foreign book.

Impact to our investment thesis

- Going forward, we expect to bring down our cost of risk outlook due to the decline in the NPL ratio and improved macros. **StanChart bank is currently trading at a P/B of 1.6x and a dividend yield of 14.7%. To date, StanChart stock's price of KES 307.00 has outperformed our estimate of fair value of 245.66 by 25.0%.**

KCB Bank FY24 Results

KCB bank released its FY24 results. Reported EPS: KES 18.70, +60.4% y/y, attributable to growth in both net interest income (+13.8% y/y) and non-funded income (+74.8% y/y). Earnings came in 9.3% ahead of estimates on account of better-than-expected FX income (+15.5%). The Board of Directors recommended a final DPS of KES 1.50, in addition to the interim DPS of KES 1.50. The final dividend book closure is set for 3rd April 2025.

Summary Performance Table

	Reported	Forecast	Variance
NIM	8.0%	7.6%	0.4%
NIR growth	13.8%	16.2%	-2.4%
NFI mix	33.0%	30.7%	2.3%
NFI growth	74.8%	60.5%	14.3%
CoR	2.5%	2.6%	-0.1%
CTI	45.4%	45.6%	-0.2%
OpEx Growth	11.3%	10.5%	0.8%
EPS	18.70	17.11	9.3%
DPS	3.00	5.13	-41.5%
Net Loan growth	-9.6%	0.8%	-10.4%
Deposit growth	-18.7%	-2.1%	-20.8%
NPL Ratio	18.6%	20.4%	-1.8%
NPL Coverage*	59.6%	42.1%	-17.5%
ROE	21.9%	21.5%	0.4%

*CBK Coverage

What stood out for us?

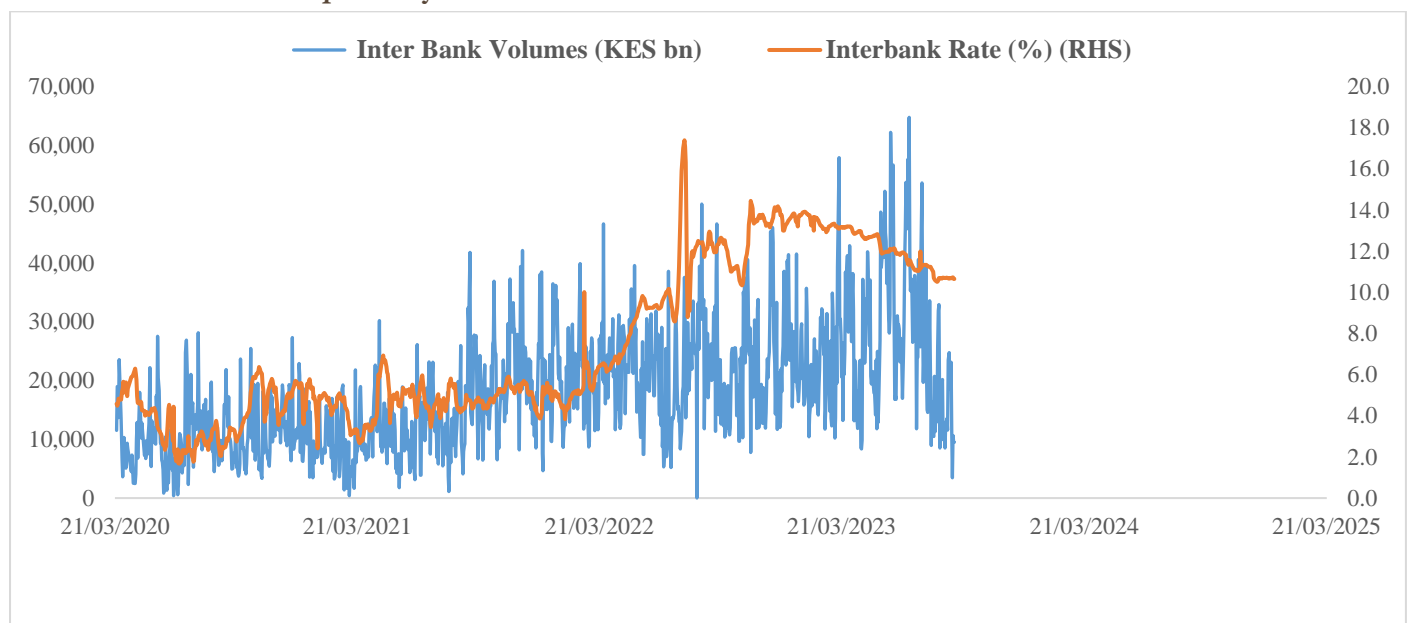
- **Higher-than-expected Forex Income:** forex income grew a strongly at 151.7% y/y, exceeding our estimates by 15.5%. We attribute the growth to increased transactional volumes and better FX spreads at 1H24.

Impact to our investment thesis

- Going forward, we expect to moderate down our forex income growth for 2025. Further, we expect to keep the NPL ratio elevated as credit risk remains high, strained consumer wallet and subdued business environment. **KCB bank is currently trading at a P/B of 0.5x and a dividend yield of 7.2%. Our estimate of fair value for KCB is KES 74.22, implying 77.1% upside potential.**

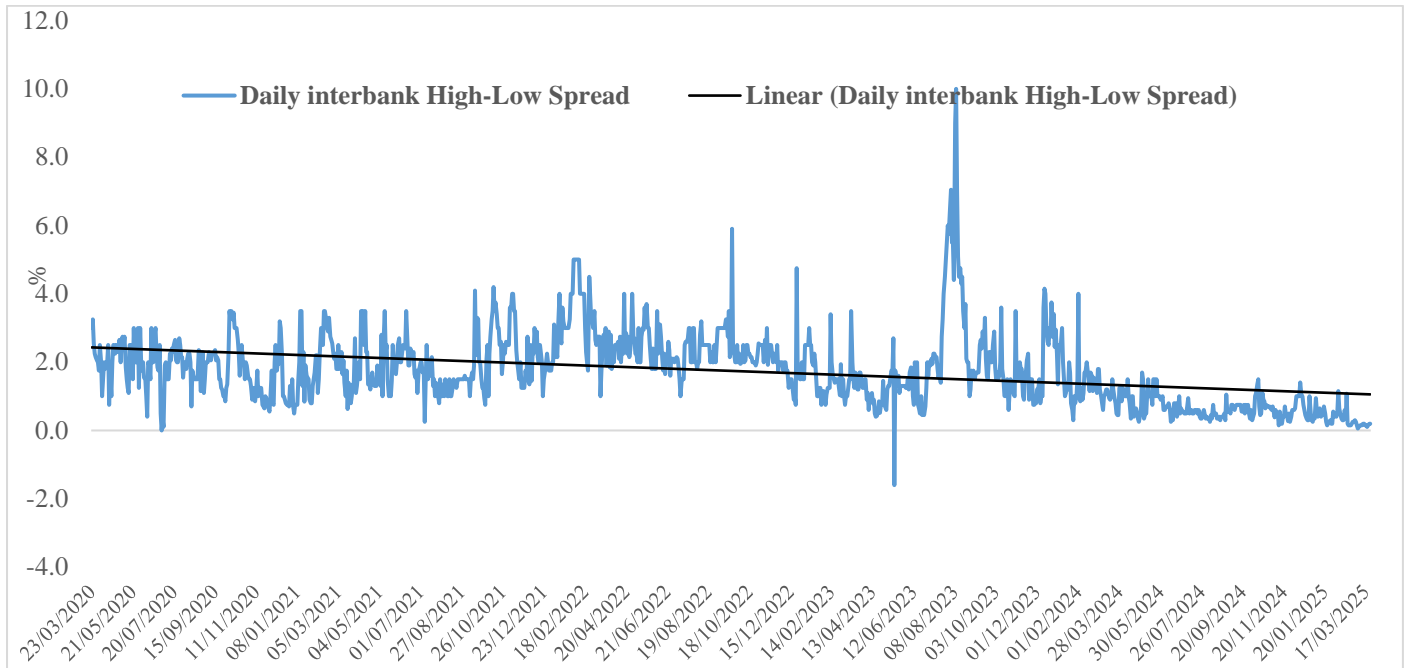
Key Rates and Spreads

Inter-bank Rates fall repeatedly for the fifth week.



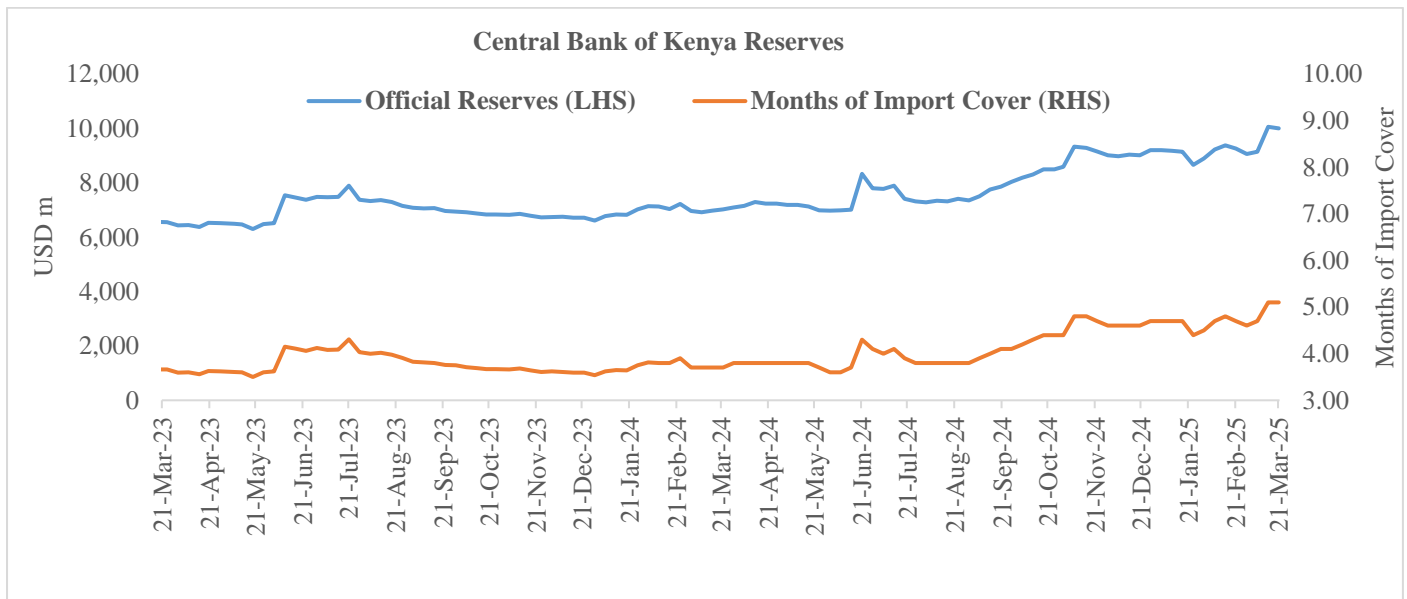
Source: CBK

Interbank spreads widen week-on-week.



Source: CBK

CBK Reserves remain steady at 5.1 months of import cover

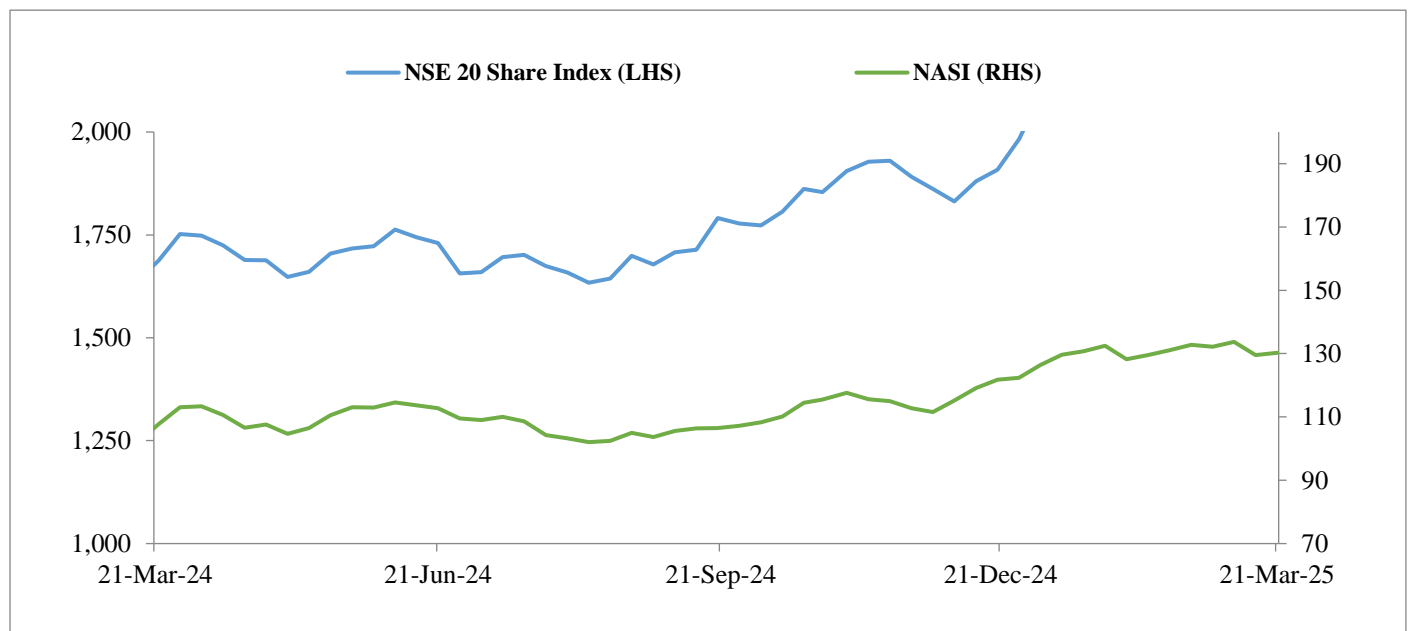


Source: CBK

Equity market trading commentary

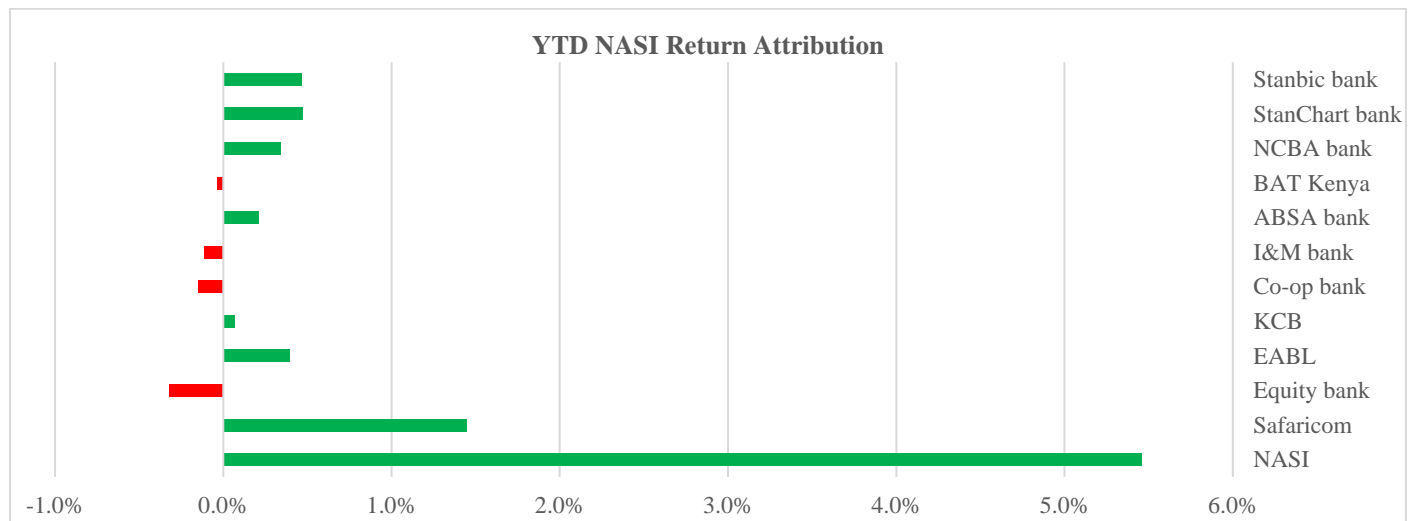
Total market turnover grew by 14.0%, settling at USD 17.7m (KES 2.3bn). The NASI recovered 0.5% to end at 130.22, similarly, the NSE-20 gained 0.4%, concluding at 2245.04, sustaining a two-week gaining streak. Local investors led trading for the week at 80.0%, and foreign investors remained net sellers at USD 1.2m (KES 153.4m). KCB Bank had the highest net foreign outflows at USD 0.8m (KES 97.9m) while Safaricom registered the highest net foreign inflows for the week at USD 0.4m (KES 53.7m).

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

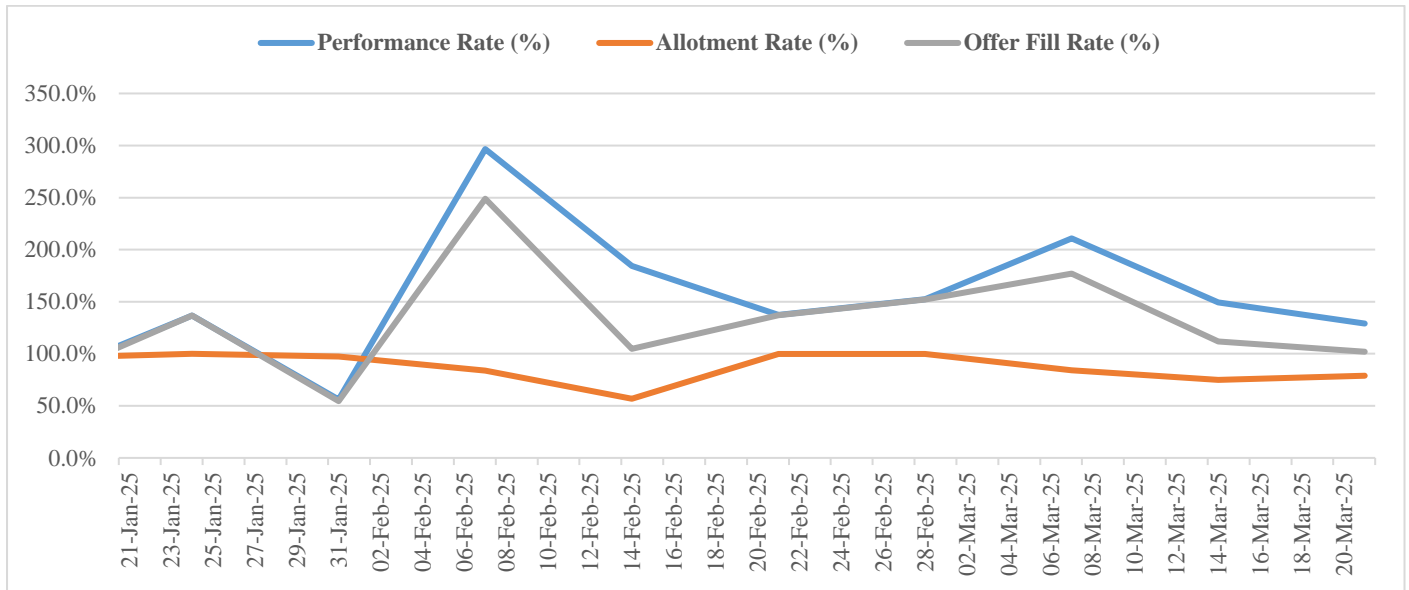
Overall subscription rates declined to 129.0% from 149.2% the previous week. Investors were skewed towards the 364-Day T-Bill and activity declined for the 91-Day and 182-Day T-Bills. The yield on all three T-Bills fell, with that of the 91-Day T-Bill declining for the thirty-fifth week, the 182-Day T-Bill maintaining a nine-week decline and the 364-Day T-Bill falling repeatedly for the seventh week.

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 1.7bn for the 91-Day T-Bill, implying a subscription rate of 43.23%. It accepted bids worth KES 1.7bn at an average yield of 8.840% (-7.78 bps w/w).

The 182-Day T-Bill received bids worth KES 8.4bn, implying a performance rate of 84.03%. It accepted bids worth KES 6.5bn at an average yield of 9.086% (-2.89 bps w/w).

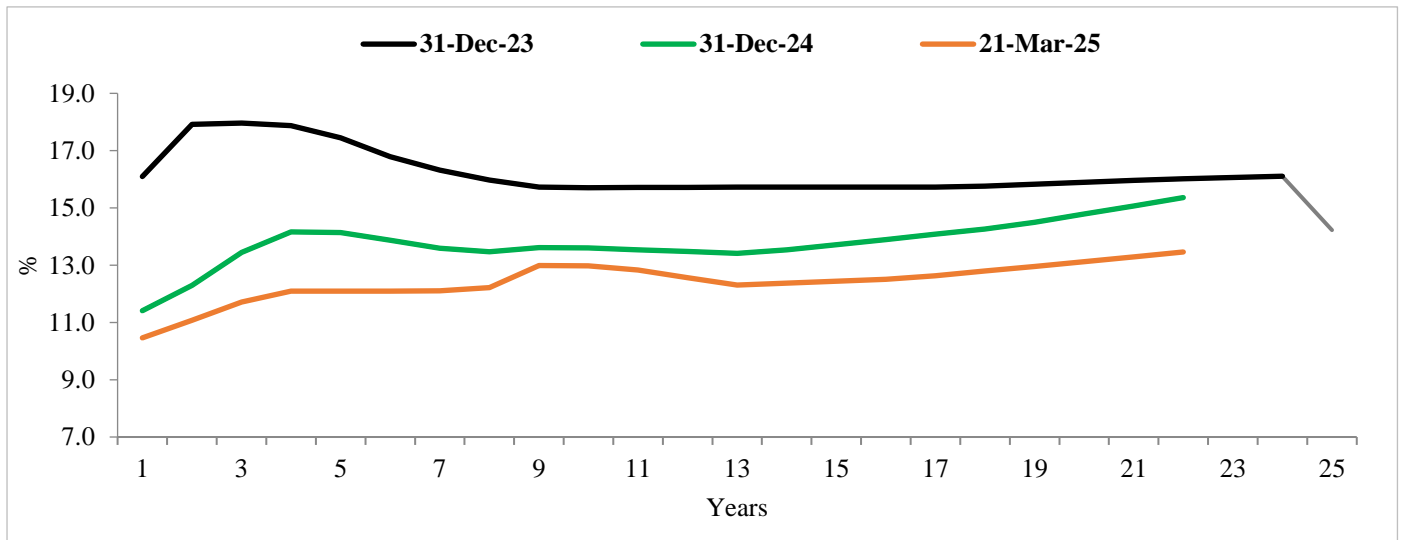
The 364-Day T-Bill received bids worth KES 20.8bn, implying a performance rate of 208.24%. It accepted bids worth KES 16.3bn at an average yield of 10.461% (-1.23 bps w/w).

T-Bills Performance rates



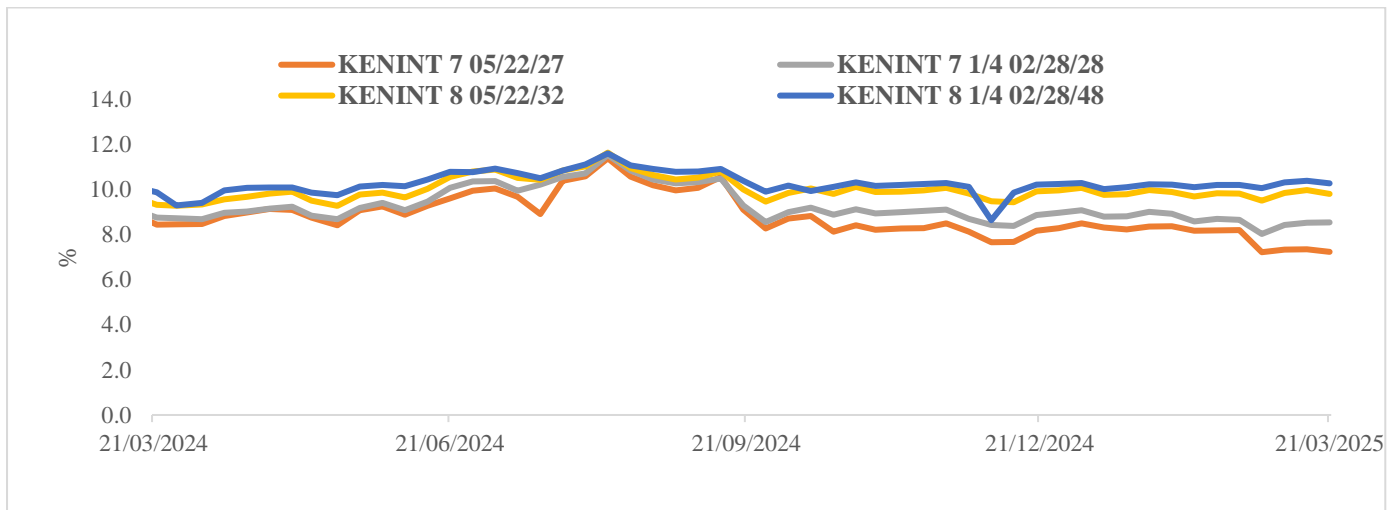
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields



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	14.40	17.75	4.1	5,491	34.6%	1.06	1.20	4.7	16.7	6.8	3.8	22.7	1,011,530
Equity Bank	Banking	Dec	50.00	38.50	46.65	-3.4	1,359	8.6%	20.58	4.00	48.7	2.3	8.6	1.0	42.2	309,647
EA Breweries	Breweries	Jun	199.75	121.00	185.25	5.6	1,131	7.1%	15.46	7.50	27.1	12.0	4.0	6.8	57.1	168,173
Co-op Bank	Banking	Dec	17.80	12.00	15.95	-3.0	723	4.6%	4.34	1.50	18.4	3.7	9.4	0.9	23.6	89,604
NCBA Bank	Banking	Dec	54.00	37.55	52.25	8.4	665	4.2%	13.30	3.50	53.7	3.9	6.7	1.0	24.8	28,118
Absa Bank	Banking	Dec	19.30	11.95	18.80	4.2	788	5.0%	3.84	1.75	12.0	4.9	9.3	1.6	32.0	111,697
KCB Bank	Banking	Dec	45.80	25.55	42.00	1.0	1,042	6.6%	19.22	3.00	68.1	2.2	7.1	0.6	28.2	632,944
StanChart Bank	Banking	Dec	309.50	164.75	304.00	8.7	887	5.6%	53.09	45.00	158.0	5.7	14.8	1.9	33.6	73,156
Stanbic Bank	Banking	Dec	168.50	108.75	160.00	16.6	488	3.1%	34.69	20.17	140.8	4.6	12.6	1.1	24.6	71,353
BAT Kenya	Tobacco	Dec	416.75	331.75	369.25	-1.8	285	1.8%	44.83	50.00	163.8	8.2	13.5	2.3	27.4	50,074
BK Group	Banking	Dec	37.15	30.15	34.00	4.5	235	1.5%	10.26	3.28	46.8	3.3	9.7	0.7	21.9	25,243
I&M Holdings	Banking	Dec	36.55	17.15	34.95	-3.6	470	3.0%	8.06	3.85	45.5	4.3	11.0	0.8	17.7	60,101
Umeme Ltd.	Power	Dec	17.45	13.80	17.00	1.5	213	1.3%	0.26	0.92	22.0	65.0	5.4	0.8	1.2	5,790
Kenya Airways	Airlines	Dec	8.50	3.83	5.26	37.3	231	1.5%	2.63	-	(14.7)	2.0	-	-	-	18,727
Bamburi Cement	Cement	Dec	82.00	41.15	56.50	2.7	158	1.0%	(0.28)	5.47	82.1	-	98.6	0.1	(0.3)	2,298,867
KenGen	Power	Jun	5.26	2.00	5.06	39.0	258	1.6%	1.03	0.65	41.6	4.9	12.8	0.1	2.5	59,072
Jubilee Insurance	Insurance	Dec	225.25	150.00	216.25	24.6	121	0.8%	67.32	12.00	613.8	3.2	5.5	0.4	11.0	28,889
DTB Bank	Banking	Dec	82.75	43.25	79.75	15.6	172	1.1%	29.76	6.00	256.8	2.7	7.5	0.3	11.6	41,762
Britam	Insurance	Dec	8.54	5.00	7.66	32.1	149	0.9%	1.45	-	9.2	5.3	-	0.8	15.6	27,850
Total Oil	Oil	Dec	24.00	17.30	22.20	11.0	108	0.7%	5.12	1.92	48.0	4.3	8.6	0.5	10.7	1,649
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	288
CIC Insurance	Insurance	Dec	3.04	1.98	2.85	32.6	58	0.4%	0.55	-	3.3	5.2	-	0.9	16.9	4,691
Centum Investment	Finance	Mar	15.65	7.88	13.10	32.6	67	0.4%	(8.95)	0.32	55.8	-	2.4	0.2	(16.1)	11,063
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	33.00	0.3	36	0.2%	(0.47)	4.00	24.1	-	7.1	2.3	(2.0)	259
Kenya Re	Insurance	Dec	2.87	1.04	1.91	49.2	41	0.3%	1.78	0.30	13.4	1.1	15.7	0.1	13.2	47,097
Sasini Tea & Coffee	Agric	Sept	20.95	14.40	15.90	6.0	28	0.2%	3.11	0.50	61.7	5.1	3.1	0.3	5.0	2,218
Carbacid	Gases	July	24.10	15.90	19.85	-5.3	39	0.2%	4.01	1.70	13.6	5.0	8.6	1.5	29.4	8,064
Nation Media	Media	Dec	22.00	11.75	13.55	-5.9	20	0.1%	(5.09)	-	43.1	-	-	0.3	(11.8)	2,773
Kenya Power	Power	Jun	7.56	1.50	6.38	32.6	96	0.6%	20.36	0.90	29.1	0.3	14.1	0.2	69.9	74,755
TPSEA Serena	Tourism	Dec	20.05	11.75	15.10	1.3	21	0.1%	8.08	-	33.3	1.9	-	0.5	24.3	601
Liberty K. Holdings	Insurance	Dec	8.18	4.81	8.18	22.5	34	0.2%	2.04	0.37	15.9	4.0	4.5	0.5	12.8	3,695
BOC Kenya	Gases	Dec	95.00	67.00	84.00	-5.4	13	0.1%	10.73	8.55	85.1	7.8	10.2	1.0	12.6	11,743
NSE	Finance	Dec	6.92	5.44	6.76	12.7	14	0.1%	0.21	0.16	7.1	32.1	2.4	0.9	3.0	8,415
Housing Finance	Banking	Dec	9.42	3.67	7.40	64.1	108	0.7%	0.25	-	4.2	29.5	-	1.8	6.0	82,632
Unga Ltd	Food	Jun	24.95	11.45	24.95	66.3	15	0.1%	(18.92)	-	58.3	-	-	0.4	(32.4)	274
Sanlam Kenya	Insurance	Dec	8.58	3.90	8.18	65.3	9	0.1%	2.27	-	3.9	3.6	-	2.1	58.6	400
Car & Gen	Motors	Sept	30.40	18.85	22.05	-3.1	7	0.0%	(7.68)	-	135.8	-	-	0.2	(5.7)	493
Limuru Tea	Agric	Dec	380.00	299.00	320.00	-8.6	6	0.0%	0.11	1.00	80.9	-	0.3	4.0	0.1	279
WPP Scangroup	Media	Dec	3.87	1.90	3.02	21.8	10	0.1%	0.06	-	11.9	47.5	-	0.3	0.5	1,258
EA Portland	Cement	Jun	50.75	4.46	40.00	30.7	28	0.2%	(14.13)	-	239.8	-	-	0.0	(5.9)	1,407
Standard Newspapers	Media	Dec	7.00	4.51	5.90	17.5	4	0.0%	(10.05)	-	0.4	-	-	13.4	(2,284)	176
Longhorn	Publishing	Jun	3.46	2.02	3.35	45.7	7	0.0%	(2.45)	-	2.8	-	-	1.2	(88.1)	265
TransCentury	Finance	Dec	1.62	0.32	1.28	228.2	4	0.0%	(6.72)	-	(9.5)	-	-	-	-	5,183
Average												12.5	8.6	2.4	25.5	5,400,461

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