

DYER & BLAIR INVESTMENT BANK

DAILY MARKET REPORT

Founder Member of the Nairobi Securities Exchange

13th August 2020



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

CURRENCY PERFORMANCE-KES

	Close	1-day	y-t-d
KES/USD	108.39	(0.05)	(6.96)
KES/GBP	141.24	0.52	(6.24)
KES/EUR	127.57	0.10	(12.53)

KENYAN EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
NASI	129.70	(0.81)	(22.06)
NSE-20	1,738.58	(0.73)	(34.50)
NSE-25	2,935.01	(1.27)	(28.42)
FTSE 15	153.28	(2.20)	(30.74)
FTSE 25	168.19	(2.11)	(26.71)

Market Activity	Close	1-day	y-t-d
Market Cap (USD BN)*	18.37	18.52	25.06
Market Turnover (USD MN)	1.82	2.46	983.05
Foreign Buys (%)	54.31	45.89	50.32
Foreign Sales (%)	76.76	45.10	76.83
Foreign Participation (%)	65.53	45.49	63.57

Top Gainers	VWAP	1-day	Volumes
	(KES)	ch (%)	(shares)
Crown Paints	46.50	9.41	1,000
Nation Media	10.95	8.42	118,000
Eveready	1.07	7.00	500

Top Losers	VWAP	1-day	Volumes
	(KES)	ch (%)	(shares)
Car & General	21.00	(6.67)	1,000
Home Afrika	0.44	(6.38)	132,500
KCB Group	30.55	(6.14)	1,944,600

Top Traders	Turnover	F.buys	F.sales	VWAP	1-day
	(USD mn)	(USD m)	(USD m)	(KES)	ch (%)
Equity Group	0.85	0.51	0.83	28.10	(4.26)
KCB Group	0.55	0.26	0.51	30.55	(6.14)
E.A Breweries	0.13	0.13	0.01	154.00	1.32
Safaricom	0.13	0.09	0.02	27.85	(0.36)
Co-op Bank	0.05	0.00	0.00	10.60	(0.47)

*Year-to-date refers to Market Capitalization as at 31st December 2019

CURRENCY PERFORMANCE-TSH, USh, RWF

	Close	1-day	y-t-d
KES/USH	33.90	(0.08)	6.25
KES/RWF	8.90	(0.49)	4.84
KES/TSH	21.45	0.05	5.41
USD/USH	3,675.01	(0.14)	(0.27)
USD/RWF	965.07	(0.55)	(1.79)
USD/TSH	2,325.00	0.00	(1.17)

EAC EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
RSE RSI	116.43	2.64	(5.65)
RSE RASI	149.37	0.38	10.17
DSE DSEI	1,748.75	(0.58)	(15.08)
DSE TSI	3,476.88	-	1.33

RSE	Turnover (KES MN)	VWAP (KES)	VWAP (L.C)*	1-day ch (%)
BOK	1,118.88	11.19	240.00	-
BLR	638.69	6.39	137.00	9.60
CTL	3,743.59	3.40	73.00	4.29
IMR	287,412.59	2.33	50.00	-
CMR	57,622.38	5.59	120.00	-

DSE **				
CRDB	121,300.61	16.85	150.00	-
DSE	-	99.96	890.00	-
TBL	560,700,847.98	1,224.24	10,900.00	-
TPCC	26,861,818.39	222.38	1,980.00	-
NICO	91,649.35	19.09	170.00	-
SWIS	382,546.19	146.01	1,300.00	-

*Local Currency

**Trading data for the previous day.

RESEARCH DEPARTMENT

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SALIENT NEWS

KCB GROUP 1H20 EARNINGS

KCB GROUP released its 1H20 results recording a 40.4% y-o-y drop in profit after tax (PAT) to KES 7.6 BN. Trailing EPS stands at KES 6.23. The drop in profit followed an increase in bad debt impairment of 263.8% y-o-y to KES 11.0 BN due to the impact of the COVID-19 crisis and the consolidation of NBK. A 23.2% quarter on quarter decline in non funded income due to concessions on fees (fees on restructured loans and transactions below KES 1,000) also impacted the performance.

Net interest income rose 22.3% y-o-y to KES 31.1 BN (+6.4% q-o-q) on the back of a 23.2% y-o-y rise in interest income to KES 41.4 BN and a 25.7% y-o-y increase in interest expense to KES 10.3 BN.

Non-funded income rose 6.0% y-o-y to KES 13.9 BN. This followed an 18.0% y-o-y rise in forex income to KES 2.4 BN and a 5.6% y-o-y rise in total fees and commissions to KES 9.4 BN. Other income declined 3.4% y-o-y to KES 2.1 BN.

Operating expenses (less loan loss provisions) rose 20.3% y-o-y to KES 21.2 BN mainly on the back of a 27.4% y-o-y rise in other operating expenses to KES 8.2 BN and a 12.3% y-o-y rise in staff costs to KES 10.1 BN.

Loan loss provision expense rose 263.8% y-o-y to KES 11.0 BN placing annualized cost of risk on average loans at a record 4.2%. For the period under review, KCB restructured facilities worth KES 101.0 BN to cushion customers against the effects of the crisis.

Customer loans and advances grew 17.0% y-o-y to KES 559.9 BN primarily due to the consolidation of NBK. Customer deposits grew 34.6% y-o-y to KES 758.2 again on the back of consolidation of NBK.

On a trailing basis, KCB is trading at a P/E ratio of 5.2x, in line with the industry median of 5.2x and a P/B of 0.8x above the industry median of 0.7x. ROE stands at 11.5% against a sector median of 15.4% whereas its ROA stands at 1.6% against a sector median of 2.0%. As the first bank to announce its 1H20 earnings, we anticipate that the median multiples will change as other banks follow. We maintain our **BUY** recommendation. *(Source: Company filings, DBIB Research)*

SALIENT NEWS

CO-OP BANK: 1H20 EARNINGS SNAPSHOT

Co-operative Bank released its 1H20 results recording a 3.6% y-o-y drop in profit after tax (PAT) to KES 7.2 BN. This was partly attributable to a 57.9% y-o-y upsurge in the loan loss provision expense to KES 1.9 BN, in light of the adverse effects of COVID-19 on the business environment. Basic EPS stood at KES 1.23.

Net interest income rose 11.6% y-o-y to KES 15.9 BN on the back of a 6.8% y-o-y increase in interest income to KES 21.8 BN and a 4.4% y-o-y decline in interest expense to KES 5.9 BN.

Non-funded income declined 5.1% y-o-y to KES 8.3 BN, attributable to a 4.4% y-o-y decline in fees and commission income to KES 6.8 BN and a 67.5% y-o-y decline in other income to KES 0.2 BN. Net income from forex dealings rose 37.2% y-o-y to KES 1.3 BN.

Operating expenses (less loan loss provisions) rose 11.3% y-o-y to KES 12.7 BN mainly on the back of a 15.5% y-o-y rise in staff costs to KES 6.6 BN, a 5.1% y-o-y increase in other expenses to KES 4.0 BN and an 82.9% y-o-y increase in the depreciation charge on PPE to KES 1.3 BN.

Pre-provision operating profit declined 0.6% y-o-y to KES 11.5 BN. Loan loss provision expense rose 57.9% y-o-y to KES 1.9 BN. As a result, profit before tax saw an 8.0% y-o-y decline to KES 9.6 BN. The tax expense declined 19.1% y-o-y to KES 2.4 BN, marginally offsetting the loss.

Customer loans and advances rose 5.7% y-o-y to KES 272.2 BN whereas investment securities saw a 27.2% y-o-y increase to KES 123.3 BN. On the funding side, customer deposits saw an 18.9% y-o-y increase to KES 384.6 BN whilst borrowings saw a 19.4% y-o-y increase to KES 25.6 BN.

On a trailing basis, CO-OP is trading at a P/E ratio of 4.4x, below an industry median of 5.0x and a P/B of 0.8x against an industry median of 0.7x. ROE stands at 17.5% above an industry median of 15.4% whereas its ROA stands at 2.7% above an industry median of 2.0%. We maintain our **BUY** recommendation. *(Source: Company filings, DBIB Research)*