

## Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	16.30	88.4%	BUY
Equity bank	43.67	43.05	1.4%	HOLD
KCB bank	47.26	30.15	56.7%	BUY
Co-op bank	20.46	14.00	46.1%	BUY
ABSA bank	12.89	13.35	-3.4%	HOLD
StanChart bank	138.26	172.00	-19.6%	SELL
NCBA bank	40.68	44.05	-7.7%	HOLD
I&M bank	33.32	17.25	93.2%	BUY
Stanbic bank	108.85	117.25	-7.2%	HOLD
DTB bank	116.13	50.00	132.3%	BUY
EABL	151.28	155.25	-2.6%	HOLD
Bamburi Cement	27.61	46.55	-40.7%	SELL
BAT Kenya	460.00	409.75	12.3%	HOLD

## Kenya Market Summary

### Equity market commentary and outlook

- During the week, KCB Bank touched a 10-day high on local demand. Equity Bank also touched a 6-day high on account of increased local demand. StanChart Bank declined to a five-week low as a result of local sell-off.

### Debt market commentary and outlook

- Overall subscription rates fell further to 98.2% from 108.7% the previous week. Investors remained skewed on the 91-Day T-Bill, and activity decreased on all three T-Bills for the second straight week. The yield on the 91-Day T-Bill increased while the yield on the 182-Day T-Bill and the 364-Day T-Bill both decreased for the fourth consecutive week.

## Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,688.3	-0.1%	-3.7%	11.3%	15.5%	6.9%	12.5%
Kenya NASI Return	107.6	0.9%	-4.9%	15.2%	20.3%	-0.1%	16.8%

Source: NSE, Kestrel Research

## NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-6.3%	-1.9%	38.5%	28.5%	0.2%	35.3%
Johannesburg Index	0.0%	5.7%	6.6%	10.2%	-5.4%	-3.3%
Nigeria Stock Exchange	1.2%	12.1%	-21.9%	-0.4%	-25.5%	1.0%
Ghana Stock Exchange	-1.9%	-7.2%	-3.9%	-5.0%	6.9%	-3.9%
Egyptian Stock Exchange	-1.5%	-5.2%	-32.0%	-15.6%	4.2%	-26.0%
MSCI EFM ex SA Index	-0.3%	0.1%	-15.8%	-7.3%	-6.0%	-11.9%

## Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	133.50	-2.6%	-0.8%	21.3%	12.4%	1.1%	17.5%
USD/ZAR	19.29	-4.0%	-1.4%	-1.3%	-1.4%	-6.1%	-4.8%
USD/EGP	48.27	-1.5%	-3.2%	-36.0%	-36.0%	-36.0%	-36.0%

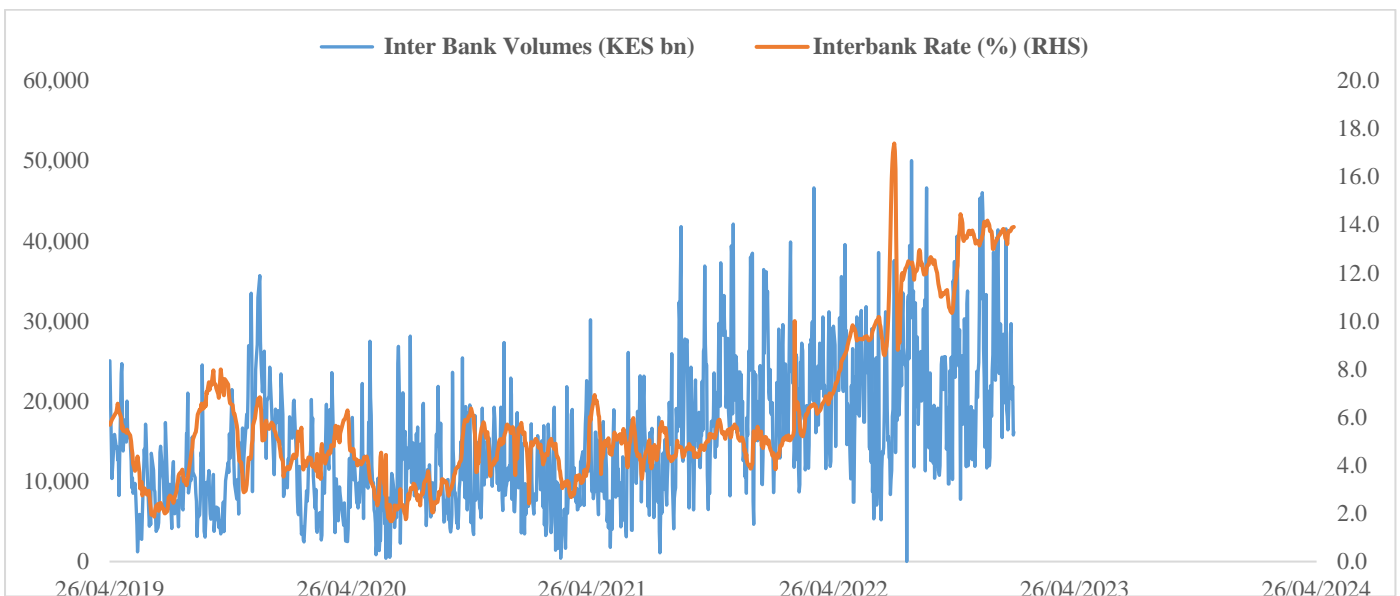
USD/NGN	1151.00	7.9%	27.0%	-22.6%	-29.6%	-59.9%	-20.8%
USD/GHS	13.45	-0.5%	-3.0%	-10.4%	-12.2%	-13.4%	-11.2%

### 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
KCB	625.3	553.5	51.7%	7.9%	37.7%	-11.7%	91.1%
BK	199.0	140.0	64.7%	-0.7%	2.2%	-8.1%	14.7%
Safaricom	192.7	-88.3	52.9%	1.9%	17.3%	-10.9%	50.6%
Equity	84.2	9.3	17.9%	2.3%	27.9%	-2.7%	42.2%
Co-op	78.5	-2.2	2.4%	3.3%	22.8%	-0.7%	46.6%

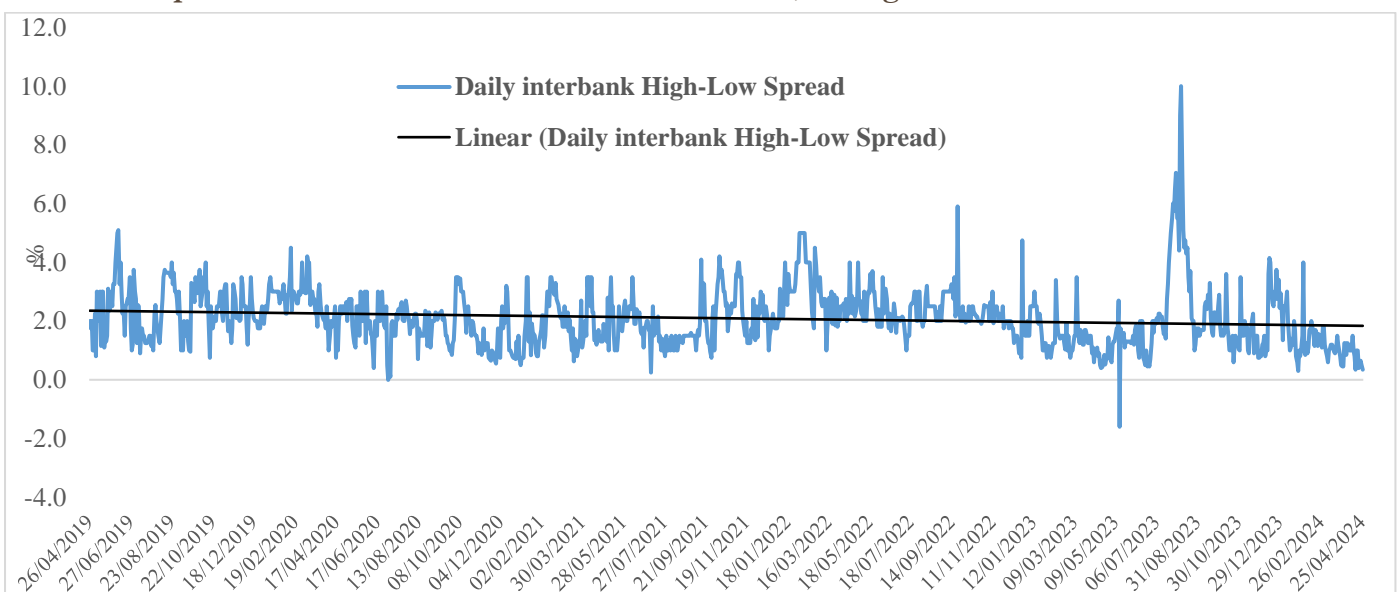
### Key Rates and Spreads

#### Inter-bank Rates increase for the second successive week



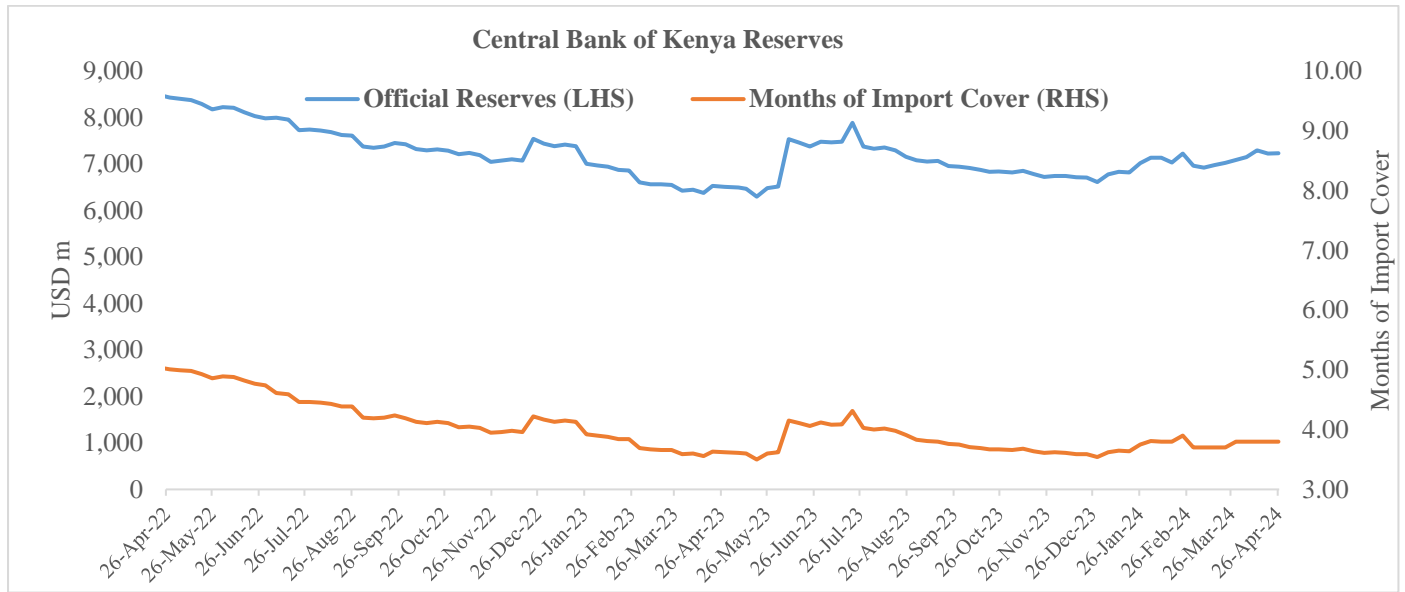
Source: CBK

#### Inter-bank Spreads narrow for the second successive week, hitting a 3-months low



Source: CBK

**Months of import cover & CBK FX reserves improve slightly w/w**



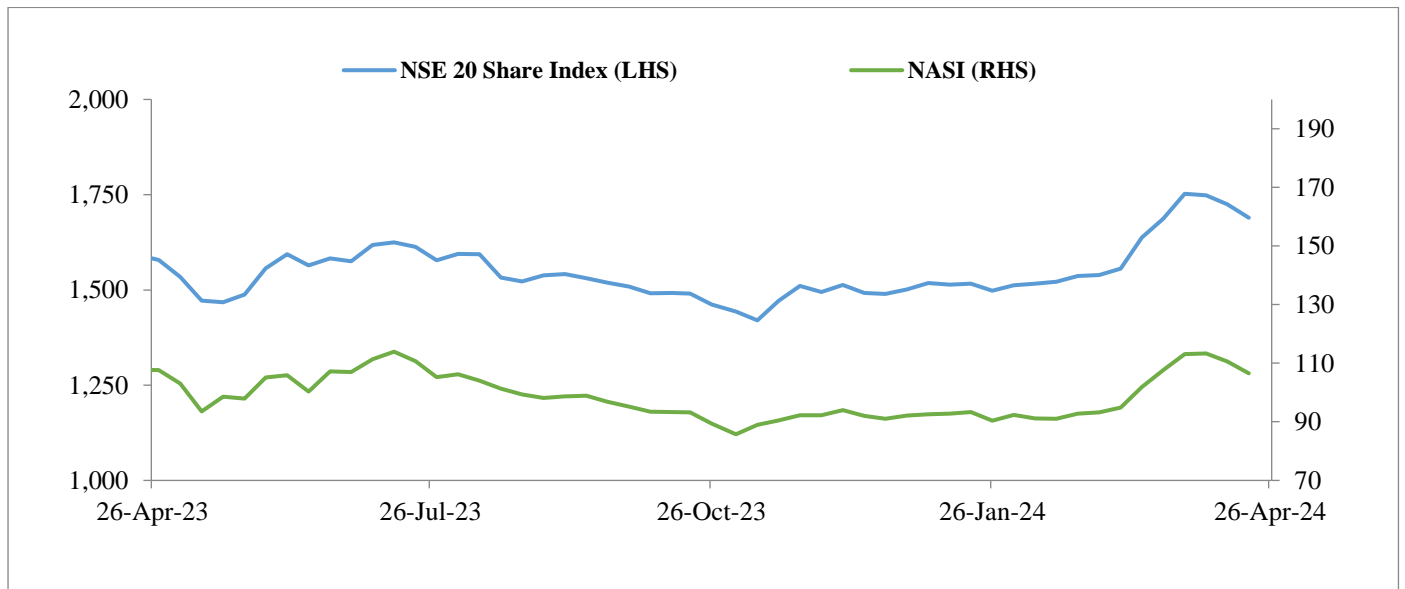
Source: CBK

**Equity market trading commentary**

Market turnover improved by 3.7% to stand at USD 16.6m (KES 2.2bn). The NASI broke a two-week losing streak by gaining 0.9% to stop at 107.57, and the NSE 20 for the fourth week straight lost 0.1% to stop at 1688.32. Local investors drove trading consecutively for the third week at 63.3%, a reduction from 68.7% the previous week. Foreign investors turned net buyers at USD 2.3m(KES 302.4m).

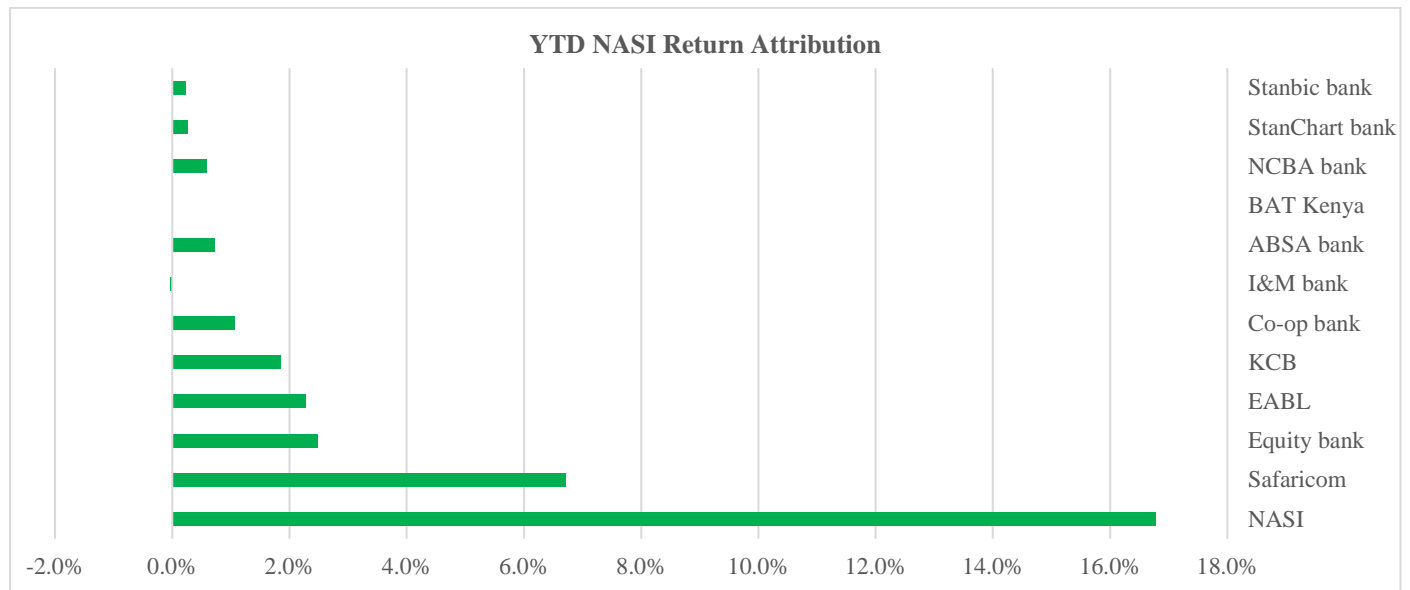
During the week, KCB Bank touched a 10-day high on local demand, Equity Bank also touched a 6-day high on account of increased local demand. StanChart Bank rallied to a five-week low as a result of local sell-off.

**Market performance over the past 12 months**



Source: NSE

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



Source: Kestrel Research

### Debt market trading commentary

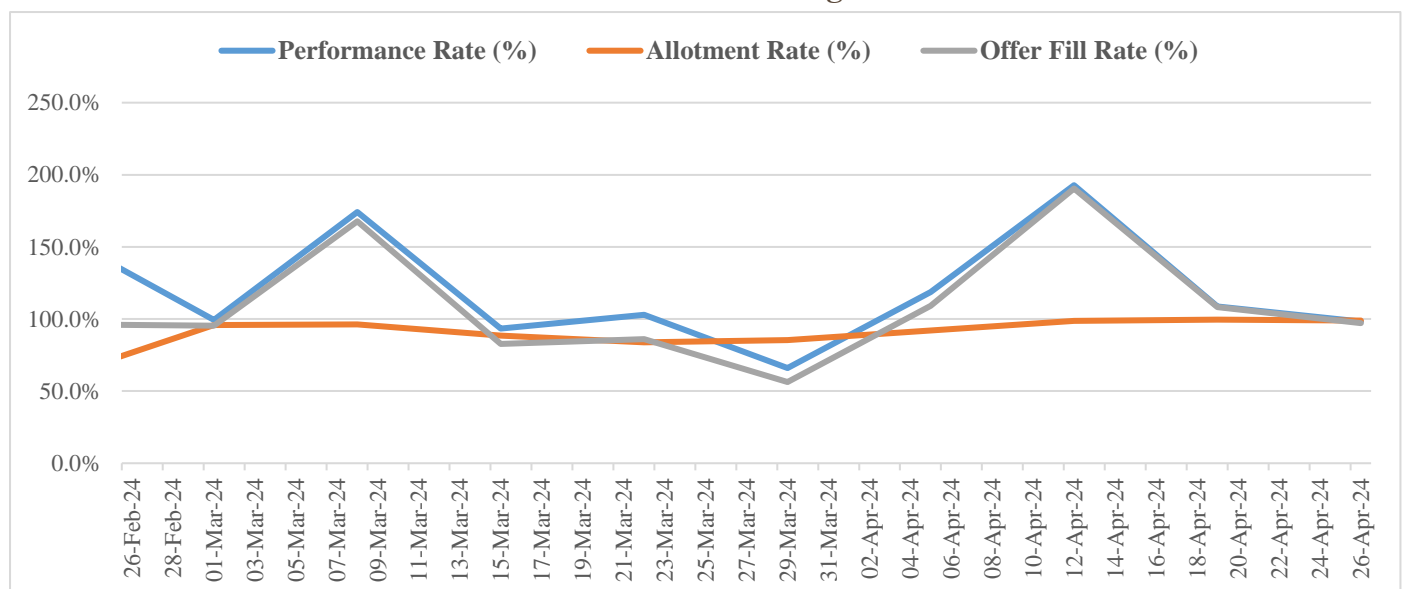
Overall subscription rates fell further to 98.2% from 108.7% the previous week. Investors remained skewed on the 91-Day T-Bill, and activity decreased on all three T-Bills for the second straight week. The yield on the 91-Day T-Bill increased while the yield on the 182-Day T-Bill and the 364-Day T-Bill both decreased for the fourth consecutive week.

The CBK also 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 6.0 bn for the 91-Day T-Bill, implying a subscription rate of 149.7%. It accepted bids worth KES 5.7 bn at an average yield of 15.823% (+2.0 bps w/w).

The 182-Day T-Bill received bids worth KES 6.9bn, implying a performance rate of 69.33%. It accepted bids worth KES 6.9bn at an average yield of 16.460% (-0.7 bps w/w).

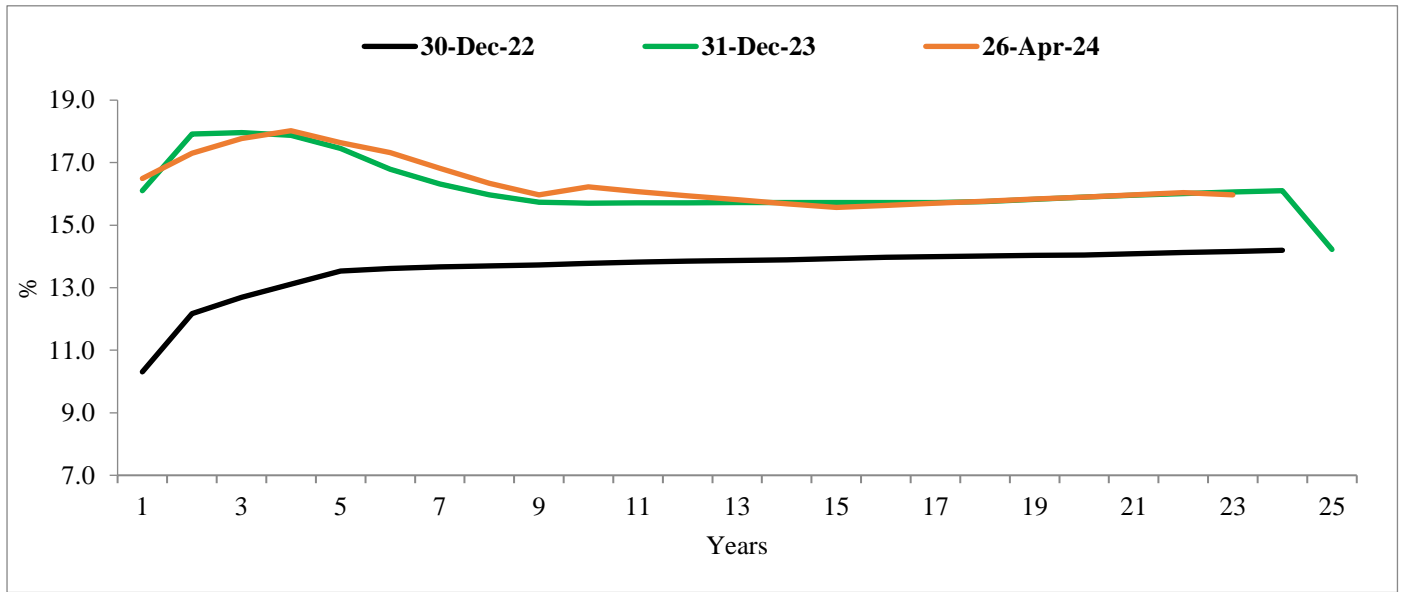
The 364-Day T-Bill received bids worth KES 10.6bn, implying a performance rate of 106.4%. It accepted bids worth KES 10.6bn at an average yield of 16.492% (-1.6 bps w/w).

### T-Bills Performance rates decrease for the second week straight



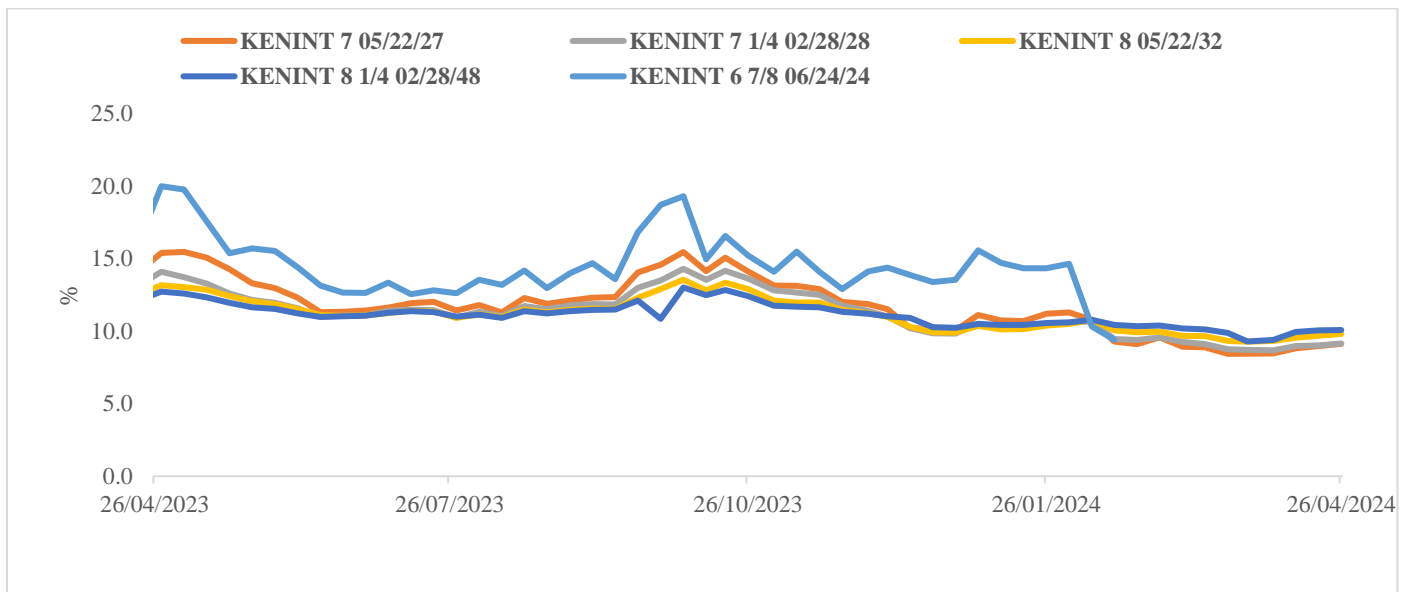
Source: CBK

### Kenya Domestic Yield Curve



Source: CBK

### Kenya Eurobond Yields



Source: Bloomberg

## Top counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Market <sup>1</sup> cap (USD m)	Weighting	EPS	DPS	NAV	P/E ratio x	Div yld %	P/B ratio x	ROE %	Daily Trading <sup>1</sup> vol (USD)
Safaricom	Telecom	Mar	19.70	11.65	16.30	17.3	4,893	28.5%	1.55	1.20	4.7	10.5	7.4	3.5	33.2	1,053,793
Equity Bank	Banking	Dec	49.20	33.65	43.05	27.9	1,217	7.1%	12.22	4.00	48.7	3.5	9.3	0.9	25.1	735,670
EA Breweries	Breweries	Jun	167.00	100.00	155.25	36.2	920	5.4%	12.47	5.50	27.1	12.4	3.5	5.7	46.1	8,026
Co-op Bank	Banking	Dec	15.05	10.20	14.00	22.8	615	3.6%	3.98	1.50	18.4	3.5	10.7	0.8	21.6	64,010
NCBA Bank	Banking	Dec	45.20	30.70	44.05	13.1	544	3.2%	9.48	3.00	53.7	4.6	6.8	0.8	17.6	14,336
Absa Bank	Banking	Dec	14.20	10.10	13.35	16.6	543	3.2%	2.98	1.55	12.0	4.5	11.6	1.1	24.8	48,258
KCB Bank	Banking	Dec	34.10	15.75	30.15	37.7	726	4.2%	12.47	-	68.1	2.4	-	0.4	18.3	452,986
StanChart Bank	Banking	Dec	201.25	135.25	172.00	6.2	487	2.8%	34.62	29.00	158.0	5.0	16.9	1.1	21.9	31,047
Stanbic Bank	Banking	Dec	130.00	97.25	117.25	7.8	347	2.0%	28.71	15.35	140.8	4.1	13.1	0.8	20.4	28,576
BAT Kenya	Tobacco	Dec	477.25	401.25	409.75	0.6	307	1.8%	55.68	50.00	163.8	7.4	12.2	2.5	34.0	1,558
BK Group	Banking	Dec	37.00	29.65	35.00	-2.2	235	1.4%	7.55	3.28	46.8	4.6	9.4	0.7	16.1	25,935
I&M Holdings	Banking	Dec	22.65	15.85	17.25	-1.4	214	1.2%	7.35	2.55	47.8	2.3	14.8	0.4	15.4	20,436
Umeme Ltd.	Power	Dec	17.75	9.98	15.45	-3.4	188	1.1%	3.03	2.12	20.7	5.1	13.7	0.7	14.7	36,420
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	163	0.9%	(2.79)	-	(14.7)	-	-	-	-	-
Bamburi Cement	Cement	Dec	47.55	22.50	46.55	29.8	127	0.7%	2.15	5.47	82.1	21.7	11.8	0.6	2.6	-
KenGen	Power	Jun	2.52	1.96	2.21	10.0	109	0.6%	0.76	0.30	41.6	2.9	13.6	0.1	1.8	36,420
Jubilee Insurance	Insurance	Dec	200.00	170.00	182.75	-1.2	99	0.6%	68.38	14.00	613.8	2.7	7.7	0.3	11.1	1,031
DTB Bank	Banking	Dec	55.75	44.05	50.00	11.0	105	0.6%	22.56	6.00	256.8	2.2	12.0	0.2	8.8	14,316
Britam	Insurance	Dec	5.76	4.05	5.64	17.7	107	0.6%	0.53	-	9.2	10.7	-	0.6	5.7	1,031
Total Oil	Oil	Dec	22.00	15.80	19.45	8.1	92	0.5%	3.88	1.31	48.0	5.0	6.7	0.4	8.1	496
Kakuzi	Agric	Dec	430.00	351.00	372.00	-3.4	55	0.3%	43.15	24.00	303.5	8.6	6.5	1.2	14.2	170
CIC Insurance	Insurance	Dec	2.52	1.68	2.28	1.8	45	0.3%	0.42	0.13	3.3	5.5	5.7	0.7	12.8	84,729
Centum Investment	Finance	Mar	9.50	7.88	8.84	5.2	44	0.3%	(8.95)	0.60	55.8	-	6.8	0.2	(16.1)	4,078
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	40	0.2%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	44.80	34.20	38.90	9.1	41	0.2%	5.13	4.00	24.1	7.6	10.3	1.6	21.3	24,927
Kenya Re	Insurance	Dec	2.21	1.70	1.94	3.2	41	0.2%	1.17	0.10	13.4	1.7	5.2	0.1	8.7	4,865
Sasini Tea & Coffee	Agric	Sept	31.40	18.20	20.00	0.0	34	0.2%	3.82	1.00	61.7	5.2	5.0	0.3	6.2	4,771
Carbacid	Gases	July	17.55	12.50	16.55	10.3	32	0.2%	2.98	0.70	13.6	5.6	4.2	1.2	21.9	3,629
Nation Media	Media	Dec	21.60	15.35	20.00	-0.2	29	0.2%	16.74	1.49	43.1	1.2	7.4	0.5	38.9	8,147
Kenya Power	Power	Jun	1.86	1.35	1.59	12.0	23	0.1%	(1.64)	-	29.1	-	-	0.1	(5.6)	22,505
TPSEA Serena	Tourism	Dec	20.05	11.00	18.15	10.3	25	0.1%	(3.47)	-	33.3	-	-	0.5	(10.4)	1,536
Liberty K. Holdings	Insurance	Dec	5.54	3.45	5.26	42.5	21	0.1%	0.15	-	15.9	34.4	-	0.3	1.0	84,729
BOC Kenya	Gases	Dec	90.25	67.00	67.00	-18.3	10	0.1%	7.58	5.95	85.1	8.8	8.9	0.8	8.9	1,558
NSE	Finance	Dec	6.62	5.52	6.00	-0.3	12	0.1%	0.05	0.20	7.1	113.5	3.3	0.8	0.7	1,425
Housing Finance	Banking	Dec	5.10	3.25	4.10	17.8	12	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	2,004
Unga Ltd	Food	Jun	23.00	13.70	14.60	-13.4	8	0.0%	2.48	-	58.3	5.9	-	0.3	4.2	-
Sanlam Kenya	Insurance	Dec	8.60	5.60	6.60	10.0	7	0.0%	(3.77)	-	3.9	-	-	1.7	(97.1)	84,729
Car & Gen	Motors	Sept	41.50	21.30	27.00	8.0	8	0.0%	26.33	3.20	135.8	1.0	11.9	0.2	19.4	53
Limuru Tea	Agric	Dec	430.00	380.00	380.00	0.0	7	0.0%	4.73	1.00	80.9	80.4	0.3	4.7	5.8	19
WPP Scangroup	Media	Dec	3.18	1.99	2.02	-7.3	7	0.0%	(0.30)	-	11.9	-	-	0.2	(2.5)	1,008
EA Portland	Cement	Jun	9.40	5.32	6.66	-16.8	4	0.0%	6.02	-	239.8	1.1	-	0.0	2.5	1,019
Standard Newspapers	Media	Dec	9.80	5.10	7.00	-9.6	4	0.0%	(10.05)	-	0.4	-	-	15.9	(2,284)	26
Longhorn	Publishing	Jun	2.93	2.01	2.30	-4.6	5	0.0%	0.62	-	2.8	3.7	-	0.8	22.2	69
TransCentury	Finance	Dec	1.00	0.40	0.66	26.9	2	0.0%	(6.72)	-	(9.5)	-	-	-	-	4,078
<b>Average</b>												<b>5.5</b>	<b>5.8</b>	<b>1.6</b>	<b>18.5</b>	<b>3,375,818</b>

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