

Nairobi Metropolitan Area (NMA) Infrastructure Report 2023, & Cytonn Weekly #45/2023

Equities

Market Performance:

During the week, the equities market recorded mixed performance, with NASI, NSE 25 and NSE 10 gaining by 3.7%, 0.2% and 0.5% respectively, while NSE 20 declined by 1.6%, taking the YTD performance to losses of 30.1%, 26.3% and 15.2% for NASI, NSE 25, and NSE 20, respectively. The equities market performance was mainly driven by gains recorded by large-cap stocks such as Safaricom and Equity Group of 15.9% and 0.5% respectively. The gains were however weighed down by losses recorded by stocks such as Co-operative Bank, Absa and NCBA Bank of 6.2%, 6.1% and 5.8% respectively.

During the week, equities turnover increased by 153.1% to USD 10.4 mn, from USD 4.1 mn recorded the previous week, taking the YTD total turnover to USD 613.0 mn. Foreign investors remained net sellers for the fifth consecutive week with a net selling position of USD 2.1 mn, from a net selling position of USD 0.3 mn recorded the previous week, taking the YTD foreign net selling position to USD 287.6 mn.

The market is currently trading at a price to earnings ratio (P/E) of 4.7x, 61.0% below the historical average of 12.2x. The dividend yield stands at 9.7%, 5.4% 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;



Universe of Coverage:

Cytonn Report: Equities Universe of Coverage

Company	Price as at 03/11/2023	Price as at 10/11/2023	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
KCB Group***	16.4	16.1	(1.8%)	(58.1%)	30.7	12.5%	100.2%	0.3x	Buy
Liberty Holdings	3.7	3.5	(6.2%)	(30.6%)	5.9	0.0%	58.7%	0.3x	Buy
Kenya Reinsurance	1.7	1.8	1.7%	(6.4%)	2.5	11.4%	57.4%	0.1x	Buy
Jubilee Holdings	182.0	182.0	0.0%	(8.4%)	260.7	6.6%	49.8%	0.3x	Buy
Sanlam	6.9	6.8	(1.4%)	(29.0%)	10.3	0.0%	49.1%	1.9x	Buy
ABSA Bank***	11.5	10.8	(6.1%)	(11.9%)	14.8	12.6%	41.8%	0.9x	Buy
Diamond Trust Bank***	45.0	44.1	(2.0%)	(11.6%)	58.1	11.4%	40.6%	0.2x	Buy

Cytonn Report: Equities Universe of Coverage

Company	Price as at 03/11/2023	Price as at 10/11/2023	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
I&M Group***	17.3	17.5	1.2%	2.6%	21.8	12.9%	38.9%	0.4x	Buy
Co-op Bank***	11.4	10.7	(6.2%)	(12.0%)	13.5	14.1%	33.0%	0.5x	Buy
NCBA***	37.2	35.0	(5.8%)	(10.1%)	43.2	12.1%	28.4%	0.7x	Buy
Equity Group***	37.1	37.3	0.5%	(17.2%)	42.6	10.7%	25.5%	0.8x	Buy
Stanbic Holdings	105.0	100.8	(4.0%)	(1.2%)	118.2	12.5%	25.1%	0.7x	Buy
Standard Chartered***	155.8	152.8	(1.9%)	5.3%	170.9	14.4%	24.1%	1.0x	Buy
CIC Group	2.2	2.0	(8.7%)	4.7%	2.5	6.5%	20.7%	0.6x	Buy
Britam	5.0	4.9	(1.2%)	(5.6%)	6.0	0.0%	20.1%	0.7x	Buy
HF Group	3.8	3.8	(0.8%)	20.0%	3.2	0.0%	(16.0%)	0.2x	Sell

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.

Liason House, StateHouse Avenue
The Chancery, Valley Road
www.cytonn.com

Generated By Cytonn Report

A product of Cytonn Technologies