

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.27	18.05	84.3%	BUY
Equity bank	54.37	48.50	12.1%	HOLD
KCB bank	74.22	44.75	65.9%	BUY
Co-op bank	18.33	16.90	8.5%	HOLD
ABSA bank	11.52	19.30	-40.3%	SELL
StanChart bank	245.66	309.00	-20.5%	SELL
NCBA bank	40.63	51.75	-21.5%	SELL
I&M bank	38.37	36.05	6.4%	HOLD
Stanbic bank	118.55	166.50	-28.8%	SELL
DTB bank	109.36	80.50	35.9%	BUY
EABL	341.24	189.75	79.8%	BUY
BAT Kenya	411.34	375.50	9.5%	HOLD

Kenya Market Summary

Equity market commentary and outlook

- During the week, Stanbic Bank released their FY24 results, and declared a final dividend of KES 18.90. Safaricom touched a four-week low on reduced foreign demand. Local investors led trading for the week at 62.4%, and foreign investors remained net sellers at USD 4.7m (KES 608.1m). Safaricom had the highest net foreign outflows at USD 2.5m (KES 316.8m) while EABL registered the highest net foreign inflows for the week at USD 49.5k (KES 6.4m).

Debt market commentary and outlook

- Total subscription rates improved for the second week straight to 210.7% from 152.3% the preceding week. Investors remained skewed towards the 91-Day T-Bill and activity improved for all the T-Bills. The yield on all three T-Bills fell, with that of the 91-Day T-Bill declining for the thirty-third week, the 182-Day T-Bill maintaining a seven-week decline and the 364-Day T-Bill falling repeatedly for the fifth week.

Key Market Indicators

Index	Level	1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	2,337.9	40.8%	38.4%	54.4%	62.0%	52.4%	16.3%
Kenya NASI	133.7	27.7%	25.4%	44.1%	55.9%	29.8%	8.3%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	1.4%	1.9%	12.6%	8.8%	20.5%	-30.5%
Johannesburg Index	5.2%	-3.0%	-1.6%	6.0%	15.7%	-12.8%
Nigeria Stock Exchange	-2.1%	1.8%	12.5%	4.6%	-5.6%	-5.4%
Ghana Stock Exchange	6.6%	7.6%	6.4%	15.3%	6.2%	-21.6%
Egyptian Stock Exchange	1.1%	1.2%	-3.3%	-3.7%	1.0%	7.1%
MSCI EFM ex SA Index	1.9%	1.8%	1.6%	0.4%	3.6%	-3.7%

Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	129.20	0.0%	-0.1%	0.0%	-0.1%	7.8%	0.0%
USD/ZAR	18.24	2.4%	0.9%	-1.2%	-2.2%	2.6%	2.6%
USD/EGP	50.68	-0.1%	-0.8%	-1.4%	-4.6%	-2.6%	0.2%
USD/NGN	1515.00	-1.0%	-1.1%	4.0%	5.8%	5.0%	1.9%
USD/GHS	15.50	0.0%	-0.3%	-4.4%	1.1%	-21.1%	-5.4%

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	810.5	-316.8	62.9%	0.6%	5.9%	-6.5%	33.7%
KCB Bank	526.8	-172.4	33.2%	-0.4%	7.6%	-2.3%	118.3%
Equity Bank	304.5	-43.3	18.9%	-0.4%	0.4%	-3.0%	26.0%
I&M Bank	219.4	-0.2	0.0%	0.3%	-0.6%	-1.4%	110.2%
BK Group	141.7	-1.0	99.6%	3.3%	14.1%	0.0%	23.2%

Stanbic Bank FY24 Results

Stanbic Bank published its FY24 results. **Reported EPS: KES 34.70, +12.8% y/y**, driven by higher interest income, cost control and lower loan loss provisions. However, reduced fee income due to the absence of significant advisory fees seen in 2023 and lower FX income because of thinner spreads, weighed on the income.

Overall, earnings came in 28.9% ahead of estimates on account of better-than-expected net interest income and lower-than-expected loan loss provisions. The Board of Directors recommended a **final DPS of KES 18.90**, in addition to the **interim DPS of KES 1.84**. The final dividend book closure is set for 16th May 2025.

Summary Performance Table

	Reported	Forecast	Variance
NIM	5.9%	4.6%	1.3%
NIR growth	-5.1%	-11.7%	6.6%
NFI mix	38.8%	36.5%	2.3%
NFI growth	-1.7%	-17.0%	15.3%
CoR	1.4%	1.7%	-0.3%
CTI	44.5%	44.3%	0.2%
OpEx Growth	-1.8%	-12.2%	10.4%
EPS	34.70	26.92	28.9%
DPS	20.74	13.43	54.4%
Net Loan growth	-12.0%	-5.4%	-6.6%
Deposit growth	-1.0%	10.3%	-9.3%
NPL Ratio	8.9%	9.7%	-0.8%
NPL Coverage*	70.8%	71.0%	-0.2%
ROE	19.0%	17.6%	1.4%

*CBK Coverage

What stood out for us?

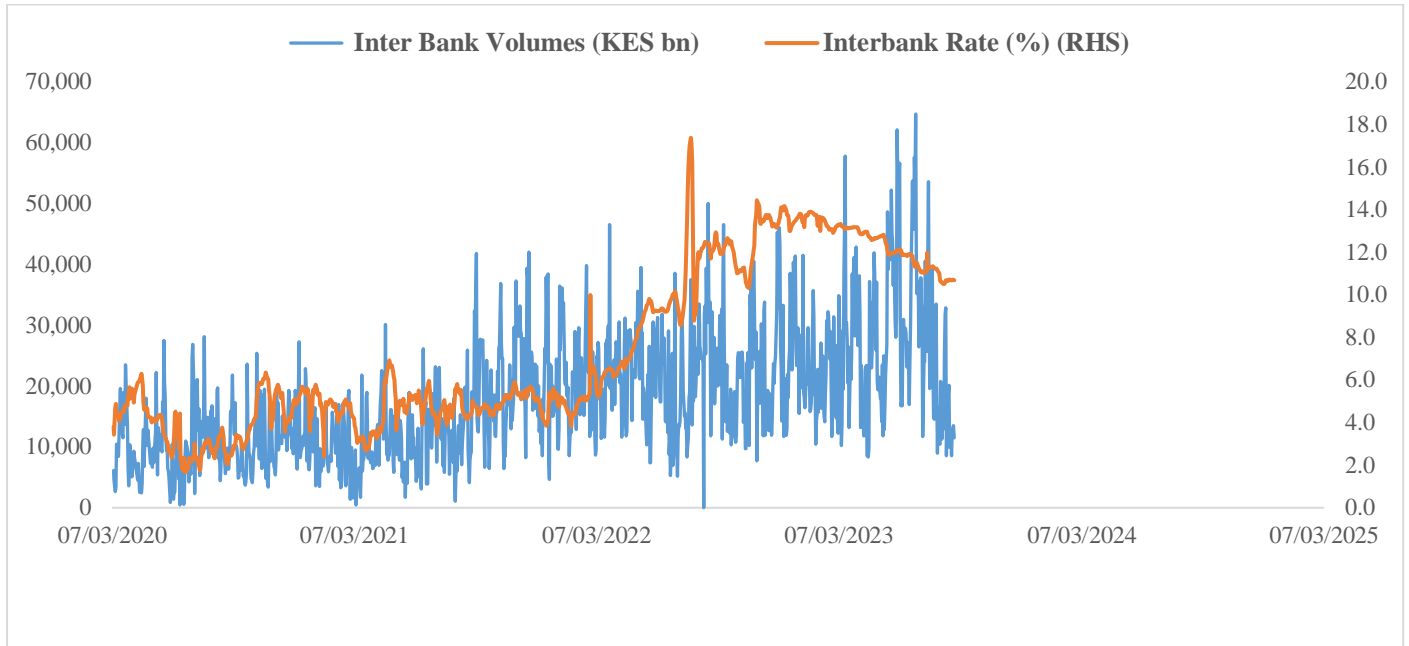
- **Better net interest margins:** net interest margins came in higher than our forecasts as the rise in asset yields more than offset the increase in the cost of funds. Asset yields settled at 13.1% (+190bps) while cost of funds ended at 7.2% (+60bps). We believe enhanced asset yields arose from higher market rates and extension of short-term credit facilities.
- **Lower-than-cost of risk:** loan loss provisions declined 50.3% y/y, below our projections by 25.3%. We had assumed the elevated credit would necessitate higher loan loss provisions. However, credit recoveries and appreciation of KES aided in lowering the credit losses. Management guided for cost of risk levels of 1.8%-2.0%. In addition, management is targeting NPL ratio figures of below 9%.

Impact to our investment thesis

- Going forward, we largely expect to adjust upwards our NIMs estimates and cost of risk in line with management guidance. Stanbic bank is currently trading at a P/B of 0.9x and a dividend yield of 12.4%. So far, Stanbic stock's price of KES 168.00 has outperformed our estimate of fair value of 125.24 by 34.1%.

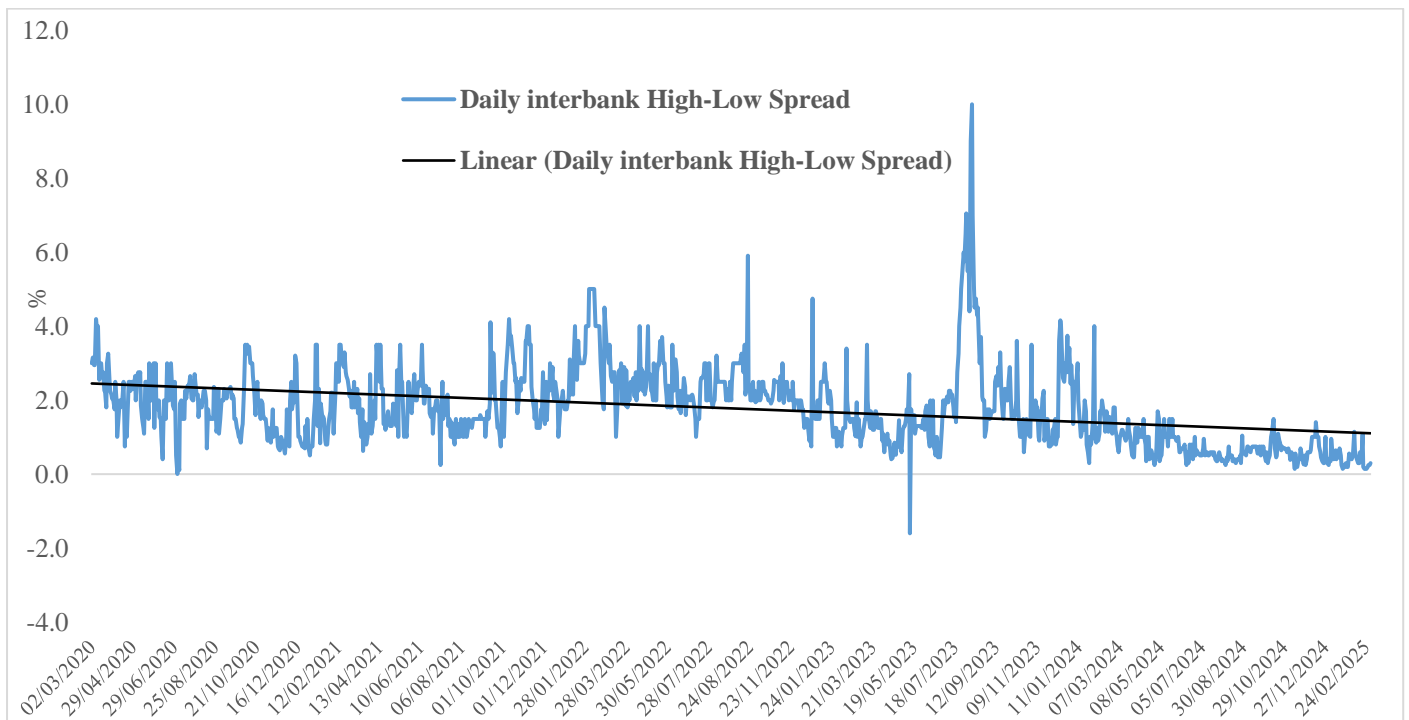
Key Rates and Spreads

Inter-bank Rates sustain a three-week gaining streak.



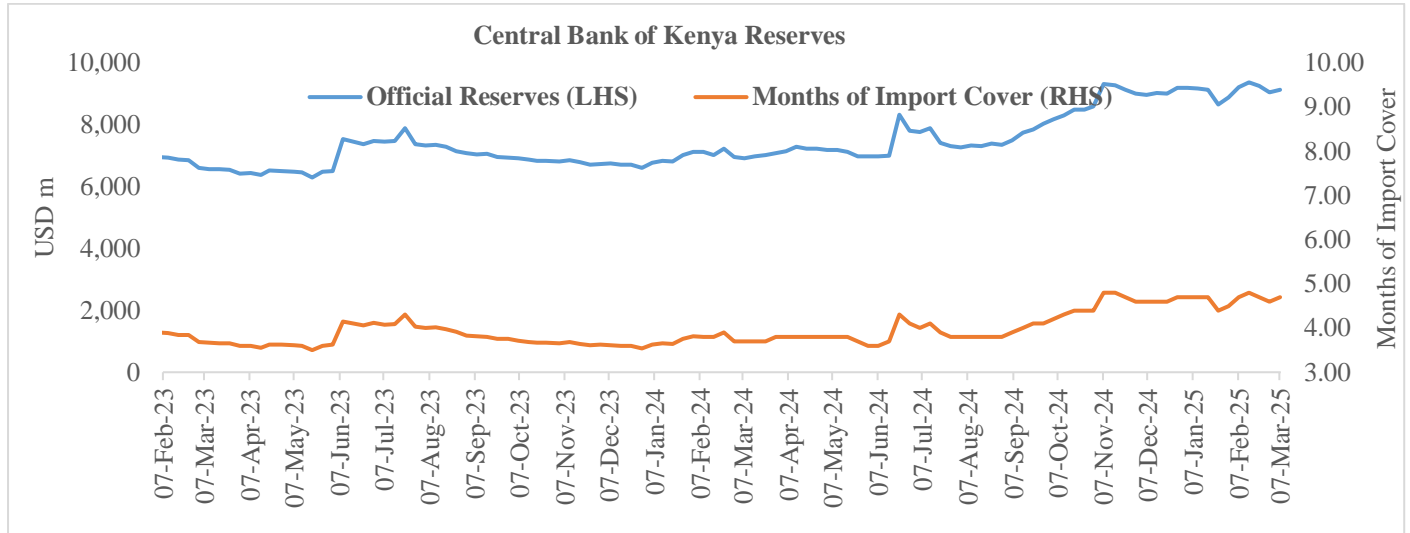
Source: CBK

Interbank spreads narrow week-on-week.



Source: CBK

Months of import cover and CBK FX improve week-on-week

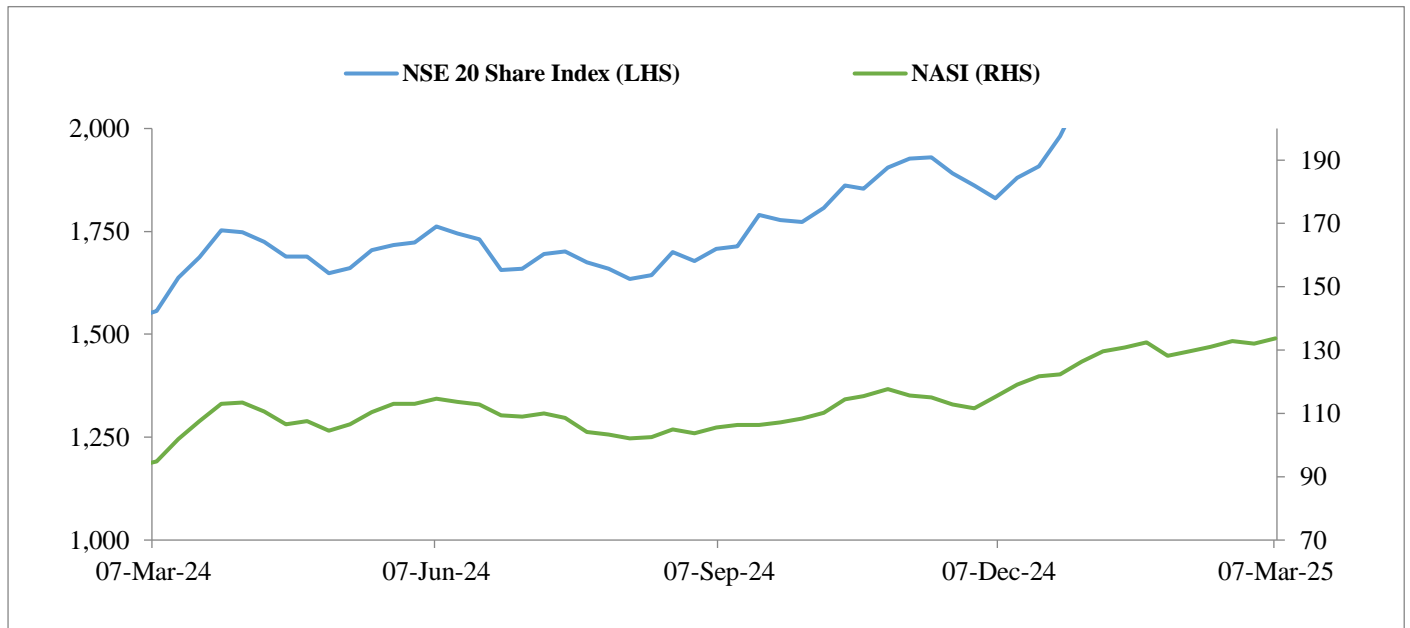


Source: CBK

Equity market trading commentary

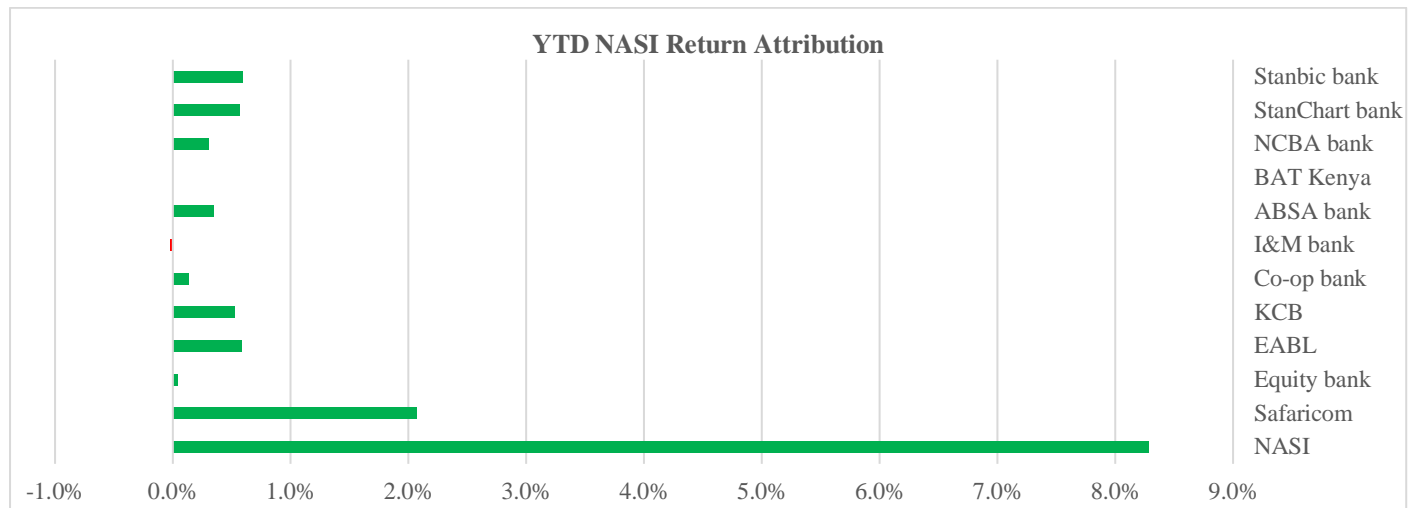
Total market turnover grew by 37.9%, settling at USD 19.3m (KES 2.5bn). The NASI recovered 1.2% to end at 133.71, three-week as the NSE-20 gained 1.6%, closing the week at 2337.85, sustaining a five-week gaining streak. Local investors led trading for the week at 62.4%, and foreign investors remained net sellers at USD 4.7m (KES 608.1m). Safaricom had the highest net foreign outflows at USD 2.5m (KES 316.8m) while EABL registered the highest net foreign inflows for the week at USD 49.5k (KES 6.4m).

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

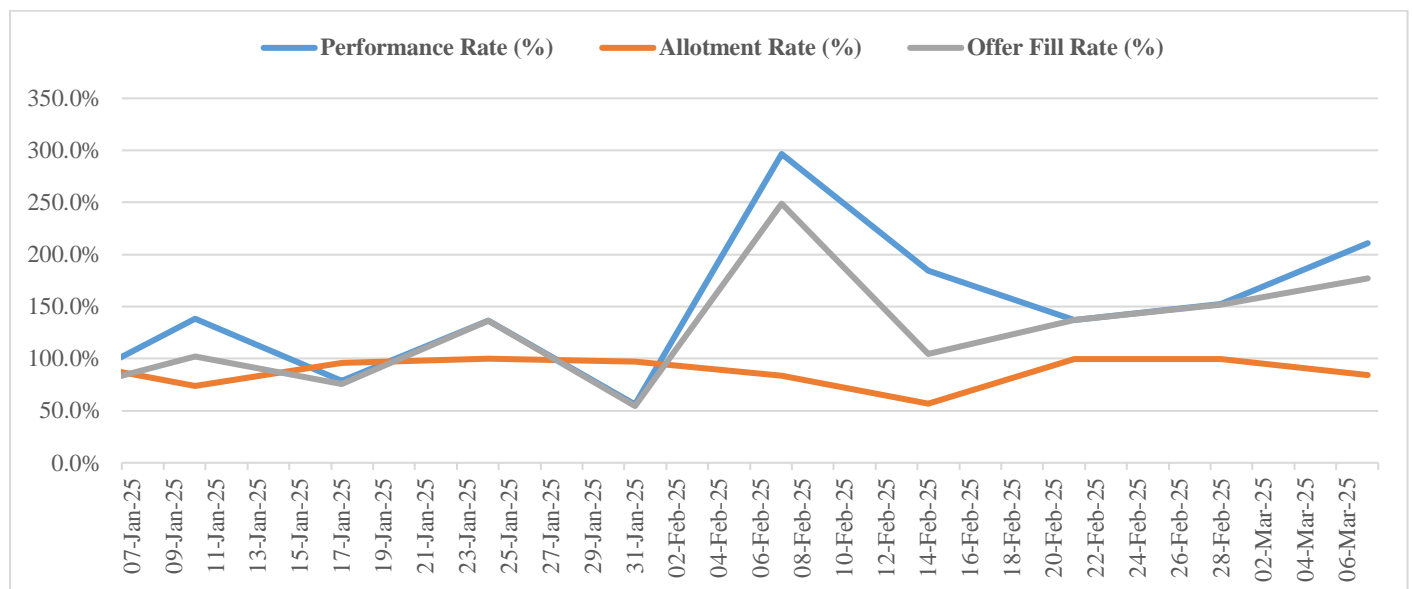
Total subscription rates improved for the second week straight to 210.7% from 152.3% the previous week. Investors remained skewed towards the 91-Day T-Bill and activity improved for all the T-Bills. The yield on all three T-Bills fell, with that of the 91-Day T-Bill declining for the thirty-third week, the 182-Day T-Bill maintaining a seven-week decline and the 364-Day T-Bill falling repeatedly for the fifth 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 24.0bn for the 91-Day T-Bill, implying a subscription rate of 598.75%. It accepted bids worth KES 23.9bn at an average yield of 8.923% (-1.41bps w/w).

The 182-Day T-Bill received bids worth KES 12.4bn, implying a performance rate of 124.40%. It accepted bids worth KES 7.2bn at an average yield of 9.151% (-8.9 bps w/w).

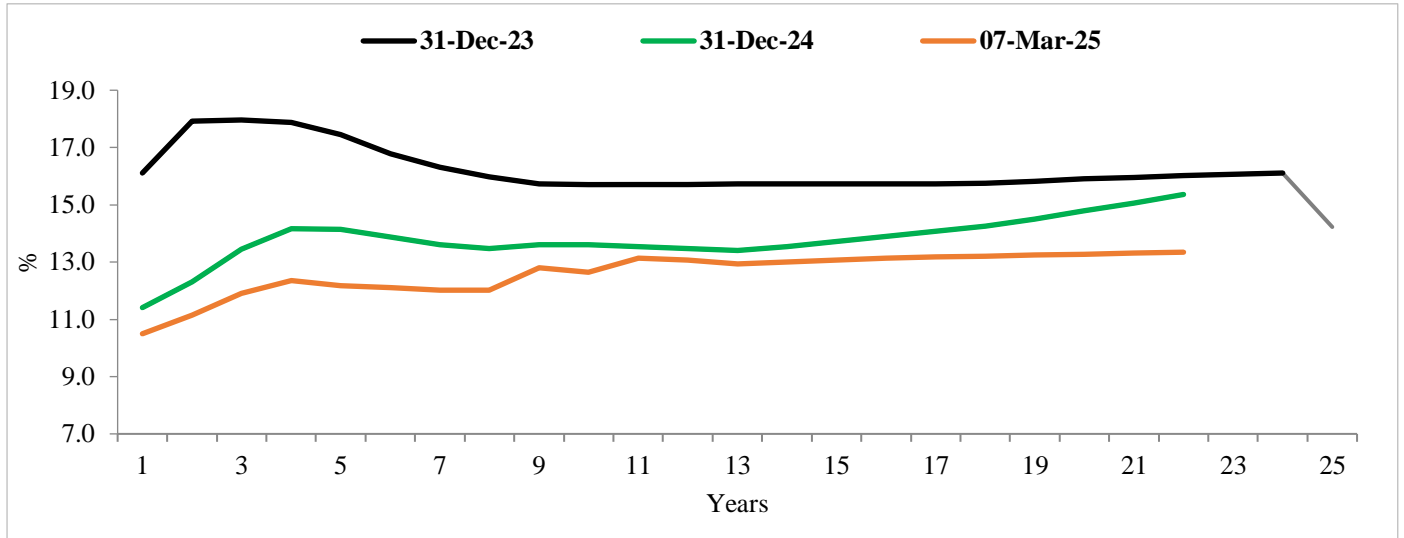
The 364-Day T-Bill received bids worth KES 14.2bn, implying a performance rate of 141.69%. It accepted bids worth KES 11.4bn at an average yield of 10.497% (-0.34 bps w/w).

T-Bills Performance rates



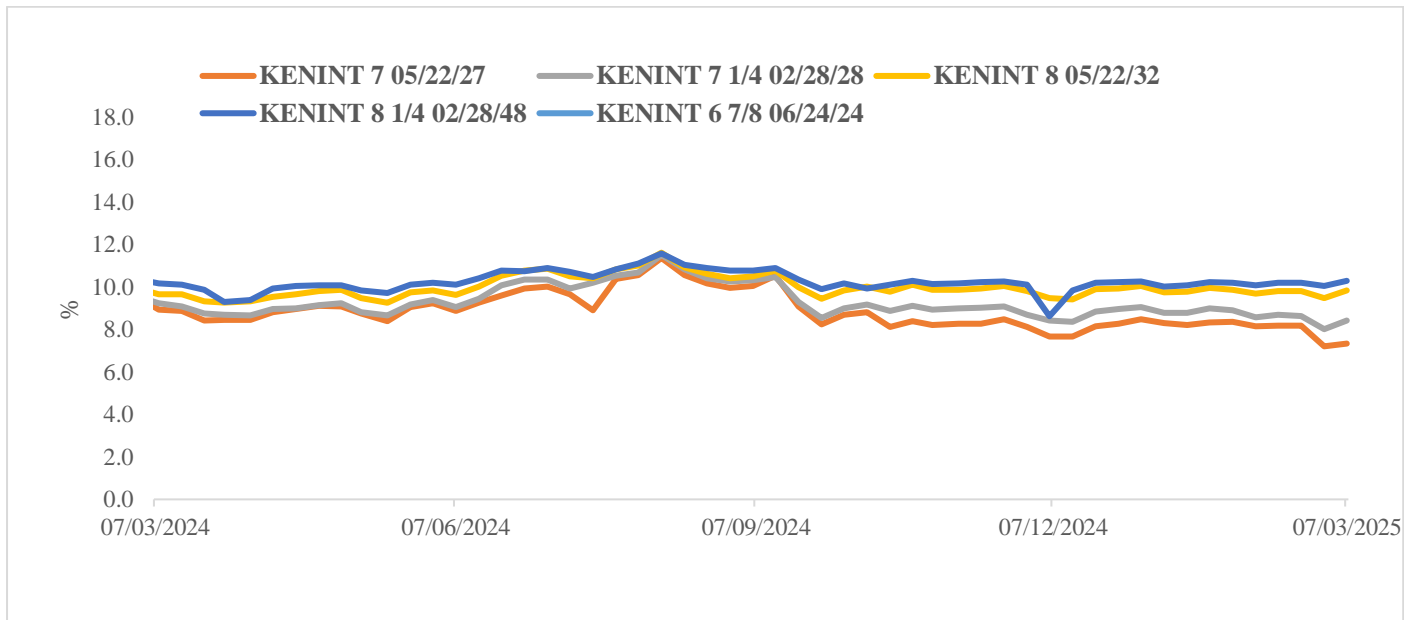
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields increase across all tenors



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Market ¹ cap (USD m)	Weighting	EPS	DPS	NAV	P/E ratio x	Div yld %	P/B ratio x	ROE %	Daily Trading ¹ vol (USD)
Safaricom	Telecom	Mar	19.30	13.50	18.05	5.9	5,596	34.3%	1.06	1.20	4.7	17.0	6.6	3.9	22.7	1,136,507
Equity Bank	Banking	Dec	50.00	38.50	48.50	0.4	1,416	8.7%	20.58	4.00	48.7	2.4	8.2	1.0	42.2	295,883
EA Breweries	Breweries	Jun	199.75	105.00	189.75	8.1	1,161	7.1%	15.46	7.50	27.1	12.3	4.0	7.0	57.1	165,461
Co-op Bank	Banking	Dec	17.80	12.00	16.90	2.7	767	4.7%	6.91	1.50	18.4	2.4	8.9	0.9	37.5	68,988
NCBA Bank	Banking	Dec	54.00	37.55	51.75	7.4	660	4.0%	13.30	3.00	53.7	3.9	5.8	1.0	24.8	27,880
Absa Bank	Banking	Dec	19.30	11.95	19.30	6.9	811	5.0%	3.46	1.55	12.0	5.6	8.0	1.6	28.8	104,536
KCB Bank	Banking	Dec	45.80	20.50	44.75	7.6	1,113	6.8%	15.79	1.50	68.1	2.8	3.4	0.7	23.2	562,517
StanChart Bank	Banking	Dec	309.50	161.25	309.00	10.5	903	5.5%	38.05	37.00	158.0	8.1	12.0	2.0	24.1	70,416
Stanbic Bank	Banking	Dec	168.50	108.75	166.50	21.3	509	3.1%	34.69	15.00	140.8	4.8	9.0	1.2	24.6	76,731
BAT Kenya	Tobacco	Dec	416.75	331.75	375.50	-0.1	291	1.8%	44.83	54.02	163.8	8.4	14.4	2.3	27.4	50,199
BK Group	Banking	Dec	37.15	30.15	37.15	14.1	258	1.6%	10.26	3.28	46.8	3.6	8.8	0.8	21.9	30,597
I&M Holdings	Banking	Dec	36.55	17.15	36.05	-0.6	485	3.0%	8.06	3.85	45.5	4.5	10.7	0.8	17.7	61,341
Umeme Ltd.	Power	Dec	17.45	13.35	17.00	1.5	214	1.3%	0.26	0.92	22.0	65.0	5.4	0.8	1.2	5,591
Kenya Airways	Airlines	Dec	8.50	3.83	5.46	42.6	240	1.5%	2.63	-	(14.7)	2.1	-	-	-	18,414
Bamburi Cement	Cement	Dec	82.00	41.15	56.50	2.7	159	1.0%	(0.28)	5.47	82.1	-	98.6	0.1	(0.3)	2,303,938
KenGen	Power	Jun	5.26	1.99	5.18	42.3	264	1.6%	1.03	0.65	41.6	5.0	12.5	0.1	2.5	56,828
Jubilee Insurance	Insurance	Dec	214.25	150.00	210.00	21.0	118	0.7%	67.32	12.00	613.8	3.1	5.7	0.3	11.0	29,051
DTB Bank	Banking	Dec	82.75	43.25	80.50	16.7	174	1.1%	29.76	6.00	256.8	2.7	7.5	0.3	11.6	41,125
Britam	Insurance	Dec	8.54	4.48	7.82	34.8	153	0.9%	1.45	-	9.2	5.4	-	0.8	15.6	27,864
Total Oil	Oil	Dec	24.00	16.90	23.10	15.5	113	0.7%	5.12	1.92	48.0	4.5	8.3	0.5	10.7	1,674
Kakuzi	Agric	Dec	440.00	353.50	410.00	6.5	62	0.4%	34.98	24.00	303.5	11.7	5.9	1.4	11.5	273
CIC Insurance	Insurance	Dec	3.04	1.98	3.04	41.4	62	0.4%	0.55	-	3.3	5.5	-	0.9	16.9	4,647
Centum Investment	Finance	Mar	15.65	7.88	15.55	57.4	80	0.5%	(8.95)	0.32	55.8	-	2.1	0.3	(16.1)	10,868
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	41	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	40.05	29.50	31.10	-5.5	34	0.2%	(0.47)	4.00	24.1	-	7.1	2.3	(2.0)	301
Kenya Re	Insurance	Dec	2.87	1.04	1.86	45.3	40	0.2%	1.78	0.30	13.4	1.0	16.1	0.1	13.2	46,970
Sasini Tea & Coffee	Agric	Sept	21.50	14.40	15.70	4.7	28	0.2%	3.11	0.50	61.7	5.1	3.2	0.3	5.0	2,229
Carbacid	Gases	July	24.10	15.90	20.70	-1.2	41	0.2%	4.01	1.70	13.6	5.2	8.2	1.5	29.4	8,323
Nation Media	Media	Dec	22.00	11.75	14.85	3.1	22	0.1%	(5.09)	-	43.1	-	-	0.3	(11.8)	2,634
Kenya Power	Power	Jun	7.56	1.50	6.74	40.1	102	0.6%	20.36	0.90	29.1	0.3	13.4	0.2	69.9	75,633
TPSEA Serena	Tourism	Dec	20.05	11.75	15.50	4.0	22	0.1%	8.08	-	33.3	1.9	-	0.5	24.3	622
Liberty K. Holdings	Insurance	Dec	8.00	4.81	7.88	18.0	33	0.2%	2.04	0.37	15.9	3.9	4.7	0.5	12.8	3,691
BOC Kenya	Gases	Dec	95.00	67.00	84.00	-5.4	13	0.1%	10.73	8.55	85.1	7.8	10.2	1.0	12.6	11,584
NSE	Finance	Dec	6.92	5.44	6.86	14.3	14	0.1%	0.21	0.16	7.1	32.5	2.3	1.0	3.0	8,415
Housing Finance	Banking	Dec	9.42	3.67	7.92	75.6	116	0.7%	0.25	-	4.2	31.6	-	1.9	6.0	82,156
Unga Ltd	Food	Jun	24.55	11.45	24.50	63.3	14	0.1%	(18.92)	-	58.3	-	-	0.4	(32.4)	270
Sanlam Kenya	Insurance	Dec	7.68	3.90	7.06	42.6	8	0.0%	2.27	-	3.9	3.1	-	1.8	58.6	379
Car & Gen	Motors	Sept	30.40	18.85	24.00	5.5	7	0.0%	(7.68)	-	135.8	-	-	0.2	(5.7)	503
Limuru Tea	Agric	Dec	380.00	299.00	300.00	-14.3	6	0.0%	0.11	1.00	80.9	-	0.3	3.7	0.1	280
WPP Scangroup	Media	Dec	3.87	1.90	3.25	31.0	11	0.1%	0.06	-	11.9	51.1	-	0.3	0.5	1,241
EA Portland	Cement	Jun	50.75	4.46	38.00	24.2	26	0.2%	(14.13)	-	239.8	-	-	0.0	(5.9)	1,260
Standard Newspapers	Media	Dec	7.00	4.51	6.02	19.9	4	0.0%	(10.05)	-	0.4	-	-	13.7	(2,284)	175
Longhorn	Publishing	Jun	3.46	2.02	2.88	25.2	6	0.0%	(2.45)	-	2.8	-	-	1.0	(88.1)	255
TransCentury	Finance	Dec	1.62	0.32	1.30	233.3	4	0.0%	(6.72)	-	(9.5)	-	-	-	-	5,139
Average												12.9	7.9	2.4	25.2	5,420,926

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