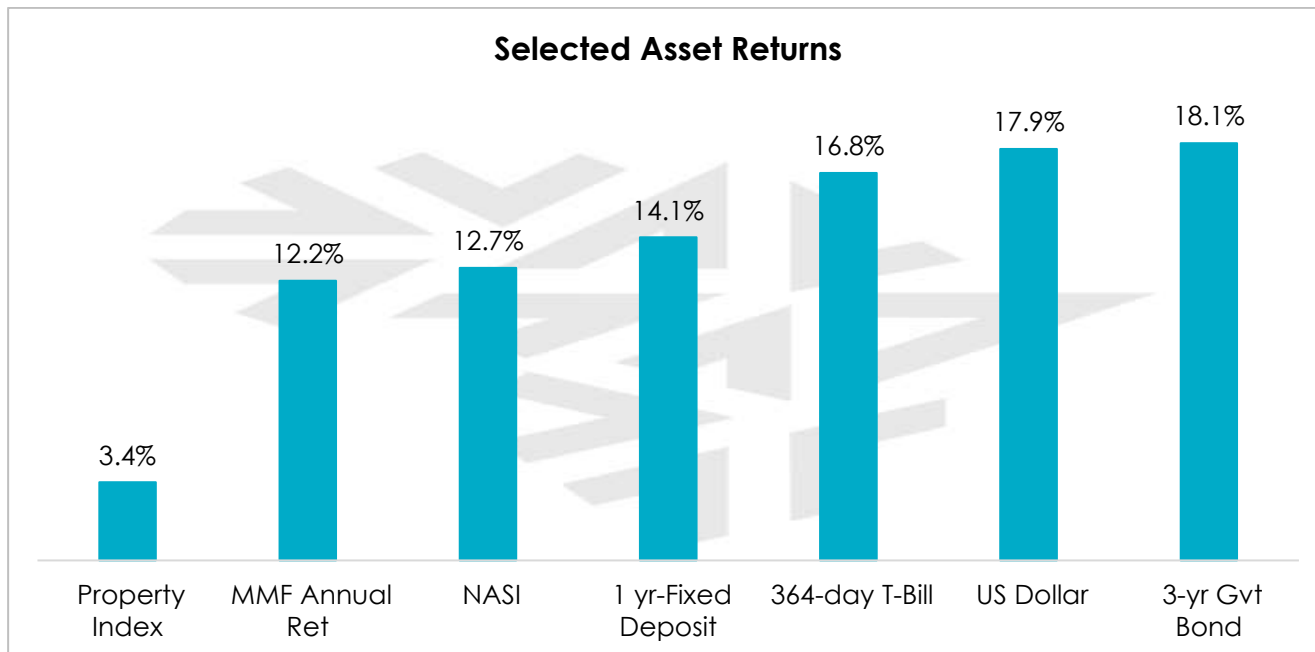


Asset Class Performance



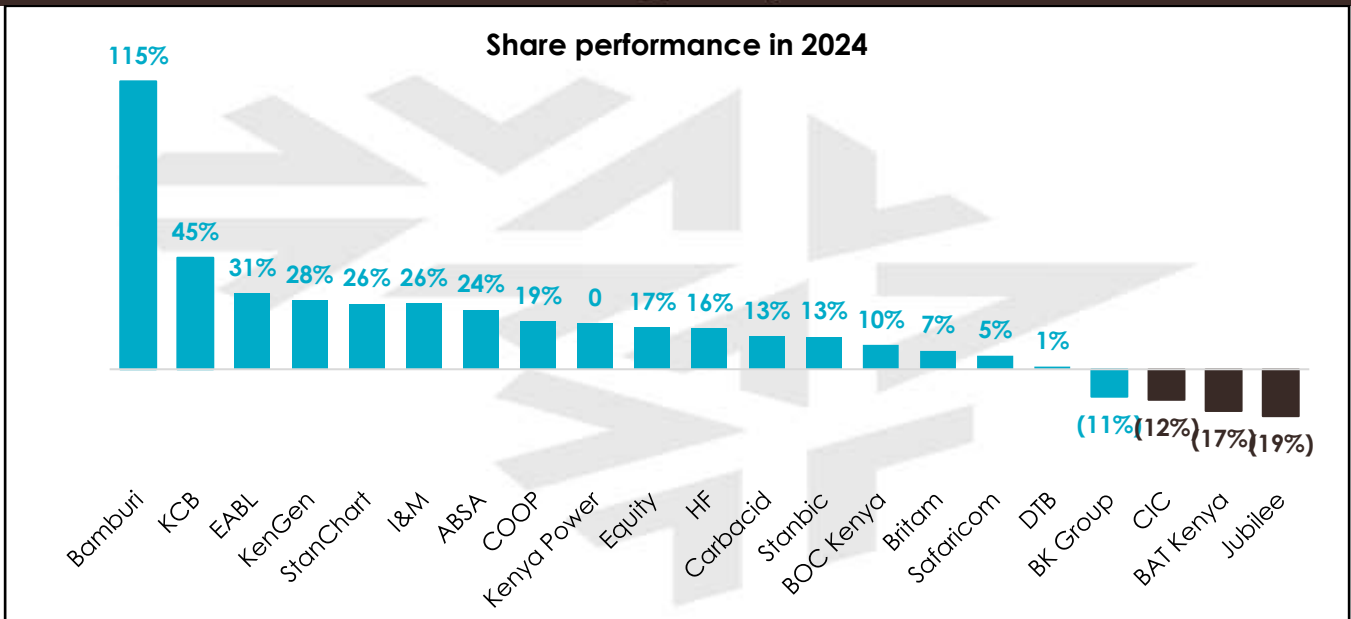
Source: CBK, Hass Consult, NSE, NCBA IB Research

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 until year end.

Investment in listed equities remained appealing despite sluggish market conditions during the month, with the NASI posting a YTD return of 13.0%. We anticipate moderate corporate earnings for FY2024, on the back of the prevailing macroeconomic conditions. 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 post good performance in 2024.

The banking sector remained resilient registering strong 1H2024 earnings on the back of higher interest rates, risk-based pricing, and revenue diversification efforts.



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"> Set to meet on September 19,2024
	<ul style="list-style-type: none"> Set to meet on September 20,2024
 EUROPEAN CENTRAL BANK	<ul style="list-style-type: none"> Set to meet on September 14, 2024

Currency

The KES has appreciated against the USD year-to-date. In August, it lost an average of 3.40 cents daily, compared to an average gain of 1.65 cents in July 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 intervention by Central Bank of Kenya, 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
August-24	129.18	169.94	143.04
Year to date	(17.9%)	(14.3%)	(16.9%)

Source: CBK, NCBA IB Research

Interest rates

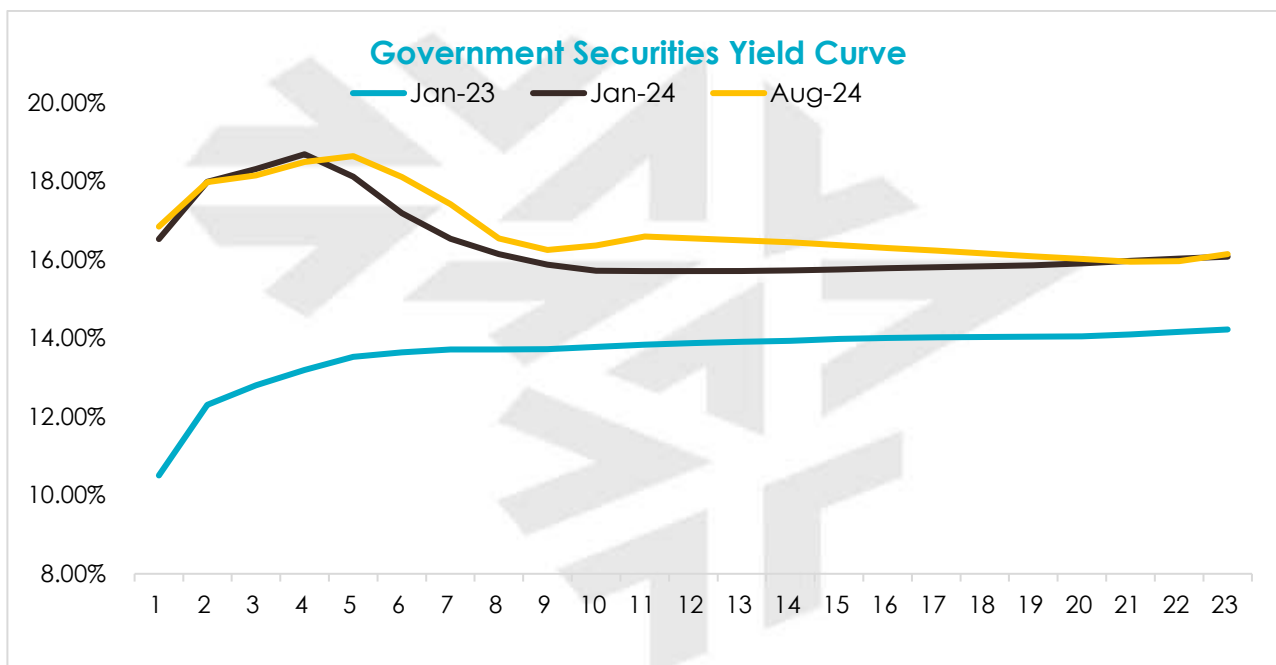
There was an overall decline in T-bill rates in August 2024 compared to the previous month. This has the potential to constrain the government's plans to pivot to domestic borrowing after scrapping the proposed tax hikes.

Prevailing rates	Aug-24	Jul-24	M/M change (bps)
91 Day	15.780%	16.000%	(22.00)
182 Day	16.630%	16.851%	(22.06)
364 Day	16.840%	16.921%	(8.12)

Source: CBK, NCBA IB Research

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

The revised budget increased local debt target to KES 404.6Bn. Further budget revisions are likely to be undertaken during the year to accommodate necessary fiscal adjustments. Relatedly, we expect yields on government bonds to remain elevated, as a result of the increased target for domestic borrowing.



Source: CBK, NCBA IB Research

Liquidity conditions

In August, liquidity conditions eased marginally. Indicatively, the overnight interbank rate decreased by 74bps month on month to close at 12.97%. The average daily traded volumes also decreased to KES 22.92Bn from KES 28.61Bn recorded the previous month.

Central Bank of Kenya cut its benchmark lending rate by 25 bps to 12.75%, reducing the cost of loans for the first time in four years. The Committee will meet again in October 2024.

Statistic	Aug-24	Jul-24	Change (bps)
Central Bank Rate	12.75%	13.00%	(25.00)
Average Interbank Rate	12.97%	13.71%	(74.00)

Source: CBK, KNBS, NCBA IB Research

Inflation

Annual consumer prices at the headline level ticked marginally to 4.4% in August from 4.3% in July 2024 – the lowest level recorded since 2020.

The inflation was mainly driven by price increases for food, transportation, water, electricity, gas and other fuels.

Statistic	Aug-24	Jul-24	Change (bps)
Inflation	4.40%	4.30%	10.00
CPI	139.87	139.94	(5.00)

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 global fuel prices.

Kenya International Debt

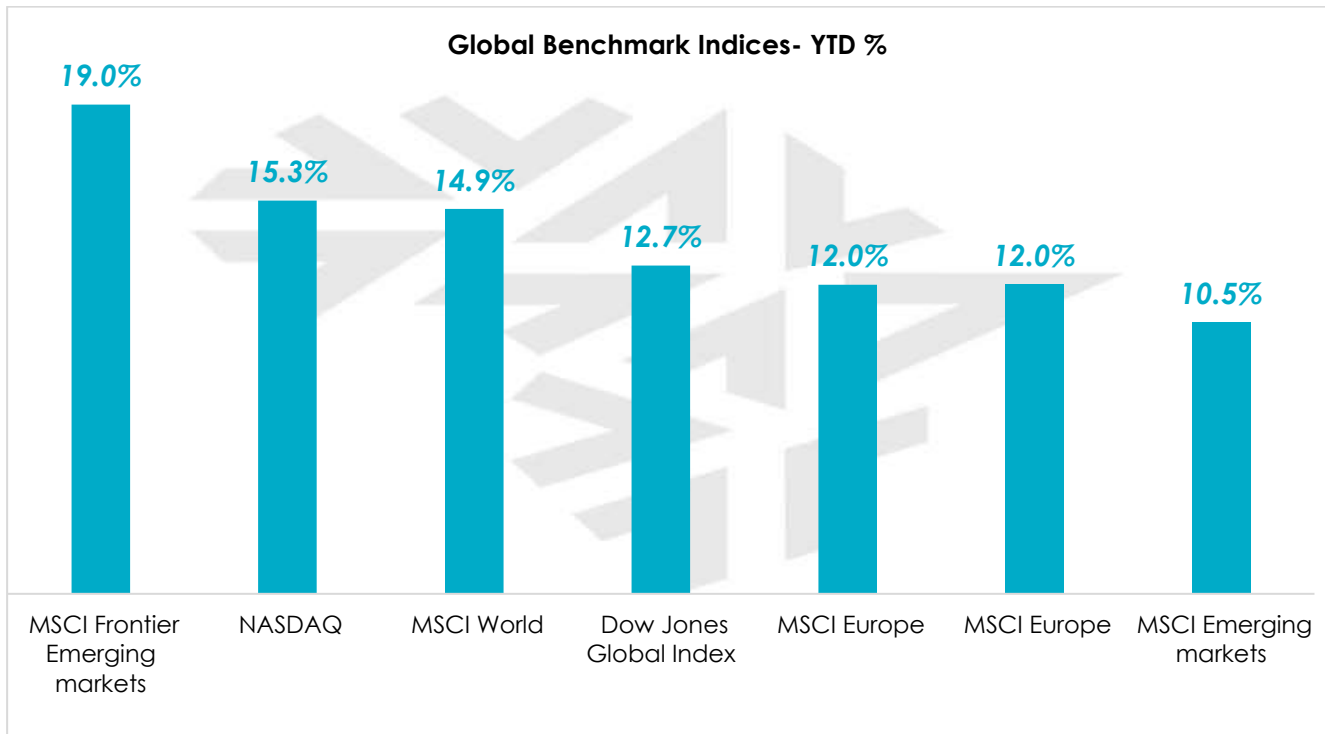
Yields on GOK Eurobonds except for Kenint 27 recorded a decline during the month despite the negative credit ratings on the sovereign.

Below are the six Kenyan Eurobonds and the respective yields.

Eurobond	Tenor (Years)	Coupon Rate	Jul-24	Aug-24	Change
KENINT 05/22/2027	2.98	7.00%	9.07%	9.95%	87.90
KENINT 02/28/2028	3.75	7.25%	10.40%	10.25%	(14.30)
KENINT 02/16/2031	6.73	9.75%	10.68%	10.55%	(13.30)
KENINT 05/22/2032	7.99	8.00%	10.51%	10.43%	(8.50)
KENINT 01/23/2034	9.67	6.30%	10.55%	10.37%	(18.10)
KENINT 02/28/2048	23.82	8.25%	10.97%	10.77%	(20.50)

Source: Bloomberg, NCBA IB Research

Global Markets Performance

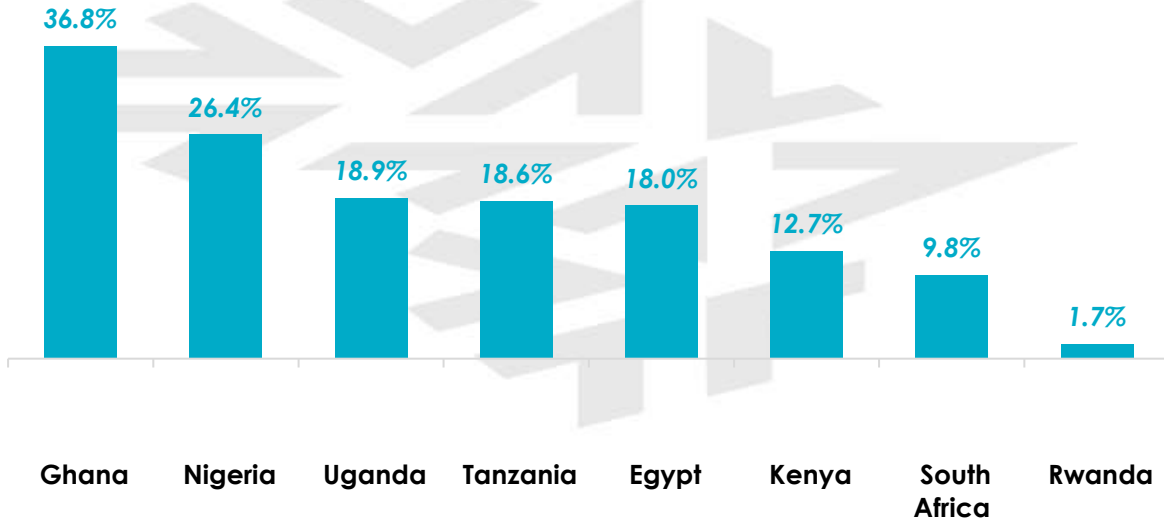


Source: Bloomberg, NCBA IB Research

- August 2024 was a period of consolidation and cautious trading in U.S. markets. The overall YTD performance remains in positive territory, reflecting a strong start to the year, tempered by recent concerns over economic conditions and interest rates.
- August 2024 was challenging for the MSCI indices, with declines across the board due to global economic uncertainties, rising interest rates, and currency pressures. YTD performance remains varied, with developed markets generally holding up better than emerging markets.

Regional Markets Performance

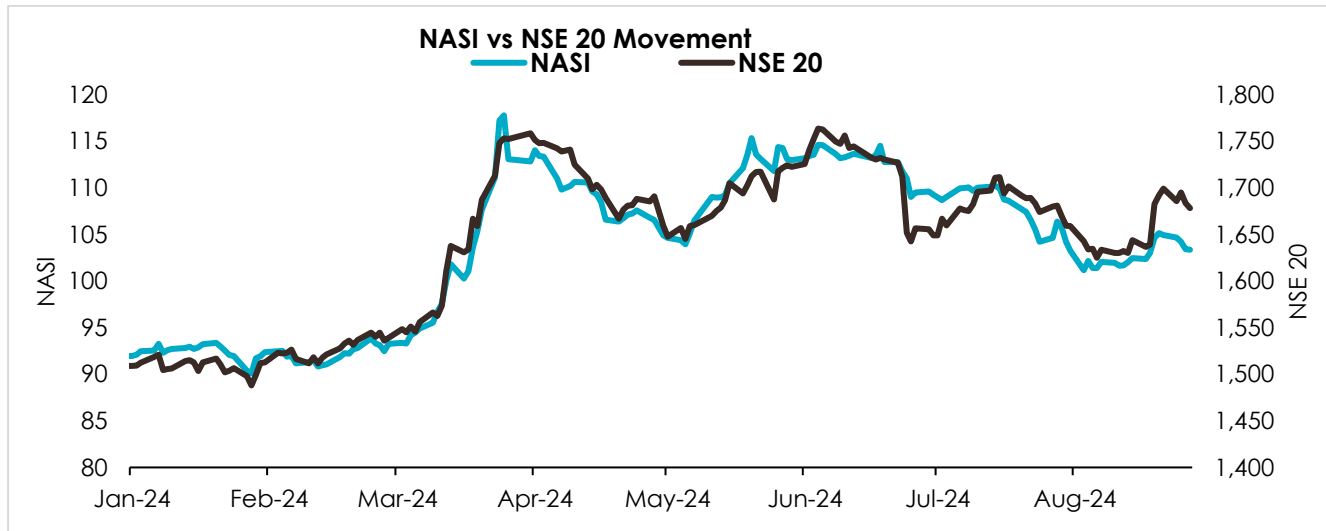
- The regional indices showed a mix of performances for August 2024, with Uganda, Tanzania, and South Africa recording positive growth. Despite these fluctuations, most markets have maintained strong YTD gains, with Ghana and Nigeria standing out as top performers.

Regional Markets Performance- YTD%


Source: Bloomberg, NCBA IB Research

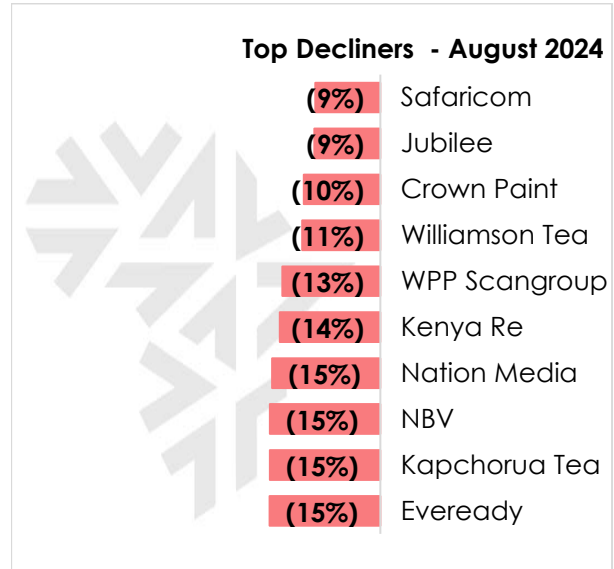
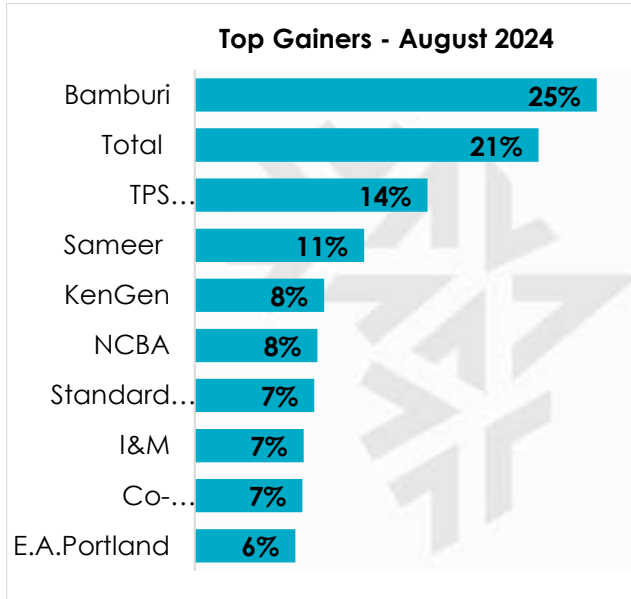
Local Market Performance

The stock market recorded reduced activity, with the all share index **down** by **1.95%** to close at **103.63** while the NSE-20 was **up** by 0.51% to close at **1,678.21**



Source: Bloomberg, NCBA IB Research, NSE

NSE Stock Performance

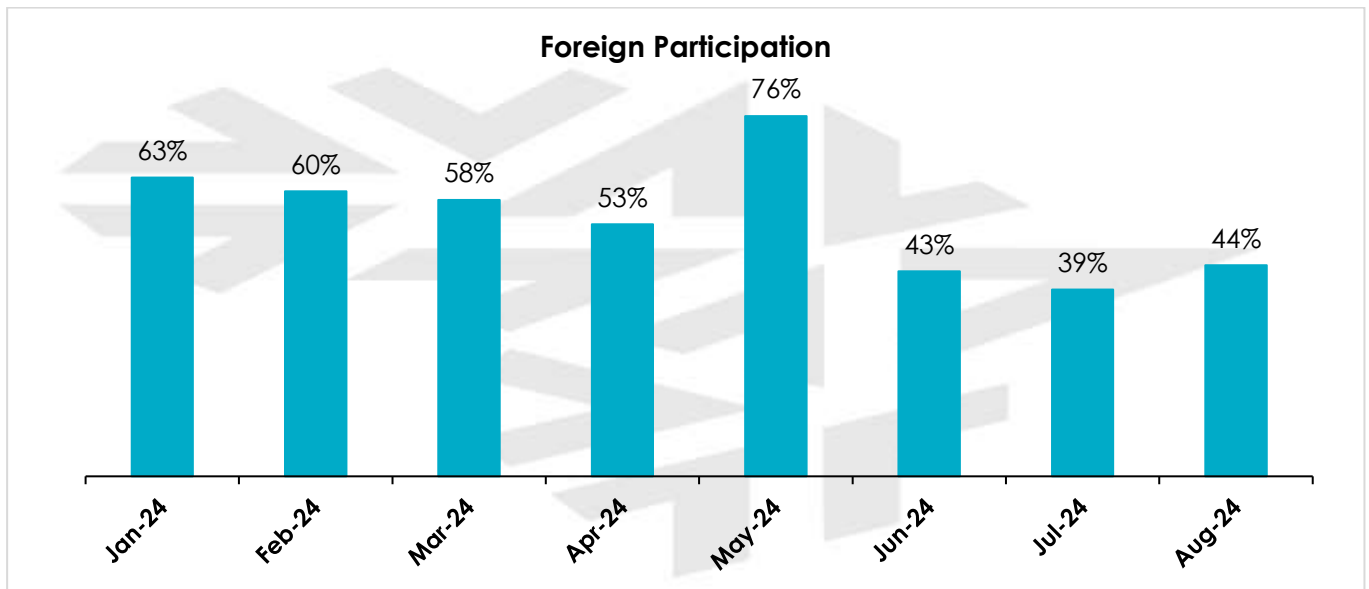


Source: NSE, NCBA IB Research

Foreign Investors Participation

Foreign investors accounted for **44%** of the market participation and recorded net sales of **KES 2Mn** from net sales of **KES 655Mn** in June.

Rate hikes are still on the table for most, albeit at a potentially slower pace, with some central banks considering pauses. The pauses are advised by prevailing economic data.



Source: NSE, NCBA IB Research

Corporate Actions: Upcoming Dividend payments

Corporate Actions	Dividend	Book Closure	Payment
Laptrust Imara I-REIT	KES 0.38	21-Aug-24	30-Sep-24.
British America Tobacco	KES 5.00	30-Aug-24	27-Sep-24
East African Breweries	KES .6.00	16-Sep-24	16-Oct-24
KCB (Interim)	KES 1.50	12-Sep-24	30-Oct-24
ABSA(Interim)	KES 0.20	20-Sep-24	15-Oct-24
BOC(Interim)	KES 1.50	20-Sep-24	14-Oct-24
Standard Chartered (Interim)	KES 8.00	18-Sep-24	08-Oct-24
Stanbic (Interim)	KES 1.84	02-Sep-24	27-Sep-24
NCBA (Interim)	KES 2.25	11-Sep-24	25-Sep-24
HF Group	Rights Issue 3:1	Subject to Approval	Subject to Approval
Bamburi (Special Div)	KES 18.25	20-Sep-24	27-Sep-24
Centum Investment Company	Kes.0.32	11-Oct-24	Subject to Approval

Source: Company financials, NSE, NCBA IB Research

September 2024 Stock Picks

Counter	Current Price *30st August 2024	Target price	Upside	Trailing Dividend	Trailing Div. Yield	Recommendation
<u>Banking</u>						
ABSA	14.30	15.60	9.09%	1.55	10.84%	HOLD
BK Group	31.60	46.80	48.10%	3.02	9.56%	BUY
COOP	13.55	14.91	10.04%	1.50	11.07%	ACCUMULATE
DTB	45.25	56.01	23.78%	6.00	13.26%	BUY
Equity	39.95	55.21	38.20%	4.00	10.01%	BUY
HF	4.01	4.90	22.19%	-	-	BUY
I&M	22.05	24.22	9.84%	2.55	11.56%	ACCUMULATE
KCB	31.75	37.50	18.11%	-	-	BUY
Stanbic	119.75	132.13	10.34%	15.35	12.82%	ACCUMULATE
StanChart	202.25	158.69	(21.54%)	29.00	14.34%	SELL
<u>Telecommunication</u>						
Safaricom	14.50	22.35	54.14%	1.20	8.28%	BUY
<u>Manufacturing & Allied</u>						
BAT Kenya	354.00	493.57	39.43%	50.00	14.12%	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	151.75	171.90	13.28%	7.00	4.61%	HOLD
<u>Energy</u>						
KenGen	2.55	4.14	62.35%	0.30	11.76%	BUY

*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.

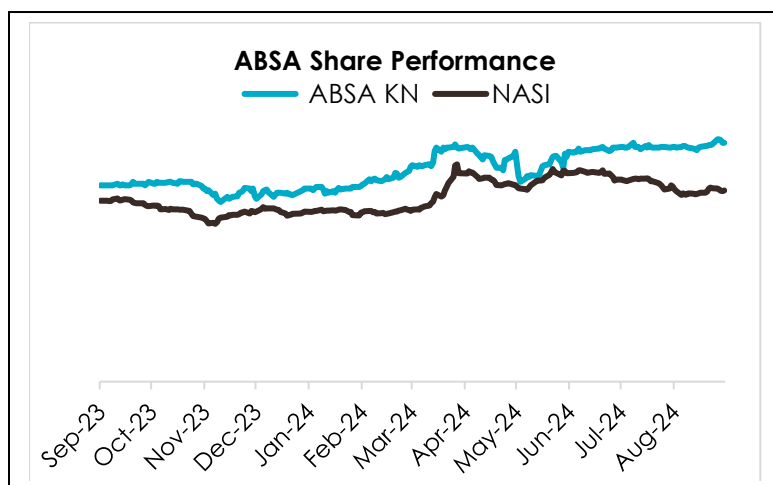
* We are reviewing our valuations on the insurance sector as a result of the adoption of IFRS 17 reporting standard.

*HF group is running a rights issue of 3:1 subject to approval, which will have a dilution effect on the shareholding,

INVESTMENT CONSIDERATION

ABSA Bank Kenya: HOLD with a Target Price of KES 15.60

Share Data	
BIC	ABSA KN
Recommendation	HOLD
Last Price	14.30
Target Price	15.60
Upside (Excl. Div Yield)	9.09%
Market Cap (KES'Bn)	76.31
52- week high	15.00
52- week low	10.00



Source: Bloomberg, NCBA IB Research, NSE

1HY 2024 Financial Performance

- **Profitability:** ABSA Bank released 1HY2024 financial results posting 29% growth in profit after tax attributable to strong growth in both net interest income and non-interest income.
- **Balance Sheet Growth:** The bank's loans and advances in the period declined by 0.5% to KES 316.4Bn while overall assets declined by 4.4% to KES 481.4Bn. Consequently, the loan to deposit ratio declined to 89.5% from 95.6% in the previous year. This mirrors the industry trend as a result of the prevailing macroeconomic conditions.
- **Asset Quality:** The NPL ratio increased to 11.1% which is lower than the industry 16.3% driven by the prevailing macro conditions in Kenya. Total loan provisions grew by 13.1% bringing the NPL coverage to 50.7% due to prudent risk management.

Outlook

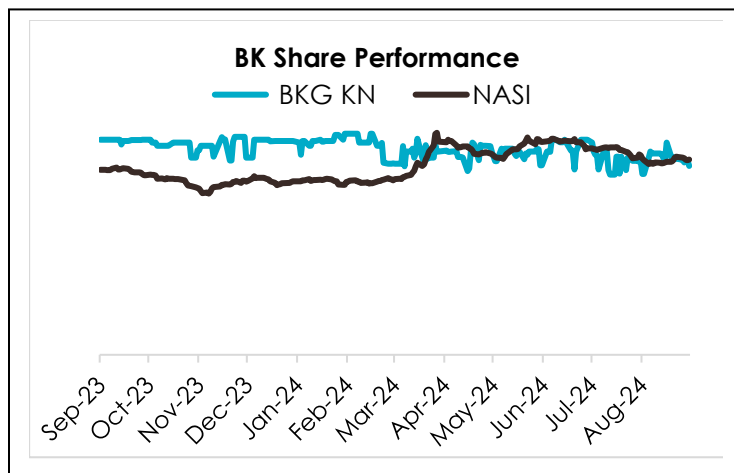
Going forward the bank will leverage on technology to scale up retail business. The lender will continue to focus on executing its strategy to build a consumer banking business that is digitally enabled to increase reach and invest in areas of competitive strength.

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)	48.10%
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 23.9Bn (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 45.1Bn supported by higher income from loan and advances, which grew by 18.8% in Q1 2024 to FRw 1.3Bn.
- **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 1.3Bn, (US\$ 1,024.0Mn 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

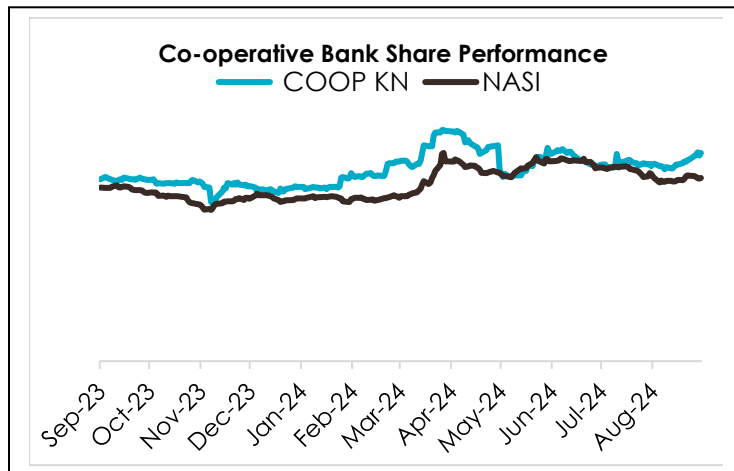
BK Group has put in strategies to improve its loan book by expanding the customer base. It is also offering a comprehensive approach that prioritizes the growth and diversification of its business operations.

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

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

Share Data	
BIC	COOP KN
Recommendation	ACCUMULATE
Last Price	13.55
Target Price	14.91
Upside (Excl. Div Yield)	10.04%
Market Cap (KES'Bn)	74.51
52 weeks high	15.20
52 weeks low	10.10

Source: Bloomberg, NCBA IB Research, NSE


1HY 2024 Financial Performance

- **Profitability:** Co-operative Bank released 1H2024 financial results posting a 7.0% surge in PAT to KES 12.9Bn, attributable to a 24.4% and 11.2% increase in net interest income and non-interest income respectively.
- **Balance Sheet Growth:** Loans and advances grew by 2.8% to KES 375.63Bn slower than a 9.4% rise in deposits driven by increased lending to the SME and MSME market segments. The loan to deposit ratio dropped to 74.03% from 78.77% in 1HY2023.
- **Asset Quality:** Gross NPLs increased by 19.0% to KES 69.5Bn. Loan loss provisions increased by 4.9% to KES 3.00Bn driven by implementation of risk management initiatives. The NPL ratio deteriorated to 15.62% in 2024 from 13.79% in 2023. This is indicative of worsening credit quality.

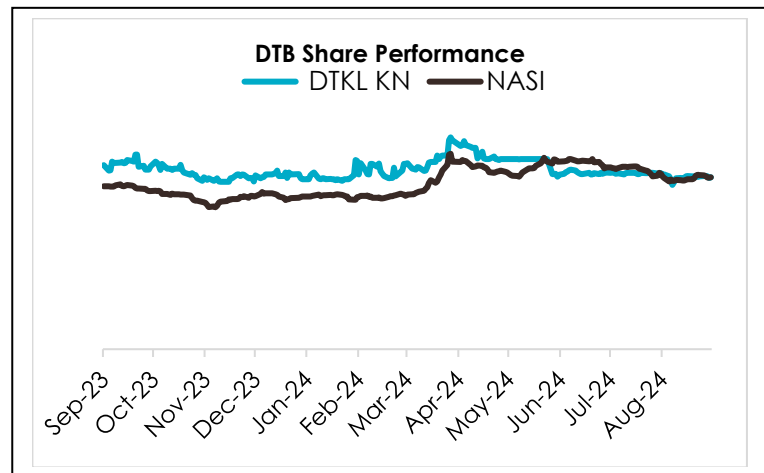
Outlook

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 more branches for improved service delivery and expansion of its customer base. Riding on its unique synergies, it 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 56.01

Share Data	
BIC	DTKL KN
Recommendation	BUY
Last Price	45.25
Target Price	56.01
Upside (Excl. Div Yield)	23.78%
Market Cap (KES'Bn)	12.95
52- week high	56.00
52- week low	43.05

Source: Bloomberg, NCBA IB Research, NSE


1HY 2024 Financial Performance

- **Profitability:** DTB Bank released its 1H2024 financial results posting an **8.5%** increase in PAT to KES 4.3Bn partly attributable to an 8.3% & a 15.1% growth in net interest and non-interest income respectively
- **Balance Sheet Growth:** The bank's loans and advances to customers dropped by 4.7% to KES 267.9Bn partly attributable to high interest environment reflected in the mild asset growth of 1.1% KES 585.4Bn. The loan to deposit ratio declined to 62.0% from 67.3% in HY2023 attributable to faster growth in customer deposits.
- **Asset Quality:** The NPL ratio increased to 12.6% from 11.5% in HY2023 but still below the industry average of 16.1%. Loan loss provisions also increased by 11.1% to KES 3.6Bn from KES 3.3Bn in HY2023.

Outlook

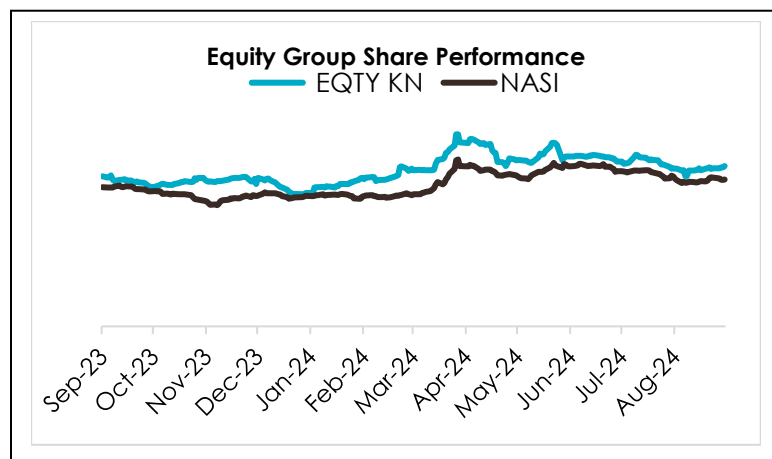
Going forward the bank will continue to leverage technology with platforms such as 'Astra' and 'Infiniti Pay' which support the small and medium enterprises. The initiative is expected to increase trade flows.

The 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	39.93
Target Price	55.21
Upside (Excl. Div Yield)	38.20%
Market Cap (KES'Bn)	152.83
52- week high	51.00
52- week low	33.70

Source: Bloomberg, NCBA IB Research, NSE


1HY 2024 Financial Performance

- Equity Group released 1H2024 financial results posting a 12.1% rise in PAT to KES 28.5Bn. The rise was attributable to a 17.2% growth in net interest & non-interest income as well as rapid growth in the insurance business.
- Balance Sheet Growth:** The Group's loans and advances declined by 3.2% to KES 791.1Bn compared to a 10.6% growth in customer deposits. This led to a decline in the loan to deposit ratio to 60.9% from 69.5% recorded in 1H2023.
- Asset Quality:** The Group's Gross Non-performing loans increased by 23.0% to KES 119.9Bn from KES 97.5Bn. Consequently, the NPL ratio grew to 12.9% from 9.8% in HY'2023.

Outlook

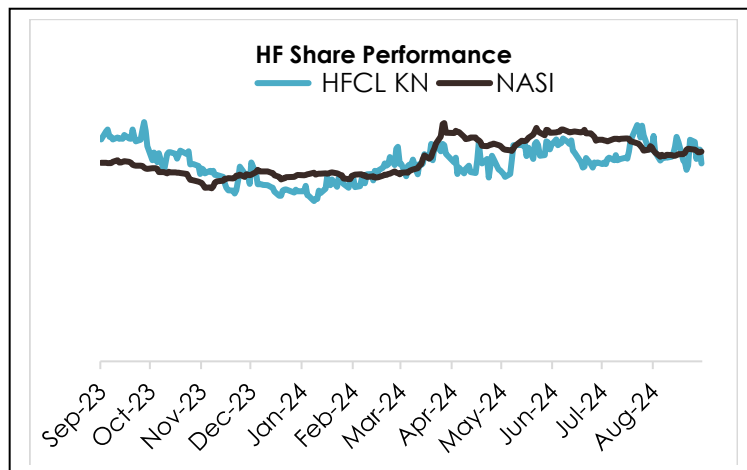
Equity's high liquidity, growth momentum, high buffer in provisions and capital, position the institution well to unleash its offensive growth strategy. This could either be pursued opportunistically through mergers and acquisitions or via organic growth fueled by its strong brand and digital capabilities, 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 4.90

Share Data	
BIC	HFCL KN
Recommendation	BUY
Last Price	4.01
Target Price	4.90
Upside (Excl. Div Yield)	22.19%
Market Cap (KES'Bn)	1.65
52- week high	5.20
52- week low	2.80

Source: Bloomberg, NCBA IB Research, NSE


1HY 2024 Financial Performance

- HF Group released its **HY2024** financial results posting **46%** growth in **profit after tax** attributable to strong growth in both net interest income and non-interest income. The **earnings per share** rose to **KES 1.38**
- **Balance Sheet Growth:** Loans and advances in the period declined by 0.4% to KES 37.9Bn while overall assets grew by 5.0% to KES 63.7Bn. Consequently, the loan to deposit ratio declined to 84.2% from 93.5% in the previous year. This was in line with the adverse macroeconomic conditions.
- **Asset Quality:** The NPL ratio rose to 22.8% driven by the prevailing macro conditions in Kenya. The industry NPL went up to 16.3%. Provisions in the period grew by 5.3% bringing the NPL coverage to 45.7% due to prudent risk management.

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.

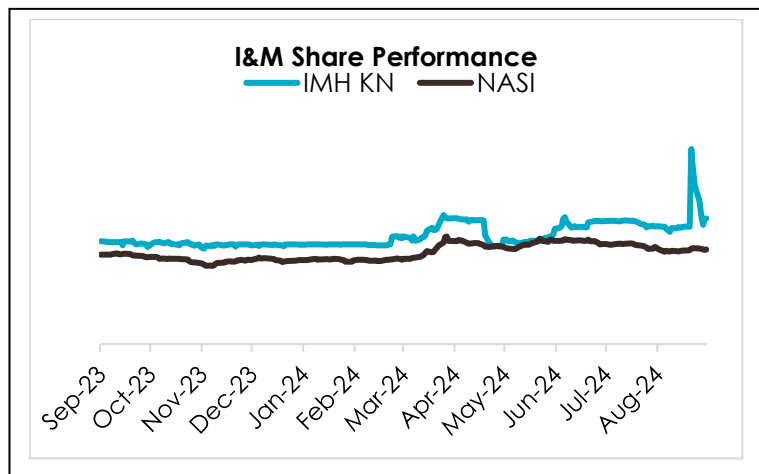
The stock presents an opportunity for long-term investors from a capital gains perspective.

***The group is running a rights issue of 3:1 subject to approval, which will have a dilution effect on the shareholding.**

I&M Group: ACCUMULATE with a target price of KES 24.22

Share Data	
BIC	IMH KN
Recommendation	ACCUMULATE
Last Price	22.05
Target Price	24.22
Upside (Excl. Div Yield)	9.84%
Market Cap (KES'Bn)	34.15
52- week high	35.00
52- week low	15.80

Source: Bloomberg, NCBA IB Research, NSE


1HY 2024 Financial Performance

I&M Bank released its 1H2024 results posting a 17.4% increase in PAT to KES 5.6Bn partly attributable to 35.2% growth in net interest income and 18.5% growth in non-interest income.

- **Balance Sheet Growth:** The bank's loans and advances grew by 5.3% to KES 284.2Bn boosting overall assets, which grew by 12.1% to KES 564.4Bn. The loan to deposit ratio however declined to 67.76% from 75.6% in 1H2023 attributable to faster growth in customer deposits
- **Asset Quality:** The NPL ratio decreased to 10.92% from 11.97% in 1Q2023 but still below the industry average of 16.30%. Loan loss provisions however increased by 8.2% to KES 3.5Bn from KES 3.2Bn in 1H2023 driven by implementation of risk management initiative.

Outlook

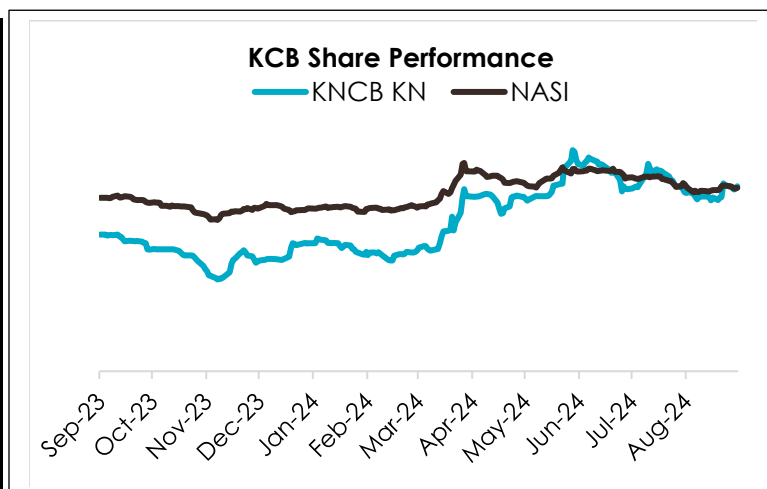
The Bank continues to execute the proactive Imara 3.0 2024-2026 strategy anchored on accelerating growth in key segments and digitalization.

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: BUY with a target price of KES 37.50

Share Data	
BIC	KNCB KN
Recommendation	BUY
Last Price	31.75
Target Price	37.50
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

1HY 2024 Financial Performance

- **Profitability:** KCB Group released its **HY2024** financial results posting **87%** growth in **profit after tax** attributable to increase in net interest income and non-interest income from impressive performance by its regional subsidiaries.
- **Balance Sheet Growth:** Loans and advances grew by 7.0% to KES 1,032.2Bn boosting overall assets which grew by 6.0% to KES 1,976.9Bn. This was attributable to lending to households and businesses in trade, tourism and manufacturing sectors.
- **Asset Quality:** The NPL ratio rose to 18.5% drive by challenging macroeconomic conditions in Kenya, where the industry NPL went up to 16.3%.

Outlook

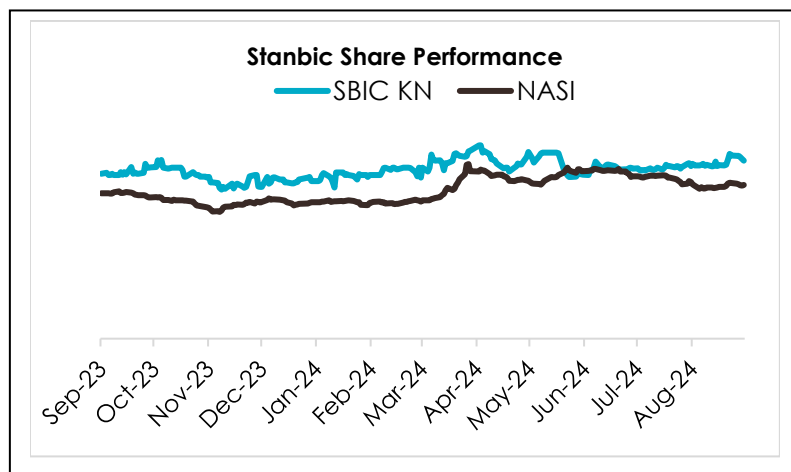
KCB'S wide regional footprint along with its well diversified portfolios of business and capital buffers position the lender to gain significant momentum in balance sheet growth across all subsidiaries driven by increased lending.

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	119.75
Target Price	132.13
Upside	10.34%
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 Kenya released its **HY2024** financial results posting a **2.3%** increase in **profit after tax** attributable to 4.2% increase in net interest income.
- **Balance Sheet Growth:** The bank's loans and advances grew by 28.4% to KES 361.4Bn boosting overall assets which grew by 29.6% to KES 497.9Bn This was attributable to the banks' aggressive multi-sectoral lending strategy. The growth was however, slower than the growth in deposits thus the loan to deposit ratio declined to 93.2% from 98.6% in the previous year.
- **Asset Quality:** The credit impairment charges declined by 21.7% to KES 2.0Bn indicative of the lender's proactive credit risk management using risk-based pricing.

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.

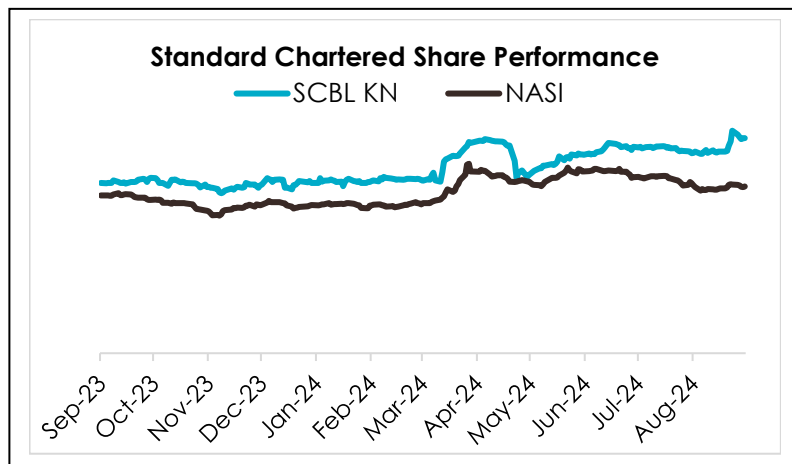
Notably, the banks NPL ratio is commendable compared to the industry average. Proactive data driven risk analysis with credit risk pricing models in the mainstream loans will boost the management of credit loss and cost of risk ratios.

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	202.25
Target Price	158.69
Upside	(21.54%)
Market Cap (KES'Bn)	71.13
52 week high	209.00
52 week low	134.00

Source: Bloomberg, NCBA IB Research, NSE


Q1 2024 Financial Performance

- **Profitability:** Standard Chartered released 1H2024 results posting a **48.8%** increase in PAT to KES 10.28Bn partly attributable to a 25.1% and 36.0% growth in net interest income and non-interest income respectively.
- **Balance Sheet Growth:** The bank's loans and advances grew by 2.7% to KES 149.3Bn, boosting overall assets, which grew by 4.3% to KES 377.3Bn. The loan to deposit ratio rose to 54.02% from 51.27% in 2023
- **Asset Quality:** Gross NPLs decreased by 42.9% to KES 13.58Bn. An NPL ratio of 8.34% remains below the industry average of 16.30%. Loan provisions decreased significantly by 37.2% to KES 6.59Bn from KES 10.50Bn in the previous financial year.

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.

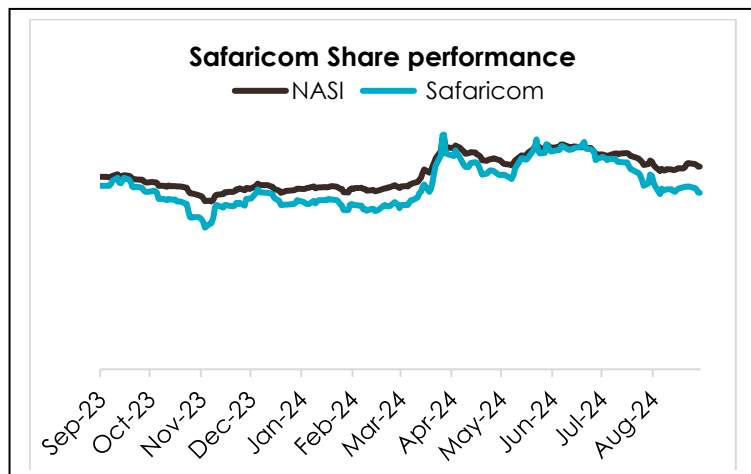
The bank, accelerating its Sustainable Finance offering to clients through product innovation and enabling transition to a low carbon future, will further scale the aggressive lending strategy.

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	14.50
Target Price	22.35
Upside (Excl. Div Yield)	54.14%
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.

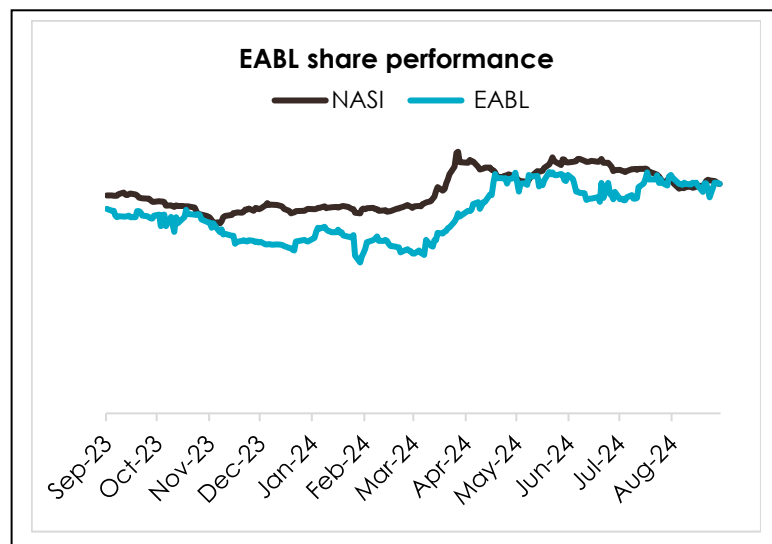
Operations in Ethiopia could help achieve revenue expansion above consensus and entrench the company's presence in the region.

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	151.75
Target Price	171.90
Upside (Excl. Div Yield)	13.28%
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.

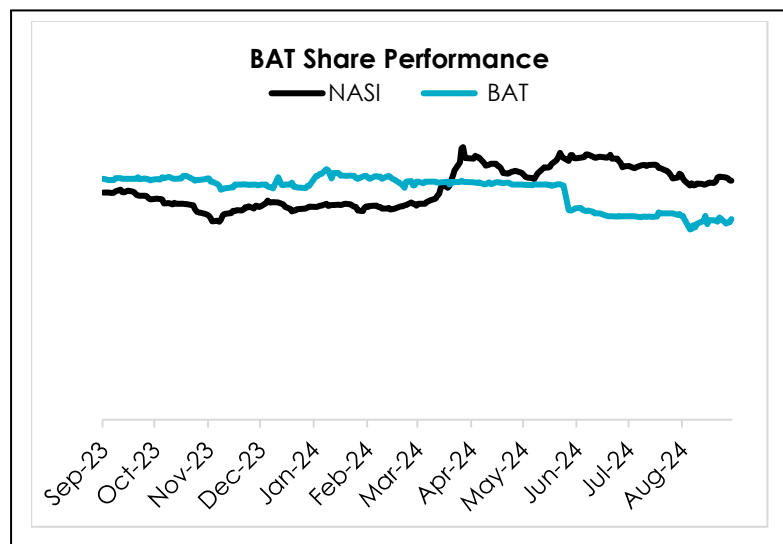
The region's exposure to macroeconomic risks will continue to negatively impact on the company's earnings and our short to medium term financial forecasts.

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	39.43%
Market Cap (KES'Bn)	35.50
52 week high	495.00
52 week low	325.00

Source: Bloomberg, NCBA IB Research, NSE


HY 2024 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.

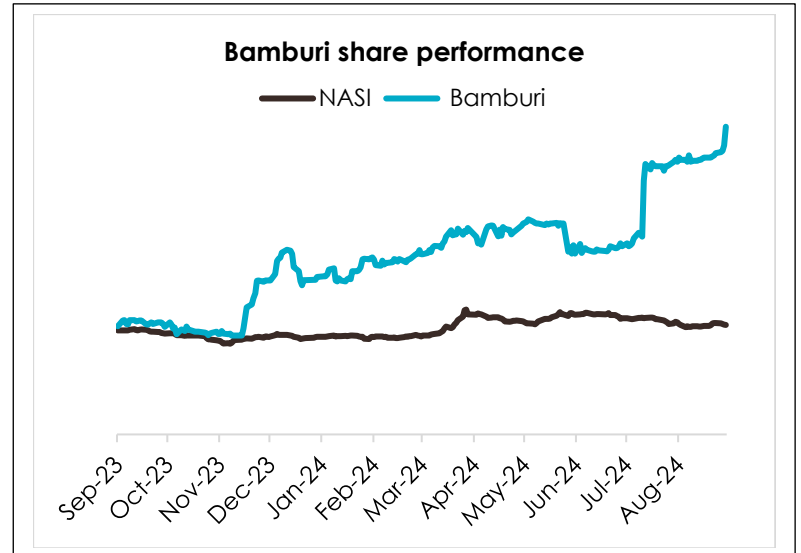
Outlook

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

* 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.

Bamburi Sale Proposal

The table below represents some of the notable differences between the two offers:

	Savannah Clinker	Amsons Industries (K)
Value of offer	KES 25.4 bn	KES 23.6 bn
Offer Price/share	KES 70.0	KES 65.0
Long stop date for completion	28th February	28th November
Conditions of the offers	<ul style="list-style-type: none"> Approval of the transfer of mining licenses Approval by the CMA Subject to acceptance of at least 60% of the shares issued 	<ul style="list-style-type: none"> Approval by COMESA Competition Authority and the East African Competition Commission Subject to delivery of the acceptances set out in the offer document

Both of the proposals offer attractive yields to Bamburi shareholders any offer that sails through will attract impressive acceptance and consequently lead to delisting from NSE.

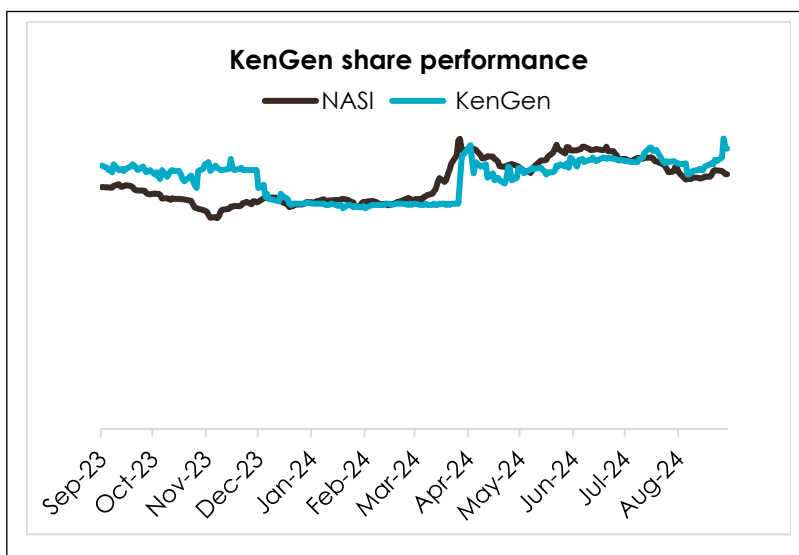
Financial Summary HY2024

Bamburi Cement Plc	Key Metrics Y/Y
Turnover	▲ 3.8% to KES 10.9Bn
Total Operating Cost	▲ 0.2% to KES 10.1Bn
Operating Profit	▲ 76.4% to KES 0.5Bn
Profit Before Tax	▲ 114.8% to KES 0.7Bn
Taxation	▲ 75.3% to KES 170Mn
Profit After Tax from continuing Operations	▲ 131.7% to KES 526Mn
Loss from discontinued operations	▲ 908.6% to KES 1.4Bn
Dividend Per Share (Special)	▲ KES 18.25

Source: Company financials, NCBA IB Research

KenGen: BUY with a target price of KES 4.14

Share Data	
BIC	KEGC KN
Recommendation	BUY
Last Price	2.55
Target Price	4.14
Upside	62.35%
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.

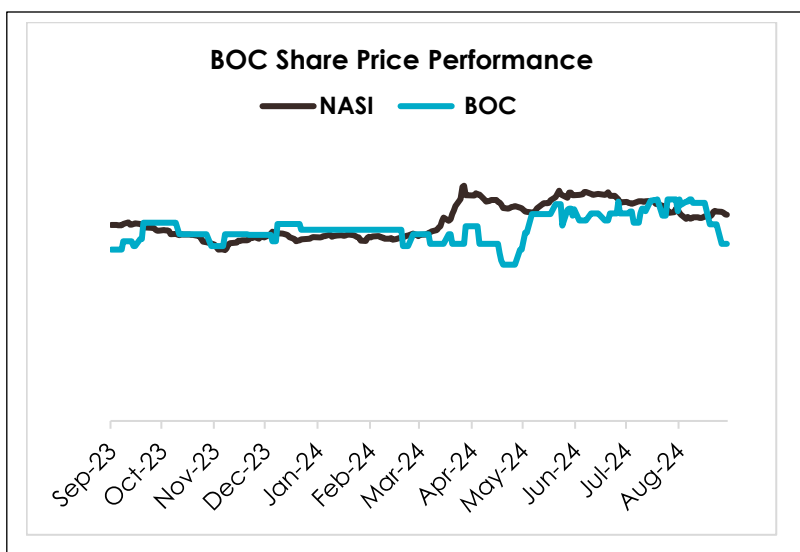
Outlook

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 Up-rating 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

1HY 2024 Financial Performance

- BOC PLC announced their 1H2024 financial results recording a **23% increase in profit after tax**.

Outlook.

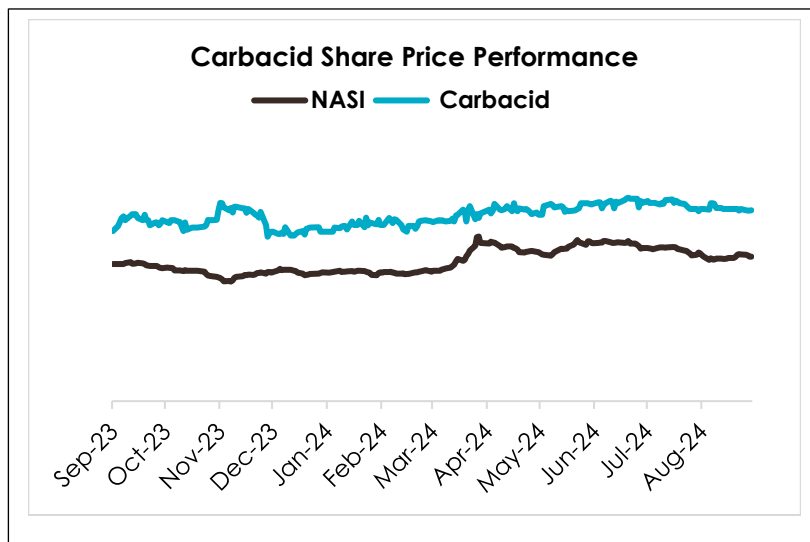
Despite a substantial uptick in the cost of doing business arising from higher input costs, we believe the company will deliver a relatively strong performance. The performance will be pegged on;

- **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.
- **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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