

# Education Investment Plans in Kenya, & Cytonn Weekly #07/2020

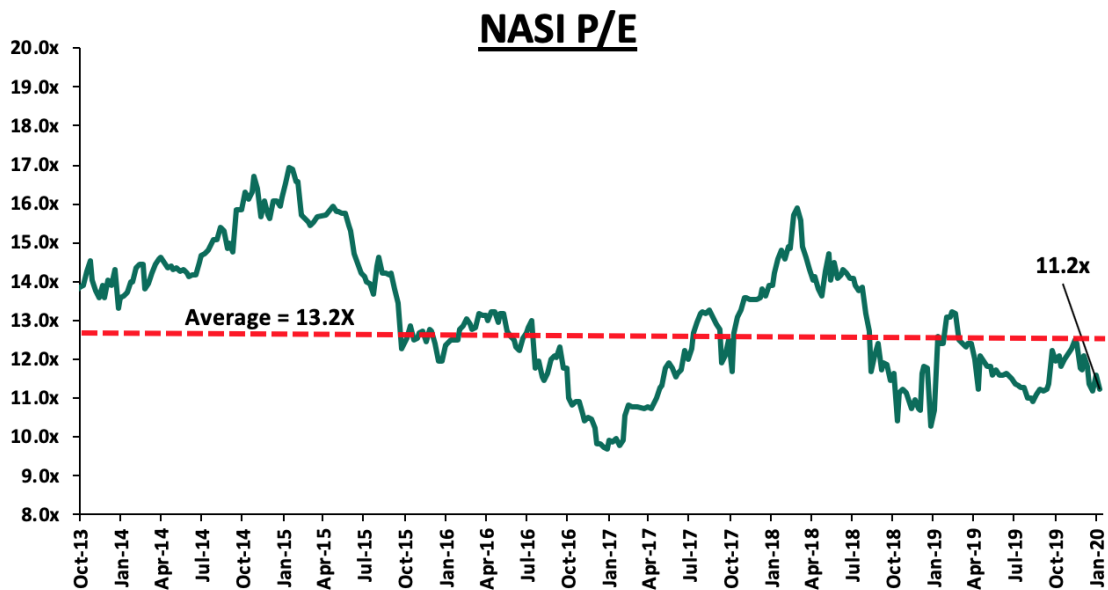
## Equities

### Market Performance

During the week, the equities market was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 3.7%, 1.7% and 2.9%, respectively, taking their YTD performance to losses of 2.4%, 2.0% and 2.3%, for the NASI, NSE 20 and NSE 25, respectively. The performance in NASI was driven by losses recorded by large-cap stocks such as Bamburi, Safaricom, DTBK, and Equity of 6.9%, 5.8%, 5.5% and 3.9%, respectively.

Equities turnover decreased by 8.3% during the week to USD 32.6 mn, from USD 35.6 mn recorded the previous week, taking the YTD turnover to USD 190.1 mn. Foreign investors turned net sellers for the week, with a net selling position of USD 9.6 mn from a net buying position of USD 1.1 mn recorded the previous week.

The market is currently trading at a price to earnings ratio (P/E) of 11.2x, 15.1% below the historical average of 13.2x, and a dividend yield of 5.8%, 1.9% points above the historical average of 3.9%. With the market trading at valuations below the historical average, we believe there is value in the market. The current P/E valuation of 11.2x is 15.9% above the most recent trough valuation of 9.7x experienced in the first week of February 2017, and 35.4% above the previous trough valuation of 8.3x experienced in December 2011. The charts below indicate the historical P/E and dividend yields of the market.



## NASI Dividend Yield



### Weekly Highlight

During the week, Barclays Bank of Kenya officially commenced trading on the Nairobi Securities Exchange (NSE) as ABSA Bank Kenya Plc, after the bourse temporarily suspended the trading of the lender's shares to allow the settlement of outstanding obligations as well as change of its trading ticker code, as the lender finalized its brand transition. The rebranding brought an end to a process that began in 2018, following Barclays Plc's reduction of its stake in Barclays Africa Group from 62.0% to 15.0%. As at Q3'2019, Barclays disclosed that it had spent Kshs 910.0 mn in rebranding expenses in the nine months to September 2019. Additionally, in December 2019, Barclays Kenya hired an additional 463 employees on permanent contracts and 700 workers on contract basis, as the company sought to fast track its growth in the market following the removal of interest rate caps. Currently, most of the bank's branches around the country have adopted the new corporate identity, logo and brand name, beating its initial rebranding deadline set for June 2020. We expect the exercise to positively impact the bank's image, as the lender takes advantage of the transition to refocus its strategy. However, we expect that its bottom-line performance will take a hit as a result of rebranding costs incurred.

### Universe of Coverage

Banks	Price at 07/02/2020	Price at 14/02/2020	w/w change	YTD Change	Year Open	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Diamond Trust Bank	114.5	108.3	(5.5%)	(0.7%)	109.0	189.0	2.4%	77.0%	0.5x	Buy
Kenya Reinsurance	3.0	3.0	0.0%	(1.3%)	3.0	4.8	15.1%	75.6%	0.3x	Buy
I&M Holdings***	55.5	53.3	(4.1%)	(1.4%)	54.0	75.2	7.3%	48.5%	0.9x	Buy
KCB Group***	51.3	50.5	(1.5%)	(6.5%)	54.0	64.2	6.9%	34.1%	1.4x	Buy
Jubilee Holdings	352.0	355.8	1.1%	1.4%	351.0	453.4	2.5%	30.0%	1.2x	Buy
Co-op Bank***	14.9	15.0	1.0%	(8.3%)	16.4	18.1	6.7%	27.3%	1.3x	Buy
Sanlam	17.7	18.0	1.7%	4.7%	17.2	21.7	0.0%	20.6%	0.7x	Buy
Equity Group***	52.0	50.0	(3.9%)	(6.6%)	53.5	56.7	4.0%	17.5%	1.9x	Accumulate

Banks	Price at 07/02/2020	Price at 14/02/2020	w/w change	YTD Change	Year Open	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
<b>Standard Chartered</b>	206.0	200.0	(2.9%)	(1.2%)	202.5	211.6	9.5%	15.3%	<b>1.5x</b>	<b>Accumulate</b>
<b>Liberty Holdings</b>	9.5	9.5	0.2%	(8.0%)	10.4	10.1	5.3%	11.0%	<b>0.8x</b>	<b>Accumulate</b>
<b>CIC Group</b>	2.6	2.6	(1.9%)	(4.1%)	2.7	2.6	5.1%	7.7%	<b>0.9x</b>	<b>Hold</b>
<b>NCBA</b>	36.4	35.9	(1.5%)	(2.7%)	36.9	37.0	4.2%	7.4%	<b>0.8x</b>	<b>Hold</b>
<b>ABSA Bank***</b>	13.4	13.4	0.0%	0.0%	13.4	13.0	8.2%	5.6%	<b>1.7x</b>	<b>Hold</b>
<b>Stanbic Holdings</b>	105.3	105.3	0.0%	(3.7%)	109.3	103.1	4.6%	2.5%	<b>1.1x</b>	<b>Lighten</b>
<b>Britam</b>	8.7	8.7	0.5%	(3.3%)	9.0	6.8	0.0%	(22.4%)	<b>0.9x</b>	<b>Sell</b>
<b>HF Group</b>	5.8	5.8	0.0%	(10.8%)	6.5	4.2	0.0%	(27.1%)	<b>0.2x</b>	<b>Sell</b>

\*Target Price as per Cytonn Analyst estimates

\*\*Upside/ (Downside) is adjusted for Dividend Yield

\*\*\*Banks in which Cytonn and/or its affiliates are invested in

*We are “Positive” on equities for investors as the sustained price declines have seen the market P/E decline to below its historical average. We expect increased market activity, and possibly increased inflows from foreign investors, as they take advantage of the attractive valuations, to support the positive performance.*

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