



# Cytonn Monthly – January 2024

## Equities

### **Market Performance:**

During the month of January 2024, the equities market was on an upward trajectory, with NSE 25 gaining the most by 1.2%, while NSE 10, NSE 20, and NASI gained by 1.1%, 0.5% and 0.1% respectively. The equities market performance was driven by gains recorded by large-cap stocks such as Equity Group, Bamburi, and DTBK of 12.9%, 12.3%, and 9.9% respectively. The gains were, however, weighed down by losses recorded by large cap stocks such as KCB Group, EABL, and NCBA of 8.2%, 7.0%, and 3.5% respectively.

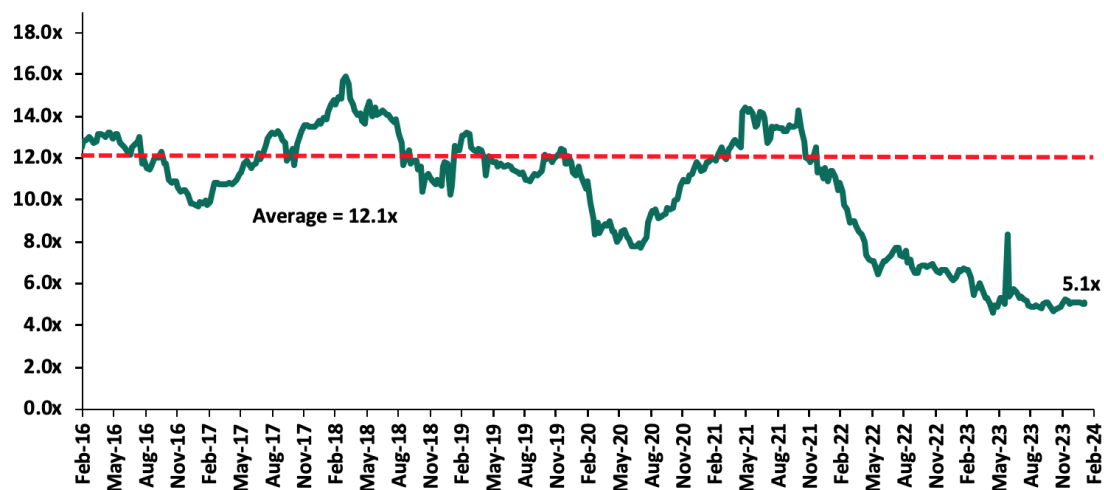
During the week, the equities market was on an upward trajectory, with NSE 10 gaining the most by 2.8%, while NSE 25, NASI, and NSE 20 gained by 2.3%, 2.2%, and 1.0% respectively. The equities market performance was driven by gains recorded by large-cap stocks such as DTBK, EABL, and Safaricom of 9.4%, 8.6%, and 3.1% respectively. The gains were, however, weighed down by losses recorded by large cap stocks such as Bamburi and BAT of 3.6% and 0.1% respectively.

Equities turnover decreased by 21.2% in the month of January to USD 16.8 mn, from USD 21.3 mn recorded in December 2023. Foreign investors remained net sellers, with a net selling position of USD 1.2 mn, from a net selling position of USD 8.4 mn recorded in December 2023.

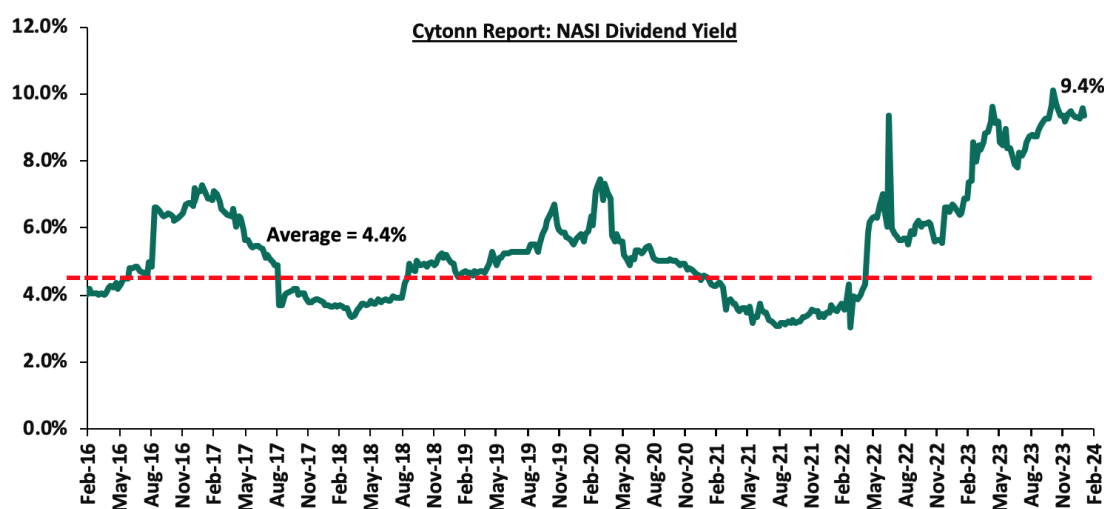
During the week, equities turnover increased by 53.0% to USD 5.2 mn from USD 3.4 mn recorded the previous week, taking the YTD total turnover to USD 18.3 mn. Foreign investors remained net sellers for the fourth consecutive week with a net selling position of USD 0.1 mn, from a net selling position of USD 0.5 mn recorded the previous week, taking the YTD foreign net selling position to USD 1.1 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.1x, 58.0% below the historical average of 12.1x. The dividend yield stands at 9.4%, 5.0% points above the historical average of 4.4%. 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 P/E



### Cytonn Report: NASI Dividend Yield



## Universe of Coverage:

### Cytonn Report: Equities Universe of Coverage

Company	Price as at 26/01/2024	Price as at 02/02/2024	w/w change	m/m change	YTD Change	Year Open 2024	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
KCB Group***	20.4	20.4	0.0%	(8.2%)	(7.1%)	22.0	31.2	9.8%	62.7%	0.4x	Buy
Sanlam	7.0	6.3	(7.6%)	17.0%	5.7%	6.0	10.3	0.0%	62.3%	1.8x	Buy
Jubilee Holdings	180.8	180.3	(4.9%)	(2.2%)	(2.6%)	185.0	260.7	6.7%	51.3%	0.3x	Buy
Kenya Reinsurance	1.8	1.9	(2.7%)	(3.2%)	0.5%	1.9	2.5	10.8%	45.7%	0.1x	Buy
NCBA***	37.2	37.7	(2.2%)	(3.5%)	(3.0%)	38.9	48.3	11.3%	39.4%	0.8x	Buy
I&M Group***	17.5	17.5	0.0%	0.0%	0.3%	17.5	22.1	12.9%	39.1%	0.4x	Buy
ABSA Bank***	11.7	11.9	1.3%	2.2%	2.6%	11.6	14.6	11.4%	34.6%	1.0x	Buy
Stanbic Holdings	110.0	110.0	0.0%	1.1%	3.8%	106.0	132.8	11.5%	32.2%	0.8x	Buy
Diamond Trust Bank***	44.8	49.0	0.0%	9.9%	9.4%	44.8	58.5	10.2%	29.7%	0.2x	Buy
CIC Group	2.0	2.0	(5.2%)	(11.2%)	(10.9%)	2.3	2.5	6.4%	28.9%	0.6x	Buy
Standard Chartered***	160.3	162.5	(2.3%)	0.2%	1.4%	160.3	185.5	13.5%	27.7%	1.1x	Buy

**Cytonn Report: Equities Universe of Coverage**

Company	Price as at 26/01/2024	Price as at 02/02/2024	w/w change	m/m change	YTD Change	Year Open 2024	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
<b>Co-op Bank***</b>	12.0	12.0	5.7%	6.1%	5.7%	11.4	13.8	12.5%	27.5%	<b>0.6x</b>	<b>Buy</b>
<b>Equity Group***</b>	37.1	38.2	1.6%	12.9%	11.5%	34.2	42.8	10.5%	22.7%	<b>0.8x</b>	<b>Buy</b>
<b>Britam</b>	5.1	5.0	(7.3%)	10.6%	(2.7%)	5.1	6.0	0.0%	19.4%	<b>0.7x</b>	<b>Accumulate</b>
<b>Liberty Holdings</b>	5.1	5.3	(1.9%)	35.5%	37.3%	3.9	5.9	0.0%	11.7%	<b>0.4x</b>	<b>Accumulate</b>
<b>HF Group</b>	3.6	3.5	(2.4%)	7.8%	2.3%	3.5	3.9	0.0%	10.5%	<b>0.2x</b>	<b>Accumulate</b>

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

## Monthly Highlights:

### I. East African Breweries Plc (EABL) H1'2024 Financial Performance

During the month, East African Breweries Plc (EABL) released their H1'2024 financial results for the period ending 31<sup>st</sup> December 2023, recording a 22.1% decline in the Profits After Tax (PAT) to Kshs 6.8 bn in H1'2024, from Kshs 8.7 bn in H1'2023. The decline was mainly attributable to a 10.8% increase in Indirect Taxes to Kshs 52.5 bn in H1'2024, from Kshs 47.4 bn in H1'2023, coupled with the 36.6% increase in operating costs to Kshs 15.5 bn, from Kshs 11.3 bn in H1'2023 that offset the 13.8% growth in Gross Sales to Kshs 119.1 bn in H1'2024 from Kshs 104 bn in H1'2023. For more details, please see our Cytonn Weekly #04/2024.

***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 investor sell-offs to continue weighing down the equities outlook in the short term.***

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