

DYER & BLAIR INVESTMENT BANK

DAILY MARKET REPORT

Founder Member of the Nairobi Securities Exchange

27th May 2020



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

CURRENCY PERFORMANCE-KES

	Close	1-day	y-t-d
KES/USD	107.11	(0.09)	(5.70)
KES/GBP	131.61	(0.95)	1.00
KES/EUR	117.26	(0.46)	(3.43)

KENYAN EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
NASI	137.81	(0.81)	(17.19)
NSE-20	1,976.50	(1.65)	(25.54)
NSE-25	3,222.96	(0.67)	(21.40)
FTSE 15	171.25	(0.23)	(22.62)
FTSE 25	182.04	(0.25)	(20.68)

Market Activity	Close	1-day	y-t-d
Market Cap (USD BN)*	19.67	19.83	25.06
Market Turnover (USD MN)	4.58	5.49	675.43
Foreign Buys (%)	54.29	48.11	49.65
Foreign Sales (%)	86.99	88.62	77.49
Foreign Participation (%)	70.64	68.37	63.57

Top Gainers	VWAP	1-day	Volumes
	(KES)	ch (%)	('000 shares)
Flame Tree Group	1.05	9.38	1,600
Equity Group	35.85	4.82	772,800
TPS Eastern Africa	12.90	3.20	500

Top Losers	VWAP	1-day	Volumes
	(KES)	ch (%)	('000 shares)
Kenya Airways	2.70	(21.97)	1,792,100
Standard Group	19.00	(5.00)	100
E.A.Cables	1.81	(4.74)	6,900

Top Traders	Turnover	F.buys	F.sales	VWAP	1-day
	(USD mn)	(USD m)	(USD m)	(KES)	ch (%)
Safaricom	1.52	0.98	1.49	28.65	(1.21)
KCB Group	1.37	0.45	1.30	35.65	(0.28)
E.A. Breweries	1.01	0.78	0.98	163.00	(1.06)
Equity Group	0.26	0.12	0.10	35.85	4.82
B.A.T. Kenya	0.11	0.11	0.11	320.00	(0.16)

*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	35.18	0.60	2.73
KES/RWF	8.90	0.08	4.83
KES/TSH	21.61	0.05	4.69
USD/USH	3,768.00	0.50	(2.81)
USD/RWF	953.68	(0.01)	(0.59)
USD/TSH	2,315.01	(0.04)	(0.74)

EAC EQUITY MARKETS

Equity Indices	Close	1-day	y-t-d
USE ALSI	1,383.91	-	(23.15)
USE LCI	340.40	-	(2.81)
RSE RSI	122.00	-	(1.13)
RSE RASI	150.19	-	10.78
DSE DSEI	1,815.67	0.49	(11.83)
DSE TSI	3,491.92	-	1.77

RSE	Turnover (KES MN)	VWAP (KES)	VWAP (L.C)*	1-day ch (%)
BOK	-	29.20	260.00	-
BLR	-	15.50	138.00	-
CTL	82,549.02	7.86	70.00	-
IMR	-	10.11	90.00	-

DSE **

CRDB	163,924.57	6.94	150.00	-
DSE	15,471.74	40.72	880.00	-

*Local Currency

**Trading data for the previous day.

RESEARCH DEPARTMENT

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SALIENT NEWS

Kenya Airways FY19 Results

Kenya Airways released their FY19 results reporting a loss after tax of KES 13.0 BN, 71.8% greater than the loss reported in FY18.

Total revenue edged up 12.4% y-o-y to 128.3 BN owing to the expansion of the group's network to Geneva, Rome and Malindi. This, coupled with a full year of New York operations, saw passenger revenue grow by 8.9% y-o-y. Available Seat Kilometres (ASKs) increased 15.0% y-o-y while cargo tonnage rose by 6.3% y-o-y to 68.3 tonnes.

The gains made were however eroded by a 12.5% y-o-y increase in operating costs to KES 129.2 BN ascribable to the increase in capacity deployed and an increase in fleet ownership costs owing to the return of two Boeing 787 aircrafts that had been subleased to Oman Air. As a result, the groups operating loss margin increased by 7 bps to 0.7%. Other costs rose by 74.8% y-o-y to KES 12.2 BN

Total assets increased by 43.2% y-o-y to KES 195.7 BN partly on account of the adoption of IFRS 16 which requires that operating leases, previously off balance sheet, be recognised as assets in the balance sheet by determining the value of the right to use. Similarly, total liabilities rose by 53.5% y-o-y to KES 213.6 BN as the new standard requires that lease rentals, which were previously expensed, are recognised in the balance sheet as liabilities.

The aviation industry has been one of the hardest hit by the COVID-19 crisis. Restrictions on international passenger flights saw Kenya Airways suspend operations from 25th March 2020. Management estimates that it would take at least a year to recover demand as travellers are expected to remain cautious even after the borders are reopened.

The airline has since applied for a KES 7.0 BN emergency bailout from the government amid concerns that it will be unable to meet the costs associated with maintenance of grounded planes, payment of staff and settlement of utility solely from its cargo revenues. Treasury however refused to make a commitment for the bailout in favour of a long term rescue plan, citing that KQ's woes go beyond the COVID-19 crisis. It is instead keen to pursue a turnaround under the plan to nationalise the airline which was approved by parliament in July 2019. A legal framework for this nationalisation is set for discussion once parliament resumes next week. *(Source: Company filings, DBIB Research).*

SALIENT NEWS

TPS Serena FY19 Earnings

TPS Serena released its FY19 results posting a 1.5% y-o-y growth in profit after tax to KES 181.7 BN. Revenue from contracts with customers rose by 3.5% y-o-y to KES 6.8 BN. Management attributes this growth to the return of confidence from the foreign leisure market to Kenya and across East Africa. Particularly in 2H19, revitalized growth was recorded from the corporate, conference and domestic leisure segments. Operating expenses saw a sizeable decline as EBIT rose 27.9% y-o-y to KES 1.0 BN.

Total equity rose by 0.7% y-o-y to KES 9.2 BN. Retained earnings rose 7.5% y-o-y to KES 2.6 BN whereas the translation reserve stood at a negative position of KES 1.2 BN (+4.7% y-o-y). Non-current assets rose by 3.8% y-o-y to KES 16.1 BN following a 4.0% y-o-y increase in land and buildings to KES 11.6 BN. Non-current liabilities rose by 64.5% y-o-y to KES 5.9 BN, partly attributable to a 113.9% y-o-y increase in borrowings to KES 3.6 BN.

Current assets saw a 9.2% y-o-y decline to KES 1.9 BN following a 10.1% y-o-y decrease in receivables and prepayments to KES 1.1 BN. Current liabilities declined by 40.8% y-o-y to KES 2.9 BN owing to a 75.7% y-o-y decrease in borrowings to KES 647.5 BN. Bank overdrafts also declined 23.5% y-o-y to KES 300.3MN. Trade and other payables rose 6.7% y-o-y to KES 1.9 BN. As a result, net current liabilities declined by 64.9% y-o-y to 967.6 MN.

On the cash flow front, net cash generated from operating activities rose 67.7% y-o-y to KES 1.1 BN. Net cash utilized in investing activities declined by 48.7% y-o-y to KES 658.8 MN whereas net cash utilized in financing activities rose 208.4% y-o-y to KES 443.2 BN. Cash at the end of the period declined 15.4% y-o-y to KES 152.7 MN.

The COVID-19 pandemic has significantly impacted the global hospitality industry. The growth of Serena Hotels will be negatively affected in FY20 as its operations have been hampered throughout East Africa. As the company is bracing itself for a very difficult year, the BOD did not recommend the payment of a dividend for FY19. *(Source: Company filings, DBIB Research).*