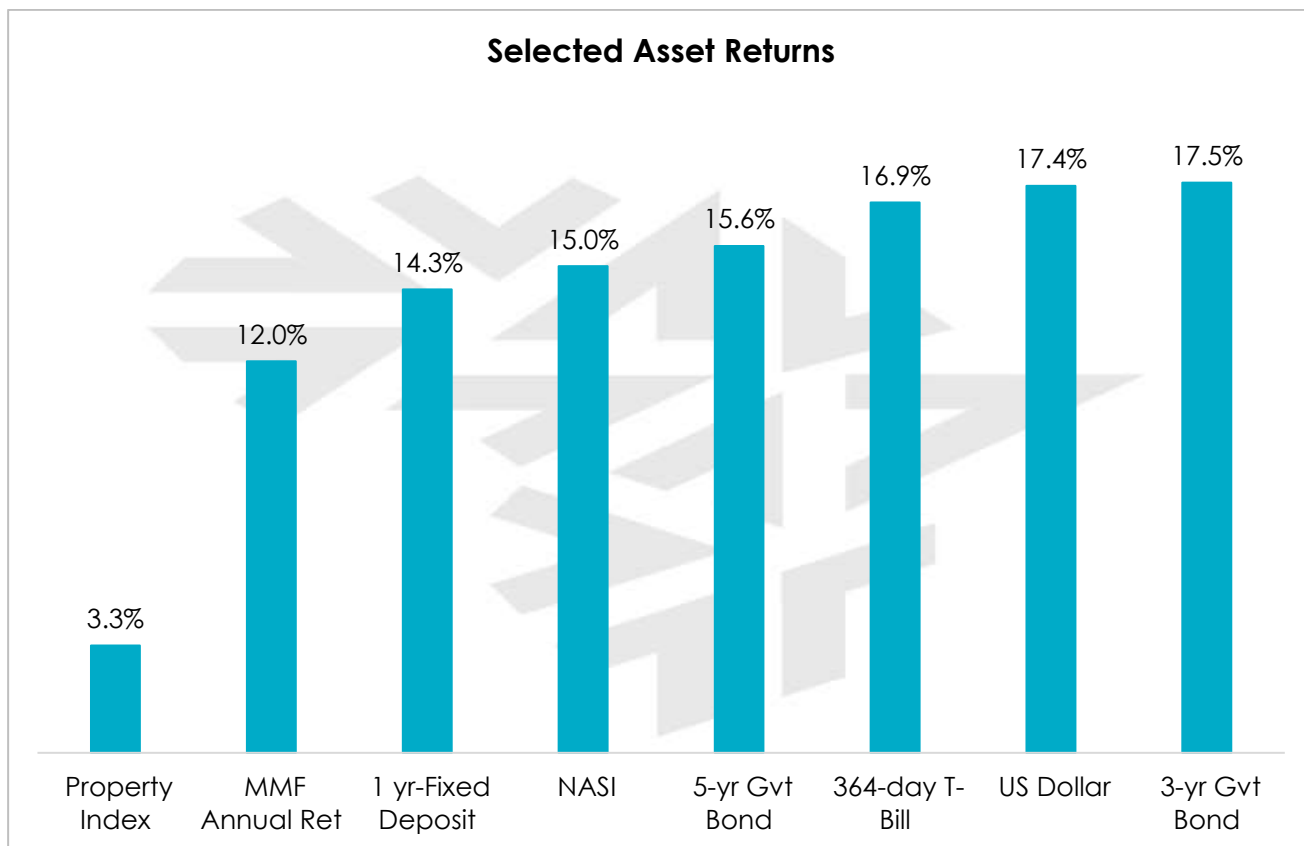


Asset Class Performance



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

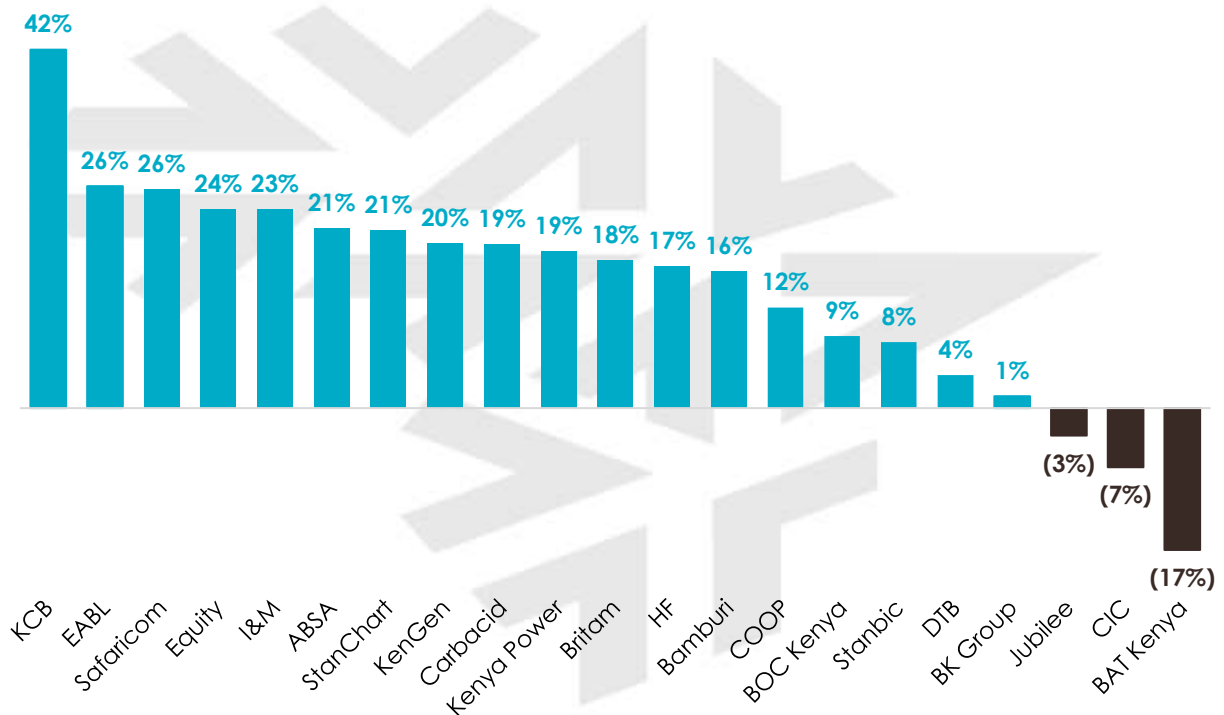
Investments in government securities have continued to record higher returns due to elevated market yields. We anticipate that interest rates will remain high and stable in 2H2024.

Investment in listed equities remained appealing despite sluggish market conditions during the month, with the NASI posting a YTD return of 15.0%. Given the current macroeconomic dynamics, we anticipate moderate corporate earnings for FY2024. The confluence of high interest rates and elevated sovereign debt is stifling growth.

KES has however shown improvement against the greenback and inflation is well within the target range. Companies with a well-diversified revenue strategy are expected to have better performance in 2024.

The banking sector remained resilient registering strong 1Q2024 earnings on the back of higher interest rates, risk-based pricing, and revenue diversification efforts.

In the telecom sector, we believe Safaricom earnings will be boosted by the successful expansion of its operations in Ethiopia.

Stock performance in 2024


Source: NSE, NCBA IB Research

Outlook

The equities market presents an investment opportunity. We believe that investors should position towards value stocks that are trading at discounts to their respective intrinsic values.

Looking ahead, we are cautiously optimistic about the potential return of foreign investors. This would be driven primarily by a semblance of stability across the globe and improvement in the local macro-economic environment.





Opportunities

- **Re-balancing of portfolios:** Diversification of a portfolio seeks to mitigate concentration 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 by providing a steady stream of income to investors.

Threats

- **Macro-economic environment:** Further deterioration in these which include overall economic growth, high interest rates and reduced disposable income leading to a challenging investment environment.

Macro-economic Highlights

 Bank of England	<ul style="list-style-type: none"> • Undertook its first interest rate cut since 2020, taking the key rate to 5% from 5.25%.
	<ul style="list-style-type: none"> • Federal Reserve held federal funds rate in a range of 5.25%-5.5% with a possibility of a cut within the year.
	<ul style="list-style-type: none"> • Downgraded Kenya's credit rating from B3 to Caa1, placing the country deeper into junk territory and highlighting a high risk of default on its debt obligations. • The rating is on the back of Kenya's inability to implement necessary austerity measures following the withdrawal of the Finance Bill 2024.
	<ul style="list-style-type: none"> • Downgraded Kenya's Log-Term Foreign -Currency Issuer Default Rating to 'B-' from 'B'. • The agency foresees a moderately greater risk to external financing, partly reflecting elevated external commercial borrowing costs in the context of foreign-reserves.

Currency

The KES has appreciated against the USD year-to-date. In July, it lost an average of 1.65 cents daily, compared to an average gain of 3.72 cents in June 2024.

Despite the marginal depreciation during the month, the year to date trend is suggestive of potential stability. This stability is expected to be supported by continued CBKs intervention through Open Market Operations, diaspora remittances, inflows from tourism and multilateral lenders.

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

Currency Performance			
Period	USD/KES	GBP/KES	EURO/KES
July-24	129.92	166.84	140.42
Year to date	(17.43%)	(15.88%)	(18.39%)

Source: CBK, NCBA IB Research

Interest rates

Yields on treasury bills remained elevated in the month with the 364-day paper registering the highest gain. Additionally, there was high subscription underpinning demand for short term investments as investors looked to mitigate duration risk.

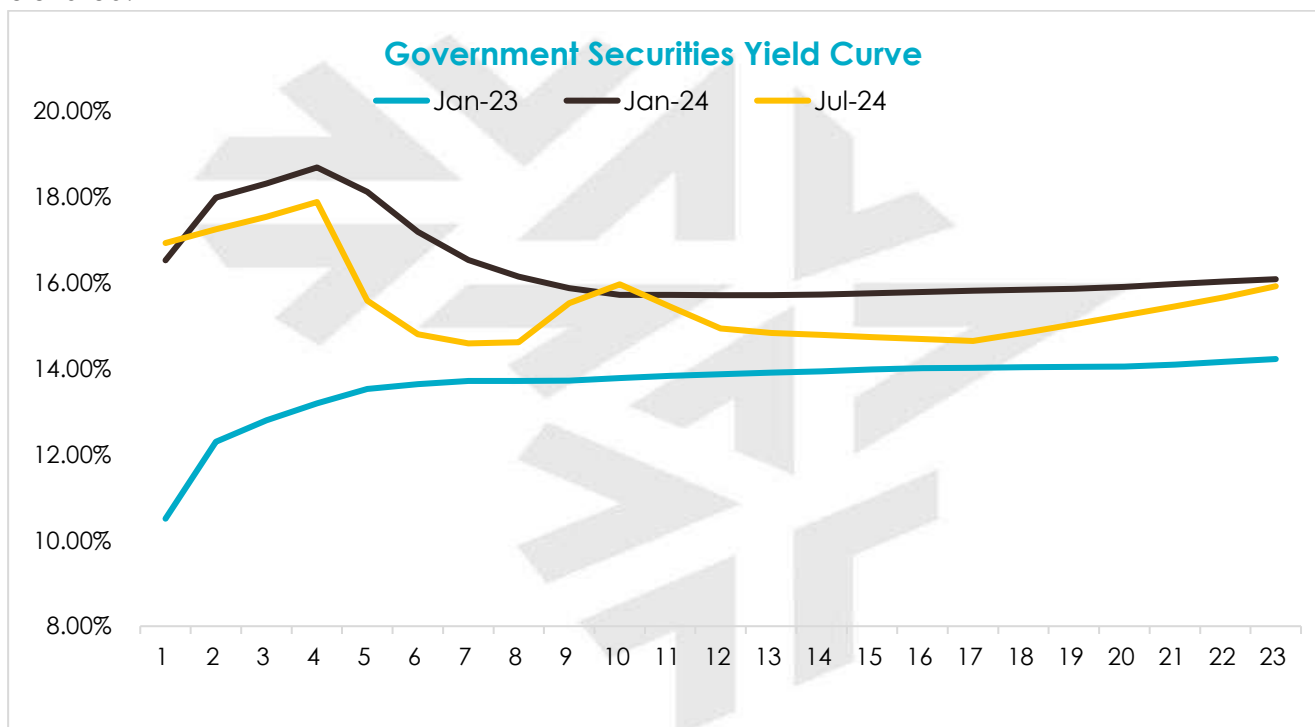
Prevailing rates	Jul-24	Jun-24	M/M change (bps)
91 Day	16.000%	15.977%	2.30
182 Day	16.851%	16.764%	8.66
364 Day	16.921%	16.791%	13.02

Source: CBK, NCBA IB Research

Parliament has proposed FY2024/25 supplementary budget following the withdrawal of the Finance Bill 2024 slashing tax revenue by KES 284.8Bn.

The revised budget increased local debt target to KES 404.6Bn. It is likely that further budget revisions will be undertaken during the year to accommodate necessary fiscal adjustments

Given the increased domestic borrowing target, we expect yields on government bonds to remain elevated.



Source: CBK, NCBA IB Research

Liquidity conditions

Liquidity conditions tightened marginally in July. Indicatively, the overnight interbank rate increased by 4.28bps month on month to close at 13.18%. The average daily traded volumes also increased to KES 28.61Bn from KES 24.10Bn recorded the previous month.

Statistic	July-24	June-24	Change (bps)
Central Bank Rate	13.00%	13.00%	-
Average Interbank Rate	13.18%	13.14%	4.28

Source: CBK, KNBS, NCBA IB Research

Inflation

Annual consumer prices at the headline level declined to 4.3% in July from 4.6% in June 2024 – the lowest level recorded since 2020. This means that the general price levels were 4.3% higher in July compared to the same period in 2023.

The inflation was mainly driven by a rise in prices of commodities under food, transportation, water, electricity, gas and other fuels. Stability of KES against the USD eased fuel prices during the period.

Statistic	Jul-24	Jun-24	Change (bps)
Inflation	4.30%	4.60%	(30.00)
CPI	139.94	140.23	(20.68)

Source: CBK, KNBS, NCBA IB Research

Looking ahead, we expect the annual inflation rate to remain stable and within the midpoint of CBK's target range supported by stability in food prices and aided by declining fuel prices globally.

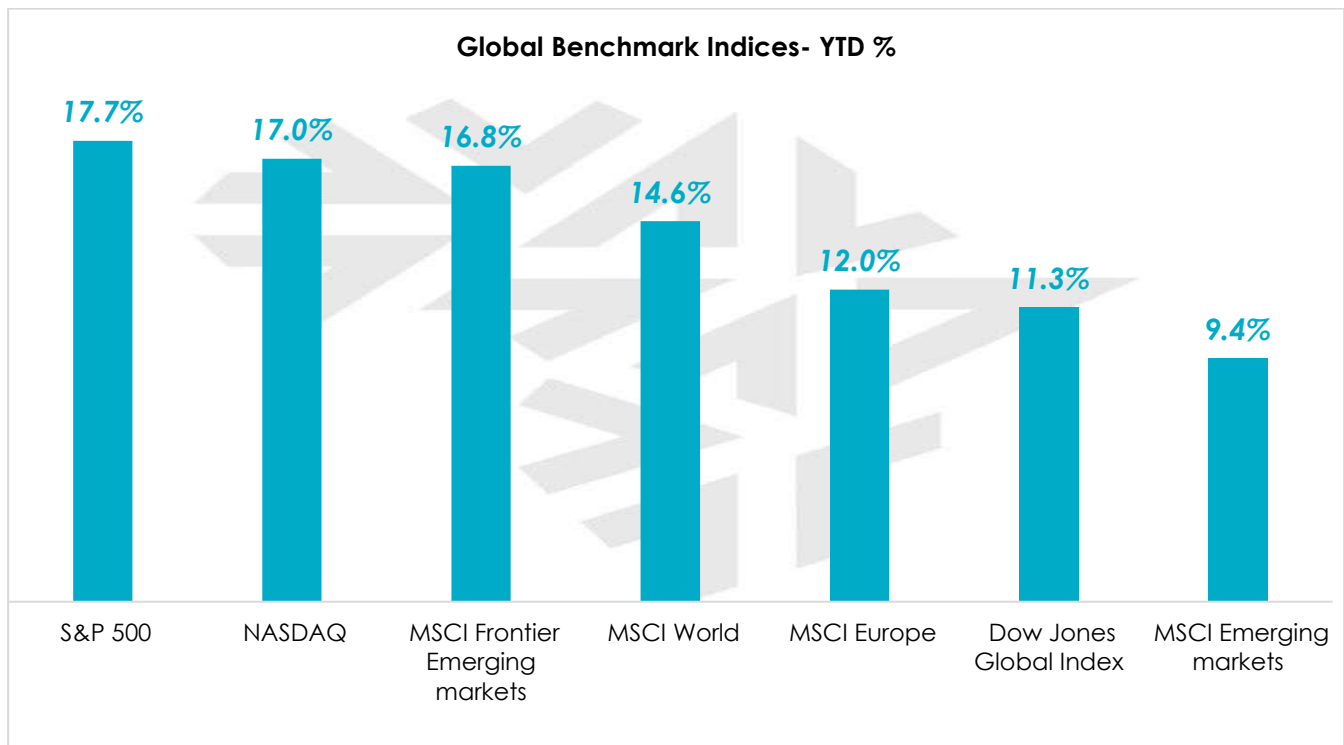
Kenya International Debt

Yields on GOK Eurobonds recorded an uptick during the month attributable to investor apathy as a result of an uncertain political environments as well as negative credit ratings on the sovereign.

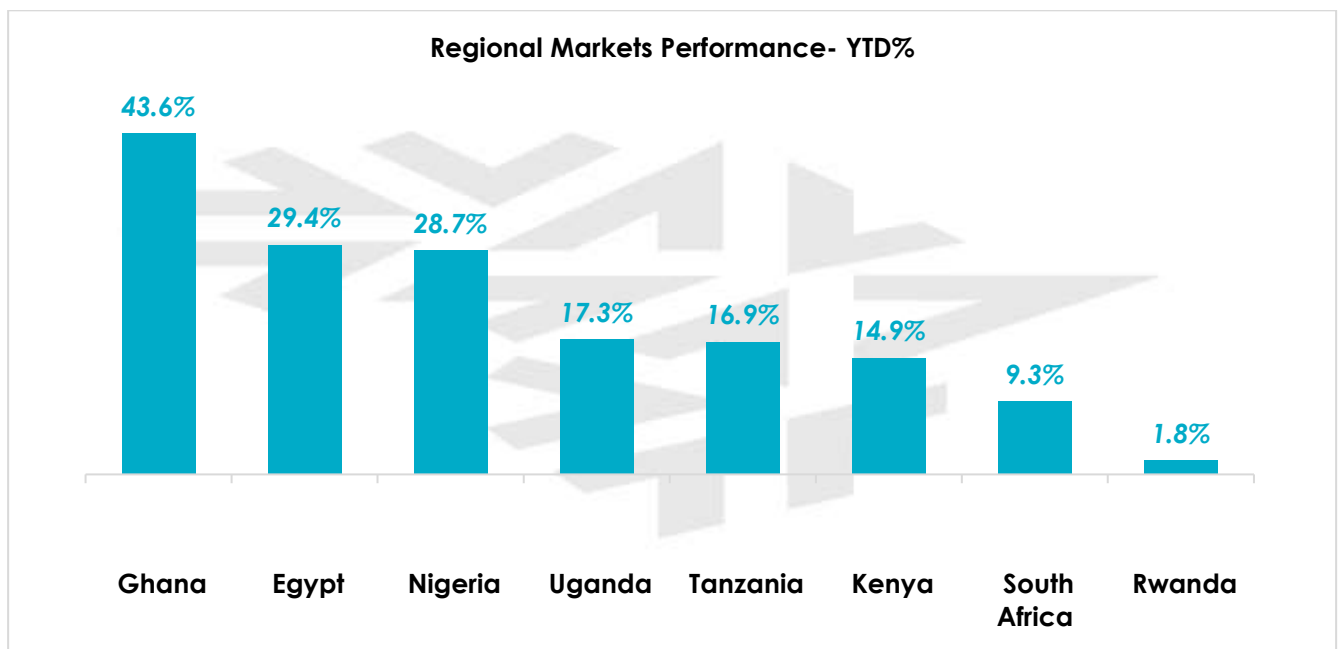
Below are the six Kenyan Eurobonds and the respective yields.

Eurobond	Tenor (Years)	Coupon Rate	Jun-24	Jul-24	Change (bps)
KENINT 05/22/2027	2.98	7.00%	8.80%	9.07%	27.40
KENINT 02/28/2028	3.75	7.25%	10.17%	10.40%	22.70
KENINT 02/16/2031	6.73	9.75%	10.61%	10.68%	7.60
KENINT 05/22/2032	7.99	8.00%	10.45%	10.51%	5.80
KENINT 01/23/2034	9.67	6.30%	10.52%	10.55%	2.70
KENINT 02/28/2048	23.82	8.25%	10.89%	10.97%	8.50

Source: Bloomberg, NCBA IB Research

Global Markets performance


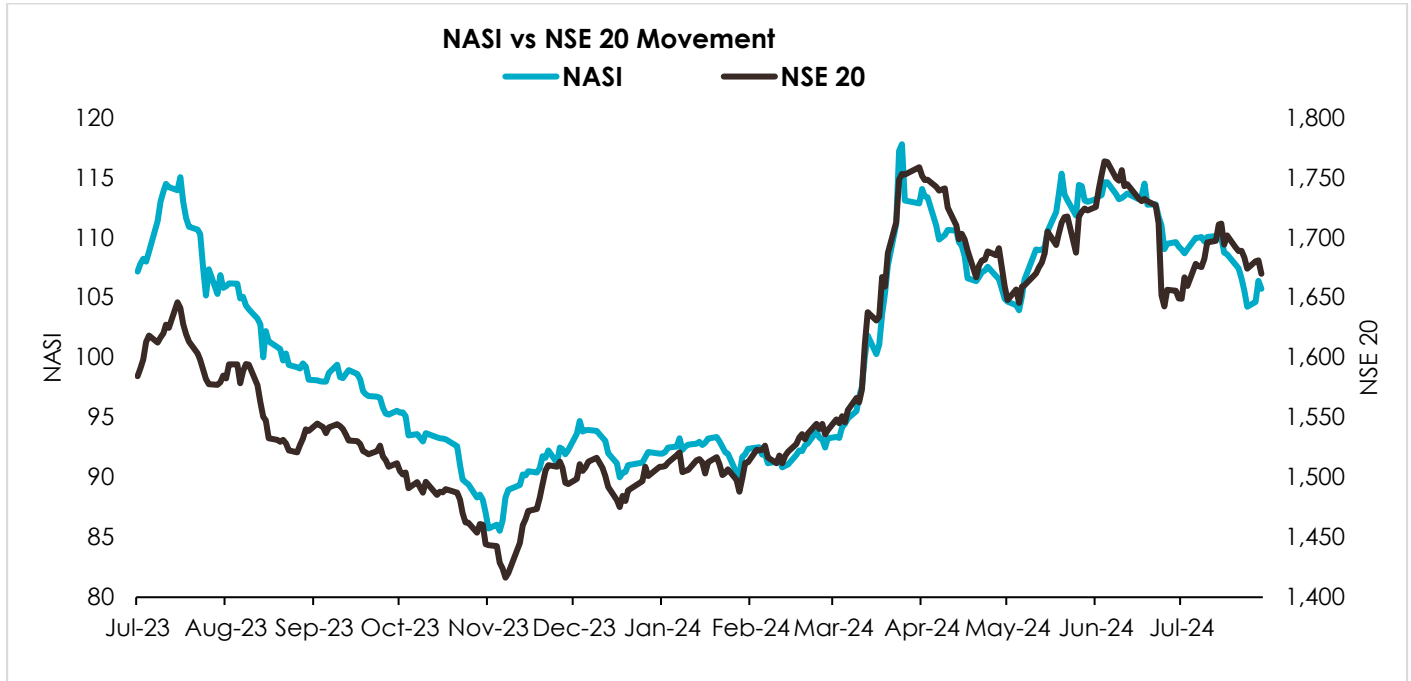
Source: Bloomberg, NCBA IB Research

Regional Markets performance


Source: Bloomberg, NCBA IB Research

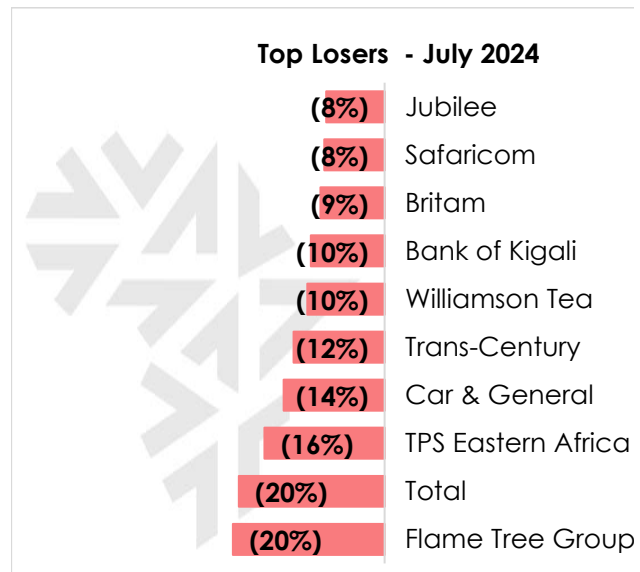
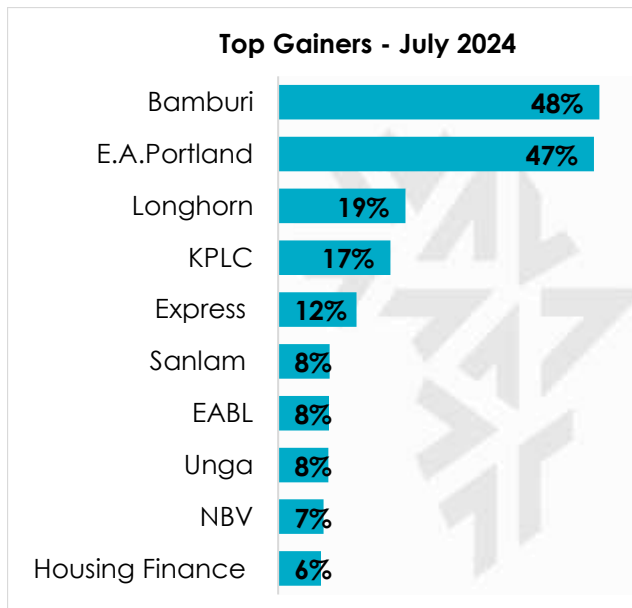
Local Market Performance

The stock market recorded reduced activity, with the all share index **down** by **3.43%** to close at **105.73** while the NSE-20 was **up** by 0.80% to close at **1,669.73**.



Source: Bloomberg, NCBA IB Research, NSE

NSE Stock Performance

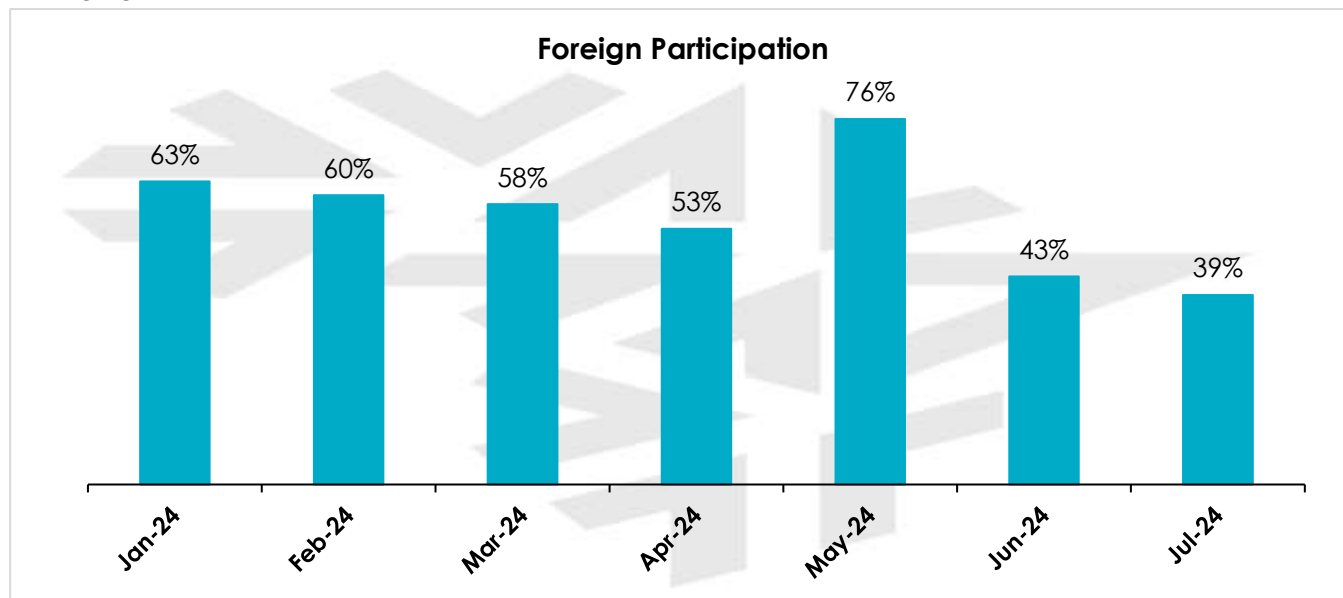


Source: NSE, NCBA IB Research

Foreign Investors Participation

Foreign investors accounted for **39%** of the market participation and recorded net sales of **KES 655Mn** from net buys of **KES 419Mn** in June.

With interest rates in advanced economies likely to hold up for longer, investors have positioned themselves to take advantage of the comparatively higher returns, staying out of the frontier and emerging markets.



Source: NSE, NCBA IB Research

Corporate Actions: Upcoming Dividend payments

Corporate Actions	Dividend	Book Closure	Payment
Williamson Tea Kenya	KES 15.00	31-Jul-24	2-Sep-24
Kapchorua Tea Kenya	KES 15.00	31-Jul-24	2-Sep-24
East African Breweries	KES 6.00	16-Sep-24	16-Oct-24
Liberty Kenya	KES 0.37	14-Jun-24	24-Aug-24
Centum Investment Company	KES 0.32	Subject To Approval	
British America Tobacco	KES 5.00	30-Aug-24	27-Sep-24
Safaricom	KES 0.65	31-Jul-24	31-Aug-24
Laptrust Imara I-REIT	KES 0.38	21-Aug-24	30-Sep-24.
Kenya Re Insurance	KES 0.30	25-Jun-24	9-Aug-24
Kenya Re Insurance	Bonus Issue	25-Jun-24	9-Aug-24

Source: NCBA IB Research, NSE

August 2024 Stock Picks

Counter	Current Price *31st July 2024	Target price	Upside	Trailing Dividend	Trailing Div. Yield	Recommendation
<u>Banking</u>						
ABSA	14.05	14.83	5.55%	1.55	11.03%	HOLD
BK Group	32.45	46.80	44.22%	3.02	9.31%	BUY
COOP	12.70	14.91	17.40%	1.50	11.81%	ACCUMULATE
DTB	46.30	57.30	23.76%	6.00	12.96%	BUY
Equity	40.50	55.21	36.32%	4.00	9.88%	BUY
HF	4.29	5.19	20.98%	-	-	BUY
I&M	20.65	22.02	6.63%	2.55	12.35%	HOLD
KCB	30.50	32.62	6.95%	-	-	HOLD
Stanbic	116.00	132.13	13.91%	15.35	13.23%	ACCUMULATE
StanChart	188.25	158.69	(15.70%)	29.00	15.41%	SELL
<u>Telecommunication</u>						
Safaricom	15.90	22.35	40.57%	1.20	7.55%	BUY
<u>Manufacturing & Allied</u>						
BAT Kenya	355.00	493.57	39.03%	50.00	14.08%	BUY
BOC Kenya	90.00	90.06	0.07%	6.05	6.72%	HOLD
Carbacid	17.00	21.24	24.94%	1.70	10.00%	BUY
EABL	158.00	171.90	8.80%	7.00	4.43%	HOLD
<u>Energy</u>						
KenGen	2.36	4.14	75.42%	0.30	12.71%	BUY

Source: Company financials, NSE, NCBA IB Research

***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%

* Our valuation on the **Bamburi** stock is being reviewed following the announcement on a proposed acquisition by Amsons Industries whose success will lead to delisting of entity.

* We are reviewing our valuations on the **insurance** sector as a result of the adoption of IFRS 17 reporting standard.

Liberty Company Report

We did a coverage of [Liberty Kenya Holdings PLC](#). The company provides both general and long-term insurance with focus on innovation and customer experience in their service delivery. The robust performance, improved governance, and sound risk management highlight solid business fundamentals, and are indicators of positive future prospects.

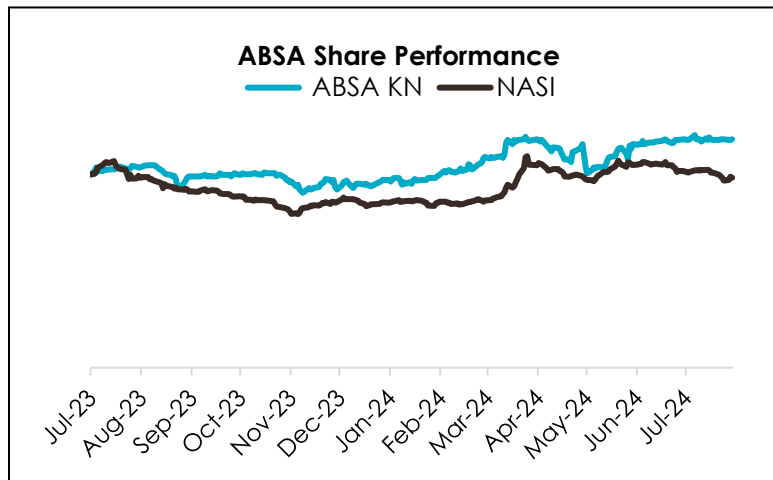
[Find the comprehensive report here.](#)

INVESTMENT CONSIDERATION

ABSA Bank Kenya: HOLD with a target price of KES 14.83

Share Data	
BIC	ABSA KN
Recommendation	HOLD
Last Price	14.05
Target Price	14.83
Upside (Excl. Div Yield)	5.55%
Market Cap (KES'Bn)	76.31
52- week high	14.40
52- week low	10.00

Source: Bloomberg, NCBA IB Research, NSE



Q1 2024 Financial Performance

- **Profitability:** ABSA bank's net profit grew by **51%** attributable to **36%** growth in net interest income and a 49% rise in non-interest income.
- **Balance Sheet Growth:** The bank's loans and advances grew by **27.7%** to **KES 309.9Bn** faster than the 15.3% growth in deposits to KES 310.8Bn. The loan to deposit ratio rose to 99.7% from 90% in the previous financial period indicating that the bank leveraged more on deposits to fund its lending activities.
- **Asset Quality:** Gross NPLs increased by 59.7% to KES 31.1Bn while loan loss provisions shot up substantially by 103.3% to KES 2.40Bn from KES 1.18Bn in the previous year. This was attributable to NPL's in the corporate business. The NPL ratio stands at 9.1% lower than the industry average of 13.70% which is reflective of efficient credit risk management.

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 increase reach and invest in areas of competitive strength.

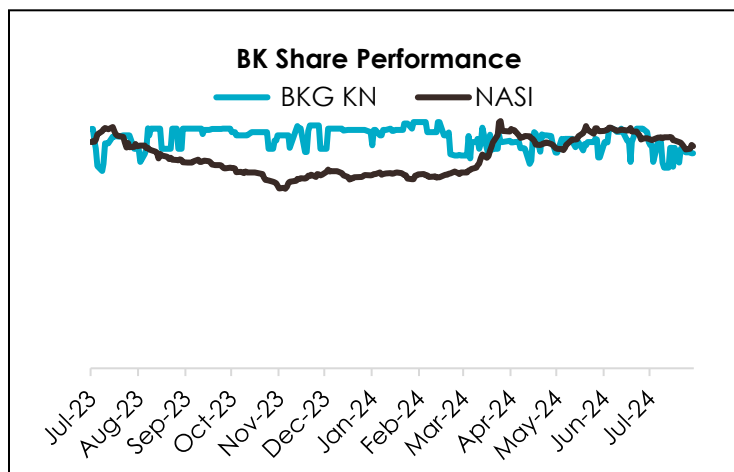
Revenue streams such as corporate banking, business banking and digital lending are delivering double-digit growth. New revenue streams including ABSA Asset Management, custody business and bancassurance will further scale the Group towards a full financial service provider.

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

BK Group: BUY with a target price of KES 46.80

Share Data	
BIC	BKG KN
Recommendation	BUY
Last Price	32.45
Target Price	46.80
Upside (Excl. Div Yield)	44.20%
Market Cap (KES'Bn)	29.10
52 weeks high	37.00
52 weeks low	26.50

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Net Income of FRw 23.9 billion (US\$ 18.5 million); an increase of 33.6% y-o-y driven by interest income. Total interest income rose by 24.7% y-o-y to FRw 45.1 billion supported by higher income from loan and advances, which grew by 18.8% in Q1 2024 to FRw 1.3 Bn.
- **Balance Sheet Growth:** Total Assets increased by 26.9% y-o-y to FRw 2.2 Bn (US\$ 1,744.0 million). Net Loans and Advances increased by 18.8 % y-o-y to FRw 1.3 Bn, (US\$ 1,024.0 million) as at March 31st, 2024.
- **Asset Quality:** Asset quality improved marginally with NPLs ratio and cost of risk both standing at 5.7% and 2.2% in Q1 2024 compared to 5.8% and 2.6% respectively in Q1 2023. This is indicative of lower credit quality owing to tough macro-economic conditions.

Outlook

BK Group has put in strategies to improve its loan book by expanding the customer base. It is also offering a comprehensive approach that prioritizes the growth and diversification of its business operations.

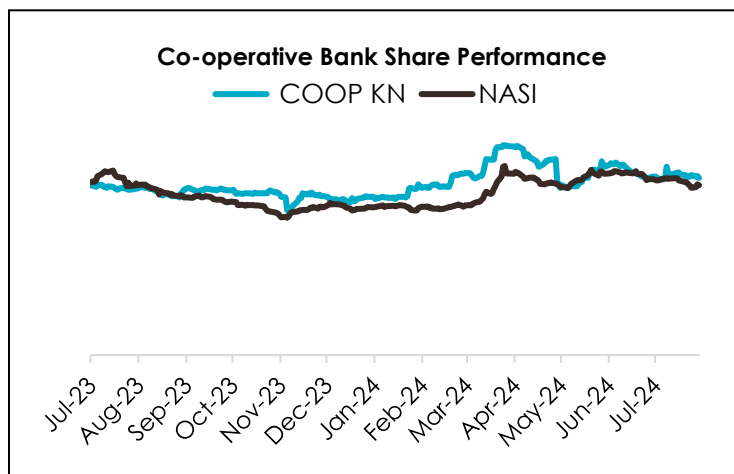
The Group continues to optimize its digitalization process to streamline operations and enhance customer experience.

We expect BK Group to deliver long-term profitability based on digitalization and growing customer base following consumer/business segmentation.

Co-operative Bank of Kenya: ACCUMULATE with a target price of KES 14.91

Share Data	
BIC	COOP KN
Recommendation	ACCUMULATE
Last Price	12.70
Target Price	14.90
Upside (Excl. Div Yield)	17.40%
Market Cap (KES'Bn)	74.51
52 weeks high	15.20
52 weeks low	10.10

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Net profit grew by **7.7%** attributable to an 8.6% increase in net interest income. Non-funded income, however, saw a decline of 0.3% to KES 7.08Bn.
- **Balance Sheet Growth:** The bank's loans and advances grew by 5.0% to KES 378.08Bn slower than the 14.8% growth in deposits driven by increased lending to the SME and MSME market segments. The loan to deposit ratio dropped to 78.5% from 85.8% in Q1 2023. Customer deposits grew by 14.8% to KES 481.75Bn supported by deposit mobilization through the opening of new branches to scale retail reach.
- **Asset Quality:** Gross NPLs increased by 19.4% to KES 66.5Bn. Loan loss provisions increased by 3.9% to KES 1.59Bn driven by implementation of risk management initiatives. The NPL ratio deteriorated to 15.0% from 13.4%. This is slightly below the industry average of 16.00% which is indicative of worsening credit quality owing to tough macro-economic conditions.

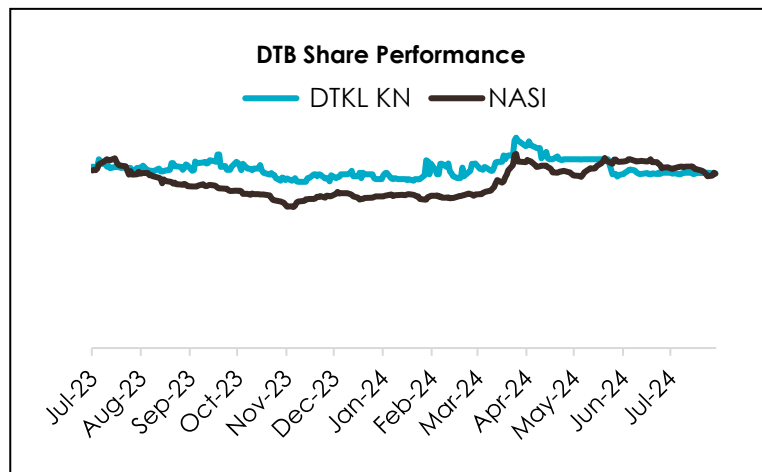
Outlook

The Bank continues to execute a proactive growth strategy anchored on a strong enterprise risk management framework and deepening of market dominance. The bank is also expected to open up more branches for improved service delivery and expansion of its customer base. The bank, riding on its unique synergies will continue to pursue strategic initiatives that focus on resilience and growth in the various sectors of the economy.

Diamond Trust Bank: BUY with a target price of KES 57.30

Share Data	
BIC	DTKL KN
Recommendation	BUY
Last Price	46.30
Target Price	57.30
Upside (Excl. Div Yield)	23.76%
Market Cap (KES'Bn)	12.95
52- week high	56.00
52- week low	43.05

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Net profit grew by **11.0%** to **KES 2.4Bn** partly attributable to a 20.7% growth in net interest and a 59.1% surge in non-interest income. Relatedly, foreign exchange trading income improved by 90.1% to KES 1.5Bn.
- **Balance Sheet Growth:** The bank's loans and advances grew by 20.3% to KES 270.36Bn faster than the 17.9% growth in deposits to KES 404.63Bn. On the other hand, customer deposits grew by 17.9% to KES 404.6Bn supported by the lender's growing branch and digital footprint and expanded value propositions.
- **Asset Quality:** Gross NPLs rose by 17.1% to KES 35.1Bn while loan loss provisions shot up by 134.7% to KES 1.36Bn from KES 0.582Bn in the previous year. This was largely attributable to NPL's in the trade and retail sector, which is the lender's prevalent sector.

Outlook

Going forward the bank will continue to leverage technology with platforms such as 'Astra' and 'Infiniti Pay' which support the small and medium enterprises. The initiative is expected to increase trade flows.

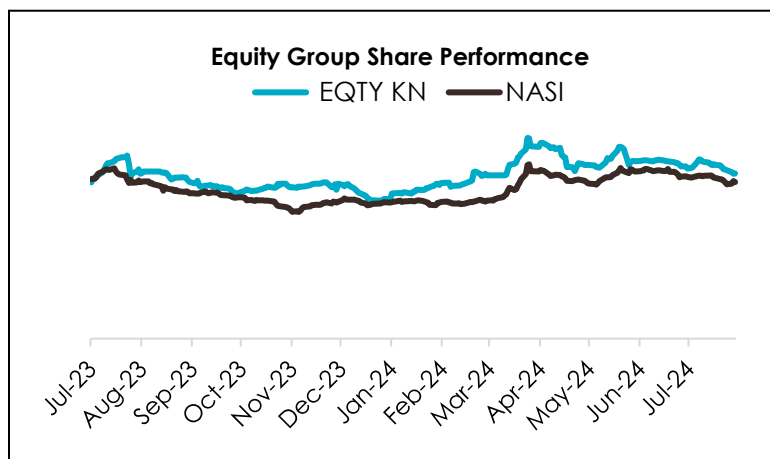
The group scaled up its investment in digital technology to KES 3.5Bn 2022-2024. This will diversify revenue streams and bolster business opportunities.

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

Equity Group: BUY with a target price of KES 55.21

Share Data	
BIC	EQTY KN
Recommendation	BUY
Last Price	40.50
Target Price	55.21
Upside (Excl. Div Yield)	36.32%
Market Cap (KES'Bn)	152.83
52- week high	51.00
52- week low	33.70

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- Equity Group released its Q1 2024 financial results posting a **25.1%** rise in **PAT** driven by a 28.4% & 21.0% growth in net interest & non-interest income respectively as well as a rapid growing insurance business. The Return on Equity improved to 7.5%.
- Balance Sheet Growth:** The bank's loans and advances grew by 3.0% to KES 779.3Bn slower than the 11.3% growth in customer deposits. This led to a 7.4% decline in the loan to deposit ratio to 63.0% from 68.1% recorded in Q12023. Customer deposits increased by 11.3% to KES 1.24Tn faster than 3.0% growth in loans following aggressive deposit mobilization as the Group continues to expand its networks and grow its customer base.
- Asset Quality:** The Group's Gross NPL increased 50.0% to KES 120.42Bn. The NPL ratio grew to 13.4% from 9.6% in Q1'2023. This is indicative of worsening credit quality owing to tough macro-economic conditions. The NPL ratio, however, compares favorably with the industry average of 16%.

Outlook

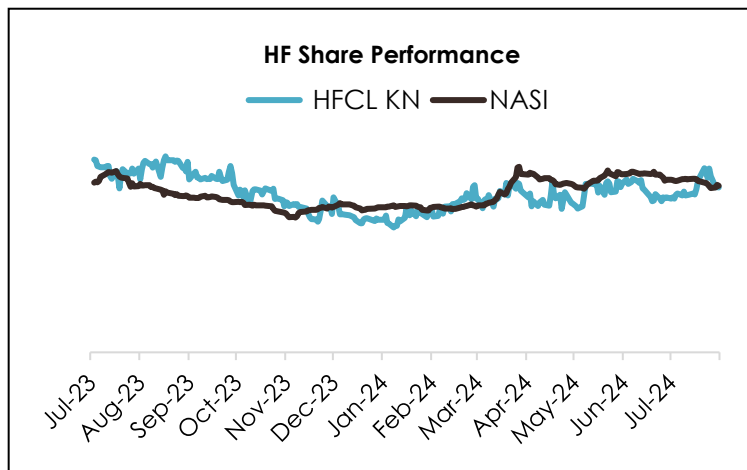
Equity's high liquidity, growth momentum, high buffer in provisions and capital, position the institution well to unleash its offensive growth strategy. This could either be pursued opportunistically through mergers and acquisitions or via organic growth fueled by its strong brand and digital capabilities, entrepreneurial and managerial depth and the Group's reputation of steadfast execution capabilities.

We believe that the company's current price properly captures the expansion strategies in the near term, and we are of the opinion that the counter has potential for a modest upside.

HF Group: BUY with a target price of KES 5.19

Share Data	
BIC	HFCL KN
Recommendation	BUY
Last Price	4.29
Target Price	5.19
Upside (Excl. Div Yield)	28.78%
Market Cap (KES'Bn)	1.65
52- week high	5.20
52- week low	2.80

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Net profit recorded an 80.4% jump to KES 150.3Mn attributable to a 7.6% rise in net interest income to KES 677.3Mn and a 40.7% surge in non-funded income to KES 386.6Mn.
- **Balance Sheet Growth:** Loans and advances grew by 3.1% to KES 38.12Bn from KES 36.97Bn in the previous year. Customer deposits increased by 6.2% to KES 43.8Bn supported by growth in the various business segments and deposit mobilization through its internet and mobile banking channels.
- **Asset Quality:** The lender's loan loss provisions increased by 7.2% to KES 109.1Mn from KES 101.7Mn.

Outlook

Going forward the bank will leverage on digitization 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 increase reach and invest in areas of competitive strength.

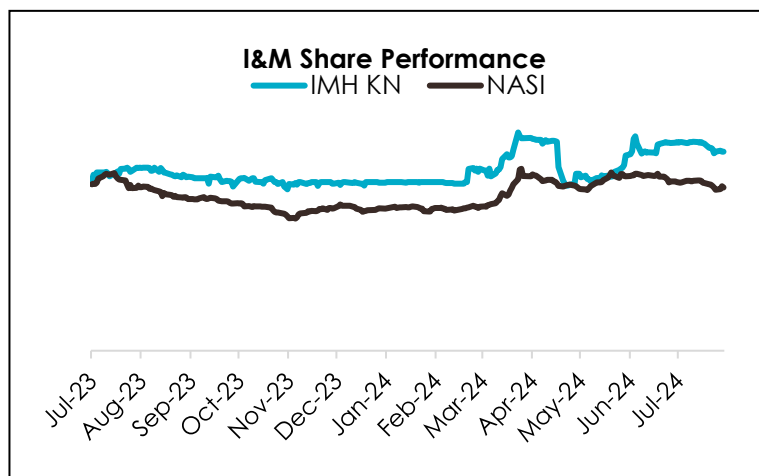
The stock presents an opportunity for long-term investors from a capital gains perspective.

We expect HF Group to deliver profitability based on its focus on revenue diversification, cost rationalization and digital transformation.

I&M Group: HOLD with a target price of KES 22.02

Share Data	
BIC	IMH KN
Recommendation	HOLD
Last Price	20.65
Target Price	22.02
Upside (Excl. Div Yield)	6.63%
Market Cap (KES'Bn)	34.15
52- week high	24.50
52- week low	15.80

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Net profit grew by 30.8% to KES 3.3Bn attributable to 37.7% growth in net interest income. Non-interest income however declined by 9.4% to KES 3.2Bn
- **Balance Sheet Growth:** The bank's loans and advances grew by 13.1% to KES 291.5Bn boosting overall assets, which grew by 12.5% to KES 533.0Bn. The loan to deposit ratio, however, declined to 75.7% from 79.4% in 1Q2023 attributable to faster growth in customer deposits. Customer deposits grew by 18.2% to KES 383.9Bn supported by deposit mobilization targeting the different segments and digitalization.
- **Asset Quality:** The NPL ratio increased to 10.4% from 10.2% in 1Q2023 but still below the industry average of 16%. Loan loss provisions however declined by 6.4% to KES 1.5Bn from KES 1.6Bn in 1Q2023 indicating improved credit management.

Outlook

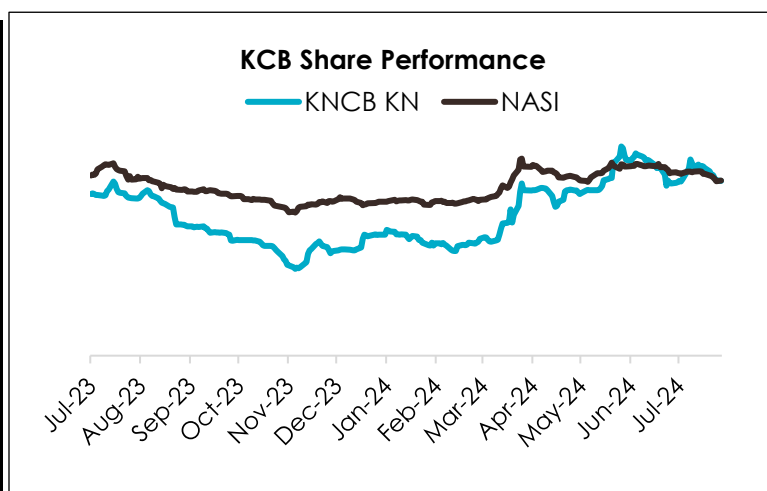
The Bank continues to execute the proactive Imara 3.0 2024-2026 strategy anchored on accelerating growth in key segments and digitalization.

The bank continues to grow its branch network across the country expected to drive deposit mobilization.

At the current market price, we believe the stock presents an opportunity for long-term investors for capital appreciation and an attractive dividend yield. I&M Group will continue to deliver long-term profitability on the back of digitalization and deposit mobilization through an expanded branch network.

KCB Group: HOLD with a target price of KES 32.62

Share Data	
BIC	KNCB KN
Recommendation	HOLD
Last Price	30.50
Target Price	32.62
Upside (Excl. Div. Yield)	6.95%
Market Cap (KES'Bn)	98.01
52- week high	39.50
52- week low	15.00



Source: Bloomberg, NCBA IB Research, NSE

Q1 2024 Financial Performance

- **Profitability:** KCB's net profit saw a 69% increase to KES 16.5Bn attributable to an increase in net interest income to KES 31.06Bn from KES 22.06Bn recorded in Q1 23. The contribution by Group Businesses (excluding KCB Bank Kenya) has continued to increase closing the quarter at 17.9% in PAT and 13.1% in total assets, signaling the benefits of regional diversification.
- **Balance Sheet Growth:** The bank's loans and advances rose by 12.2% to KES 1.13Tr. Customer deposits grew by 25.4% to KES 1.5Tn, largely from the Kenyan market. Deposits dropped by 11% from KES 1.69Tr recorded in Q32023.
- **Asset Quality:** Overall, the Group's gross non-performing book stood at KES 205.3Bn which saw the NPL ratio close the quarter at 18.2%. This was because of downgrade of the sovereign by credit rating agencies as well as the impact of translation of the foreign currency denominated book. The Group has prioritized efforts to improve asset quality with various measures in place to reduce the ratios both in the short and long-term.

Outlook

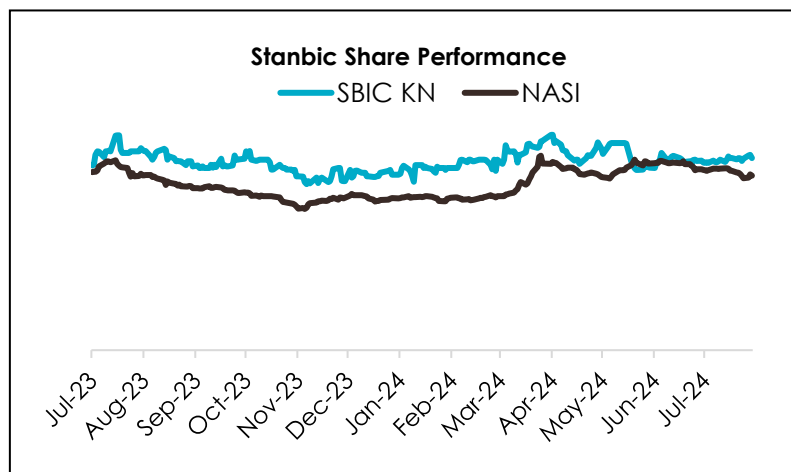
KCB'S wide regional footprint along with its well diversified portfolios of business and capital buffers position the lender to gain significant momentum in balance sheet growth across all subsidiaries driven by increased lending.

We expect the bank to continue generating long-term profitability supported by an aggressive lending strategy, subsidiaries' performance, and regional diversification.

Stanbic Bank: ACCUMULATE with a target price of KES 132.13

Share Data	
BIC	SBIC KN
Recommendation	ACCUMULATE
Current Price	116.00
Target Price	132.13
Upside	13.91%
Market Cap (KES'Bn)	45.86
52 week high	132.00
52 week low	90.00

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Stanbic bank's net profit grew by **2.8%** to **KES 3.99Bn** largely attributable to a 53.9% y/y increase in interest income to KES 12.09Bn from KES 7.85Bn. The Return on Equity increased to 6.8% while earnings per share rose to KES 23.43 from KES 22.81 in the previous financial year.
- **Balance Sheet Growth:** The bank's loans and advances to customers grew by 11.1% to KES 255.78Bn boosting overall assets attributable to the banks' aggressive lending strategy. The loan to deposit ratio declined to 71.9% from 79.1% in the previous year. Customer deposits increased by 22.2% to KES 355.54Bn faster than the 11.5% growth in loans following aggressive deposit mobilization supported by branch expansion. The bank leveraged on deposits to fund its investments.
- **Gross Non-Performing Loans (NPLs):** Gross NPLs decreased by 17.3% to KES 24.2Bn. The NPL ratio declined to 8.6% from 11.3% in This is indicative of lender's proactive credit management.

Outlook

We see this impressive loan book growth enduring and translating into topline growth momentum. Implementation of risk-based pricing models will further scale the aggressive lending strategy.

The lender's non-funded income will continue to be driven by arbitrage opportunities for forex trading since the lender has significant forex exposure.

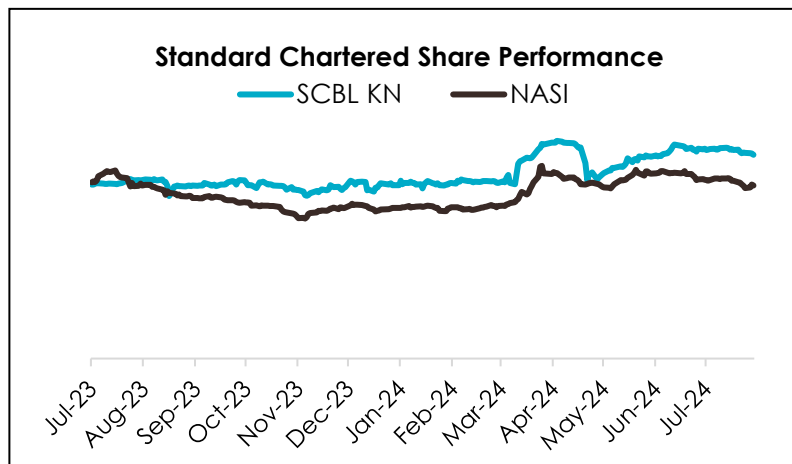
Notably, the banks NPL ratio is commendable compared to the industry average. Proactive data driven risk analysis with credit risk pricing models in the mainstream loans will boost the management of credit loss and cost of risk ratios.

At the current market price, the stock presents a value pick for long-term investors owing to its reliable dividend payout.

Standard Chartered Bank Kenya: SELL at a target price of KES 158.69

Share Data	
BIC	SCBK KN
Recommendation	SELL
Last Price	188.25
Target Price	158.69
Upside	(15.70%)
Market Cap (KES'Bn)	71.13
52 week high	205.00
52 week low	134.00

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Standard Chartered registered a 39.5% uptick in profit after tax to KES 5.62Bn, up from KES 4.03Bn a year prior. Relatedly, it recorded a 24% rise in non-interest income to KES 4.8Bn and 20% increase in net-interest income to KES 8.2Bn.
- **Balance Sheet Growth:** The bank's loans and advances grew by 12.0% to KES 153.1Bn driven by a major pipeline deal and higher utilization of limits by clients. Customer deposits increased by 1.0% to KES 306.0Bn, driven by new mandates and increased transactional flows from key relationships and value driven from the wealth management segment.
- **Asset Quality:** The lender's NPL ratio of 9.5% remains below the industry average of 16% indicative of prudent credit risk management. Loan loss provisions were down by 30.7% to KES 547.9Mn from KES 790.9Mn amidst a recovering macro-economic environment.

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.

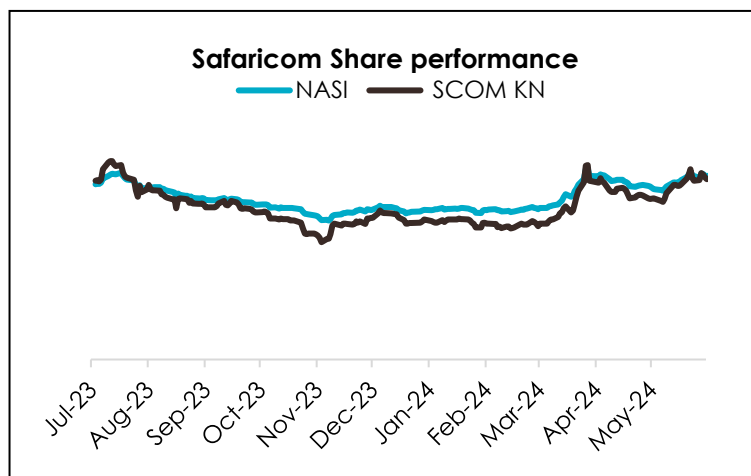
The bank, accelerating its Sustainable Finance offering to clients through product innovation and enabling transition to a low carbon future, will further scale the aggressive lending strategy.

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

Safaricom: BUY with a target price of KES 22.35

Share Data	
BIC	SAFCOM KN
Recommendation	BUY
Last Price	15.90
Target Price	22.35
Upside (Excl. Div Yield)	40.57%
Market Cap (KES'Bn)	637.04
52 week high	24.95
52 week low	11.50

Source: Bloomberg, NCBA IB Research, NSE


HY 2024 Financial Performance

- **M-PESA was the key driver of growth:** Grew by 16.5% to KES 66.23Bn supported by increased personal usage and growth of chargeable transactions per one-month active customers. Financial services revenue, however, registered a 19% decline y/y to close at KES 4Bn primarily driven by a decline in revenue attributable to Fuliza.
- **Capital expenditure weighs down on the business:** Capex saw an increase of 93.1% to KES 96.1Bn driven by accelerated spending on investment in the new growth region of Ethiopia. Capex in Ethiopia was undertaken to support site & infrastructure costs in the growing market.
- **Profitability:** Net Income grew 10.9% y/y to KES 41.6Bn supported by M-PESA and mobile data revenue in the period. Profit after tax however declined by 10.1% largely attributable to 21.9% increase in operating expenses to KES 37.7Bn.

Outlook

We expect increased revenue from Safaricom Ethiopia, M-Pesa, and mobile data revenue streams.

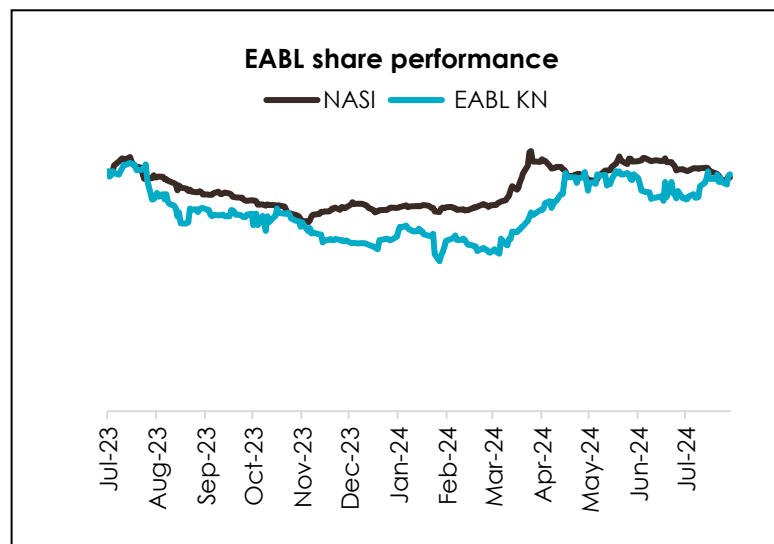
Operations in Ethiopia could help achieve revenue expansion above consensus and entrench the company's presence in the region.

We however maintain a cautiously optimistic stance on this diversification venture.

East African Breweries: HOLD with a target price of KES 171.90

Share Data	
BIC	EABL KN
Recommendation	HOLD
Last Price	158.00
Target Price	171.90
Upside (Excl. Div Yield)	8.80%
Market Cap (KES'Bn)	116.05
52 week high	190.00
52 week low	100.00

Source: Bloomberg, NCBA IB Research, NSE


FY 2024 Financial Performance

- **Profitability:** Profits declined because revenue gains were offset by increases in cost of sales largely due to significant inflationary pressures on the cost of inputs over the period. Further, FY2024 performance was undermined by weaker revenue growth in the region.
- **Regional subsidiaries support growth:** In Uganda, net sales grew by 9% largely supported by mainstream spirits and value beer consumption, while in Tanzania net sales grew by 12% supported by Serengeti breweries. Kenya grew by 15% driven by 1% rise in volumes as well as currency appreciation. EABL's current revenue contribution has Kenya, Uganda and Tanzania contributing 65%, 21%, and 14%, respectively.
- **Dividend yield:** EABL declared a total dividend of **KES 7.00** for the FY2024 (KES 1.00 interim dividend and 6.00 final dividend) which is a payout of **68%**, significantly higher than the **44%** payout ratio (total dividend of KES.5.50) announced in FY23.

Outlook

The challenging macro-economic environment continues to weigh heavily on the Brewer. Dollar supply-demand imbalances have further exacerbated the situation.

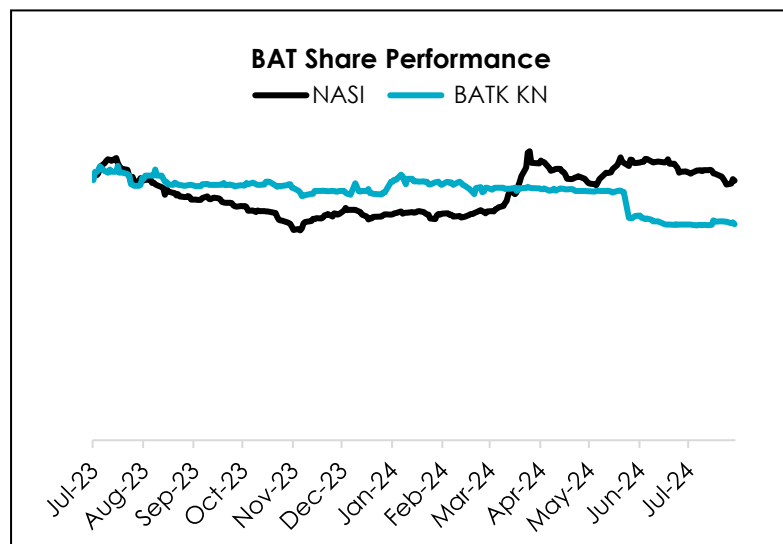
The region's exposure to macroeconomic risks will continue to negatively impact on the company's earnings and our short to medium term financial forecasts.

Relatedly, the company continues to suffer from a punitive tax policy that has impacted on their financing costs.

British American Tobacco: BUY with a target price of KES 493.57

Share Data	
BIC	BAT KN
Recommendation	BUY
Last Price	355.00
Target Price	493.57
Upside	39.03%
Market Cap (KES'Bn)	35.50
52 week high	495.00
52 week low	355.00

Source: Bloomberg, NCBA IB Research, NSE


HY 2023 Financial Performance

- **Profitability:** Profit Before Tax (PBT) declined by 24.3% to KES 3.05Bn mainly driven by increased finance costs. The business' underlying performance however remains solid and will be supported by the implementation of strategic initiatives to mitigate the impact of foreign exchange losses.
- **Cost of Operations:** Cost of sales declined by 14.0% to KES 7.94Bn attributable to lower sales volume, prudent cost management, and the benefits of productivity initiatives implemented to mitigate cost increases.
- **Revenue:** Net revenue declined by 6.5% to KES 19.64Bn, primarily due to lower sales volume, consumer down-trading in the domestic market and suspension of oral nicotine pouch sales.
- **Dividend:** BAT declared an interim dividend per share of **KES 5.00** for HY2024, similar to what was offered in the same period last year.

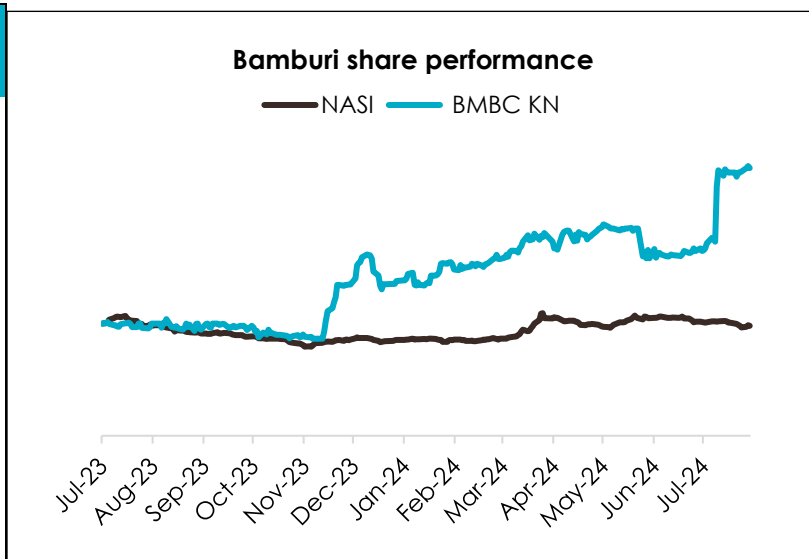
Outlook

The company remains focused on reducing negative health impacts of its business by offering alternative innovative products, including tobacco-free oral nicotine pouches.

Its commitment to sustainably deliver shareholder value is expected to be delivered through geographical diversity, prudent execution of strategies, investment in world class human capital as well as incorporating effective business partners.

Bamburi Cement:

Share Data	
BIC	BAMB
Last Price	62.00
Market Cap (KES'Bn)	22.50
52-week high	64.25
52-week low	21.30



Source: Bloomberg, NCBA IB Research, NSE

Bamburi Sale Proposal

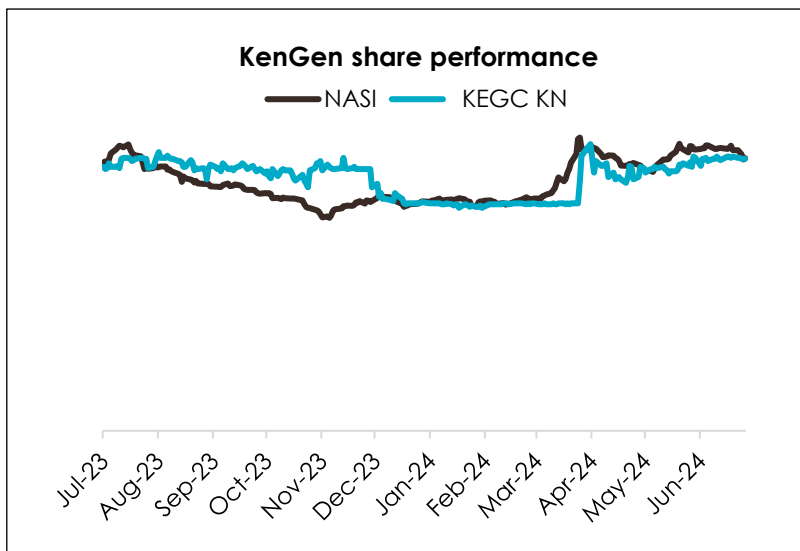
On July 24, 2024, Bamburi Cement Plc received an acquisition proposal from Amsons Industries to purchase 100% of its ordinary shares, each with a par value of KES 5.00. The proposed price is KES 65.00 per share.

The Tanzania-based conglomerate, which has diverse interests in energy, construction, food, and transport, has made a US \$180Mn acquisition offer to strengthen and diversify its presence in the East African region.

This proposal follows Bamburi's recent divestiture from its Ugandan subsidiary. If the acquisition is successful, Bamburi Cement Plc will be delisted from the Nairobi Securities Exchange.

KenGen: BUY with a target price of KES 4.14

Share Data	
BIC	KEGC KN
Recommendation	BUY
Last Price	2.36
Target Price	4.14
Upside	73.42%
Market Cap (KES'Bn)	15.56
52- week high	3.50
52- week low	1.94



Source: Bloomberg, NCBA IB Research, NSE

HY 2024 Financial Performance

- **Revenue:** Revenue less reimbursable expenses increased by 7.8% y/y from KES 22.94Bn to KES 24.73Bn reflecting the impact of favorable hydrology and plant efficiency.
- **Expenses:** Operating expenses increased by 16.4% y/y from KES 8.68Bn in 2022 to KES 10.10Bn. The increase is attributable to higher plant operating and maintenance costs as impacted by depreciation of the KES.
- **Profitability:** Profit before tax improved by 1.8% y/y from KES 4.75Bn to KES 4.83Bn. This was largely driven by increased power plant efficiency and relatively high plant availability. Profit after tax, however, declined by 9.2% y/y from KES 3.26Bn to KES 2.96Bn.

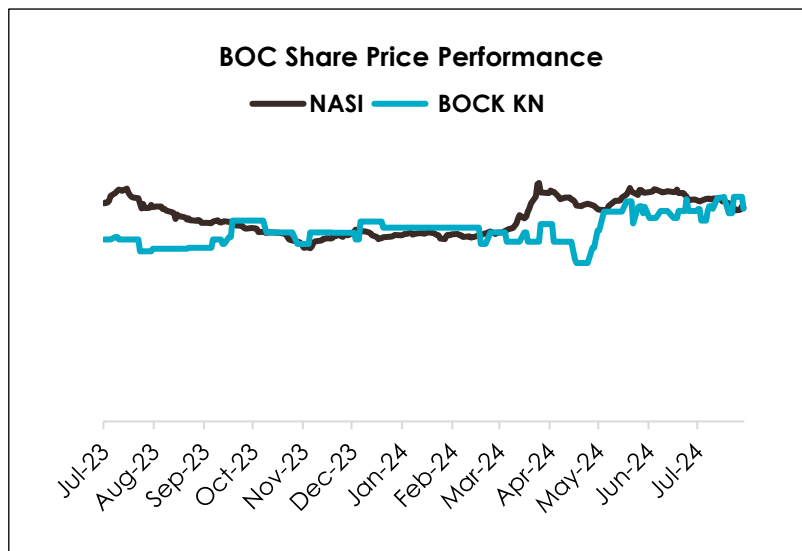
Outlook

We expect the business to have a positive outlook based on the following factors.

- **Capacity Increase:** The rehabilitation of the Olkaria I geothermal power plant, aimed at giving it a new lease of life and increasing its capacity to 63MW, is progressing well. Additionally, the implementation of the Olkaria I Additional Units 4 and 5, along with the Olkaria IV Upgrading Project, has begun. This project aims to boost their combined capacity from the current 300MW to 340MW and is expected to be completed by December 2026.
- **Economic outlook and electricity demand:** We maintain a positive outlook as the national demand for clean electric energy continues to rise.

B.O.C Kenya: HOLD with a target price of KES 90.06

Share Data	
BIC	BOCK KN
Recommendation	HOLD
Last Price	90.00
Target Price	90.06
Upside	0.07%
Market Cap (KES'Bn)	1.76
52- week high	95.00
52-week low	65.00



Source: Bloomberg, NCBA IB Research, NSE

FY 2023 Financial Performance

- **Revenue:** During the year, revenue increased by 19.6% due to the implementation of various medical gases infrastructure tenders as well as growth in sales of medical oxygen to healthcare facilities. Revenue from industrial gases decreased marginally due to depressed demand in a high-cost environment.
- **Profitability:** Operating Profit increased by 53% in tandem with the sales growth. Price increases were also implemented in the year to recover significant cost increases especially on electricity and distribution costs. The base electricity tariff increased by 60% in April 2023, pushing up production costs.

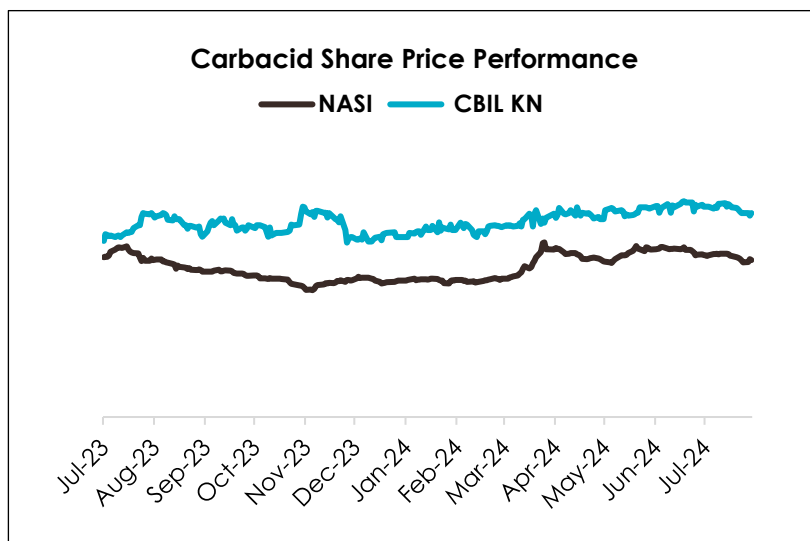
Outlook

Despite a substantial uptick in the cost of doing business arising from higher input costs, we believe the company will deliver a relatively strong performance. The performance will be pegged on;

- **Value addition:** The Group is adopting agile and optimal business processes. It has elevated the quality of its production capacity and has continued to upgrade its assets and capabilities to differentiate its services from its competitors. We remain cognizant of the fact that global disruptions on the supply chain of raw materials may persist.
- **Strong presence in the healthcare sector:** Ongoing improvements in oxygen infrastructure in the healthcare sector post- Covid is leading to increased demand for medical oxygen. In 2021 and 2022, the company installed a large portion of this infrastructure, primarily bulk oxygen storage tanks and the related gas pipelines. The company is expected to reap the benefits of the installed infrastructure by ensuring that the equipment remains in serviceable condition and that medical grade oxygen is available.

Carbacid Investments Plc: BUY with a target price of KES 21.24

Share Data	
BIC	CBIL KN
Recommendation	BUY
Last Price	17.00
Target Price	21.24
Upside	24.94%
Market Cap (KES'Bn)	4.33
52- week high	18.00
52- week low	11.00



Source: Bloomberg, NCBA IB Research, NSE

HY 2024 Financial Performance

- **Turnover** -Carbacid's total turnover increased by 26.3% to KES 1.1Bn in H1'2024.The growth is attributed to new liquid carbon dioxide markets within East and Southern Africa.
- **Operating Profit**- Cost increases have also been experienced in various inputs - fuel, power, spares - and this has meant a lower flow through to the operating profit. Operating profit increased by 32.9% to KES 488.1Mn.
- **Finance Income** – In H1'2024, Carbacid's finance income increased insignificantly by 0.30% to KES 132.6Mn attributable to high interest rate environment.
- **Government Securities**- In H1' 2024, investments in corporate and treasury bonds recorded a decline of 2.98% to KES 1.98Bn from KES 2.04Bn.
- **Profit After Tax (PAT)** – PAT increased by 17.86% to KES 485.2Mn. Consequently, EPS grew by 17.28% to KES 1.90 from KES 1.62.

Outlook

Carbacid continues to focus on maintaining a flexible and adaptive business strategy, investing in innovation and technology, diversifying its customer base and geographic presence, and enhancing resilience in its supply chain and operations.

Additionally, staying abreast of regulatory developments and market trends will be crucial for anticipating and responding to changes in the business environment.

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