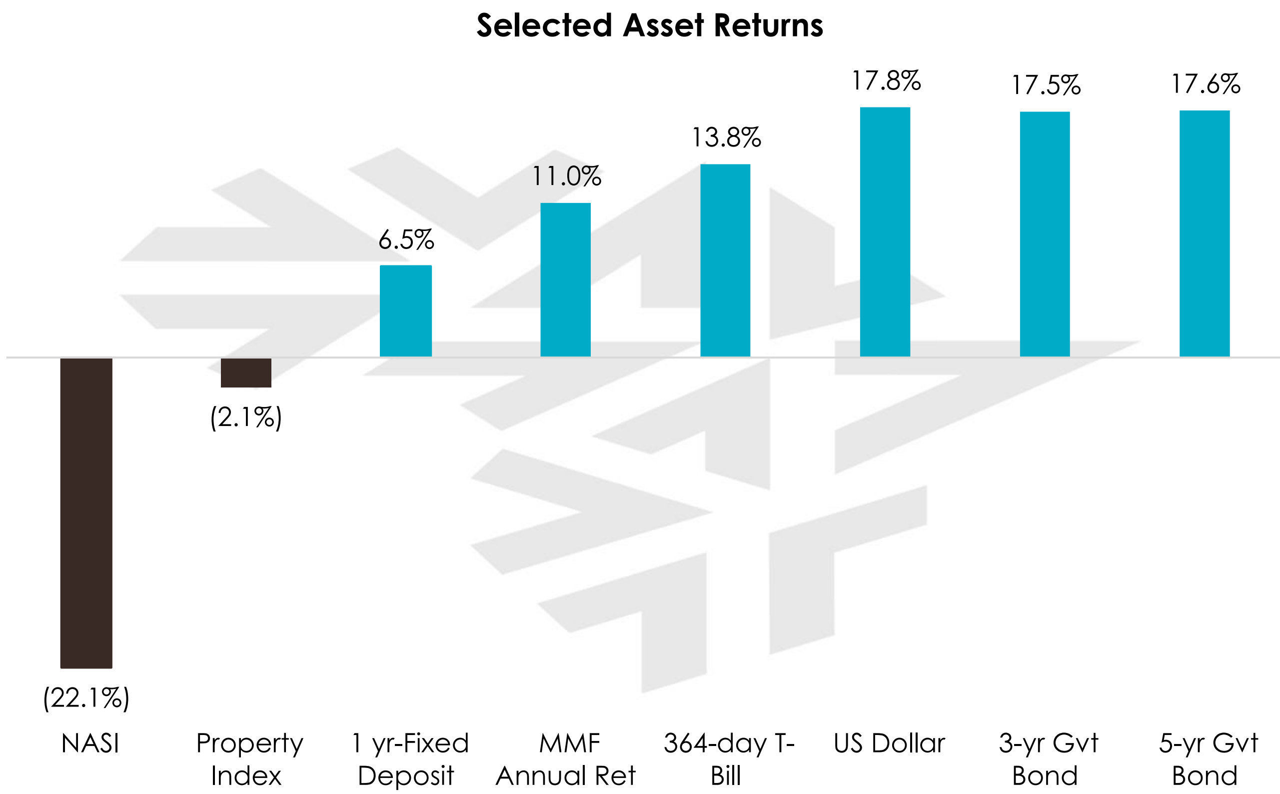
Asset Class Performance

This month, we take a deep dive into the investment returns recorded in 2023, from the various asset classes.



Source; CBK, Hass Consult, NSE, NCBA IB Research

Investment in short term government securities delivered the strongest returns to investors, outperforming Nairobi Securities Exchange listed equities.

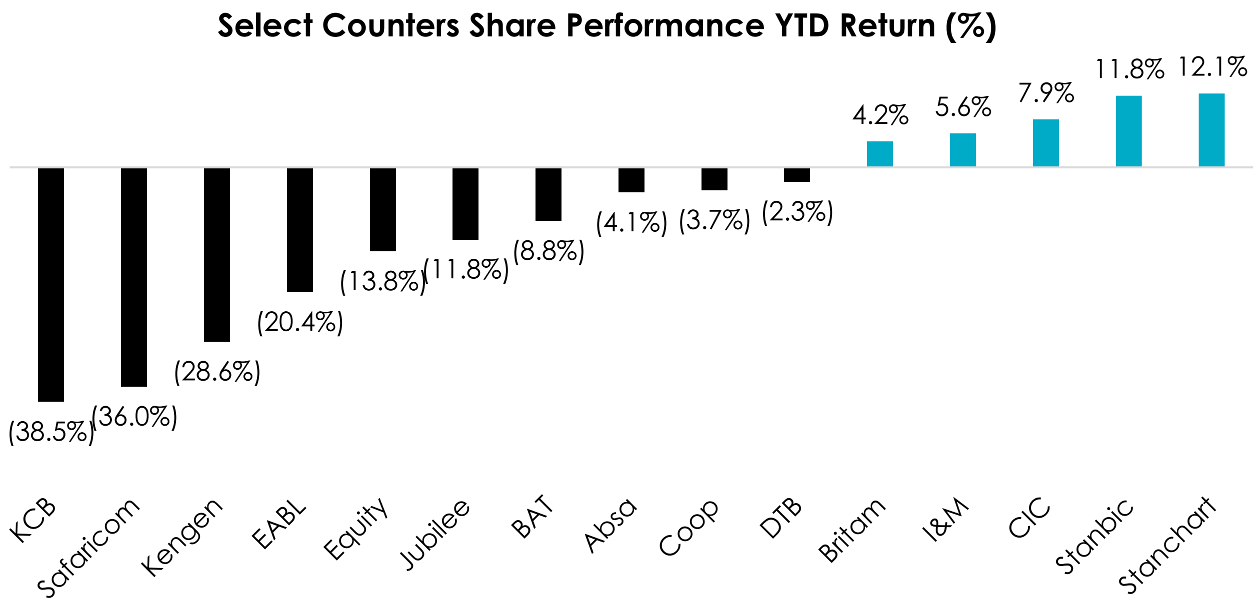
Government bonds auctioned this year averaged 13.64%, up from 12.83% in the corresponding period in 2022. T-Bills have surpassed the 14% mark from an average of 9.8% at the beginning of the year. We expect investors to have preference for short-term fixed income investments in Q32023.

The equities market has faced headwinds on the back of persistent foreign outflows in 1H2023, although on a lower scale compared to 1H2022.

Approximately 50% of listed stocks have lost value, with Safaricom recording a loss of ~36%. Stocks hit new 52- week lows with SCOM reaching a low of KES 12.70 during the period.

Banking sector stocks have showed resilience with Standard chartered leading with an ~14% return excluding dividend yield. This is attributable to impressive earnings posted as well as attractive dividends.

The graph below illustrates different stocks under our coverage and their respective performance:



Source: NSE, NCBA IB Research

Outlook

The market currently presents an investment opportunity. We believe that investors should reposition towards value stocks with strong earnings growth that are trading at discounts to their intrinsic value.

Looking ahead, we are cautiously optimistic about the potential return of foreign investors, driven by expected global stability and an improvement in local macro-economic conditions.

Opportunities

- **Re-balancing of portfolios:** A balanced portfolio is the best defense against a bear market. Diversification of a portfolio seeks to curb exposure to risk, prioritizing investment in companies with strong and well-capitalized balance sheets.

- **Dividend stocks:** Dividend-paying stocks are an efficient way to hedge the effects of a bear market while providing a steady stream of income to investors.

Threats

- **Macro-economic environment:** Further deterioration in macroeconomic factors, such as overall economic growth, inflation, and interest rates leading to a challenging investment environment.

FIXED INCOME

Currency:

The Kenya Shilling has maintained a gradual depreciation against the US dollar. The shilling shed an average of **13.22 cents** daily in the month of August 2023, compared to a daily average of **9.83 cents** in July 2023 pointing to persistent dollar demand outstripping supply.

KES depreciated against the Euro and the Sterling pound – a phenomenon attributable to policy rate hikes by the ECB and the Bank of England.

We expect KES to continue depreciating against major currencies owing to the widening interest rate differentials, reserve currency preference due to geopolitical risks and elevated import costs.

The table below highlights the KES movement against the respective foreign currencies:

Currency Performance			
Period	**USD/KES**	**EURO/KES**	**GBP/KES**
Aug-23	(3.0%)	(3.2%)	(2.5%)
Year to Date	(14.8%)	(18.8%)	(16.1%)

Interest rates:

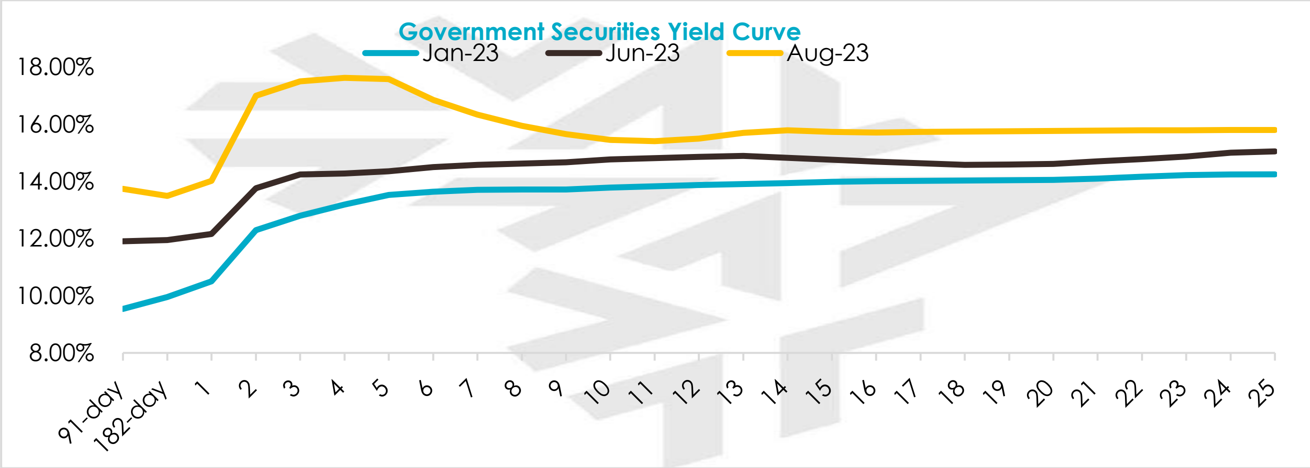
Yields on Treasury bills have gone up in August, surpassing the **14% mark** for the 364-day tenor. Treasury bills recorded high subscription rates during the month underpinning demand for short term papers. Investors' demand was concentrated on the 91-day paper as investors looked to mitigate duration risk.

Prevailing rates	August 2023	July 2023	M/M change (bps)
91 Day	13.733%	12.352%	138.12
182 Day	13.491%	12.392%	109.91
364 Day	14.014%	12.728%	128.60

Source: CBK, NCBA IB Research

The yields have been on an **upward trajectory** with investors demanding higher returns to cushion against duration and interest risks. There is also increased appetite for the domestic debt necessary to meet GOK's increased target for FY 23/24.

We expect the upward pressure on the yield curve to persist for the remainder of FY2023.



Source: CBK, NCBA IB Research

Liquidity conditions

Liquidity conditions in the interbank space tightened in the month of August'23. Indicatively, the overnight interbank rate rose by 165bps month on month to close at 12.40%. Moreover, the average daily traded volumes increased to KES 25.32Bn from KES 15.03Bn observed in the previous month.

Statistic	August 2023	July 2023	change (bps)
CBR	10.50%	10.50%	-
Inflation	6.70%	7.3%	(60.00)
Average Interbank Rate	12.04%	10.38%	166.00

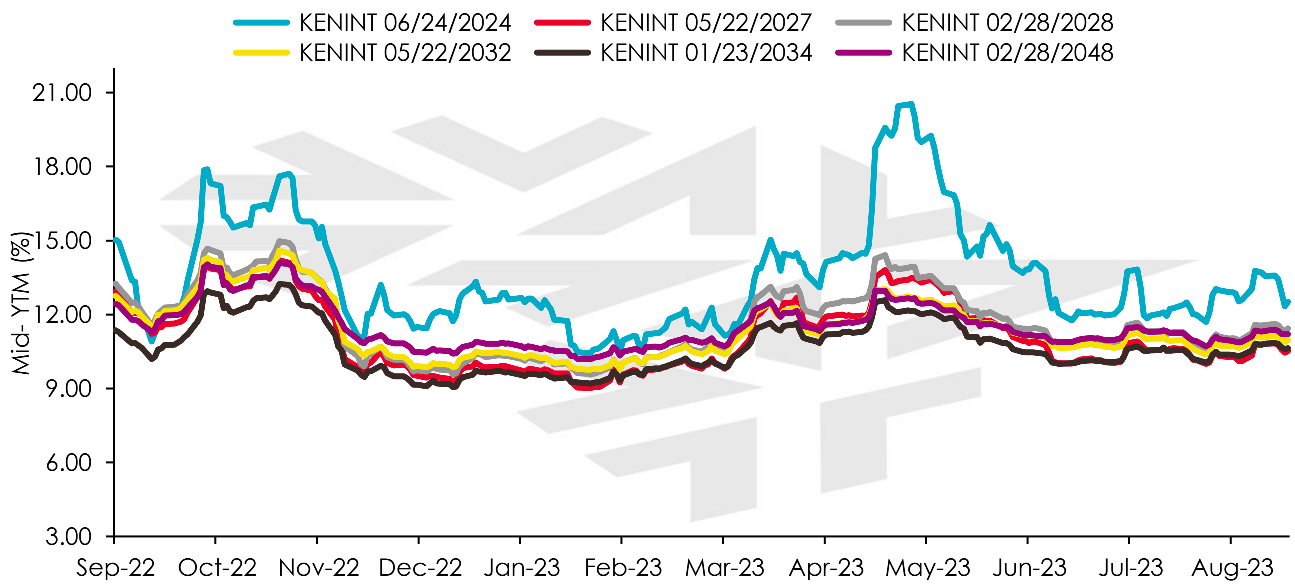
Source: CBK, KNBS, NCBA IB Research

Kenya International Debt:

Kenyan Eurobond yields edged upwards with the 10-year 2024 recording the highest increase. Below are the six Kenyan Eurobonds and the respective yields.

No.	Eurobond	Tenor (Years)	Coupon Rate	Current Yield
1	KENINT 06/24/2024	0.82	6.88%	13.98%
2	KENINT 05/22/2027	3.73	7.00%	12.09%
3	KENINT 02/28/2028	4.51	7.25%	11.72%
4	KENINT 05/22/2032	8.75	8.00%	11.46%
5	KENINT 01/23/2034	10.43	6.30%	11.00%
6	KENINT 02/28/2048	24.58	8.25%	11.35%

Source: Bloomberg, NCBA IB Research

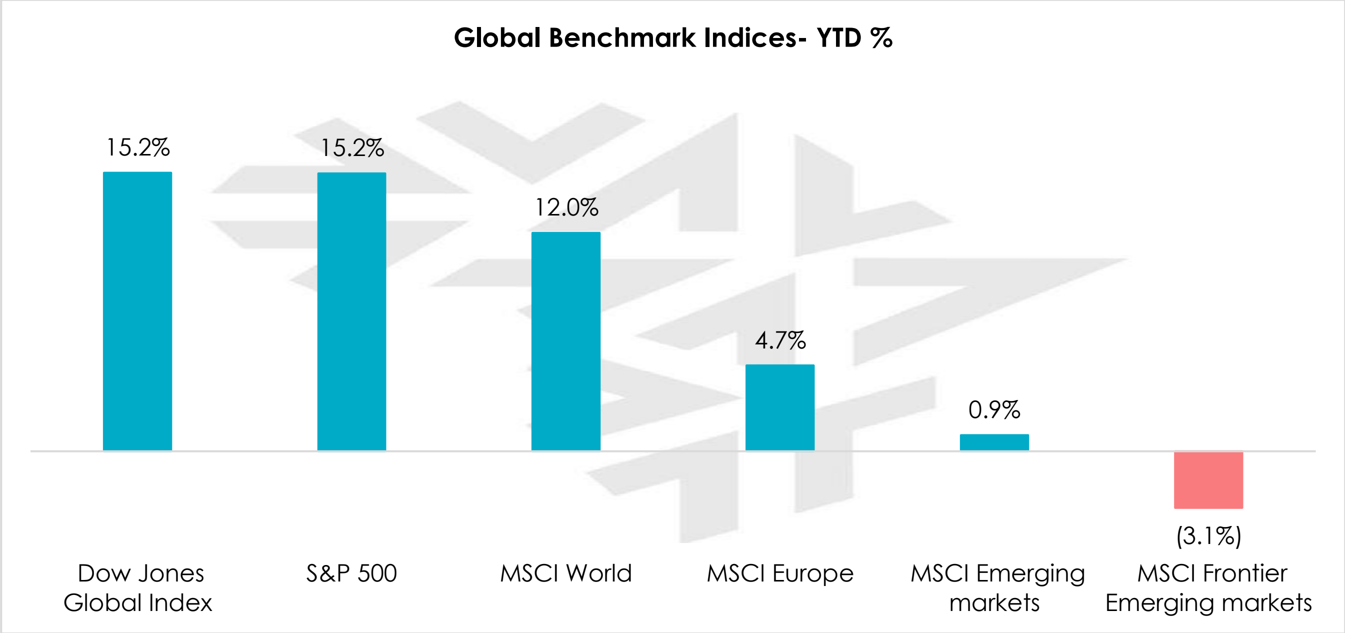


Source: Bloomberg, NCBA IB Research

EQUITIES

Global Markets performance

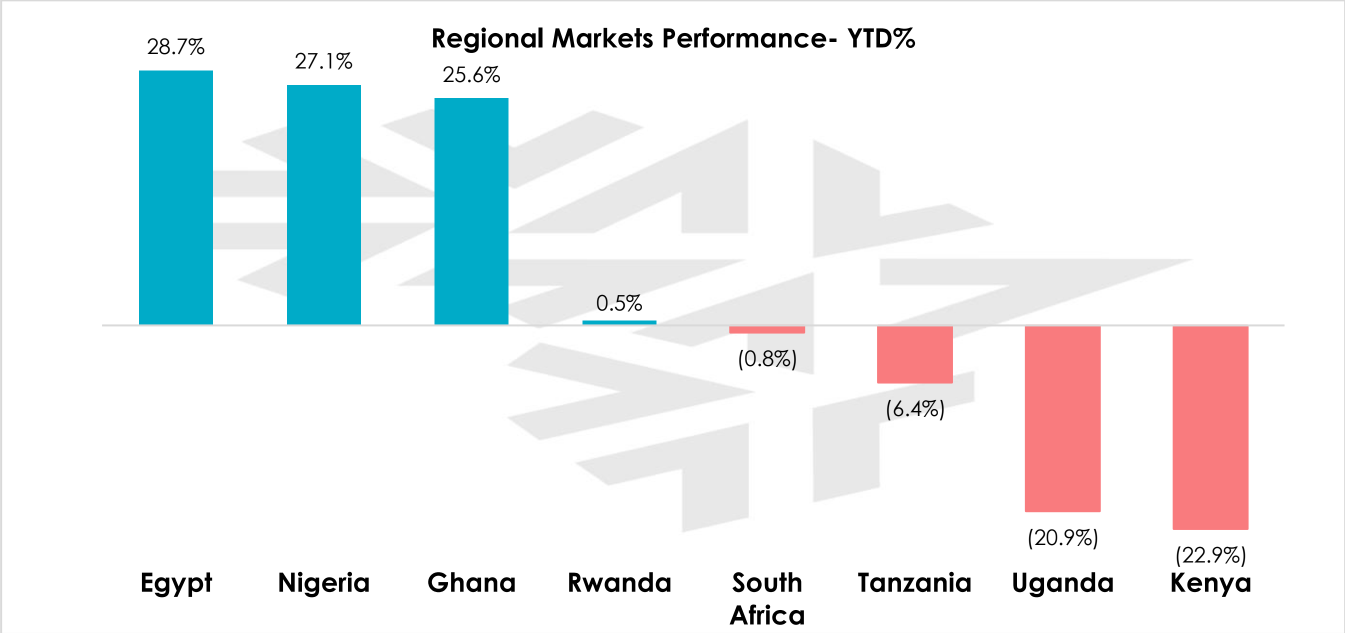
US equity indices were largely positive; hovering around year-to-date highs after investors' sentiment appeared to get a boost from a series of strong corporate earnings and positive economic readings, particularly on inflation.



Source: Bloomberg, NCBA IB Research

Regional Markets performance

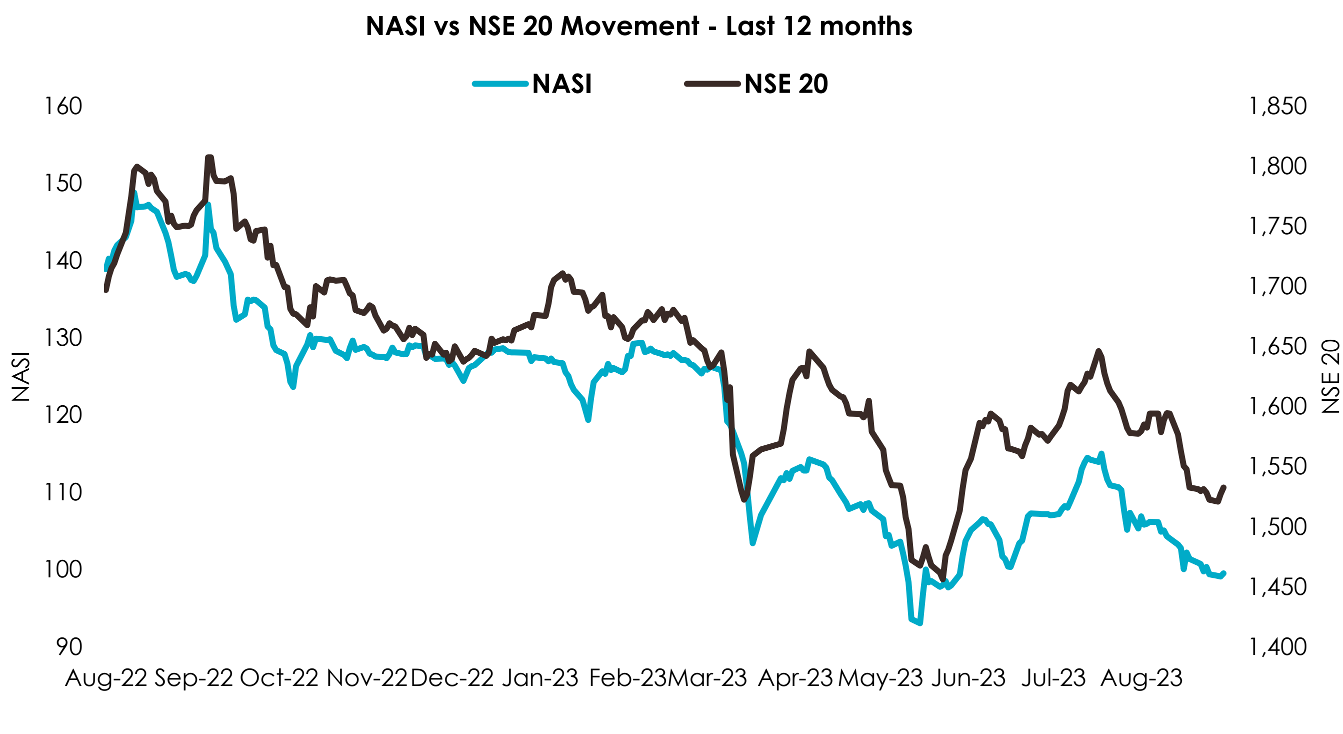
In comparison to peers, Kenya's stock market continues to be challenged by heightened volatility and foreign investors' flight credited to rate hikes by the Fed, BOE and ECB.



Source: Bloomberg, NCBA IB Research

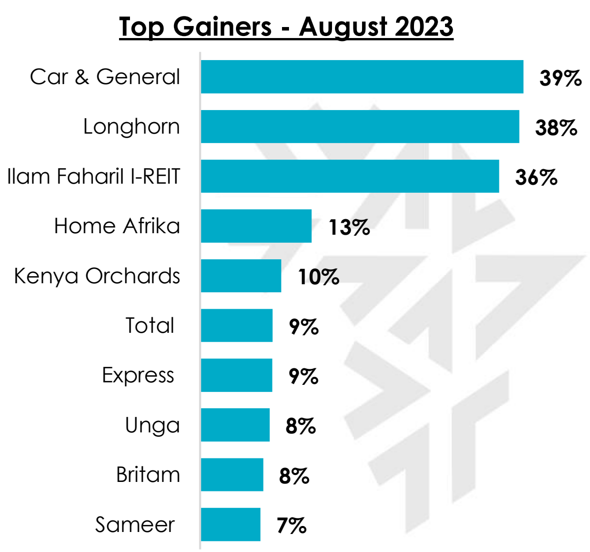
Local Market Performance:

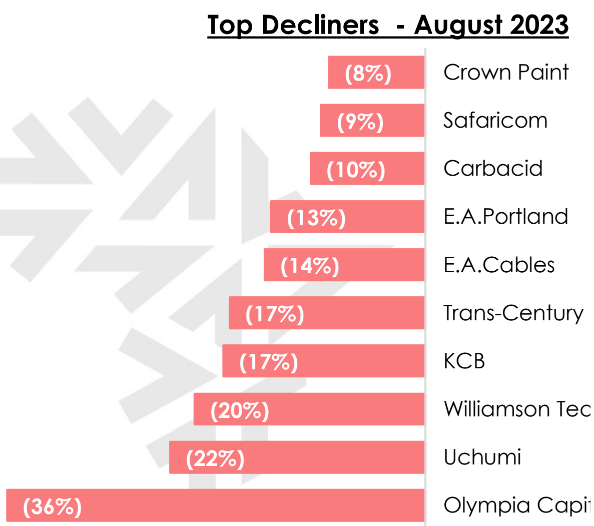
The stock market recorded muted activity, with NASI down by 7.26% in the month of August. NSE-20 and NSE-25 shrunk declined by 2.21% and 5.51%, respectively.



Source; Bloomberg, NCBA IB Research, NSE

NSE Counter Performance

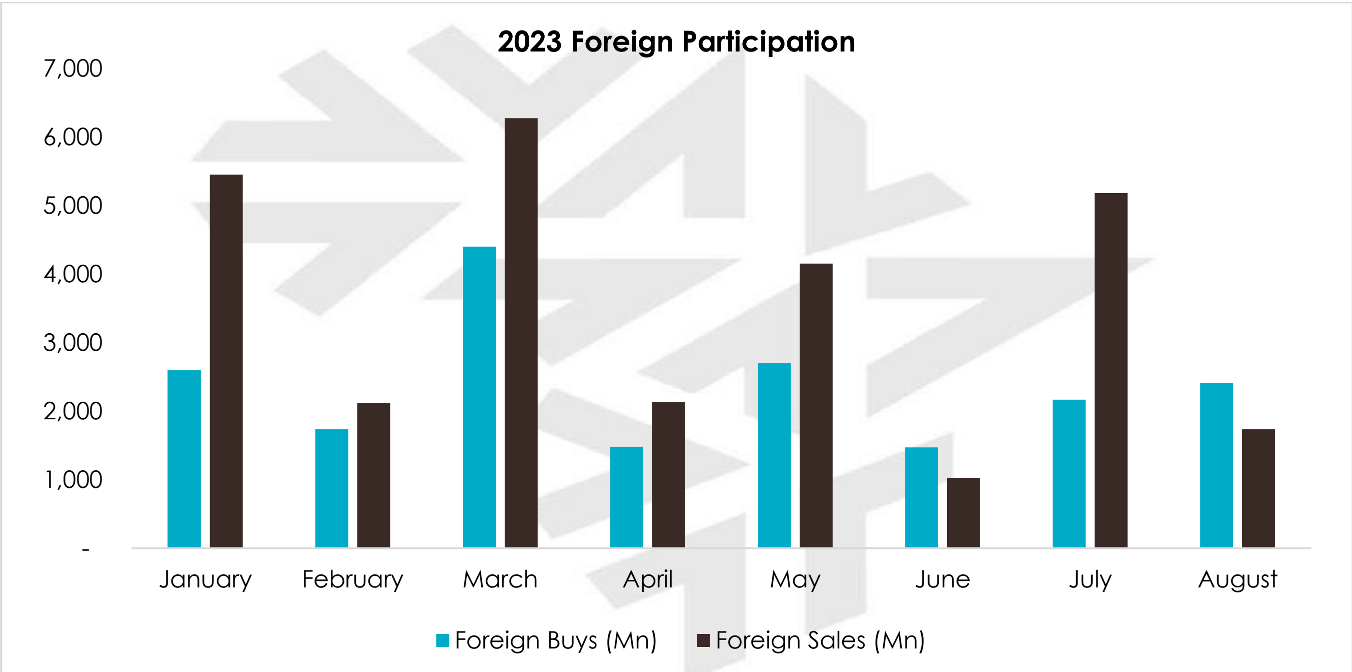




Source: NSE, NCBA IB Research

Foreign Investors Participation

Foreign investors' selloffs decreased to **KES 1.74Bn** net sales in **August** from **KES5.18Bn** in **July**.
Foreign outflows are largely attributable to the interest rate hikes in developed economies, increasing the attractiveness of their investment opportunities.



Source: NSE, NCBA IB Research

Corporate Actions

Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
CENTUM tangible wealth	KES 0.60	Subject to Approval	Subject to Approval
eabl	KES 1.75	15-Sep-23	27-Oct-23
	KES 1.15	04-Sep-23	27-Sep-23
NCBA	KES 1.75	14-Sep-23	24-Sep-23
Jubilee INSURANCE	KES 2.00	8-Sep-2023	11-Oct-2023
absa	KES 0.20	21-Sep-2023	12-Oct-2023

Source: Company financials, NCBA IB Research

Our September 2023 Stock Picks

Counter	Current Price *31st August 2023	Target price	Upside	Dividend	Div. Yield	Recommendation
Banking **Updated target prices following HY2023 financial results**						
KCB	23.60	29.38	24.49%	-	-	**BUY**
Equity	38.85	50.20	29.21%	-	-	**BUY**
DTB	48.70	58.75	20.64%	-	-	**BUY**
COOP	11.65	14.55	24.89%	-	-	**BUY**
ABSA	11.70	14.20	21.37%	0.20	1.71%	**BUY**
I&M	18.00	23.40	30.00%	-	-	**BUY**
Stanbic	114.00	110.85	(2.76%)	1.15	1.01%	**SELL**
SCBK	159.25	146.23	(8.18%)	-	-	**SELL**
Insurance						
Britam	5.04	6.24	23.81%	-	-	**BUY**
CIC	2.06	2.92	41.75%	-	-	**BUY**
Jubilee	175.25	250.60	43.00%	2.00	1.14%	**BUY**
Telecommunication						
Safaricom	16.90	26.65	57.69%	-	-	**BUY**
Manufacturing & Allied						
BAT	418.25	501.25	19.84%	5.00	1.20%	**BUY**
EABL	141.00	178.05	26.28%	5.50	3.90%	**BUY**

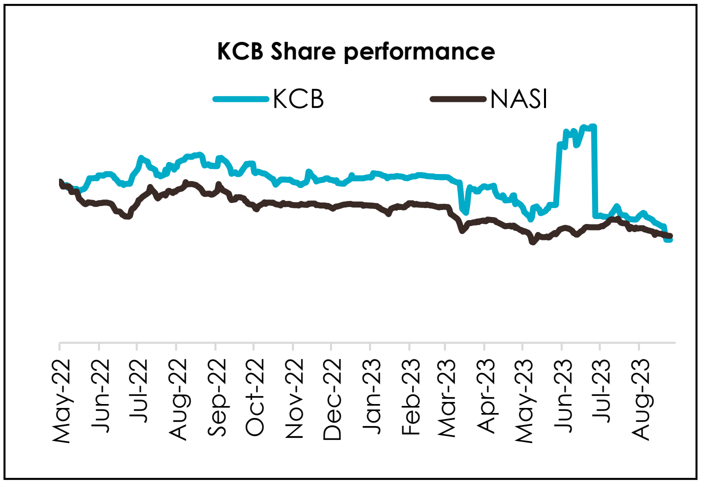
Source: Bloomberg, NCBA IB Research, NSE

*__BUY__ – Total expected 12-month return (incl. dividends) greater than 20%
*__ACCUMULATE__-Total expected 12-month return (incl. dividends) between 10%- 20%
*__HOLD__ – Total expected 12-month return (incl. dividends) between 0%-10%
*__SELL__ – Total expected 12-month return (incl. dividends) less than 0%

INVESTMENT CONSIDERATIONS

KCB Bank: BUY with a TP of KES 29.30

Share Data	
BIC	**KNCB KN**
Recommendation	**BUY**
Last Price	23.60
Target Price	**29.30**
Upside (Excl. Div. Yield)	24.15%
Market Cap (KES'Bn)	755.16
52 week high	44.00
52 week low	23.00
Free Float	68.87%



Financial Performance

- **Profitability:** Profit saw a decline by 20.1% to KES 15.59Bn, largely attributable to legal awards ordered by the judiciary to pay an aggrieved legacy borrower KES 3.8Bn.The performance was mainly impacted by high loan loss provisions, and spikes in other operating and interest expenses.

- **Customer deposits:** Customer deposits saw an increase of 61.9% driven by organic growth in demand and term deposits in the existing businesses. Net Interest income grew by 12.1% to KES 45.5Bn benefiting from a faster growth in the bank's loan book

- **Growth in Operating expenses:** Opex saw a 60.1% increase to KES 50.6Bn driven by exceptional cost items from consolidation of TMB, staff rationalization program and provision for NBK's court ruling.

- **Balance Sheet Strength**: KCB continues to deliver a resilient performance driven by a 54% increase in balance sheet from new business lines and consolidation with TMB. The lender has seen a significant momentum in balance sheet growth across all subsidiaries, the lender is the first to cross the KES 1.00Tr among its peers in Kenya.

Outlook

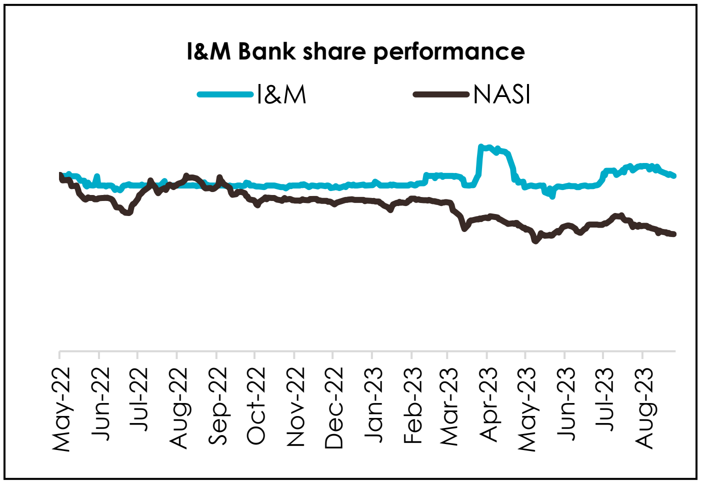
KCB'S wide regional footprint along with its well diversified business portfolios and capital buffer, positions the lender to gain significant growth momentum across the subsidiaries. The lender has recently signed up on the pan-African payment settlement system which should further cement its grip in the region and continent.

Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 29.30.**

I&M Bank: BUY with a TP of KES 23.40

Share Data	
BIC	**IMH KN**
Recommendation	**BUY**
Last Price	18.00
Target Price	**23.40**
Upside (Excl. Div Yield)	30.00%
Market Cap (KES'Bn)	30.17
52 week high	21.50
52 week low	15.80
Free Float	30.09%



Financial Performance

- **Profitability:** I&M Group's net profit for six months ended June grew **2.1%** to **Kes 2.89Bn** as interest income saw an increase by 22.1% to Kes 21. 31Bn.Non-interest income rose by 36.7% to Kes 6.9Bn. Thebank continues to leverage on its voluntary waiver of bank to mobile fees.

- **Gross Non-Performing Loans (NPLs):** I&M, however, raised the provisioning for loan defaults by 3.9% to Kes 14.3Bn, mirroring the trend observed among its tier I peers, including KCB Group, Equity Group and Stanbic Holdings.

- **Government securities**: Recorded a decline by 7.6% to KES 75.9Bn. The decline was driven by an increasing focus on lending to the private sector.

Outlook

The lender's focus on providing Corporate Customers with value-add services, maintaining advantage in trade finance, increased leverage in Agriculture, Oil&Gas opportunities position the institution well to unleash its offensive growth strategy.

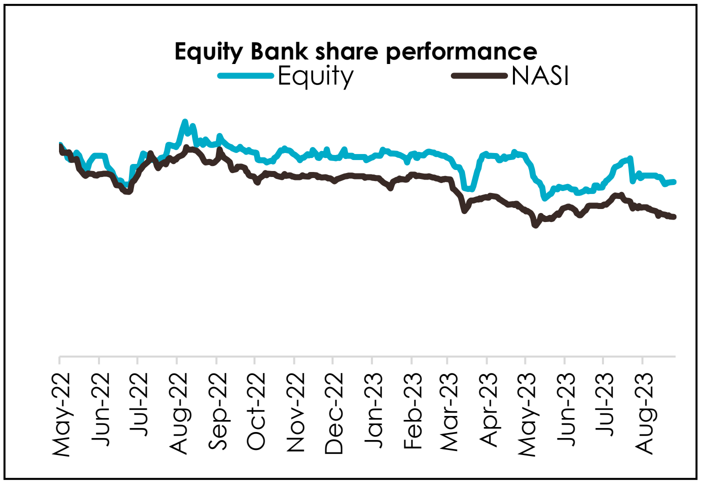
We also expect that growth in fees from digitization and the wealth management businesses will contribute to NFI FY2023.

Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 23.40.**

Equity Bank: BUY with a TP of KES 50.20

Share Data	
BIC	**EQTY KN**
Recommendation	**BUY**
Last Price	38.85
Target Price	**50.20**
Upside (Excl. Div Yield)	29.21%
Market Cap (KES'Bn)	146.61
52 week high	53.50
52 week low	35.00
Free Float	93.51%



Financial Performance

- **Profitability:** Equity Bank's net profit for six months ended June grew **7.7%** to **Kes 26.3Bn** as non-interest income recorded an increase of 41.2% to Kes 36.49Bn and interest income rose by 16.5% to Kes 46.39Bn as the bank continues to record strong growth across its subsidiaries.

- **Gross Non-Performing Loans (NPLs):** The lender raised the provisioning for loan defaults by 59.8% to Kes 97.5Bn, largely attributable to two large accounts, TransCentury Ltd and East Africa Cables Ltd.

- **Customer Deposits:** Recorded an uptick of 21.0% to KES 1.2Tn driven by increased deposits across the Group's subsidiaries. Loan and advances saw an increase of 25.7% to KES 817.2Bn on increased lending particularly within the Congolese unit reporting an impressive 73% YoY loan book growth to KES 231.5Bn

Outlook

Equity Group has reported strong performance in HY2023 despite a number of macroeconomic tailwinds.
Our view remains unchanged with regards to growth as we expect this to be driven primarily by the Group's subsidiary units, particularly the Congolese one. The lender has become more aggressive in growing its loan book with a substantial KES 24bn being dispersed out on a monthly basis accompanied by an impressive repayment performance rate of 98%. This should continue to support NIMs in the near term. Plans are also underway to boost the DRC loan to deposit ratio from the current 56.8% in an additional attempt to boost NIMs.

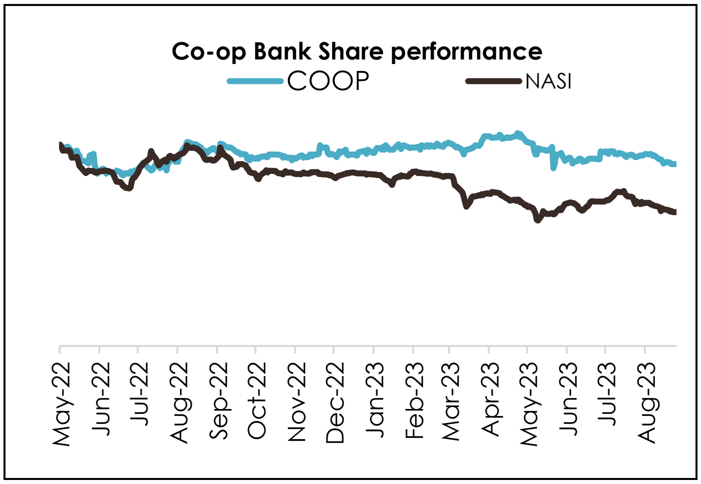
We are, however, cautiously watchful of growth in the Congolese unit on a constant currency basis given that the unit primarily operates in US dollars (US. $).

Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 50.20.**

Co-op Bank: BUY with a TP of KES 14.55

Share Data	
BIC	**COOP KN**
Recommendation	**BUY**
Last Price	11.65
Target Price	**14.55**
Upside (Excl. Div Yield)	24.89%
Market Cap (KES'Bn)	68.35
52 weeks high	14.00
52 weeks low	10.30
Free Float	32.41%



Financial Performance

- **Profitability:** Co-operative Bank's net profit for six months ended June grew **5.9%** to **Kes 12.1Bn** as non-interest income saw an increase by 4.0% to Kes 13.82Bn and interest income rose by 2.3% to Kes 21.55Bn as the bank continues to leverage on its solid customer base from Sacco's.

- **Gross Non-Performing Loans (NPLs):** The lender's NPL ratio saw an uptick of 14.2% to KES 51.1Bn driven by the effects of the recent strained macro-environment. The figure is just 30bps below industry at 14.9%

- **Customer Deposits:** Registered an uptick of 9.7% to KES 463.2Bn driven by increased deposits using the lender's agency model "Kwa Jirani Agency Banking". Loan and advances saw an increase of 10.7% to KES 365.4Bn on increased lending particularly to the SME and MSME market segments.

Outlook

The Bank continues to execute a proactive growth strategy anchored on a strong enterprise risk management framework and deepening of market dominance. The bank, riding on the unique synergies will continue to pursue strategic initiatives that focus on resilience and growth in the various sectors of the economy.

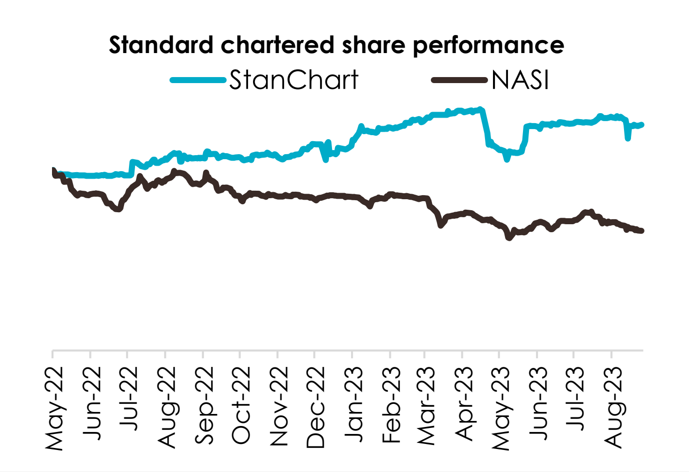
Partnership with government in the G2G oil importation plan and the coffee exchange settlement platform should boost non-funded income.

Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 14.55.**

Standard Chartered Bank: BUY with a TP of KES 146.23

Share Data	
BIC	**SCBK KN**
Recommendation	**BUY**
Last Price	159.25
Target Price	**146.23**
Upside	(8.18%)
Market Cap (KES'Bn)	60.17
52 week high	172.50
52 week low	121.00
Free Float	17.78%



Financial Performance

- **Profitability:** Standard Chartered Bank's net profit for six months ended June grew **27.7%** to **KES 6.9Bn** as non-interest income saw an increase of 38.3% to KES 13.6Bn and interest income rose by 26.8% to Kes 21.55Bn. This was largely attributable to a 96.5% in foreign exchange trading income and rising interest rates.

- **Gross Non-Performing Loans (NPLs):** The lender's NPL ratio saw an uptick of 14.2% to KES 51.1Bn driven by the effects of the recent strained macro-environment on the loan book. The figure is just 30bps below industry at 14.9%

- **Customer Deposits:** Registered a marginal decline of 1.1% to KES 283.7Bn. Loan and advances saw an increase of 13.2% to KES 145. 4Bn.The decline in deposits is attributable to higher customer deposit mobilization costs.

Outlook

Going forward the bank will leverage on technology to scale up mass retail business. The lender will continue to focus on executing its strategy and invest in areas of competitive strength such as their wealth management unit.

It is in the testing phase of its mobile lending platform that we view will take on rivals such as M-Shwari (NCBA) and KCB M-Pesa given its lower lending rates of 6.58% per month (compared to 8.85% and 9% on the two respective competitor platforms).

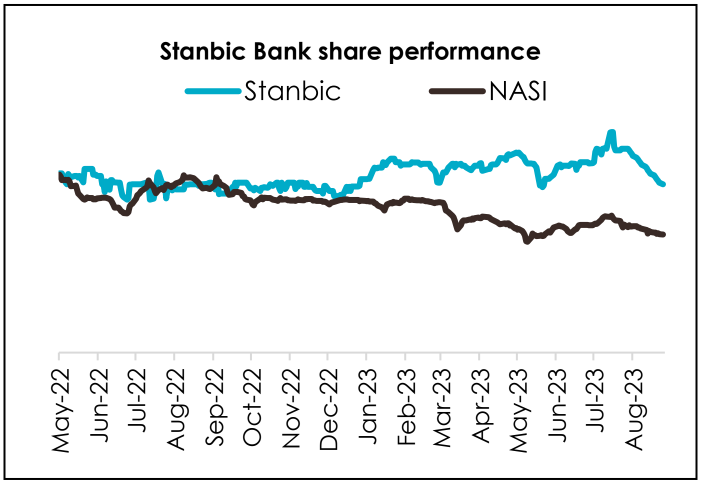
We expect the bank to register long-term profitability based on revenue diversification and steady topline growth.

Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 146.23.**

Stanbic Bank: BUY with a TP of KES 110.85

Share Data	
BIC	**SBIC KN**
Recommendation	**BUY**
Current Price	114.00
Target Price	**110.85**
Upside	(2.76%)
Market Cap (KES'Bn)	45.06
52 week high	132.00
52 week low	121.00
Free Float	56.56%



Financial Performance

- **Profitability:** Stanbic bank's net profit for six months ended June grew **41.8%** to **Kes 6.8Bn** as non-interest income saw an increase of 32.4% to KES 8.7Bn and interest income rose by 44.3% to KES 11.6Bn. Growth in profit was attributable to a 31% growth in Stanbic Bancassurance Intermediary Ltd, and over 100% growth in profit after taxes by SBG Securities.

- **Gross Non-Performing Loans (NPLs):** The lender's NPL saw a marginal decrease of 1.2% to KES 24.0Bn. Foreign currency loans however, continue to come under pressure as the KES continues to depreciate.

- **Customer Deposits:** Recorded an uptick of 12.8% to KES 242.06Bn. Loans and advances saw an increase of 12.4% to KES 217.0Bn driven by a rise in digital lending through the Mjeki Platform and the implementation of the risk-based pricing models.

Outlook

We expect the bank to register long-term profitability based on its revenue diversification and sustained loan book growth. The lender's continued branch expansion will help increase customer base and enhance customer deposit mobilization

The lender's non-funded income will continue to be driven by the current dollar situation which continues to present arbitrage opportunities to increase forex trading revenue since the lender has a significant exposure to trade finance on dollar reliant industries.

The lender's subsidiaries: Investment banking business and bancassurance business are expected to perform better given the anticipation of improvement in the macro environment.

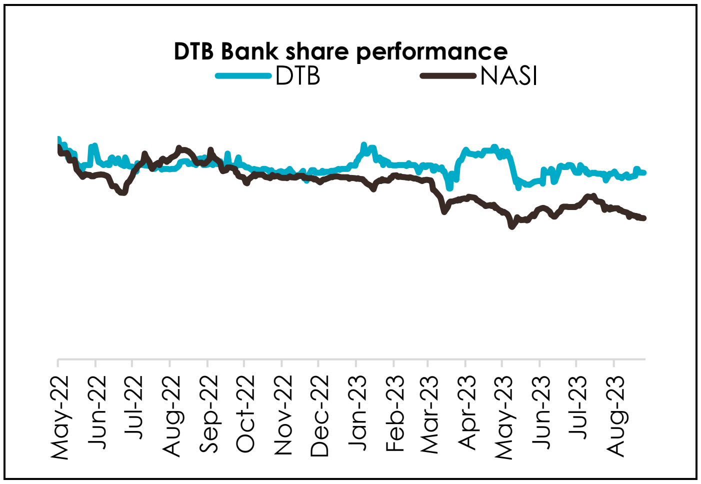
Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 105.60.**

DTB Bank: BUY with a TP of KES 58.75

Share Data	
BIC	**DTKL KN**
Recommendation	**BUY**
Last Price	48.70
Target Price	**58.75**
Upside (Excl. Div Yield)	20.64%
Market Cap (KES'Bn)	13.62
52 week high	57.00
52 week low	43.75
Free Float	58.02%

Source: Bloomberg, NCBA IB Research, NSE



Financial Performance

- **Profitability:** DTB bank's net profit for six months ended June grew **11.6%** to **Kes 4.00Bn** as non-interest income saw an increase of 42.2% to KES 5.54Bn and interest income rose by 17.8% to KES 13.1Bn.

- **Gross Non-Performing Loans (NPLs):** The lender's NPL saw an increase of 15.0% to KES 36.5Bn, driven by the effects of the recent strained macro-environment on the loan book.

- **Customer Deposits:** Recorded an uptick of 20.6% to KES 417.99Bn. Loans and advances saw an increase of 20.4% to KES 281.1Bn supported by the lender's growing branch and digital footprint and expanded value propositions.

Outlook

Going forward the bank will continue to leverage on technology with platforms such as 'Astra' and 'Infiniti Pay' which support the small and medium enterprises.

The lender will pursue its business growth strategy of expanding the customer base and adopting an ecosystem approach of servicing customers who operate, across East Africa's key economic sectors. In developing value propositions, the lender will leverage both traditional channels as well as digital platforms.

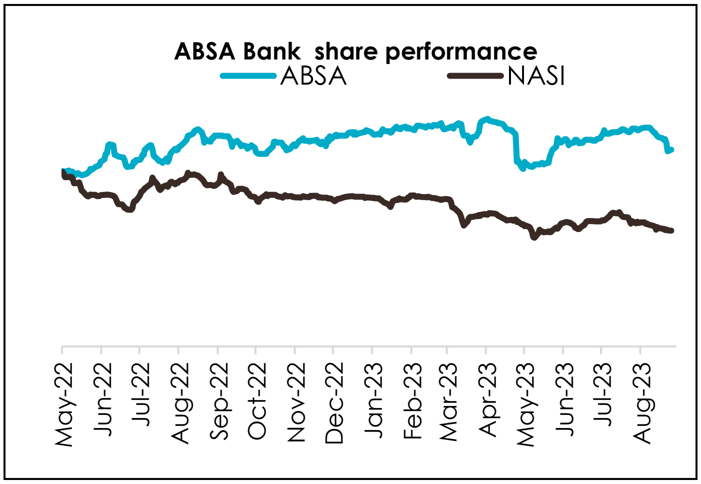
Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 58.75.**

ABSA Bank: BUY with a TP of KES 14.20

Share Data	
BIC	**ABSA KN**
Recommendation	**BUY**
Last Price	11.70
Target Price	**14.20**
Upside (Excl. Div Yield)	21.37%
Market Cap (KES'Bn)	13.00
52 week high	9.02
52 week low	63.82
Free Float	30.37%

Source: Bloomberg, NCBA IB Research, NSE



Financial Performance

- **Profitability:** ABSA bank's net profit for six months ended June grew **32.0%** to **Kes 8.3Bn** as non-interest income saw an increase of 25.7% to KES 8.14Bn and interest income rose by 36.9% to KES 25.3Bn.

- **Gross Non-Performing Loans (NPLs):** The lender's NPL saw an increase of 74.4% to KES 5.15Bn, driven by the effects of the recent strained macro-environment on the loan book.

- **Customer Deposits:** Registered an uptick of 18.1% to KES 332.5Bn. Loans and advances saw an increase of 18.5% to KES 309.9Bn supported by the lender's growing branch and digital footprint and expanded value propositions.

Outlook

Going forward the bank will leverage on technology to scale up retail business. The lender will continue to focus on executing its strategy to build a consumer banking business that is digitally enabled to drive reach and invest in areas of competitive strength.

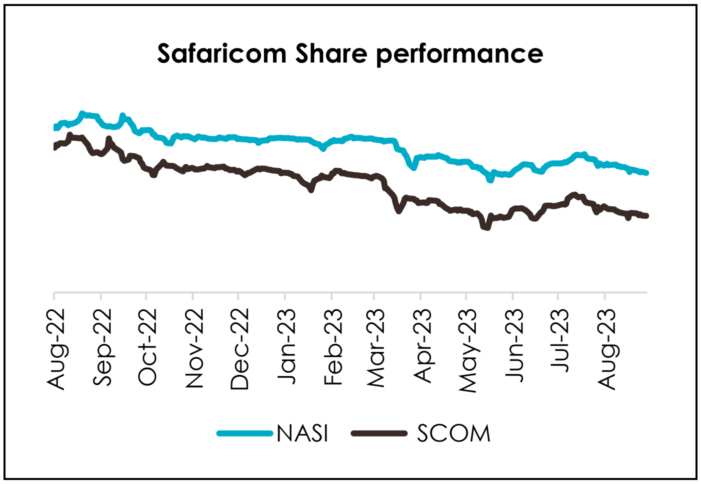
We expect ABSA Bank to deliver long-term profitability based on its focus on digital transformation and strong customer base.

Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 14.20.**

Safaricom: BUY with a TP of KES 26.65

Share Data	
BIC	SAFCOM KN
Recommendation	**BUY**
Last Price	15.40
Target Price	**26.65**
Upside (Excl. Div Yield)	57.69%
Market Cap (KES'Bn)	615.01
52 week high	34.00
52 week low	12.70
Free Float	25.06%



Safaricom' s performance at the Nairobi Securities Exchange has been depressed, down 28% year-to-date compared to the wider index's 15.97% decline attributable to the sustained sell-off by foreigners. Safaricom accounts for approximately 50% of the market, based on market capitalization.

Financial Performance

- **M-PESA was the key driver of growth:** Mpesa revenue grew by 8.8% to KES 117.19Bn supported by increased usage and growth of chargeable transactions per one-month active customers. M-pesa remains the biggest revenue contributor currently accounting for approximately 40% of service revenue.
- **Capital expenditure weighs down on the business:** Capex saw a 93.1% increase to KES 96.1Bn driven by accelerated spending on the Ethiopian investment. Capex in Ethiopia was undertaken to support site and infrastructure costs.
- **Profitability:** Profit declined by 22.2% to KES 52.48Bn, as the rollout costs of the Ethiopian network continued to take a toll. The company, which is in its third year of a 5-year strategy, saw the bottom line affected by a KES 21.61Bn loss in the Safaricom Ethiopia business.

Outlook

We expect increased revenue from Safaricom Ethiopia, M-Pesa, and mobile data revenue streams. Operations in Ethiopia could help achieve revenue expansion above consensus and entrench the company's presence in the region. We however maintain a cautiously optimistic stance on this diversification venture.

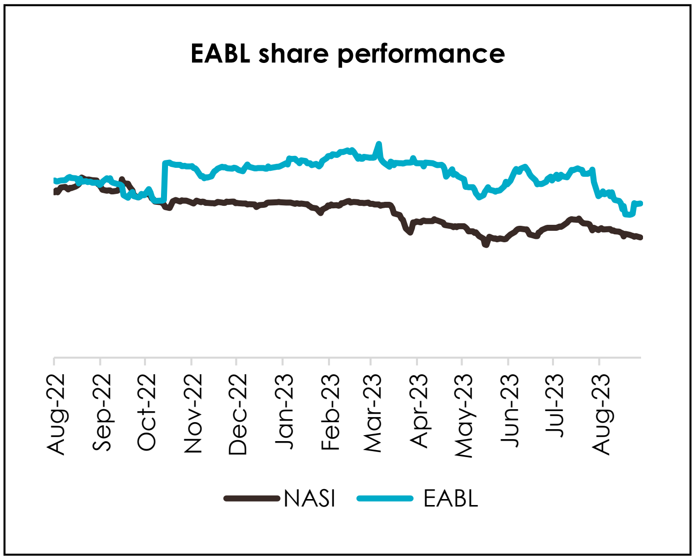
Recommendation

From our estimates and assumptions, we believe the stock is undervalued and maintain our BUY recommendation with a revised target price of **KES 26.65.** See our Safaricom company report here.

EABL: BUY with a TP of KES 178.05

Share Data	
BIC	EABL KN
Recommendation	**BUY**
Last Price	141.00
Target Price	**178.05**
Upside (Excl. Div Yield)	26.27%
Market Cap (KES'Bn)	104.38
52 week high	190.00
52 week low	110.00
Free Float	49.97%

Source: Bloomberg, NCBA IB Research, NSE



Financial Performance

- EABL announced their FY23 financial results recording a decline in profits by 20.9% to KES 12.3Bn in a period deeply impacted by persistent high inflation as well as multiple excise tax increases in Kenya.
- EABL's current revenue contribution has Kenya, Uganda and Tanzania at 64%, 21%, and 15%, respectively.
- Continued consumption of spirits has become entrenched as the favorite for the vibrant young population. Mainstream spirits growth has consistently outperformed the beer category. Net sales from spirits rose by 3% y/y while the beer category saw a decline of 2% y/y. We expect growth in net sales in Kenya to be driven by continued growth in the spirits fueled by premiumization in spirits with brands like Tanqueray and Gordons.

Outlook

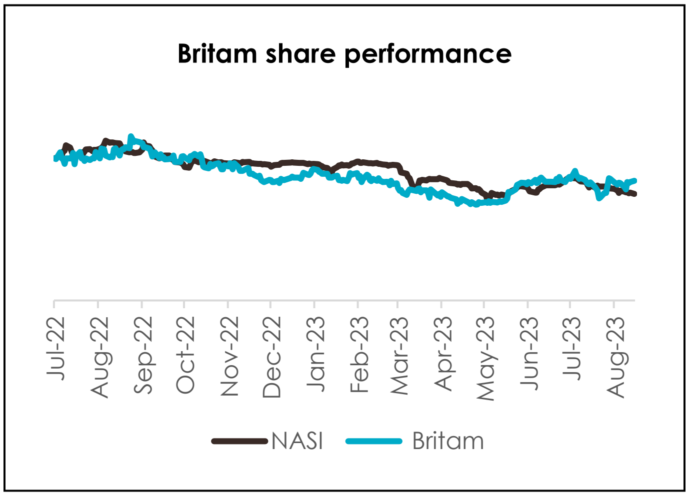
We expect performance in the regional subsidiaries to support growth. Subsequently, Kenya's aggregate contribution will decline in the long run on the back of a prohibitive tax environment.

Recommendation

From our estimates and assumptions, we see a significant upside potential and recommend **BUY** with a target price of **KES 178.05.** See our EABL company report **here.**

Britam: BUY with a TP of KES 6.24

Share Data	
BIC	BRIT KN
Recommendation	**BUY**
Last Price	5.02
Target Price	**6.24**
Upside (Excl. Div Yield)	23.81%
Market Cap (KES'Bn)	13.67
52 week high	7.50
52 week low	4.01
Free Float	26.03%



Financial Performance

- Britam has recorded a steady growth in premiums at a CAGR of 9% over the last five financial years. The firm's ability to mobilize premium revenue is due to its extensive distribution network.
- Property investments anchor Britam's long-term growth. The long-term returns will realize capital gains for value investors.
- Increased government securities allocation expected to stabilize returns subject to fair value gains and losses pegged on the prevailing market conditions.
- The firm underwent staff reorganization in 2021 and is currently implementing a new strategy focused on Customer Experience, Customer Growth and Improving Efficiency. The success of this strategy will provide impetus to its share price movement.
- There was no dividend payment in FY'2022 owing to the tough macroeconomic conditions and the need to shore up capital.

Outlook

- Property investments expected to anchor Britam's long-term growth. The long-term returns will realize capital gains for value investors.
- Increased government securities allocation will stabilize returns subject to fair value losses and gains pegged on the prevailing market conditions.
- Performance of its subsidiaries will help cushion volatility experienced in the Kenyan market.

Recommendation

Based on the insurer's premium growth, strategic partnerships and reduced exposure to volatile equities market, we expect the company to deliver stable returns.

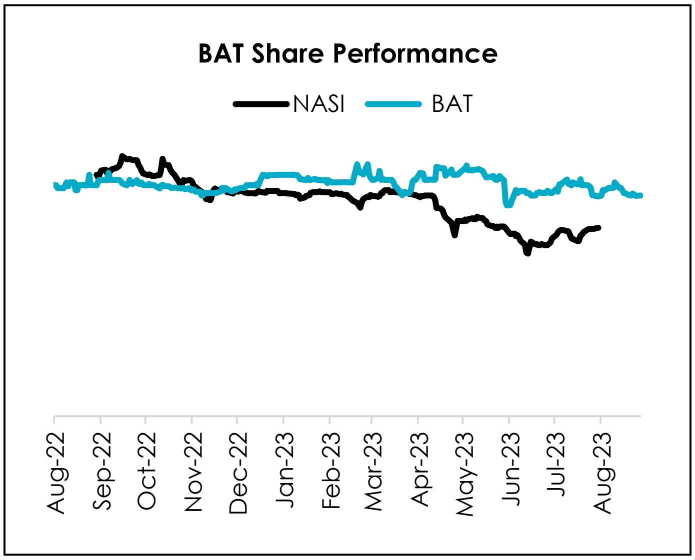
At the current market price, the stock is trading at par to its value but presents a value pick for long-term investors.

Find our coverage on Jubilee and CIC.

BAT: BUY with a TP of KES 501.25

Share Data	
BIC	**BAT KN**
Recommendation	**BUY**
Last Price	418.25
Target Price	**501.25**
Upside	19.8%
Market Cap (KES'Bn)	41.98
52 week high	490.00
52 week low	400.00
Free Float	40.0%

Source: Bloomberg, NCBA IB Research, NSE



Financial Performance

- BAT posted a resilient performance whereby earnings per share (EPS) shrunk by 3.5% y/y to KES 28.22 while profit before tax declined by 3.9% y/y to KES 2.82Bn.
- In 1HY23, net revenue declined by 6.9% y/y to KES 13.12Bn driven by a decline in gross sales by 4% y/y to KES 20.99Bn mainly driven by low sales volumes in the domestic market as well as a decline in cigarette and cut rags.
- We expect performance in the regional subsidiaries to support growth and Kenya's aggregate contribution to decline in the long run on the back of a prohibitive tax environment.

Outlook

- Despite prevailing macroeconomic challenges, the company is confident in its ability to capitalize on the market by using its customer-centric brands and a winning culture.
- The cigarette giant started the rollout of a KES 2.5Bn investment in a cutting-edge oral nicotine pouch factory in order to improve the health of its clientele. This significantly strengthens revenues, particularly through exports.
- Unpredictable excise duty increases continue to adversely impact consumer affordability, leading to a higher incidence of illicit trade at the expense of the legitimate industry and tobacco-related Government revenues.

Recommendation

From our estimates and assumptions, we see a significant upside potential and recommend **BUY** with a target price of **KES 501.25**. See our BAT company report here.

About NCBA Investment Bank

NCBA Investment Bank is a subsidiary of NCBA Group. The services offered by the brokerage department include equities trading for listed securities, fixed income trading for both corporate and government bonds, Over the Counter (OTC) equity transactions as well as execution of equities transactions across the East African countries. Additionally, NCBA Investment Bank backs these activities with solid advice from the research team to enable investors meet their return objectives. NCBA Investment Bank deploys simple and convenient client driven technologies, robust risk management, highly competent and experienced staff and has the backing of robust research capabilities to differentiate itself from other players in the market.

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Certification

The following analyst(s) who prepared this research report: Victoria Mututu hereby certify that: (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and companies (y) and (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

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