



Kenya Equities Market Performance in H1'2025

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Kenya's Equity Market Performance H1'2025

Webinar : 7:00 PM

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Overview

● Market Overview

● Macro & Policy Environment

● Top Performing Sectors

● Company Highlights

● Risks & Uncertainties

● Outlook and Practical Takeaways

- The global equities market has been on a rollercoaster due to heightened uncertainties surrounding U.S. trade policies with its partners and increased geopolitical tensions, particularly in the Middle East.
- During the first half of the year, we observed several major developments that impacted both local and international equities markets, as follows:
- ❖ President Trump **unveiled sweeping tariff**. This announcement triggered negative repercussions across the equities market, with local investors adopting a wait-and-see stance. Global markets also reacted sharply, with major indices registering notable declines.
- ❖ **May 12, 2025 – U.S.–China Truce Framework-** Amid mounting market pressure, the U.S. and China entered negotiations and agreed to reduce tariffs on each other's goods. This initial agreement provided much-needed relief to the markets.
- ❖ **June 11, 2025 – U.S.–China Trade Framework Finalized-** The two countries formalized a trade deal: the U.S. retained a 30.0% tariff on Chinese goods, while China imposed a 10.0% tariff on U.S. exports. This progress significantly lifted investor sentiment, triggering a strong rally across global and local equity markets.

Regional Equities Performance (USD % Terms)

Regional Equities	H1,2025
MSCI World	9.50%
MSCI Emerging Markets	15.57%
MSCI Frontier Markets	20.28



- ❖ **Israel Attacks Iran-** The geopolitical tension sparked market jitters and heightened risk aversion among investors. However, a temporary truce was later established, helping stabilize market concerns.
- ❖ **Approaching End of 90-Day U.S. Tariff Pause-** As the expiration of the 90-day tariff suspension approaches, uncertainty has gripped the markets. This has already begun to weigh on European equities, which showed signs of slowing ahead of the Friday session.
- Despite these developments, equity markets in emerging and frontier economies have remained resilient, delivering higher returns compared to developed markets. This outperformance has been supported by a weakening U.S. dollar, which has enhanced their attractiveness to investors

Bullish Momentum in Kenya's Equities Market

The first half of the year witnessed a strong performance in Kenya's equities market, with all major indices posting gains and most sectors recording notable year-to-date (YTD) growth. This positive momentum was driven by a combination of key factors:

- ❖ Impressive corporate earnings across key listed companies
- ❖ Declining returns in the fixed income market, prompting a shift to equities
- ❖ Stability in the exchange rate, which supported investor confidence
- ❖ Attractive market valuations, drawing both local and foreign interest
- ❖ Easing global market tensions, creating a more favorable risk environment

Kenya Equity Market Half Year Statistics

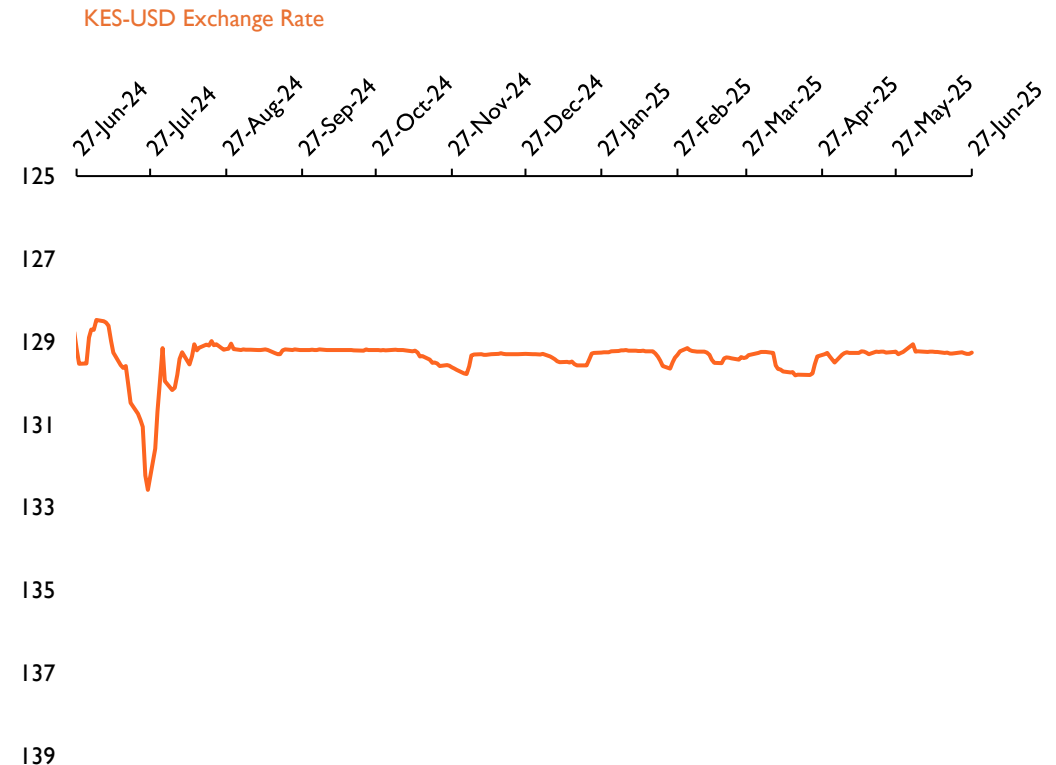
Statistics	HI'24	HI'25	y/y Changes
Equity Turnover (KES, Mn)	46,899.20	54,640.67	▲ 16.5%
Market Cap (KES Bn)	1,710.60	2,417.06	▲ 41.3%
Nairobi All-Share Index	109.50	153.43	▲ 40.1%
NSE 10 share index	1,117.39	1,516.93	▲ 35.8%
NSE 20 Index	1656.5	2440.26	▲ 47.3%
NSE 25	2861.04	3938.28	▲ 37.7%



The Kenyan Shilling has remained relatively stable, hovering around the '129' mark

Currency Performance

- The Kenyan Shilling has remained relatively stable, hovering around the 129 mark. The government has actively pursued measures to support the currency's stability while also promoting local exports.
- In the equities market, a stable currency boosts foreign investor confidence, as they stand to benefit not only from strong market performance but also from currency appreciation. Additionally, reduced foreign exchange (FX) risk makes the investment environment more attractive.
- The strength of the Shilling during the period has been underpinned by several key factors;
 - ❖ Stable diaspora remittances have bolstered the currency. (Diaspora remittances totaled USD 5,033.0 Mn in the twelve months leading to May 2025, representing 12% increase compared to USD 4,510.0 Mn recorded over the same period in 2024)
 - ❖ Forex reserves reached near all-time highs, helping to cushion the Shilling against external shocks. As of July 3rd, reserves stood at USD 11.1 Bn.
 - ❖ Proactive government measures, including the early buyback of the 2027 maturing Eurobond, helped ease external debt pressures and reduce strain on the currency.



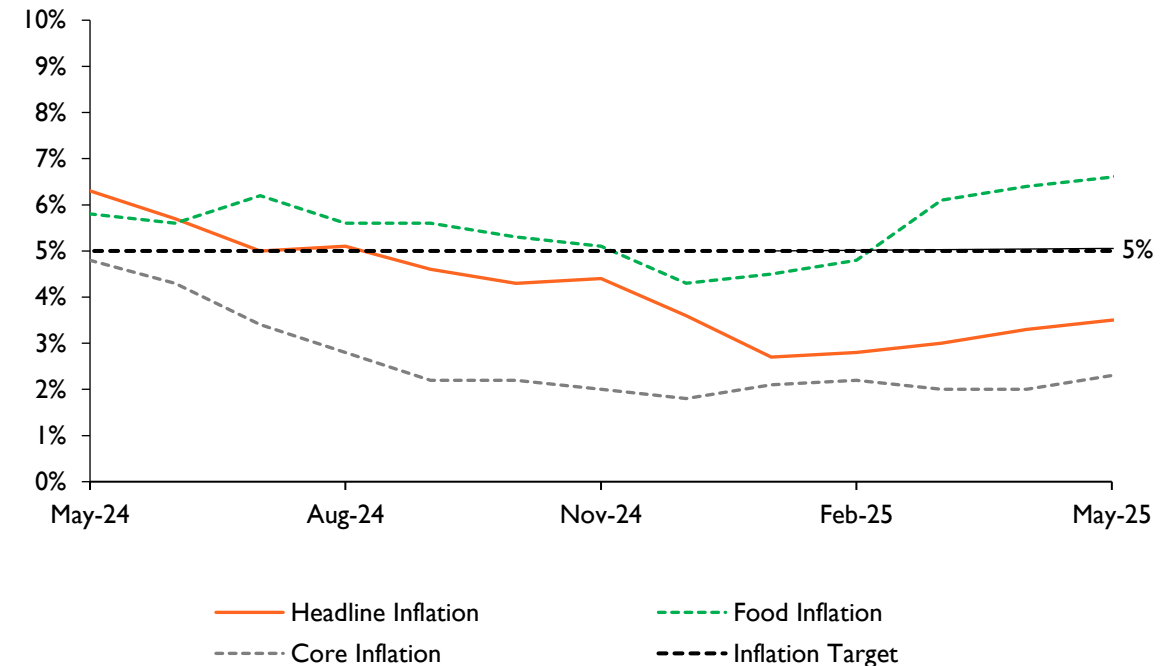
Source: Central Bank of Kenya, AIB-AXYS Africa Research

Inflation has remained tamed remaining within the CBK target range

Inflation

- ❖ Latest statistics from the Kenya National Bureau of Statistics indicate that the yearly headline inflation rate as measured by the Consumer Price Index (CPI) remained unchanged at 3.8% in June 2025.
- ❖ Food inflation rate increased by 30 bps to 6.60% in June 2025 compared to 6.30% in the preceding month. Fuel inflation increased to 3.20% compared to 2.80% while Core inflation (Non-food Non-fuel) increased by 20bps to 3.0% from 2.8% recorded in the previous month.
- ❖ In comparison to last year levels inflation is relatively tamed, in the first half this year inflation averaged at 3.6% which is a notable decline compared to 5.6% recorded in a similar period last year.
- ❖ Favorable weather conditions continued to support higher crop yields, limiting upward pressure on food prices, while declining global oil prices helped contain fuel-driven inflationary growth. Additionally, the stability of the shilling kept import prices relatively steady, reducing overall price volatility — a trend we expect to continue in the near term.
- ❖ Looking ahead, we anticipate moderate inflation will persist as favorable weather conditions continue. Although there was a temporary spike in global oil prices due to escalating geopolitical tensions in the Middle East, prices have since reverted to previous levels, keeping the risk of fuel-related inflation in check.

Inflation

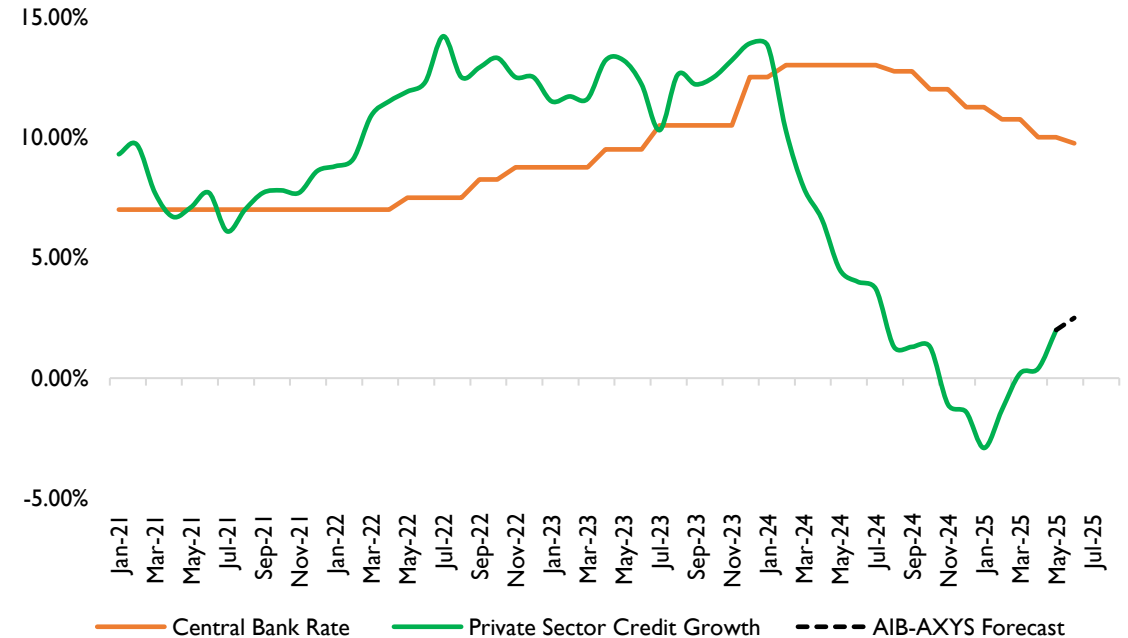


Source: KNBS, AIB-AXYS Africa Research

MPC enacted a 6th consecutive rate cut since August last year

- ❖ The Monetary Policy Committee (MPC) has adopted a dovish stance, lowering the Central Bank Rate (CBR) for the sixth consecutive time since August last year. On June 10th, the committee implemented a 25 basis point cut, bringing the rate down to 9.75% from 10.00%.
- ❖ This decision was guided by the need to revitalize private sector lending. However, despite the continued reduction in lending rates, credit growth to the private sector remains subdued, falling short of the desired levels.
- ❖ The committee expects commercial banks to transmit the lower borrowing costs to businesses and individuals to help stimulate economic activity.
- ❖ We have also observed a notable shift in the balance sheets of major banks, with lenders increasingly favoring government securities over private sector loans. This trend may be attributed to the rising levels of non-performing loans (NPLs), which could be prompting banks to seek the relative safety of government bonds. If this continues, it may lead to the crowding out of private sector borrowers.
- ❖ The MPC's decision to lower interest rates has also supported the equities market, as declining yields on government securities are pushing investors to seek higher returns in equities.

Central Bank Rate



Source: CBK AIB-AXYS Africa Research

Top Performing sectors

#	SECTOR	Average YTD Performance
1	INVESTMENT	▲ 64.7%
2	ENERGY & PETROLEUM	▲ 57.8%
3	TELECOMMUNICATION	▲ 52.5%
4	INSURANCE	▲ 43.2%
5	INVESTMENT SERVICES	▲ 42.7%
6	CONSTRUCTION & ALLIED	▲ 26.0%
7	COMMERCIAL AND SERVICES	▲ 22.8%
8	BANKING	▲ 16.2%
9	MANUFACTURING & ALLIED	▲ 3.1%
10	AGRICULTURAL	▼ (3.9%)
11	AUTOMOBILES & ACCESSORIES	▼ (5.5%)

- **The Investments sector** was the best-performing segment, recording an average year-to-date (YTD) return of 64.7%. Notably, this performance was significantly bolstered by TransCentury, which posted an impressive return of 187.2%. However, the company has since been suspended indefinitely after being placed into liquidation, along with its subsidiary, EA Cables, which was also put under administration by Equity Bank. TransCentury had recently made a remarkable turnaround, returning to profitability after more than a decade.
- **The Energy sector** emerged as the second-best performing sector, driven by strong performances from KPLC and KenGen, which returned 116.2% and 88.5%, respectively. KPLC has attracted significant investor interest following its financial turnaround, with expectations that the company will sustain this momentum. KenGen, on the other hand, had the highest dividend yield in the energy segment until Umeme announced a surprise interim dividend, pushing its yield to 43.5% as of July 1st, 2025.
- **The Telecommunications sector**, represented solely by Safaricom Plc, has experienced a sharp rally this year, triggered by the release of its full-year results. The counter has attracted considerable foreign investor participation, pushing its market capitalization to KES 1.0 Tn. Although Safaricom has surpassed our in-house target price, we maintain a 'Hold' recommendation, noting that the stock still holds significant potential. Its price-to-earnings (P/E) ratio of 15.46x is comparatively lower than that of peers such as MTN Nigeria and Airtel Africa, which trade at 60.0x and 36.0x, respectively.

Source: NSE, AIB-AXYS Africa Research

Top Performing sectors

Top Gainers 2025

Top Gainers 2025	Closing Price		% Change
Trans-Century Plc	KES	1.12	▲ 187.2%
Kenya Power & Lighting Co	KES	11.40	▲ 137.0%
KenGen Co.	KES	6.84	▲ 87.9%
Uchumi Supermarket	KES	0.30	▲ 76.5%
Home Afrika Ltd	KES	0.64	▲ 73.0%
Sameer Africa	KES	4.14	▲ 70.4%
HF Group Plc	KES	7.30	▲ 61.9%
E.A.Cables	KES	1.71	▲ 58.3%
Liberty Kenya Holdings	KES	10.20	▲ 52.7%
Kenya Re Insurance Corporation	KES	1.91	▲ 49.2%

Source: NSE, AIB-AXYS Africa Research

Stock Picks

Counter	Current Price	Target Price	Potential Upside
KCB Group	47.00	53.04	▲ 12.9%
BAT Kenya	367.25	436.30	▲ 18.8%
Equity Group	51.75	57.05	▲ 10.2%

Kapchorua & Williamson Tea

- Both companies issued profit warnings, citing a strong Kenya shilling costs and market challenges. Their latest earnings confirmed a decline in profits, though they also announced bonus share issues, aimed at enhancing shareholder value despite the tough financial environment, capitalizing their reserves.

I&M Bank

- Issued 86.5 million new shares to East Africa Growth Holdings at KES 48.42 per share which amounted to KES 4.19 Bn

KCB Group

- Completed the sale of NBK, signaling a restructuring of its portfolio. Also making inroads into Ethiopia, and acquiring RiverBank Solutions, boosting its regional fintech capabilities.

Equity Bank

- Plans to open a representative office in the UAE by 2026, reflecting its pan-African and diaspora-focused expansion strategy.

Standard Group

- Announced a rights issue to raise capital, aimed at addressing liquidity challenges amid declining media revenues. The new shares will be sold at KES 5.29 per share aiming to raise KES 1.5 Bn

Umeme

- Declared an interim dividend of KES 7.96 per share, surprising the market and lifting its dividend yield and boosting investor sentiment ahead of its planned exit from the Ugandan market in 2025.

Sanlam Kenya

- Announced a rights issue, signaling a move to recapitalize the business and support long-term growth

Liberty Kenya

- Declared a special dividend following the sale of its stake in Heritage Insurance Tanzania, unlocking value for shareholders

TransCentury

- Was suspended from trading after being placed into liquidation, alongside its subsidiary EA Cables ending what had been a short-lived return to profitability.

Safaricom

- Immobilized 16 billion shares, improving transparency and investor protection. Also reached 10 million 90-day active users in Ethiopia, showing strong growth potential in the region's competitive telecom market.

Fear of missing out/ Momentum chasing

- As the market rallies, more investors are drawn in, driven by the fear of missing out on potential gains. This often leads them to enter the market when stock prices are already elevated. In doing so, they buy stocks expecting prices to continue rising and hoping to benefit from capital gains. However, these stocks may already be overpriced, turning into a money trap if the anticipated growth does not materialize

Political unrest in the country

- The country is currently experiencing a phase of political unrest. If the situation persists, it could dampen both local and foreign investor sentiment, potentially weighing down market performance. So far, however, foreign investors appear largely unfazed by the ongoing developments. This was evident during the June 25th demonstrations, when foreign inflows continued and the market surprisingly remained in the green, a stark contrast to the same period last year, when market performance was negatively affected by similar events.

Global Trade policies

Trump 2.0 has been characterized by unpredictable trade policies which has had significant effect on the market. Trade tariff announcement on liberation date caused market jitters. Such developments might have an impact of the local market too since goods export sector will be affected by these trade policies

Geopolitical Tensions

Geopolitical tensions can significantly affect the market in various ways. For instance, the export of certain products may be delayed or completely restricted, posing challenges to company revenues and overall earnings, ultimately impacting stock prices.

Company-Specific Risks

Some companies may experience events that result in a loss of shareholder equity. A recent local example is the suspension of TransCentury and EA Cables, which cast uncertainty over shareholder value, despite both stocks having been on a strong upward trend earlier this year. It is crucial for investors to conduct thorough research into a company's business operations and associated risks before committing their capital.

We maintain a **POSITIVE** outlook

- ❖ Our outlook for Kenya's equities market remains positive heading into the second half of the year. Notably, investors have continued to find value in key counters we highlighted earlier in the year through both dividend and capital appreciation.
- ❖ With the recent rally, we have observed that upside potential is beginning to narrow relative to our in-house target prices. As a result, we have started to downgrade select stocks from 'Buy' to 'Hold' to reflect the reduced margin for growth.
- ❖ Some of the components in our early portfolio have outperformed expectations, such as KenGen (YTD +88.5%), while others, like Carbacid (YTD -3.6%), have shown subdued or negative performance. This underscores the inherent volatility and unpredictability of the stock market, which can swing in either direction despite sound fundamentals.

We maintain a positive outlook for the equities market through year-end, supported by the following key factors:

- **Declining Yields in the Fixed Income Market**

The continued decline in government bond yields is driving investors toward the equities market in search of higher returns. We anticipate another rate cut before year-end, which would further suppress yields on government securities, reinforcing this shift into equities.

- **Sustained Corporate Earnings**

We expect corporate earnings, particularly within the banking sector, to remain resilient. Although Q1 earnings were relatively subdued, largely due to compressed lending margins from falling interest rates, we believe banks will begin to benefit from lower borrowing costs, which could support margin in the coming quarters

- **Stable Currency Environment**

The stability of the Kenyan Shilling continues to enhance the market's appeal, especially for foreign investors who are typically sensitive to currency risk. Encouragingly, foreign participation has remained robust, underscoring confidence in the market's stability.

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Dividend Recommendation

Top dividend-yielding stocks

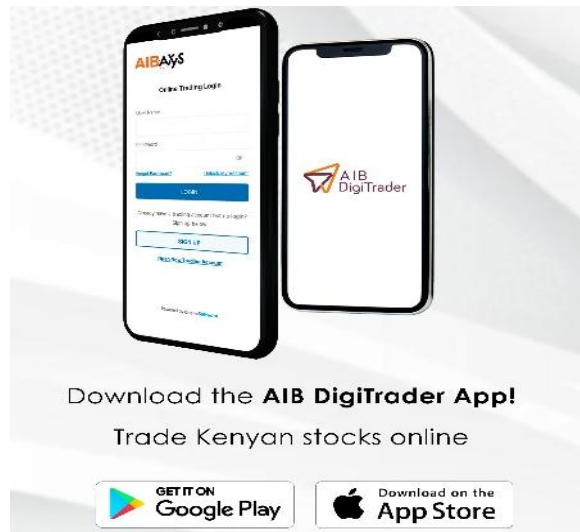
#	Counter	Current Price	Dividend Yield
1	Umeme Ltd	23.7	33.0%
2	Standard Chartered Bank Kenya Ltd	303.25	14.8%
3	British American Tobacco Kenya Plc	380.25	13.1%
4	Stanbic Holdings Plc	178.25	11.6%
5	Liberty Kenya Holdings Ltd	10.65	9.4%
6	Diamond Trust Bank Kenya Ltd	79	8.9%
7	KenGen Co. Plc	7.38	8.8%
8	ABSA Bank Kenya Plc	19.95	8.8%
9	NCBA Group	62.75	8.8%
10	The Co-operative Bank of Kenya Ltd	17.25	8.7%
11	Equity Group Holdings Plc	50.5	8.4%
12	Kapchorua Tea Kenya Plc	301	8.3%
13	TotalEnergies Marketing Kenya Plc	23.55	8.2%
14	I&M Group Plc	37.6	8.0%
16	Williamson Tea Kenya Plc	232	6.5%
17	Kenya Power & Lighting Co Plc	11.1	6.3%

****When price rises, dividend yield to decreases**

***Closing price as at 8th July 2025**

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