

Kenya's Listed Banks Q3'2022 Report & Cytonn Weekly #49/2022

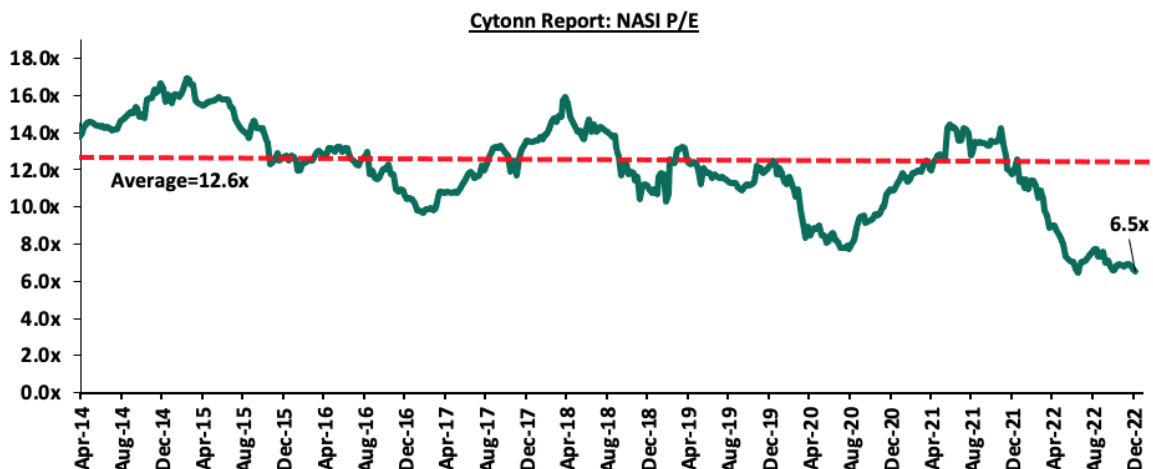
Equities

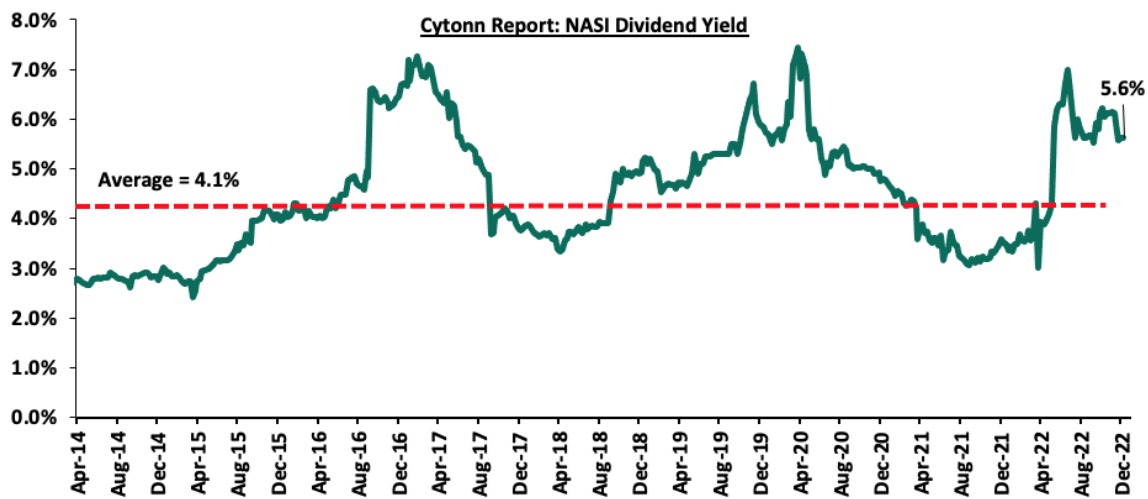
Market Performance:

During the week, the equities recorded mixed performance, with NSE 25 gaining by 0.2%, while NSE 20 declined by 0.2%. NASI remained relatively unchanged, taking YTD performance to losses of 24.3%, 14.0% and 17.8% for NASI, NSE 20 and NSE 25, respectively. The equities market performance was mainly driven by gains recorded by large cap stocks such as NCBA Group of 6.4% while both ABSA Bank and EABL both gained by 1.7%. The gains were however weighed down by losses recorded by large cap stocks such as KCB Group of 2.3%, while Safaricom and Bamburi both declined by 0.2%.

During the week, equities turnover declined by 13.5% to USD 9.1 mn from USD 10.5 mn recorded the previous week, taking the YTD turnover to USD 770.1 mn. Additionally, foreign investors turned net sellers, with a net selling position of USD 3.5 mn, from a net buying position of USD 0.1 mn recorded the previous week, taking the YTD net selling position to USD 191.4 mn.

The market is currently trading at a price to earnings ratio (P/E) of 6.5x, 48.3% below the historical average of 12.6x, and a dividend yield of 5.6%, 1.5% points above the historical average of 4.1%. Key to note, NASI's PEG ratio currently stands at 0.8x, 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;





Universe of coverage:

Company	Price as at 02/12/2022	Price as at 09/12/2022	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Jubilee Holdings	197.5	200.0	1.3%	(36.9%)	305.9	0.5%	53.5%	0.4x	Buy
Liberty Holdings	4.7	4.5	(4.9%)	(36.7%)	6.8	0.0%	51.0%	0.3x	Buy
KCB Group***	37.8	36.9	(2.3%)	(19.0%)	52.5	2.7%	45.0%	0.6x	Buy
Britam	5.3	5.0	(5.7%)	(33.9%)	7.1	0.0%	42.4%	0.8x	Buy
Kenya Reinsurance	1.9	1.9	0.5%	(17.5%)	2.5	5.3%	38.1%	0.2x	Buy
Equity Group***	45.1	45.0	(0.1%)	(14.7%)	58.4	6.7%	36.3%	1.1x	Buy
Co-op Bank***	12.1	12.1	0.4%	(6.9%)	15.5	8.3%	36.1%	0.7x	Buy
Sanlam	9.0	8.9	(1.1%)	(22.9%)	11.9	0.0%	33.8%	0.9x	Buy
I&M Group***	16.8	16.8	0.0%	(21.7%)	20.8	9.0%	33.3%	0.4x	Buy
ABSA Bank***	11.8	12.0	1.7%	2.1%	15.5	1.7%	30.4%	1.0x	Buy
NCBA***	33.0	35.1	6.4%	37.9%	43.4	5.7%	29.3%	0.8x	Buy
Stanbic Holdings	98.0	92.0	(6.1%)	5.7%	108.6	9.8%	27.9%	0.8x	Buy
Diamond Trust Bank***	48.0	48.3	0.6%	(18.8%)	57.1	6.2%	24.5%	0.2x	Buy
CIC Group	1.8	1.9	6.6%	(10.6%)	2.3	0.0%	19.6%	0.7x	Accumulate
Standard Chartered***	146.3	146.0	(0.2%)	12.3%	164.8	4.1%	17.0%	1.0x	Accumulate
HF Group	3.4	3.1	(6.8%)	(17.4%)	3.5	0.0%	12.7%	0.2x	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 0.8x), 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.