

Kenya Retirement Benefits Scheme FY'2022 Review, & Cytonn Weekly #14/2023

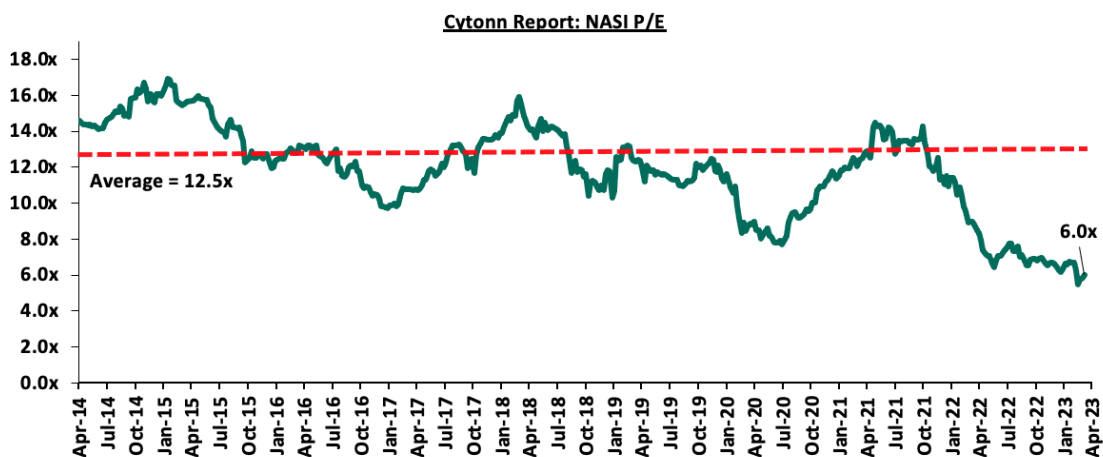
Equities

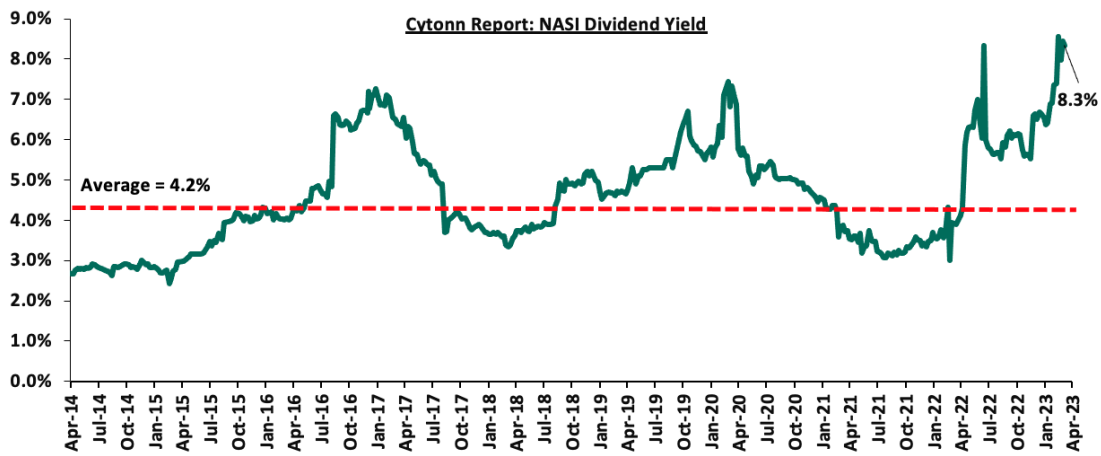
Market Performance:

During the week, the equities market was on an upward trajectory, with NASI, NSE 20 and NSE 25 gaining by 1.3%, 1.5% and 0.5%, respectively, taking the YTD performance to losses of 10.3%, 1.8% and 5.0% for NASI, NSE 20, and NSE 25, respectively. The equities market performance was mainly driven by gains recorded by large cap stocks such as Bamburi, Diamond Trust Bank (DTB-K), Safaricom, and KCB Group of 7.0%, 3.4%, 2.8%, and 1.1%, respectively. The gains were however weighed down by losses recorded by stocks such as BAT and Stanbic Bank of 2.9% and 2.7%, respectively.

During the week, equities turnover increased by 13.4% to USD 11.5 mn from USD 13.2 mn recorded the previous week, taking the YTD turnover to USD 359.8 mn. Foreign investors remained net sellers, recording a net selling position of USD 1.3 mn, from a net selling position of USD 3.4 mn recorded the previous week, taking the YTD net selling position to USD 42.3 mn.

The market is currently trading at a price to earnings ratio (P/E) of 6.0x, 51.8% below the historical average of 12.5x. The dividend yield stands at 8.3%, 4.1% points above the historical average of 4.2%. 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 is 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 31/03/2023	Price as at 06/04/2023	w/w change	YTD Change	Year Open 2023	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Jubilee Holdings	177.0	168.8	(4.7%)	(15.1%)	198.8	305.9	8.3%	89.6%	0.3x	Buy
KCB Group***	35.5	35.9	1.1%	(6.4%)	38.4	52.5	5.6%	51.8%	0.6x	Buy
Britam	4.7	4.7	1.1%	(9.6%)	5.2	7.1	0.0%	51.5%	0.8x	Buy
Sanlam	8.2	8.6	4.4%	(10.4%)	9.6	11.9	0.0%	38.8%	0.9x	Buy
Liberty Holdings	4.8	4.4	(7.7%)	(11.9%)	5.0	6.8	0.0%	52.0%	0.3x	Buy
Kenya Reinsurance	1.9	2.0	5.8%	7.0%	1.9	2.5	10.0%	35.5%	0.2x	Buy
Equity Group***	45.5	45.5	0.0%	1.0%	45.1	58.4	8.8%	37.0%	1.1x	Buy
ABSA Bank***	12.8	12.9	0.4%	5.3%	12.2	15.5	10.5%	30.7%	1.1x	Buy
NCBA***	36.7	36.6	(0.4%)	(6.2%)	39.0	43.4	11.6%	30.3%	0.8x	Buy
Co-op Bank***	13.2	13.1	(0.8%)	7.9%	12.1	15.5	11.5%	30.0%	0.6x	Buy
CIC Group	2.0	2.0	3.6%	6.3%	1.9	2.3	6.4%	20.7%	0.7x	Buy
Diamond Trust Bank***	51.3	53.0	3.4%	6.3%	49.9	57.1	9.4%	17.2%	0.2x	Accumulate
Stanbic Holdings	110.0	107.0	(2.7%)	4.9%	102.0	112.0	11.8%	16.4%	0.9x	Accumulate
Standard Chartered***	170.0	169.0	(0.6%)	16.6%	145.0	166.3	13.0%	11.4%	1.1x	Accumulate
I&M Group***	20.9	20.9	0.2%	22.6%	17.1	20.8	10.8%	10.4%	0.5x	Accumulate
HF Group	3.8	4.2	9.7%	32.7%	3.2	3.4	0.0%	(17.9%)	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

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 equities outlook in the short term.

