

# Kenya Retail Report 2021, & Cytonn Weekly #38/2021

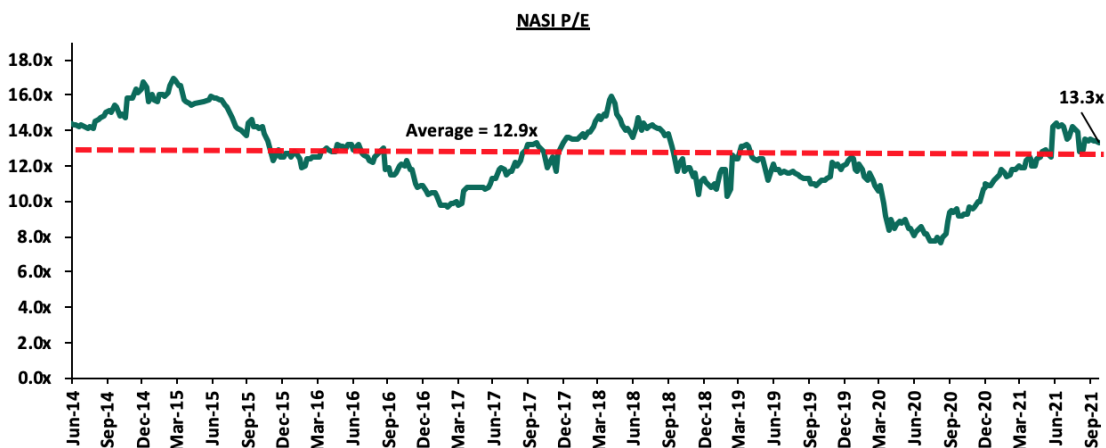
## Equities

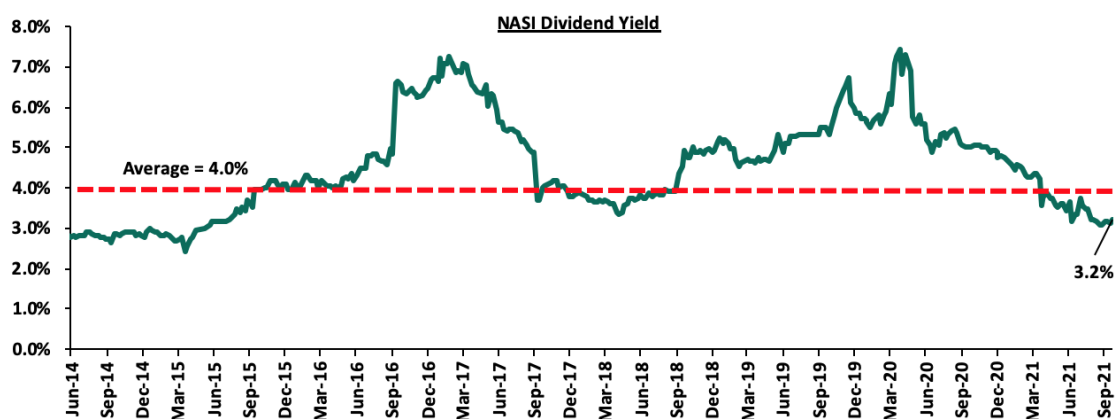
### Markets Performance

During the week, the equities market was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 2.7%, 1.1% and 2.4%, respectively, taking their YTD performance to gains of 16.9%, 8.9% and 14.9% for NASI, NSE 20 and NSE 25, respectively. The equities market performance was driven by losses recorded by large-cap stocks such as Equity Group, Standard Chartered Bank (SCBK), Safaricom and KCB Group of 5.2%, 3.3%, 3.2%, and 3.0%, respectively. The decline was however mitigated by gains recorded by banking stocks such as ABSA and Diamond Trust Bank (DTB-K) which gained by 1.9% and 1.2%, respectively.

During the week, equities turnover increased by 31.4% to USD 29.2 mn, from USD 22.2 mn recorded the previous week, taking the YTD turnover to USD 914.0 mn. Foreign investors turned net sellers, with a net selling position of USD 7.7 mn, from a net buying position of USD 1.9 mn recorded the previous week, taking the YTD to a net selling position to USD 14.8 mn.

The market is currently trading at a price to earnings ratio (P/E) of 13.3x, 2.9% above the historical average of 12.9x, and a dividend yield of 3.2%, 0.8% points below the historical average of 4.0%. Key to note, NASI's PEG ratio currently stands at 1.5x, an indication that the market is trading at a premium to its future earnings growth. Basically, a PEG ratio greater than 1.0x indicates the market may be overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued. Excluding Safaricom, which is currently 61.2% of the market, the market is trading at a P/E ratio of 12.1x and a PEG ratio of 1.4x. The current P/E valuation of 13.3x is 72.9% above the most recent trough valuation of 7.7x experienced in the first week of August 2020. The charts below indicate the historical P/E and dividend yields of the market.





### Universe of Coverage:

Company	Price as at 17/09/21	Price as at 24/09/21	w/w change	YTD Change	Year Open 2021	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
I&M Group***	22.7	23.0	1.5%	(48.7%)	44.9	32.0	9.8%	48.9%	0.6x	Buy
Kenya Reinsurance	2.5	2.5	(1.2%)	8.2%	2.3	3.1	8.0%	32.0%	0.3x	Buy
ABSA Bank***	10.4	10.6	1.9%	10.8%	9.5	13.8	0.0%	30.8%	1.2x	Buy
NCBA***	27.7	27.1	(2.2%)	1.7%	26.6	31.0	5.5%	20.1%	0.7x	Buy
Standard Chartered***	134.5	130.0	(3.3%)	(10.0%)	144.5	145.4	8.1%	19.9%	1.0x	Accumulate
KCB Group***	48.6	47.1	(3.0%)	22.7%	38.4	53.4	2.1%	15.5%	1.0x	Accumulate
Co-op Bank***	13.5	13.2	(2.2%)	5.2%	12.6	14.1	7.6%	14.4%	0.9x	Accumulate
Equity Group***	53.3	50.5	(5.2%)	39.3%	36.3	57.5	0.0%	13.9%	1.4x	Accumulate
Stanbic Holdings	91.0	92.0	1.1%	8.2%	85.0	96.6	1.8%	6.8%	0.9x	Hold
Diamond Trust Bank***	62.8	63.5	1.2%	(17.3%)	76.8	67.3	0.0%	6.0%	0.3x	Hold
Sanlam	11.5	11.9	3.5%	(8.5%)	13.0	12.4	0.0%	4.2%	1.1x	Lighten
Liberty Holdings	8.0	8.1	1.8%	5.7%	7.7	8.4	0.0%	3.2%	0.6x	Lighten
Jubilee Holdings	350.3	368.8	5.3%	33.7%	275.8	330.9	2.4%	(7.8%)	0.8x	Sell
Britam	8.3	8.1	(2.9%)	15.4%	7.0	6.7	0.0%	(17.1%)	1.5x	Sell
HF Group	3.9	4.1	4.1%	29.9%	3.1	3.1	0.0%	(24.0%)	0.2x	Sell
CIC Group	2.7	2.7	0.7%	29.4%	2.1	1.8	0.0%	(34.1%)	0.9x	Sell

Target Price as per Cytonn Analyst estimates

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

\*\*\*For Disclosure, these are stocks in which Cytonn and/or its affiliates are invested in

Key to note, I&M Holdings YTD share price change is mainly attributable to the counter trading ex-bonus issue

*We are "Neutral" on the Equities markets in the short term. With the market currently trading at a premium to its future growth (PEG Ratio at 1.5x), we believe that investors should reposition towards companies with a strong earnings growth and are trading at discounts to their intrinsic value. Additionally, we expect the recent discovery of new strains of COVID-19 coupled with the introduction of strict lockdown measures in major economies to continue dampening the economic outlook.*

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