

Student Housing in the Nairobi Metropolitan Area, & Cytonn Weekly #08/2022

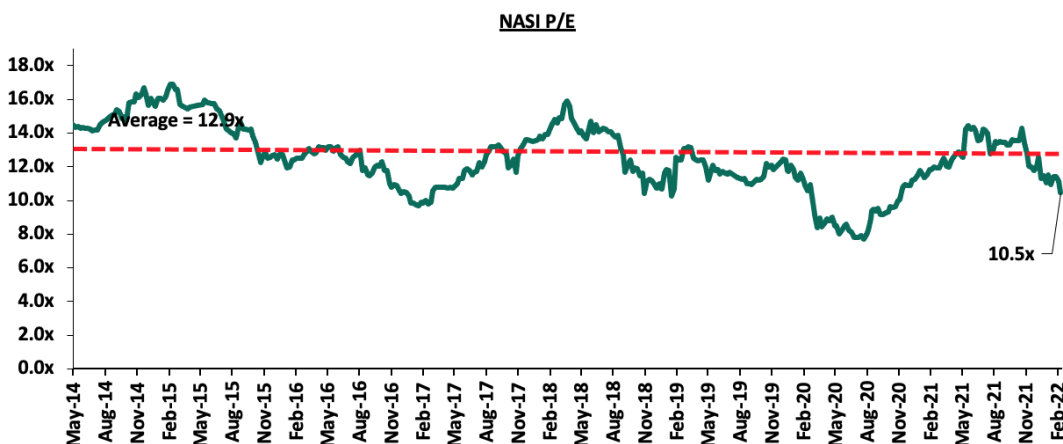
Equities

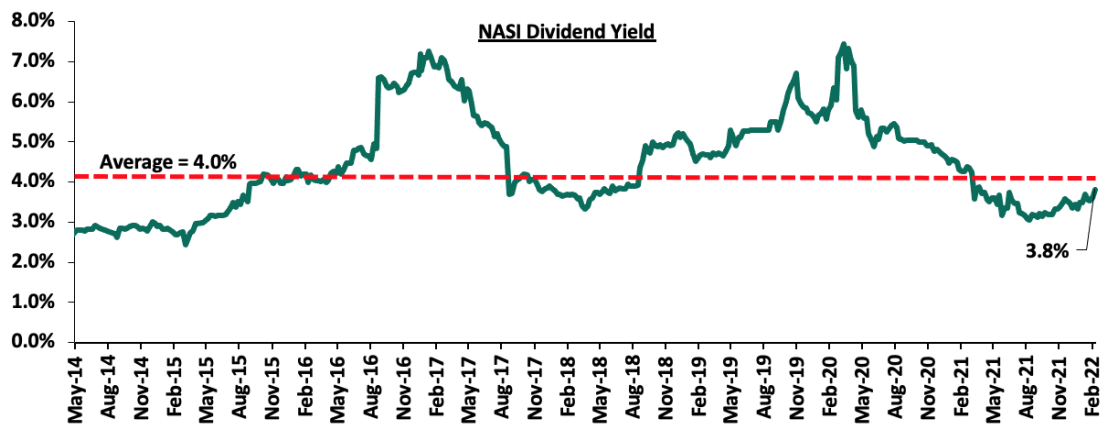
Markets Performance

During the week, the equities market was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 4.2%, 1.7% and 3.2% respectively, taking their YTD performance to losses of 4.2%, 1.6% and 3.2% for NASI, NSE 20 and NSE 25, respectively. The equities market performance was driven by losses recorded by large cap stocks such as Safaricom of 6.1%, with NCBA and Diamond Trust Bank (DTB-K) both recording losses of 3.4%. The losses were however mitigated by gains recorded by stocks such as BAT of 1.4%.

During the week, equities turnover increased by 21.0% to USD 20.5 mn, from USD 17.0 mn recorded the previous week, taking the YTD turnover to USD 155.8 mn. Foreign investors remained net sellers, with a net selling position of USD 3.6 mn, from a net selling position of USD 0.5 mn recorded the previous week, taking the YTD net selling position to USD 2.4 mn.

The market is currently trading at a price to earnings ratio (P/E) of 10.5x, 19.0% below the historical average of 12.9x, and a dividend yield of 3.8%, 0.2% points below the historical average of 4.0%. Notably, this week's P/E is the lowest it has been since November 2020. Key to note, NASI's PEG ratio currently stands at 1.3x, 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. The current P/E valuation of 10.5x is 35.8% 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 18/02/2022	Price as at 25/02/2022	w/w change	YTD Change	Year Open 2022	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Kenya Reinsurance	2.3	2.3	0.4%	(0.9%)	2.3	3.2	8.8%	48.8%	0.2x	Buy
Jubilee Holdings	292.8	275.8	(5.8%)	(12.9%)	316.8	381.7	3.3%	41.7%	0.5x	Buy
I&M Group***	21.5	21.3	(0.9%)	(0.5%)	21.4	24.4	10.6%	25.0%	0.6x	Buy
KCB Group***	46.0	45.0	(2.3%)	(1.3%)	45.6	51.4	2.2%	16.5%	0.9x	Accumulate
NCBA***	25.1	24.2	(3.4%)	(4.9%)	25.5	26.4	6.2%	15.2%	0.6x	Accumulate
Britam	7.0	6.9	(2.3%)	(9.0%)	7.6	7.9	0.0%	14.5%	1.1x	Accumulate
Standard Chartered***	134.3	132.3	(1.5%)	1.7%	130.0	137.7	7.9%	12.1%	1.0x	Accumulate
Co-op Bank***	13.2	12.9	(2.3%)	(1.2%)	13.0	13.1	7.8%	9.4%	1.0x	Hold
Equity Group***	52.5	51.8	(1.4%)	(1.9%)	52.8	56.6	0.0%	9.4%	1.3x	Hold
Diamond Trust Bank***	59.0	57.0	(3.4%)	(4.2%)	59.5	61.8	0.0%	8.4%	0.2x	Hold
Liberty Holdings	6.8	7.3	6.8%	2.8%	7.1	7.7	0.0%	5.5%	0.5x	Hold
Stanbic Holdings	96.3	94.3	(2.1%)	8.3%	87.0	94.7	4.0%	4.6%	0.8x	Lighten
ABSA Bank***	12.0	12.0	0.0%	2.1%	11.8	11.9	0.0%	(0.7%)	1.2x	Sell
CIC Group	2.2	2.2	0.9%	0.0%	2.2	1.9	0.0%	(13.2%)	0.8x	Sell
HF Group	3.5	3.4	(2.0%)	(9.5%)	3.8	3.0	0.0%	(14.2%)	0.2x	Sell
Sanlam	15.0	15.0	0.0%	29.9%	11.6	12.1	0.0%	(19.6%)	1.6x	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

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 1.3x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the discovery of new COVID-19 variants, the upcoming Kenyan general elections and the slow vaccine rollout to continue weighing down the economic outlook. On the upside, we believe that the relaxation of lockdown measures in the country will lead to improved investor sentiments in the economy.

