

# Kenya's Listed Insurance Report H1'2023, & Cytonn Weekly #43/2023

## Equities

**Market Performance:**

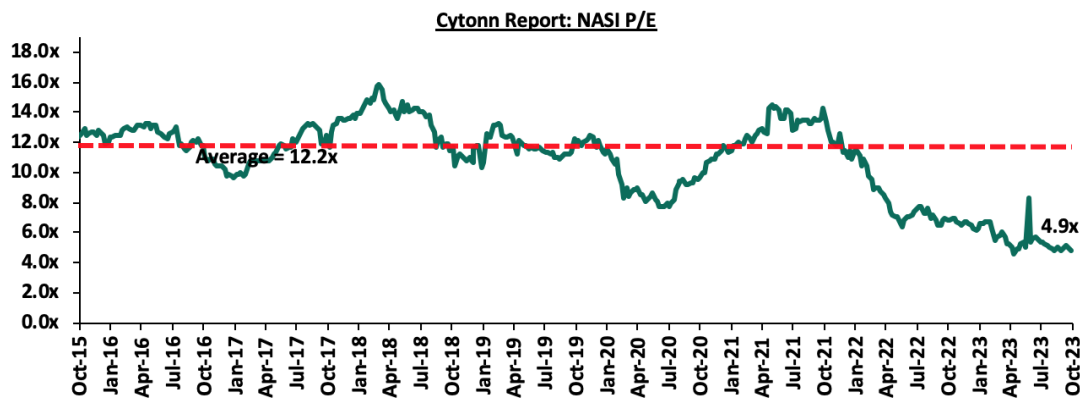
During the week, the equities market was on a downward trajectory, with NASI declining the most by 4.0%, while NSE 20, NSE 25 and NSE 10 declined by 1.9%, 2.4% and 2.6%, respectively, taking the YTD performance to losses of 29.8%, 12.7%, and 23.5% for NASI, NSE 20, and NSE 25, respectively. The equities market performance was mainly driven by losses recorded by large-cap stocks such as Safaricom, KCB and DTB-K of 9.4%, 5.3% and 3.2%, respectively. The losses were however mitigated by gains recorded by stocks such as Equity Bank and Cooperative Bank of 2.0% and 1.7% respectively.

During the week, equities turnover increased by 177.6% to USD 11.1 mn, from USD 4.0 mn recorded the previous week, taking the YTD total turnover to USD 598.5 mn. Foreign investors remained net sellers for the third consecutive week with a net selling position of USD 2.3 mn, from a net selling position of USD 0.9 mn recorded the previous week, taking the YTD foreign net selling position to USD 285.1 mn.

The market is currently trading at a price to earnings ratio (P/E) of 4.9x, 60.1% below the historical average of 12.2x. The dividend yield stands at 9.7%, 5.3% points above the historical average of 4.3%. Key to note, NASI's PEG ratio currently stands at 0.6x, 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 Dividend Yield**

Date	Dividend Yield (%)
Oct-15	~4.0%
Jan-16	~4.0%
Apr-16	~4.5%
Jul-16	~6.5%
Oct-16	~7.0%
Jan-17	~7.0%
Apr-17	~6.0%
Jul-17	~5.0%
Oct-17	~4.0%
Jan-18	~3.5%
Apr-18	~3.5%
Jul-18	~4.0%
Oct-18	~4.5%
Jan-19	~4.5%
Apr-19	~4.5%
Jul-19	~5.0%
Oct-19	~6.5%
Jan-20	~7.5%
Apr-20	~5.0%
Jul-20	~5.0%
Oct-20	~4.5%
Jan-21	~4.0%
Apr-21	~3.5%
Jul-21	~3.5%
Oct-21	~3.5%
Jan-22	~4.0%
Apr-22	~6.0%
Jul-22	~9.5%
Oct-22	~6.0%
Jan-23	~6.5%
Apr-23	~9.0%
Jul-23	~8.0%
Oct-23	9.7%



## Universe of Coverage:

**Cytonn Report: Equities Universe of Coverage**

Company	Price as at 19/10/2023	Price as at 27/10/2023	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
<b>KCB Group***</b>	19.9	18.9	(5.3%)	(50.8%)	30.7	10.6%	73.5%	<b>0.3x</b>	<b>Buy</b>
<b>Kenya Reinsurance</b>	1.8	1.8	(1.1%)	(6.4%)	2.5	11.4%	54.9%	<b>0.1x</b>	<b>Buy</b>
<b>Liberty Holdings</b>	3.8	4.0	5.0%	(20.8%)	5.9	0.0%	48.4%	<b>0.3x</b>	<b>Buy</b>
<b>Jubilee Holdings</b>	186.0	185.0	(0.5%)	(6.9%)	260.7	6.5%	47.4%	<b>0.3x</b>	<b>Buy</b>
<b>CIC Group</b>	2.0	1.9	(6.5%)	(2.1%)	2.5	7.0%	40.6%	<b>0.6x</b>	<b>Buy</b>
<b>Diamond Trust Bank***</b>	46.5	45.0	(3.2%)	(9.7%)	58.1	11.1%	40.2%	<b>0.2x</b>	<b>Buy</b>
<b>Sanlam</b>	7.7	7.4	(3.9%)	(22.8%)	10.3	0.0%	39.1%	<b>2.1x</b>	<b>Buy</b>
<b>I&amp;M Group***</b>	17.7	17.3	(2.3%)	1.5%	21.8	13.0%	39.0%	<b>0.4x</b>	<b>Buy</b>
<b>ABSA Bank***</b>	12.0	11.9	(0.8%)	(2.9%)	14.8	11.4%	36.3%	<b>1.0x</b>	<b>Buy</b>
<b>Co-op Bank***</b>	11.6	11.8	1.7%	(2.5%)	13.5	12.7%	27.1%	<b>0.6x</b>	<b>Buy</b>
<b>Britam</b>	4.6	4.8	2.8%	(8.5%)	6.0	0.0%	25.4%	<b>0.7x</b>	<b>Buy</b>
<b>Standard Chartered***</b>	160.0	156.0	(2.5%)	7.6%	170.9	14.1%	23.7%	<b>1.1x</b>	<b>Buy</b>
<b>Equity Group***</b>	37.3	38.0	2.0%	(15.6%)	42.6	10.5%	22.6%	<b>0.8x</b>	<b>Buy</b>
<b>NCBA***</b>	39.8	39.0	(2.0%)	0.1%	43.2	10.9%	21.7%	<b>0.8x</b>	<b>Buy</b>
<b>Stanbic Holdings</b>	109.0	109.0	0.0%	6.9%	118.2	11.6%	20.0%	<b>0.8x</b>	<b>Buy</b>
<b>HF Group</b>	4.3	4.0	(6.3%)	27.0%	3.2	0.0%	(20.0%)	<b>0.2x</b>	<b>Sell</b>

*We are “Neutral” on the Equities markets in the short term due to the current tough 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 being undervalued to its future growth (PEG Ratio at 0.6x), 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.*