

Real Estate Developers Regulatory Framework, & Cytonn Weekly #08/2023

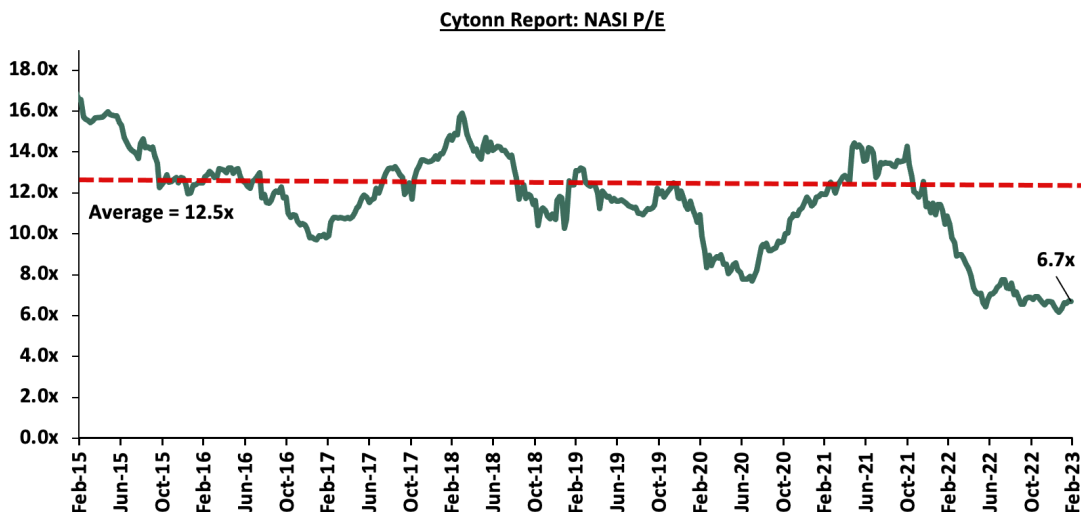
Equities

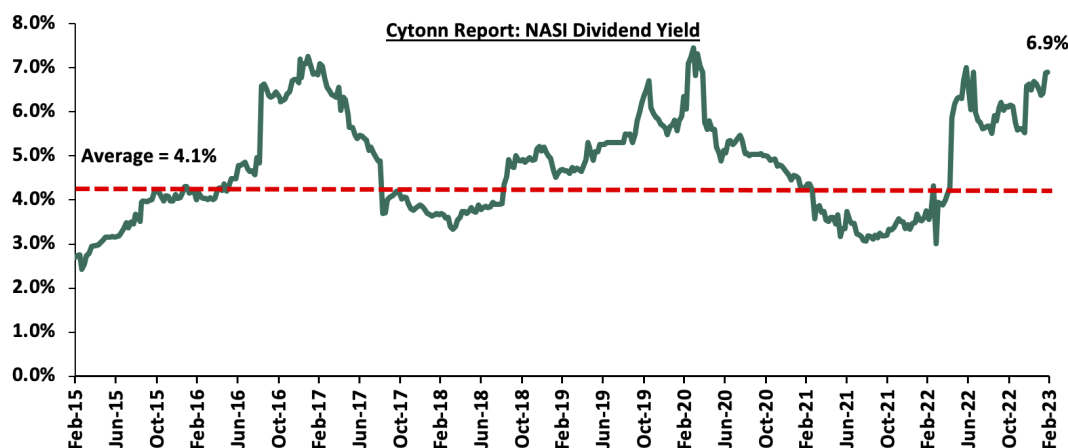
Market Performance:

During the week, the equities market was on a downward trajectory, with NASI and NSE 25 both declining by 1.2%, while NSE 20 declined by 1.5%, taking the YTD performance to losses of 0.7% and 1.2% for NASI and NSE 20 while NSE 25 has recorded a 0.4% YTD gain. The equities market performance was mainly driven by losses recorded by large cap stocks such as Diamond Trust Bank-Kenya (DTB-K), Bamburi, NCBA Group and EABL of 3.8%, 3.2%, 3.1% and 2.5% respectively. The losses were however mitigated by gains recorded by other large cap stocks such as Standard Chartered Bank of Kenya (SCBK) of 1.1%.

During the week, equities turnover declined by 38.8% to USD 6.4 mn from USD 10.5 mn recorded the previous week, taking the YTD turnover to USD 95.9 mn. Foreign investors remained net sellers, with a net selling position of USD 1.9 mn, from USD 3.0 mn recorded the previous week, taking the YTD net selling position to USD 25.9 mn.

The market is currently trading at a price to earnings ratio (P/E) of 6.7x, 46.4% below the historical average of 12.5x, and a dividend yield of 6.9%, 2.8% 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;





Universe of coverage:

Company	Price as at 17/02/2023	Price as at 24/02/2023	w/w change	YTD Change	Year Open 2023	Target Price*	Dividend Yield****	Upside/Downside**	P/TBv Multiple	Recommendation
Jubilee Holdings	183.0	182.3	(0.4%)	(8.3%)	198.8	305.9	7.7%	75.6%	0.3x	Buy
KCB Group***	38.6	38.3	(0.6%)	(0.1%)	38.4	52.5	7.8%	44.9%	0.6x	Buy
Kenya Reinsurance	1.8	1.8	(2.7%)	(5.3%)	1.9	2.5	5.6%	47.5%	0.1x	Buy
Britam	5.1	5.1	0.4%	(1.2%)	5.2	7.1	0.0%	38.5%	0.8x	Buy
Sanlam	8.6	8.7	1.6%	(9.0%)	9.6	11.9	0.0%	36.6%	0.9x	Buy
Liberty Holdings	5.0	5.0	0.0%	(1.0%)	5.0	6.8	0.0%	35.3%	0.4x	Buy
Equity Group***	46.5	46.0	(1.1%)	2.0%	45.1	58.4	6.5%	33.5%	1.1x	Buy
ABSA Bank***	12.6	12.6	0.0%	2.9%	12.2	15.5	8.8%	31.9%	1.1x	Buy
Co-op Bank***	12.6	12.6	(0.4%)	3.7%	12.1	15.5	8.0%	31.2%	0.7x	Buy
NCBA***	37.4	36.2	(3.1%)	(7.1%)	39.0	43.4	8.3%	28.1%	0.8x	Buy
I&M Group***	18.0	18.0	0.0%	5.6%	17.1	20.8	8.3%	24.0%	0.5x	Buy
Diamond Trust Bank***	50.0	48.1	(3.8%)	(3.5%)	49.9	57.1	6.2%	25.0%	0.2x	Buy
CIC Group	2.0	2.0	1.0%	5.2%	1.9	2.3	0.0%	15.4%	0.7x	Accumulate
Standard Chartered***	161.3	163.0	1.1%	12.4%	145.0	166.3	11.7%	13.7%	1.1x	Accumulate
Stanbic Holdings	111.0	109.0	(1.8%)	6.9%	102.0	112.0	8.3%	11.0%	1.0x	Accumulate
HF Group	3.7	3.6	(3.0%)	13.0%	3.2	3.4	0.0%	(3.7%)	0.2x	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

****Based on FY'2021 dividend

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.

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