

# DYER & BLAIR INVESTMENT BANK

## DAILY MARKET REPORT

Founder Member of the Nairobi Securities Exchange

31<sup>ST</sup> AUGUST 2020



**DYER & BLAIR**  
INVESTMENT BANK

WE KNOW. YOU KNOW.

### CURRENCY PERFORMANCE-KES

	Close	1-day	y-t-d
KES/USD	108.21	0.01	(6.78)
KES/GBP	143.50	(0.47)	(7.94)
KES/EUR	128.55	(0.54)	(13.39)

### KENYAN EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
NASI	139.68	0.68	(16.06)
NSE-20	1,794.85	0.06	(32.38)
NSE-25	3,223.79	1.16	(21.38)
FTSE 15	173.85	1.12	(21.45)
FTSE 25	185.62	0.96	(19.12)

Market Activity	Close	1-day	y-t-d
Market Cap (USD BN)*	19.82	19.68	25.06
Market Turnover (USD MN)	11.10	6.18	1,044.59
Foreign Buys (%)	83.40	63.61	50.85
Foreign Sales (%)	61.42	37.00	75.63
Foreign Participation (%)	72.41	50.30	63.24

Top Gainers	VWAP	1-day	Volumes
	(KES)	ch (%)	(shares)
Fahari I-REIT.	5.50	7.00	2,000
I&M Holdings	46.00	6.11	1,300
Jubilee Holdings	230.00	4.66	1,600

Top Losers	VWAP	1-day	Volumes
	(KES)	ch (%)	(shares)
N.B.V.	0.55	(6.78)	32,000
WPP Scangroup	6.14	(5.83)	447,900
Longhorn Publishers	4.51	(4.65)	62,800

Top Traders	Turnover	F.buys	F.sales	VWAP	1-day
	(USD mn)	(USD m)	(USD m)	(KES)	ch (%)
Safaricom	7.17	7.15	5.05	29.90	0.17
Equity Group	1.99	1.27	0.36	36.65	0.55
KCB Group	0.70	0.27	0.63	37.00	1.65
BK Group	0.45	0.45	0.45	15.00	1.69
E.A. Breweries	0.23	0.11	0.12	161.00	1.74

\*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	33.97	(0.04)	(6.07)
KES/RWF	8.94	0.03	(4.49)
KES/TSH	21.44	0.01	(5.45)
USD/USH	3,676.00	0.05	(0.30)
USD/RWF	966.91	(0.01)	(1.98)
USD/TSH	2,320.01	0.00	(0.96)

### EAC EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
RSE RSI	115.68	(0.05)	(6.26)
RSE RASI	149.23	(0.01)	10.07
DSE DSEI	1,792.90	0.95	(12.93)
DSE TSI	3,499.04	0.35	1.98

RSE	Turnover (KES MN)	VWAP (KES)	VWAP (L.C)*	1-day ch (%)
BOK	-	26.86	240.00	-
BLR	774,792,985.36	15.33	137.00	-
CTL	-	8.06	72.00	-
IMR	-	5.26	47.00	-
CMR	-	13.43	120.00	-
DSE**				
CRDB	267,327.11	7.46	160.00	-
DSE	12,038.19	41.51	890.00	-
TPCC	1,737,965.77	100.75	2,160.00	9.09
VODA	8,285.88	39.65	850.00	-

\*Local Currency

\*\*Trading data for the previous day.

RESEARCH DEPARTMENT

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## SALIENT NEWS

### Nation Media 1H20 Earnings

The group recorded a loss after tax of KES 375.2 MN, a 192.9% y-o-y deterioration from a profit after tax of KES 403.7 MN recorded in 1H19. This was primarily on account of a 28.7% y-o-y decline in turnover to KES 3.3 BN and an upsurge in expenses. Loss per share for the period stood at KES 1.90 compared to an EPS of KES 2.20 in the previous period.

Gross profit saw a 27.4% y-o-y decline to KES 2.6 BN. Top-line performance was affected by the group's decline in advertising and circulation volumes, particularly between April and June. Most advertisers reallocated their marketing spend to business cashflow in a bid to survive the current obscure environment. The restriction on the mobility of people across the markets led to a decline in newspaper copy sales.

Loss before tax saw a 122.3% y-o-y deterioration to KES 145.4 MN compared to a profit before tax of KES 651.9 MN in 1H19. Though not reported, this paints a clear picture of the group's upsurge in operating expenses.

Net working capital for the period stood at KES 3.2 BN, representing a 5.0% y-o-y decline. Current assets rose 0.8% y-o-y to KES 7.0 BN whilst current liabilities rose 6.1% y-o-y to KES 3.8 BN.

Total equity declined 4.5% y-o-y to KES 7.4 BN. Non-current assets declined 4.5% y-o-y to KES 5.0 BN whereas non-current liabilities declined 6.9% y-o-y to KES 675.3 MN.

Total cash and cash equivalents declined 0.2% y-o-y to KES 2.8 BN. Net cash from operations declined 55.2% y-o-y to KES 262.3 MN whereas net cash generated from investing rose 197.4% y-o-y to KES 421.7 MN. Net cash used in financing activities stood at KES 89.2 MN

In July 2020, NMG launched 'Nation.Africa', its new digital brand, which is expected to accelerate the group's transformation into digital media. The group also intends to strengthen its print and broadcast media products.

On a trailing basis, NMG is trading at a P/E of 33.6x and a P/B of 0.3x. ROE stands at 1.0% whereas ROA stands at 0.6%. The BOD did not recommend payment of an interim dividend. We maintain an **UNDERWEIGHT** recommendation. *(Source: Company filings, DBIB Research)*

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## SALIENT NEWS

### Standard Group 1H20 Earnings

The group released its 1H20 results posting a loss after tax of KES 306.1 MN, compared to a profit after tax of KES 19.4 MN in 1H19. This was primarily attributable to a 41.9% y-o-y decline in revenue to KES 1.4 BN. Loss per share for the period stood at KES 3.01 compared to an EPS of KES 0.59 in 1H19.

**Total operating costs saw a 24.0% y-o-y decline to KES 1.7 BN.** Management indicated that direct costs declined by 40.0% whilst overheads declined by 15.0%.

**Finance costs saw a 14.9% y-o-y decline to KES 73.5 MN.** As such, loss before tax stood at KES 416.6 MN, compared to a PBT of KES 27.7 MN in 1H19. The company recognized a tax credit of KES 110.4 MN, compared to a tax expense of KES 8.3 MN in 1H19.

**Total assets rose 1.4% y-o-y to KES 4.3 BN** courtesy of a 1.9% y-o-y increase in non-current assets to KES 2.9 BN and a 0.6% y-o-y increase in current assets to KES 1.4 BN.

**Total liabilities rose 13.2% y-o-y to KES 3.1 BN** following an 18.0% y-o-y increase in current liabilities to KES 2.7 BN and an 11.3% decline in non-current liabilities to KES 402.7 MN.

**Shareholders' equity saw a 20.8% y-o-y decline to KES 936.4 MN,** due to a 33.5% y-o-y decline in retained earnings to KES 488.3 MN.

**Net cash generated from operating activities saw a 72.0% y-o-y decline to KES 147.6 MN** whereas net cash used in investing and financing activities declined 35.2% and 44.3% y-o-y to KES 124.7 MN and KES 142.3 MN. As such, the net decrease in cash stood at KES 119.4 MN. Cash at the end of the period stood at a negative position of KES 191.4 MN.

**The COVID-19 pandemic has significantly affected the media industry.** Standard Group saw a decline in advertising spend by most of its clients during 1H20. This, in addition to the industry's systemic hurdles i.e. the digital disruption and heightened competition, poses a threat to medium term profitability.

**On a trailing basis,** the counter is trading at a P/E of -2.4x and a P/B of 2.0x. ROE stands at -81.5% whereas ROA stands at -17.9%. We maintain an **UNDERWEIGHT** recommendation.

*(Source: Company filings, DBIB Research)*

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## SALIENT NEWS

### Liberty Holdings 1H20 Earnings

**Liberty Holdings released its 1H20 results reporting a 15.1% y-o-y decline in PAT to KES 333.1 MN.** EPS for the period stood at KES 0.58, 17.1% lower y-o-y.

**Net insurance premiums rose 1.1% y-o-y to KES 3.4 BN** on account of an 11.7% y-o-y increase in insurance premiums to KES 6.0 BN and a 29.5% y-o-y rise in reinsurance premiums to KES 2.6 BN.

**Total income for the period shed 23.2% y-o-y to KES 4.4 BN** largely on account of a 90.3% y-o-y decrease in fair value adjustments to assets held at fair value through P/L to KES 154.7 MN.

**PBT dropped by 53.2% y-o-y to KES 294.3 MN** primarily attributable to a 22.5% y-o-y increase in claims and policy holder benefits under insurance contracts to KES 3.5 BN. Other operating expenses dropped by 3.5% y-o-y to KES 1.6 BN.

**The company recognized a KES 38.8 MN tax credit** for the period in contrast to a KES 236.7 MN tax charge in 1H19

**Long term policy holder liability decreased by 91.8% y-o-y to KES 1.6 BN** while short term insurance liabilities rose by 18.8% y-o-y to KES 3.9 BN. Total assets increased by 1.4% y-o-y to KES 30.6 BN

**Total assets rose by 2.1% y-o-y to KES 39.0 BN** while total equity increased by 4.8% y-o-y to KES 8.4 BN.

On a trailing basis Liberty is trading at P/E and P/B multiples of 5.8x and 0.5x against respective sector medians of 2.7x and 0.6x. Its ROA stands at 1.8% against a sector median of 1.5% while its ROE stands at 8.7% against a sector median of 8.6%. *(Source: Company filings, DBIB Research)*

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## SALIENT NEWS

### Total Kenya 1H20 Earnings

**Total Kenya posted a 2.5% y-o-y increase in PAT to KES 1.1 BN.** EPS for the period stood at KES 1.80, 2.3% up y-o-y.

**Net sales declined 51.8% y-o-y to KES 31.5 BN,** following a 45.3% y-o-y decline in sales to KES 44.4 BN and a decline in indirect taxes and duties to KES 13.0 BN. Cost of sales saw a 55.0% y-o-y decline to KES 27.5 BN. As a result, gross profit declined 3.6% y-o-y to KES 4.0 BN.

**Operating expenses saw a 3.5% y-o-y increase to KES 3.1 BN.** Other income rose 37.5% y-o-y to KES 732.5 MN whereas finance income dropped 69.2% y-o-y to KES 39.3 MN. Net foreign exchange loss declined 21.1% y-o-y to KES 80.8 MN. As such, profit before tax declined 7.2% y-o-y to KES 1.6 BN.

**Current Assets declined 6.8% y-o-y to KES 22.2 BN,** following a 15.3% y-o-y decline in inventory to KES 5.6 BN and a 20.0% y-o-y decline in trade and other receivables to KES 10.3 BN. Cash and cash equivalents rose 46.2% y-o-y to KES 6.3 BN.

**Current liabilities declined 20.9% y-o-y to KES 8.7 BN,** following a 19.9% y-o-y decline in trade and other payables to KES 8.0 BN and a 55.2% decline in short term borrowings to KES 335.3 MN.

**Net cash flow from operating activities stood at KES 2.8 BN,** 148.6% higher y-o-y. Net cash used in investing activities stood at KES 429.9 MN (22.4% down y-o-y) whereas net cash used in financing activities stood at KES 14.1 MN (63.3% down y-o-y). As such, net increase in cash and cash equivalents stood at KES 2.4 BN.

**On a trailing basis,** Total is trading at a P/E of 5.7x, against a sector median of 4.1x and a P/B of 0.6x against a sector median of 0.2x. ROE stands at 10.4% whereas ROA stands at 7.2%.

*(Source: Company filings, DBIB Research)*

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