

DYER & BLAIR INVESTMENT BANK

DAILY MARKET REPORT

Founder Member of the Nairobi Securities Exchange

28th August 2020



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

CURRENCY PERFORMANCE-KES

	Close	1-day	y-t-d
KES/USD	108.22	(0.06)	(6.79)
KES/GBP	142.83	(0.44)	(7.44)
KES/EUR	127.85	(0.14)	(12.78)

KENYAN EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
NASI	138.74	1.08	(16.63)
NSE-20	1,793.76	1.27	(32.42)
NSE-25	3,186.97	0.74	(22.28)
FTSE 15	171.93	0.90	(22.31)
FTSE 25	183.85	0.93	(19.89)

Market Activity	Close	1-day	y-t-d
Market Cap (USD BN)*	19.68	19.49	25.06
Market Turnover (USD MN)	6.18	4.57	1,027.85
Foreign Buys (%)	63.61	73.96	50.36
Foreign Sales (%)	37.00	54.05	75.91
Foreign Participation (%)	50.30	64.00	63.13

Top Gainers	VWAP	1-day	Volumes
	(KES)	ch (%)	(shares)
Nation Media	13.75	7.42	79,000
N.S.E	7.44	6.29	27,500
Stanbic Holdings	78.00	6.12	200

Top Losers	VWAP	1-day	Volumes
	(KES)	ch (%)	(shares)
Uchumi	0.30	(9.09)	69,900
Olympia Capital	2.30	(6.12)	90,500
NBV	0.59	(4.84)	4,100

Top Traders	Turnover	F.buys	F.sales	VWAP	1-day
	(USD mn)	(USD m)	(USD m)	(KES)	ch (%)
Safaricom	3.24	2.96	1.19	29.85	1.36
Equity Group	1.28	0.66	0.36	36.45	-
KCB Group	0.77	0.21	0.51	36.40	0.97
Bamburi	0.38	-	-	20.60	(2.14)
Co-op Bank	0.12	-	0.08	11.50	-

*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	33.99	0.02	(6.03)
KES/RWF	8.93	(0.05)	(4.52)
KES/TSH	21.44	(0.06)	(5.47)
USD/USH	3,678.00	(0.08)	(0.35)
USD/RWF	966.77	(0.01)	(1.97)
USD/TSH	2,320.01	(0.00)	(0.96)

EAC EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
RSE RSI	115.74	-	(6.21)
RSE RASI	149.24	-	10.08
DSE DSEI	1,776.02	-	(13.75)
DSE TSI	3,486.71	-	1.62

RSE	Turnover (KES MN)	VWAP (KES)	VWAP (L.C)*	1-day ch (%)
BOK	-	26.87	240.00	-
BLR	-	15.34	137.00	-
CTL	108,807.59	8.06	72.00	(1.37)
IMR	-	5.26	47.00	-
CMR	-	13.43	120.00	-

DSE **				
CRDB	53,140.52	7.46	160.00	-
DSE	6,642.57	41.52	890.00	-
NICO	38,483.97	7.70	165.00	-
TPCC	149,256.21	92.36	1,980.00	-

*Local Currency

**Trading data for the previous day.

RESEARCH DEPARTMENT

research@dyerandblair.com

SALIENT NEWS

ABSA KENYA 1H20 EARNINGS

ABSA Bank announced its 1H20 results reporting an 84.8% y-o-y decline in profit after tax (PAT) to KES 589.0 MN. This was on account of a 228.1% y-o-y increase in the loan loss provisioning expense to KES 5.4 BN. Earnings per share (EPS) for the period closed at KES 0.11 compared to KES 0.71 in the previous period.

Net interest income rose 2.5% y-o-y to KES 11.3 BN courtesy of a 0.9% y-o-y increase in interest income to KES 15.3 BN and a 3.3% y-o-y decline in interest expense to KES 4.0 BN.

Non-funded income (NFI) rose 4.2% y-o-y to KES 5.5 BN, partly attributable to a 20.7% y-o-y increase in net income from forex dealings to KES 2.1 BN. Fees and commissions income declined 8.4% y-o-y to KES 2.8 BN.

Operating expenses (less loan provisions) declined 2.8% y-o-y to KES 8.2 BN, owing to a 16.3% y-o-y decline in other operating expenses to KES 2.3 BN and a 4.9% y-o-y increase in staff costs to KES 5.0 BN. Under the exceptional items, separation costs rose 197.2% y-o-y to KES 1.7 BN.

The bank's loan loss provision expense saw a 228.1% y-o-y upswing to KES 5.4 BN, spiking the annualized cost of risk to 5.3%. The bank has restructured c. KES 57.0 BN of loan value, representing 28.2% of the loan book. Repayment holidays on both principal and interest have been extended to over 40.0% of the total loan accounts.

Customer loans and advances saw an 8.2% y-o-y increase to KES 201.9 BN (-0.5% q-o-q). The group's investments in government securities rose 13.3% y-o-y to KES 92.0 BN. On the funding side, customer deposits rose 8.3% y-o-y to KES 248.7 BN.

On a trailing basis, ABSA is trading at a P/E multiple of 12.8x and a P/B multiple of 1.2x, above the sector medians of 4.8x and 0.6x respectively. Its ROE stands at 9.7% whereas its ROA stands at 1.1%. Dividend yield stands at 9.2%, above the sector median of 5.3%. Save for the short-term hit on profitability, we believe that the bank will remain resilient in the medium-term. As such, we maintain a **HOLD** recommendation. *(Source: Company filings, DBIB Research)*

SALIENT NEWS

JUBILEE HOLDINGS 1H20 EARNINGS

Jubilee Holdings released its 1H20 results reporting a 0.1% y-o-y decline in PAT to KES 1.8 BN. EPS for the period stands at KES 21.94, 1.0% lower y-o-y. The board has recommended the payment of an interim dividend of KES 1.00 (0.4% div yield) to be paid on or about 9th October 2020 to shareholders on register at the close of 11th September 2020.

Net insurance premium revenue recorded a 6.1% y-o-y upswing to KES 10.2 BN on account of a 0.9% y-o-y drop in gross earned premiums to KES 15.5 BN and an 11.8% y-o-y decrease in insurance premium ceded to KES 5.4 BN. Other revenues fell by 6.5% y-o-y to KES 3.8 BN.

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Operating profits increased by 28.1% y-o-y to KES 2.1 BN as net insurance benefits and claims edged down 4.4% y-o-y to KES 8.6 BN and total expenses and commissions rose by 8.6% y-o-y to KES 3.3 BN.

Profits before tax rose 4.8% y-o-y to KES 2.4 BN on account of 53.3% y-o-y decrease in profits share of associate to KES 302.5 MN that significantly eroded the operating gains made.

Total assets increased by 12.7% y-o-y to KES 140.1 BN largely attributable of a 23.0% y-o-y increase in the value of government securities at amortized cost to KES 74.1 BN, plausibly the result of the general drop in yields observed in the market. Total liabilities rose by 14.0% y-o-y to KES 107.8 BN while total equity edged up 8.5% y-o-y to KES 32.3 BN.

On a trailing basis, the company is trading at a P/E multiple of 4.1x against a sector median of 2.7x and a P/B multiple of 0.5x against a sector median of 0.6x. Its ROE stands at 12.4% against a sector median of 8.9% while its ROA stands at 1.3% against a sector median of 0.8%. Dividend yield currently stands at 3.9%. We issue a **HOLD** recommendation. *(Source: Company filings, DBIB Research)*

SALIENT NEWS

HF GROUP 1H20 EARNINGS

The group recorded a loss after tax of KES 295.5 MN, a 204.6% y-o-y deterioration from a loss after tax of KES 97.0 MN recorded in 1H19. This was largely on account of a 68.8% y-o-y reduction in non-funded income to KES 285.6 MN. Loss per share for the period stood at KES 0.76.

Net interest income dropped by 3.9% y-o-y to KES 987.3 MN on account of a 12.7% y-o-y drop in interest income to KES 2.4 BN and an 18.2% y-o-y decline in interest expense to KES 1.4 BN.

Non-funded income (NFI) declined by 68.8% y-o-y to KES 285.6 MN, attributable to 79.2% y-o-y decrease in other operating income to KES 148.0 MN and a 46.9% y-o-y drop in fees and commission income to KES 99.3 MN. Net income from Forex dealings edged up 155.8% y-o-y to KES 38.4 MN.

Operating expenses (less loan provisions) stood at KES 1.3 BN, 22.1% lower y-o-y partially attributable to a 7.1% y-o-y decline in staff costs to KES 462.9 MN. Loan loss provision expense decreased by 27.6% y-o-y to KES 267.6 MN.

Customer loans and advances edged down 5.8% y-o-y to KES 38.2 BN while customer deposits grew by 15.8% y-o-y to KES 39.2 BN. Loans to deposits ratio therefore dropped 2,240 bps y-o-y to 97.4%. Borrowed funds dropped by 49.9% y-o-y to KES 5.3 BN (-8.7% q-o-q).

Gross non-performing loans (NPLs) dropped by 8.2% y-o-y to KES 11.9 BN whereas interest in suspense rose 23.1% y-o-y to KES 3.5 BN. As a result, total NPLs shed 17.0% y-o-y to KES 8.4 BN. The NPL ratio edged down 46 bps y-o-y to 23.8%.

On a trailing basis, HF Group is trading at a P/E multiple of -5.0x against a sector median of 4.8x and a P/B multiple of 0.2 x against a sector median of 0.6x. Its ROE stands at -3.1%, against a sector median of 12.3% whereas ROA stands at -0.5%, against a sector median of 1.8%. *(Source: Company filings, DBIB Research)*

SALIENT NEWS

BAMBURI CEMENT 1H20 EARNINGS

Bamburi Cement Limited released its 1H20 results reporting an 83.5% y-o-y growth in PAT to KES 721.0 MN on the back of reduced operating costs, increased gains from the appreciation of the USH against the KES and higher tax credits. EPS for the period stands at KES 4.44, 111.0% higher y-o-y. The board did not recommend the payment of a dividend for the period.

Turnover dropped by 13.0% y-o-y to KES 16.2 BN attributable to the impact of the COVID-19 crisis and the subsequent directives issued by the government that have resulted in the closure of construction sites and a general decline in building and construction activities. The company has as well faced lower selling prices owing to the change in product mix and prevailing market conditions.

Operating expenses dropped by 12.7% y-o-y to KES 16.0 BN partially offsetting the drop in turnover. As a result, operating profits dropped by 31.3% y-o-y to 228.0 MN. Operating profit margin stood at 1.4%, 37 bps lower y-o-y.

The company recorded KES 116.0 MN in other gains in contrast to a KES 61.0 MN loss reported in 1H19. This was on the back of the strengthening of the USH against other major currencies particularly the KES, the reporting currency.

Finance costs edged down 24.0% y-o-y to KES 133.0 MN attributable to a significant reduction in the local third party overdraft in Hima through substitution with intra-group loans from Kenya; as well as improved cash generation from operations.

Tax credits for the period increased by 37.3% y-o-y to KES 508.0 MN owing to the adjustment of deferred tax liability in line with the new corporate tax rate in Kenya of 25%.

Total assets decreased by 4.8% y-o-y to KES 47.7 BN on the back of a 13.4% y-o-y decline in current assets to KES 10.8 BN and a 2.0% y-o-y drop in non-current assets to KES 36.9 BN.

Total liabilities reduced by 18.1% y-o-y to KES 14.5 BN owing to a 32.8% y-o-y decrease in current liabilities to KES 6.5 BN. Non-current liabilities remained fairly flat at KES 8.0 BN (+0.3% y-o-y).

The company recorded a KES 2.0 BN net increase in cash and cash equivalents, 388.6% higher y-o-y primarily attributable to a 148.0% y-o-y rise in cash generated from operations to KES 3.0 BN.

On a trailing basis, the counter is trading at a P/E multiple of 12.1x against a sector median of 1.3x and a P/B ratio of 0.3x in line with the sector median. Its ROE stands at 2.3% against a sector median of 17.3% while ROA stands at 1.4% against a sector median of 5.8%. We issue an **UNDERWEIGHT** recommendation. *(Source: Company filings, DBIB Research)*
