

Review of the Affordable Housing Bill 2023, & Cytonn Weekly #03/2024

Equities

Market Performance:

During the week, the equities market was on an upward trajectory, with NASI gaining the most by 0.6%, while NSE 20, NSE 25, and NSE 10 gained by 0.2%, 0.5%, and 0.4% respectively; taking the YTD performance to gains of 1.5%, 0.5%, 1.8% and 1.7% for NASI, NSE 20, NSE 25 and NSE 10, respectively. The equities market performance was driven by gains recorded by large-cap stocks such as Bamburi, Equity Group, and Standard Chartered Bank of 6.0%, 2.0%, and 1.9% respectively. The gains were, however, weighed down by losses recorded by large-cap stocks such as EABL, Stanbic, and KCB of 1.7%, 1.6%, and 1.4% respectively.

During the week, equities turnover decreased by 10.2% to USD 3.8 mn from USD 4.3 mn recorded the previous week, taking the YTD total turnover to USD 9.7 mn. Foreign investors became net sellers for the second consecutive week, with a net selling position of USD 0.04 mn, from a net selling position of USD 0.6 mn recorded the previous week, taking the YTD foreign net selling position to USD 0.5 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.1x, 57.5% below the historical average of 12.1x. The dividend yield stands at 9.2%, 4.8% points above the historical average of 4.4%. 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;



Universe of Coverage:

Cytonn Report: Universe of Coverage

Company	Price as at 12/01/2024	Price as at 19/01/2024	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
KCB Group***	22.0	21.7	(1.4%)	(1.1%)	31.2	9.2%	53.0%	0.4x	Buy
Kenya Reinsurance	2.0	1.9	(4.6%)	0.5%	2.5	10.8%	45.7%	0.1x	Buy
Jubilee Holdings	180.0	190.0	5.6%	2.7%	260.7	6.3%	43.5%	0.3x	Buy
Diamond Trust Bank***	44.8	44.8	0.0%	0.0%	58.5	11.2%	41.9%	0.2x	Buy
I&M Group***	17.5	17.5	0.0%	0.3%	22.1	12.9%	39.1%	0.4x	Buy
ABSA Bank***	11.3	11.5	1.8%	(0.4%)	14.6	11.7%	38.7%	0.9x	Buy
NCBA***	37.8	38.0	0.5%	(2.2%)	48.3	11.2%	38.3%	0.8x	Buy

Cytonn Report: Universe of Coverage

Company	Price as at 12/01/2024	Price as at 19/01/2024	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Sanlam	6.0	7.6	26.7%	26.7%	10.3	0.0%	35.4%	2.1x	Buy
Co-op Bank***	11.3	11.4	0.9%	0.0%	13.8	13.2%	34.8%	0.5x	Buy
Stanbic Holdings	111.8	110.0	(1.6%)	3.8%	132.8	11.5%	32.2%	0.8x	Buy
Equity Group***	35.8	36.5	2.0%	6.7%	42.8	11.0%	28.2%	0.8x	Buy
Standard Chartered***	161.0	164.0	1.9%	2.3%	185.5	13.4%	26.5%	1.1x	Buy
CIC Group	2.3	2.1	(6.2%)	(7.4%)	2.5	6.1%	24.1%	0.7x	Buy
Liberty Holdings	5.0	5.2	3.6%	34.2%	5.9	0.0%	14.3%	0.4x	Accumulate
Britam	5.1	5.5	7.4%	7.0%	6.0	0.0%	8.5%	0.8x	Hold
HF Group	3.4	3.7	8.2%	7.0%	3.9	0.0%	5.7%	0.2x	Hold

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 0.7x), 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.