

DYER & BLAIR INVESTMENT BANK

DAILY MARKET REPORT

Founder Member of the Nairobi Securities Exchange

28th February 2020



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

CURRENCY PERFORMANCE-KES

	Close	1-day	y-t-d
KES/USD	100.98	(0.06)	0.35
KES/GBP	130.11	0.32	2.13
KES/EUR	110.78	(1.06)	2.28

KENYAN EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
NASI	148.60	(1.91)	(10.70)
NSE-20	2,337.03	(3.01)	(11.96)
NSE-25	3,662.74	(2.89)	(10.68)
FTSE 15	196.68	(2.99)	(11.13)
FTSE 25	202.41	(2.62)	(11.80)

Market Activity	Close	1-day	y-t-d
Market Cap (USD BN)*	22.46	22.89	25.06
Market Turnover (USD MN)	9.66	8.85	240.12
Foreign Buys (%)	79.67	41.11	57.48
Foreign Sales (%)	62.63	72.20	66.34
Foreign Participation (%)	71.15	56.65	61.91

Top Gainers	VWAP	1-day	Volumes
	(KES)	ch (%)	('000 shares)
Car & General (K)	26.00	8.33	100
Express Kenya	6.50	8.33	300
Uchumi Supermarket	0.29	3.57	110,000

Top Losers	VWAP	1-day	Volumes
	(KES)	ch (%)	('000 shares)
HF Group	4.55	(8.27)	6,800
Co-operative Bank	13.55	(6.87)	1,101,300
DTB Kenya	100.00	(6.54)	603,300

Top Traders	Turnover	F.buys	F.sales	VWAP	1-day
	(USD mn)	(USD m)	(USD m)	(KES)	ch (%)
Safaricom	3.67	3.45	2.07	27.90	(0.71)
Equity Group	2.49	1.67	1.81	45.25	(5.73)
KCB Group	2.06	1.94	1.84	44.95	(3.64)
DTB Kenya	0.60	0.14	0.06	100.00	(6.54)
E.A.B.L.	0.56	0.47	0.21	194.25	(2.88)

*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	36.74	(0.62)	(1.58)
KES/RWF	9.42	0.05	(0.71)
KES/TSH	22.82	0.27	(0.61)
USD/USH	3,710.01	(0.68)	(1.23)
USD/RWF	951.50	(0.01)	(0.36)
USD/TSH	2,304.00	0.22	(0.26)

EAC EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
USE ALSI	1,724.58	0.01	(4.23)
USE LCI	342.00	0.04	(2.36)
RSE RSI	123.40	-	-
RSE RASI	150.41	-	10.94
DSE DSEI	2,060.08	(0.28)	0.04
DSE TSI	3,523.98	-	2.71

RSE	Turnover (KES MN)	VWAP (KES)	VWAP (L.C)*	1-day ch (%)
BOK	-	28.12	265.00	-
BLR	-	14.75	139.00	-
CTL	117,379.86	7.43	70.00	-
IMR	-	9.45	89.00	-

DSE **				
CRDB	674,095.70	7.89	180.00	0.00
DSE	7,889.24	39.45	900.00	0.00
NMB	2,589,530,977.08	102.56	2,340.00	0.00
NICO	52.16	7.45	170.00	0.00
TOL	1,840.82	26.30	600.00	0.00

*Local Currency

**Trading data for the previous day.

UPCOMING EARNINGS

- Stanbic Holdings is scheduled to release its FY19 results on Monday 02.03.2020

RESEARCH ANALYST

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SALIENT NEWS

KenGen FY19 (as at June 2019) & 1H20 Earnings (as at December 2019)

Following a delay in the appointment of an Auditor General, KenGen has today released its unaudited FY19 earnings (5 months late) and its 1H20 earnings after consultations with the Capital Markets Authority.

KenGen FY19 Earnings

Profit after tax was flat y-o-y at KES 7.9 BN on the back of a 1.5% y-o-y rise in revenue to KES 46.0 BN and a 6.0% and 2.1% y-o-y rise in operating expenses and depreciation costs to KES 10.6 BN and KES 10.4 BN respectively. Total assets grew by 5.8% y-o-y to KES 401.4 BN while total liabilities increased by 9.1% y-o-y to KES 206.5 BN. Cash and cash equivalents rose 175.6% y-o-y to KES 9.3 BN. Cash generated from operations saw a 74.7% upswing to KES 30.6 BN whereas cash from investing activities increased 94.1% y-o-y to KES 28.8 BN. Cash generated from financing activities rose to KES 4.1 BN from a negative of KES 7.1 BN reported in FY18. Dividends: The board has advised that it will make recommendations on any final dividend once the audit of financial statements is complete following the appointment of an auditor general. Court proceedings: After State house rejected the initial short list of Auditor General Nominees, an activist went to court challenging the re-advertisement of the position.

KenGen 1H20 Earnings

Profit after tax rose 98.1% y-o-y to KES 8.2 BN primarily on account of capital allowances arising from the completion of Olkaria V that resulted in a KES 1.9 BN tax credit in contrast to a KES 1.9 BN tax charge reported in 1H19. Total income rose 6.7% to KES 19.6 BN on account of a 0.8% y-o-y rise in revenue to KES 22.3 BN, a 16.8% decline in reimbursable expenses to KES 3.4 BN, and a 127.0% y-o-y growth in other income to KES 0.5 BN arising from the two drilling contracts the company secured in Ethiopia. We note that revenue rose in part due to a 6.4% y-o-y increase in electricity revenue to KES 16.0 BN. Operating expenses rose by 11.8% y-o-y to KES 5.6 BN. Depreciation and amortization costs rose by 11.2% y-o-y to KES 5.7 BN attributable to the depreciation expense on Olkaria V. Finance costs declined 66.4% y-o-y partly on account of the final repayment of the infrastructure bond in October 2019. EPS rose by 96.8% y-o-y to KES 1.24. Net cash and equivalents generated declined 40.3% y-o-y to KES 5.3 BN on account of lower disbursements from borrowings following the completion of Olkaria V and the payment of dividends worth KES 1.8 BN. The board did not recommend an interim dividend.

Going forward: We maintain our **BUY** recommendation. We expect 2H20's revenue performance to pick up buoyed by capacity revenue from Olkaria V and the Geothermal Drilling and Consultancy services they are pursuing in Ethiopia, Kenya and other countries. We expect an improvement in dividend payout in FY20 and FY21 on account of improved cash flows from growing revenue, lower finance cost, declining capex, capital allowances and exemption from compensating tax. *(Source: Company filings, DBIB Research)*

SALIENT NEWS

Unga 1H20 Earnings

Unga Group released its 1H20 earnings posting a 50.6% y-o-y drop in Profit after tax (PAT) to KES 151.3 MN and an 11.1% y-o-y increase in revenue to KES 10.0 BN driven by the human nutrition business. The operating profit margin for the period was at 3.0% owing to a 13.6% y-o-y upswing of cost of sales to KES 9.8 BN. Total assets remained fairly flat at KES 10.3 BN. Current and non-current liabilities edged down 6.4% and 4.7% y-o-y to KES 2.9 BN and KES 1.2 BN respectively. Cash at the end of the period closed at a negative position of KES 42.8 MN. Basic and diluted EPS for the period was KES 1.25. In addition, the group issued a profit warning. We therefore estimate that the PAT for FY20 will be around or below KES 408.61 MN.

Management attributes the poor performance to the reduced volumes in the animal nutrition segment, unfavorable local weather conditions and rallying world wheat prices. The cost of maize and wheat grains went up significantly thus leading to lower consumer demand. In addition, imports of farm produce, specifically in the poultry and dairy sectors, posed a threat to the local farmers.

We highlight that the locust menace could easily make the country's insufficient maize position even worse if the swarms were to infest the maize areas. *(Source: Company filings, DBIB Research)*

KQ scoops KES 5.0 BN loan from GOK

Kenya Airways announced that the National Treasury advanced a KES 5.0 BN loan for the purpose of enabling KQ to complete the scheduled engine overhaul program on its E190 Embraer fleet and fund its general working capital requirements. In 1H19, management had relayed that a fleet refinancing program was necessary as it would improve the group's cash flow after completion.

The nationalization process that will have KQ, KAA and JKIA under an umbrella structure is still in process, subject to all applicable legal and regulatory approvals.

We estimate that the airline will report a loss after tax higher than KES 9.4 BN as the company had issued a profit warning for FY19. In FY18 and 1H19, the airline posted a loss after tax of KES 7.6 BN and 8.6 BN. As the company is lease-heavy, the adoption of IFRS 16 will have a significant impact on both the P&L and balance sheet. Increased competition in the airline area of operations remains a threat to the airline as it increases the pressure on pricing in order to remain competitive. *(Source: Company filings, DBIB Research)*
