



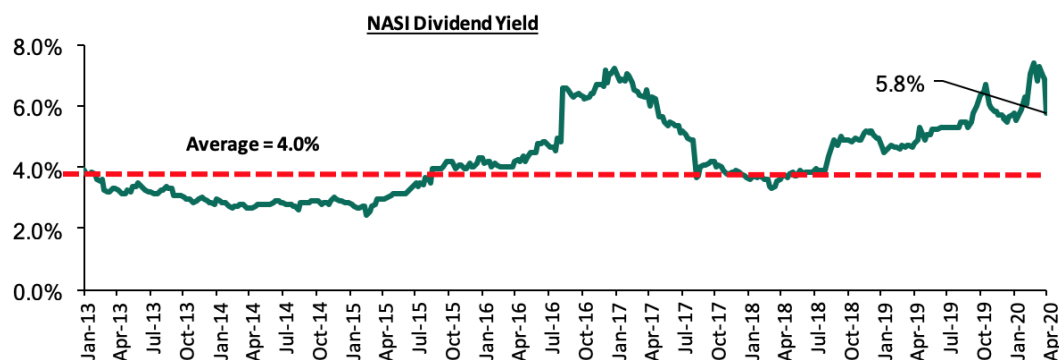
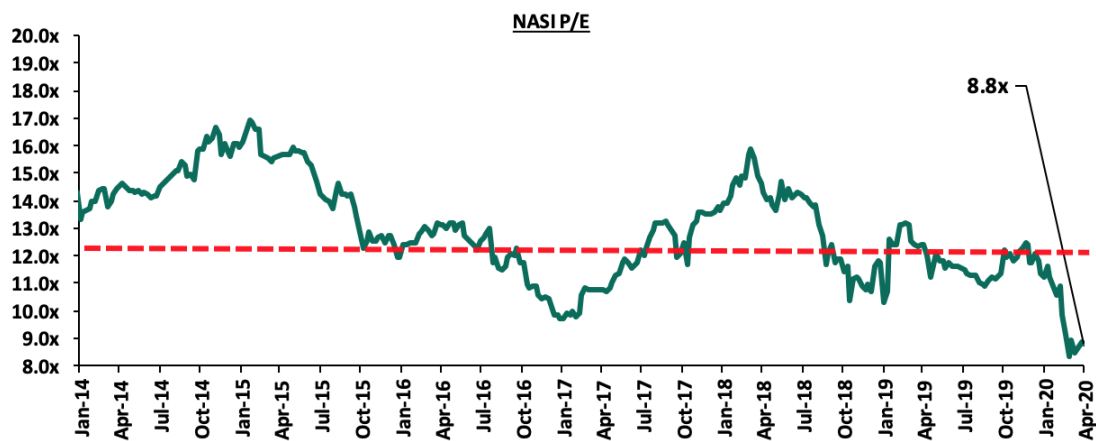
Debt Relief Amidst the COVID-19 Pandemic, & Cytonn Monthly - April 2020 Equities

Markets Performance

During the month of April, the equities market recorded mixed performances, with both NASI and NSE 25 recording gains of 5.9%, while NSE 20 declined by 0.4%. The equities market performance during the month was driven by gains recorded by EABL, Equity Group, Safaricom and KCB, of 15.6%, 10.9%, 7.8% and 5.7%, respectively. During the week, the market recorded mixed performance, with both NASI and NSE 25 recording gains of 2.9% and 3.7%, respectively, while the NSE 20 declined by 0.5%, taking their YTD performance to losses of 16.1%, 19.7% and 26.2%, respectively. The loss recorded by NSE 20 breaches the threshold of a bear market, which is a condition in which securities prices fall by 20.0% or more, from recent highs, lasting for more than two months. The performance of the NASI was driven by gains recorded by large-cap stocks such as EABL, Equity Group, Safaricom and Co-operative Bank, of 13.7%, 8.8%, 3.4%, and 2.0%, respectively.

Equities turnover declined by 39.3% during the month to USD 118.5 mn, from USD 195.2 mn in March 2020. During the month, foreign investors remained net sellers with a net selling position of USD 36.4 mn, compared to March's net selling position of USD 100.5 mn. During the week, equities turnover declined by 62.5% to USD 15.0 mn, from USD 39.9 mn recorded the previous week, taking the YTD turnover to USD 557.1 mn. Foreign investors remained net sellers during the week, with the net selling position declining by 54.7% to USD 5.9 mn, from a net selling position of USD 13.0 mn recorded the previous week.

The market is currently trading at a price to earnings ratio (P/E) of 8.8x, 33.0% below the historical average of 13.2x, and a dividend yield of 5.8%, 1.8% points above the historical average of 4.0%. With the market trading at valuations below the historical average, we believe there is value in the market. The current P/E valuation of 8.8x is 5.0% above the most recent trough valuation of 8.4x experienced in the last week of March 2020, and 6.3% above the previous trough valuation of 8.3x experienced in December 2011. The charts below indicate the historical P/E and dividend yields of the market.



Monthly Highlights

- During the month, following the release of FY'2019 results by Kenyan banks, we analysed the performance of the 10 listed local banks (previously 11, before the acquisition of National Bank of Kenya by KCB Group Plc), identified the key factors that influenced their performance, and gave our outlook for the banking sector going forward. The Banking sector witnessed a number of consolidation activities in FY'2019 as players in the sector were either acquired or merged. We still maintain our view that Kenya remains overbanked as the number of banks remains relatively high compared to the population. For more information, please see [Kenya Listed Banks FY'2019 Report](#),
- During the month, Safaricom PLC and Vodacom completed the acquisition of intellectual property rights of M-PESA from Vodafone through a newly formed Joint Venture. The deal is estimated to cost approximately USD 13.4 mn (Kshs 1.4 bn) and will see both Safaricom and Vodacom gain full control of the M-Pesa brand, product development and support services. The purchase of M-Pesa's Intellectual Rights is expected to give more headroom to Safaricom to grow the mobile money service into new African markets and yield significant savings from royalties paid to Vodafone. For more information, please see [Cytonn Weekly #15/2020](#),
- During the month, the Central Bank of Kenya (CBK) took regulatory action against ABSA Bank Kenya for failing to provide information about some specific foreign exchange trades conducted in March 2020. ABSA Bank Kenya failed to adhere to standard checks on anti-money laundering (AML), combating the financing of terrorism (CFT) and know-your-customer (KYC) requirements. For more information, please see [Cytonn Weekly #15/2020](#),
- During the month, ABSA Bank Kenya announced that it had restructured loans amounting to Kshs 8.3 bn, which is equivalent to 4.3% of its net loans, which stood at Kshs 194.9 bn at the end of FY'2019, to shield its customers and provide relief from financial distress occasioned by the COVID-19 pandemic. For more information, please see [Cytonn Weekly #16/2020](#),
- During the month, NCBA Group, the third-largest bank by assets in Kenya, with an asset base of

Kshs 494.8 bn as at December 2019, announced it would withhold the final dividend payment of Kshs 1.5 per share, to shareholders totalling to Kshs 2.2 bn for FY'2019. For more information, please see *Cytonn Weekly #17/2020*, and,

- During the month, the Central Bank of Kenya (CBK) announced the acquisition of a 51.0% stake in Mayfair Bank Limited by Egyptian lender, Commercial International Bank (CIB), effective 1st May 2020 for an undisclosed amount following CBK's approval on 7th April 2020. The Central Bank of Kenya (CBK) welcomed the transaction, citing it will diversify and strengthen the resilience of the Kenyan banking sector. This is in line with our expectation of continued consolidation in the Kenyan banking sector as players with depleted capital positions become acquired by their larger counterparts or merge to form well-capitalized entities capable of navigating the relatively tough operating environment induced by stiff competition, as highlighted in our FY'2019 Banking Sector Report. For more information, please see *Cytonn Weekly #17/2020*.

Universe of Coverage

Banks	Price at 24/04/2020	Price at 30/04/2020	w/w change	m/m change	YTD Change	Year Open	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Diamond Trust Bank	85.5	83.0	(2.9%)	(5.7%)	(23.9%)	109.0	179.7	3.3%	119.8%	0.4x	Buy
Kenya Reinsurance	2.6	2.5	(3.1%)	6.8%	(16.8%)	3.0	4.8	4.4%	94.8%	0.2x	Buy
Jubilee Holdings	271.3	263.0	(3.0%)	(1.4%)	(25.1%)	351.0	453.4	3.4%	75.8%	0.9x	Buy
KCB Group***	36.6	37.0	1.1%	5.7%	(31.5%)	54.0	55.8	9.5%	60.3%	0.9x	Buy
Equity Group***	34.6	37.7	8.8%	10.9%	(29.6%)	53.5	55.3	6.6%	53.5%	1.2x	Buy
Co-op Bank***	12.4	12.6	2.0%	(1.9%)	(22.9%)	16.4	18.2	7.9%	52.4%	1.0x	Buy
I&M Holdings***	51.3	51.3	0.0%	1.0%	(5.1%)	54.0	73.6	5.0%	48.6%	0.7x	Buy
Sanlam	15.0	15.0	0.0%	0.0%	(12.8%)	17.2	21.7	0.0%	44.7%	1.3x	Buy
NCBA	28.8	28.5	(0.9%)	0.4%	(22.7%)	36.9	39.4	0.9%	39.1%	0.7x	Buy
Standard Chartered	193.3	187.5	(3.0%)	5.3%	(7.4%)	202.5	223.6	10.7%	29.9%	1.4x	Buy
ABSA Bank***	10.6	10.6	0.0%	5.0%	(20.6%)	13.4	12.6	10.4%	29.2%	1.2x	Buy
Stanbic Holdings	95.0	92.5	(2.6%)	0.5%	(15.3%)	109.3	109.8	7.6%	26.3%	1.0x	Buy
Liberty Holdings	8.2	8.3	1.7%	(1.2%)	(19.4%)	10.4	10.1	0.0%	20.7%	0.7x	Buy
CIC Group	2.2	2.3	4.1%	2.7%	(15.7%)	2.7	2.6	0.0%	16.8%	0.8x	Accumulate
HF Group	4.1	3.9	(4.0%)	(6.9%)	(39.8%)	6.5	4.3	0.0%	10.5%	0.2x	Accumulate
Britam	6.7	6.8	2.1%	5.2%	(24.0%)	9.0	6.8	3.7%	2.4%	0.7x	Lighten

*Target Price as per Cytonn Analyst estimates

**Upside/ (Downside) is adjusted for Dividend Yield

***Banks in which Cytonn and/or its affiliates are invested in

We are "Positive" on equities for investors as the sustained price declines have seen the market P/E decline to below its historical average and as such, we believe that investors should take advantage of the current attractive valuations in the market.

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