

Kenya Listed Banks Report FY'2023, & Cytonn Weekly #16/2024

Equities

Market Performance:

During the week, the equities market was on a downward trajectory, with NSE 25 declining the most by 3.8%, while NASI, NSE 10, and NSE 20 declined by 3.6%, 3.5%, and 2.1% respectively, taking the YTD performance to gains of 20.9%, 18.2%, 15.9% and 12.0% for NSE 10, NSE 25, NASI and NSE 20 respectively. The equities market performance was driven by losses recorded by large-cap stocks such as Equity Group, KCB, and Safaricom of 9.4%, 7.0%, and 5.6% respectively. The performance was, however, supported by gains recorded by large-cap stocks such as EABL and BAT of 11.2% and 0.9% respectively.

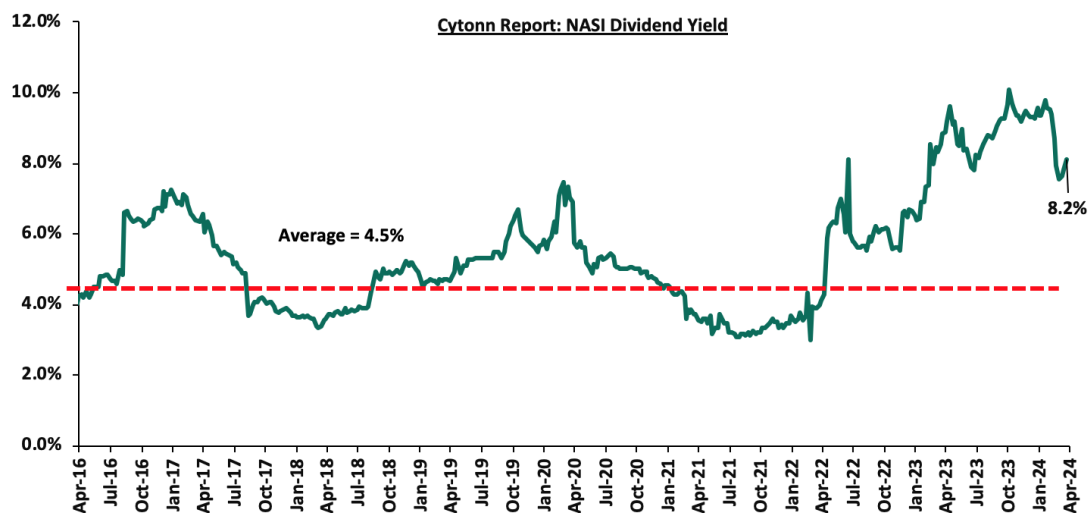
During the week, equities turnover increased by 15.7% to USD 12.2 mn from USD 10.6 mn recorded the previous week, taking the YTD total turnover to USD 171.4 mn. Foreign investors remained net buyers for the second time in three weeks with a net buying position of USD 0.2 mn, from a net buying position of USD 2.4 mn recorded the previous week, taking the YTD foreign net selling position to USD 14.9 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.4x, 55.1% below the historical average of 12.0x. The dividend yield stands at 8.2%, 3.7% points above the historical average of 4.5%. 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

The chart displays the historical Price-to-Earnings (P/E) ratio for NASI from April 2016 to April 2024. The vertical axis represents the P/E ratio in multiples, ranging from 0.0x to 18.0x in increments of 2.0x. The horizontal axis shows quarterly intervals from Apr-16 to Apr-24. A solid green line tracks the P/E ratio over time, showing significant volatility. A horizontal red dashed line is drawn at the 12.0x level, labeled 'Average = 12.0x'. The current P/E ratio as of Apr-24 is marked as 5.4x.

Quarter	P/E Ratio (Approximate)
Apr-16	12.5x
Jul-16	11.5x
Oct-16	10.5x
Jan-17	9.5x
Apr-17	10.5x
Jul-17	11.5x
Oct-17	12.5x
Jan-18	13.5x
Apr-18	15.5x
Jul-18	14.5x
Oct-18	11.5x
Jan-19	10.5x
Apr-19	11.5x
Jul-19	11.5x
Oct-19	11.5x
Jan-20	11.5x
Apr-20	8.5x
Jul-20	7.5x
Oct-20	8.5x
Jan-21	10.5x
Apr-21	11.5x
Jul-21	14.5x
Oct-21	13.5x
Jan-22	11.5x
Apr-22	7.5x
Jul-22	7.5x
Oct-22	6.5x
Jan-23	6.5x
Apr-23	5.5x
Jul-23	8.5x
Oct-23	5.5x
Jan-24	5.5x
Apr-24	5.4x



Universe of coverage:

Cytonn Report: Equities Universe of Coverage

Company	Price as at 12/04/2024	Price as at 19/04/2024	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Sanlam	6.9	6.0	(12.8%)	0.0%	10.3	0.0%	71.5%	1.7x	Buy
Co-op Bank***	14.2	13.6	(4.6%)	19.4%	19.2	11.1%	52.8%	0.6x	Buy
Equity Group***	46.5	42.1	(9.4%)	23.1%	60.2	9.5%	52.5%	0.8x	Buy
I&M Group***	21.7	19.1	(12.2%)	9.2%	25.6	13.4%	47.8%	0.4x	Buy
ABSA Bank***	13.6	12.8	(5.5%)	10.8%	17.3	12.1%	47.3%	1.0x	Buy
Stanbic Holdings	117.8	112.5	(4.5%)	6.1%	145.3	13.6%	42.8%	0.8x	Buy
Jubilee Holdings	198.8	191.0	(3.9%)	3.2%	260.7	6.3%	42.7%	0.3x	Buy
Diamond Trust Bank***	50.3	50.0	(0.5%)	11.7%	65.2	10.0%	40.4%	0.2x	Buy
Kenya Reinsurance	2.1	1.9	(8.1%)	4.9%	2.5	10.3%	39.7%	0.2x	Buy
NCBA***	44.5	44.9	0.9%	15.6%	55.2	10.6%	33.5%	0.8x	Buy
KCB Group***	30.1	28.0	(7.0%)	27.3%	37.2	0.0%	33.1%	0.4x	Buy
Standard Chartered***	199.3	195.3	(2.0%)	21.8%	225.2	14.9%	30.2%	1.3x	Buy
Liberty Holdings	5.1	5.0	(2.5%)	29.3%	6.1	7.5%	29.7%	0.4x	Buy
HF Group	3.8	4.0	4.4%	16.2%	4.6	0.0%	15.4%	0.2x	Accumulate
Britam	5.8	5.7	(0.7%)	11.3%	6.5	0.0%	13.6%	0.8x	Accumulate
CIC Group	2.3	2.3	1.3%	2.2%	2.5	5.6%	12.4%	0.7x	Accumulate

Weekly Highlights:

I. Bamburi Cement Plc FY'2023 Financial Results.

During the week, Bamburi Cement Plc released their FY'2023 results, reporting a loss for the year of Kshs 0.4 bn, a significant 321.7% decline from the Kshs 0.2 bn profit after tax recorded in FY'2022. Profit from continued operations, however, increased by 160.7% to Kshs 0.7 bn from Kshs 0.3 bn recorded in FY'2022. Turnover increased by 6.3% to Kshs 22.0 bn from Kshs 20.7 bn in FY'2022, while total operating costs increased by 3.9% to Kshs 20.8 bn from Kshs 20.1 bn recorded in FY'2022.

Bamburi Cement Plc's FY'2023 Results:

Cytonn Report: Bamburi Cement Plc FY'2023 Income Statement

Income Statement	FY'2022 Kshs (bn)	FY'2023 Kshs (bn)	% Change
Turnover	20.7	22.0	6.3%
Total Operating costs	(20.1)	(20.8)	3.9%
Operating Profit	0.7	1.0	48.5%
Finance Income & costs (Net)	(0.03)	0.04	(226.7%)
Profit/(Loss) Before Tax	0.7	1.1	61.1%
Income Tax	(0.4)	(0.4)	(2.7%)
Profit(loss) from continuing operations	0.3	0.7	160.7%
Loss from discontinued operations	(0.1)	(1.1)	1288.3%
Profit/(Loss) After Tax	0.2	(0.4)	(321.7%)
Earnings Per Share (EPS)	0.6	0.2	(62.5%)
Dividend Per Share	0.8	5.5	629.3%
Dividend Yield	2.7%	11.7%	9.1%

Cytonn Report: Bamburi Cement Plc FY'2023 Balance Sheet

Balance Sheet	FY'2022 Kshs (bn)	FY'2023 Kshs (bn)	% Change
Non-Current Assets	41.2	23.6	(42.6%)
Current Assets	5.1	21.0	313.3%
Total Assets	46.3	44.6	(3.5%)
Non-Current Liabilities	2.7	4.9	81.5%
Current Liabilities	9.5	3.5	(63.1%)
Total Liabilities	12.2	8.4	(31.1%)
Total Equity	34.0	36.2	6.5%

Key take outs from the results:

1. Core Earnings Per share decreased by 62.5% to Kshs 0.2 from Kshs 0.6 in FY'2022, driven by the 1,288.3% increase in losses from discontinued operations to Kshs 1.1 bn from Kshs 0.1 bn in FY'2022 which outweighed the 160.7% increase in profits from continuing operations to Kshs 0.7 bn from Kshs 0.3 bn in FY'2022,
2. The company's turnover increased by 6.3% to Kshs 22.0 from Kshs 20.7 recorded in FY'2022. Meanwhile, total operating cost increased by 3.9% to Kshs 20.8 bn from Kshs 20.1 bn recorded in FY'2022, resulting in a 48.5 increase in operating profit to Kshs 1.0 bn from Kshs. 0.7 bn recorded in FY'2022, and,
3. The balance sheet recorded a slight contraction as total assets decreased by 3.5% to Kshs 44.6 bn in FY'2023 from Kshs 46.3 bn in FY'2022 mainly driven by a 42.6% decrease in non-current assets to Kshs 23.6 bn from Kshs 41.2 bn in FY'2022, attributable to the sale of the Ugandan based subsidiary Hima Cement.

Other highlights from the release include:

1. **Declaration of dividends** - The directors of Bamburi Cement Plc have recommended a first and final dividend of Kshs 5.47 per share, translating to a dividend yield of 11.7%, higher than the

2.7% yield recorded in FY'2022.

Going forward, the factors that would drive the company's growth would be:

- I. **Government's Housing Program** - The current government's focus on affordable housing aimed at delivering 250,000 units every year is expected to play a part in the growth of the company, as the demand for cement and concrete is likely to be driven by this initiative.
- II. **Innovative and Sustainable projects and products** - The company is expected to create partnerships to explore environmentally friendly solutions to building. Partnerships such as the current one with Geocycle and Haller Park are expected to drive the company towards sustainability.

II. Liberty Kenya Holdings Plc FY'2023 Financial Results.

During the week, Liberty Kenya Holdings released their FY'2023 results, having fully implemented the new IFRS 17 reporting system. Liberty Kenya Holdings' Profit After Tax (PAT) increased by 154.7% to Kshs 0.7 bn, from Kshs 0.3 bn recorded in FY'2022, mainly driven by a 148.6% increase in Net insurance income to Kshs 0.9 bn, from Kshs 0.4 bn in FY'2022, and supported by a 41.6% decrease in Net insurance expenses to Kshs 0.3 bn, from Kshs 0.6 bn in FY'2022.

Liberty Kenya Holdings Plc's FY'2023 Results:

Cytonn Report: Liberty Kenya Holdings Income Statement

Item (All figures in Bns)	FY'2022	FY'2023	y/y change
Insurance revenue	12.3	13.8	12.5%
Insurance service expense	(9.9)	(12.5)	27.1%
Net expense from reinsurance contracts held	(2.1)	(0.4)	(81.6%)
Net Insurance Income	0.4	0.9	148.6%
Net Investment Income	1.4	1.6	8.9%
Net Insurance and Finance expenses	(0.6)	(0.3)	(41.6%)
Other Income	0.1	0.1	16.0%
Other operating expenses	(0.9)	(1.2)	37.1%
Profit Before Tax	0.5	1.1	118.8%
Profit After Tax	0.3	0.7	151.0%

Cytonn Report: Liberty Kenya Holdings Balance Sheet

Item (All figures in Bns)	FY'2022	FY'2023	y/y change
Intangible assets	1.4	1.5	4.7%
Financial Investments	23.1	20.3	(11.9%)
Other assets	16.3	21.9	34.8%
Total Assets	40.1	43.8	9.1%
Insurance Contract Liabilities	21.7	23.9	10.2%
Provisions & other payables	2.2	1.8	(17.1%)
Other Liabilities	8.2	8.5	4.1%
Total liabilities	31.2	34.2	7.7%

Cytonn Report: Liberty Kenya Holdings Balance Sheet

Item (All figures in Bns)	FY'2022	FY'2023	y/y change
Shareholder funds	8.5	9.2	7.6%
Minority Interest	0.4	0.4	5.0%
Total Equity	8.9	9.6	7.7%

Key take outs from the results:

1. Core Earnings Per share increased by 190.5% to Kshs 1.2 from Kshs 0.4 in FY'2022, driven by the 148.6% increase in net insurance service revenue (net insurance income) to Kshs 0.9 bn from Kshs 0.4 bn in FY'2022 coupled with a 41.6% decrease in insurance and finance expenses to Kshs 0.3 bn from Kshs 0.6 bn in FY'2022,
2. Net Investment Income increased by 8.9% to Kshs 1.6 bn in FY'2023, from Kshs 1.4 bn in FY'2022. This was majorly attributable to a significant 1,186.1% increase in investment income to Kshs. 0.2 bn from Kshs 0.01 bn in FY'2022, but was weighed down by the 25.2% increase in losses on financial assets at fair value to Kshs 0.6 bn from Kshs 0.8 bn in FY'2022,
3. Insurance revenue increased by 12.5% to Kshs 13.8 bn in FY'2023 from Kshs 12.3 bn in FY'2022, while insurance expenses increased by 27.1% to Kshs 12.5 bn from Kshs 9.9 bn in FY'2022, this translated to a Net insurance service result decrease of 46.9% to Kshs 1.3 bn from Kshs 2.4 bn in FY'2022,
4. The balance sheet recorded an expansion as total assets increased by 9.1% to Kshs 43.8 bn in FY'2023 from Kshs 40.1 bn in FY'2022 mainly driven by 52.7% increase in cash and cash equivalents to Kshs 12.9 bn from Kshs 8.4 bn in FY'2022, coupled with a 42.1% increase in reinsurance contract assets Kshs 5.7 bn from Kshs 4.0 bn, and,
5. Total liabilities increased by 7.7% to Kshs 34.2 bn from Kshs 31.2 bn in FY'2022, majorly on the back of the 10.2% increase in insurance contract liabilities to Kshs 23.9 bn from Kshs 21.7 bn in FY'2022, coupled with a 7.4% increase in financial liabilities under investments contracts to Kshs 7.1 bn, from Kshs 6.6 bn in FY'2022.

Other highlights from the release include:

1. **Declaration of dividends** - The directors of Liberty Holdings have recommended a dividend of Kshs 0.373 per share, translating to a payout ratio of 29.7% and a dividend yield of 7.5%.

Going forward, the factors that would drive the company's growth would be:

- **Diversified Products** - In Kenya, the short-term insurance business saw an 11.0% increase in insurance revenue, with an improved claim ratio compared to the previous year. The introduction of a retail medical product in the last quarter is expected to address market gaps in that segment.

Valuation Summary:

- We are of the view that Liberty Kenya Holdings Plc is a "Buy" with a target price of Kshs 6.1 representing an upside of 7%, from the current price of 5.0 as of 19th April 2024, inclusive of a dividend yield of 7.5%, and,
- Liberty Kenya Holdings Plc is currently trading at a P/TBV of 0.4x and a P/E of 3x vs an industry average of 0.6x and 5.6x respectively.

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 for 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.

Liason House, StateHouse Avenue

The Chancery, Valley Road

www.cytonn.com

Generated By Cytonn Report

A product of **Cytonn Technologies**