

# Kenya's FY'2024/2025 Budget Review, & Cytonn Weekly #27/2024

## Equities

### Market Performance:

During the week, the equities market recorded mixed performance, with NSE 20 gaining by 0.2% while NASI declined the most by 0.4%; NSE 25 and NSE 10 declined by 0.2% each taking the YTD performance to gains of 22.3%, 19.6%, 18.5% and 10.0% 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 EABL, Stanbic, and Equity Group of 2.4%, 1.1%, and 0.6% respectively. The performance was, however, supported by gains recorded by large-cap stocks such as Bamburi, KCB Group, and ABSA Bank of 6.7%, 2.4%, and 0.4% respectively.

During the week, equities turnover increased by 9.3% to USD 7.5 mn from USD 6.9 mn recorded the previous week, taking the YTD total turnover to USD 355.8 mn. Foreign investors became net buyers with a net buying position of USD 0.6 mn, from a net selling position of USD 1.1 mn recorded the previous week, taking the YTD foreign net buying position to USD 7.2 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.3x, 55.4% below the historical average of 11.9x. The dividend yield stands at 8.0%, 3.5% 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;



### Universe of Coverage:

Cytonn Report: Equities Universe of Coverage

Company	Price as at 28/06/2024	Price as at 05/07/2024	w/w change	YTD Change	Year Open 2024	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Kenya Reinsurance	1.4	1.4	(1.4%)	(24.3%)	185.0	3.5	21.4%	171.4%	0.1x	Buy
Jubilee Holdings	179.0	168.0	(6.1%)	(9.2%)	44.8	260.7	8.5%	63.7%	0.3x	Buy
Sanlam	5.9	5.7	(4.7%)	(5.7%)	34.2	8.8	0.0%	55.7%	1.6x	Buy
Equity Group***	42.3	42.0	(0.6%)	22.8%	6.0	60.2	9.5%	52.9%	0.8x	Buy
Diamond Trust Bank***	46.5	46.4	(0.3%)	3.6%	38.9	65.2	10.8%	51.5%	0.2x	Buy
Co-op Bank***	12.7	12.7	(0.4%)	11.5%	11.4	17.2	11.9%	47.8%	0.6x	Buy
NCBA***	41.1	41.1	0.0%	5.8%	106.0	55.2	11.6%	45.9%	0.8x	Buy
KCB Group***	31.3	32.0	2.4%	45.8%	22.0	46.7	0.0%	45.8%	0.5x	Buy

**Cytonn Report: Equities Universe of Coverage**

Company	Price as at 28/06/2024	Price as at 05/07/2024	w/w change	YTD Change	Year Open 2024	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
<b>Stanbic Holdings</b>	114.3	113.0	(1.1%)	6.6%	160.3	145.3	13.6%	42.2%	<b>0.8x</b>	<b>Buy</b>
<b>CIC Group</b>	2.1	2.2	0.9%	(6.1%)	11.6	2.8	6.0%	36.3%	<b>0.7x</b>	<b>Buy</b>
<b>Standard Chartered***</b>	194.0	193.8	(0.1%)	20.9%	2.3	233.1	15.0%	35.3%	<b>1.3x</b>	<b>Buy</b>
<b>ABSA Bank***</b>	14.0	14.1	0.4%	21.6%	1.9	17.3	11.0%	34.2%	<b>1.1x</b>	<b>Buy</b>
<b>I&amp;M Group***</b>	21.6	21.7	0.5%	24.1%	17.5	25.5	11.8%	29.6%	<b>0.4x</b>	<b>Buy</b>
<b>Britam</b>	6.0	6.0	(1.0%)	16.3%	5.1	7.5	0.0%	25.4%	<b>0.8x</b>	<b>Buy</b>
<b>Liberty Holdings</b>	5.3	5.3	0.4%	37.8%	3.9	6.1	7.0%	21.7%	<b>0.4x</b>	<b>Buy</b>
<b>HF Group</b>	4.0	4.1	2.5%	19.7%	3.5	4.5	0.0%	9.0%	<b>0.2x</b>	<b>Hold</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

## Weekly Highlights

### I. NCBA Group Plc Completes Acquisition of AIG Kenya Insurance Company Ltd

During the week, NCBA Group Plc **announced** the completion of its acquisition of 66.7% of the issued share capital of AIG Kenya Insurance Company Ltd from AIG MEA Ltd. As a result of this acquisition, AIG Kenya has become a wholly-owned subsidiary of NCBA Group Plc. The transaction, which was finalized following meticulous regulatory scrutiny and corporate approvals, including clearances from the Competition Authority of Kenya, the Insurance Regulatory Authority, and the Central Bank of Kenya, solidifies NCBA Group Plc's position in the insurance market.

NCBA Group Plc, formed out of a merger between NIC Group and CBA Group in 2019, has swiftly ascended to become the third-largest banking group in East Africa, serving a vast customer base exceeding 63.0 mn across Kenya, Uganda, Tanzania, and Rwanda. The group's network spans 107 branches and is supported by strong physical and digital distribution platforms, which are poised to integrate seamlessly with AIG Kenya's specialized insurance capabilities.

AIG Kenya Insurance Company Limited, a reputable insurer licensed by the Insurance Regulatory Authority, and a subsidiary of the American International Group Inc (AIG), brings a wealth of experience and a robust portfolio of insurance products to NCBA Group Plc. With over five decades of experience, AIG Kenya has carved out a distinguished reputation for delivering sophisticated general insurance solutions to a diverse clientele including corporates, SMEs, and individual customers. Its established market presence across East Africa aligns seamlessly with NCBA's ambitious growth trajectory since its inception.

By leveraging NCBA's wide distribution networks and AIG Kenya's experience, the group hopes to speed its journey to becoming a universal bank that holistically satisfies consumers' financial needs. The acquisition represents more than a strategic business move; it symbolizes NCBA's commitment to driving financial inclusion and innovation across East Africa, while propelling AIG Kenya towards greater heights of service excellence and customer satisfaction.

***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.***

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