

# Affordable Housing in Kenya, & Cytonn Weekly #42/2022

## Equities

### Market Performance:

During the week, the equities market recorded mixed performance with NASI and NSE 25 declining by 1.2% and 0.6% respectively while NSE 20 gained by 0.3%, taking their YTD performance to losses of 23.2%, 11.0% and 17.2%, for NASI, NSE 20 and NSE 25, respectively. The equities market performance was mainly driven by losses recorded by large-cap stocks such as KCB Group and Safaricom of 5.8% and 2.3%. The losses were however mitigated by gains recorded by banking stocks such as ABSA and Equity Group of 4.0% and 2.8% respectively.

During the week, equities turnover declined by 41.4% to USD 5.2 mn from USD 8.8 mn recorded the previous week, taking the YTD turnover to USD 691.0 mn. Additionally, foreign investors turned net sellers, with a net selling position of USD 1.0 mn, from a net buying position of USD 1.4 mn recorded the previous week, taking the YTD net selling position to USD 177.4 mn.

The market is currently trading at a price to earnings ratio (P/E) of 6.9x, 45.5% below the historical average of 12.7x, and a dividend yield of 6.1%, 2.0% points above the historical average of 4.1%. Key to note, NASI's PEG ratio currently stands at 0.9x, an indication that the market is undervalued relative to its future growth. 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 charts below indicate the historical P/E and dividend yields of the market;



### Weekly Highlight:

#### Centum Investments National Rating

During the week, Global Company Ratings (GCR), an affiliate of Moody's Investors Services, **affirmed** Centum Investments long and short-term issuer ratings of 'A+' and 'A1' respectively with a stable outlook. However, its Real Estate development subsidiary has a rating of 'BBB+' with a negative outlook. The table below summarizes the ratings;

#### Cytonn Report: Centum Investment Company PLC's National Ratings

Rating	Dec 2021	Oct 2022
Long Term Issuer	A+	A+
Short Term Issuer	A1	A1
<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>

Source: GCR Ratings

According to GCR Ratings, both Centum Investments Company's long and short term Issuer national ratings of A+ and A1 remained unchanged from the December ratings, attributable to the company's strong liquidity position, an improved asset coverage to debt ratio, and rebalancing of its investments portfolio. Centum's current ratio increased by 27.2% to 1.0 in FY'2022, from 0.8 in FY'2021, driven by a 58.9% increase in current assets relative to a 24.9% increase in current liabilities. Additionally, Centum's total debt margin declined by 19.1% to Kshs 20.6 bn as at March 2022, from Kshs 25.5 bn recorded in March 2021. Key to note, Centum's strategy to sell its Sidian Holdings is aimed at reducing its debt further to a maximum exposure of 25.0% from the 30.0% recorded in FY'2022.

We expect that the ratings affirmation will increase investor sentiments on the stock that has recorded a 37.1% Year to date decline to Kshs 9.2 per share as at 21<sup>st</sup> October 2022, from Kshs 14.7 record at the start of the year. Further, we expect that the declining debt margins will help to improve the company's performance metrics as evidenced by the 2.1% decline in losses made to Kshs 1.3 bn in March 2022, from losses of Kshs 1.7 bn recorded in March 2021.

#### Universe of coverage:

Company	Price as at 14/10/2022	Price as at 21/10/2022	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/ Downside**	P/TBv Multiple	Recommendation
KCB Group***	38.8	36.6	(5.8%)	(19.8%)	53.5	8.2%	54.6%	0.6x	Buy
Kenya Reinsurance	2.0	1.9	(7.0%)	(18.8%)	2.5	5.4%	40.3%	0.1x	Buy
Co-op Bank***	12.0	12.0	0.0%	(7.7%)	15.6	8.3%	38.3%	0.7x	Buy
Equity Group***	44.1	45.4	2.8%	(14.0%)	59.7	6.6%	38.2%	1.1x	Buy
Sanlam	9.9	9.1	(8.1%)	(21.4%)	11.9	0.0%	31.2%	1.0x	Buy
ABSA Bank***	11.2	11.6	4.0%	(1.3%)	14.9	1.7%	30.2%	1.0x	Buy
I&M Group***	17.0	17.0	(0.3%)	(20.8%)	20.5	8.8%	30.0%	0.4x	Buy
Jubilee Holdings	240.0	237.5	(1.0%)	(25.0%)	305.9	0.4%	29.2%	0.4x	Buy
Diamond Trust Bank***	48.9	49.0	0.2%	(17.6%)	59.5	6.1%	27.6%	0.2x	Buy
NCBA***	30.5	30.3	(0.8%)	18.9%	35.2	6.6%	22.8%	0.7x	Buy
Standard Chartered***	138.3	138.5	0.2%	6.5%	155.0	10.1%	22.0%	0.9x	Buy
HF Group	3.1	3.0	(5.1%)	(22.4%)	3.5	0.0%	19.7%	0.1x	Accumulate
CIC Group	1.9	2.0	5.8%	(7.4%)	2.3	0.0%	15.4%	0.7x	Accumulate
Britam	6.0	6.2	2.6%	(18.0%)	7.1	0.0%	14.8%	1.0x	Accumulate
Liberty Holdings	5.5	5.9	7.7%	(16.4%)	6.8	0.0%	14.4%	0.4x	Accumulate
Stanbic Holdings	97.3	98.0	0.8%	12.6%	99.9	9.2%	11.1%	0.8x	Accumulate

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 due to the current adverse operating environment and huge foreign investor outflows, and, "Bullish" in the long term due to current cheap valuations and expected global and local economic recovery.*

*With the market currently trading at a discount to its future growth (PEG Ratio at 0.9x), 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 current high foreign investors sell-offs to continue weighing down the economic outlook in the short term.*

---

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

A product of **Cytonn Technologies**