AIBAXYS
AFRICA

MONTHLY STOCK PICKS

SEPTEMBER 2023 STOCK PICKS

August'23 Review

- **HY'23 Earnings Season -** During the month, we had HY'23 earnings release from the banking, insurance and other sectors. Equity HY'23 results were a 7.77% increase in PAT to KES 26.33Bn. Stanbic HY'23 results were a 47.01% increase in PAT to KES 7.05Bn with the announcement of an interim dividend of KES 1.15. COOP HY'23 results were a 5.87% increase in PAT to KES 12.15Bn driven by increased operating income. ABSA HY'23 results were a 31.95% increase in PAT to KES 8.31Bn with the announcement of an interim dividend of KES 0.20. KCB HY'23 results were a (18.27%) decline to KES 16.06Bn. I&M HY'23 results were a 2.31% increase in PAT to KES 5.03Bn. Nation Media Group HY'23 results were a (98.83%) decline in PAT to KES 2.90Mn attributable to higher importing costs and decline in turnover. Sanlam HY'23 results recorded a larger loss in PAT to KES 171.95Mn driven by a decrease in insurance revenue. Umeme HY'23 results were (-79.51%) decline in PAT driven by higher costs of sales and an interim dividend of KES 0.93 was declared.

- **ILAM Fahari I-REIT to Delist from Main Market** – During the month, the I-REIT received regulatory approval from CMA to convert into a restricted REIT with non-professional investors having an offer to redeem up to 36,585,124 units at a redemption offer price of KES 11.00 per unit with the closing date of the offer period being 6th October 2023. Following the delisting of the I-REIT from the unrestricted main investment segment, the REIT will be quoted in the Unquoted Securities Platform. Non-Professional investors will have the option to increase their holdings to meet the Professional investor threshold as part of the transaction. Those who will be left, will be bundled together into a nominee vehicle where collectively, they will meet the professional investor threshold retaining the rights to their holdings and dividend. The delisting to the Unquoted Securities Platform is part of the restructuring process in line with the REIT's strategic goals.

- **Local Pump Prices Maintained –** EPRA announced the maintenance of local pump prices as a result of the governments initiative to compensate suppliers from the Petroleum Development Fund to cushion consumers. Petrol will retail at KES 194.68/litre, diesel at KES 179.67/litre and Kerosene at KES 169.48/litre. The regulator noted the increase in landing costs of fuel attributed to the increase in international benchmark prices. We expect that the G-to-G import model is likely not to bring additional pricing benefits to consumers. We maintain our view that the reduction of railway development levy and import declaration levy will have minimal impact on pump prices reduction.

- **Inflation Decreases Further –** The headline inflation for the month of August decreased to 6.70% from 7.30% in July, the lowest over a 16-month period, on the back of a decline in food commodities prices. Inflation remains within the CBK's target range of 2.50%-7.50%. Food inflation decreased to 7.50% from 8.60% in July. Housing utilities decreased to 7.50% y/y with transport increasing to 13.10% y/y. Non-Food-Non-Fuel(Core Inflation) decreased to 3.70% from 3.80% in July. The CPI decreased 10 bps to 134.02 from 134.15 in July 2023. We expect headline inflation to remain under pressure and within the CBK's target at least until the end of Q3'23.

- **Shilling Continued Losing Streak Against USD -** Kenya shilling continued to depreciate further against the USD to close at **KES 145.51** versus **KES142.36** at the end of July. We observed a faster decline in the month of August (-2.14%) compared to July (-1.29%). We expect the shilling to remain under pressure due to increased dollar demand from importers on the back of prevailing high commodity prices, reduced dollar inflows and dollar strength against frontier currencies.

- **August MPC Meeting -** Central Bank's MPC held the fifth meeting of 2023 where the Central Bank Rate (CBR) was maintained at 10.50%. The committee also noted the banking sector non-performing loans decreased to 14.50% in June 2023 while the private sector growth decreased to 12.20% in June 2023. Exports grew 2.10% with imports growing at a faster pace of 6.10%. The MPC committee additionally approved and adopted a new monetary policy implementation framework intended to improve monetary policy transmission.

What does September Hold?

- **Listed Companies AGM -** In the month of September, Centum will hold their AGM via electronic means, EABL will hold their AGM both physically and virtually and Eaagads will hold their AGM via electronic means.

Table 1: Summary Corporate Actions in August

	Company	Corporate Action and Our Comments
1.	Liberty Holdings	• The board of Liberty Holdings appointed Mr. Kieran Godden as the Managing Director and CEO to replace Mr. Godfrey Kioi effective 1st August 2023. We believe this appointment is positive for the holdings by improving the governance. LBTY lost 4.62% in the month of August to close at KES 3.72.
2.	KenGen	• The board of KenGen appointed Eng. Peter Njenga as the Managing Director and CEO to replace Mr. Abraham Serem. KGEN lost 0.86 % in the month of August to close at KES 2.30.
3.	FAHR	• Ilam Fahari I-REIT received regulatory approval from CMA to convert into a restricted REIT with non-professional investors having an offer to redeem up to 36,585,124 units at a redemption offer price of KES 11.00 per unit with the opening date of the offer being 6th September 2023 and closing date of the offer period being 6th October 2023. The REIT will then be quoted on the Unquoted Securities platform and delisted from the main investment segment.
4.	Stanbic	• The board of Stanbic announced an interim dividend of KES 1.15 per share for HY'23, contrary to our expectations. We view the interim dividend as a reflection of the positive HY'23 results. Stanbic lost 5.00% in the month of August to close at KES 114.00.
5.	NCBA	• The board of NCBA announced an interim dividend of KES 1.75 in HY'23 which was 12.50% lower than the KES 2.00 interim DPS in HY'22. We expect the announcement of the interim dividend to excite investors leading to a share price rally. NCBA gained 3.25% in the month of August to close at KES 39.70.
6.	ABSA	• The board of Absa announced an interim dividend of KES 0.20 per share for HY'23 similar to HY'22. We expect the impressive results and the interim dividend to lead to a share price rally. ABSA lost 5.26% in the month of August to close at KES 11.70.
7.	Jubilee	• The board of Jubilee announced an interim dividend of KES 2.00 per her share for HY'23, higher than the KES 1.00 in HY'22. We expect the announcement of a higher interim dividend to lead to a share price mini-rally. Jubilee lost 5.27% on the month of August to close at KES 175.25.

Table 2: Upcoming Dividends

Counter	Interim/ Special Dividend	Final Dividend	Book Closure	Dividend Payment
British American Tobacco (BAT-K)	KES 5.00		18-Aug-23	22-Sep-23
Kapchorua Tea Kenya Plc		KES 25.00	23-Aug-23	4-Sep-23
Williamson Tea Kenya Plc		KES 30.00	23-Aug-23	4-Sep-23
Stanbic Holdings Plc	KES 1.15		4-Sep-23	27-Sep-23
Jubilee Holdings PLC	KES 2.00		8-Sep-23	11-Oct-23
NCBA Group Plc	KES 1.75		14-Sep-23	28-Sep-23
East African Breweries Ltd		KES 1.75	15-Sep-23	27-Oct-23
Absa Bank Kenya Plc	KES 0.20		21-Sep-23	12-Oct-23
Umeme Limited	KES 0.93		9-Feb-24	29-Feb-24
Centum Plc		KES 0.60	TBA	TBA

Source: NSE, Company Fillings, AIB-AXYS Research

Table 3: Summary of HY'23 Listed Banks Earnings Results

	Company	Interim DPS	Comment
1.	ABSA Bank Kenya	KES 0.20	• PAT increased by 31.95% y/y to KES 8.31Bn driven by increased operating income but weighed down by an increase in operating expenses mainly from the sharp uptick in impairment provisioning. Non-funded income growth was driven by the increase in forex trading income. Gross NPL's increased significantly while the loan book grew faster than customer deposits. An interim dividend of KES 0.20 was declared, similar to HY'22.
2.	Co-operative	-	• PAT increased 5.87% y/y to KES 12.14Bn driven by increased interest income but weighed down by a greater increase in interest expense driven by increased cost of deposit mobilization. Forex trading income and impairment provisioning decreased contrary to the industry trend. Operating expenses marginally decreased while gross NPL's increased. Loan book growth was faster compared to growth of customer deposits.
3.	DTBK	-	• PAT increased 10.15% y/y to KES 4.36Bn driven by growth in operating income but weighed by a faster uptick in operating expenses attributable to increased impairment provisioning. Interest expenses grew faster compared to interest income attributable to increased cost of deposit mobilization.
4.	Equity Group	-	• PAT increased 7.77% y/y to KES 26.33Bn driven by increased operating income and weighed down by a greater increase in operating expenses resulting from a sharp increase in impairment provisioning. Interest income increased on the back of increased government yields and loan repricing. Gross NPL's increased significantly while the loan book grew faster than customer deposits.
5.	I&M Group	-	• PAT climbed 2.19% y/y to KES 5.03Bn driven by increased interest income given the higher yields on government papers and loan repricing. Operating expenses increased significantly driven primarily by the sharp uptick in impairment provisioning. Gross NPL's increased while the loan book grew faster than customer deposits.
6.	KCB Group	-	• PAT declined (18.27%) y/y to KES 16.06Bn driven by increased operating expenses due to the consolidation of the DRC subsidiary as well as a sharp uptick in impairment provisioning. Interest income grew driven by loan repricing and higher government paper yields. Customer deposits grew faster than the loan book while gross NPL's increased.
7.	NCBA Group	KES 1.75	• PAT increased 20.30% y/y to KES 9.35Bn driven by higher net interest income but weighed down by an increase in interest expense and a decline in non-funded income. Impairment provisioning and forex trading income declined, contrary to industry trend. Gross NPL's edged up as the loan book grew faster than customer deposits. An interim dividend of KES 1.75 was declared, lower than KES 2.00 in HY'22.
8.	Stanbic	KES 1.15	• PAT increased 47.01% y/y to KES 7.05Bn driven by increased net interest income and non-interest income. Interest income increased on the back uptick in government yields and loan repricing. Gross NPL's increased while the loan book grew faster than customer deposits. An Interim dividend of KES 1.15 was declared.
9.	Standard Chartered	-	• PAT increased 27.71% y/y to KES 6.91Bn driven by increased net interest income from higher interest income from loans and government securities and non-interest income from the uptick in forex trading income. Operating expenses grew faster than operating income driven by the sharp uptick in impairment provisioning. Customer deposits declined while the loan book grew.

Source: NSE, Company Fillings, AIB-AXYS Research

Table 4: Summary of HY'23 Insurance Sector and Other Sectors Earnings Results

	Company	Interim DPS	Comment
1.	CIC	-	• PAT increased 168.01% y/y to KES 0.71Bn driven by higher net revenue but weighed down by an uptick in insurance service expenses and higher finance costs. Insurance revenue increased attributable to better pricing of life insurance products and acquisition of new general insurance business.
2	Jubilee	KES 2.00	• PAT decreased (47.85) % y/y to KES 2.04Bn driven an increase in insurance services expenses, faster than the increase in insurance service revenue and the sale of majority stake in general underwriting business. An interim dividend of KES 2.00 was declared, higher than the KES 1.00 declared in HY'22.
3.	Britam	-	• PAT increased 334.50% y/y to KES 1.64Bn driven by an increase in net revenue but weighed down by an uptick in expenses from reinsurance contracts and finance expenses from insurance contracts. Insurance revenue increased while finance costs declined.
4.	Sanlam	-	• PAT decreased to a loss of KES (0.17)Bn attributable to a decline in insurance revenue and uptick in administrative and finance costs. Insurance investment revenue declined. Insurance service expenses declined and there was a large uptick in net expenses from reinsurance contracts.
5.	Kenya Re	-	• PAT increased 8.66% y/y to KES 0.90Bn driven by an increase in investment income. Gross premiums written, total income and net claims and benefits declined. Cedent acquisition costs and operating expenses declined. Provisioning for doubtful debts increased attributable to challenged macro-economic environment.
6.	Bamburi	-	• PAT decreased (7.37)% y/y to KES 88.00Mn driven by an increase in operational costs, finance costs from higher costs of energy and raw materials and a large tax expense incurred during the period. Operating profit increased as a result of an increase in turnover.
7.	NMG	-	• PAT decreased (98.83)% y/y to KES 2.90Mn driven by higher cost of sales from increased importation costs of newsprint and printing raw materials. Turnover decline was attributable to declined consumer spending resultant from difficult macro economic factors.
8.	Umeme	KES 0.93	• PAT decreased (79.51)% y/y to KES 13.19Bn driven by increased cost of sales attributable to higher bulky purchases and and increased generation levy. Operating expenses increase was driven by impact of increased inflationary pressures. Revenue increased driven by increase in electricity and energy prices and increased demand for consumption. An interim dividend of KES 0.93 was declared.
9.	Total	-	• PAT increased 3.39% y/y to KES 0.82Bn driven by increased revenue but weighed down by a sharp uptick in finance costs resulting from the increase in working capital. Operating expenses increased driven by impact of deprecation of the shilling of imported goods and effects of inflation on local costs.
10.	BOC	-	• PAT increased 28.90% y/y driven by an increase in revenue driven by increased demand for medical oxygen. Operating expenses increased as a result of increased cost of importation of raw materials with the continued depreciation of the shilling. Contrary to HY'22, no interim dividend was declared.

Source: NSE, Company Fillings, AIB-AXYS Research

August’23 Equities Market Performance

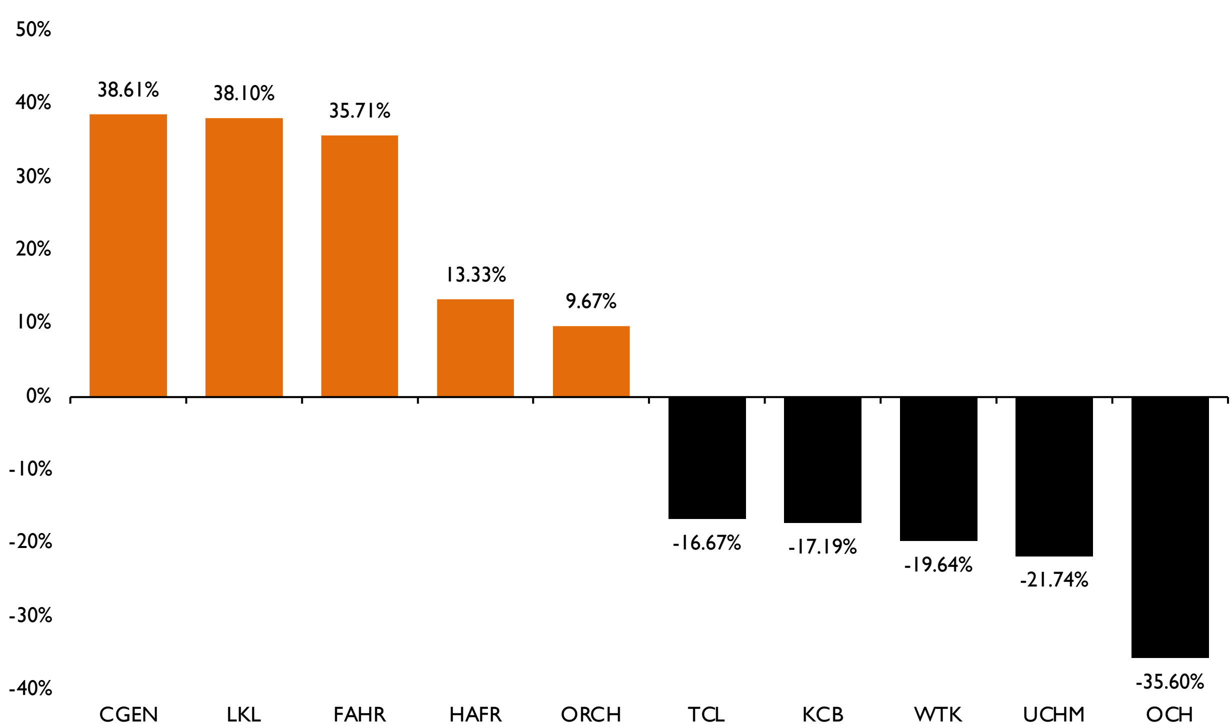
During the month of August, the indicative indices recorded a downward trend with the NASI declining by 5.93% and NSE-20 declining 2.35%. Foreign investors changed to net buyers taking the buying position to **KES 0.67Bn** taking the YTD net selling position **to KES 8.94Bn**. If the same trend continues, the total foreign selling position for 2023 is likely to close below the **KES 24.04Bn** recorded in 2022.

Equity turnover decreased 42.64% m/m to **KES 4.37Bn** from **KES 7.63Bn** in July while volumes traded also decreased 46.27% m/m to **KES 223.58Mn**. Market capitalization was down 5.93% m/m to **KES 1,544.94 Bn**. We expect market activity to remain above KES 5.00Bn/month in Q3’2023 owing to the positive HY’23 earnings season and expected interim dividend payment from players in the banking sector.

Top Gainers: Car & General was the largest gainer in August’23 jumping (+38.61%) m/m to KES 38.95 from KES 28.10. Longhorn publishers was the second largest gainer, jumping (+38.10%) m/m to KES 2.90 from KES 2.10. Other gainers included: Ilam Fahari (+35.71%) to KES 8.36 driven by the announcement of share redemption in order to convert into a restricted REIT, Home Afrika (+13.33%) to KES 0.34 driven a decrease in losses reported in HY’23 results and Kenya Orchards (+9.67%) to KES 16.45 driven by positive HY’23 results where the net earnings increased by 348.42%.

Top Losers: Olympia Capital Holdings was the largest m/m decliner (-35.60%) to KES 3.22 from KES 5.00. Other top losers included: Uchumi (-21.74%) to KES 0.18, Williamson Tea Kenya (-19.64%) to KES 192.25 driven by the book closure during the month, KCB (-17.19%) to KES 23.60 driven by a decline in net earnings in HY’23 and TransCentury (-16.67%) to KES 0.50.

Chart 1: August ’23 Top 5 Gainers and Losers



Source: NSE, AIB-AXYS Research

Our Top Three Picks

BUY

a) **Equity Bank (EQTY) –** We recommend a BUY on the lender driven by positive HY'23 net earnings where PAT increased 7.77% y/y, which was partly driven by strong performance from the DRC subsidiary. We expect the lenders diversification into trade finance lending, general insurance business and enhanced digital channels to drive growth of the lender. We anticipate the lenders continued implementation of risk-based model and focus on SME credit will continue to drive growth of the loan book and interest income. We see long-term value in holding EQTY as the current share price at KES 38.85 is 44.43% lower than our target price of KES 56.11 representing a YTD decline of 12.70% , hence providing an attractive entry point for long term capital gains and expected future dividend payments.

b) **East African Breweries Limited (EABL) -** We recommend a BUY of the manufacturer as the current price represents an attractive entry point and long-term value-play following the 20.87% y/y decline in FY'23 PAT to KES 12.32Bn. The current share price at KES 135.25 represents a YTD decline of 19.25% and is 31.25% lower than our target price of KES 177.51. We expect regional subsidiaries to continue reporting steady and robust growth contributing to revenue growth as well as strong growth in new frontier and mainstream spirits. We recommend investors to position themselves to gain from the interim dividend and recovery in the share price before book closure on 15th September 2023.

SELL

a) **Sanlam Kenya (SLAM) -** We recommend profit taking, SELL, driven by continued loss-making trend as seen in the KES 171.95Mn loss in HY'23 results. We remain pessimistic about the underwriter's performance given the prevailing macroeconomic environment which is leading to a slowdown in insurance premiums growth and a rise in claims and surrenders. However, the underwriters joint venture will Allianz is expected to help in accelerating revenue growth and return to profitability. We don't see any upside potential on the counter given its fundamental challenges that continue to affect its financial performance. The current share price at KES 8.00 represents a YTD loss of 16.49%.

Table 5: Top 10 Highest Dividend Yields

Counter	31-Dec-22	31-Aug-23	YTD	Total DPS**	Div Yield
Umeme Limited	7.42	13.40	80.59%	2.31	17.24%
Williamson Tea	160.00	192.25	20.16%	30.00	15.60%
Standard Chartered Bank	142.75	159.25	11.56%	22.00	13.81%
British American Tobacco (BAT)	460.00	419.75	-8.75%	57.00	13.58%
Co-operative Bank of Kenya Plc	12.30	11.65	-5.28%	1.50	12.88%
Kapchorua Tea	113.25	197.25	74.17%	25.00	12.67%
I&M Group Plc	17.00	18.00	5.88%	2.25	12.50%
BK Group Plc	31.50	33.00	4.76%	3.96	12.00%
Absa Bank Kenya Plc	12.30	11.7	-4.88%	1.35	11.54%
Stanbic Holdings Plc	102.00	114.00	11.76%	12.60	11.05%

** - Total DPS is a Trailing DPS based on the last FY declared dividend

Portfolio Performance

In August'23, our model portfolio (-3.43%) continued to outperform the NASI index (-5.93%) while falling below the NSE-20 (-2.35%). However, our model portfolio has outperformed the NASI index on a YTD basis. On a YTD, the NSE-20 lost 8.11% while NASI index lost 22.15% compared to our model portfolio which has lost 10.61%

The portfolio performance was lifted by m/m gains recorded by **NCBA** and **Diamond Trust Bank.** However huge declines by counters **KCB, Safaricom, Jubilee, I&M and ABSA** weighed down on further gains in the overall portfolio performance. We observed foreigners changing to net buyers following an improvement in the buying position in some trading sessions in Q2'23.We expect another month of mixed performance largely driven by investors aligning themselves to dividend paying counters before book closures and foreigners remaining as net sellers. However, trading will remain largely concentrated in the blue-chip counters – SCOM, the Banking sector, and other select counters driven by the hunt for dividends.

Table 6: Portfolio Performance

August '23 Performance	M/M	YTD
AIB-AXYS Africa Portfolio Performance	-3.43%	-10.61%
NSE-20	-2.35%	-8.11%
NASI	-5.93%	-22.15%

Table 7: Portfolio Constituents

Counter	31-Aug-2023	Target Price	Upside	Δ YTD	Δ M/M	52 Week High	52 Week Low	Weighted YTD return	Weighted M/M return
NCBA	39.70	45.65	14.99%	0.89%	3.25%	40.90	24.65	0.09%	0.33%
DTK	48.70	60.09	23.39%	-2.60%	2.10%	55.25	12.25	-0.16%	0.13%
BAMB	24.90	35.28	41.69%	-20.95%	0.00%	38.35	23.25	-1.26%	0.00%
COOP	11.65	14.46	24.12%	-5.28%	-2.10%	13.35	11.15	-0.32%	-0.13%
SCBK	159.25	180.86	13.57%	11.56%	-3.48%	171.00	133.00	1.16%	-0.35%
EABL	135.25	177.51	31.25%	-19.25%	-4.08%	187.00	137.00	-1.93%	-0.41%
SBIC	114.00	121.09	6.22%	11.76%	-5.00%	129.75	92.00	0.94%	-0.40%
EQTY	38.85	56.11	44.43%	-12.70%	-5.24%	53.25	35.80	-1.02%	-0.42%
ABSA	11.70	14.72	25.81%	-4.88%	-5.26%	12.95	10.10	-0.29%	-0.32%
IMH	18.00	21.12	17.33%	5.88%	-5.26%	21.00	15.85	0.24%	-0.21%
JUB	175.25	235.85	34.58%	-11.82%	-5.27%	265.00	148.25	-0.71%	-0.32%
SCOM	15.40	23.71	53.96%	-36.23%	-8.88%	31.80	13.00	-5.07%	-1.24%
KCB	23.60	38.60	63.56%	-38.06%	-17.19%	43.50	28.50	-2.28%	-1.03%

Source: NSE, AIB-AXYS Research

Table 8: Recommendation Summary

Stock	Positives	Negatives	Recomm
ABSA Bank Kenya **Current Price: KES 11.70** **Target Price: KES 14.72** **Upside: 25.81%**	• Growing loan book in H1'23 by 21.57% thus improving interest income by 36.94%. • Implementation of risk-based loan pricing model to lead to growth in interest income. • Increased traction of digital channels such as WhatsApp Banking and Timiza loans app expected to drive future growth. • Non-funded income grew 25.66% y/y to KES 8.14Bn mainly driven by increased foreign trading income.	• Gross NPLs grew 62.50% y/y to KES 32.18Bn, raising asset quality concerns. • Sharp increase in loan loss provisioning by 74.42% y/y to KES 5.16Bn.	BUY
Co-operative Bank **Current Price: KES 11.65** **Target Price: KES 14.46** **Upside: 24.12%**	• 11.96% growth in interest income in H1'23 driven by increased revenue from interest on loans (+13.61%) • Improved performance from Kingdom bank with a 28.59% y/y increase in PAT to KES 521.92Mn. • Implementation of risk-based pricing model to lead to growth in interest income. • Loan loss provisioning declined 14.42% y/y to KES 2.86Bn indicating reduced lending risk.	• Gross NPLs climbed by 14.16% y/y to KES 58.44Bn.	BUY
Equity Group **Current Price: KES 38.85** **Target Price: KES 56.11** **Upside: 44.43%**	• Non-Funded income grew 41.19% y/y to KES 36.49Bn mainly driven by trade finance lending and forex trading. • Investment in Trade finance which is a promising new frontier and increased lending to key economic sectors. • Implementation of risk-based loan models led to an increase in interest income (+26.96%) y/y.	• Loan loss provisioning increased 73.61% y/y to KES 7.10Bn indicating increased lending risk. • Gross NPLs increased 59.78% y/y to KES 97.51Bn.	BUY
Diamond Trust Bank (DTB-K) **Current Price: KES 48.70** **Target Price: KES 60.09** **Upside: 23.39%**	• Enhanced digital transactions increased interest income in H1'23 by 32.42% y/y. • Net Interest Income increased 17.75% y/y to KES 13.11Bn mainly driven by the current uptick in bond yield of government papers. • 42.19% y/y growth in non-funded income in H1'23 mainly driven by increased forex trading income.	• Asset quality concerns persist as Gross NPLs increased by 16.03%. • Historically low ROE and ROA are a downside to investors' perception. • Increase in branch network will increase operating expenses.	BUY
KCB Group **Current Price: KES 23.60** **Target Price: KES 38.60** **Upside: 63.56%**	• Increase in net interest income by 12.11% y/y in H1'23 to KES 45.51Bn following implementation of risk-based loan models and higher interest from government securities. • Heavy investment in digital platforms driving double-digit growth in loan book. • Non-funded income grew 43.43% to KES 27.56Bn mainly driven by forex trading	• NPL ratio above the industry average. • Thin capital buffers point to a need to recapitalize but is not an imminent concern	BUY
Stanbic Kenya **Current Price: KES 114.00** **Target Price: KES 121.09** **Upside: 6.22%**	• Double-digit growth (+29.72%) in non-interest income in H1'23 mainly driven by growth in foreign trading income and growth in digital channels. • Growth in the loan book by 15.30% y/y steered by a resumption in lending and investments in digital banking.	• Increased Gross NPLs by 22.25% y/y to KES 29.45Bn	HOLD
NCBA Group **Current Price: KES 39.70** **Target Price: KES 45.65** **Upside: 14.99%**	• Net Interest Income increased 16.29% y/y in H1'23 mainly from increased lending. • Maintained front in digital lending through digital platforms such as M-Shwari and Fuliza to drive loan book growth. • Improved operational efficiencies to see cost synergies of a merged entity.	• Gross NPLs increased 14.59% y/y to KES 42.63Bn. • Increase in branch network will increase operating expenses.	BUY

*** Current Price is as at 31st August 2023

Stock	Positives	Negatives	Recomm
Standard Chartered Bank **Current Price: KES 159.25** **Target Price: KES 180.86** **Upside: 13.57%**	• Performance from the Wealth Management and financial markets driving non-interest income • Non-Funded Income grew 26.79% y/y in H1'23 to KES 7.03Bn mainly driven by trade finance lending and Forex trading (+96.45%) • Increased interest income by 33.42% y/y to KES 15.37Bn driven by increased income from loans and government securities. • Roll out of mobile lending platform to grow digital channels.	• Multiples are trading above sector and market average indicating overvaluation. • Compared to peers, we have observed a slow balance sheet growth. Loan book grew 13.17% while customer deposits declined by 1.13% in H1'23.	HOLD
EABL **Current Price: KES 135.25** **Target Price: KES 177.51** **Upside: 31.25%**	• Strong growth in premium brands and mainstream spirits • Regional subsidiaries to report steady and robust growth • Shift to digital channels for B2B and B2C distribution is key in driving sales volumes • Current ratio improved to 1.04 from 0.82 above the recommended 1.00 levels	• Excise led upward pricing adjustments to continue affecting sales volumes in Kenya.	BUY
Safaricom Plc **Current Price: KES 15.40** **Target Price: KES 23.71** **Upside: 53.96%**	• Revenues increased 4.30% y/y to KES 310.90Bn in FY'23 with slowdown in voice revenue following revised MTR rates. • License to launch Mpesa in Ethiopia will lead to increased revenue and future growth of telco, • Improving 4G subscriber mix, expected growth in both Mpesa and Data and expansion of Ethiopia operations expected to make the telco more attractive. • Reintroduction of Bank to Mpesa charges likely to drive Safaricom's bottom line upwards.	• Increased CAPEX from entry into Ethiopian market likely to reduce dividends in the short term • Increased inflationary environment has led to reduced disposable income and reduced consumer purchasing power	BUY
Jubilee Holdings **Current Price: KES 175.25** **Target Price: KES 235.85** **Upside: 34.58%**	• Stable growth in investment income as a result of its diversified portfolio • Lower operating due to operational efficiencies and cost control • Stable dividend payment to the allure of investors • Joint venture operations with Allianz	• 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	BUY
Bamburi Cement **Current Price: KES 24.90** **Target Price: KES 35.28** **Upside: 41.49%**	• Volume growth in Kenya and Uganda has greatly contributed to increased turnover 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 open up regional markets	• Increasing energy costs, imported clinker and fuel prices are likely to increase operating costs • Surging cement prices are likely to slow down consumption	BUY
I & M Holdings **Current Price: 18.00** **Target Price: 21.12** **Upside: 17.33%**	• 36.73% growth in non-funded income in H1'23 mainly driven by increased forex trading income (+52.91%) • Implementation of risk-based loan models led to an increase in interest income (+22.10%). • Growth in the loan book by 16.74% y/y steered by investments in digital banking.	• Loan loss provisioning increased 144.52% y/y in H1'23 to KES 3.20Bn indicating increased lending risk. • Gross NPLs increased 57.53% y/y to KES 36.67Bn.	BUY

*** Current Price is as at 31st August 2023

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