



MAY STOCK PICKS

April Review

- The Energy and Petroleum Regulation Authority (EPRA) reviewed the maximum retail prices of super petrol, diesel and kerosene upwards by KES 9.90 per litre to **KES 144.62**, **KES 125.50** and **KES 113.44** respectively. The hike was attributable to rising global prices of crude oil as a result of the Russia's invasion of Ukraine that has led to economic sanctions against Russia hence reduced supply.
- Cabinet Secretary for National Treasury presented the FY 22/2023 Budget Statement Proposal of **KES 3.34Tn (23.90% of GDP)** to the National Assembly. Total revenue is expected to come in at **KES 2.48Tn (17.50% of GDP)**. The fiscal deficit will stand at **KES 862.50Bn (6.20% of GDP)** and will be financed by net external borrowing of **KES 280.70Bn (2.00% of GDP)** and net domestic borrowing of **KES 581.70Bn (4.20% of GDP)**
- Stock market dipped **3.49%** in April as foreign investor selloff persisted, negatively affecting the bourse. The NSE 20 and the NASI recorded downward m/m trends of **-2.50%** and **-3.58%**, contributing to the market weakness.
- The inflation rate increased y/y to **6.47%** from **5.56%** in March. The increase was mainly attributed to the increase in fuel prices which were reviewed upwards in April. The food and non-alcoholic beverage index increased m/m to **12.10%**, the price of electricity reduced by **9.6%**; while that of LPG gas increased by **41.00%**; core inflation increased to **2.50%**
- The Kenya shilling continued to depreciate against the USD, losing 0.71% on m/m basis. On a YTD basis, the shilling has depreciated **2.33%** against the USD compared to **3.64%** in 2021. This is mainly attributable to increased dollar demand on the back of elevated global oil prices, high demand for imports, reduced earnings from agriculture and horticulture as well as the slow recovery in the tourism sector.

What does May hold?

- Safaricom's (**SCOM**) is expected to release its fully year results for the year ended March 2022 on 12th May. We expect positive performance from the Telco mainly from M-PESA revenues as a result of its dominance in the mobile money market. Mobile data and Fibre to the Home (FTTH) are likely to drive up Data revenue. Additionally, we expect an increase in capital expenditure and borrowings mainly attributable to the heavy investments in the Ethiopian venture.
- We anticipate the release of Q1'22 bank results, later in the month, where we expect positive performance attributable to higher lending income, increased use of digital channels and reduced provisioning. However, we expect increase in pile of bad loans largely attributable to major borrowers from manufacturing, tourism and construction industries.
- Russia—Ukraine war is expected to continue having adverse effects on emerging and frontier equity markets as investors seek safer investments away from these markets. Rising global energy, commodity prices, and disrupted supply chains will affect the local prices of fertilizer ahead of the planting season, which will negatively affect agricultural productivity and food inflation in the coming months.
- MPC meeting - The next meeting of the Monetary Policy Committee (MPC) will be held on Monday, May 30, 2022. We expect the CBR to maintain at 7.00%. despite the elevated global risks and their potential impact on the local economy.
- Listed Company AGMs will take place in the month of May where we expect to see the continued use of virtual meetings. Some of the listed companies that will hold AGMs include; Standard Chartered Bank (**SCBK**), Umeme (**UMME**), Stanbic Holdings (**SBIC**), I&M Holdings (**IMH**), British American Tobacco (**BAT**) and ABSA Bank Kenya (**ABSA**).

Upcoming Corporate Actions

Name	Interim Dividend (KES)	Special Dividend (KES)	Final Dividend (KES)	Book Closure	Dividend Payment
ILAM Fahari I-REIT			KES 0.50	8-Apr-22	30-Apr-22
I & M Holdings			KES 1.50	21-Apr-22	26-May-22
BAT Kenya	KES 3.50		KES 50.00	22-Apr-22	24-May-22
ABSA Bank			KES 1.10	25-Apr-22	26-May-22
KCB Group	KES 1.00		KES 2.00	25-Apr-22	TBA
Standard Chartered	KES 5.00		KES 14.00	27-Apr-22	25-May-22
NCBA Group	KES 0.75		KES 2.25	29-Apr-22	5-May-22
Equity Group			KES 3.00	20-May-22	30-Jun-22
Stanbic Holdings	KES 1.70		KES 7.30	20-May-22	TBA
Bamburi Cement			KES 3.58	26-May-22	26-Jul-22
Co-operative Bank			KES 1.00	30-May-22	17-Jun-22
Kakuzi			KES 22.00	31-May-22	30-Jun-22
NSE		KES 1.00	KES 0.40	3-Jun-22	15-Jul-22
Nation Media Group			KES 1.50	16-Jun-22	29-Jul-22
Kenya Re Insurance			KES 0.10	17-Jun-22	29-Jul-22
BK Group			KES 3.22	22-Jun-22	1-Jul-22
Jubilee Holdings Limited	KES 1.00	KES 5.00	KES 9.00	22-Jun-22	25-Jul-22
Umeme Ltd			KES 1.77	24-Jun-22	22-Jul-22
Total Energies			KES 1.31	24-Jun-22	30-Jul-22
Diamond Trust Bank			KES 3.00	30-Jun-22	28-Jul-22

* Exchange Rate as at 28-Apr-22

Top 10 Highest Dividend Yields

Security	28-Apr-2022	Δ YTD	Total Dividend	Dividend Yield
UMME	KES 7.84	16.32%	KES 1.77	22.58%
NSE	KES 8.02	0.25%	KES 1.40	17.46%
SCBK	KES 128.50	0.19%	KES 19.00	14.79%
BAT	KES 433.75	-1.76%	KES 53.50	12.33%
NCBA	KES 26.00	3.17%	KES 3.00	11.54%
ABSA	KES 9.98	-15.78%	KES 1.10	11.02%
BKG	KES 30.00	3.45%	KES 3.22	10.73%
KAPC	KES 99.00	3.66%	KES 10.00	10.10%
FAHR	KES 6.02	-3.83%	KES 0.60	9.97%
BAMB	KES 37.05	-2.50%	KES 3.58	9.66%
SBIC	KES 105.25	20.63%	KES 9.00	8.55%
KEGN	KES 3.55	-15.27%	KES 0.30	8.45%

Portfolio Performance

During the month, our model portfolio was down -4.71% on a m/m and -6.53% on a YTD basis, whereas the NASI and NSE-20 declined by -3.58% and -2.50% m/m. The portfolio was depressed by the poor performance of counters such as KCB, SCOM, EQTY, EABL and COOP, as a result of foreign investor selloff due to the uncertainties caused by the current Russia-Ukraine conflict, profit-taking after books closure and the upcoming General Elections.

Table 2: Portfolio Performance

	M/M	YTD
AIB-AXYS Africa Portfolio Performance	-4.71%	-6.53%
NSE-20	-2.50%	-5.36%
NASI	-3.58%	-9.79%

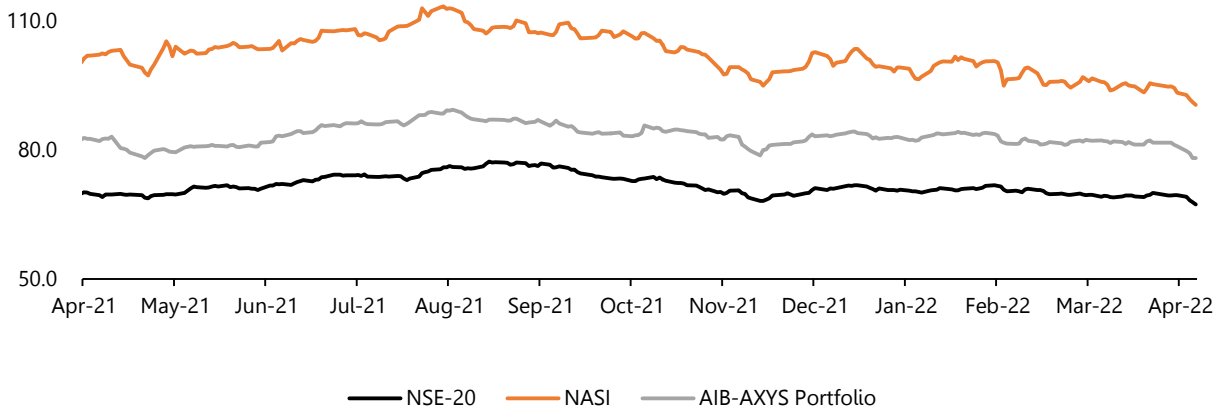


Table 3: Portfolio Constituents

Counter	28-Apr-2022	Target Price	Upside	Δ YTD	Δ M/M	52 Week High	52 Week Low	Weighting	Weighted YTD return	Weighted M/M return
BAMB	37.05	45.28	22.21%	-2.50%	3.60%	40.75	33.55	7.00%	-0.20%	0.30%
NSE	8.02	10.05	25.31%	0.20%	2.60%	10.15	7.00	6.00%	0.00%	0.20%
SBIC	105.25	105.00	-0.24%	20.60%	2.20%	105.25	79.50	6.00%	1.20%	0.10%
NCBA	26.00	28.29	8.81%	3.20%	0.60%	28.15	23.00	6.00%	0.20%	0.00%
COOP	12.70	14.99	18.03%	-1.90%	-1.20%	13.95	11.80	6.00%	-0.10%	-0.10%
JUB	264.00	325.85	23.43%	-16.70%	-2.90%	390.00	248.50	6.00%	-1.00%	-0.20%
SCOM	33.70	38.81	15.16%	-11.20%	-1.30%	44.95	33.70	14.00%	-1.60%	-0.20%
EABL	144.00	205.21	42.51%	-12.70%	-4.00%	193.75	144.00	6.00%	-0.80%	-0.20%
KNRE	2.15	3.28	52.56%	-6.50%	-4.40%	2.68	2.10	6.00%	-0.40%	-0.30%
EQTY	47.90	61.17	27.70%	-9.20%	-5.10%	54.25	39.00	6.00%	-0.60%	-0.30%
DTK	55.00	66.12	20.22%	-7.60%	-6.80%	69.00	54.75	6.00%	-0.50%	-0.40%
SCBK	128.50	140.75	9.53%	0.20%	-10.60%	146.24	124.00	6.00%	0.00%	-0.60%
KCB	37.45	52.45	40.05%	-17.60%	-15.00%	49.90	37.45	6.00%	-1.10%	-0.90%
IMH	18.20	24.62	35.27%	-13.70%	-12.90%	45.05	18.20	7.00%	-1.00%	-0.90%
ABSA	9.98	13.04	30.66%	-15.80%	-19.80%	12.70	8.66	6.00%	-0.90%	-1.20%
NSE-20	1,800.64			-5.40%	-2.50%					
NASI	150.17			-9.80%	-3.60%					

Source: AIB-AXYS Research

Equity Group

Target Price: KES 61.17

Upside: 27.70%

Recommendation: BUY

Tailwinds

- Capital injection of Sh11.5Bn into the DRC unit may scale up the subsidiary's capital base, lending income and revenues from trading with investors in DRC.
- High liquidity ratio of 63.40% positions to take up any opportunities that may arise as the East African economy continues to recover
- Non-banking subsidiaries and the use of digital channels to drive Non-interest Income
- Approval of its risk-based pricing model to reduce loan loss provisioning

Headwinds

- Yield on assets and cost of funding declined leading to a margin squeeze also reducing the Net interest margin (NIM)
- Revenue mix continues to favour Interest Income

KCB Group

Target Price: KES 52.45

Upside: 40.05%

Recommendation: BUY

Tailwinds

- Double digit growth in loan book fueling growth in interest income
- Consolidation of acquired subsidiaries (Rwanda with a target on DRC) in the region to drive balance sheet and income growth
- Income growth to be largely driven by fees and commissions from digital channels

Headwinds

- Deteriorating asset book quality with NPL ratio at 16.59% owing to elevated NPL ratios in subsidiaries such as NBK, South Sudan and Kenya from sectors such as manufacturing, construction and hospitality
- A surge in loan loss provisions on the back of historical asset quality concerns

Absa Group

Target Price: KES 13.04

Upside: 30.66%

Recommendation: BUY

Tailwinds

- Growing NII (+8.0% y/y) supported loan income growth and reduced placement expenses.
- Lowest NPLs (7.94%) in the industry and an improving NPL Coverage at 77.73%
- Improving cost to income ratio (-309 bps y/y to 45.1%) due to investment in technology and reduced reliance on branches.
- Increased traction of digital channels such as WhatsApp Banking and Timiza loans app.

Headwinds

- Marginal reduction in yields from interest-earning assets, which could be mitigated by approval of the risk-based pricing model.

Co-operative Bank

Target Price: KES 14.99

Upside: 18.03%

Recommendation: BUY

Tailwinds

- Proactive credit management that has improved NPL Ratio and Coverage to 62.60%
- Cost to income ratio improved 821bps y/y to 49.91%, powered by the banks push for alternative channels with 94% of transactions happening outside the branch
- Strong performance from non-banking subsidiaries such as Asset management and insurance
- Loan book growth through a focus on SME lending, partnerships and mobile loans

Headwinds

- Synergies from the acquisition of Jamii Bora are expected to take longer given the tough operating environment
- Absorption of Jamii Bora's bad loan book which may take time to recover in a tough business environment

Stanbic Holdings

Target Price: KES 105.00

Upside: -0.24%

Recommendation: SELL

Tailwinds

- Double-digit growth in PAT (+38.82% y/y)
- Share price is trading at KES 105.25, which is above our target price of KES 105.00
- Expected growth in the loan book steered by an increase in corporate banking as well as signed insurance for SME loans.
- Introduction of the digital product UNAYO to drive savings, investments and lending

Headwinds

- Customer deposits reduction is a point of concern
- Asset quality concerns as NPL Ratio Coverage worsened to 58.12%

NCBA Group

Target Price: 28.29

Upside: 8.81%

Recommendation: HOLD

Tailwinds

- Improved efficiency through a positive CTI ratio underpinned by merger synergy benefits
- Group to retain front in digital lending through platforms such as M-Shwari and Fuliza
- Improved operational efficiencies to see cost synergies of a merged entity

Headwinds

- Poor performance from its regional subsidiaries that eroded the earnings.

I&M Holdings

Target Price: KES 24.62

Upside: 35.27%

Recommendation: BUY

Tailwinds

- Increased income from loans and government securities
- Improved performance from regional subsidiaries
- Growth of income from non-banking activities

Headwinds

- Elevated provisions due to their exposure to risky sectors likely to impact asset quality

Diamond Trust Bank

Target Price: KES 66.12

Upside: 20.22%

Recommendation: BUY

Tailwinds

- CTI ratio improved to 46.86% mainly on the back of enhanced digital transactions (88.00% of transactions are outside the branch with Kenya at 93.00%)
- Increased investment in innovation is a good indication of their shift to digitization
- Share price is trading at KES 55.00, which is below our target price of KES 66.12.

Headwinds

- Growing NPLs ratio due to its exposure to high-risk sectors with slow recovery.
- Observed lending apathy with a muted loan book growth in the last five years

Standard Chartered Bank

Target Price: KES 140.75

Upside: 9.53%

Recommendation: HOLD

Tailwinds

- Immense growth in the Wealth management unit which grew by 21% last year.
- Cost to income ratio improving 1621bps to 56.80%, underpinned the bank's push for digital transaction channels
- Expected growth in interest income as a result of the lengthening of the term loan to Safaricom for the purchase of its Ethiopian license.

Headwinds

- The bank's higher NPL ratio (15.99%), which remains higher than the industry average (13.10%) remains a source of concern

EABL

Target Price: KES 205.21

Upside: 45.21%

Recommendation: BUY

Tailwinds

- Recovery in sales expected as the general economy recovers
- Expected growth and improved performance from regional subsidiaries.
- Stable growth in Tanzania given lax regulations on social gatherings

Headwinds

- Proposed tax law on mainstream alcohol may affect gross sales if passed.
- Recovery in sales pegged on regulatory conditions in the respective subsidiaries
- Reduced sales in Senator Keg hence a decline in top line

Jubilee Holdings

Target Price: KES 325.85

Upside: 23.43%

Recommendation: BUY

Tailwinds

- Stable dividend payment to the allure of investors
- Stable growth in investment income as a result of its diversified portfolio.
- Lower operating costs (-2.7% y/y) due to operational efficiencies and cost control.

Headwinds

- Decline in consumer disposable income due to a slowdown in economic activity and job losses may see a slowdown in insurance premiums growth while seeing a rise in claims and surrenders

Safaricom

Target Price: 38.81

Upside: 15.16%

Recommendation: BUY

Tailwinds

- M-PESA to be a key revenue driver growth mainly due to the ongoing partnerships with financial services providers as well as e-commerce players
- Data revenue to be driven by mobile data and FTTH, supported by the investments in both 4G and 5G networks
- Ethiopia's change in national payment laws is expected to ease penetration of MPESA into the Ethiopia market.

Headwinds

- Regulatory risk in Kenya, geopolitical risk in Ethiopia and competition from payment platforms will weigh down on growth
- Increased CAPEX from entry into Ethiopian market likely to reduce dividends in the short term

NSE

Target Price: KES 10.05

Upside: 25.31%

Recommendation: BUY

Tailwinds

- Declining operating costs (-25.3% y/y to KES 467.2M)
- Increased fees from new products. The launch of M-Akiba bond and the Ibuka program has helped the NSE diversify its revenues.
- Plans to acquire stakes in regional bourses in order to supplement revenues.

Headwinds

- Drop in foreign investor activity has seen investor wealth at the bourse drop significantly.
- Lower transaction levy as turnover declines
- Reducing income from data vending as demand for data decreases

Bamburi Cement

Target Price: KES 45.28

Upside: 22.21%

Recommendation: BUY

Tailwinds

- Volume growth in Kenya and Uganda has greatly contributed to increased turnover (+18.62%) in the year ended December 2021.
- Expected growth mainly driven by key infrastructure projects in Kenya and Uganda.
- Admission of DRC to the EAC will ease regional trade

Headwinds

- Surging prices of cement are likely to slow down consumption with elections in Kenya affecting construction projects, hence affecting revenues.
- Increasing cost of coal, power, imported clinker and fuel prices are likely to increase Bamburi's operating costs.

Kenya Re

Target Price: KES 3.28

Upside: 52.56%

Recommendation: BUY

Tailwinds

- Positive outlook on future investment income following the investment in Zep-Re and its other subsidiary

Headwinds

- Lower earnings due to loss of business as increased claims and rebates forced insurers to renegotiate their insurance contract with their customers



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