

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	14.50	111.8%	BUY
Equity bank	43.67	41.05	6.4%	HOLD
KCB bank	47.26	31.75	48.9%	BUY
Co-op bank	20.46	13.55	51.0%	BUY
ABSA bank	12.89	14.30	-9.9%	HOLD
StanChart bank	138.26	202.25	-31.6%	SELL
NCBA bank	40.68	43.05	-5.5%	HOLD
I&M bank	33.32	22.05	51.1%	BUY
Stanbic bank	108.85	119.75	-9.1%	HOLD
DTB bank	116.13	45.25	156.6%	BUY
EABL	151.28	151.75	-0.3%	HOLD
Bamburi Cement	44.37	77.50	-42.7%	SELL
BAT Kenya	460.00	354.00	29.9%	BUY

Kenya Market Summary

Equity market commentary and outlook

- During the week, Kenya Power touched a six-day low on increased local sell-off. Bamburi Cement touched a 4.5-year high on increased local demand. Foreign investors remained net sellers for the week at USD 2.4m (KES 308.3m).

Debt market commentary and outlook

- Overall subscription rates rose to 100.8% from 79.9% the previous week, breaking a two-week losing streak. Investors remained skewed on the 91-Day T-Bill and activity improved only for the 91-Day T-Bill while it declined for the 182-Day T-Bill and the 364-Day T-Bill. The yield on all three T-Bills fell, with the 91-Day T-Bill sustaining a six-week losing streak and the 182-Day T-Bill and the 364-Day T-Bill declined for the fifth week straight.

Key Market Indicators

Index	Level	1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	1,678.2	1.1%	-0.7%	10.8%	16.3%	9.4%	11.8%
Kenya NASI	103.7	-1.0%	-2.7%	11.7%	20.9%	0.6%	12.6%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-1.0%	2.4%	-8.3%	35.7%	-4.6%	13.3%
Johannesburg Index	-1.3%	7.9%	8.3%	6.8%	-4.0%	-5.7%
Nigeria Stock Exchange	-0.3%	0.8%	-9.9%	7.9%	-30.2%	8.7%
Ghana Stock Exchange	0.0%	-5.6%	16.1%	-1.5%	-3.7%	2.2%
Egyptian Stock Exchange	2.4%	2.4%	5.9%	-39.2%	53.5%	-23.5%
MSCI EFM ex SA Index	-0.5%	3.1%	-0.2%	2.4%	1.1%	45.1%

Other market statistics

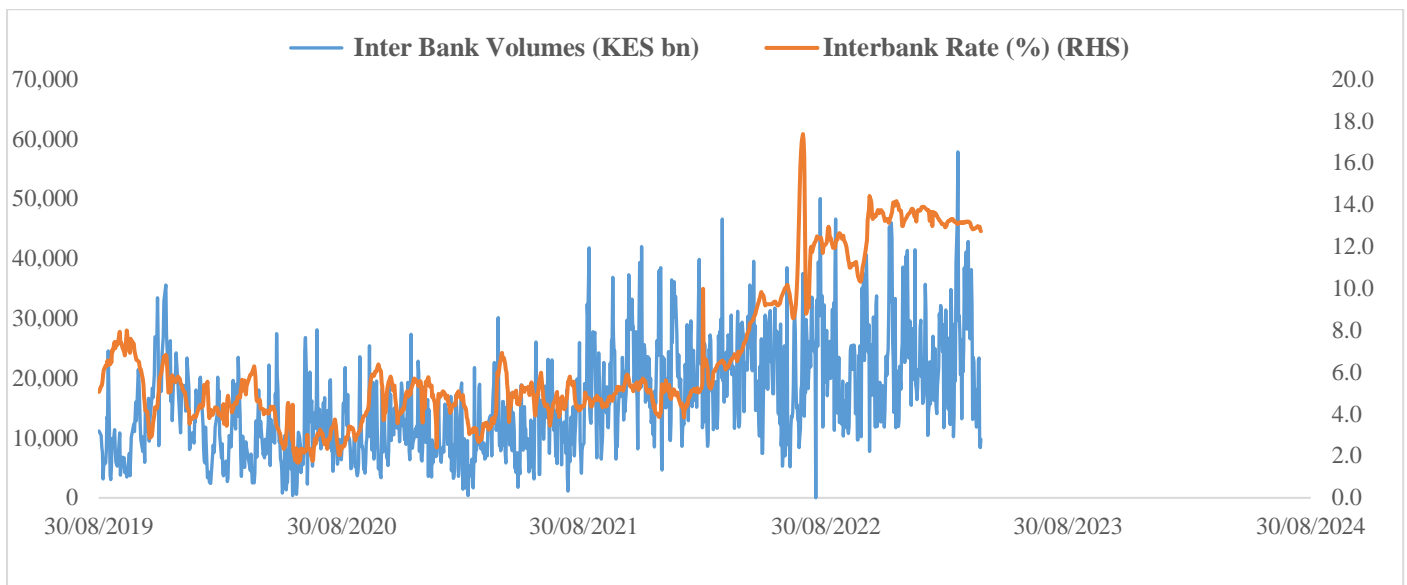
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	128.85	0.1%	0.7%	0.6%	11.8%	-0.3%	7.7%
USD/ZAR	17.82	-0.6%	3.2%	2.9%	1.7%	-1.4%	-2.5%
USD/EGP	48.61	0.3%	-0.2%	-3.0%	-34.6%	0.1%	0.0%
USD/NGN	1591.82	-0.9%	2.7%	-8.2%	6.2%	-52.0%	20.4%
USD/GHS	15.65	-0.1%	-0.5%	-4.8%	-14.2%	-10.2%	4.8%

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
Safaricom	1305.7	-381.7	81.6%	-3.3%	4.3%	-24.9%	24.5%
BAT Kenya	326.7	30.4	94.4%	1.1%	-13.1%	-18.9%	6.7%
KCB Bank	255.4	18.7	3.7%	-0.6%	45.0%	-16.3%	101.6%
Equity Bank	136.4	-16.3	56.4%	1.4%	22.0%	-16.6%	22.0%
Absa Bank	94.8	49.9	26.7%	0.7%	24.9%	-1.4%	33.0%

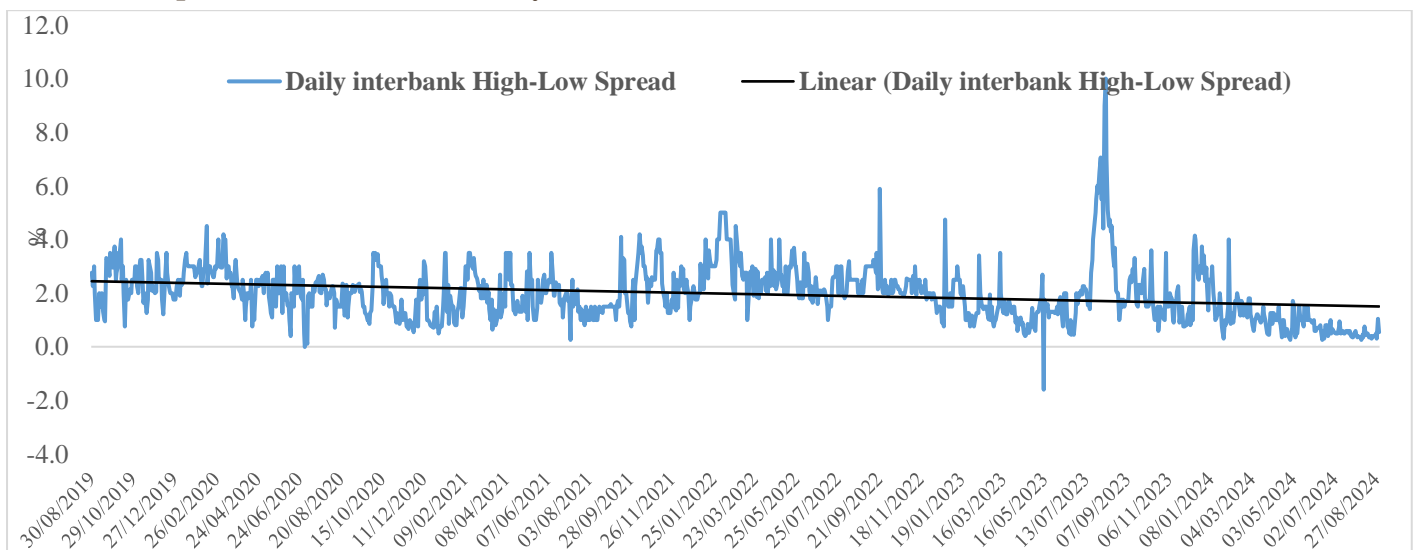
Key Rates and Spreads

Inter-bank Rates decline week-on-week.



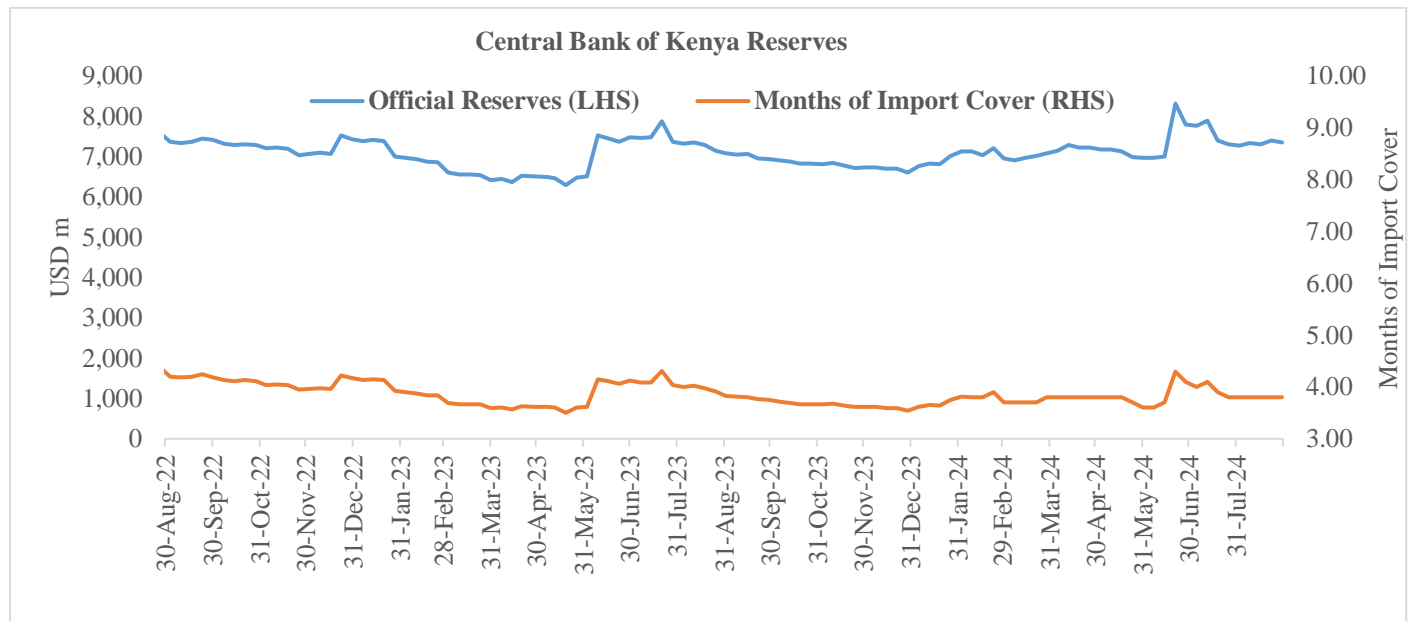
Source: CBK

Inter-bank Spreads widen consecutively for the second week.



Source: CBK

Months of import cover and CBK FX decline week on week.



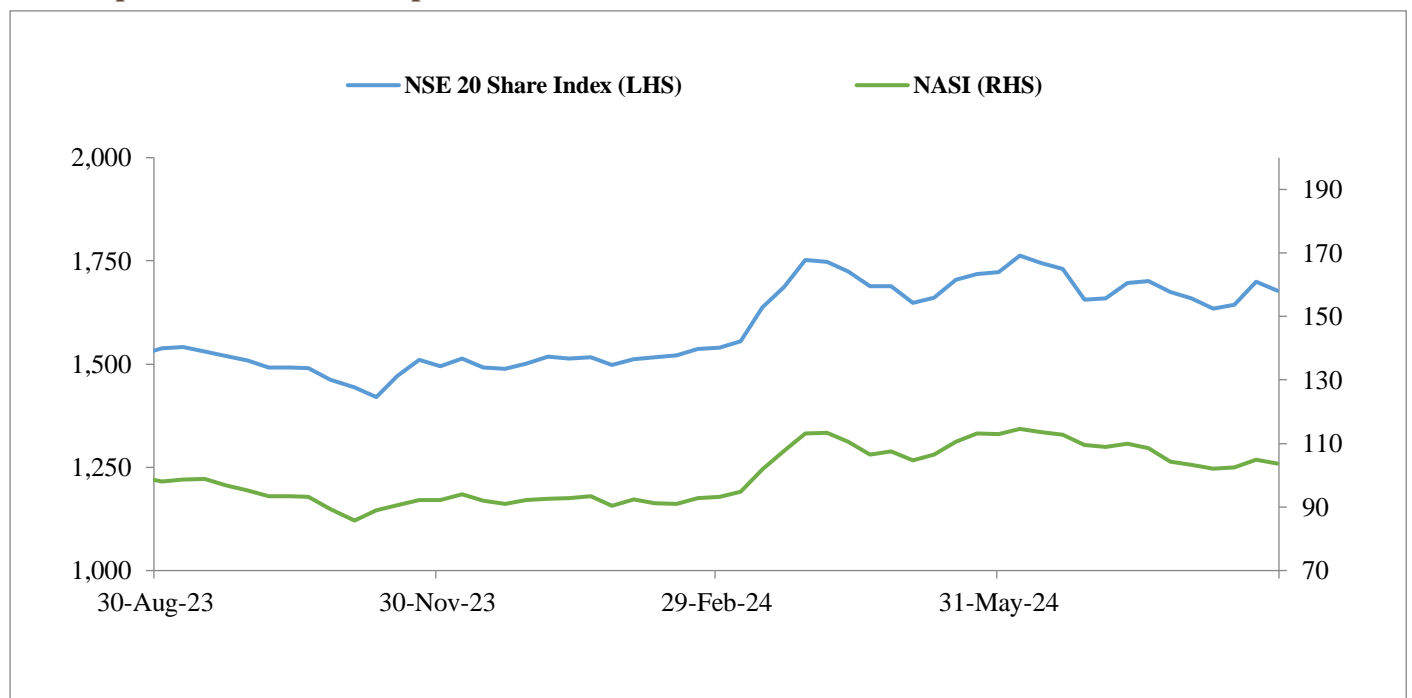
Source: CBK

Equity market trading commentary

Market turnover grew by 92.2%, sustaining a two-week climbing streak, settling at USD 17.8m (KES 2.3bn). The NASI shed 1.2%, breaking a two-week gaining streak as the NSE-20 also went down by 1.2% to settle at 1678.21, maintaining a two-week climbing streak. Foreign investors remained net sellers for the week at USD 2.3m (KES 308.3m). Safaricom registered the highest net foreign outflows at USD 2.9m (KES 381.7 m), while Absa Bank had the highest net foreign inflows at USD 0.4m (KES 50.0m).

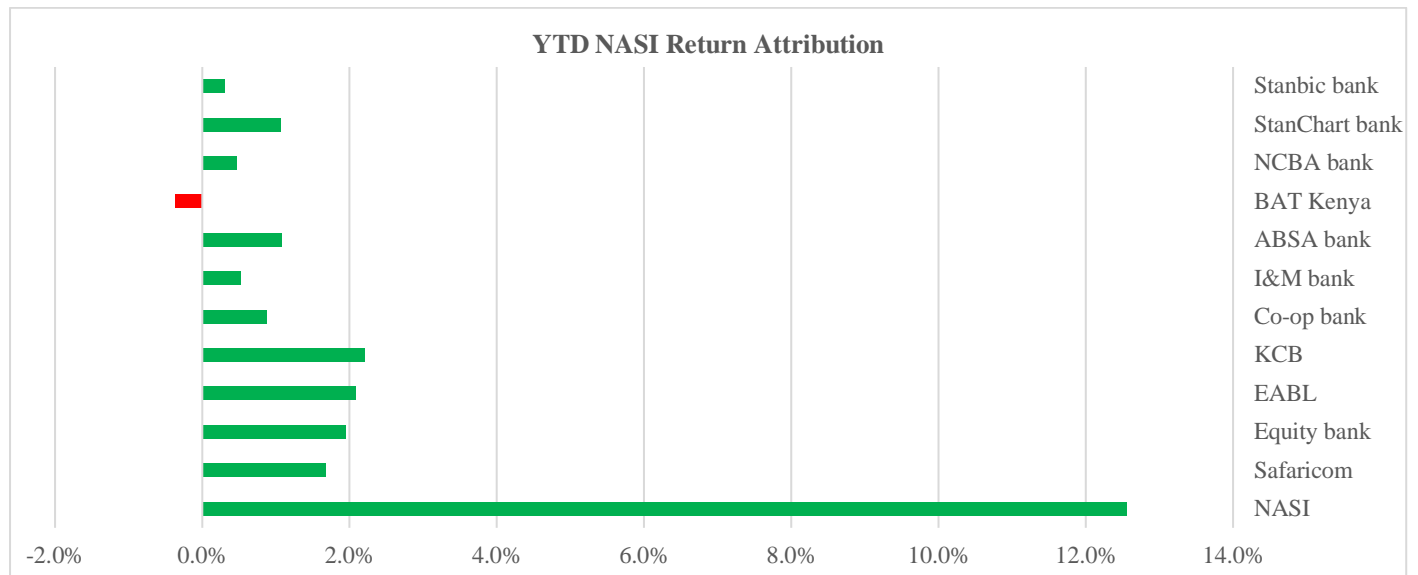
During the week, Kenya Power touched a six-day low on increased local sell-off as Bamburi Cement touched a 4.5-year high on increased local demand.

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

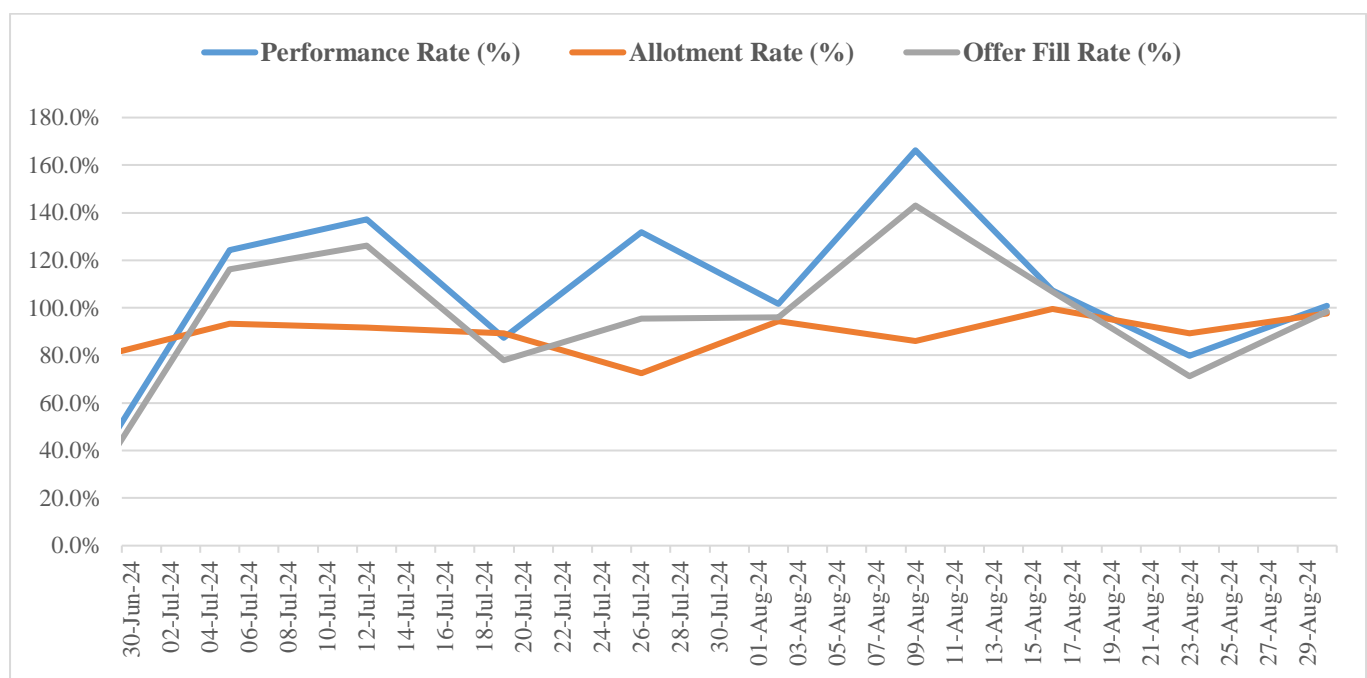
Overall subscription rates rose to 100.8% from 79.9% the previous week, breaking a two-week losing streak. Investors remained skewed on the 91-Day T-Bill and activity improved only for the 91-Day T-Bill while it declined for the 182-Day T-Bill and the 364-Day T-Bill. The yield on all three T-Bills fell, with the 91-Day T-Bill sustaining a six-week losing streak and the 182-Day T-Bill and the 364-Day T-Bill declined for the fifth week straight.

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 17.5 bn for the 91-Day T-Bill, implying a subscription rate of 437.41%. It accepted bids worth KES 17.0 bn at an average yield of 15.784% (-1.0 bps w/w).

The 182-Day T-Bill received bids worth KES 4.5 bn, implying a performance rate of 44.51%. It accepted bids worth KES 4.4bn at an average yield of 16.633% (-3.6 bps w/w).

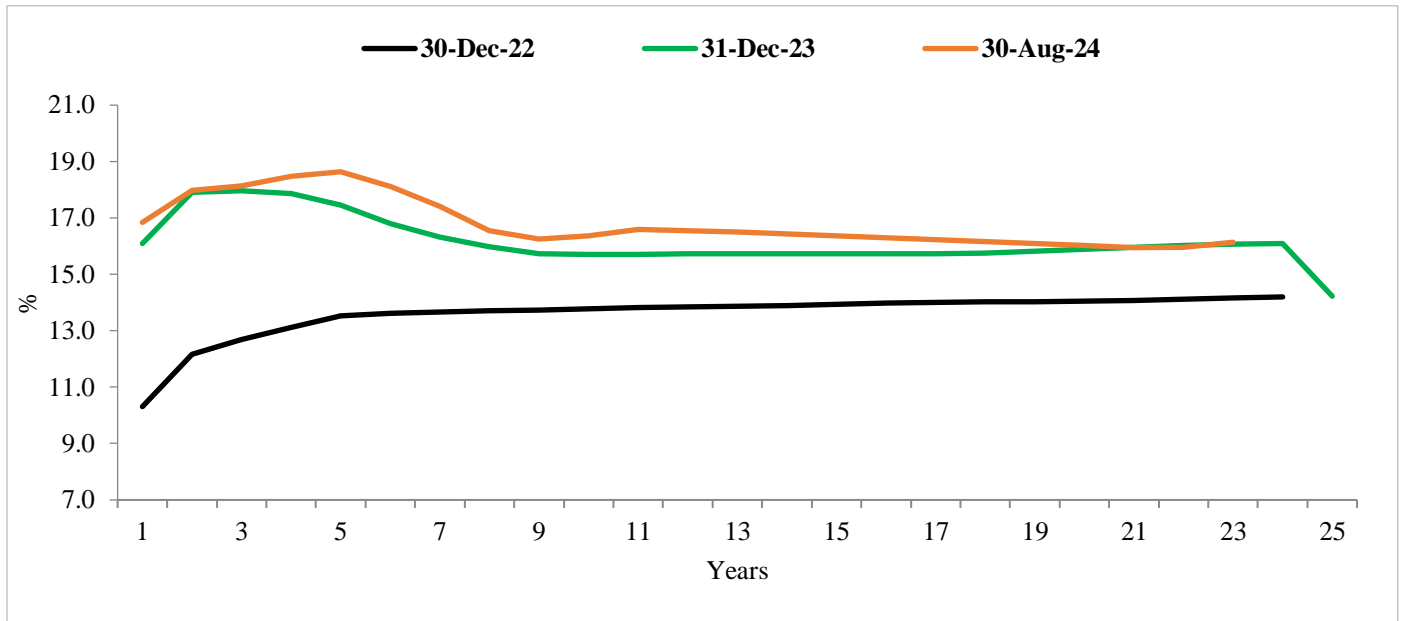
The 364-Day T-Bill received bids worth KES 2.3 bn, implying a performance rate of 22.54%. It accepted bids worth KES 2.2bn at an average yield of 16.842% (-1.7 bps w/w).

T-Bills Performance rates increase week-on-week



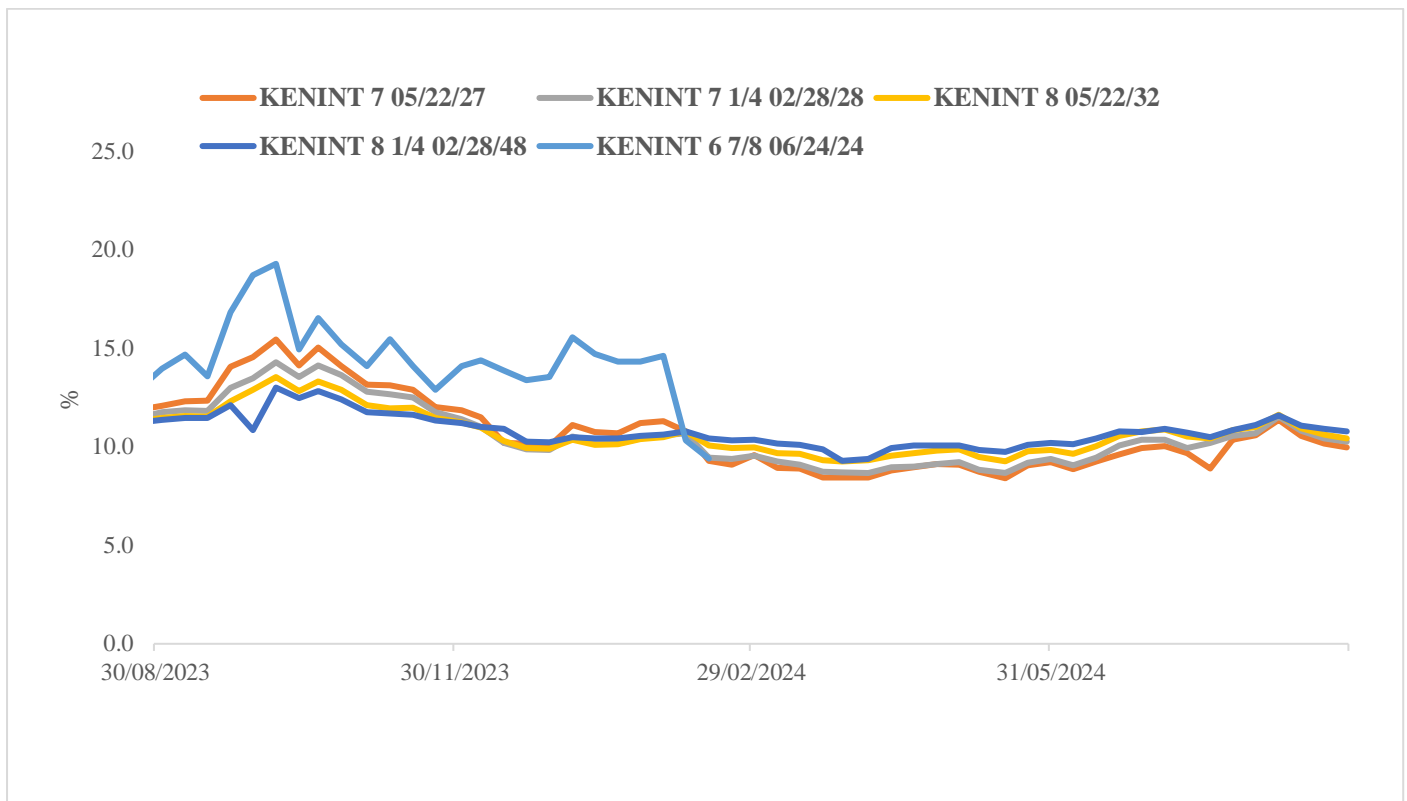
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields decline week-on-week across all tenors.



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	11.65	14.50	4.3	4,502	35.6%	1.06	1.20	4.7	13.6	8.3	3.1	22.7	107,093,779
Equity Bank	Banking	Dec	49.20	33.65	41.05	22.0	1,200	9.5%	11.12	3.00	48.7	3.7	7.3	0.8	22.8	44,250,436
EA Breweries	Breweries	Jun	95.00	67.00	17.00	33.1	930	7.4%	-	1.75	27.1	-	1.2	5.6	-	16,079,468
Co-op Bank	Banking	Dec	15.05	10.20	13.55	18.9	616	4.9%	4.03	1.50	18.4	3.4	11.1	0.7	21.9	14,273,065
NCBA Bank	Banking	Dec	45.20	35.00	43.05	10.5	550	4.3%	13.17	2.75	53.7	3.3	6.4	0.8	24.5	3,771,571
Absa Bank	Banking	Dec	14.50	10.75	14.30	24.9	602	4.8%	2.19	1.55	12.0	6.5	10.8	1.2	18.3	10,739,931
KCB Bank	Banking	Dec	37.95	15.75	31.75	45.0	791	6.3%	13.30	-	68.1	2.4	-	0.5	19.5	32,574,911
StanChart Bank	Banking	Dec	209.25	150.50	202.25	24.8	592	4.7%	40.82	29.00	158.0	5.0	14.3	1.3	25.8	6,710,233
Stanbic Bank	Banking	Dec	130.00	100.25	119.75	10.1	367	2.9%	28.71	13.75	140.8	4.2	11.5	0.9	20.4	7,104,995
BAT Kenya	Tobacco	Dec	95.00	67.00	354.00	-13.1	274	2.2%	55.68	50.00	163.8	6.4	14.1	2.2	34.0	10,410,644
BK Group	Banking	Dec	37.00	30.15	31.60	-11.7	220	1.7%	10.48	3.28	46.8	3.0	10.4	0.7	22.4	48,728
I&M Holdings	Banking	Dec	34.24	16.75	22.05	26.0	283	2.2%	8.10	2.55	47.8	2.7	11.6	0.5	16.9	53,703,324
Umeme Ltd.	Power	Dec	4.11	4.00	16.25	1.6	204	1.6%	0.27	2.00	22.0	61.1	12.3	0.7	1.2	1,370,622
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	169	1.3%	(3.99)	-	(14.7)	-	-	-	-	-
Bamburi Cement	Cement	Dec	5.55	5.55	77.50	116.2	218	1.7%	(1.10)	5.47	82.1	-	98.6	0.1	(1.3)	11,984,655
KenGen	Power	Jun	2.58	1.96	2.55	26.9	130	1.0%	0.49	-	41.6	5.2	-	0.1	1.2	1,555,652
Jubilee Insurance	Insurance	Dec	6.38	4.15	2.01	-18.8	84	0.7%	60.93	12.30	613.8	2.5	8.2	0.2	9.9	1,098,686
DTB Bank	Banking	Dec	55.75	43.25	45.25	0.4	98	0.8%	25.34	6.00	256.8	1.8	13.3	0.2	9.9	1,998,544
Britam	Insurance	Dec	6.38	4.15	5.52	15.2	108	0.9%	1.30	-	9.2	4.2	-	0.6	14.1	204,470
Total Oil	Oil	Dec	2.49	1.35	21.00	16.7	102	0.8%	4.80	1.31	48.0	4.4	6.2	0.4	10.0	394,256
Kakuzi	Agric	Dec	420.00	353.50	399.00	3.6	61	0.5%	23.25	24.00	303.5	17.2	6.0	1.3	7.7	122,216
CIC Insurance	Insurance	Dec	6.38	4.15	5.52	-10.3	41	0.3%	0.55	0.13	3.3	3.6	6.5	0.6	16.9	213,456
Centum Investment	Finance	Mar	9.44	7.88	8.18	-2.6	42	0.3%	(8.95)	0.60	55.8	-	7.3	0.1	(16.1)	1,005,025
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	77.50	22.50	77.50	-10.2	35	0.3%	(0.20)	4.00	24.1	-	5.2	3.2	(0.8)	11,984,655
Kenya Re	Insurance	Dec	2.87	1.10	1.14	-39.4	25	0.2%	1.78	0.10	13.4	0.6	8.8	0.1	13.2	2,944,175
Sasini Tea & Coffee	Agric	Sept	26.00	16.85	17.75	-11.3	31	0.2%	3.11	1.00	61.7	5.7	5.6	0.3	5.0	49,456
Carbacid	Gases	July	18.00	14.55	17.00	13.3	34	0.3%	4.01	0.70	13.6	4.2	4.1	1.2	11.9	364,482
Nation Media	Media	Dec	22.00	14.50	14.55	-27.4	21	0.2%	(1.08)	1.49	43.1	-	10.2	0.3	(2.5)	367,185
Kenya Power	Power	Jun	2.49	1.35	2.03	43.0	31	0.2%	(0.89)	-	29.1	-	-	0.1	(3.0)	2,083,404
TPSEA Serena	Tourism	Dec	20.05	11.00	13.45	-18.2	19	0.2%	4.78	-	33.3	2.8	-	0.4	14.4	43,032
Liberty K. Holdings	Insurance	Dec	200.00	150.00	1.14	43.6	22	0.2%	0.15	-	15.9	34.7	-	0.3	1.0	20,440
BOC Kenya	Gases	Dec	95.00	67.00	76.00	-7.3	11	0.1%	10.14	5.95	85.1	7.5	7.8	0.9	11.9	21,938
NSE	Finance	Dec	6.62	5.50	5.64	-6.3	11	0.1%	0.05	0.20	7.1	106.6	3.5	0.8	0.7	170,602
Housing Finance	Banking	Dec	4.96	3.25	4.01	15.2	12	0.1%	1.18	4.00	20.5	3.4	99.8	0.2	5.8	5,779
Unga Ltd	Food	Jun	1.53	1.00	0.27	-22.0	8	0.1%	(18.92)	-	58.3	-	-	0.2	(32.4)	9,849
Sanlam Kenya	Insurance	Dec	2.87	1.10	5.30	8.3	7	0.1%	(0.88)	-	3.9	-	-	1.7	(22.7)	213,456
Car & Gen	Motors	Sept	41.50	18.85	21.00	-16.0	7	0.1%	(6.82)	3.20	135.8	-	15.2	0.2	(5.0)	13,906
Limuru Tea	Agric	Dec	430.00	365.00	365.00	-3.9	7	0.1%	3.38	1.00	80.9	107.9	0.3	4.5	4.2	5,958
WPP Scangroup	Media	Dec	2.90	1.90	1.96	-10.1	7	0.1%	0.30	-	11.9	6.5	-	0.2	2.5	52,925
EA Portland	Cement	Jun	77.50	22.50	0.87	-2.3	5	0.0%	(14.13)	-	239.8	-	-	0.0	(5.9)	44,542
Standard Newspapers	Media	Dec	8.70	5.10	6.40	-17.3	4	0.0%	(10.05)	-	0.4	-	-	14.6	(2,284)	1,689
Longhorn	Publishing	Jun	2.9	2.01	2.31	-4.1	5	0.0%	(2.45)	-	2.8	-	-	0.8	(88.1)	14,314
TransCentury	Finance	Dec	9.44	7.88	2.70	-36.5	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	86,828
Average												10.2	9.2	2.0	17.3	345,809,503

Disclaimer

Note: Readers should be aware that Kestrel Capital (EA) Ltd does and seeks to do business with companies covered in its research reports. Consequently, a conflict of interest may arise that could affect the objectivity of this report. This document should only be considered a single factor used by investors in making their investment decisions. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions.

The opinions and information portrayed in this report may change without prior notice to investors. This publication may not be distributed to the public media or quoted or used by the public media without prior and express written consent of Kestrel Capital (EA) Ltd.

Directors, staff of Kestrel Capital (EA) Ltd and their family members, may from time to time hold shares in the company it recommends to either buy or sell and as such the investor should determine for themselves the applicability of this recommendation.

This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by Kestrel Capital or any employee of Kestrel Capital as to the accuracy of the information contained and opinions expressed herein.

Kestrel Capital E.A. Ltd.

Orbit Place, 1st Floor
Westlands Road

Tel: +254 20 2251758

research@kestrelcapital.com
www.kestrelcapital.com

Bloomberg: KEST <GO>

Equity Sales & Trading

Sally Kotut
sallyk@kestrelcapital.com

Chris Miriti
chrism@kestrelcapital.com

Amanda Onyango
amandao@kestrelcapital.com

Research

Ephantus Maina
ephantusm@kestrelcapital.com

Millicent Nyuguto
millicentn@kestrelcapital.com

Fixed Income Sales & Trading

Alexander Muiruri
alexanderm@kestrelcapital.com

Edwin Muthaura
edwinm@kestrelcapital.com

CEO & Executive Director

Francis Mwangi, CFA
francism@kestrelcapital.com