

## Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	23.90	30.2%	BUY
Equity bank	58.81	45.65	28.8%	BUY
KCB bank	62.39	38.75	61.0%	BUY
Co-op bank	18.13	12.60	43.9%	BUY
ABSA bank	12.32	12.55	-1.8%	HOLD
StanChart bank	108.61	158.00	-31.3%	SELL
NCBA bank	38.68	37.55	3.0%	HOLD
I&M bank	30.56	17.25	77.2%	BUY
Stanbic bank	89.16	111.75	-20.2%	SELL
DTB bank	122.70	50.00	145.4%	BUY
EABL	164.58	180.00	-8.6%	HOLD
Bamburi Cement	51.96	28.25	83.9%	BUY
BAT Kenya	544.27	445.00	22.3%	BUY

## Kenya Weekly Commentary

### Kenya Market Summary

#### Equity market commentary and outlook

- During the week, Equity bank hit a 12-day high on account of local demand. Similarly, KCB bank traded up to a 7-day high on the back of local investors' demand. Both Equity bank and KCB bank experienced local sell-off the prior week. Kenya Power also reached an 18-day high driven by local demand. On corporate news, BAT Kenya is expected to release FY 22 results this Friday, on 17<sup>th</sup> February 2023.

#### Debt market commentary and outlook

- Halting a 3-weeks increasing streak, overall subscription rates reduced to 187.1%, down from 208.9% recorded the previous week. Activity continued to be driven by increased demand on the 91-Day T-Bill. Yields across all tenors edged upwards for the sixth consecutive week. Eurobond yields declined for the second straight week.

### Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,671.9	0.5%	-1.4%	-0.2%	-7.1%	-11.9%	-0.3%
Kenya NASI Return	128.3	-0.8%	4.0%	0.5%	-12.7%	-23.6%	0.6%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	0.0%	0.0%	-18.9%	0.0%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	0.0%	0.0%	-24.5%	0.0%
FTSE Kenya Bond Index Return	94.7	0.0%	0.0%	0.0%	0.0%	-1.6%	0.0%

Source: NSE, Kestrel Research

### NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	2.2%	4.1%	-1.4%	-15.8%	-29.9%	0.3%
Johannesburg Index	-2.3%	-2.1%	8.7%	5.4%	-8.8%	7.2%
Nigeria Stock Exchange	3.1%	3.3%	18.6%	1.8%	4.0%	5.8%
Ghana Stock Exchange	-2.9%	-6.1%	13.3%	-29.8%	-54.7%	-20.5%
Egyptian Stock Exchange	-4.4%	2.2%	11.4%	3.0%	-27.1%	-9.0%
MSCI EFM ex SA Index	1.8%	4.7%	7.5%	-6.3%	-25.6%	0.5%

**Other market statistics**

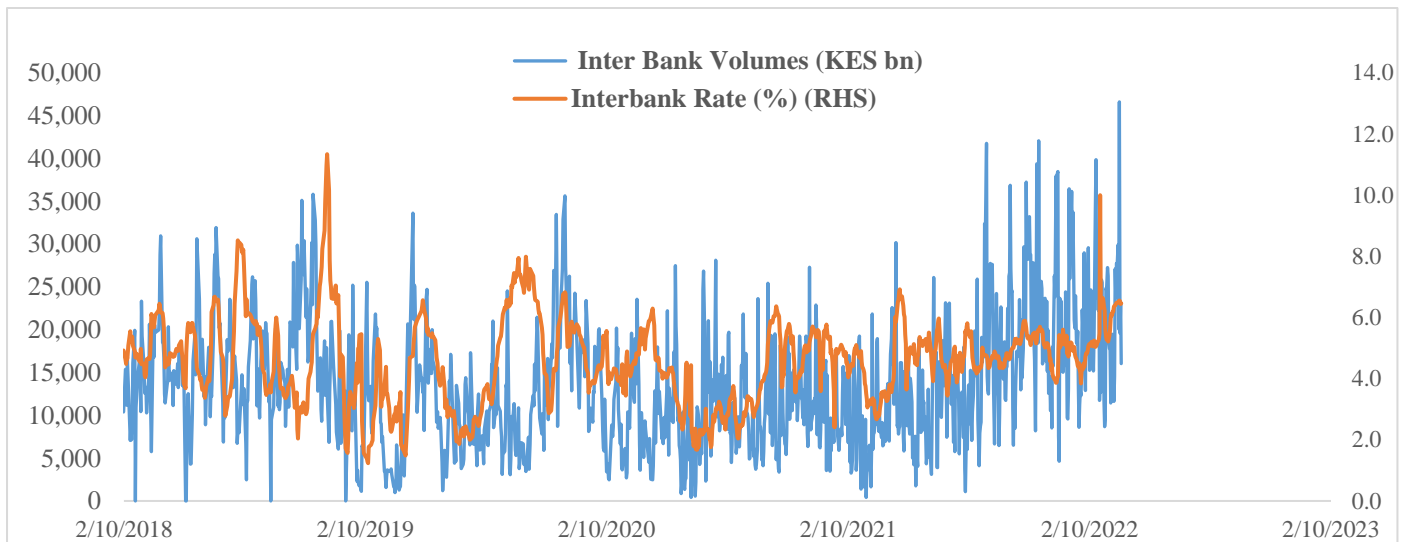
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	124.7	-0.3%	-1.4%	-2.3%	-4.3%	-8.9%	-1.0%
USD/ZAR	17.5	-1.6%	-3.5%	-1.3%	-7.0%	-13.2%	-2.5%
USD/EGP	30.3	-1.3%	-2.4%	-19.5%	-36.8%	-48.1%	-18.2%
USD/NGN	460.9	0.1%	0.0%	-3.8%	-7.1%	-9.6%	0.0%
USD/GHS	12.2	1.1%	-2.3%	18.5%	-25.7%	-47.3%	-16.7%

**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	318.0	235.6	59.6%	-2.4%	-1.0%	-38.2%	16.0%
KCB bank	270.5	104.3	27.1%	1.4%	1.7%	-15.8%	10.7%
Kakuzi Ltd	105.7	0.5	51.5%	-1.2%	3.9%	-9.3%	8.8%
Equity bank	87.6	-2.5	83.3%	-0.3%	2.6%	-14.7%	17.1%
BAT Kenya	60.8	-16.3	86.6%	0.0%	-3.3%	-12.6%	10.1%

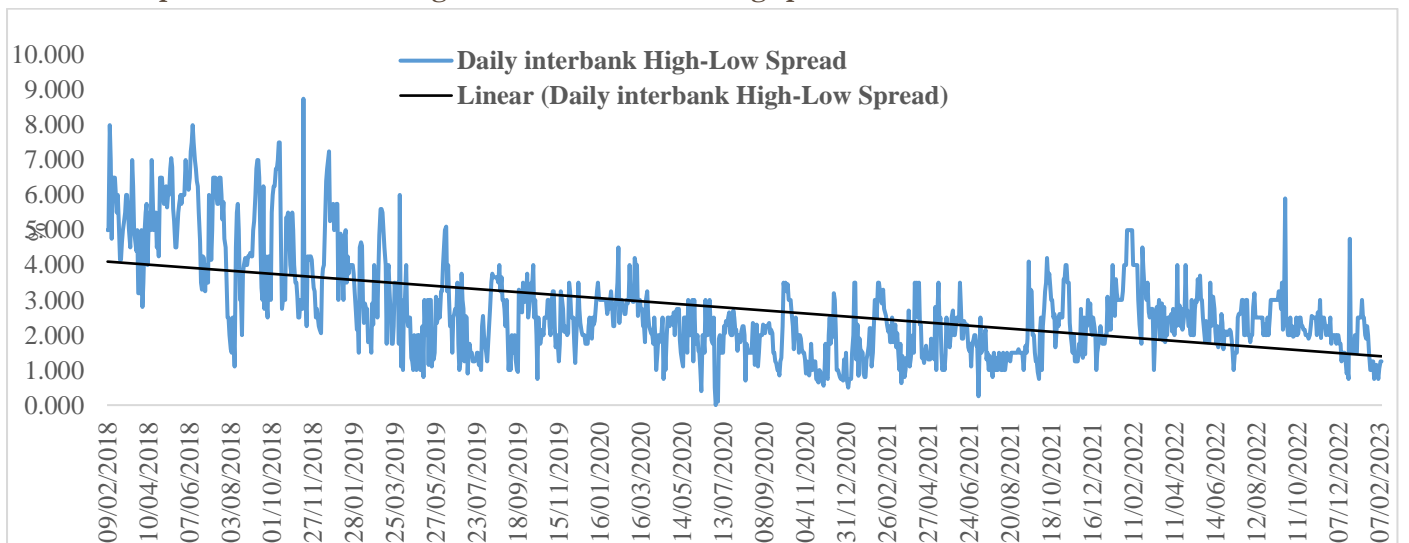
**Key Rates and Spreads**

**Inter-bank rate notch downwards for the second week in a row**



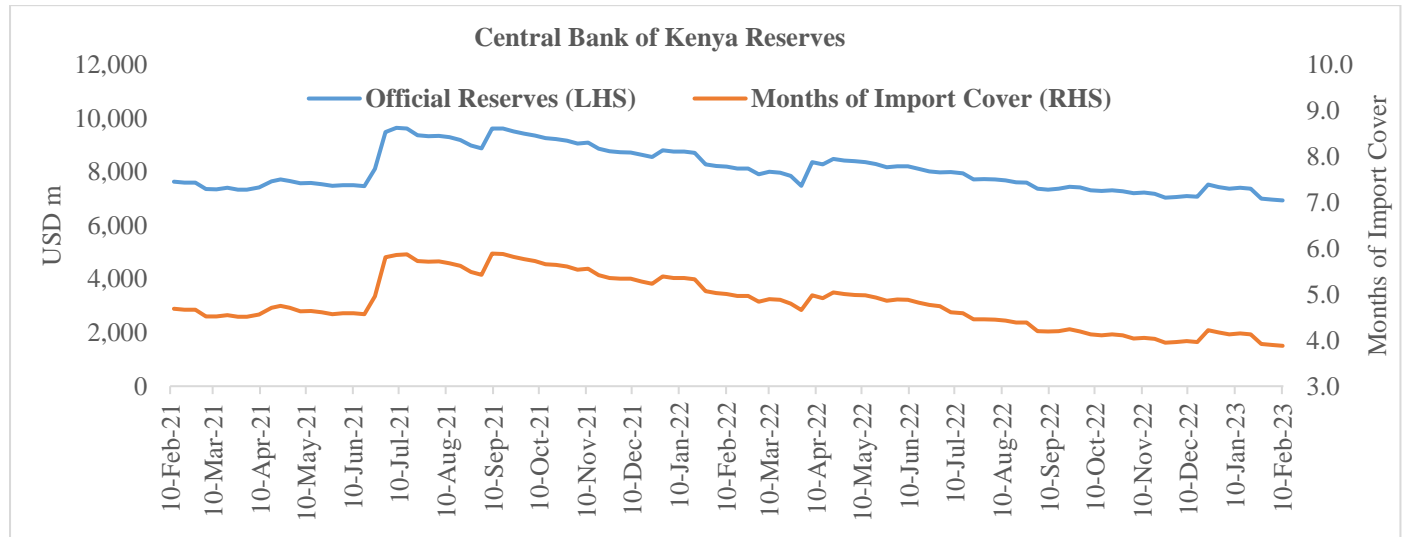
Source: CBK

**Inter-bank spreads widen following three weeks of narrowing spreads**



Source: CBK

Months of import cover drop for the fourth successive week, remains below the recommended 4.0x levels



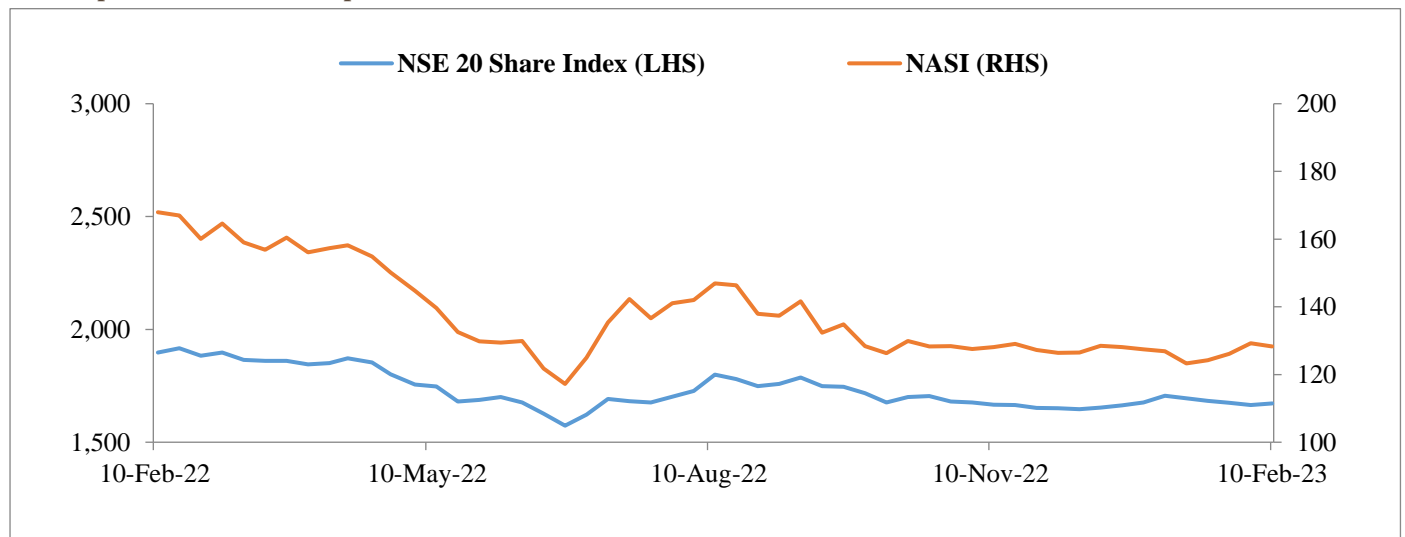
Source: CBK

Equity market trading commentary

Equity turnover grew by 61.9% w/w to stand at USD 11.0m (KES 1.4bn). Breaking a 3-weeks rising streak, the NASI slid 0.8% w/w to 128.25. After four weeks of decline, the NSE 20 edged up 0.5% w/w to settle at 1,671.86. Foreign investors turned overall net buyers at USD 2.6m (KES 325.0m). For the third straight week, local investors commanded market activity at the bourse at 38.7% of total turnover, up from 42.4% recorded the prior week. Safaricom (USD 1.9m, KES 235.6m) and KCB bank (USD 0.8m, KES 104.3m) registered the highest net foreign inflows. On the other hand, E.A Cables, Britam Insurance and BAT Kenya saw the highest net foreign outflows.

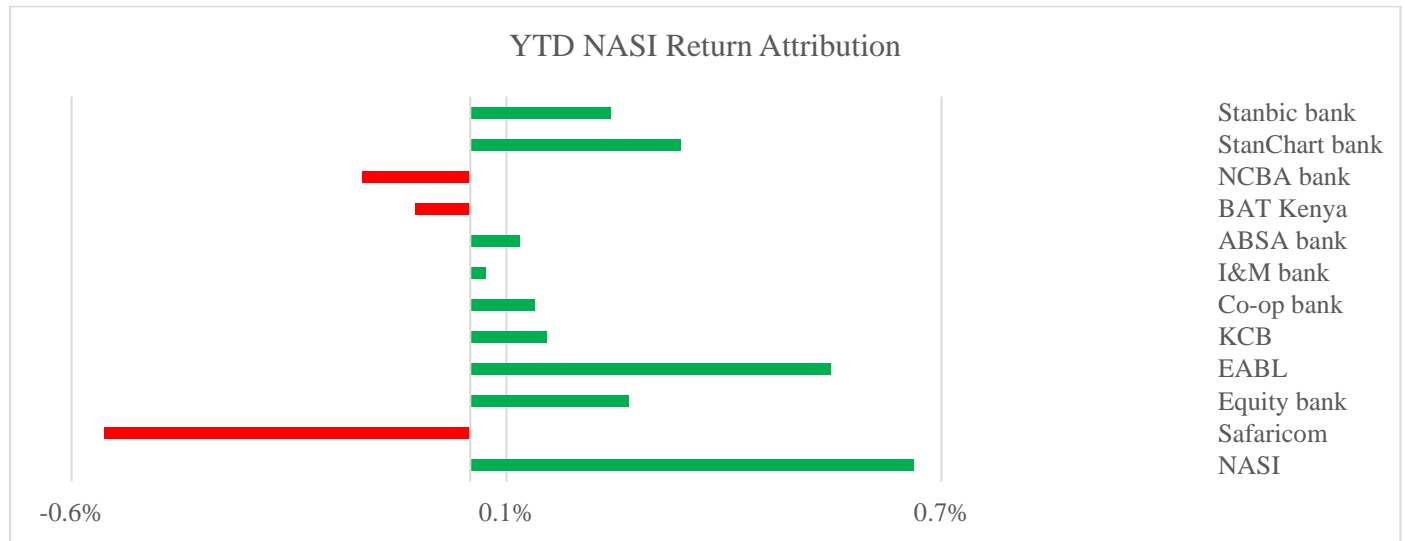
During the week, Equity bank hit a 12-day high on account of local demand. Similarly, KCB bank traded up to a 7-day high on the back of local investors’ demand. Last week, both Equity bank and KCB bank experienced local sell-off. Kenya Power also reached an 18-day high driven by local demand. However, foreign selling on Safaricom drove its share price to an 8-day low. On corporate news, BAT Kenya is expected to release FY 22 results this Friday, on 17<sup>th</sup> February 2023. EPS is expected to decline by 9.2% y/y and we forecast a final DPS of about KES 44.00 (interim: KES 5.00 per share).

Market performance over the past 12 months



Source: NSE

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



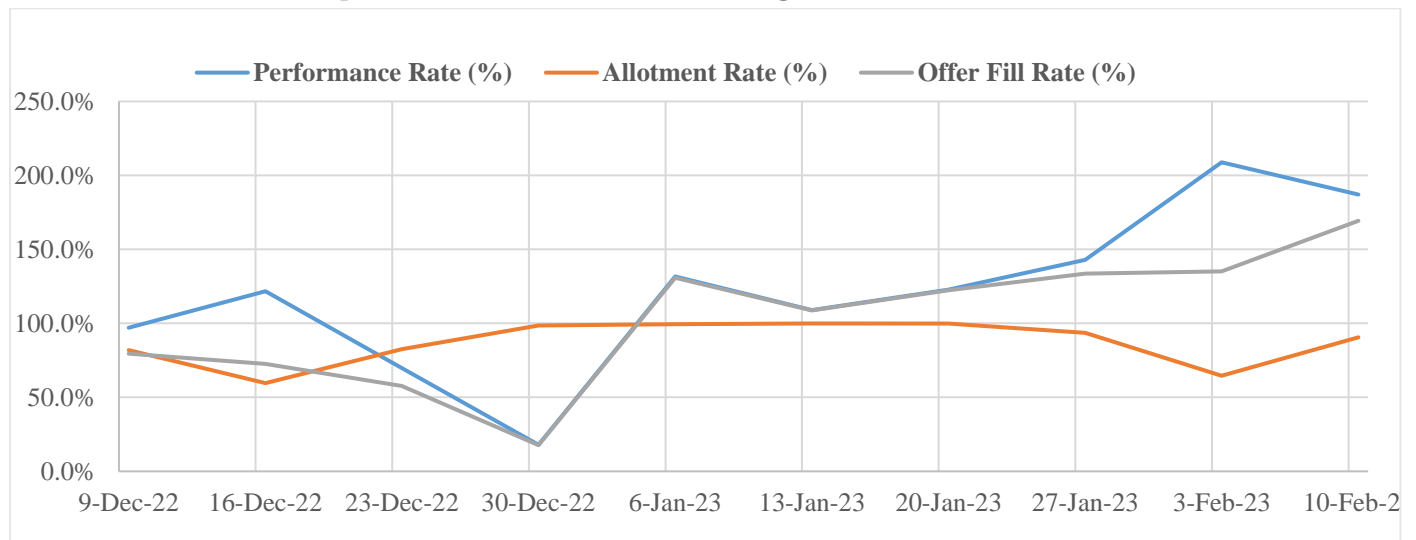
Source: Kestrel Research

**Debt market trading commentary**

Halting a 3-weeks increasing streak, overall subscription rates reduced to 187.1%, down from 208.9% recorded the prior week. Activity continued to be driven by increased demand on the 91-Day T-Bill. Yields across all tenors edged upwards for the sixth consecutive week.

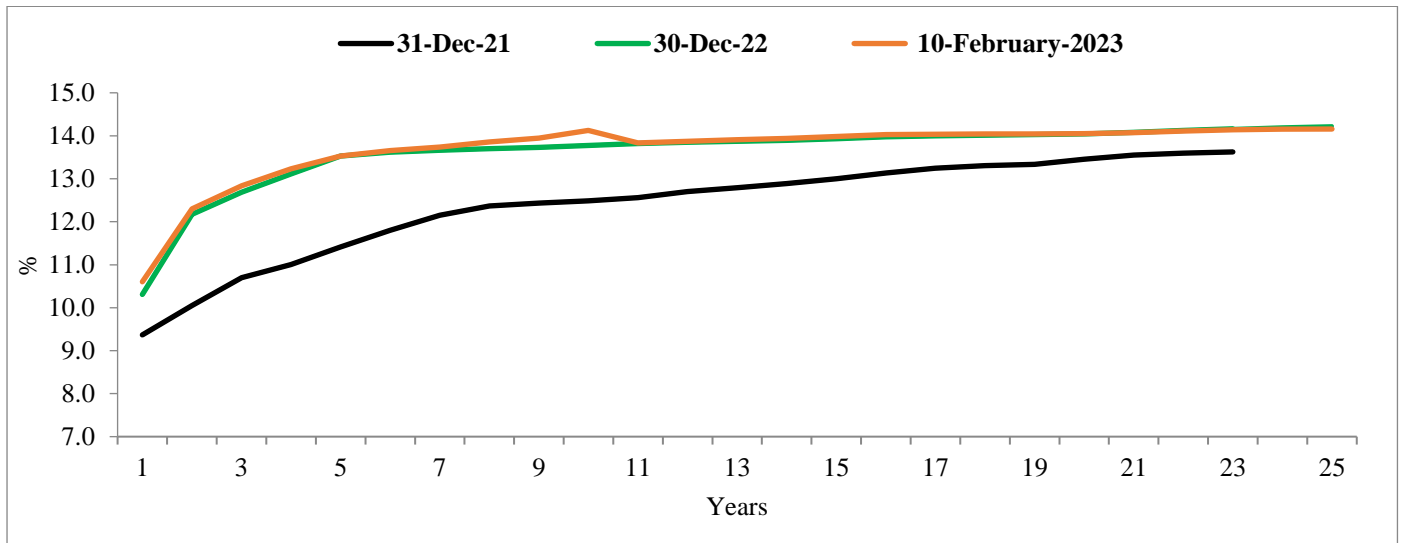
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 31.2bn for the 91-Day T-Bill, implying a subscription rate of 779.96%. It accepted bids worth KES 27.0bn at an average yield of 9.601% (+2.0bps w/w). The 182-Day T-Bill received bids worth KES 9.3bn, implying a performance rate of 93.26%. It accepted bids worth KES 9.2bn at an average yield of 10.042% (+4.5bps w/w). The 364-Day T-Bill received bids worth KES 4.4bn, implying a performance rate of 43.76%. It accepted bids worth KES 4.4bn at an average yield of 10.603% (+5.3bps w/w).

**T-Bills Performance: Overall performance rates decreased after rising in the last three weeks**



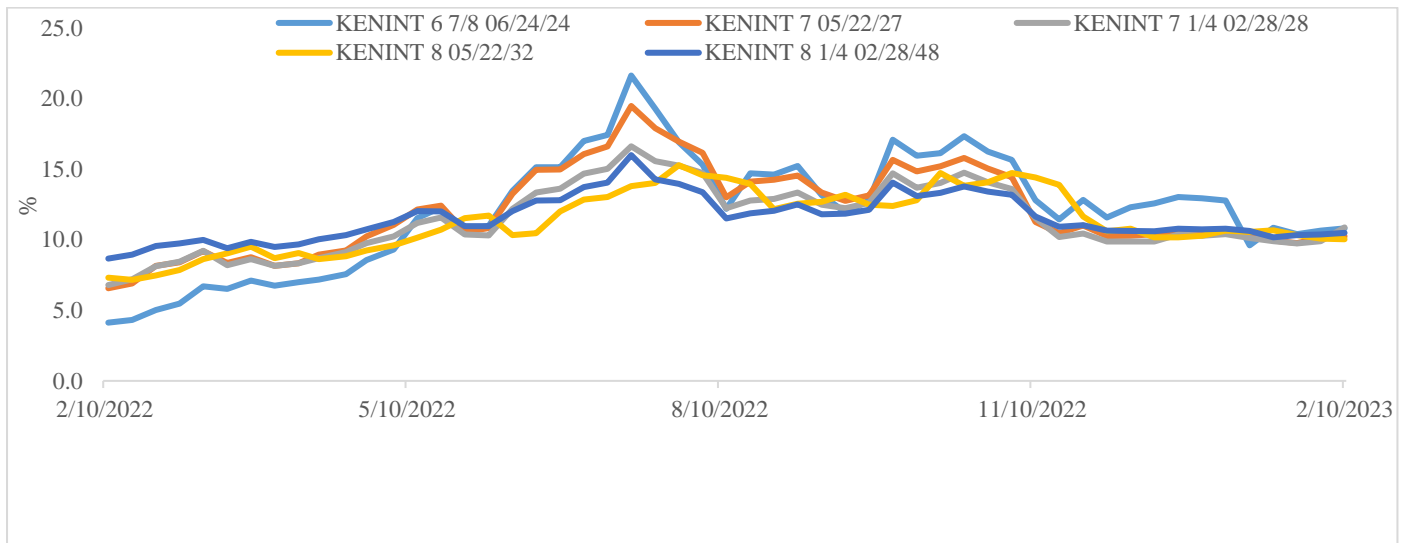
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors decline for the second straight week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market <sup>1</sup>	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading <sup>1</sup>	
Safaricom	Telecom	Mar	38.70	20.60	23.90	-1.0	7,656	47.7%	1.74	1.39	3.5	13.7	5.8	6.9	49.9	1,141,080	
Equity Bank	Banking	Dec	53.50	39.00	45.65	2.6	1,377	8.6%	12.24	3.00	40.8	3.7	6.6	1.1	30.0	447,069	
EA Breweries	Breweries	Jun	180.00	110.00	180.00	7.5	1,138	7.1%	15.00	11.00	20.5	12.0	6.1	8.8	73.2	195,508	
KCB Bank	Banking	Dec	46.00	35.00	38.75	1.7	996	6.2%	12.25	3.00	58.4	3.2	7.7	0.7	21.0	209,575	
Co-op Bank	Banking	Dec	13.30	10.70	12.60	2.4	591	3.7%	3.75	1.00	17.2	3.4	7.9	0.7	21.8	44,019	
Absa Bank	Banking	Dec	12.70	9.70	12.55	2.0	545	3.4%	2.15	1.10	10.9	5.8	8.8	1.2	19.7	45,514	
NCBA Bank	Banking	Dec	40.00	23.00	37.55	-4.6	495	3.1%	10.02	4.25	49.1	3.7	11.3	0.8	20.4	18,563	
StanChart Bank	Banking	Dec	159.00	123.75	158.00	10.7	477	3.0%	30.18	13.00	146.8	5.2	8.2	1.1	20.6	53,275	
BAT Kenya	Tobacco	Dec	509.00	404.00	445.00	-3.3	356	2.2%	67.10	55.00	129.1	6.6	12.4	3.4	52.0	152,730	
Stanbic Bank	Banking	Dec	114.00	90.00	111.75	9.6	353	2.2%	22.99	7.30	127.4	4.9	6.5	0.9	18.0	12,535	
I&M Holdings	Banking	Dec	21.50	16.50	17.25	1.5	228	1.4%	5.74	1.50	41.4	3.0	8.7	0.4	13.9	8,366	
Bank of Kigali	Banking	Dec	32.75	27.00	31.60	0.3	227	1.4%	7.95	3.28	41.8	4.0	10.4	0.8	19.0	473	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	174	1.1%	(2.79)	-	(14.7)	-	-	-	-	-	
KenGen	Power	Jun	4.00	2.84	2.85	-11.5	150	0.9%	0.16	0.18	32.4	17.9	6.3	0.1	0.5	4,769	
Umeme Ltd.	Power	Dec	9.80	5.50	9.70	30.7	126	0.8%	2.74	1.73	17.6	3.5	17.9	0.6	15.6	1,253	
Total Oil	Oil	Dec	25.85	21.75	22.80	-4.4	115	0.7%	4.35	1.31	45.4	5.2	5.7	0.5	9.6	435	
DTB Bank	Banking	Dec	60.00	46.00	50.00	0.0	112	0.7%	17.27	3.00	250.7	2.9	6.0	0.2	6.9	36,466	
Britam	Insurance	Dec	7.34	4.97	5.34	2.7	108	0.7%	0.03	-	7.5	186.8	-	0.7	0.4	2,324	
Jubilee Insurance	Insurance	Dec	300.00	181.00	182.00	-8.4	105	0.7%	94.22	14.00	544.4	1.9	7.7	0.3	17.3	4,916	
Bamburi Cement	Cement	Dec	38.85	28.25	28.25	-10.3	82	0.5%	2.15	3.58	0.1	13.1	12.7	344.1	2,618.6	1,597	
Kakuzi	Agric	Dec	441.25	367.50	400.00	3.9	63	0.4%	39.24	18.00	278.0	10.2	4.5	1.4	14.1	404	
Centum Investment	Finance	Mar	14.30	7.90	8.86	6.0	47	0.3%	(2.01)	0.59	65.1	-	6.6	0.1	(3.1)	6,838	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	43	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
CIC Insurance	Insurance	Dec	2.29	1.72	2.02	3.6	42	0.3%	0.30	-	3.0	6.7	-	0.7	9.9	1,684	
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	22.55	0.4	41	0.3%	5.11	1.00	56.5	4.4	4.4	0.4	9.1	1,192	
Crown Paints	Manufac.	Dec	44.00	33.65	35.45	-15.3	40	0.3%	5.13	4.00	24.1	6.9	11.3	1.5	21.3	209	
Kenya Re	Insurance	Dec	2.30	1.74	1.76	-3.8	39	0.2%	1.17	0.10	13.4	1.5	5.7	0.1	8.7	1,505	
Carbacid	Gases	July	14.15	10.35	12.30	2.5	25	0.2%	2.22	0.70	13.5	5.5	5.7	0.9	16.4	11,257	
Kenya Power	Power	Jun	2.08	1.31	1.57	0.6	24	0.2%	1.80	-	30.8	0.9	-	0.1	5.8	10,172	
Nation Media	Media	Dec	23.20	14.55	14.80	-7.2	23	0.1%	2.59	1.49	42.1	5.7	10.0	0.4	6.2	865	
Liberty K. Holdings	Insurance	Dec	7.48	4.28	4.99	-10.9	21	0.1%	0.15	-	15.9	32.7	-	0.3	1.0	83	
TPSEA Serena	Tourism	Dec	17.50	10.85	14.20	6.4	21	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	234	
Unga Ltd	Food	Jun	36.25	26.00	26.00	-18.8	16	0.1%	2.48	-	58.3	10.5	-	0.4	4.2	58	
NSE	Finance	Dec	8.40	6.38	6.42	-5.3	13	0.1%	0.51	1.40	8.0	12.6	21.8	0.8	6.4	1,552	
Car & Gen	Motors	Sept	76.00	30.00	36.00	-24.1	12	0.1%	26.33	3.20	135.8	1.4	8.9	0.3	19.4	866	
BOC Kenya	Gases	Dec	93.25	65.00	70.25	-0.7	11	0.1%	4.78	6.70	84.3	14.7	9.5	0.8	5.7	139	
Housing Finance	Banking	Dec	3.84	2.86	3.55	11.3	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	878	
WPP Scangroup	Media	Dec	4.41	2.84	3.00	-0.3	10	0.1%	(0.30)	-	11.9	-	-	0.3	(2.5)	516	
Sanlam Kenya	Insurance	Dec	15.00	7.86	8.32	-13.2	10	0.1%	(3.77)	-	3.9	-	-	2.1	(97.1)	83	
Limuru Tea	Agric	Dec	510.00	320.00	420.00	0.0	8	0.1%	(0.50)	0.70	75.9	-	0.2	5.5	(0.7)	645	
Standard Newspapers	Media	Dec	15.80	8.74	10.20	-2.4	7	0.0%	(0.90)	-	10.5	-	-	1.0	(8.5)	29	
Longhorn	Publishing	Jun	4.07	2.74	3.03	1.0	7	0.0%	0.62	-	2.8	4.9	-	1.1	22.2	147	
EA Portland	Cement	Jun	8.80	6.10	6.16	-9.4	4	0.0%	6.02	-	239.8	1.0	-	0.0	2.5	30	
TransCentury	Finance	Dec	1.31	0.79	1.14	22.6	3	0.0%	(6.72)	-	(9.5)	-	-	-	-	2,209	
												<b>Average</b>	<b>16.1</b>	<b>6.7</b>	<b>6.1</b>	<b>51.4</b>	<b>2,427,400</b>

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