

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	16.05	93.8%	BUY
Equity bank	58.81	41.00	43.4%	BUY
KCB bank	62.39	28.90	115.9%	BUY
Co-op bank	18.13	11.95	51.7%	BUY
ABSA bank	12.32	12.45	-1.0%	HOLD
StanChart bank	108.61	164.75	-34.1%	SELL
NCBA bank	38.68	39.25	-1.5%	HOLD
I&M bank	30.56	19.00	60.8%	BUY
Stanbic bank	89.16	120.00	-25.7%	SELL
DTB bank	122.70	47.00	161.1%	BUY
EABL	164.58	138.00	19.3%	BUY
Bamburi Cement	51.96	27.00	92.4%	BUY
BAT Kenya	544.27	435.00	25.1%	BUY

*Fair values under review

Kenya Weekly Commentary

Kenya Market Summary

Notable Events

- Stanbic bank 1H23 EPS grows 47.1% y/y – Above Expectations

Equity market commentary and outlook

- During the week, Safaricom hit a 2-month low on account of foreign investors' sell-off. KCB bank traded down to a 7-day low driven by local selling. On the other hand, Jubilee Insurance reached a 1-month high buoyed by foreign demand.

Debt market commentary and outlook

- For the second consecutive week, the overall subscription rates grew to 199.7%, up from 47.1% the previous week, touching a 14-weeks high. Notably, demand rebounded on the 19-Day T-Bill but remained weak on the 182-Day T-Bill and 364-Day T-Bill, for the third week in a row. The yield on the 91-Day T-Bill and 364-Day T-Bill tenor edged upwards for the fifteenth successive week while the yield on the 182-Day T-Bill notched up for the tenth straight week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,594.0	0.0%	-1.9%	3.9%	-4.7%	-11.4%	-4.9%
Kenya NASI Return	104.0	-2.0%	-8.7%	0.9%	-18.9%	-29.2%	-18.4%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-2.4%	-8.3%	-4.1%	-30.1%	-39.2%	-29.9%
Johannesburg Index	-2.9%	2.3%	-4.3%	-11.6%	-0.9%	-5.2%
Nigeria Stock Exchange	-0.8%	3.7%	-25.4%	-28.1%	-29.2%	-23.9%
Ghana Stock Exchange	-2.4%	4.8%	20.2%	42.4%	-1.0%	13.2%
Egyptian Stock Exchange	1.6%	3.5%	2.5%	6.7%	9.3%	-2.8%
MSCI EFM ex SA Index	-1.0%	1.9%	2.3%	-3.2%	-7.4%	-2.7%

Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	143.7	-0.4%	-1.9%	-5.1%	-13.2%	-17.1%	-14.1%
USD/ZAR	19.0	-2.6%	-0.4%	-2.9%	-7.8%	-11.3%	-10.1%
USD/EGP	30.9	0.1%	0.0%	0.1%	-2.0%	-38.1%	-19.9%
USD/NGN	765.0	0.0%	0.6%	-39.5%	-39.8%	-44.5%	-39.8%
USD/GHS	11.2	0.4%	2.0%	4.8%	9.4%	-22.2%	-8.9%

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
Equity bank	694.3	571.5	57.6%	0.0%	-7.9%	-21.5%	14.5%
Safaricom	191.1	-22.3	61.6%	-4.5%	-33.5%	-49.5%	23.5%
ABSA bank	143.0	135.7	47.5%	0.4%	1.2%	-3.9%	23.3%
KCB bank	33.6	4.2	14.6%	-1.7%	-24.1%	-33.6%	1.4%
Bamburi Cement	26.8	0.0	0.0%	3.8%	-14.3%	29.6%	16.1%

Notable Events

Stanbic bank 1H23 EPS grows 47.1% y/y – Above Expectations

Stanbic bank published its 1H23 results. Reported EPS – KES 17.84, +47.1% y/y, driven by growth in total income (+38% y/y). Earnings came in 77% ahead of estimates, on account of better-than-expected total income (+34%).

Summary Performance Table

	Reported	Forecast	Variance
NIM	6.7%	5.0%	1.7%
NIR growth	44.1%	12.0%	32.1%
NFI mix	42.6%	40.6%	2.0%
NFI growth	29.7%	-6.3%	36.0%
CoR	1.6%	1.4%	0.2%
CTI	41.7%	51.6%	-9.9%
OpEx Growth	18.9%	10.8%	8.1%
EPS	17.84	10.08	77.0%
DPS	1.15	0.00	>100.0%
Net Loan growth	12.4%	5.2%	7.2%
Deposit growth	12.8%	8.5%	4.3%
NPL Ratio	8.9%	10.7%	-1.8%
NPL Coverage*	46.4%	64.2%	-17.8%
ROE	25.3%	14.3%	11.0%

*CBK Coverage

What stood out for us?

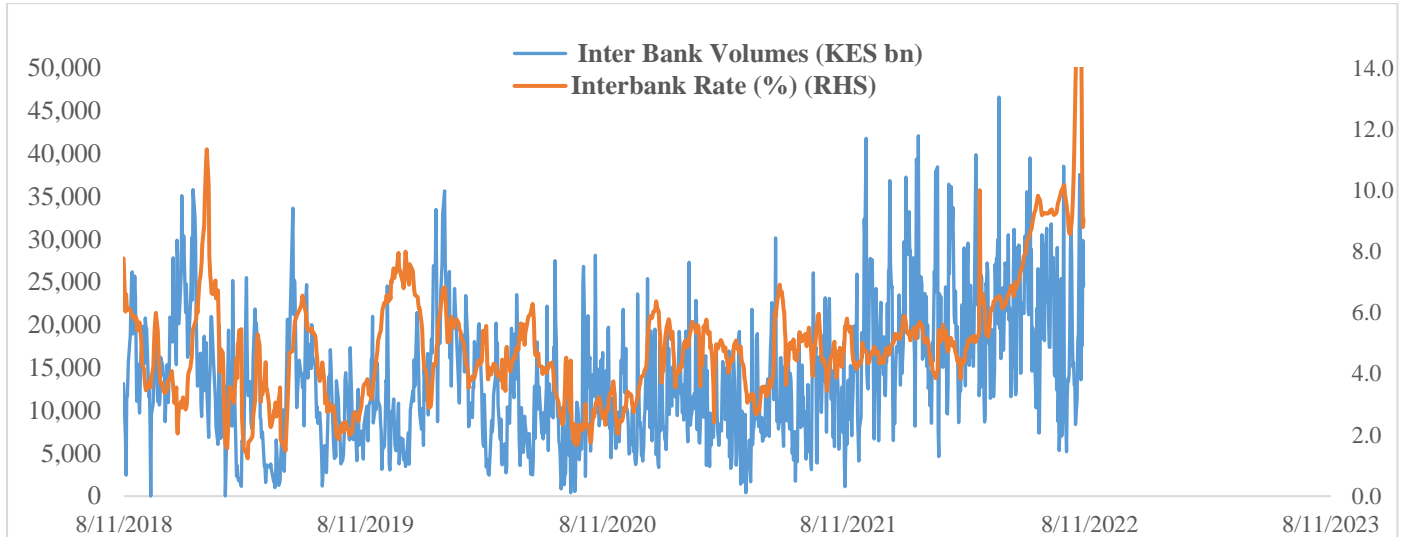
- **Higher-than-expected net interest income:** above-forecast net interest income growth (+29%) was largely driven by faster loan growth and better margins – loan repricing on the back of risk-based pricing models and higher market yields over a rate-hiking environment.
- **Higher-than-expected non-funded income:** non-funded income came in 21 % ahead of projections, on account of better FX income (+44% y/y) driven by wider spreads and growth in fee income (23% y/y) as mobile to bank fees waivers were removed earlier.

Impact to our investment thesis

- Going forward, we expect to revise upwards our margins estimates. However, we expect to raise the NPL and cost of risk outlook. Stanbic bank is trading at P/B of 0.7x.

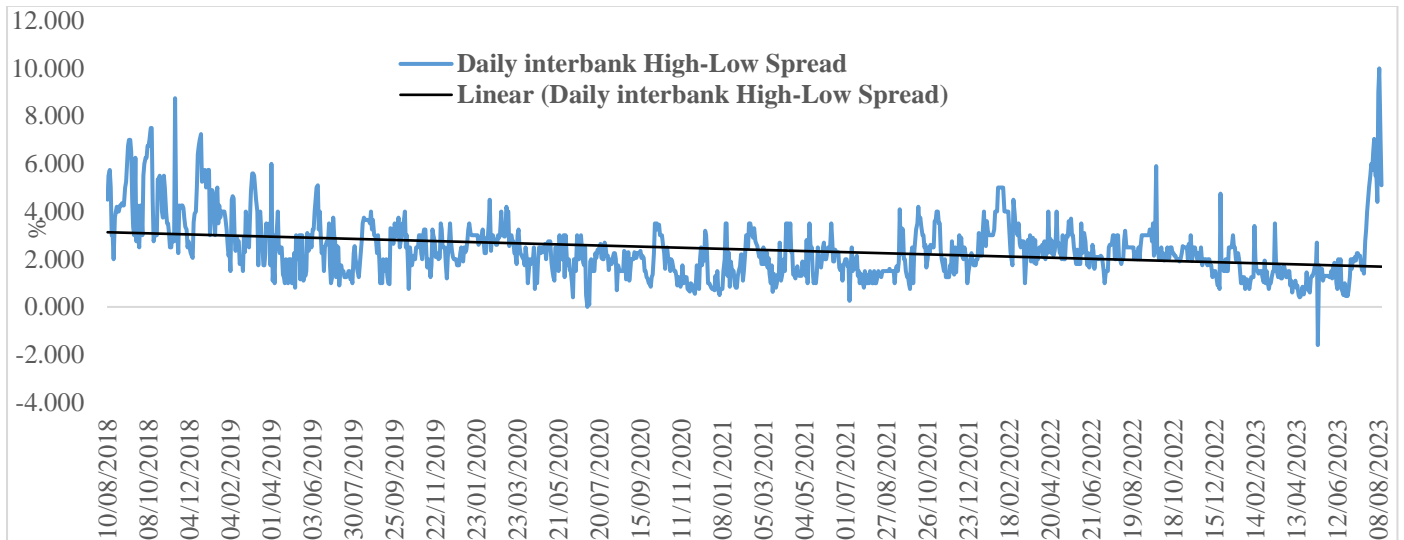
Key Rates and Spreads

Inter-bank rates decline to a 1-month low



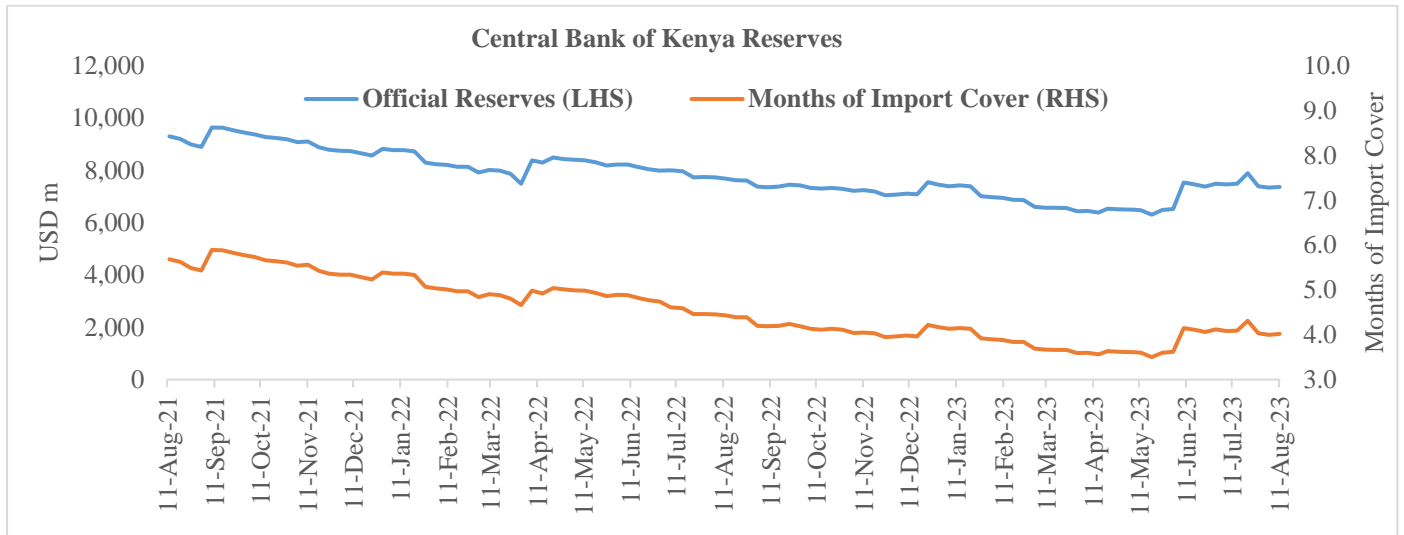
Source: CBK

Inter-bank spreads narrow for the second month straight



Source: CBK

Months of import cover & CBK FX reserves increase week-on-week after two weeks of decline



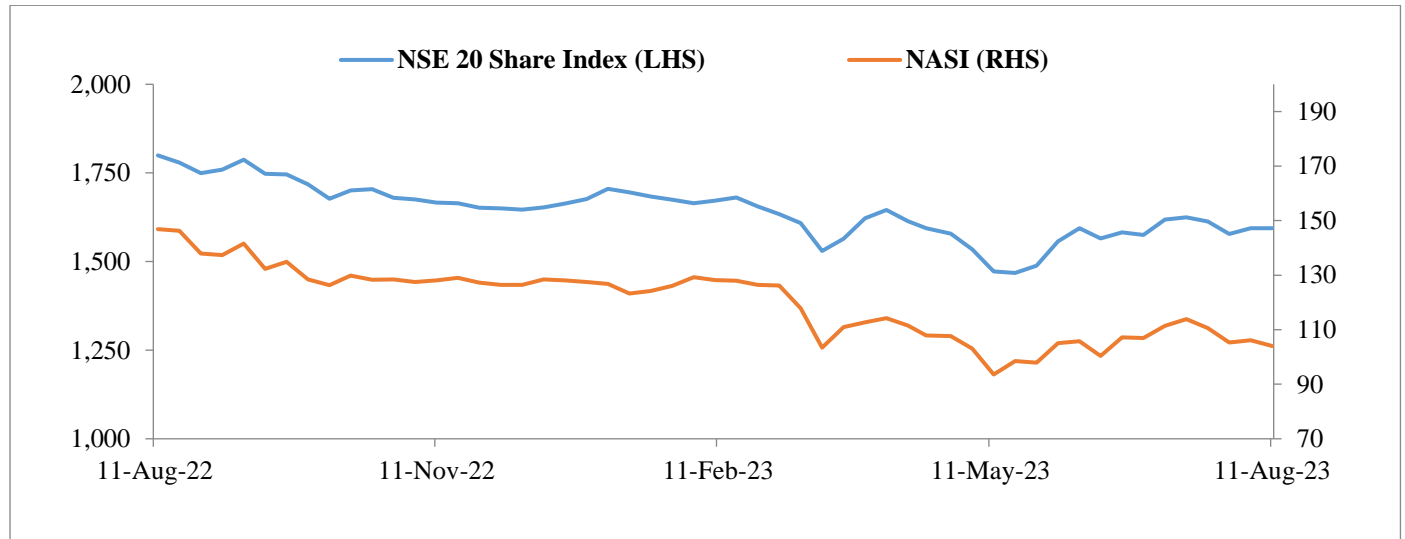
Source: CBK

Equity market trading commentary

Market turnover surged by 197.1% w/w to stand at USD 8.6m (KES 1.2bn). The NASI retreated 2.0% w/w to finish at 104.00 while the NSE 20 firmed at 1,594.02. Foreign investors remained as net buyers at USD 4.8m (KES 689.1m) – the second week in a row. For the fifth straight week, local investors dominated trading at the bourse at 50.8% of total turnover, albeit down from 57.5% posted the prior week. Equity bank (USD 4.0m, KES 571.5m) and ABSA bank (USD 0.9m, KES 135.7m) marked the highest net foreign inflows while Safaricom saw the highest net foreign outflows at USD 0.2m (KES 22.3m).

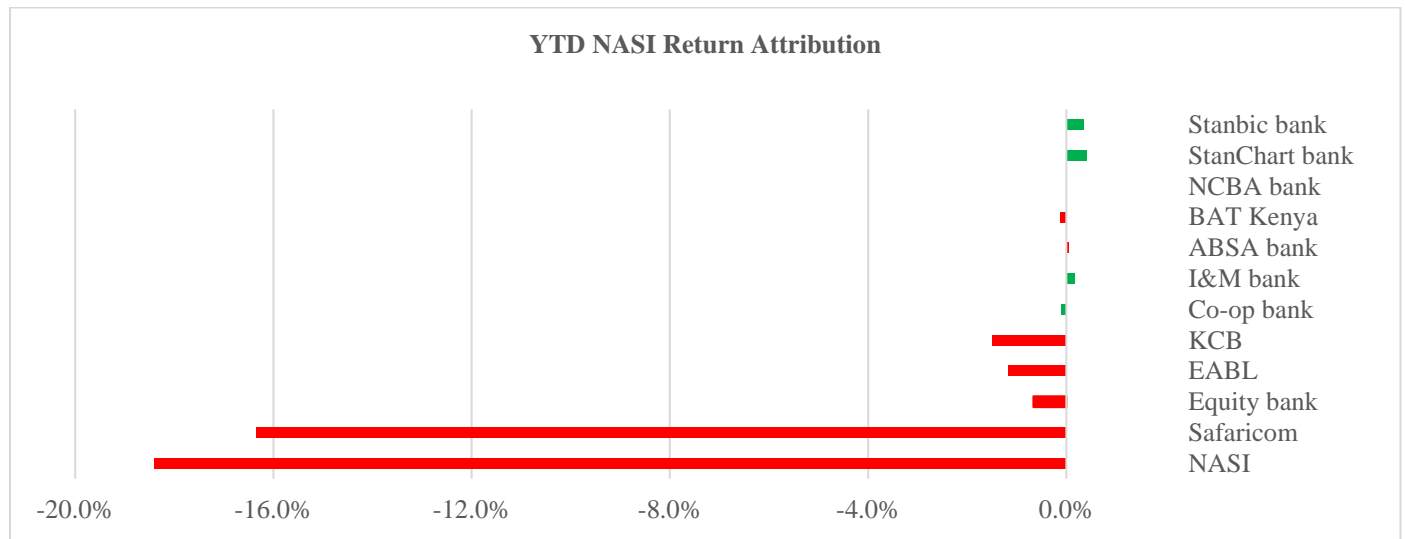
During the week, Safaricom hit a 2-month low on account of foreign investors’ sell-off. KCB bank traded down to a 7-day low driven by local selling. On the other hand, Jubilee Insurance reached a 1-month high buoyed by foreign demand.

Market performance over the past 12 months



Source: NSE

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



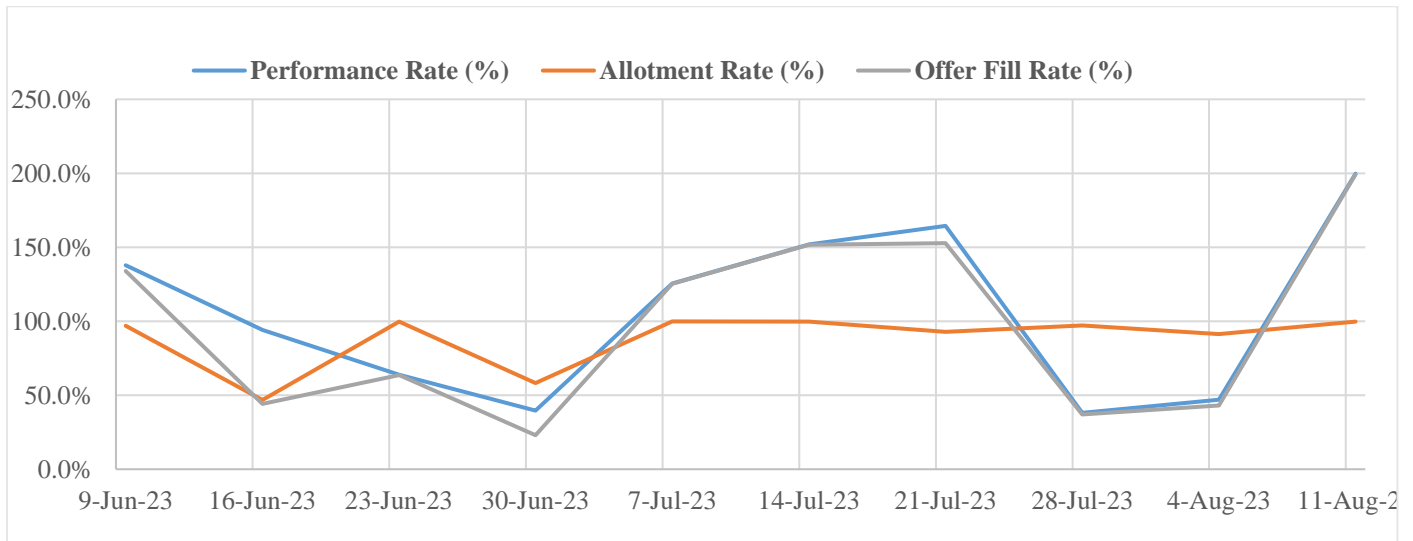
Source: Kestrel Research

Debt market trading commentary

For the second consecutive week, the overall subscription rates grew to 199.7%, up from 47.1% the previous week, touching a 14-week high. Notably, demand rebounded on the 19-Day T-Bill but remained weak on the 182-Day T-Bill and 364-Day T-Bill, for the third week in a row. The yield on the 91-Day T-Bill and 364-Day T-Bill tenor edged upwards for the fifteenth successive week while the yield on the 182-Day T-Bill notched up for the tenth straight week.

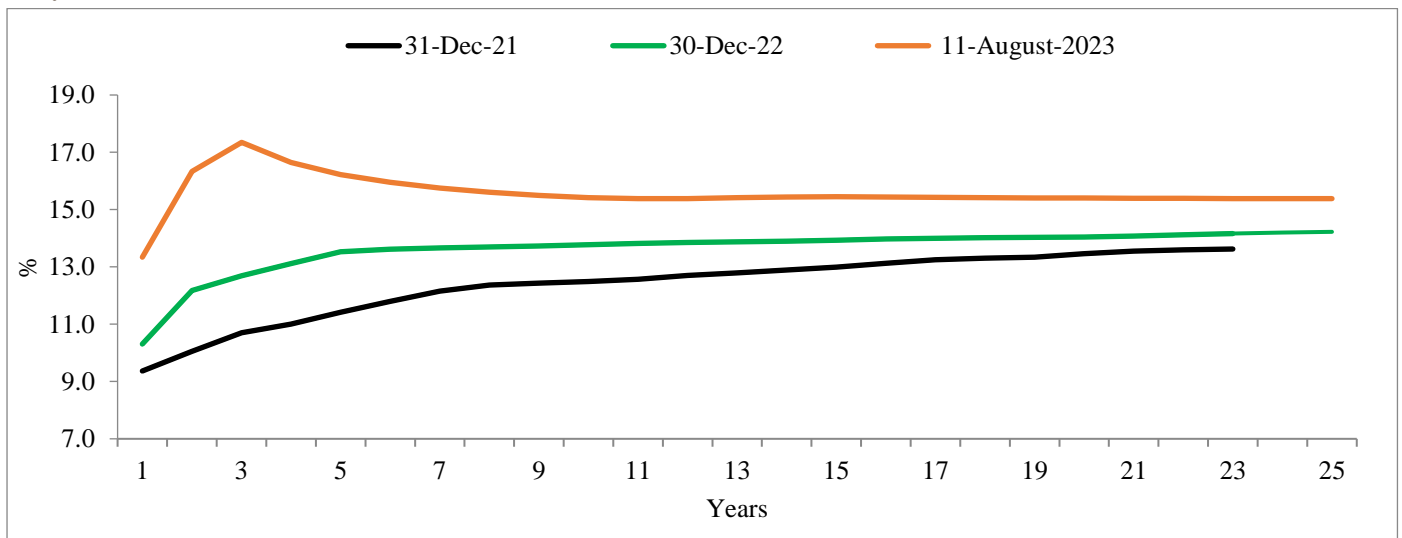
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 41.8bn for the 91-Day T-Bill, implying a subscription rate of 1,044.62%. It accepted bids worth KES 41.7bn at an average yield of 13.110% (+42.5bps w/w). The 182-Day T-Bill received bids worth KES 5.3bn, implying a performance rate of 52.55%. It accepted bids worth KES 5.2bn at an average yield of 13.438% (+88.0bps w/w). The 364-Day T-Bill received bids worth KES 0.9bn, implying a performance rate of 2.56%. It accepted bids worth KES 0.9bn at an average yield of 13.340% (+23.3bps w/w).

T-Bills Performance: Overall performance rates rise to a 14-week high



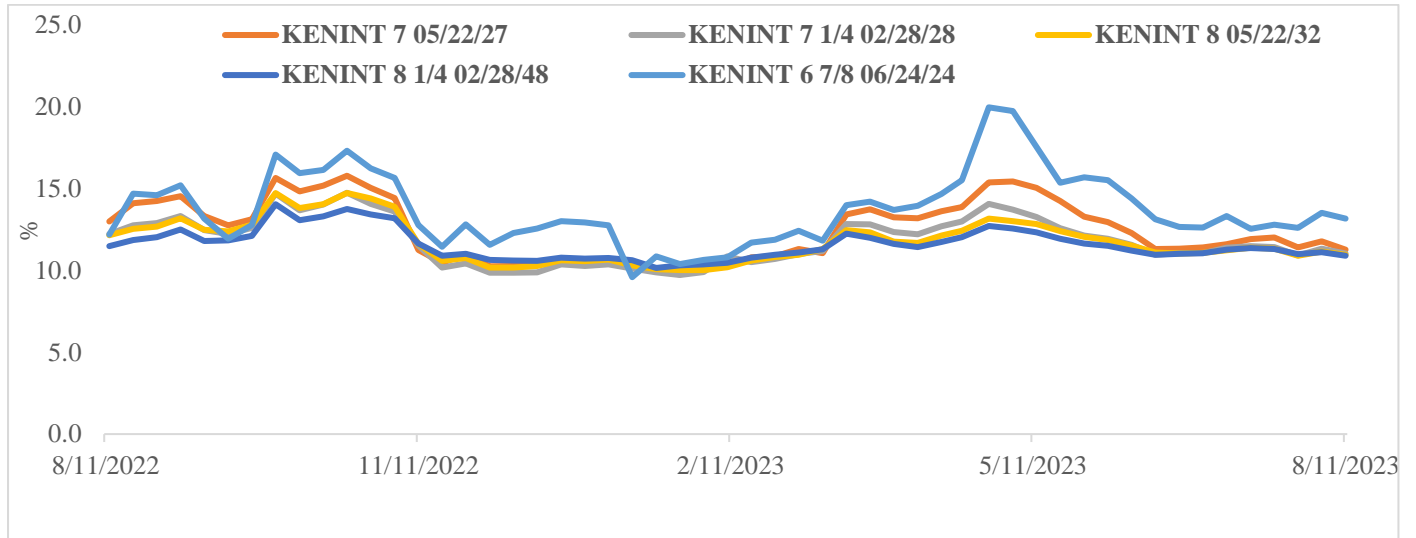
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenor edge downwards week-on-week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market ¹	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹	
Safaricom	Telecom	Mar	31.80	13.00	16.05	-33.5	4,479	39.5%	1.55	1.20	4.7	10.3	7.5	3.4	33.2	955,287	
Equity Bank	Banking	Dec	52.25	35.80	41.00	-7.9	1,078	9.5%	12.10	3.00	48.7	3.4	7.3	0.8	24.8	285,003	
EA Breweries	Breweries	Jun	187.00	137.00	138.00	-17.6	760	6.7%	12.47	5.50	27.1	11.1	4.0	5.1	46.1	81,327	
KCB Bank	Banking	Dec	43.50	28.50	28.90	-24.1	647	5.7%	12.55	2.00	64.8	2.3	6.9	0.4	19.4	120,038	
Co-op Bank	Banking	Dec	13.35	11.15	11.95	-2.8	488	4.3%	3.80	1.50	19.2	3.1	12.6	0.6	19.8	55,053	
Absa Bank	Banking	Dec	12.95	10.10	12.45	1.2	471	4.2%	2.96	1.35	12.5	4.2	10.8	1.0	23.7	53,844	
NCBA Bank	Banking	Dec	41.70	25.80	39.25	-0.3	450	4.0%	9.37	4.25	53.4	4.2	10.8	0.7	17.6	47,954	
StanChart Bank	Banking	Dec	171.00	133.75	164.75	15.4	434	3.8%	35.25	22.00	159.8	4.7	13.4	1.0	22.1	32,956	
Stanbic Bank	Banking	Dec	129.75	92.00	120.00	17.6	330	2.9%	28.62	13.75	0.2	4.2	11.5	741.8	17,692.5	40,613	
BAT Kenya	Tobacco	Dec	479.75	401.50	435.00	-5.4	303	2.7%	68.92	57.00	163.8	6.3	13.1	2.7	42.1	51,780	
Bank of Kigali	Banking	Dec	37.00	27.00	36.00	14.3	225	2.0%	7.66	3.28	43.7	4.7	9.1	0.8	17.5	10,768	
I&M Holdings	Banking	Dec	21.00	15.85	19.00	11.8	219	1.9%	6.76	2.25	47.7	2.8	11.8	0.4	14.2	10,840	
Umeme Ltd.	Power	Dec	17.75	6.62	14.30	92.7	162	1.4%	3.03	2.12	20.7	4.7	14.8	0.7	14.7	5,361	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	152	1.3%	(2.79)	-	(14.7)	-	-	-	-	-	
KenGen	Power	Jun	3.81	2.15	2.39	-25.8	110	1.0%	0.70	0.18	42.0	3.4	7.5	0.1	1.7	5,123	
Jubilee Insurance	Insurance	Dec	265.00	148.25	189.25	-4.8	96	0.8%	82.21	14.00	618.5	2.3	7.4	0.3	13.3	4,614	
DTB Bank	Banking	Dec	55.25	44.00	47.00	-6.0	92	0.8%	22.53	3.00	260.9	2.1	6.4	0.2	8.6	13,975	
Britam	Insurance	Dec	6.94	4.05	5.14	-1.2	90	0.8%	0.03	-	7.5	179.8	-	0.7	0.4	1,238	
Total Oil	Oil	Dec	25.85	18.25	19.50	-18.2	86	0.8%	3.88	1.31	48.0	5.0	6.7	0.4	8.1	534	
Bamburi Cement	Cement	Dec	38.35	23.25	27.00	-14.3	68	0.6%	2.15	3.58	0.1	12.6	13.3	328.8	2,618.6	6,862	
Kakuzi	Agric	Dec	430.00	240.00	387.75	0.7	53	0.5%	43.15	24.00	303.5	9.0	6.2	1.3	14.2	449	
Centum Investment	Finance	Mar	10.05	7.90	9.28	11.0	43	0.4%	(8.95)	0.60	55.8	-	6.5	0.2	(16.1)	5,039	
Sasini Tea & Coffee	Agric	Sept	31.40	20.00	26.90	19.8	43	0.4%	3.82	1.00	61.7	7.0	3.7	0.4	6.2	738	
Crown Paints	Manufac.	Dec	44.80	32.30	42.00	0.4	42	0.4%	5.13	4.00	24.1	8.2	9.5	1.7	21.3	330	
CIC Insurance	Insurance	Dec	2.21	1.68	2.10	7.7	38	0.3%	0.42	0.13	3.3	5.0	6.2	0.6	12.8	3,419	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	37	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
Kenya Re	Insurance	Dec	2.17	1.54	1.89	3.3	37	0.3%	1.17	0.10	13.4	1.6	5.3	0.1	8.7	5,996	
Carbacid	Gases	July	17.00	11.40	16.45	37.1	29	0.3%	2.98	0.70	13.6	5.5	4.3	1.2	21.9	3,042	
Nation Media	Media	Dec	20.85	14.15	20.35	27.6	27	0.2%	16.74	1.49	43.1	1.2	7.3	0.5	38.9	14,513	
Kenya Power	Power	Jun	2.08	1.38	1.51	-3.2	21	0.2%	(0.75)	-	30.2	-	-	0.0	(2.5)	8,367	
Liberty K. Holdings	Insurance	Dec	7.48	3.60	3.99	-28.8	15	0.1%	0.15	-	15.9	26.1	-	0.3	1.0	86	
TPSEA Serena	Tourism	Dec	17.50	10.85	11.45	-14.2	15	0.1%	(3.47)	-	33.3	-	-	0.3	(10.4)	867	
Housing Finance	Banking	Dec	5.08	2.86	4.97	55.8	13	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,383	
NSE	Finance	Dec	8.02	5.62	6.22	-8.3	11	0.1%	0.05	0.20	7.1	117.6	3.2	0.9	0.7	3,069	
BOC Kenya	Gases	Dec	90.25	65.00	73.00	3.2	10	0.1%	7.58	5.95	85.1	9.6	8.2	0.9	8.9	181	
Car & Gen	Motors	Sept	49.00	25.00	33.90	-28.6	9	0.1%	26.33	3.20	135.8	1.3	9.4	0.2	19.4	167	
WPP Scangroup	Media	Dec	3.95	2.57	2.98	-1.0	9	0.1%	(0.30)	-	11.9	-	-	0.3	(2.5)	508	
Unga Ltd	Food	Jun	34.75	15.00	17.00	-46.9	9	0.1%	2.48	-	58.3	6.9	-	0.3	4.2	73	
Sanlam Kenya	Insurance	Dec	11.70	7.02	8.30	-13.4	8	0.1%	(3.77)	-	3.9	-	-	2.1	(97.1)	86	
Limuru Tea	Agric	Dec	510.00	400.00	430.00	2.4	7	0.1%	4.73	2.50	80.9	91.0	0.6	5.3	5.8	1,590	
Standard Newspapers	Media	Dec	14.75	7.96	8.66	-17.1	5	0.0%	(10.05)	-	0.4	-	-	19.7	(2,284.0)	29	
Longhorn	Publishing	Jun	4.07	2.01	2.51	-16.3	5	0.0%	0.62	-	2.8	4.1	-	0.9	22.2	245	
EA Portland	Cement	Jun	8.40	5.32	6.50	-4.4	4	0.0%	6.02	-	239.8	1.1	-	0.0	2.5	23	
TransCentury	Finance	Dec	1.30	0.53	0.56	-39.8	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	100	
												Average	13.3	8.1	25.7	555.8	1,839,421

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