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# Nairobi Metropolitan Area Residential Report 2023, & Cytonn Weekly #18/2023

## Equities

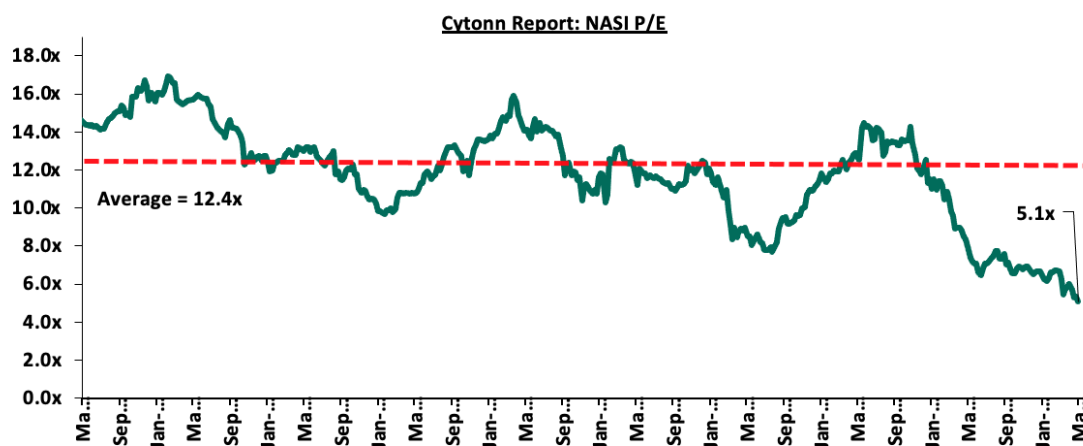
### Market Performance:

During the week, the equities market was on a downward trajectory with NASI, NSE 20 and NSE 25 declining by 4.3%, 2.8% and 4.7%, respectively, taking the YTD performance to losses of 19.1%, 8.4% and 13.3% for NASI, NSE 20 and NSE 25, respectively. The equities market performance was mainly driven by losses recorded by large cap stocks such as ABSA Bank, NCBA Group, EABL and Safaricom of 16.9%, 15.3%, 6.1% and 4.5%, respectively. The losses were however mitigated by gains recorded by stock such as Stanbic Holdings of 1.1%.

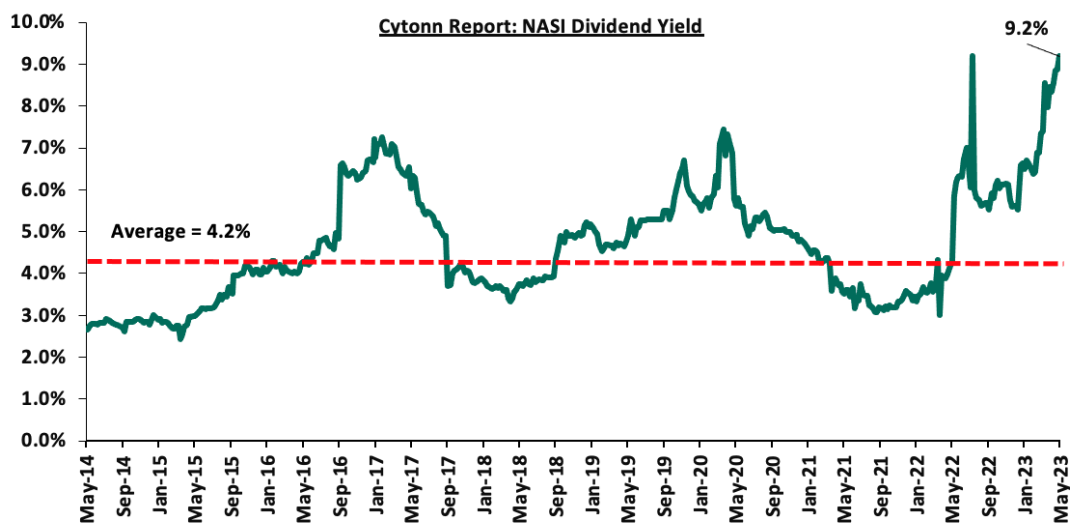
During the week, equities turnover declined by 13.5% to USD 6.6 mn, from USD 7.6 mn recorded the previous week, taking the YTD turnover to USD 386.4 mn. Foreign investors remained net sellers for a third consecutive week, with a net selling position of USD 2.7 mn, from a net selling position of USD 1.3 mn recorded the previous week, taking the YTD net selling position to USD 45.9 mn.

The market is currently trading at a price to earnings ratio (P/E) of 5.1x, 59.2% below the historical average of 12.4x. The dividend yield stands at 9.2%, 5.0% points above the historical average of 4.2%. Key to note, NASI's PEG ratio currently stands at 0.7x, 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;

**Cytonn Report: NASI P/E**



Month	P/E Ratio (x)
Mar 2018	14.0
Sep 2018	15.0
Jan 2019	16.0
Mar 2019	15.0
Sep 2019	13.0
Jan 2020	12.0
Mar 2020	12.0
Sep 2020	11.0
Jan 2021	10.0
Mar 2021	11.0
Sep 2021	12.0
Jan 2022	14.0
Mar 2022	15.0
Sep 2022	12.0
Jan 2023	11.0
Mar 2023	5.1



**Universe of coverage:**

Company	Price as at 28/04/2023	Price as at 05/05/2023	w/w change	YTD Change	Year Open 2023	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Britam	4.3	4.2	(3.3%)	(20.2%)	5.2	7.1	0.0%	71.6%	0.7x	Buy
Jubilee Holdings	180.0	185.8	3.2%	(6.5%)	198.8	305.9	6.5%	71.2%	0.3x	Buy
ABSA Bank***	12.2	10.1	(16.9%)	(17.2%)	12.2	15.1	13.4%	63.3%	0.8x	Buy
Liberty Holdings	4.0	4.2	4.3%	(17.7%)	5.0	6.8	0.0%	62.7%	0.3x	Buy
I&M Group***	17.3	16.9	(2.6%)	(1.2%)	17.1	24.5	13.4%	58.7%	0.4x	Buy
NCBA***	39.5	33.5	(15.3%)	(14.1%)	39.0	48.7	12.7%	58.4%	0.6x	Buy
Standard Chartered***	149.0	142.8	(4.2%)	(1.6%)	145.0	195.4	15.4%	52.3%	0.9x	Buy
KCB Group***	32.9	31.6	(3.8%)	(17.6%)	38.4	45.5	6.3%	50.3%	0.5x	Buy
Kenya Reinsurance	1.9	1.8	(4.2%)	(3.2%)	1.9	2.5	11.0%	49.7%	0.1x	Buy
Sanlam	8.1	8.6	5.9%	(10.2%)	9.6	11.9	0.0%	38.5%	0.9x	Buy
Co-op Bank***	13.3	12.8	(3.8%)	5.8%	12.1	15.9	11.7%	35.9%	0.6x	Buy
Equity Group***	45.8	45.6	(0.5%)	1.1%	45.1	56.3	8.8%	32.4%	0.9x	Buy
CIC Group	1.7	1.9	6.9%	(3.1%)	1.9	2.3	7.0%	32.4%	0.6x	Buy
Diamond Trust Bank***	54.8	53.8	(1.8%)	7.8%	49.9	64.6	9.3%	29.5%	0.3x	Buy
Stanbic Holdings	116.0	117.3	1.1%	15.0%	102.0	131.8	10.7%	23.1%	0.8x	Buy
HF Group	3.9	3.8	(2.8%)	19.7%	3.2	4.5	0.0%	18.0%	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 0.7x), 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.*

The Chancery, Valley Road

[www.cytonn.com](http://www.cytonn.com)

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