

MONTHLY



STOCK PICKS

✉ research@aib-axysafrica.com

DECEMBER 2023 STOCK PICKS

November'23 Review

- **Q3'23 Banking Sector Earnings Season** - During the month, we had Q3'23 earnings results from the banking sector. ABSA Kenya posted a 14.86% y/y jump in PAT to KES 12.31Bn, driven by growth in net interest income. Standard Chartered Bank Kenya recorded 11.77% y/y climb in PAT to KES 9.74Bn with the announcement of an interim dividend of KES 6.00. NCBA registered a 14.39% y/y rise in PAT to KES 14.65Bn. Equity reported a mild 3.71% growth in PAT to KES 34.59Bn driven by an uptick in operating expenses. KCB Group posted a marginal 0.41% y/y growth in PAT to KES 30.72Bn compressed by a faster uptick in operating expenses. Co-operative recorded a 7.59% y/y rise in PAT to KES 18.39Bn driven by a resilient asset quality and enhanced efficiency.
- **Half Year Earnings Season** - During the month we had HY'24 net earnings releases. Centum posted a 66.97% y/y reduction in net losses to KES 426.37Mn in HY'24. Nairobi Business Ventures results saw PAT soar by 8.3x to KES 32.25Mn from KES 3.87Mn in HY'23. Eaagads recorded a 188.87% slump in PAT to a loss of KES 33.10Mn. Williamson Tea posted a 101.42% jump in PAT to KES 477.11Mn – declaring an interim dividend of KES 10.00. Kapchorua Tea posted an impressive 87.76% increase in PAT to KES 218.10Mn accompanied with the declaration of a KES 10.00 interim dividend. Safaricom Group, registered a 10.06% decline in PAT to KES 27.19Bn driven by a quicker surge in operating expenses and finance costs.
- **Bamburi Sale of 70% stake in Hima Cement Ltd** - During the month, Bamburi announced the sale of its 70% stake in Hima Cement Ltd, its Ugandan subsidiary, to Sarrai Group and Rwimi Holdings for USD 84Mn (KES 12.86Bn.) The cement manufacturer informed shareholders that the proceeds from the transaction will either be reinvested in the Kenyan unit or distributed to its proprietors, subject to capital allocation strategies by the board and management.
- **Centum Corporate Bond Early Payment** - During the month, Centum made an early payment of its corporate bond valued at KES 2.96Bn. The interest accrued on the zero-coupon bond was paid together with the principal as a lump sum bullet. The project bond was employed to fund construction of its ongoing housing projects.
- **Local Pump Prices Marginally Decrease** - EPRA announced the [marginal decrease of Kerosene and Diesel](#) pump prices. Petrol will retail at KES 217.36/litre (KES+0.00), diesel at KES 203.47/ litre (KES -2.00) and kerosene at KES 203.06/litre (KES -2.00). The regulator noted that the government opted to stabilize pump prices for the cycle by compensating suppliers using resources within the current resource's envelope.
- **Inflation Decreased Marginally** - The headline inflation for the month of [November decelerated to 6.80%](#) from 6.90% in October. Inflation remains within CBK's target range of 2.50%-7.50%. Food inflation decreased to 7.60% from 7.80% in October. Housing utilities increased to 8.50% y/y with transport being maintained at 13.60%. Non-Food-Non-Fuel (Core Inflation) decreased to 3.30% from 3.60% in October. The CPI increased 23bps to 137.03 from 136.71 in October. We expect headline inflation to remain under pressure but within CBK's target at least until end of Q1'24.
- **Shilling Continued Losing Streak Against USD**- The Kenya shilling depreciated further against the USD to close at **KES 153.15** versus **KES 150.56** at the end of October. We observed a faster decline in the month of November (-1.72%) compared to October (-1.66%). We expect the volatility on the local currency to ease due to replenished balance of payments account, supported by stabilizing dollar inflows from diaspora remittances and key export-earning sectors. However, rising external debt-service commitments, coupled with the ballooning import bill poses downside risks for the shilling.

What does December Hold?

- **December MPC Meeting** – The next meeting of the Monetary Policy Committee (MPC) will be held on 05th December 2023. We foresee the MPC maintaining the CBR rate at 10.50% with the the committee considering impact of the previous hike as well as the prevailing macro factors.
- **Listed Companies AGM** – In the month of December 2023, Carbacid Plc and Unga Plc will hold their AGMs via electronic means.

Table 1: Summary Corporate Actions in November

Company		Corporate Action and Our Comments
1.	Sasini	<ul style="list-style-type: none"> Sasini announced a profit warning with the expectation of a greater than 25% decline in PAT compared to the prior year. The decline is attributable to high production costs from the escalation of input costs and the drought that affected volumes. We expect that the announcement will have a negative impact on investor sentiment leading to a decline in share price. Sasini lost 13.86% in November to close at KES 18.95.
2.	Crown	<ul style="list-style-type: none"> Crown announced a profit warning with the expectation of a greater than 25% decline in PAT compared to the prior year. The decline is attributable to increased cost of raw materials, increased transportation costs and volatility of foreign exchange rates. We expect that the announcement will have a negative impact on investor sentiment leading to a decline in the share price. Crown gained 2.86% in November to close at KES 36.00.
3.	WPP Scan Group	<ul style="list-style-type: none"> WPP Scan Group announced a profit warning with the expectation of a greater than 25% decline in PAT compared to the prior year. The decline is attributable to the continued subdued economic environment and a comprehensive restructuring program that led to a one-off severance cost. We expect that the announcement will have a negative impact on the share price. WPP lost 16.40% in November to close at KES 2.09.
4.	Sameer	<ul style="list-style-type: none"> Sameer announced a profit warning with the expectation of a greater than 25% decline in PAT compared to the prior year. The decline is attributable to continued depreciation of the shilling that has led to substantial foreign exchange losses. We expect that the announcement will have a negative impact on the share price. Sameer gained 5.63% in November to close at KES 2.25.
5.	Kapchorua	<ul style="list-style-type: none"> The board of Kapchorua announced an interim dividend of KES 10.00 for HY'23. We expect investors to price in the rebounded earnings momentum and the announcement of an interim dividend to support a mild share price rally. Kapchorua gained 12.99% in the month of November to close at KES 239.25.
6.	Williamson Tea	<ul style="list-style-type: none"> The board of Williamson announced an interim dividend of KES 10.00 for HY'23. We expect investors to price in the rebounded earnings momentum and the announcement of an interim dividend to support a mild share price rally. Williamson gained 1.31% in the month of November 2023 to close at KES 231.25.
7.	Standard Chartered Bank	<ul style="list-style-type: none"> The board of Standard Chartered announced an interim dividend of KES 6.00 for Q3'23 similar to the KES 6.00 announced in Q3'22. We expect investors to price in the impressive results and the announcement of an interim dividend to support a mild share price rally. Standard Chartered gained 0.96% to close the month of November at KES 157.75.

Table 2: Upcoming Dividends

Counter	Interim dividend	Final Dividend	Book Closure	Payment Date
Carbacid		KES 1.70	24 th November 2023	15 th December 2023
BK Group Plc	KES 1.04		29 th November 2023	20 th December 2023
Kengen Plc		KES 0.30	30 th November 2023	15 th February 2024
Kapchorua Tea Kenya	KES 10.00		7 th December 2023	13 th December 2023
Williamson Tea Kenya	KES 10.00		7 th December 2023	13 th December 2023
Standard Chartered Bank Kenya	KES 6.00		14 th December 2023	28 th December 2023
Umeme	KES 0.93		9 th February 2024	29 th February 2024

Source: NSE, Company Filings, AIB-AXYS Research

Table 3: Summary of Q3'23 Banking Sector Results

Company	Interim DPS	Comments
1. ABSA Bank		<ul style="list-style-type: none"> PAT increased by 14.86% y/y to KES 12.31Bn driven by increased net interest income but weighed down by an increase in operating expenses - driven largely by increased impairment provisioning. Notably, forex trading income declined. Gross NPL's increased significantly while customer deposits grew faster than the loan book.
2. Co-op Group		<ul style="list-style-type: none"> PAT increased by 7.59% y/y to KES 18.39Bn driven by a mild increase in operating income. Interest expenses grew faster than interest income highlighting increased deposit mobilization costs. Notably, loan loss provisioning declined leading to a mild decline in operating expenses. Forex trading income declined, and customer deposits reported a marginal increase.
3 Bank Of Kigali	KES 1.04	<ul style="list-style-type: none"> PAT increased by 34.00% y/y to KES 6.70Bn driven by a surge in non-funded income. Loan loss provisioning accelerated while the loan book grew faster than customer deposits. An interim dividend of KES 1.04 was declared.
4. DTB-K		<ul style="list-style-type: none"> PAT increased by 5.00% y/y to KES 6.61Bn driven by a surge in non-funded income driven by increased forex trading income. Operating expenses grew faster than operating income on account of a sharp increase in impairment provisioning. Gross NPL's edged up while customer deposits grew faster than the loan book.
5. Equity Group		<ul style="list-style-type: none"> PAT increased by 3.71% y/y to KES 34.59Bn driven by an increase in operating income but weighed down by a faster increase in operating expenses driven by a sharp increase in impairment provisioning. Gross NPL's increased significantly, and the loan book expanded faster than customer deposits.
6. I & M Group		<ul style="list-style-type: none"> PAT increased by 14.29% y/y to KES 8.20Bn driven by an uptick in non-funded income driven by an increase in fees and commissions and forex trading income. Interest expenses grew faster than interest income. Customer deposits edged up faster than the loan book as gross NPL's edged up significantly.
7 KCB Group		<ul style="list-style-type: none"> PAT increased marginally by 0.41% y/y to KES 30.72Bn driven by an uptick in operating income. This was weighed down by a faster rise in operating expenses on account of the sharp increase in impairment provisioning. Notably, forex trading income declined. Gross NPL's edged up while customer deposits grew faster than the loan book.
8. NCBA Group		<ul style="list-style-type: none"> PAT increased by 14.39% y/y to KES 14.65Bn driven by an increase in net interest income. Notably, non-funded income declined driven by the significant decline in forex trading income. Impairment provisioning declined year on year. Gross NPL's edged up while customer deposits grew faster than the loan book.
9. Stanbic Bank Kenya		<ul style="list-style-type: none"> PAT increased by 32.72% y/y to KES 9.28Bn driven by a faster increase in operating income in comparison to operating expenses. Notably, gross NPL's edged down while loan loss provisioning increased. Customer deposits grew faster than the loan book.
10. Standard Chartered	KES 6.00	<ul style="list-style-type: none"> PAT increased by 11.77% y/y to KES 9.74Bn driven by an increase in net interest income. Notably, non-interest income declined. Gross NPL's edged down while loan loss provisioning increased significantly. The loan book grew faster than customer deposits. An interim dividend of KES 6.00 was declared similar to Q3'22.

Table 4: Summary of HY'24 Earnings Results

Company	Interim DPS	Comments
1. Centum		<ul style="list-style-type: none"> Net loss decreased by 66.97% y/y in HY'24 to KES 426.37Mn from a loss of KES 1.29Bn in HY'23. The improved performance was driven by enhanced performance of the investment portfolio resulting in increased annuity income and gains from investment operations. Additionally, improved profitability from real estate operations contributed to the improved performance.
2. Nairobi Business Ventures		<ul style="list-style-type: none"> PAT sharply increased to KES 32.25Mn in HY'24 from KES 3.87Mn in HY'23 driven by increased business in the trading and aviation divisions. The performance of the trading division was attributable to increased sales of chemical products in the region. However, a drop in the automobile division was reported attributable to high operational costs. Operating costs increased while administrative costs decreased. No interim dividend was declared.
3. Eaagads		<ul style="list-style-type: none"> PAT decreased by 188.87% to a loss of KES 33.10Mn from a profit of KES 37.25Mn in HY'23 attributed to the drought which affected productions volume as well as a decrease in coffee sales. No interim dividend was declared.
4. Kapchorua	KES 10.00	<ul style="list-style-type: none"> PAT increased by 87.76% to KES 218.10Mn from KES 116.16Mn recorded in HY'23. The impressive performance was attributable to continuous investments into their farms as well as cost management initiatives. An interim dividend of KES 10.00 was declared.
5. Williamson	KES 10.00	<ul style="list-style-type: none"> PAT increased by 101.42% to KES 477.11Mn from KES 236.87Mn in HY'23 driven by continuous investments into their farms, use of modern technology and cost management initiatives. An interim dividend of KES 10.00 was declared.
6. Safaricom		<ul style="list-style-type: none"> PAT decreased by 10.06% to KES 27.19Bn from KES 30.23Bn in HY'23 driven by an increase in operating expenses and finance costs arising from continued depreciation of the shilling. Increase in revenue was driven by Mpesa and data revenue growth. No interim dividend was declared for the period.

November'23 Equities Market Performance

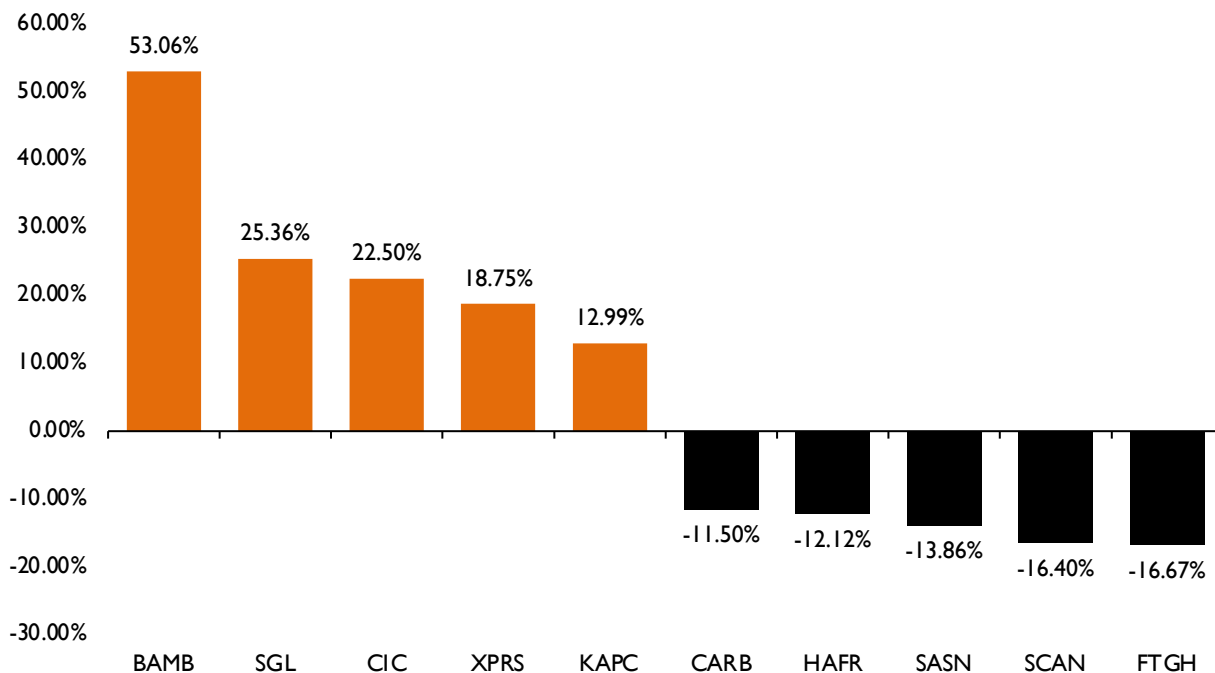
During the month of November, the indicative indices recorded an upward trend with the NASI increasing by 3.81%, NSE-20 increasing by 2.36% and NSE-10 increasing by 0.21%. Foreigners remained net sellers taking the selling position to **KES 0.48Bn** taking the YTD net selling position to **KES 11.18Bn**. 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 23.58% m/m to **KES 3.69Bn** from **KES 4.83Bn** in October while volumes traded also decreased 8.73% m/m to **KES 272.88Mn**. Market capitalization was down 3.81% m/m to **KES 1.44Tn**. We expect market activity to remain above KES 5.00Bn/month in Q4'2023 owing to the positive Q3'23 net earnings results and interim dividend payment of some counters.

Top Gainers: Bamburi was the top gainer in November'23 jumping (53.06%) m/m to KES 35.05 from KES 22.90 driven by news of sale of its Ugandan subsidiary. Standard Group Limited was the second largest gainer jumping (25.36%) m/m to KES 8.70 from KES 6.94. Other gainers included: CIC (22.50%) m/m to KES 2.45 from KES 2.00, Express Kenya (+18.75%) m/m to KES 3.99 from KES 3.36 and Kapchorua (+12.99) m/m to KES 239.25 from KES 211.75 driven by positive HY'24 net earning results where PAT increased by 87.76% and an interim dividend of KES 10.00 was declared.

Top Losers: Flame Tree Group Holdings was the largest m/m decliner losing (-16.67%) to KES 1.00 from KES 1.20. Other top losers included : WPP Scangroup (-16.40%) m/m to KES 2.09 from KES 2.50 driven by a profit warning announcement, Sasini (-13.86%) m/m to KES 18.95 from KES 22.00 driven by a profit warning announcement, Home Afrika (-12.12%) m/m to KES 0.29 from KES 0.33 and Carbacid (-11.50%) to KES 15.00 from KES 16.95.

Chart 1: November'23 Top 5 Gainers and Losers



Our Top Three Picks

BUY

- a) **Equity Bank (EQTY)** - We recommend a **BUY** on the lender driven by driven by positive Q3'23 net earnings results and the completion of acquisition of CogeBanque in Rwanda. This move highlights the lender's efforts to expand its profit share from its subsidiaries. We expect that the lender's diversification into general insurance offering and enhanced digital channels will drive growth over coming quarters. We anticipate that growth in interest income will be driven by continued loan repricing and organic credit demand. We anticipate that growth in non-funded income will be driven by growth of trade financing networks and product cross-selling via digital channels. On the downside, rising non-performing loans (NPL's) are piling pressure on profitability, capital structure an investor confidence as the lender attempts to make necessary provisioning. We see long-term value in EQTY as the current share price of KES 36.50 is 53.73% lower than our target price of KES 56.11 - representing a YTD decline of 17.98%. This provides an attractive entry point for investors interested in long-term capital gains and expected future dividend payments.
- b) **Standard Chartered Bank Kenya (SCBK)** – We recommend a **BUY** on the lender following the declaration of a KES 6.00 interim dividend in the recently released Q3'23 net earnings release. We anticipate the lender's growth will be propelled by the fast-growing digital banking, as well as the niche wealth management division catering to the emerging high-net worth clientele. With the current growth rate, we expect the lender to maintain a similar dividend payout ratio to FY'22. We recommend investors to position themselves to gain from the dividend announcement and the continued price rally before the book closure on 14th December 2023.
- c) **Williamson Tea Kenya (WTK)** – Williamson's profit growth in HY'24 by 101.42% to KES 477.11Mn was attributed to continuous investments in the farms using modern technology. An interim dividend of KES 10.00 was declared. We noted a decline in fair value of biological assets and an increase in finance income. We expect the firm to record faster earnings growth on the back of its accelerated effort to secure demand in global markets. However, the increasing operating costs will likely slow down profit growth. We recommend investors position themselves to gain from the dividend announcement and the continued price rally before book closure. The current share price at KES 231.25 provides an attractive entry point to investors interested in a competitive dividend yielding counter.

Table 5: Top 10 Highest Dividend Yields

Counter	31-Dec-22	30-Nov-23	YTD	Final Dividend	Total DPS	Div Yield
Umeme Limited	7.42	14.95	101.48%	2.31	2.31	15.45%
Standard Chartered Bank	142.75	157.75	10.51%	16.00	22.00	13.95%
British American Tobacco	460.00	409.00	-11.09%	52.00	57.00	13.94%
Co-operative Bank of Kenya	12.30	11.40	-7.32%	1.50	1.50	13.16%
Kengen Plc	3.22	2.30	-28.57%	0.30	0.30	13.04%
Williamson Tea	160.00	231.25	44.53%	30.00	30.00	12.97%
I&M Group Plc	17.00	17.45	2.65%	2.25	2.25	12.89%
Stanbic Holdings Plc	102.00	102.00	0.00%	12.60	12.60	12.35%
Absa Bank Kenya Plc	12.30	11.1	-9.76%	1.15	1.35	12.16%
BK Group Plc	31.50	33.00	4.76%	3.96	3.96	12.00%

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

Portfolio Performance

In November'23, our model portfolio (3.45%) continued to outperform the NSE-20 index (2.36%) while falling below the NASI (3.81%). However, our model portfolio has outperformed the NASI index on a YTD basis. On a YTD basis, the NSE-20 lost -10.77% while NASI index lost 27.88% compared to our model portfolio which has lost -14.05%.

The portfolio performance was lifted by m/m gains recorded by **Bamburi, Safaricom, KCB** and **I&M Bank**. However huge declines by counters **EABL, Stanbic, ABSA Bank, Equity Bank** and **Cooperative Bank** weighed down on further gains in the overall portfolio performance. We observed foreigners remaining as net sellers following a deterioration in the buying position in some trading sessions in Q4'23. 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

November'23 Performance	M/M	YTD
AIB-AXYS Africa Portfolio Performance	3.45%	-14.05%
NSE-20	2.36%	-10.77%
NASI	3.81%	-27.88%

Table 7: Portfolio Constituents

Counter	30-Nov-2023	Target Price	Upside	Δ YTD	Δ M/M	52 Week High	52 Week Low	Weighted YTD return	Weighted M/M return
BAMB	35.05	35.28	0.66%	11.27%	53.06%	35.05	22.50	0.68%	3.18%
SCOM	14.05	23.71	68.75%	-41.82%	12.85%	25.00	11.65	-5.86%	1.80%
KCB	18.85	25.50	35.28%	-50.52%	7.71%	39.20	15.75	-3.03%	0.46%
IMH	17.45	20.85	19.48%	2.65%	2.35%	21.00	15.85	0.11%	0.09%
SCBK	157.75	169.80	7.64%	10.51%	0.96%	171.00	135.00	1.05%	0.10%
NCBA	38.90	46.75	20.18%	-1.14%	0.91%	41.70	30.70	-0.11%	0.09%
JUB	183.00	235.85	28.88%	-7.92%	0.00%	200.00	148.25	-0.48%	0.00%
DTK	44.15	57.15	29.45%	-11.70%	-2.32%	55.25	44.00	-0.70%	-0.14%
COOP	11.40	14.39	26.23%	-7.32%	-2.56%	13.35	10.20	-0.44%	-0.15%
EQTY	36.50	56.11	53.73%	-17.98%	-2.80%	46.95	35.55	-1.44%	-0.22%
ABSA	11.10	14.72	32.61%	-9.76%	-3.90%	12.95	10.10	-0.59%	-0.23%
SBIC	102.00	121.09	18.72%	0.00%	-5.77%	129.75	92.00	0.00%	-0.46%
EABL	113.25	177.51	56.74%	-32.39%	-10.65%	187.00	112.50	-3.24%	-1.07%

Table 8: Recommendation Summary

Stock	Positives	Negatives	Recomm
ABSA Bank Kenya Current Price: KES 11.10 Target Price: KES 14.72 Upside: 32.61%	<ul style="list-style-type: none"> Growing loan book in Q3'23 by 14.33 y/y hence improving interest income by 25.99% y/y. Implementation of risk-based loan pricing model to lead to growth in interest income. Increased traction of digital channels like Timiza Digital Loans expected to drive future revenue growth. 	<ul style="list-style-type: none"> Gross NPLs grew by 72.41% y/y in Q3'23 to KES 34.55Bn raising asset quality concerns. 	BUY
Co-operative Bank Current Price: KES 11.40 Target Price: KES 14.39 Upside: 26.23%	<ul style="list-style-type: none"> 12.85% growth in interest income in Q3'23 driven by increase revenue from interest on loans (+14.30%) Improved performance from Kingdom Bank with a 28.68% y/y increase in PAT in Q3'23 to KES 0.78Bn. Implementation of risk-based pricing model to lead to growth in interest income. Loan loss provisioning declined 26.49% y/y in Q3'23 indicating reduced lending risk 	<ul style="list-style-type: none"> Gross NPLs climbed by 19.50% y/y to KE 61.91Bn. 	BUY
Equity Group Current Price: KES 36.50 Target Price: KES 56.11 Upside: 53.73%	<ul style="list-style-type: none"> Non-funded income grew 36.90% y/y in Q3'23 to KES 57.80Bn 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 pricing model led to a 31.32% y/y increase in interest income from loans. 	<ul style="list-style-type: none"> Loan loss provisioning increased 96.58% y/y in Q3'23 indicating increased lending risk. Gross NPLs increased 83.35% y/y to KES 124.49Bn. 	BUY
Diamond Trust Bank (DTB-K) Current Price: KES 44.15 Target Price: KES 57.15 Upside: 29.45%	<ul style="list-style-type: none"> Enhanced digital transactions increased interest income by 32.98% y/y in Q3'23. Net interest income increased 19.57% y/y driven by current uptick of yields on government papers and implementation of risk-based loan pricing. Non-funded income grew 33.92% y/y in Q3'23 driven by increased forex trading income and fee and commissions income. 	<ul style="list-style-type: none"> Gross NPL's increased 17.41% in Q3'23 raising asset quality concerns. 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 18.85 Target Price: KES 25.50 Upside: 35.28%	<ul style="list-style-type: none"> Increase in interest income by 36.37% y/y in Q3'23 to KES 113.92Bn following the implementation of risk-based loan model and higher interest from government securities. Uptake of digital channels to drive net interest income and non-interest income as a well as growth of the loan book. Improved performance and growth of regional subsidiaries to drive long-term growth. 	<ul style="list-style-type: none"> NPL ratio above the industry average. Gross NPLs increased by 25.28% y/y to KES 187.04Bn in Q3'23. 	HOLD
Stanbic Kenya Current Price: KES 102.00 Target Price: KES 121.09 Upside: 18.72%	<ul style="list-style-type: none"> Double digit growth (+22.96%) in non-interest income in Q3'23 driven by growth in digital channels. Growth of the loan book by 5.93% in Q3'23 driven by investments in digital banking Decrease in Gross NPLs by 6.16% in Q3'23. 	<ul style="list-style-type: none"> Loan loss provisioning increased 56.83% in Q3'23 indicating increased lending risk. 	BUY
NCBA Group Current Price: KES 38.90 Target Price: KES 46.75 Upside: 20.18%	<ul style="list-style-type: none"> Net Interest Income increased 11.66% y/y in Q3'23 mainly driven by 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. 	<ul style="list-style-type: none"> Gross NPLs increased 18.13% y/y to KES 43.01Bn in Q3'23. 	BUY

*** Current Price is as at 30th November 2023

Stock	Positives	Negatives	Recomm
Standard Chartered Bank Current Price: KES 157.75 Target Price: KES 169.80 Upside: 7.64%	<ul style="list-style-type: none"> Performance from the Wealth Management and financial markets driving non-interest income. Increased interest income by 28.55% y/y to KES 23.43Bn driven by increased interest from loans. Roll out of mobile lending platform to grow digital channels. 	<ul style="list-style-type: none"> Compared to peers, we have observed a slow balance sheet growth. Loan book grew 5.51% while customer deposits declined by 4.46% in Q3'23. Impairment provisioning increased 193.37% y/y indicating increased lending risk. 	BUY
EABL Current Price: KES 113.25 Target Price: KES 177.51 Upside: 56.74%	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Excise led upward pricing adjustments to continue affecting sales volumes in Kenya. 	BUY
Safaricom Plc Current Price: KES 14.05 Target Price: KES 23.71 Upside: 68.75%	<ul style="list-style-type: none"> Revenues increased 7.29% y/y to KES 164.62Bn in HY'24 with slowdown in voice revenue following downward revision of MTR rates. Launch of Mpesa in Ethiopia will lead to increased revenue and future growth of the telco. Improving 4G subscriber mix, expected growth in both Mpesa and Data and expansion of Ethiopia operations expected to make the telco more attractive. 	<ul style="list-style-type: none"> Increased CAPEX from entry into Ethiopian market likely to reduce dividends in the short term 	BUY
Jubilee Holdings Current Price: KES 183.00 Target Price: KES 235.85 Upside: 28.88%	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 35.05 Target Price: KES 35.28 Upside: 0.66%	<ul style="list-style-type: none"> Expected growth mainly driven by key infrastructure projects in Kenya. Admission of DRC to the EAC will open up access to a broader regional market 	<ul style="list-style-type: none"> Increasing energy costs, imported clinker and fuel prices are likely to increase operating costs 	BUY
I & M Holdings Current Price: 17.45 Target Price: 20.85 Upside: 19.48%	<ul style="list-style-type: none"> 21.21% y/y growth in non-funded income in Q3'23 mainly driven by increased fees and commissions and forex trading income. Implementation of risk-based loan model led to a 27.52% increase in interest income in Q3'23. Growth in the loan book by 24.26% y/y driven by investments in digital banking. 	<ul style="list-style-type: none"> Loan loss provisioning increased 28.33% in Q3'23 indicating increased lending risk Gross NPLs increased 52.52% y/y to KES 36.12Bn. 	BUY

*** Current Price is as at 30th November 2023

CONTACTS:**Research Desk**

Ronny Chokaa
Senior Research Analyst

Stacy Makau
Research Analyst

Email: research@aib-axysafrica.com

Equities Dealing

Nina Goswami

Bernard Kung'u

Benard Gichuru

Anthony Muringi

Samuel Githinji

Sheema Shah

Samuel Wachira

Benson Ngugi

Bond Dealing

Crispus Otieno

Titus Marenye

Aundrina Musyoka

Kenneth Minjire

Email: trading@aib-axysafrica.com

Disclaimer

AIB-AXYS Africa and its parent company AXYS Group seek to do business with companies covered in their research reports. Consequently, a conflict of interest may arise that could affect the objectivity of this report. This document should only be considered a single factor used by investors in making their investment decisions. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. The opinions and information portrayed in this report may change without prior notice to investors.

This publication is intended solely for informational purposes and is not authorized for public distribution or use by the public media without prior and express written consent of AIB-AXYS Africa or AXYS Group. Redistribution or dissemination of this material, in whole or in part, is strictly prohibited and may lead to legal actions. By accessing this report, you acknowledge and agree to abide by these terms, ensuring the security and confidentiality of its contents.

This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by AIB-AXYS Africa or any of its employees as to the accuracy of the information contained and opinions expressed in this report.

Research Tel: 2212206, 0711047000, DL: 0711047105 Mobile: 0736 801 550 Fax: 020 2210500

The Promenade, 5th Floor, General Mathenge Road, P. O. Box 11019 - 00100 Nairobi.

Email: research@aib-axysafrica.com Website: www.aib-axysafrica.com

Facebook: AIBAXYSAfrica Twitter: @AIB_AXYSAfrica
