

# DYER & BLAIR INVESTMENT BANK

## DAILY MARKET REPORT

Founder Member of the Nairobi Securities Exchange

20<sup>th</sup> March 2020



DYER & BLAIR  
INVESTMENT BANK

WE KNOW. YOU KNOW.

### CURRENCY PERFORMANCE-KES

	Close	1-day	y-t-d
KES/USD	105.10	(0.84)	(3.71)
KES/GBP	122.04	0.78	8.20
KES/EUR	113.44	0.13	(0.07)

### KENYAN EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
NASI	132.93	0.05	(20.12)
NSE-20	2,025.31	(0.35)	(23.70)
NSE-25	3,224.43	0.20	(21.37)
FTSE 15	173.33	1.07	(21.68)
FTSE 25	180.47	0.66	(21.36)

Market Activity	Close	1-day	y-t-d
Market Cap (USD BN)*	19.33	19.32	25.06
Market Turnover (USD MN)	7.41	7.63	346.45
Foreign Buys (%)	49.42	44.61	50.51
Foreign Sales (%)	89.90	93.94	71.53
Foreign Participation (%)	69.66	69.28	62.51

Top Gainers	VWAP	1-day	Volumes
	(KES)	ch (%)	('000 shares)
Nairobi Business Ventures	0.65	8.33	1,100
Sanlam Kenya	15.00	8.30	500
The Limuru Tea	475.00	7.95	40,000

Top Losers	VWAP	1-day	Volumes
	(KES)	ch (%)	('000 shares)
Williamson Tea	94.25	(8.27)	11,300
Bamburi Cement	45.90	(8.02)	3,800
Flame Tree Group	1.23	(4.65)	6,300

Top Traders	Turnover	F.buys	F.sales	VWAP	1-day
	(USD mn)	(USD m)	(USD m)	(KES)	ch (%)
Safaricom	2.92	2.29	2.56	25.40	-
Equity Group	2.83	1.14	2.82	38.95	(0.26)
E.A.B.L.	0.55	0.02	0.55	159.25	(0.78)
KCB Group	0.46	0.00	0.45	40.55	(0.12)
B.A.T Kenya	0.22	0.19	0.20	385.50	(1.15)

\*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	36.40	(0.42)	(0.63)
KES/RWF	9.06	0.83	3.18
KES/TSH	21.93	0.83	3.28
USD/USH	3,825.01	(0.42)	(4.37)
USD/RWF	952.03	0.83	(0.42)
USD/TSH	2,305.01	0.83	(0.30)

### EAC EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
USE ALSI	1,492.29	(0.01)	(17.13)
USE LCI	342.29	-	(2.27)
RSE RSI	121.87	-	(1.24)
RSE RASI	150.16	-	10.75
DSE DSEI	1,893.81	(0.27)	(8.03)
DSE TSI	3,499.12	-	1.98

RSE	Turnover (KES MN)	VWAP (KES)	VWAP (L.C)*	1-day ch (%)
BOK	-	28.70	260.00	-
BLR	-	15.23	138.00	-
CTL	-	7.73	70.00	-
IMR	-	9.82	89.00	-

DSE **				
CRDB	328,237.71	7.07	155.00	-
NICO	165,874.83	7.75	170.00	-
TBL	298,191,699.88	496.99	10,900.00	-
TPCC	306,243.79	100.31	2,200.00	-

\*Local Currency

\*\*Trading data for the previous day.

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## SALIENT NEWS

### Equity Group FY19 Earnings

**EQUITY GROUP HOLDINGS** released its FY19 results recording a **13.8% y-o-y increase in profit after tax (PAT) to KES 22.6 BN**. EPS for the period stood at KES 5.39. ROE declined 71 bps y-o-y to 20.0% whereas ROA declined 11 bps y-o-y to 3.3%. The Directors have recommended a first and final DPS of KES 2.50, up 25.0% y-o-y.

**Net interest income rose 8.6% y-o-y to KES 44.9 BN**. This was on the back of a 12.2% y-o-y rise in interest income to KES 59.7 BN and a 24.8% y-o-y rise in interest expense to KES 14.7 BN. The yield on interest earning assets declined 52 bps y-o-y to 10.3% whereas cost of funds rose 20 bps y-o-y to 2.7%. Consequently, net interest margin declined 73 bps y-o-y to 7.6%.

**Non-funded income rose 19.0% y-o-y to KES 30.8 BN** following a 16.1% y-o-y rise in total fees and commissions to KES 21.2 BN, a 5.9% y-o-y rise in forex income to KES 3.5 BN and a 41.6% y-o-y rise in other operating income to KES 6.1 BN. Fees and commissions from loans and advances rose 13.5% y-o-y to KES 5.6 BN whereas other fees and commissions rose 17.1% y-o-y to KES 15.6 BN. The group realized KES 1.1 BN from bond trading and indicated that the remaining book has about KES 2.4 BN of mark to market gains that could be realized as it continues its transition back into lending. Funded income reliance ratio declined 219 bps y-o-y to 59.4%.

**Operating expenses (less loan loss provisions) rose 11.0% y-o-y to KES 38.9 BN**. This was on the back of an 11.8% y-o-y rise in staff costs to KES 12.8 BN and a 16.1% y-o-y rise in other operating expenses to KES 19.6 BN. Cost to income ratio declined 72 bps y-o-y to 51.5%. Customer loans and advances grew 23.3% y-o-y to KES 366.4 BN (+5.0% q-o-q) whereas investment securities rose 7.0% y-o-y to KES 172.2 BN. On the funding side, customer deposits grew 14.2% y-o-y to KES 482.8 BN (+1.0% q-o-q) whereas borrowed funds rose 28.1% y-o-y to KES 56.6 BN. Loan to deposit ratio rose 560 bps y-o-y to 75.9% whereas loans to deposits and borrowed funds ratio rose 429 bps y-o-y to 67.9%. *(Source: Company filings, DBIB Research).*

### EABL to acquire an additional 30% stake in SBL

EABL announced today its proposal to **acquire an additional 30% shareholding in Serengeti Breweries Ltd (SBL)**, subject to various regulatory approvals in Kenya and Tanzania.

As of today, **EABL's legal shareholding of SBL stands at 55.0%** following the recent 4.0% purchase of SBL's share capital in 1H20. On the other hand, EABL's effective interest shareholding stands at c. 74.5% following a commitment by SBL's minority shareholders to pay KES 3.2 BN to EABL from 50.0% of their dividend receipts from SBL.

Assuming that the purchase is settled in cash and similar to 1H20's purchase of a 4.0% of SBL for KES 300.0 MN, we estimate that **EABL will spend KES 2.3 BN to purchase the additional 30.0% stake**. The brewers' cash position as at 1H20 was KES 12.1 BN.

Assuming that this transaction is successful, **EABL will raise its shareholding to 85.0% (+30.0%)**. Assuming that the remaining SBL's minority shareholders (15.0%) continue to pay 50.0% of their dividend receipts from EABL, then EABL's effective economic interest in SBL will rise to 92.5%. *(Source: Company filings, DBIB Research).*

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## SALIENT NEWS

### DTB Kenya FY19 Earnings

**PAT went up by 2.6% y-o-y** to KES 7.3 BN. Total income saw a 3.8% decline to KES 24.5 BN. This is attributable to the 6.5% y-o-y decline of net interest income to KES 18.7 BN.

**Interest income saw a 6.9% y-o-y decline to KES 32.9 BN** whereas interest expense declined by 7.3% y-o-y to 14.1 BN. On the other hand, non-interest income saw a 6.2% y-o-y upswing to KES 5.8 BN. Operating expenses (less loan loss provisions) increased by 3.5% y-o-y to KES 11.9 BN. Loan loss provisions decreased by 55.6% y-o-y to KES 1.3 BN.

**Customer deposits contracted by 0.9% y-o-y** to KES 280.2 BN. **The loan book expanded by 3.1% y-o-y** to KES 199.1 BN. Gross NPLs saw a 16.9% y-o-y increase to KES 15.9 BN. Investment securities increased by 12.9% y-o-y to KES 132.5 BN.

The bank's **core capital ratio edged up by 40bps to 19.1%** whereas the **total capital ratio declined by 20bps** to 20.9%. Both the core and total capital ratios remained above the respective statutory requirements i.e. 10.5% and 14.5% respectively.

**EPS edged up by 1.5% y-o-y** to KES 24.3 per share. The BOD recommended a **first and final dividend of KES 2.70 per share (+3.8% y-o-y)** to be paid on 24 July 2020 to shareholders on register by COB 25 June 2020. *(Source: Company filings, DBIB Research).*