



The State of Credit Availability in Kenya's Private Sector, & Cytonn Weekly #39/2024

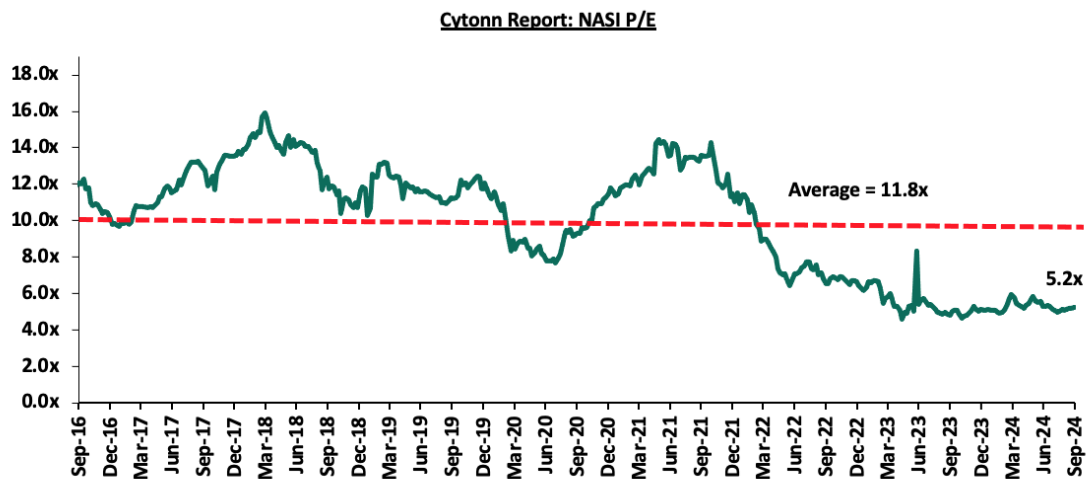
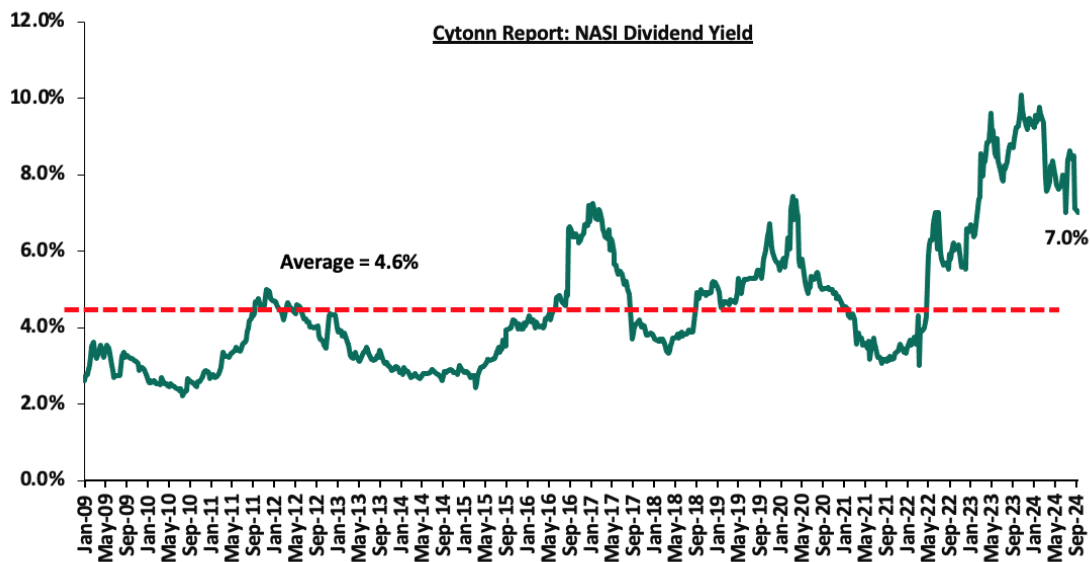
Equities

Market Performance:

During the week, the equities market recorded a mixed performance, with NSE 10, NSE 25, and NASI gaining by 1.6%, 1.3%, and 0.7% respectively while NSE 20 declined by 0.7%, taking the YTD performance to gains of 23.4%, 21.6%, 17.8%, and 16.5% for NSE 10, NSE 25, NSE 20, and NASI respectively. The equities market performance was driven by gains recorded by large-cap stocks such as DTB-K, NCBA, and Equity Group of 5.5%, 3.9%, and 3.5% respectively. The performance was, however, weighed down by losses recorded by large-cap stocks such as Bamburi, ABSA, and BAT of 27.3%, 1.4%, and 0.9% respectively.

During the week, equities turnover decreased by 25.8% to USD 8.1 mn from USD 10.9 mn recorded the previous week, taking the YTD total turnover to USD 482.4 mn. Foreign investors remained net buyers for the third consecutive week with a net buying position of USD 1.2 mn, from a net buying position of USD 0.1 mn recorded the previous week, taking the YTD foreign net buying to USD 2.2 mn.

The market is currently trading at a price-to-earnings ratio (P/E) of 5.2x, 55.5% below the historical average of 11.8x. The dividend yield stands at 7.0%, 2.4% points above the historical average of 4.6%. 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 20/09/2027	Price as at 27/09/2024	w/w change	YTD Change	Year Open 2024	Target Price*	Dividend Yield	Upside/ Downside**	P/TBv Multiple	Average
Jubilee Holdings	160.0	172.0	7.5%	(7.0%)	185.0	260.7	8.3%	59.9%	0.3x	Buy
Equity Group	42.0	43.5	3.5%	27.0%	34.2	60.2	9.2%	47.8%	0.9x	Buy
Diamond Trust Bank	46.7	49.3	5.5%	10.1%	44.8	65.2	10.2%	42.5%	0.2x	Buy
Co-op Bank	13.3	13.3	0.0%	16.7%	11.4	17.2	11.3%	41.1%	0.6x	Buy
NCBA	41.0	42.6	3.9%	9.7%	38.9	55.2	11.2%	40.7%	0.8x	Buy
CIC Group	2.1	2.1	0.0%	(8.7%)	2.3	2.8	6.2%	40.2%	0.7x	Buy
Stanbic Holdings	116.0	118.5	2.2%	11.8%	106.0	145.3	13.0%	35.6%	0.8x	Buy
ABSA Bank	14.3	14.1	(1.4%)	22.1%	11.6	17.3	11.0%	33.7%	1.1x	Buy
KCB Group	33.9	35.0	3.4%	59.5%	22.0	46.7	0.0%	33.3%	0.5x	Buy
Britam	5.8	6.0	3.4%	16.7%	5.1	7.5	0.0%	25.0%	0.8x	Buy
I&M Group	23.6	23.6	0.2%	35.2%	17.5	26.5	10.8%	23.1%	0.5x	Buy

Target Price as per Cytonn Analyst estimates
 **Upside/ (Downside) is adjusted for Dividend Yield
 Dividend Yield is calculated using FY'2023 Dividends

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

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