

Depository Receipts? Too-Low P/E Ratio/ Market Cap



ICIFA Registered Boutique Firm {Privatizations & Small Business Advisory}

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IFRS Based	FY 2025	
	(RWF Bn)	US\$ (Mn)
ASSETS		
Cash	28.2	19.3
Balances with BNR	276.1	189.4
Cash Balances with Banks	542.8	372.3
Other Fixed Income Instruments	294.4	201.9
Gross Loans & Advances	1,759.1	1,206.5
Loan Loss Reserve	71.0	48.7
<i>Net Loans & Advances</i>	<i>1,688.1</i>	<i>1,157.8</i>
Net Property, Plant & Equipment	30.9	21.2
Intangible Assets	14.2	9.8
Net Other Assets	44.8	30.7
TOTAL ASSETS	2,919.5	2,002.3

Criteria	Emerging	Frontier
A. Economic Development	No requirement	No requirement
A.1 Sustainability of economic development	3 USD 2,964 mm USD 1,482 mm 15% ATVR	1 USD 155 mm USD 78 mm 2.5% ATVR
B. Size and Liquidity Requirements	1 USD 2,964 mm USD 1,482 mm 15% ATVR	1 USD 155 mm USD 78 mm 2.5% ATVR
B.1 Entry requirement Number of companies meeting the following Standard Index criteria over each of the last 8 Index Reviews Company size (full market cap) Security size (float market cap) Security liquidity	3 USD 2,964 mm USD 1,482 mm 15% ATVR	1 USD 155 mm USD 78 mm 2.5% ATVR
B.2 Maintenance requirements Number of companies meeting the following Standard Index criteria Company size (full market cap) Security size (float market cap) Security liquidity	3 USD 2,964 mm USD 1,482 mm 15% ATVR	1 USD 155 mm USD 78 mm 2.5% ATVR
C. Market Accessibility Criteria C.1 Openness to foreign ownership C.2 Ease of capital inflows / outflows C.3 Efficiency of operational framework C.4 Availability of investment instrument C.5 Stability of the institutional framework	3 Significant Significant Good and tested High Modest	1 At least some At least partial Modest High Modest

- Openness to foreign ownership
 - Investor qualification requirement
 - Foreign ownership limit (FOL) level
 - Foreign room level
 - Equal rights to foreign investors
- Ease of capital inflows / outflows
 - Capital flow restriction level
 - Foreign exchange market liberalization level
- Efficiency of the operational framework
- Market entry
 - Investor registration & account set up
- Market organization
 - Market regulations
 - Information flow
- Market infrastructure
 - Clearing and Settlement
 - Custody
 - Registry / Depository
 - Trading
 - Transferability
 - Stock lending
 - Short selling
- Availability of Investment Instruments
- Stability of institutional framework

- Recent Results FY2025, P/E Ratio, share pricing, MSCI Classification Markets, and market cap refer.
- "P/E Rerating occurs when the market changes the valuation multiple (the "Price") it is willing to pay for a company's earnings (the "E"). It signifies a shift in investor sentiment rather than just a change in profits. If a stock price rises while its earnings stay the same, it is being rerated upward (expanded); if the price falls while earnings remain stable, it is being derated (compressed)". BK deserves some degree of constant level Expanded Rerating, as P/E Ratio is too-low!
- What is holding back this Rerating? Amongst other factors such as may be Sovereign Debt Allocation Discount, can a fundamental change in share trading methodology be better price discovery?
- Rwanda Stock Exchange after many years in operations is not yet included in the Morgan Stanley Capital International [MSCI] Classifications: "MSCI classifies global equity markets into four main categories based on their Economic Development, Size and Liquidity, and Market Accessibility". "The classification is crucial, as it dictates the investment decisions of many foreign institutional investors specializing in frontier markets". Lowest classification is Standalone Markets, where there are several, and they may aspire to be Frontier Markets, which may aspire to be Advanced Frontier Markets, then Emerging Markets, and then Developed Markets. <https://www.msci.com/indexes/index-resources/market-classification>. "Nairobi Securities Exchange is primarily classified by MSCI within its Frontier Markets Indices" - BK dual-listed here. MSCI uses 3 broad framework factors and then 18 sub-factors to determine the classification (see side tables). MSCI Emerging Markets Framework Factor 1 is: USD 2.96 billion Market Cap with USD 1.48 billion Free Float Market Cap and Security Liquidity of 15% Annualised Trade Value Ratio - Factor 3 is Minimum 3 in Market Investable Equity Universe; MSCI Frontier Markets Framework Factor 1 is: USD 155 million Market Cap with USD 78 million Free Float Market Cap and Security Liquidity of 2.5% Annualised Trade Value Ratio - Factor 3 is Minimum 1 in Market Investable Equity Universe. Indices of MSCI Frontier Markets and MSCI Emerging Markets show Fundamentals, including P/E Ratios, updated occasionally.
- BK Secondary Trading is influenced by Foreign Institutional Investors Participation Rate, Rwandan Institutional Investors Participation Rate, and Kenyan Institutional Investors Participation Rate. Foreign Institutional Investors Participation Rate at the NSE dropped again in 2025 while Local (Kenyan) Investors Participation Rate picked up the trading activity. How possible is it that Rwandan Institutional Investors and Kenyan Institutional Investors may lead the drive of P/E Expanded Rerating to the higher levels that BK deserves, and in which year? Will it be driven by sentiment, profit or both?
- Depository Receipts: "The Kenya Capital Markets Authority provides regulatory guidance for these instruments primarily through the Policy Guidance Note (PGN) on Global Depository Receipts (GDRs) and Global Depository Notes (GDNs), originally approved in July 2017". This was visionary! American Depository Receipts have been used by companies listed or doing business in Africa. It may be possible to create African Depository Receipts (AFDRs) and use higher-classified Africa MSCI countries for trading. Is there a high upward divergence between receipt and underlying? Pros and Cons apply.
- Above is one example of Price Discovery Ecosystems which are dynamic, and with an increased level of market capitalization and markets accessibility come new opportunities. Kigali International Financial Centre provides an interesting dynamic.
- Using a share price of Kshs 54, and a FY2025-EPS of Kshs 10.43 (117.8 RWF) implies a P/E Ratio of 5.18. Market Cap of USD384 million and Free Float Market Cap of may be USD140+ million.

Company	Share Price (Kshs)	EPS (Kshs)	P/E Ratio
BK Group	54	10.43	5.18
Other companies