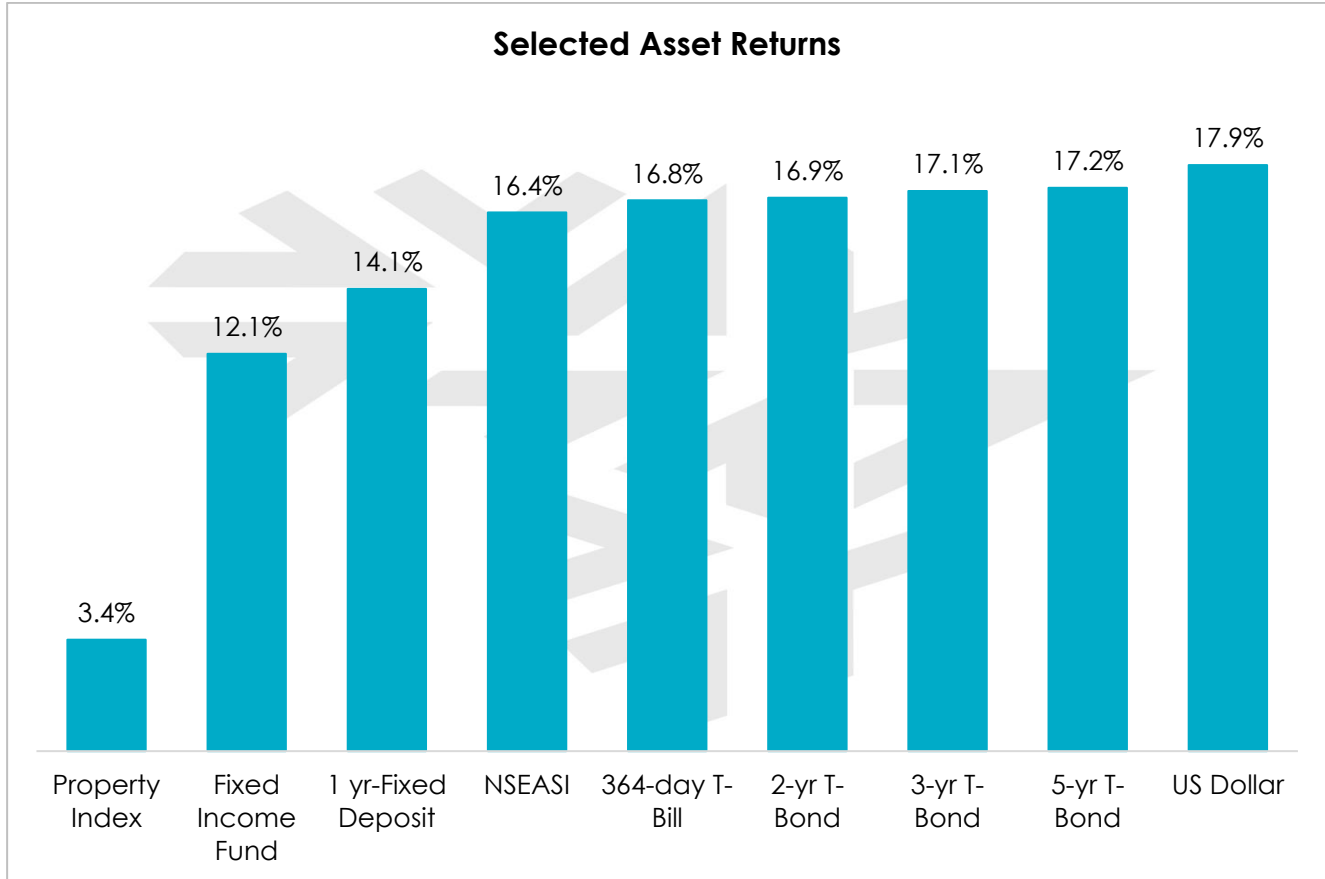


Asset Class Performance



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

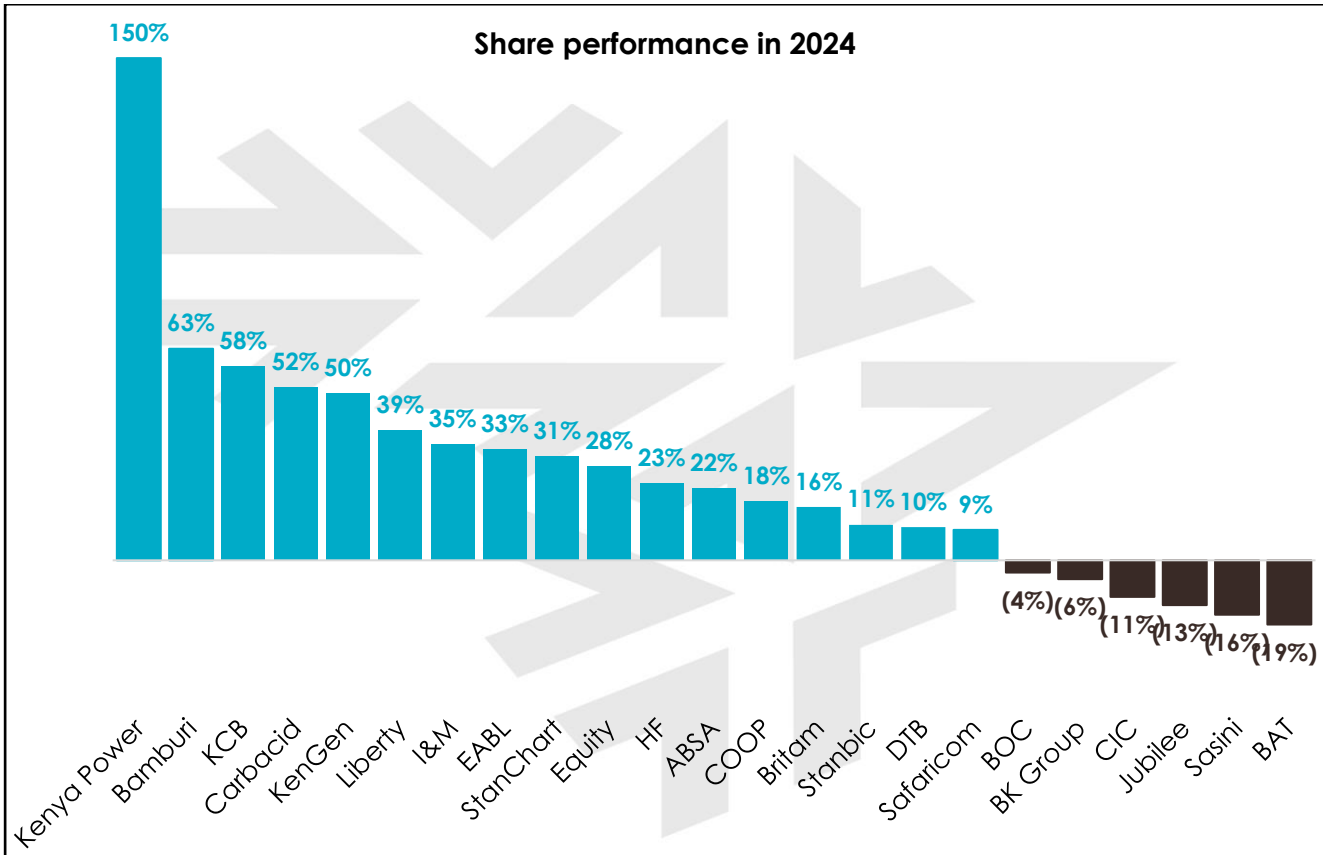
Investments in government securities have continued to record higher returns due to elevated market yields. We anticipate that interest rates will remain high and stable until year end.

Investment in listed equities remained appealing despite sluggish market conditions during the month, with the NASI posting a YTD return of 16.4%.

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

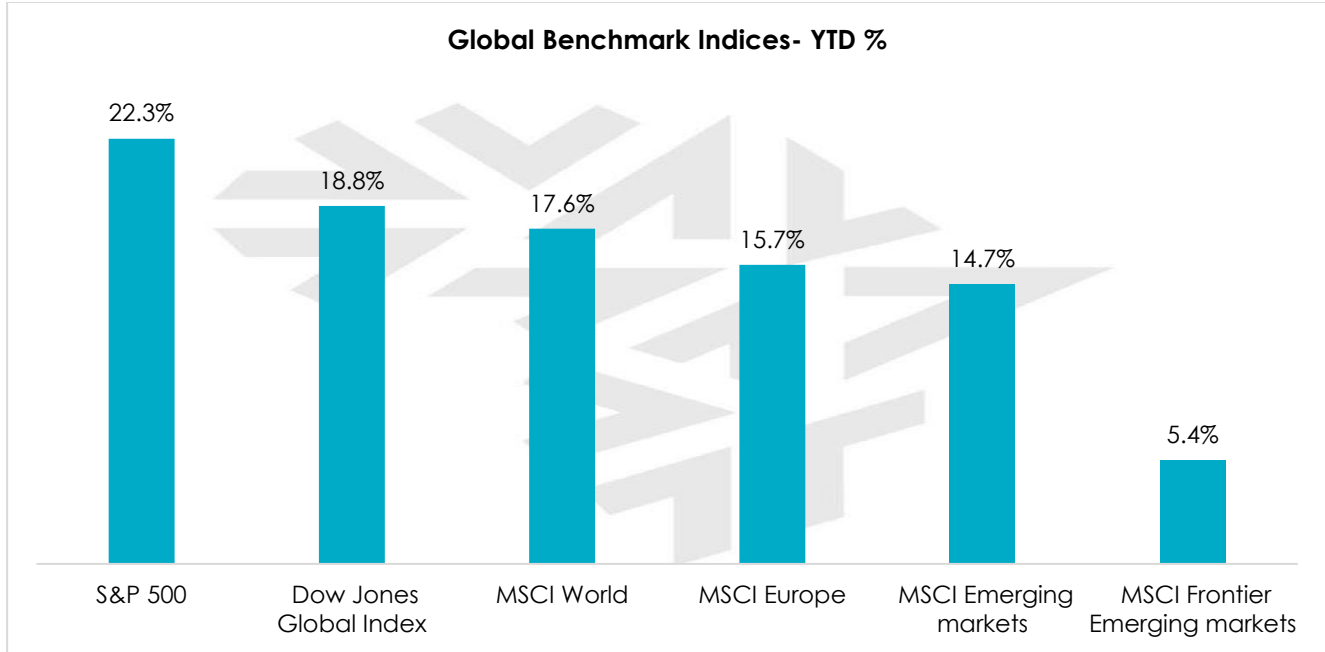
- **Re-balancing of portfolios:** Diversification of a portfolio seeks to mitigate concentration risk, prioritizing investment in companies with strong and well-capitalized balance sheets.
- **Dividend stocks:** Dividend-paying stocks are an efficient way to hedge the effects of a bear market by providing a steady stream of income to investors.

Threat

- **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.

Global Markets Performance

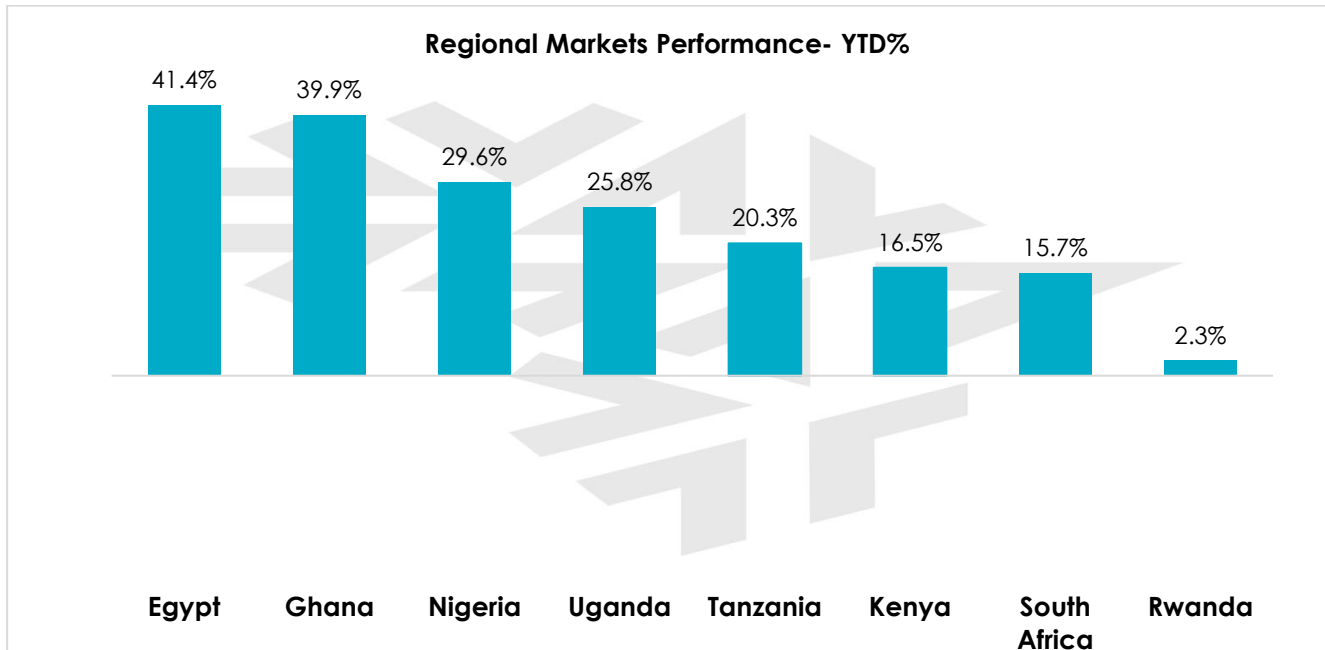
The overall YTD performance remains in positive territory, tempered by recent concerns over economic conditions and interest rates. The performance remains varied, with developed markets generally holding up better than emerging markets.



Source: Bloomberg, NCBA IB Research

Regional Markets Performance

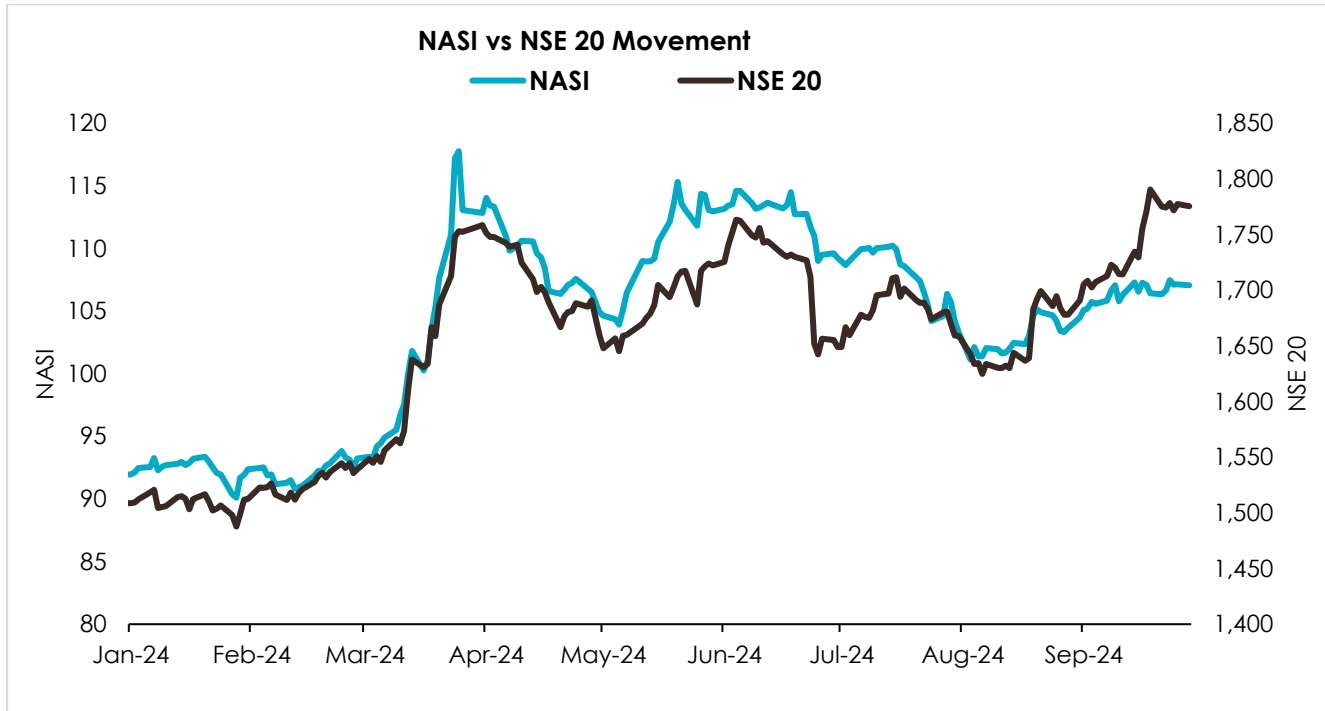
The continental indices showed a mix of performances for September 2024, with Uganda, Tanzania, and South Africa recording positive growth. Despite these fluctuations, most markets have maintained strong YTD gains, with Egypt and Ghana standing out as the top performers.



Source: Bloomberg, NCBA IB Research

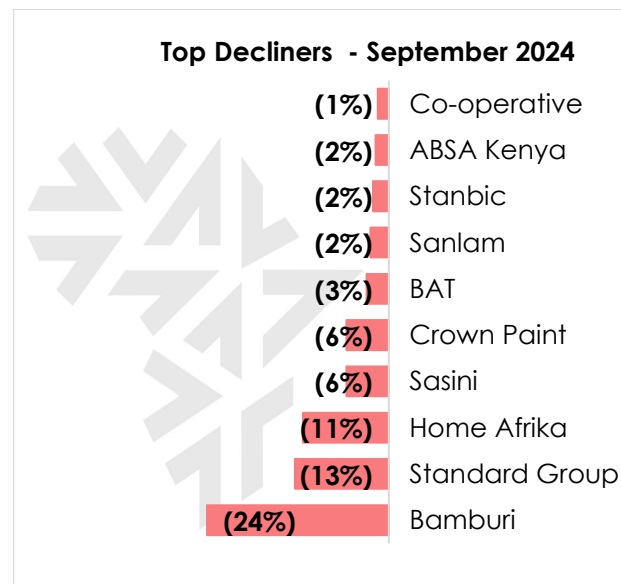
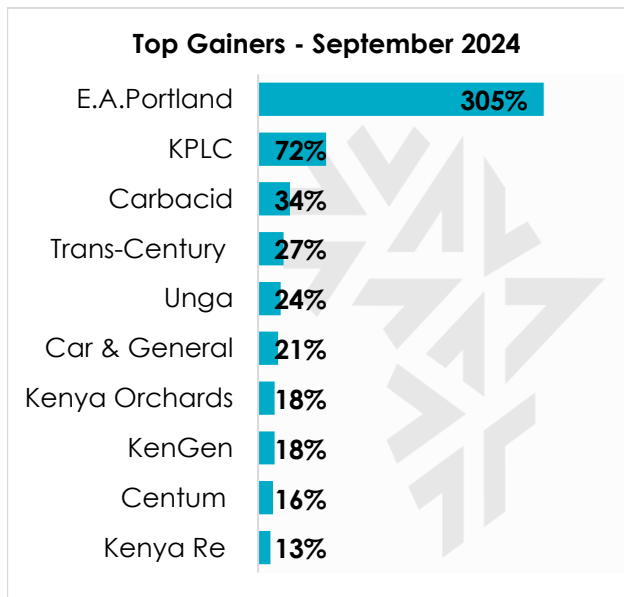
Local Market Performance

The stock market recorded increased activity, as various counters demonstrated sharper recovery amidst the seething global uncertainty – reflecting greater optimism.



Source; Bloomberg, NCBA IB Research

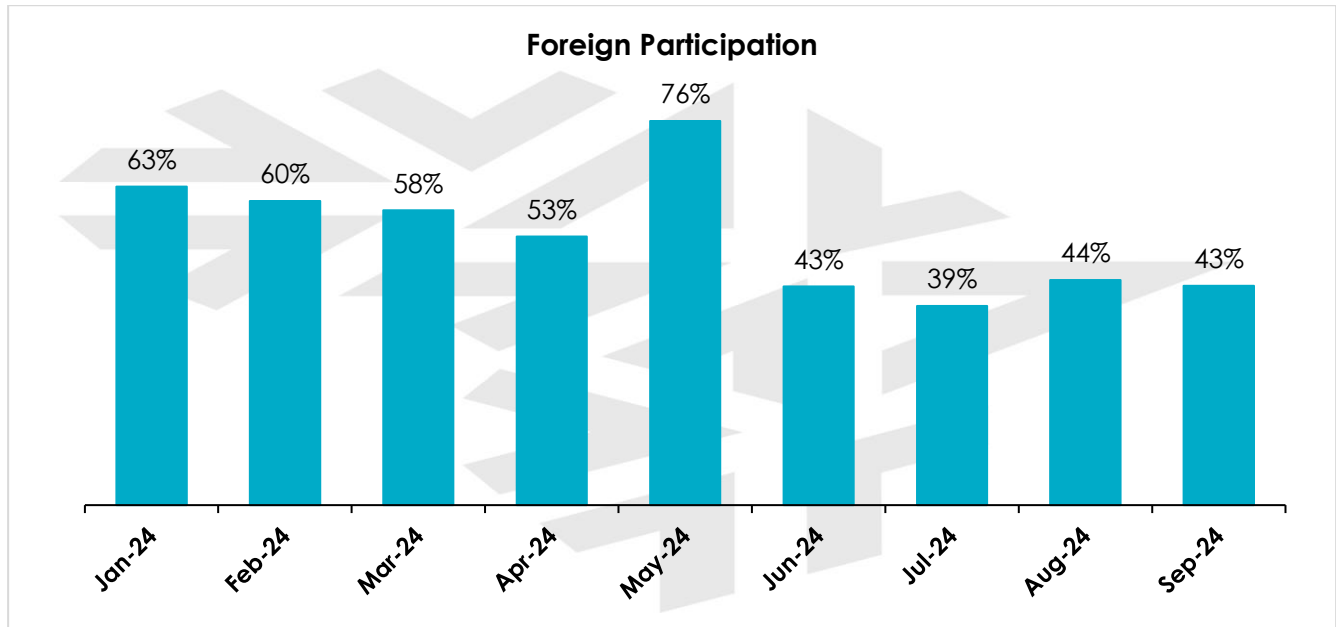
NSE Stock Performance



Source; NSE, NCBA IB Research

Foreign Investors' Participation

Rate cuts are on the table for most central banks, albeit at a potentially slower pace, with some considering pauses advised by prevailing economic data. Subsequently, we expect potential foreign inflows in the equities market. The US election outcome is also expected to have a bearing on the return of foreign investors.






Source: NSE, NCBA IB Research

Corporate Actions: Upcoming Dividend payments

Corporate Actions	Dividend	Book Closure	Payment
Umeme	UGX 26.00	10-Oct-24	31-Oct-24
KCB	KES 1.50	12-Sep-24	30-Oct-24
Jubilee	KES 2.00	06-Sep-24	11-Oct-24
BOC	(Interim) KES 2.50	20-Sep-24	14-Oct-24
East African Breweries	KES.6.00	16-Sep-24	16-Oct-24
Centum	KES 0.32	11-Oct-24	13-Dec-24
ABSA Bank Kenya	(Interim) KES 0.20	20-Sep-24	15-Oct-24
Standard Chartered Bank	(Interim) KES 8.00	18-Sep-24	8-Oct-24
HF Group Plc	Rights Issue (1:3)	Subject To Approval	

Source: Company financials, NSE, NCBA IB Research

Macro-economic Highlights

 Bank of England	<ul style="list-style-type: none"> The Bank of England kept the Bank Rate unchanged at 5% during its September 2024 meeting. Additionally, the Committee agreed to reduce its stock of UK government bonds by £100 billion over the next 12 months.
 FEDERAL RESERVE	<ul style="list-style-type: none"> The FED cut the benchmark rate by 50bps underscoring the broader trend for monetary policy loosening in a majority of the developed economies.
 EUROPEAN CENTRAL BANK	<ul style="list-style-type: none"> The ECB cut the benchmark rate by 25 bps to 3.5% to ease monetary policy restrictions, reflecting a lower inflation outlook and better transmission of policy.

Currency

The KES has maintained a gradual appreciation against the US Dollar 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.

Currency Performance			
Period	USD/KES	GBP/KES	EURO/KES
September-24	129.20	173.03	144.24
Year to date	(17.9%)	(13.1%)	(16.4%)

Source: CBK, NCBA IB Research

Inflation

Annual consumer prices at the headline level ticked marginally to 3.6% in September from 4.4% in August 2024. The inflation was mainly driven by prices for food, transportation, water, electricity, gas and other fuels.

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.

Statistic	Sept-24	Aug-24	Change
Inflation	3.60%	4.40%	(0.8%)
CPI	140.13	139.87	0.26

Source: CBK, KNBS, NCBA IB Research

Liquidity conditions

Liquidity conditions eased marginally. Indicatively, the overnight interbank rate declined by 29bps month on month to close at 12.68%. The average daily traded volumes rose to KES 26.53Bn from KES 22.92Bn recorded the previous month.

Central Bank of Kenya rate remained unchanged in the month. The Monetary Policy Committee will meet in October 2024, during which they will give direction of the CBR.

Statistic	Sept-24	Aug-24	Change (bps)
Central Bank Rate	12.75%	12.75%	-
Average Interbank Rate	12.68%	12.97%	(29.00)

Source: CBK, KNBS, NCBA IB Research

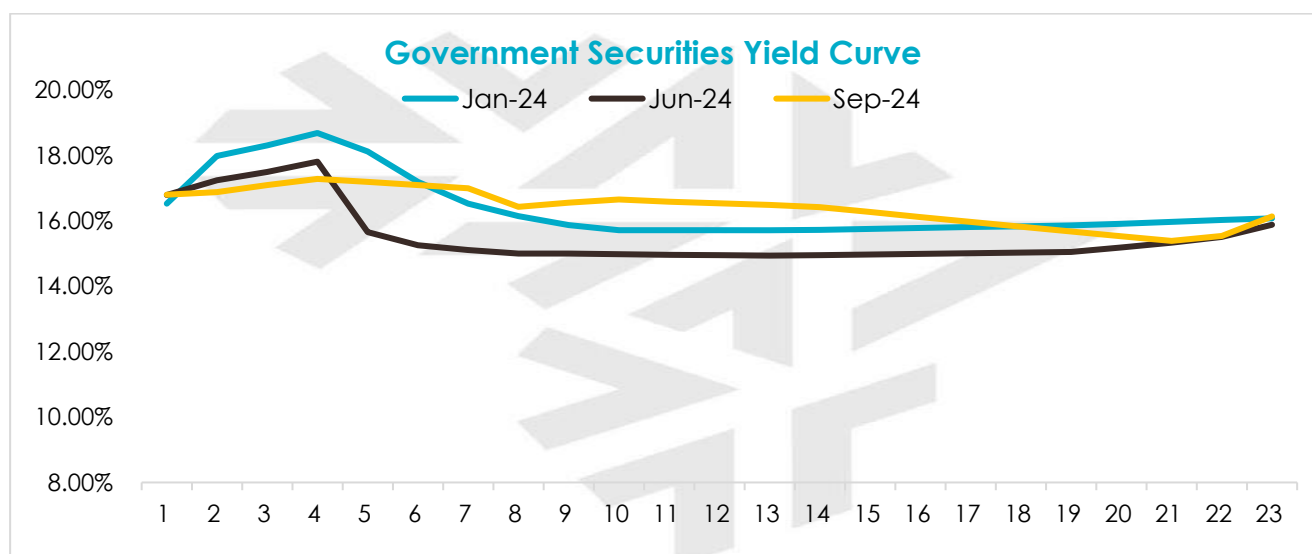
Interest rates

T-Bills rates recorded mixed performance, with the 91-day rate rising by 85bps while the 182-day and 364-day rates both declined by 4bps.

Prevailing rates	Sept-24	Aug-24	M/M change (bps)
91 Day	15.72%	14.87%	84.49
182 Day	16.59%	16.63%	(4.39)
364 Day	16.80%	16.84%	(4.22)

Source: CBK, NCBA IB Research

The revised FY2024/25 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

October 2024 Stock Picks

Counter	Current Price *30th September 2024	Target price	Upside	Trailing Dividend	Trailing Div. Yield	Recommendation
<u>Banking</u>						
ABSA	14.05	15.80	12.46%	1.55	11.03%	ACCUMULATE
BK Group	33.50	46.80	39.70%	3.02	9.01%	BUY
COOP	13.35	14.91	11.69%	1.50	11.24%	ACCUMULATE
DTB	49.20	56.01	13.84%	6.00	12.20%	ACCUMULATE
Equity	43.85	55.21	25.91%	4.00	9.12%	BUY
HF	4.24	5.30	25.00%	-	-	BUY
I&M	23.50	24.22	3.06%	2.55	10.85%	HOLD
KCB	34.70	47.50	36.89%	-	-	BUY
Stanbic	117.25	141.25	20.47%	15.35	13.09%	BUY
StanChart	210.00	199.00	(5.24%)	29.00	13.81%	SELL
<u>Telecommunication</u>						
Safaricom	15.00	22.35	49.00%	1.20	8.00%	BUY
<u>Manufacturing & Allied</u>						
BAT Kenya	343.50	493.57	43.69%	50.00	14.56%	BUY
BOC Kenya	79.00	90.06	14.00%	6.05	7.66%	ACCUMULATE
Carbacid	22.75	21.24	(6.64%)	1.70	7.47%	SELL
EABL	154.75	171.90	11.08%	7.00	4.52%	ACCUMULATE
<u>Energy</u>						
KenGen	3.00	4.14	38.00%	0.30	10.00%	BUY
<u>Agricultural</u>						
Sasini	16.75	18.10	8.06%	1.50	8.96%	HOLD

*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.

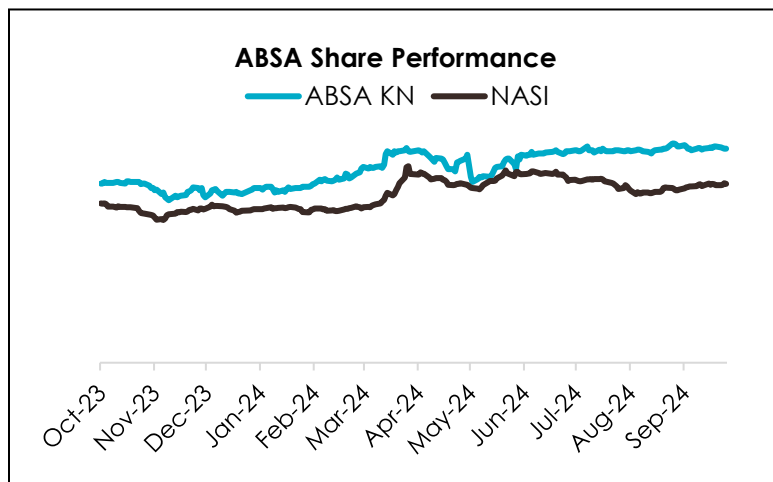
*HF group is running a rights issue of 3:1 subject to approval, which will have a dilution effect on the shareholding.

INVESTMENT CONSIDERATION

ABSA Bank Kenya: ACCUMULATE with a Target Price of KES 15.80

Share Data	
BIC	ABSA KN
Recommendation	ACCUMULATE
Last Price	14.05
Target Price	15.80
Upside (Excl. Div Yield)	12.46%
Market Cap (KES'Bn)	76.31
52- week high	15.00
52- week low	10.00

Source: Bloomberg, NCBA IB Research, NSE



HY 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

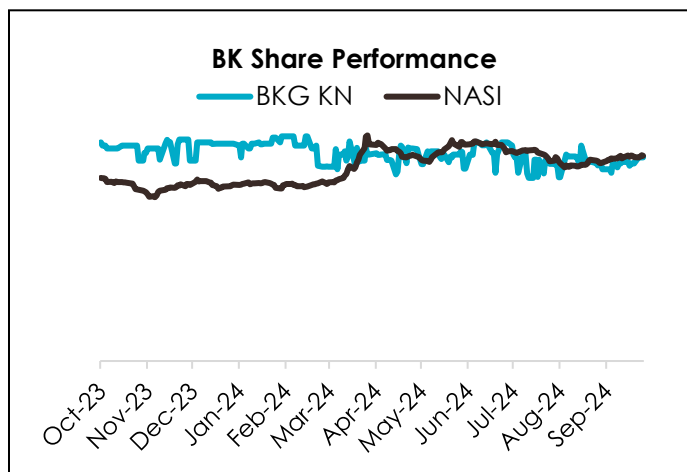
Going forward the bank will leverage on technology to scale up retail business. The lender will continue to focus on executing its strategy to build a consumer banking business that is digitally enabled to increase reach and invest in areas of competitive strength.

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	33.50
Target Price	46.80
Upside (Excl. Div Yield)	39.70%
Market Cap (KES'Bn)	30.04
52 weeks high	37.00
52 weeks low	26.50

Source: Bloomberg, NCBA IB Research, NSE



HY 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

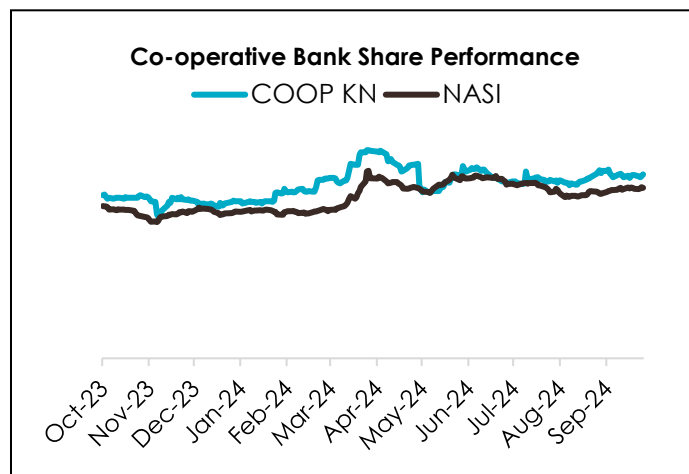
BK Group has put in strategies to improve its loan book by expanding the customer base. It is also offering a comprehensive approach that prioritizes the growth and diversification of its business operations.

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	13.35
Target Price	14.91
Upside (Excl. Div Yield)	11.69%
Market Cap (KES'Bn)	78.33
52 weeks high	15.20
52 weeks low	10.10

Source: Bloomberg, NCBA IB Research, NSE


HY 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.

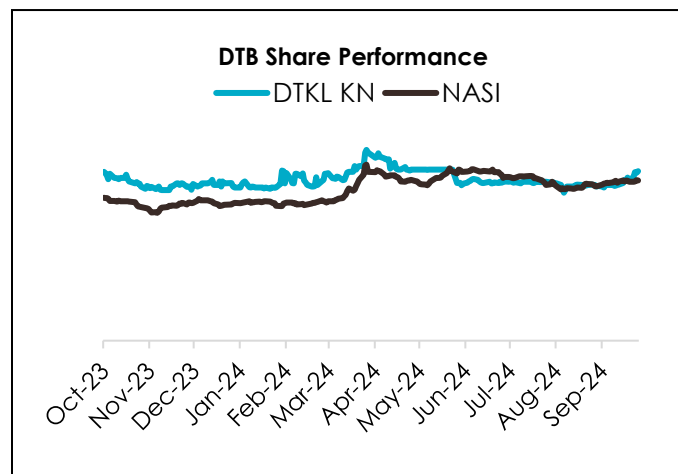
Outlook

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: ACCUMULATE with a target price of KES 56.01

Share Data	
BIC	DTKL KN
Recommendation	ACCUMULATE
Last Price	49.20
Target Price	56.01
Upside (Excl. Div Yield)	13.84%
Market Cap (KES'Bn)	13.76
52- week high	56.00
52- week low	43.05

Source: Bloomberg, NCBA IB Research, NSE


HY 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.

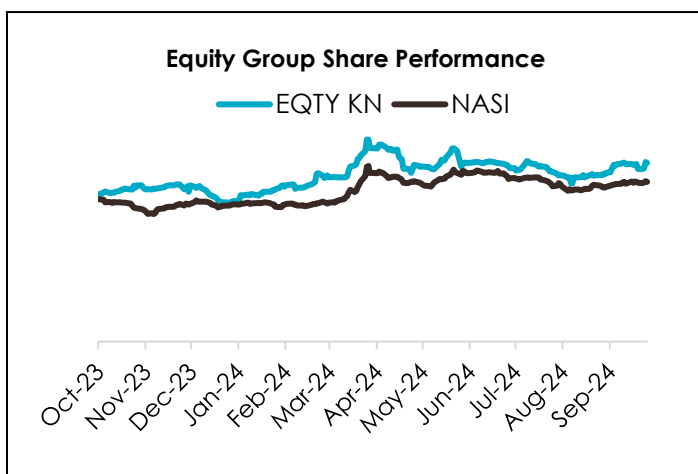
Outlook

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	43.85
Target Price	55.21
Upside (Excl. Div Yield)	25.91%
Market Cap (KES'Bn)	165.48
52- week high	51.00
52- week low	33.70



Source: Bloomberg, NCBA IB Research, NSE

HY 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

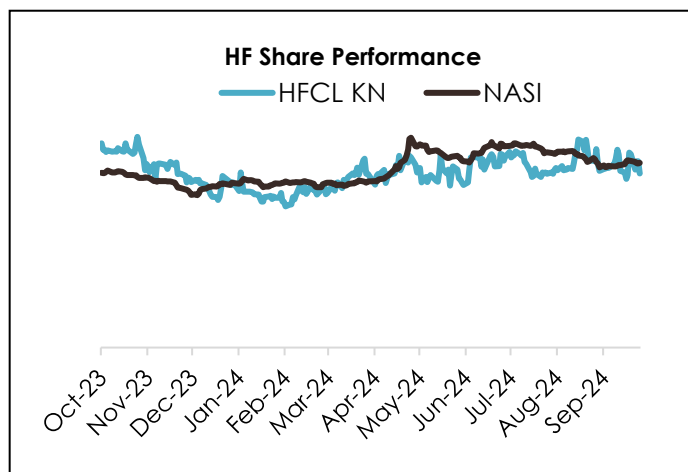
Equity's high liquidity, growth momentum, high buffer in provisions and capital, position the institution well to unleash its offensive growth strategy. This could either be pursued opportunistically through mergers and acquisitions or via organic growth fueled by its strong brand and digital capabilities, 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 5.30

Share Data	
BIC	HFCL KN
Recommendation	BUY
Last Price	4.24
Target Price	5.30
Upside (Excl. Div Yield)	25.00%
Market Cap (KES'Bn)	1.63
52- week high	5.20
52- week low	2.80

Source: Bloomberg, NCBA IB Research, NSE


HY 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

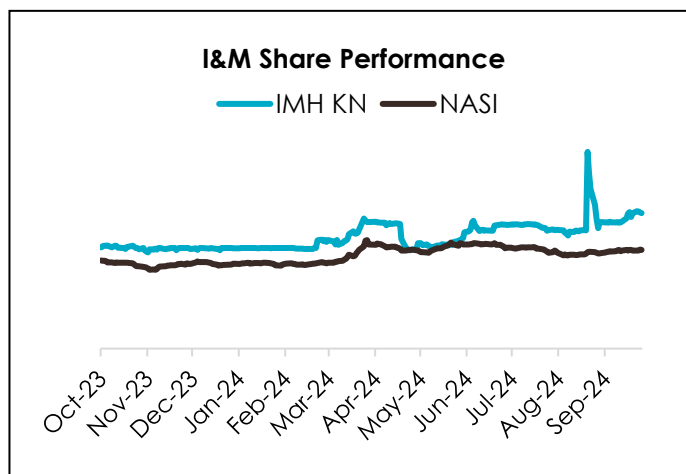
Going forward the bank will leverage on digitization to scale up retail business. The lender will continue to focus on executing its strategy to build a consumer banking business that is digitally enabled to increase reach and invest in areas of competitive strength.

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: HOLD with a target price of KES 24.22

Share Data	
BIC	IMH KN
Recommendation	HOLD
Last Price	23.50
Target Price	24.22
Upside (Excl. Div Yield)	3.06%
Market Cap (KES'Bn)	38.86
52- week high	35.00
52- week low	15.80



Source: Bloomberg, NCBA IB Research, NSE

HY 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

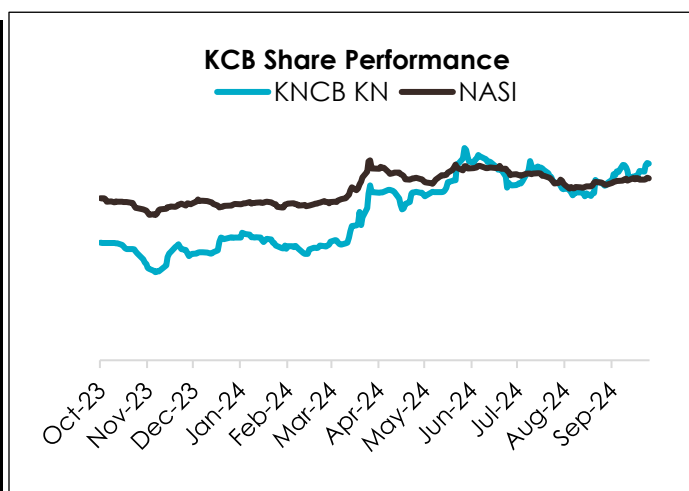
The Bank continues to execute the proactive Imara 3.0 2024-2026 strategy anchored on accelerating growth in key segments and digitalization.

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 47.50

Share Data	
BIC	KNCB KN
Recommendation	BUY
Last Price	34.70
Target Price	47.50
Upside (Excl. Div. Yield)	36.89%
Market Cap (KES'Bn)	111.51
52- week high	39.50
52- week low	15.00



Source: Bloomberg, NCBA IB Research, NSE

HY 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%.

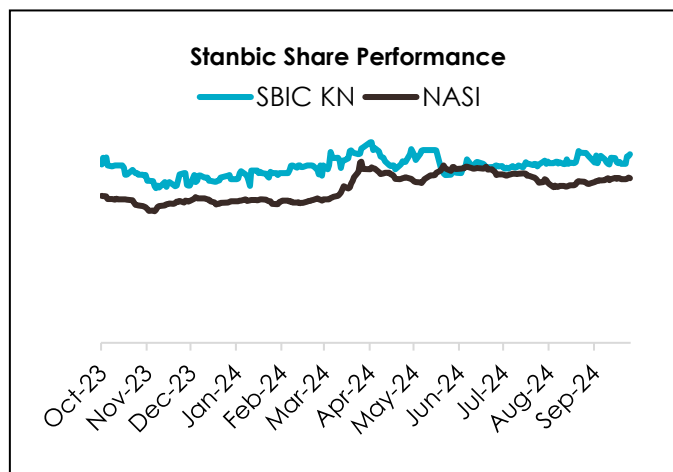
Outlook

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: BUY with a target price of KES 141.25

Share Data	
BIC	SBIC KN
Recommendation	BUY
Current Price	117.25
Target Price	141.25
Upside	10.34%
Market Cap (KES'Bn)	46.35
52 week high	132.00
52 week low	90.00



Source: Bloomberg, NCBA IB Research, NSE

HY 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.

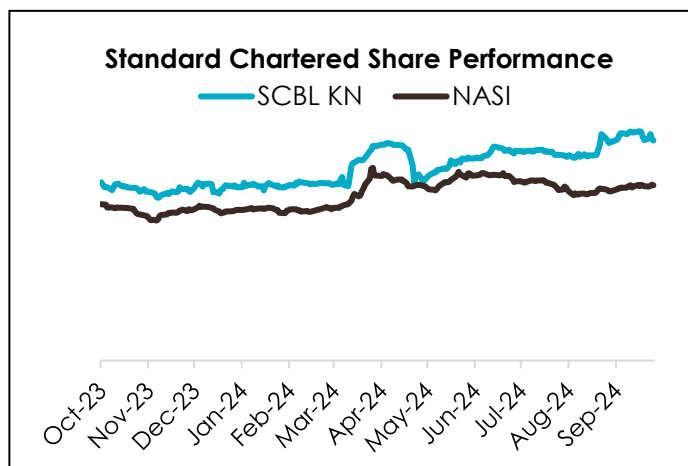
Notably, the banks NPL ratio is commendable compared to the industry average. Proactive data driven risk analysis with credit risk pricing models in the mainstream loans will boost the management of credit loss and cost of risk ratios.

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 199.00

Share Data	
BIC	SCBK KN
Recommendation	SELL
Last Price	210.00
Target Price	199.00
Upside	(5.24%)
Market Cap (KES'Bn)	79.35
52 week high	210.00
52 week low	134.00

Source: Bloomberg, NCBA IB Research, NSE


HY 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.

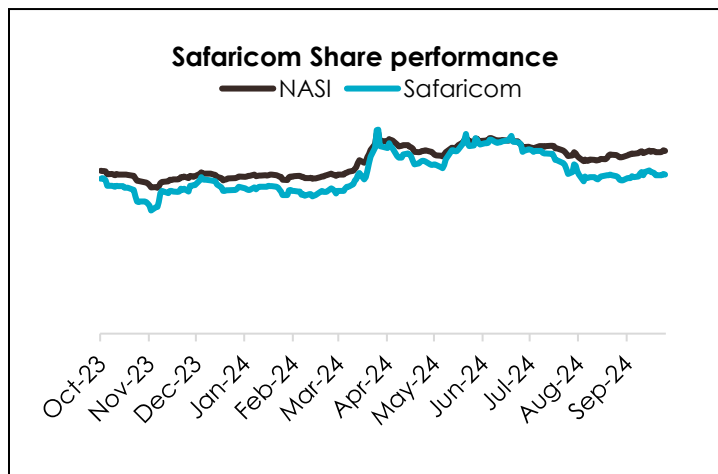
The bank, accelerating its Sustainable Finance offering to clients through product innovation and enabling transition to a low carbon future, will further scale the aggressive lending strategy.

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	15.00
Target Price	22.35
Upside (Excl. Div Yield)	49.00%
Market Cap (KES'Bn)	600.98
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.

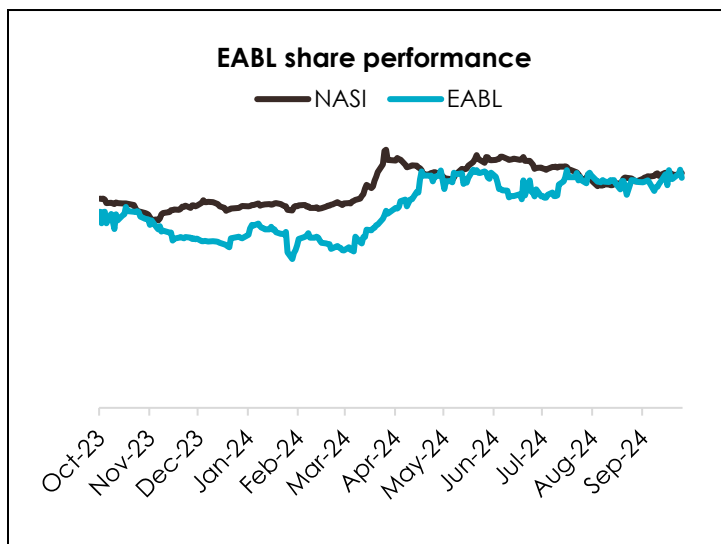
Outlook

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: ACCUMULATE with a target price of KES 171.90

Share Data	
BIC	EABL KN
Recommendation	ACCUMULATE
Last Price	154.75
Target Price	171.90
Upside (Excl. Div Yield)	11.08%
Market Cap (KES'Bn)	122.37
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.

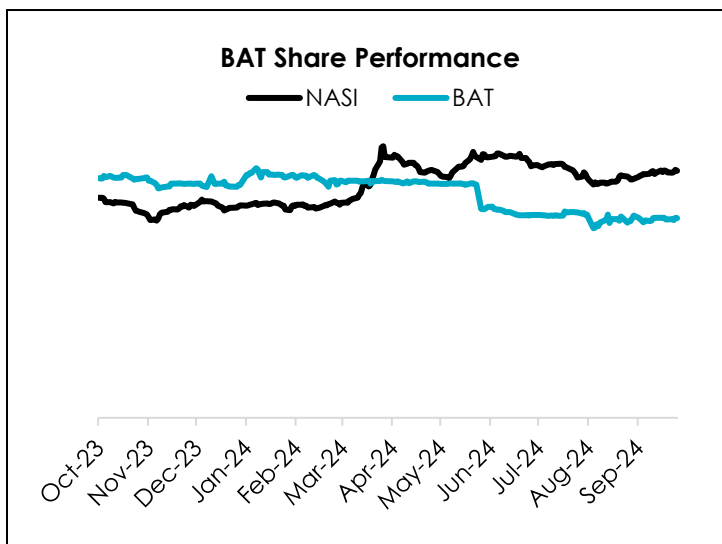
The region's exposure to macroeconomic risks will continue to negatively impact on the company's earnings and our short to medium term financial forecasts.

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	343.50
Target Price	493.57
Upside	43.69%
Market Cap (KES'Bn)	34.35
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.

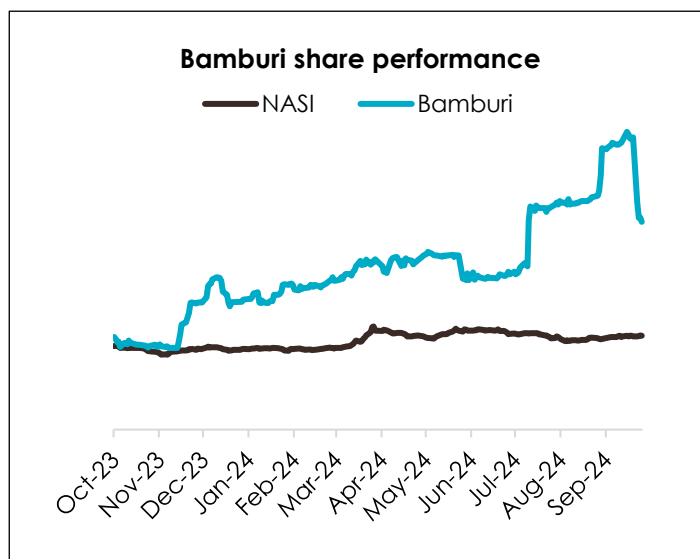
Outlook

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	58.75
Market Cap (KES'Bn)	21.32
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

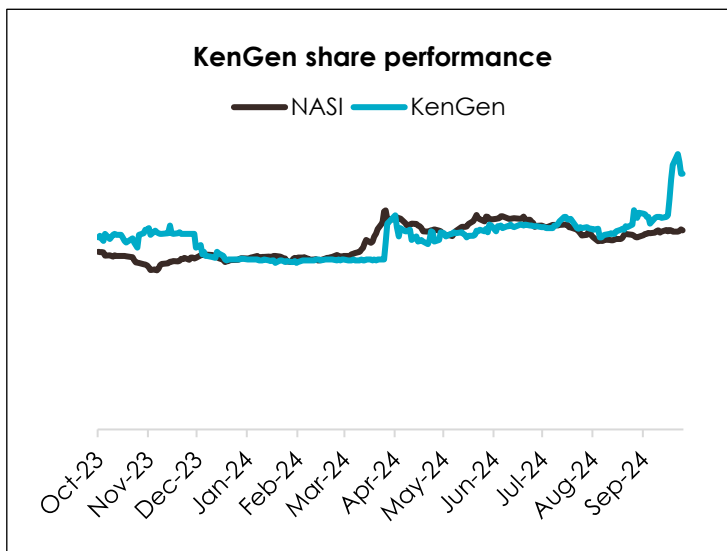
The table below represents some of the notable differences between the two offers:

	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.

KenGen: BUY with a target price of KES 4.14

Share Data	
BIC	KEGC KN
Recommendation	BUY
Last Price	3.00
Target Price	4.14
Upside	38.00%
Market Cap (KES'Bn)	19.78
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.

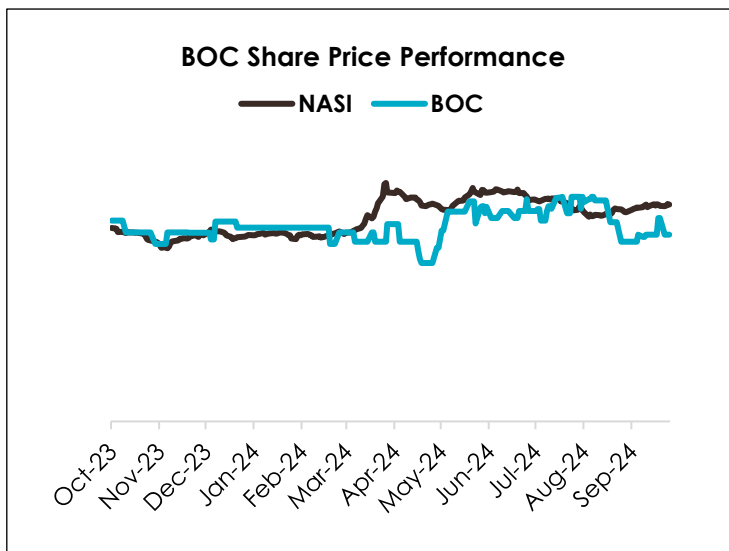
Outlook

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: ACCUMULATE with a target price of KES 90.06

Share Data	
BIC	BOCK KN
Recommendation	ACCUMULATE
Last Price	79.00
Target Price	90.06
Upside	14.00%
Market Cap (KES'Bn)	1.54
52- week high	95.00
52-week low	65.00



Source: Bloomberg, NCBA IB Research, NSE

HY 2024 Financial Performance

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

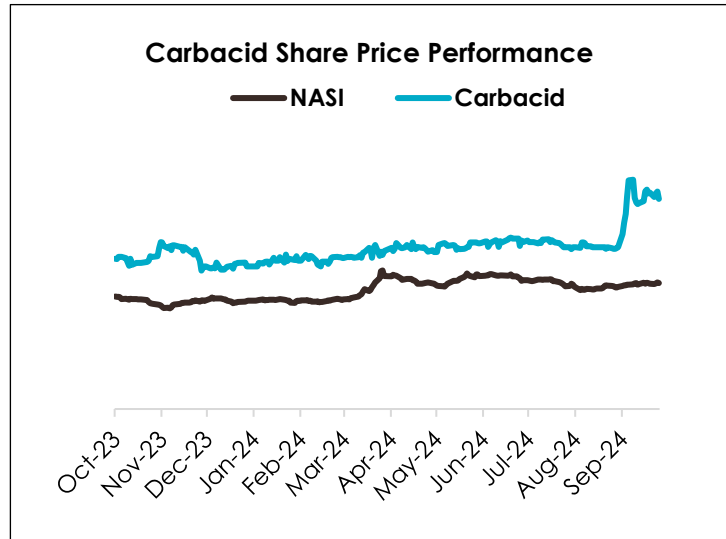
Outlook

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.

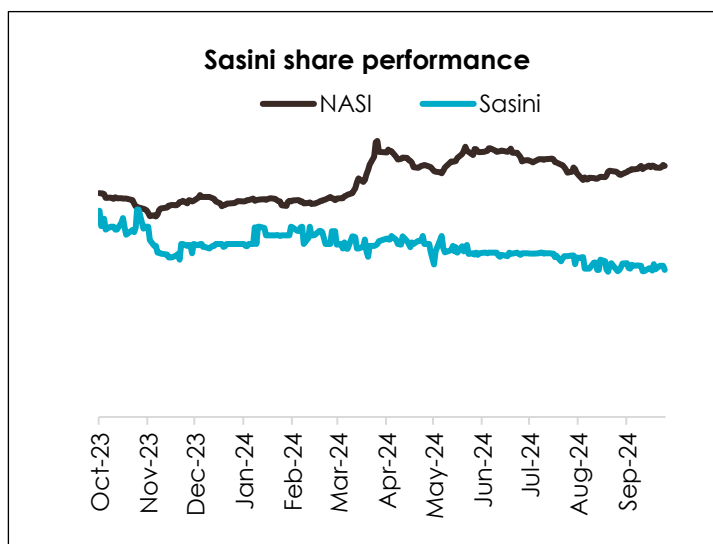
Outlook

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.

Sasini Plc: HOLD with a target price of KES 18.10

Share Data	
BIC	STCL KN
Recommendation	HOLD
Last Price	16.75
Target Price	18.10
Upside	8.06%
Market Cap (KES'Bn)	3.82
52- week high	32.60
52- week low	16.50



Source: Bloomberg, NCBA IB Research, NSE

HY 2024 Financial Performance

- **Revenue:** Revenue rose by 32.07% to KES 3.0Bn driven by increased production volumes, global coffee and tea prices supplemented by foreign exchange volatility.
- **Operating costs:** The cost of sales increased by 54.1% to KES in comparison on account of volume and cost increases. The rising costs, particularly in coffee and green leaf purchases pose a risk to maintaining profit margins.
- **Profit after tax (PAT):** Consequently, the Group made a loss after tax for period profit of KES. 37.67Mn.

Outlook

Sasini's diversified revenue streams have positioned the company for growth in the medium to long-term. We expect Sasini to deliver profitability based on its strategic focus on revenue diversification in high-margin segments such as avocado and macadamia provides a buffer against agricultural sector-specific risks.

Efforts in cost management, evidenced by the significant reduction in general charges and other operating expenses, alongside prudent financial management, indicate a promising outlook.

Challenges remain in fluctuations in revenue from key segments, i.e. tea and coffee which are impacted by weather conditions affecting production volumes. Global prices also portend risk due to periodic fluctuations.

DISCLAIMER AND DISCLOSURES

1. General Disclaimer

This research report (Report) has been prepared by NCBA Investment Bank (NCBA-IB) and contains detailed industry analyses, statistics and forecasts exclusively for informational purposes and is intended solely for the use of NCBA-IB clients and may not be distributed, published, or reproduced, in whole or in part, nor may its contents be disclosed to any other party without the express written consent of NCBA-IB. While this Report contains analyses and insights aimed at assisting customers in making investment decisions regarding various securities, it does not constitute an offer, solicitation, or recommendation to buy or sell any securities, and it is not intended to provide the basis for any evaluation of the securities discussed herein. NCBA-IB expressly disclaims any responsibility for errors and omissions in this Report. The Information set forth in this Report has been obtained from sources believed reliable and developed through the application of independent judgement, but NCBA-IB does not warrant its completeness or accuracy. Opinions expressed in this Report are current viewpoints as of the date of issue and are subject to change without notice. Furthermore, NCBA-IB is under no obligation to update or keep the information current. While every effort has been made to ensure the accuracy and completeness of the information provided, no representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained herein, and nothing contained herein is, or shall be relied upon as, a promise or representation as to the future performance of any securities or financial product and market conditions which may change and this might materially impact the accuracy and validity of such analysis.

2. Use of Information

The information presented in this Report is intended solely for informational purposes and is not a comprehensive treatment of the topic at hand. NCBA-IB makes every effort to use reliable, comprehensive information, but we do not represent that the information is accurate or complete. NCBA-IB is not responsible for errors or omissions nor for results obtained from the use of this information. All information is provided "as is", without warranty of any kind, express or implied.

3. No Guarantees on Performance

NCBA-IB, its affiliates, employees, or any associated entities provide no guarantee, warranty, or representation regarding the potential performance or expected outcomes of any investment or financial transaction referenced within this document. Investment values can fluctuate, and the past performance of a security, industry, sector, market, financial product, trading strategy, or individual investment does not guarantee future results or returns.

4. Independent Decision Making

Recipients of this Report are strongly advised to make investment decisions based on their own investment objectives, careful consideration of their financial situation, operational capacity, and the availability of resources. It is recommended that all clients conduct thorough due diligence and, where appropriate, consult independent financial, legal, tax, or other professional advisors to assess the suitability of any potential investment.

5. Limitation of Liability

The Bank, its affiliates, and their respective officers, directors, employees, or agents accepts no liability whatsoever for any direct or consequential loss or damage arising from the use of this Report or the information contained herein. Past performance is not necessarily indicative of future results, and NCBA-IB does not undertake that the recipient of this report will obtain profits or avoid incurring losses. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in these reports is suitable for their particular circumstances and, if necessary, seek professional advice, including tax advice.

6. Authority to Enter Contracts

Please be advised that legally binding obligations on behalf of NCBA-IB can only be established through formal written agreements, duly signed by authorized representatives of NCBA-IB. No electronic communications or implied agreements through informal communications shall be considered binding under any circumstances.

7. Disclosure Statement

NCBA-IB may, from time to time, participate or invest in transactions with the companies mentioned herein, perform services for or solicit business from company(s) mentioned, and/or have a position or effect transactions in the securities or options thereof. Members of NCBA-IB, its principals or affiliates, may have a financial interest in securities of the companies mentioned in this report.

8. Conflicts of Interest

NCBA-IB may engage in transactions in a manner that is inconsistent with the recommendations made in this Report, and it may have commercial relationships with entities mentioned in this Report. NCBA-IB may have provided advice or investment services relating to the investments concerned or a related investment to any company mentioned in this Report prior to its publication. Further, NCBA-IB may receive compensation for these services and acts as a market maker or liquidity provider in the securities that are the subject of this report. NCBA-IB does not prepare research on entities within its corporate group ("the NCBA Group") or other entities where a real or perceived conflict of interest may exist.

9. Confidentiality

This Report is confidential and is intended only for the person or entity to which it is addressed. It may contain confidential, proprietary, or legally privileged information. No confidentiality or privilege is waived or lost by any misdelivery or transmission errors. If you are not the intended recipient, please immediately delete it and all copies of it from your system, destroy any hard copies of it, and notify the sender. You must not, directly or indirectly, use, disclose, distribute, print, or copy any part of this report if you are not the intended recipient.

10. Intellectual Property Rights

All content, data, analyses, graphics, and logos provided in this Report are the exclusive property of NCBA-IB and/or its affiliates, unless otherwise noted, and cannot be copied, distributed, transmitted, displayed, published, or broadcast without the prior written permission of NCBA-IB.

11. Regulatory Compliance

This Report is also subject to regulatory restrictions and obligations that may affect its use. NCBA-IB produces research reports which adhere to regulatory standards. This document may not be distributed in any jurisdiction where its distribution may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

12. Use and Distribution

These materials are intended only for clients of NCBA-IB, and may not be reproduced, redistributed, or copied in whole or in part for any purpose without the express written consent of NCBA-IB

© 2024 NCBA-IB. All rights reserved. This document contains intellectual property belonging to NCBA-IB. Unauthorized use is prohibited. For further information regarding the methodologies used or data in the report, contact NCBA-IB at ncbaresearch@ncbagroup.com