



Lifestyle Communities, & Cytonn Weekly #06.2021

Equities

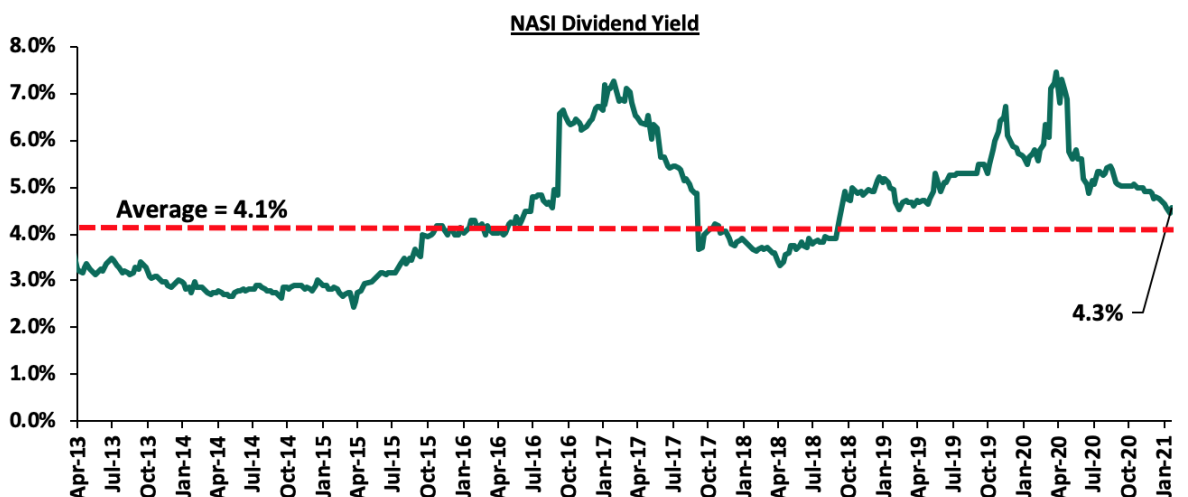
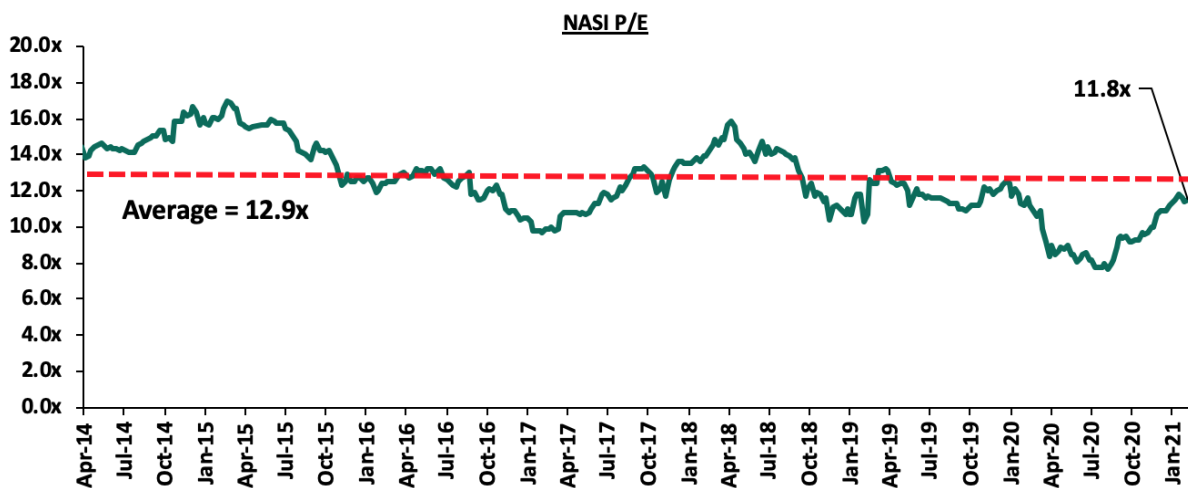
Market Performance:

During the week, the equities market was on an upward trajectory, with NASI, NSE 20 and NSE 25 gaining by 4.4%, 1.3% and 3.9% respectively, taking their YTD performance to gains of 7.9%, 0.9% and 5.9% for NASI, NSE 20 and NSE 25 respectively. The equities market performance was driven by gains recorded by large-cap stocks such as EABL and Safaricom which both gained by 5.9%, coupled with gains recorded by banking stocks such as Co-operative Bank and ABSA Bank of 4.1% and 3.7%, respectively. The gains were however weighed down by losses recorded by other large cap stocks such as Bamburi, Standard Chartered Bank and NCBA Group which declined by 6.7%, 1.5% and 0.2%, respectively. Key to note, Safaricom recorded an all-time high of Kshs 38.4, mainly attributable to the announcement of an interim dividend of Kshs 0.45 per ordinary share. The interim dividend book closure is on 5th March 2021 and will be paid on 31st March 2021.

Equities turnover declined by 34.8% during the week to USD 18.6 mn, from USD 28.5 mn recorded the previous week, taking the YTD turnover to USD 127.5 mn. Foreign investors turned net buyers, with a net buying position of USD 1.3 mn, from a net selling position of USD 4.5 mn recorded the previous week, taking the YTD net buying position to USD 2.4 mn.

The market is currently trading at a price to earnings ratio (P/E) of 11.8x, 8.6% below the 11-year historical average of 12.9x. The average dividend yield is currently at 4.3%, 0.2% points below the 4.5% recorded the previous week, and 0.2% points above the historical average of 4.1%.

With the market trading at valuations below the historical average, we believe that there are pockets of value in the market for investors with a higher risk tolerance. The current P/E valuation of 11.8x is 53.4% above the most recent valuation trough of 7.7x experienced in the first week of August 2020. The charts below indicate the market's historical P/E and dividend yield.



Universe of Coverage:

Banks	Price at 05/02/2021	Price at 12/02/2021	w/w change	YTD Change	Year Open	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Diamond Trust Bank***	68.5	69.0	0.7%	(10.1%)	76.8	105.1	3.9%	56.2%	0.3x	Buy
Sanlam	11.8	11.3	(3.8%)	(13.1%)	13.0	16.4	0.0%	45.1%	1.1x	Buy
I&M Holdings***	44.2	45.0	1.9%	0.3%	44.9	60.1	5.7%	39.2%	0.7x	Buy
Kenya Reinsurance	2.4	2.5	1.2%	6.5%	2.3	3.3	4.5%	38.6%	0.3x	Buy
Liberty Holdings	7.9	7.5	(5.3%)	(2.9%)	7.7	9.8	0.0%	31.0%	0.6x	Buy
KCB Group***	37.1	38.0	2.6%	(1.0%)	38.4	46.0	9.2%	30.3%	1.0x	Buy
Standard Chartered***	137.0	135.0	(1.5%)	(6.6%)	144.5	153.2	9.3%	22.7%	1.1x	Buy
Co-op Bank***	12.2	12.7	4.1%	1.2%	12.6	14.5	7.9%	22.0%	1.0x	Buy
Britam	7.5	7.3	(3.2%)	4.3%	7.0	8.6	3.4%	21.2%	0.8x	Buy
ABSA Bank***	9.3	9.6	3.7%	0.8%	9.5	10.5	11.5%	20.8%	1.2x	Buy
Equity Group***	37.3	37.9	1.6%	4.4%	36.3	43.0	5.3%	18.9%	1.1x	Accumulate
Jubilee Holdings	272.0	276.0	1.5%	0.1%	275.8	313.8	3.3%	16.9%	0.7x	Accumulate
Stanbic Holdings	79.5	85.0	6.9%	0.0%	85.0	84.9	8.3%	8.2%	0.8x	Hold
NCBA***	24.5	24.5	(0.2%)	(8.1%)	26.6	25.4	1.0%	4.9%	0.7x	Lighten
CIC Group	2.1	2.1	1.0%	0.5%	2.1	2.1	0.0%	(0.9%)	0.8x	Sell
HF Group	3.6	3.5	(3.3%)	11.5%	3.1	3.0	0.0%	(14.3%)	0.1x	Sell

*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 “Neutral” on the Equities markets in the short term. We expect the recent discovery

of a new strain of COVID-19 coupled with the introduction of strict lockdown measures in major economies to continue dampening the economic outlook. However, we maintain our bias towards a “Bullish” equities markets in the medium to long term. We believe there exist pockets of value in the market, with a bias on financial services stocks given the resilience exhibited in the sector. The sector is currently trading at historically cheaper valuations and as such, presents attractive opportunities for investors.

Liason House, StateHouse Avenue
The Chancery, Valley Road
www.cytonn.com
Generated By Cytonn Report

A product of **Cytonn Technologies**