

## Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.95	25.05	35.5%	BUY
Equity bank	60.84	43.00	41.5%	BUY
KCB bank	59.61	39.00	52.8%	BUY
Co-op bank	16.15	11.00	46.8%	BUY
ABSA bank	12.47	10.60	17.6%	BUY
StanChart bank	134.08	124.00	8.1%	HOLD
NCBA bank	33.44	23.70	41.1%	BUY
I&M bank	21.43	17.00	26.1%	BUY
Stanbic bank	94.83	99.00	-4.2%	HOLD
DTB bank	106.48	49.70	114.2%	BUY
EABL	256.11	139.00	84.3%	BUY
Bamburi Cement	89.84	34.40	161.2%	BUY
BAT Kenya	521.50	415.00	25.7%	BUY

## Kenya Weekly Commentary

### Kenya Market Summary

#### Equity market commentary and outlook

- Last week, the NASI gained 6.6% w/w as large-cap stocks recovered. Safaricom (+8.4% w/w) sustained gains throughout the week, hitting a 2-week high. Driven by local demand, EABL (+20.6% w/w) touched a 17-day high of KES 139.00. Equity bank (+10.3% w/w) and KCB bank (+6.3% w/w) – hit 3-week highs. On local buying, Co-op bank (+1.4% w/w) traded up to an 18-day high and ABSA bank (+3.9% w/w) recovered to a 1-week high.

#### Debt market commentary and outlook

- Overall subscription dropped to a 10-month low of 36.7% with low demand on the 182-Day and 364-Day papers. For the fourth week in a row, the yield on the 91-Day T-Bill edged up week-on-week. The yields on the 182-Day and 364-Day T-Bills sustained an upward trend.

### Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,622.9	3.1%	-4.5%	-12.8%	-14.7%	-15.8%	-14.7%
Kenya NASI Return	124.9	6.6%	-3.5%	-22.1%	-24.9%	-27.0%	-24.9%
FTSE NSE Kenya 15 Return	170.1	6.4%	-2.7%	-16.6%	-18.8%	-16.9%	-18.8%
FTSE NSE Kenya 25 Return	170.3	7.1%	-3.2%	-21.0%	-22.7%	-25.8%	-22.7%
FTSE Kenya Bond Index Return	94.7	-0.6%	-0.1%	0.1%	-1.4%	-2.1%	-1.4%

Source: NSE, Kestrel Research

### NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	6.4%	-4.3%	-22.3%	-28.2%	-33.2%	-28.2%
Johannesburg Index	-3.6%	-13.2%	-21.2%	-13.7%	-13.3%	-13.7%
Nigeria Stock Exchange	-0.2%	-3.3%	9.7%	22.2%	33.3%	22.2%
Ghana Stock Exchange	-0.3%	-3.6%	-12.3%	-30.6%	-30.1%	-30.6%
Egyptian Stock Exchange	-2.4%	-8.5%	-18.9%	-35.5%	-25.0%	-35.5%
MSCI EFM ex SA Index	1.0%	-5.5%	-12.5%	-21.5%	-19.0%	-21.5%

**Other market statistics**

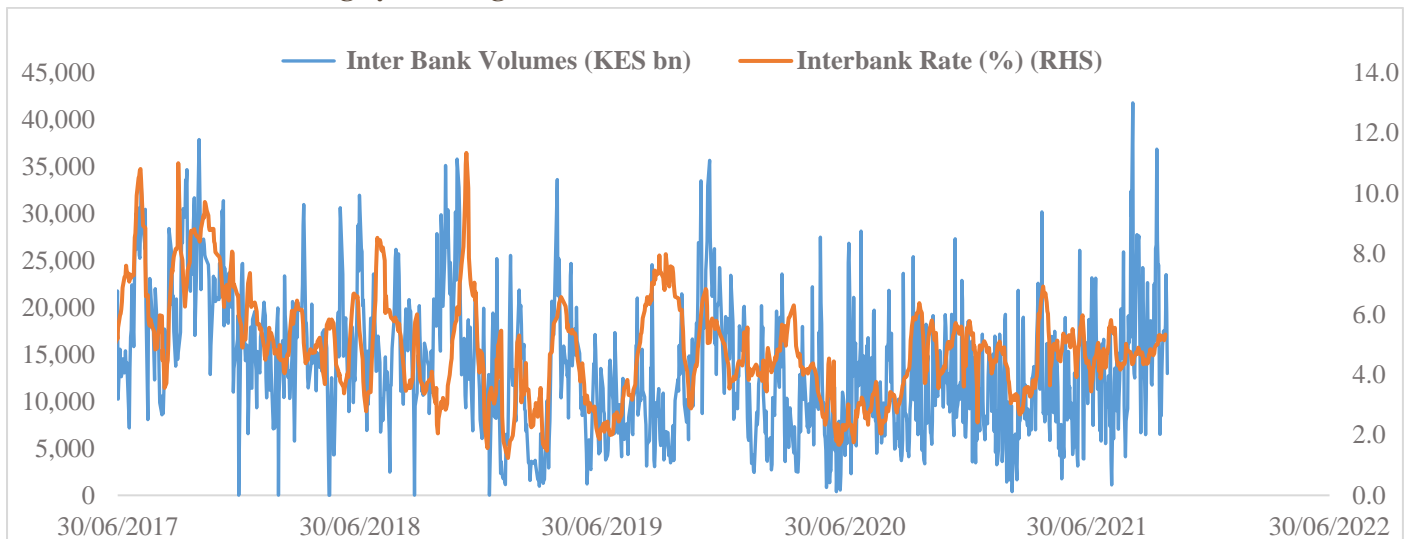
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	118.22	-0.3%	-1.1%	-2.5%	-4.3%	-8.7%	-4.3%
USD/ZAR	16.46	-3.6%	-5.7%	-10.4%	-3.1%	-12.3%	-3.1%
USD/EGP	18.80	-0.1%	-0.9%	-2.5%	-16.4%	-16.6%	-16.4%
USD/NGN	421.21	-0.5%	-1.2%	-1.3%	0.7%	-2.5%	0.7%
USD/GHS	8.07	-1.5%	-3.0%	-6.9%	-23.4%	-27.7%	-23.4%

**NSE most active counters**

Counter	Value Traded (KES m)	Foreign Investor Net Buying/(Selling) (KES m)	Foreign Investor Activity as % of total	Weekly Price Change (%)	YTD (%)	% Below 12-month high	% Above 12-month low
Safaricom	856.3	-375.4	72.8%	8.4%	-34.0%	-44.3%	8.4%
EABL	594.6	-205.5	74.2%	20.6%	-15.8%	-26.2%	26.4%
Equity bank	496.2	-208.9	74.9%	10.3%	-18.5%	-20.7%	10.3%
StanChart bank	85.9	0.01	0.0%	-0.8%	-0.8%	-15.2%	0.2%
BAT Kenya	66.4	-2.5	94.6%	-1.4%	-6.0%	-18.5%	2.7%

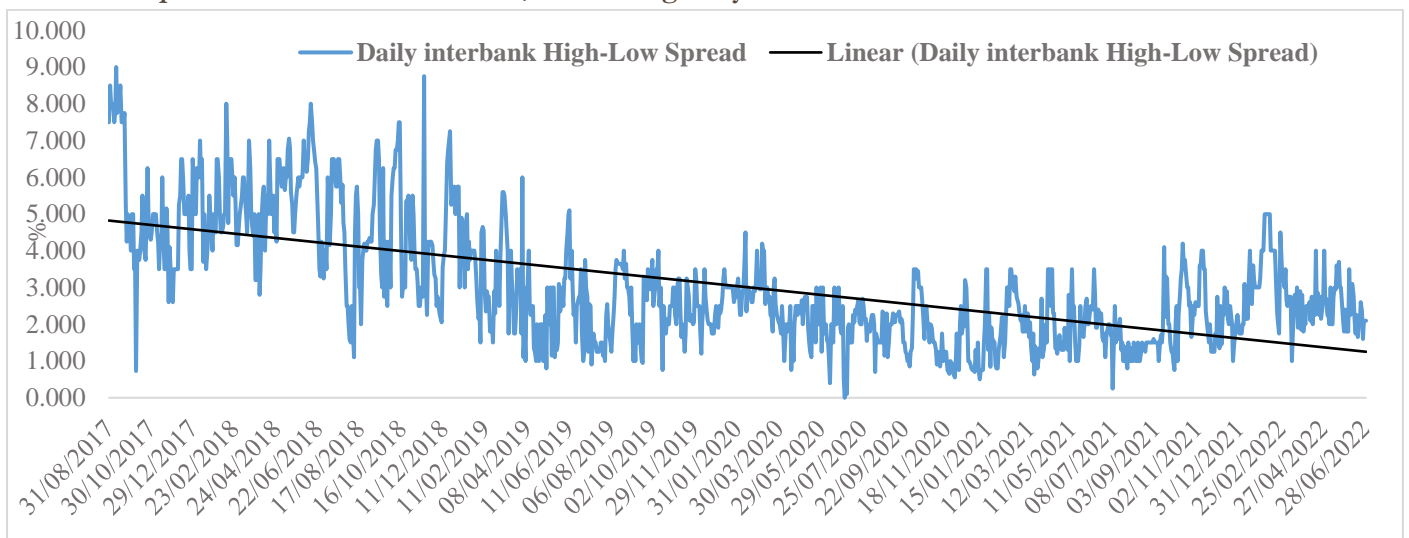
**Key Rates and Spreads**

Inter-bank rate remains largely unchanged week-on-week



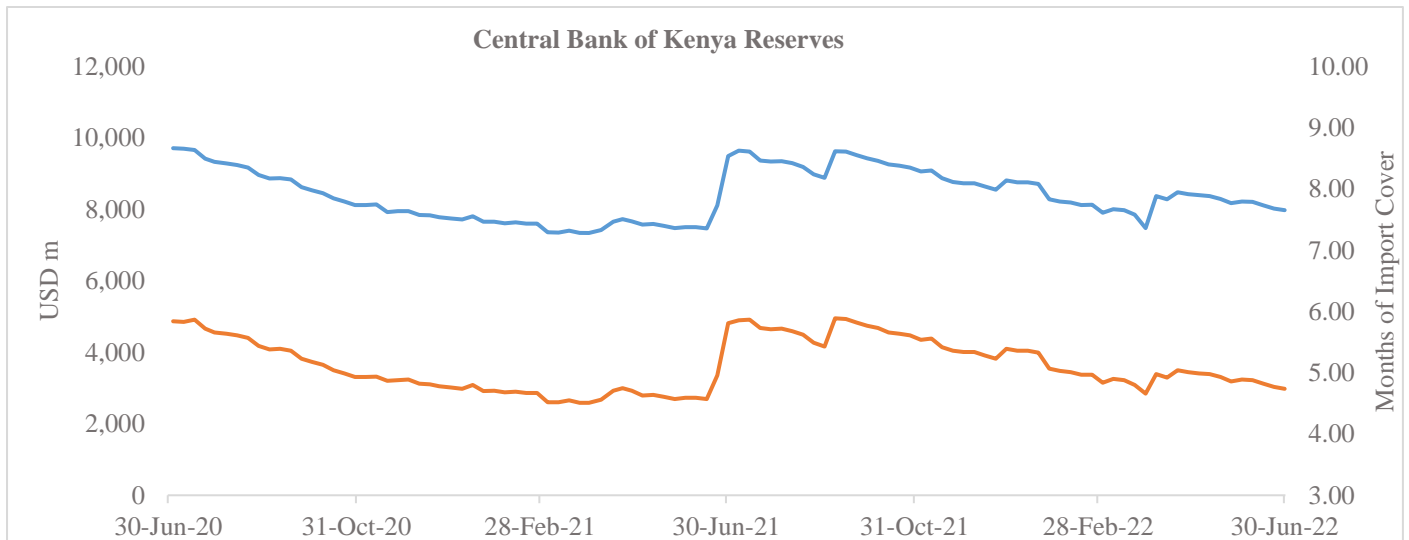
Source: CBK

Inter-bank spread narrows week-on-week, albeit marginally



Source: CBK

**Forex reserves and import cover decline for the fourth week in row**



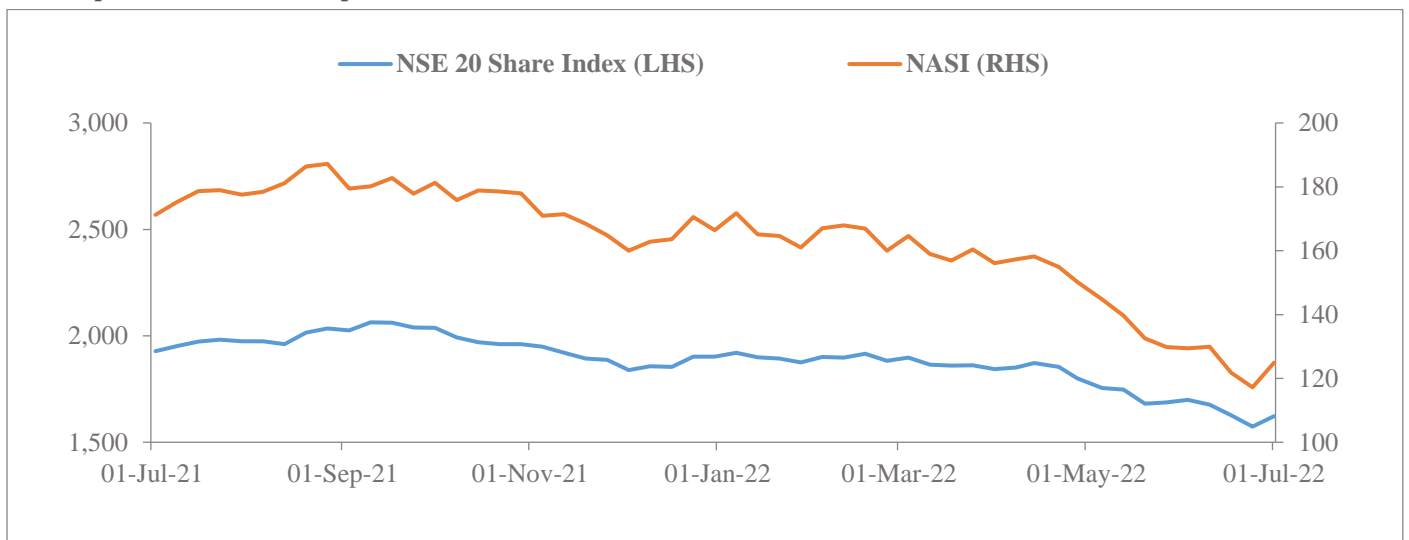
Source: CBK

**Equity market trading commentary**

Weekly turnover declined 13.8% w/w to stand at USD 19.4m (KES 2.3bn). Recovering its losses from the previous week, the NASI edged up 6.6% w/w to settle at 124.94 – driven by gains across large-cap stocks. Similarly, the NSE 20 gained 3.1% w/w to end at 1,622.85. Local trading dropped to a 4-week low of 32.0% of the market, down from 42.9% printed in the previous week. For the 20<sup>th</sup> consecutive week, foreign investors emerged as net sellers with net foreign outflows settling at USD 6.6m (KES 772.4m). Safaricom registered the highest net foreign outflows at USD 3.2m (KES 375.4m). Equity bank and EABL followed with net foreign outflows of USD 1.8m (KES 208.9m) and USD 1.7m (KES 205.5m), respectively. On the other hand, DTB bank recorded the highest net foreign inflows of USD 0.5m (KES 58.4m).

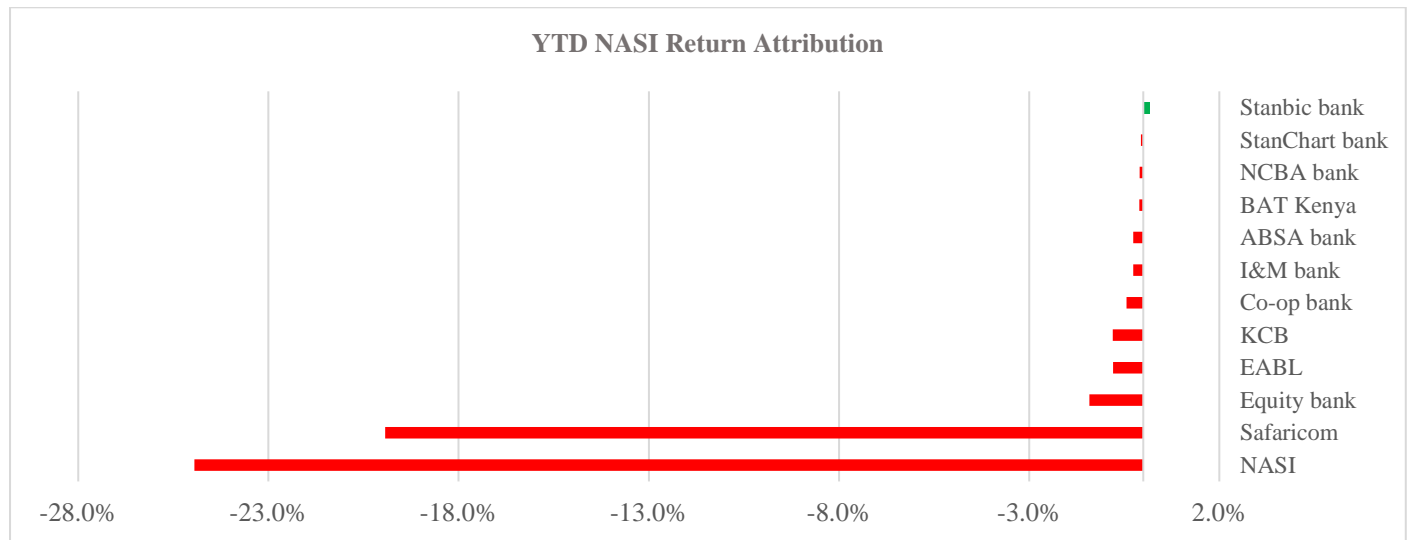
Last week, the NASI gained 6.6% w/w as large-cap stocks recovered. Safaricom (+8.4% w/w) sustained gains throughout the week, hitting a 2-week high. Driven by local demand, EABL (+20.6% w/w) touched a 17-day high of KES 139.00. Equity bank (+10.3% w/w) and KCB bank (+6.3% w/w) – hit 3-week highs. On local buying, Co-op bank (+1.4% w/w) traded up to an 18-day high and ABSA bank (+3.9% w/w) recovered to a 1-week high. DTB bank (-1.1% w/w) traded ex-div towards the end of the week. However, at the close of KES 49.70, the stock was still up 5.9% against its theoretical ex-dividend price. StanChart bank inched down 0.8% w/w on account of local selling. While trading lightly, Stanbic bank gained 8.1% w/w, hitting an 8-day high.

**Market performance over the past 12 months**



Source: NSE

**NASI performance: Year-to-date (YTD) Return Attribution**



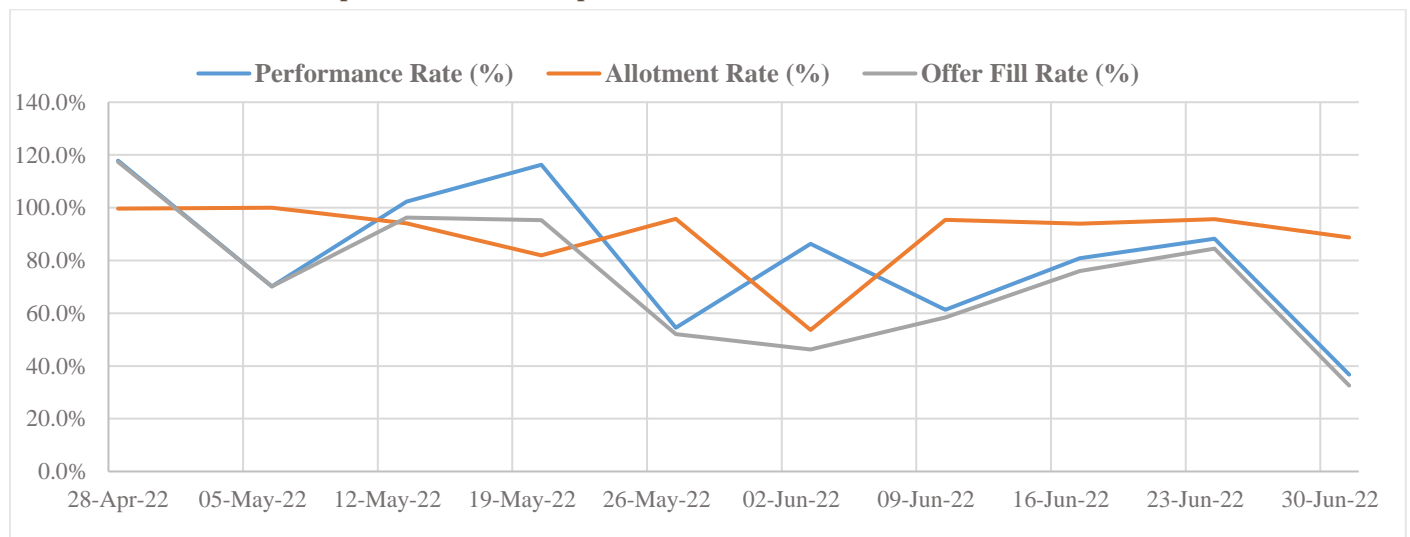
Source: Kestrel Research

**Debt market trading commentary**

Overall subscription dropped to a 10-month low of 36.7% with low demand on the 182-Day and 364-Day papers. For the fourth week in a row, the yield on the 91-Day T-Bill edged up week-on-week. The yields on the 182-Day and 364-Day T-Bills sustained an upward trend.

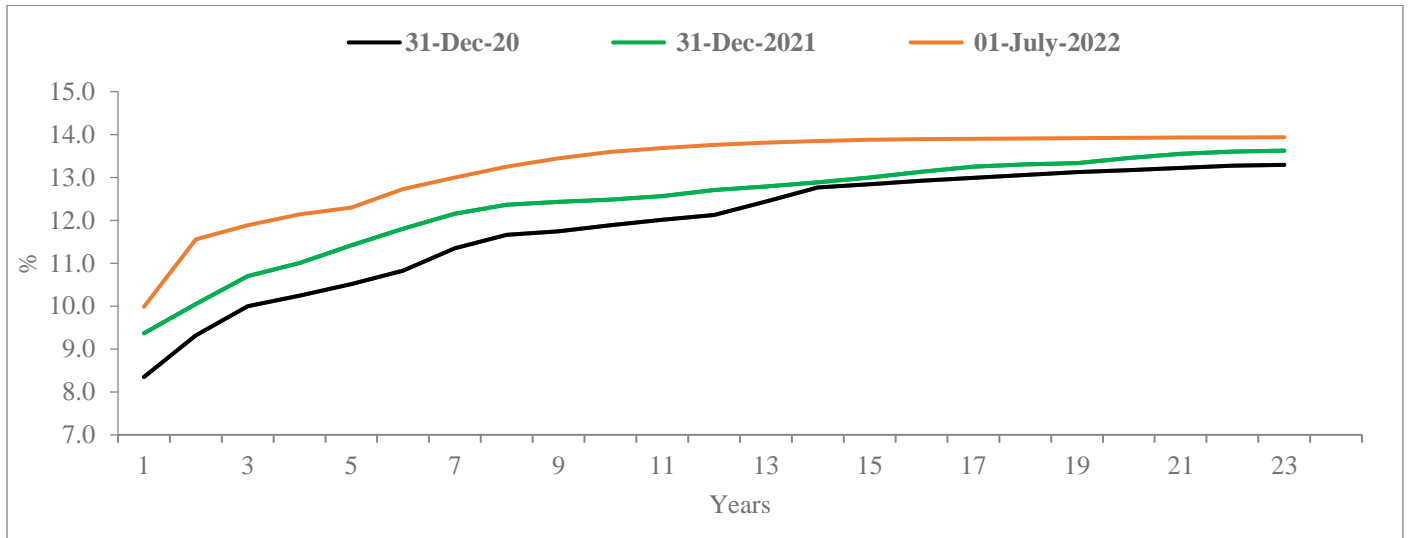
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 4.6bn for the 91-Day T-Bill, implying a subscription rate of 118.2%. It accepted bids worth KES 4.0bn at an average yield of 8.097% (+8.4bps w/w). The 182-Day T-Bill received bids worth KES 1.8bn, implying a performance rate of 17.5%. It accepted bids worth KES 1.6bn at an average yield of 9.196% (+3.3bps w/w). The 364-Day T-Bill received bids worth KES 2.4bn, implying a performance rate of 24.4%. It accepted bids worth KES 2.3bn at an average yield of 9.985% (+1.1bps w/w).

**T-Bills Performance: Overall performance rate drops to a 10-month low**



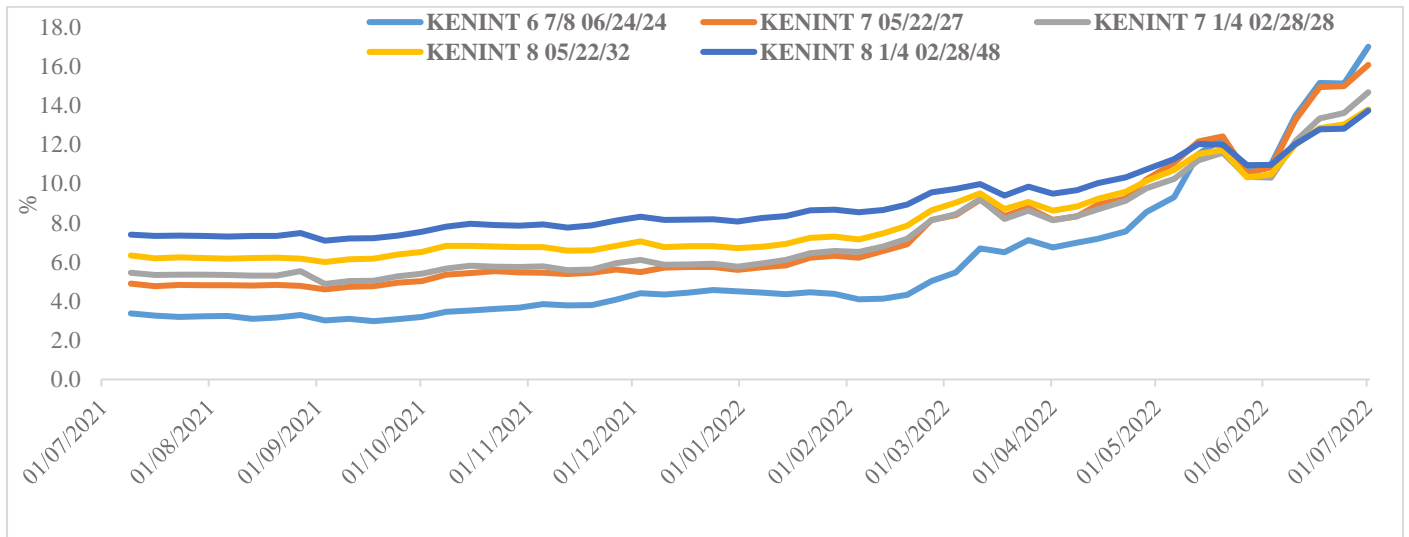
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all maturities sustain an upward trend



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market <sup>1</sup> cap (USD m)	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading <sup>1</sup>
		end	High	Low		%						ratio x	yld %	ratio x		vol (USD)
Safaricom	Telecom	Mar	44.95	23.10	25.05	-34.0	8,515	51.3%	1.74	1.39	3.5	14.4	5.5	7.2	49.9	2,173,983
Equity Bank	Banking	Dec	54.25	39.00	43.00	-18.5	1,377	8.3%	11.15	3.00	44.3	3.9	7.0	1.0	25.2	566,268
KCB Bank	Banking	Dec	49.90	35.00	39.00	-14.2	1,063	6.4%	11.67	3.00	56.6	3.3	7.7	0.7	20.6	203,058
EA Breweries	Breweries	Jun	188.25	110.00	139.00	-15.8	933	5.6%	11.25	3.75	17.5	12.4	2.7	7.9	64.3	375,004
Co-op Bank	Banking	Dec	13.95	10.70	11.00	-15.1	548	3.3%	3.23	1.00	17.5	3.4	9.1	0.6	18.4	23,251
Absa Bank	Banking	Dec	12.70	9.42	10.60	-10.5	488	2.9%	2.15	1.10	10.9	4.9	10.4	1.0	19.7	30,565
StanChart Bank	Banking	Dec	146.25	123.75	124.00	-3.3	398	2.4%	24.92	19.00	147.2	5.0	15.3	0.8	16.9	65,056
BAT Kenya	Tobacco	Dec	509.00	404.00	415.00	-6.0	352	2.1%	64.83	50.00	149.7	6.4	12.0	2.8	43.3	37,400
Stanbic Bank	Banking	Dec	108.00	80.00	99.00	13.5	332	2.0%	18.81	7.30	122.8	5.3	7.4	0.8	15.3	178,590
NCBA Bank	Banking	Dec	28.15	23.00	23.70	-6.0	331	2.0%	6.56	3.00	48.7	3.6	12.7	0.5	13.4	62,196
I&M Holdings	Banking	Dec	23.25	16.50	17.00	-19.4	238	1.4%	5.38	1.50	42.6	3.2	8.8	0.4	12.6	15,182
Bank of Kigali	Banking	Dec	40.00	24.30	29.45	1.6	224	1.3%	7.95	3.28	41.8	3.7	11.2	0.7	19.0	6,423
KenGen	Power	Jun	4.98	3.38	3.40	-18.9	190	1.1%	0.16	0.18	32.4	21.4	5.3	0.1	0.5	9,646
Kenya Airways	Airlines	Dec	3.99	3.83	3.83	0.0	185	1.1%	(2.79)	-	(14.7)	-	-	-	-	-
Jubilee Insurance	Insurance	Dec	390.00	245.00	255.00	-19.5	157	0.9%	94.22	14.00	544.4	2.7	5.5	0.5	17.3	3,638
Britam	Insurance	Dec	8.38	5.56	5.70	-24.0	122	0.7%	0.03	-	7.5	199.4	-	0.8	0.4	2,869
Total Oil	Oil	Dec	26.00	21.75	22.50	-10.0	120	0.7%	4.35	1.31	45.4	5.2	5.8	0.5	9.6	816
DTB Bank	Banking	Dec	69.00	49.00	49.70	-16.5	118	0.7%	14.80	3.00	240.7	3.4	6.0	0.2	6.2	15,731
Bamburi Cement	Cement	Dec	39.80	32.15	34.40	-9.5	106	0.6%	3.58	3.58	83.5	9.6	10.4	0.4	4.3	6,055
Umeme Ltd.	Power	Dec	8.30	5.48	6.58	-2.4	91	0.5%	2.74	1.73	17.6	2.4	26.3	0.4	15.6	13,677
Kakuzi	Agric	Dec	441.25	327.75	441.25	14.6	73	0.4%	27.77	18.00	275.9	15.9	4.1	1.6	10.1	255
Centum Investment	Finance	Mar	17.85	9.02	9.02	-36.0	51	0.3%	(2.42)	0.33	69.7	-	3.7	0.1	(3.5)	12,111
Crown Paints	Manufac.	Dec	44.00	19.65	41.50	36.1	50	0.3%	5.13	4.00	24.1	8.1	9.6	1.7	21.3	4,284
Kenya Re	Insurance	Dec	2.68	1.94	2.04	-11.3	48	0.3%	1.06	0.10	13.2	1.9	4.9	0.2	8.0	2,982
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	45	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
CIC Insurance	Insurance	Dec	3.39	1.87	2.00	-9.5	44	0.3%	0.26	-	3.1	7.8	-	0.7	8.4	933
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	19.00	1.6	37	0.2%	(1.48)	0.50	56.5	-	2.6	0.3	(2.6)	244
Nation Media	Media	Dec	26.10	16.20	17.05	-7.6	28	0.2%	2.59	1.49	42.1	6.6	8.7	0.4	6.2	3,566
Carbacid	Gases	July	13.25	10.35	11.50	4.5	25	0.1%	2.22	0.70	13.5	5.2	6.1	0.9	16.4	1,824
Liberty K. Holdings	Insurance	Dec	9.98	5.02	5.40	-22.9	25	0.1%	0.15	-	15.9	35.4	-	0.3	1.0	66
Kenya Power	Power	Jun	2.02	1.31	1.47	-16.0	24	0.1%	2.65	-	29.3	0.6	-	0.1	9.0	8,297
TPSEA Serena	Tourism	Dec	16.95	11.50	13.80	-9.5	21	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	4,182
Unga Ltd	Food	Jun	36.25	27.00	29.05	5.1	19	0.1%	2.89	-	56.2	10.1	-	0.5	5.1	85
NSE	Finance	Dec	10.15	6.60	7.24	-9.5	16	0.1%	0.51	1.40	8.0	14.2	19.3	0.9	6.4	4,527
Car & Gen	Motors	Sept	76.00	26.50	44.25	30.3	15	0.1%	26.33	3.20	135.8	1.7	7.2	0.3	19.4	-
Sanlam Kenya	Insurance	Dec	15.00	9.70	12.00	3.9	15	0.1%	(3.77)	-	3.9	-	-	3.1	(97.1)	66
BOC Kenya	Gases	Dec	93.25	61.50	75.00	7.1	12	0.1%	4.78	6.70	84.3	15.7	8.9	0.9	5.7	-
WPP Scangroup	Media	Dec	5.74	2.86	3.23	-22.0	12	0.1%	(0.09)	-	12.0	-	-	0.3	(0.7)	1,187
Housing Finance	Banking	Dec	4.90	2.86	3.31	-15.1	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	710
Standard Newspapers	Media	Dec	20.00	11.55	12.95	-4.4	9	0.1%	(0.90)	-	10.5	-	-	1.2	(8.5)	63
Longhorn	Publishing	Jun	4.4	2.74	3.08	-23.0	7	0.0%	0.62	-	2.8	5.0	-	1.1	22.2	107
Limuru Tea	Agric	Dec	355.00	263.00	320.00	0.0	7	0.0%	(0.50)	0.70	75.9	-	0.2	4.2	(0.7)	391
EA Portland	Cement	Jun	9.40	6.06	8.40	26.1	6	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	15
TransCentury	Finance	Dec	1.47	1.00	1.15	-1.7	4	0.0%	(6.72)	-	(9.5)	-	-	-	-	43
											<b>Average</b>	<b>11.7</b>	<b>6.5</b>	<b>4.5</b>	<b>36.6</b>	<b>3,842,845</b>

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