



Cytonn Q3'2024 Markets Review

Equities

Market Performance:

During the quarter, the equities market recorded a mixed performance with NSE 20, NSE 25, and NSE 10 gaining by 7.2%, 1.3% and 0.7% respectively, while NASI declined by 2.2%, taking the YTD performance to gains of 23.4%, 21.4%, 17.7% and 16.4% for NSE 10, NSE 25, NSE 20 and NASI respectively. The equities market performance during the quarter was driven by gains recorded by large caps such as Bamburi, KCB Group, and Standard Chartered Bank of 40.6%, 11.0%, and 8.2%, respectively. The gains were however weighed down by losses recorded by Safaricom and BAT of 13.3%, and 2.9% respectively;

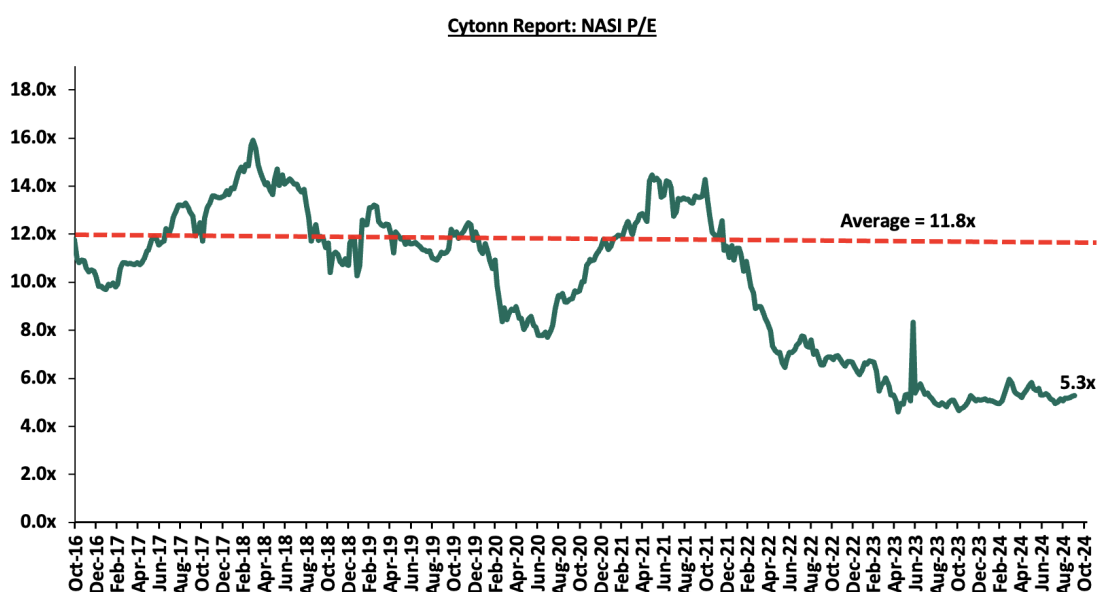
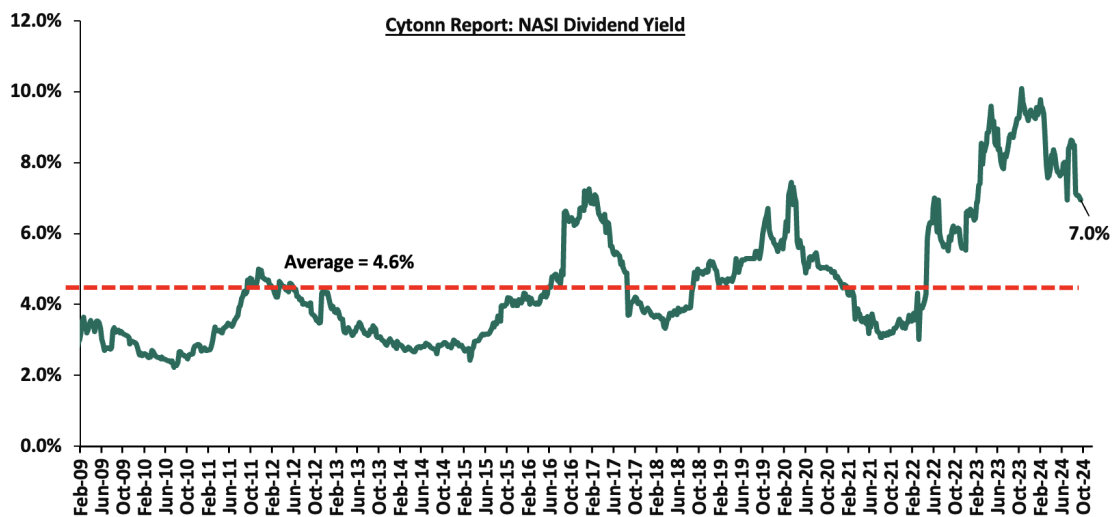
Equities turnover declined by 13.0% in Q3'2024 to USD 134.8 mn, from USD 119.3 mn in Q3'2023. Foreign investors remained net sellers in Q3'2024 with a net selling position of USD 4.6 mn, from a net selling position of USD 25.9 mn recorded in Q3'2023.

During the week, the equities market recorded a mixed performance, with NSE 10, NSE 25, and NASI gaining by 2.1%, 1.5%, and 1.1%, respectively, while NSE 20 declined by 0.3%, taking the YTD performance to gains of 26.0%, 23.5%, 17.8% and 17.5% for NSE 10, NSE 25, NASI, and NSE 20 respectively. The equities market performance was mainly driven by gains recorded by East African Breweries Limited (EABL), NCBA Group, and cooperative Bank of 5.3%, 3.6%, and 3.4% respectively. The gains were however weighed down by losses recorded by large-cap stocks such as Bamburi and Safaricom of 0.4%, and 0.3%, respectively.

During the week, equities turnover declined by 3.4% to USD 7.8 mn from USD 8.1 mn recorded the previous week, taking the YTD turnover to USD 490.3 mn. Foreign investors became remained net buyers, with a net buying position of USD 1.0 mn, from a net buying position of USD 1.2 mn recorded the previous week, taking the YTD net buying position to USD 3.2 mn.

The market is currently trading at a price to earnings ratio (P/E) of 5.3x, 55.1% below the historical average of 11.8x, and a dividend yield of 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 may be 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;



Listed Banks' FY'2023 and Q2'2024 Performance

During the third quarter of 2024, the listed banking sector released their H1'2024 results, recording y/y earnings growth of 14.3% in their core EPS in H1'2024. The performance in H1'2024 was supported by a 17.6% growth in net interest income coupled with a 13.6% growth in non-funded income. For more information, please see our H1'2024 Banking Sector Reports.

Key Q3'2024 Highlights:

During Q3'2024;

- i. During the quarter, Amsons Industries (K) Limited announced its intention to acquire 100% of the ordinary shares of Bamburi Cement Plc with a par value of Kshs 5.0 each for a cash consideration. The offer placed is of a total value of Kshs 23.6 bn, translating to a purchase price of Kshs 65.0 per share. This offer has been made in accordance with the Capital Markets (Takeovers & Mergers) Regulations, 2002. This acquisition, if successful, will make Amsons Industries (K) Limited the sole owner of Bamburi Cement Plc. For more information, please see our **Cytonn Weekly #28/2024**,
- ii. British American Tobacco Kenya Plc released their H1'2024 financial results, recording a 24.3% decline in Profits after Tax (PAT) to Kshs 2.1 bn, from Kshs 2.8 bn recorded in H1'2023. The decline in PAT was majorly attributed to the 6.5% decrease in Gross Sales to Kshs 19.6 bn in H1'2024 from Kshs 21.0 bn recorded in H1'2023. For more details, please see our **Cytonn**

Weekly #30/2024 ,

- iii. During the quarter, I&M Group Holdings released their H1'2024 financial results, recording a 21.1% increase in Profit After Tax (PAT) to Kshs 6.1 bn, from Kshs 5.0 bn in H1'2023. The performance was mainly driven by a 35.2% increase in Net Interest Income to Kshs 16.5 bn, from Kshs 12.2 bn in H1'2023, but was weighed down by a 10.9% decrease in Non-Interest Income to Kshs 6.2 bn from Kshs 6.9 bn recorded over a similar period in 2023, taking the Total Operating Income to Kshs 22.7 bn, from Kshs 19.1 bn in H1'2023. For more information, please see our **Cytonn Weekly #34/2024**,
- iv. Standard Chartered Bank of Kenya released H1'2024 financial results, noting a 48.9% increase in Profit After Tax (PAT) to Kshs 10.3 bn, from Kshs 6.9 bn in H1'2023. The performance was mainly driven by a 24.9% increase in Total Operating Income to Kshs 26.1 bn, from Kshs 20.9 bn in H1'2023, attributable to the 36.1% increase in Net Non-Interest Income to Kshs 9.6 bn from Kshs 7.0 bn recorded in H1'2023. For more information, please see our **Cytonn Weekly #34/2024**,
- v. NCBA Bank released their H1'2024 Financial results, recording a 5.0% increase in Profit After Tax (PAT) to Kshs 9.8 bn, from Kshs 9.3 bn recorded in H1'2023. The performance was mainly driven by a 7.9% increase in Net non-Interest Income to Kshs 14.9 bn in H1'2024, from Kshs 13.8 bn recorded in H1'2023, but was weighed down by a 4.4% decrease in Net Interest Income to Kshs 16.5 bn from Kshs 17.2 bn recorded in H1'2023. For more information, please see our **Cytonn Weekly #34/2024**,
- vi. KCB Group announced their H1'2024 financial results, recording an 86.4% increase in Profit After Tax (PAT) to Kshs 29.9 bn, from Kshs 16.1 bn in H1'2023. The performance was mainly driven by a 34.8% increase in net interest income to Kshs 61.3 bn in H1'2024, from Kshs 45.5 bn in H1'2023, coupled with a 20.8% increase in net non-interest income to Kshs 33.3 bn from Kshs 27.6 bn in H1'2023. For more information, please see our **Cytonn Weekly #34/2024**,
- vii. HF Group released their H1'2024 financial results, recording a 46.3% increase in Profit After Tax (PAT) to Kshs 0.3 bn, from Kshs 0.2 bn recorded in H1'2023. The performance was mainly driven by a 12.5% increase in Total Operating income to Kshs 2.0 bn in H1'2024, from Kshs 1.8 bn in H1'2023 which outpaced the 8.9% increase in Total Operating expenses to Kshs 1.8 bn, from Kshs 1.6 bn in H1'2023. For more information, please see our **Cytonn Weekly #34/2024**,
- viii. Liberty Kenya Holdings released their H1'2024 results, having fully implemented the new IFRS 17 reporting system. Liberty Kenya Holdings' Profit After Tax (PAT) increased by 196.7% to Kshs 0.6 bn, from Kshs 0.2 bn recorded in H1'2023, mainly driven by an 851.9% increase in Net insurance income to Kshs 0.5 bn, from Kshs 0.1 bn in H1'2023, and further supported by a 39.2% increase in Net investment income to Kshs 1.0 bn, from Kshs 0.7 bn in H1'2023. For more information, please see our **Cytonn Weekly #34/2024**,
- ix. CIC Group released their H1'2024 results. CIC's Profit After Tax (PAT) increased marginally by 0.6% to remain relatively flat at the Kshs 0.7 bn, recorded in H1'2023. The performance was mainly driven by a 35.7% increase in Net investment income to Kshs 1.8 bn in H1'2024, from Kshs 1.3 bn in H1'2023, and further supported by a 21.4% increase in Net income from insurance service to Kshs 1.0 bn, from Kshs 0.9 bn in H1'2023. However, the performance was weighed down by the 61.5% increase in net expenses from reinsurance contracts to Kshs 1.4 bn, from Kshs 0.9 bn in H1'2024. For more information, please see our **Cytonn Weekly #34/2024**,
- x. Equity Group released its H1'2024 financial results, with its Core Earnings per Share (EPS) increasing by 12.5% to Kshs 7.8 from Kshs 7.0 in H1'2024, mainly driven by the 17.2% growth in total operating income to Kshs 97.1 bn, from Kshs 82.9 bn in H1'2023. Cooperative Bank of Kenya released its H1'2024 financial results, with its Core Earnings per Share (EPS) increasing by 7.0% to Kshs 2.2, from Kshs 2.1 in H1'2023, driven by the 10.9% increase in total operating income to Kshs 39.2 bn, from Kshs 35.4 bn in H1'2023. For more information, please see our **Cytonn Weekly #33/2024**,
- xi. Sanlam Kenya Holdings released their H1'2024 results, recording a significant 264.1% increase in Profit After Tax to Kshs 0.3 bn, from the Kshs 0.2 bn loss recorded in H1'2023. The performance was mainly driven by a significant 316.9% increase in insurance investment revenue to Kshs 2.3

bn, from Kshs 0.6 bn in H1'2023, and supported by a 57.5% decrease in Net expenses from reinsurance contracts held to Kshs 0.1 bn in H1'2024, from Kshs 0.5 bn in H1'2023. For more information, please see our **Cytonn Weekly #33/2024** ,and,

- xii. Stanbic Holdings PLC released their H1'2024 Financial Results for the period ending 30th June 2024, recording a 2.3% increase in Profit After Tax (PAT) to Kshs 7.2 bn, from Kshs 7.1 bn recorded in H1'2023. The performance was mainly driven by a 4.2% increase in Net-Interest Income to Kshs 12.6 bn in H1'2024, from Kshs 12.1 bn recorded in H1'2023, but was weighed down by a 15.1% decrease in Non-Interest Income to Kshs 7.6 bn from Kshs 8.9 bn recorded in H1'2023. For more information, please see our **Cytonn Weekly #33/2024**.

Universe of Coverage:

Cytonn Report: Equities Universe of Coverage

Company	Price as at 27/09/2024	Price as at 04/10/2024	w/w change	m/m change	q/q change	YTD Change	Target Price*	Dividend Yield	Upside/ Downside**	P/TBv Multiple	Recommendation
Jubilee Holdings	172.0	163.0	(5.2%)	6.7%	3.2%	(11.9%)	260.7	8.3%	68.2%	0.3x	Buy
Equity Group	43.5	44.5	2.4%	6.8%	(7.1%)	30.1%	60.2	9.2%	44.5%	0.9x	Buy
Diamond Trust Bank	49.3	49.5	0.5%	8.7%	(3.5%)	10.6%	65.2	10.2%	41.9%	0.2x	Buy
CIC Group	2.1	2.1	(1.0%)	1.5%	12.6%	(9.6%)	2.8	6.2%	41.5%	0.7x	Buy
Co-op Bank	13.3	13.7	3.4%	(1.5%)	(3.3%)	20.7%	17.2	11.3%	36.9%	0.6x	Buy
NCBA	42.6	44.2	3.6%	(0.8%)	(2.6%)	13.6%	55.2	11.2%	36.2%	0.8x	Buy
Stanbic Holdings	118.5	118.5	0.0%	(2.1%)	3.6%	11.8%	145.3	13.0%	35.6%	0.8x	Buy
ABSA Bank	14.1	14.2	0.4%	(1.7%)	1.3%	22.5%	17.3	11.0%	33.3%	1.1x	Buy
KCB Group	35.0	35.2	0.6%	9.3%	(28.8%)	60.4%	46.7	0.0%	32.5%	0.5x	Buy
Standard Chartered Bank	206.3	211.3	2.4%	4.4%	8.9%	31.8%	235.2	13.7%	25.1%	1.4x	Buy
Britam	6.0	6.0	0.3%	8.0%	(0.6%)	17.1%	7.5	0.0%	24.6%	0.8x	Buy
I&M Group	23.6	23.5	(0.6%)	6.6%	(0.3%)	34.4%	26.5	10.8%	23.8%	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 foreign investors’ sell-offs to continue weighing down the equities outlook in the short term.

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