

DBIB WEEKLY BULLETIN

WEEK 33

Date: 14.08.2020

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and NASI indices **shed** 0.8% and 0.9% w-o-w to close at 1,743.58 and 129.46 respectively.

Weekly equity turnover **declined** 42.9% w-o-w to USD 15.54 MN (KES 1.68 BN).

USD | KES: KES **weakened** 0.3% w-o-w to close at 108.29 (-6.9% YTD).

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	129.5	(0.86)	(4.34)	(20.27)	(22.20)
NSE-20	1,743.6	(0.82)	(11.73)	(31.87)	(34.31)
DBIB Select	83.6	(0.32)	(1.97)	(6.66)	(6.54)
FTSE 15	153.9	(2.99)	(9.82)	(28.80)	(30.47)
FTSE 25	168.2	(2.07)	(6.08)	(24.83)	(26.72)
FTSE Frontier 50	36,542.0	1.69	11.81	(15.93)	(18.01)

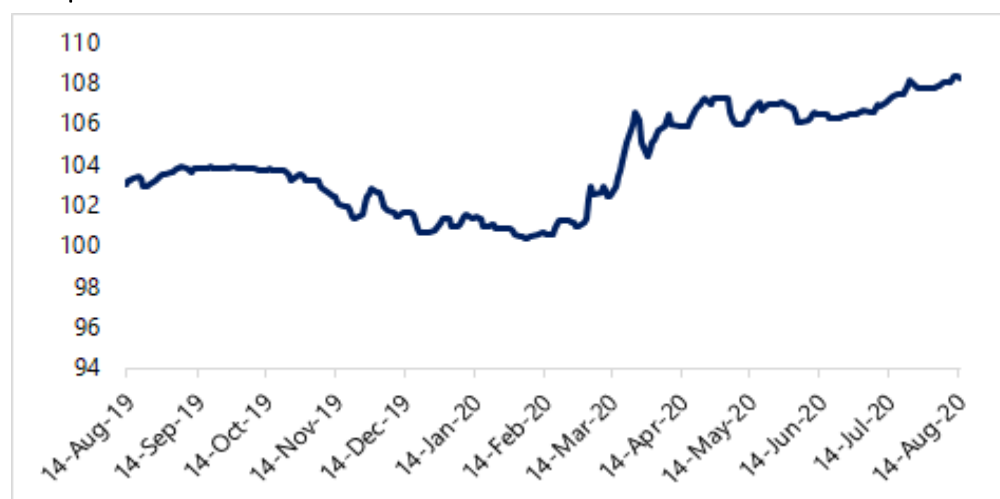
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	1,987.21	(0.86)	(1.68)	(3.92)	(19.81)
Market Turnover (USD m)	15.54	(42.90)	(51.31)	(66.31)	(52.37)
Market P/E (x)	10.98	(4.05)	1.32	(2.82)	(15.34)
Market Div. yld (%) *	5.34	(11.62)	(66.30)	(41.34)	(80.30)
Market ROE (%) *	37.38	5.58	(105.52)	(798.50)	75.51

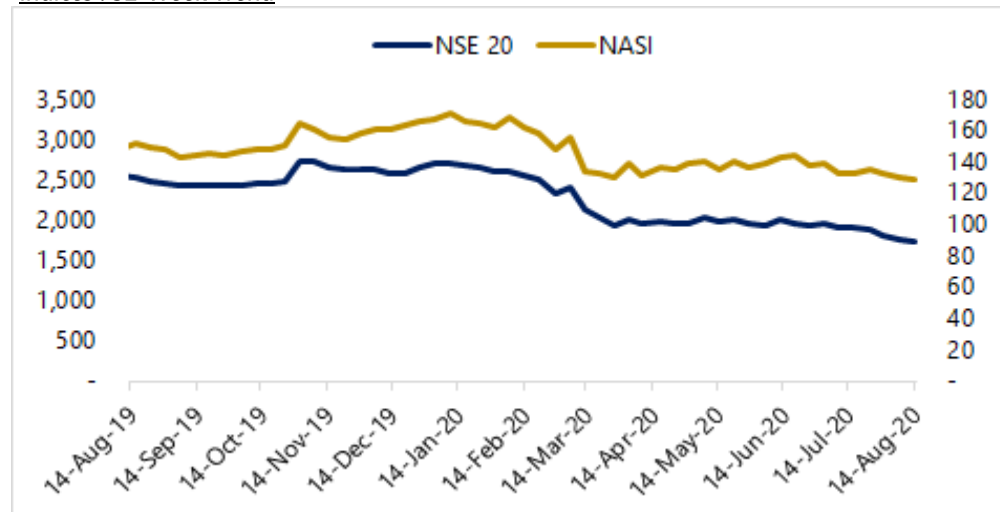
* Changes in bps

(Source: NSE, DBIB Research)

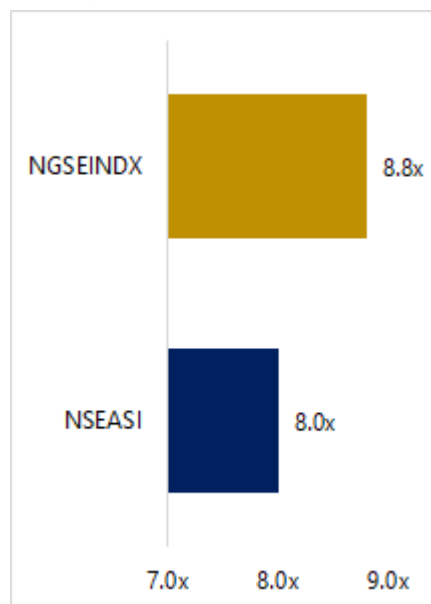
USD | KES : 52-Week Trend



Indices : 52-Week Trend



PEER P/E MULTIPLES



NSEASI - Nairobi All Share Index
NGSEINDX - Nigeria All Share Index

(Source: Bloomberg, DBIB Research)

(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Nation Media	29.4
Unga Group	9.0
Housing Finance	7.5
Olympia Capital	7.0
B.O.C Kenya	6.9

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
E.A.Cables	(22.4)
Scangroup	(22.4)
Standard Group	(10.0)
Uchumi	(9.4)
Equity Group	(8.7)

(Source: NSE, DBIB Research)



.....
Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 7.32 MN (KES 792.9 MN) representing 47.10% of this week's turnover.

The stock held constant w-o-w to close at KES 27.70 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 80.0% of foreign sales and 82.5% of foreign purchases.

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<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	7.32
Equity Group	3.44
KCB Group	1.54
E.A Breweries	1.50
ABSA Bank	0.35

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	86.8
Gold ETF	39.5
Olympia Capital	21.9
Kakuzi	15.0
Williamson Tea	3.2

(Source: NSE, DBIB Research)

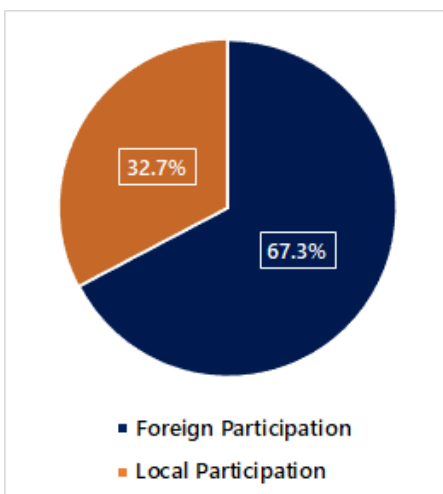


<u>Top Losers</u>	<u>%</u>
Nation Media	(70.6)
Bamburi	(67.4)
Scangroup	(55.2)
Equity Group	(46.3)
N.S.E	(45.1)

(Source: NSE, DBIB Research)



WEEKLY LOCAL VS FOREIGN PARTICIPATION



(Source: NSE, DBIB Research)

Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
Gold ETF	96.3
E.A Breweries	96.0
Bank of Kigali	84.6
Safaricom	82.5
Equity Group	40.5

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
Gold ETF	100.0
Bank of Kigali	100.0
Jubilee	92.7
BAT Kenya	91.4
KCB Group	89.7

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
Bank of Kigali	98.4
BAT Kenya	84.0
E.A Breweries	67.4
Gold ETF	66.8
Safaricom	63.6

(Source: NSE, DBIB Research)

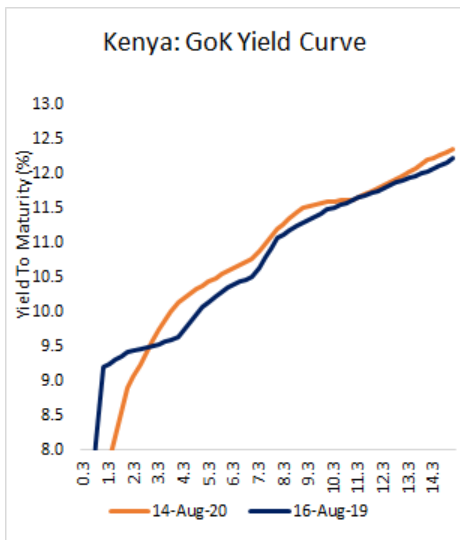
<u>Top Foreign Sales</u>	<u>% Sold</u>
Bank of Kigali	100.0
Stanbic	92.6
BAT Kenya	91.2
Gold ETF	86.5
Safaricom	83.6

FROM THE FIXED INCOME DESK

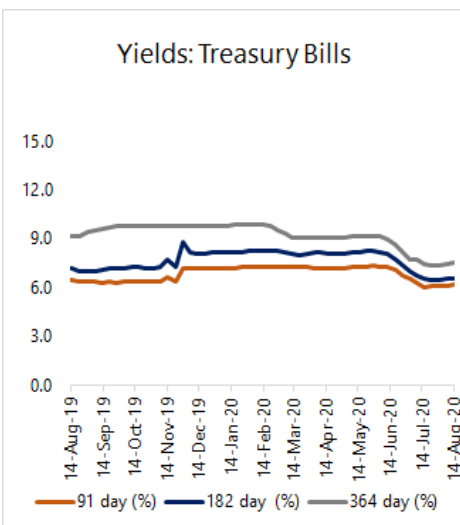
The Bond market's turnover for the week stood at USD 130.83 MN (KES 14.17 BN) representing a 3.1% w-o-w decrease from USD 135.06 MN (KES 14.59 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 130.83 MN (KES 14.17 BN) representing a 3.1% w-o-w decline from USD 135.06 MN (KES 14.59 BN) recorded the previous week. The bond issue number FXD1/2019/5Yr emerged as the top traded bond with a turnover of KES 6.94 BN accounting for 48.98% of the week's turnover. The bond traded between 10.2000% and 10.0438%.

Top Trades for the week ending 14 August 2020



Source: (NSE, DBIB Research)



Source: (NSE, DBIB Research)

						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
10-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.2000	108.4189	1,600.0
13-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.2000	108.5078	1,500.0
14-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.2000	108.5375	1,200.0
14-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.1800	108.5967	1,200.0
11-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.2000	108.4485	900.0
12-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.1000	108.7752	500.0
11-Aug	FXD 4/2019/10Yr	9.3	12.2800	11.6000	106.3938	400.0
12-Aug	FXD 4/2019/10Yr	9.3	12.2800	11.5300	106.8300	400.0
14-Aug	FXD2/2019/15Yr	13.7	12.7340	12.1500	107.1325	400.0
10-Aug	FXD 2/2016/ 5Yr	0.9	14.0690	7.5000	106.6693	300.0
11-Aug	FXD 2/2016/ 5Yr	0.9	14.0690	7.1000	107.0652	300.0
11-Aug	FXD 2/2018/10Yr	8.3	12.5020	11.3739	107.8981	250.0
11-Aug	FXD2/2018/20Yr	17.9	13.2000	12.8500	102.9613	250.0
12-Aug	FXD2/2018/20Yr	17.9	13.2000	12.8000	103.3522	250.0
13-Aug	FXD1/2019/15Yr	13.4	12.8570	12.1000	105.5528	250.0
13-Aug	FXD2/2018/20Yr	17.9	13.2000	12.7549	103.7099	250.0
14-Aug	FXD1/2020/ 5Yr	4.7	11.6670	10.3000	108.0346	250.0
12-Aug	FXD2/2018/20Yr	17.9	13.2000	12.7500	103.7099	220.0
10-Aug	FXD1/2010/15Yr	4.6	10.2500	10.2000	104.2994	200.0
10-Aug	IFB 1/2018/20Yr	18.2	11.9500	11.3000	106.7828	200.0
11-Aug	FXD 2/2016/ 5Yr	0.9	14.0690	7.3700	106.8123	200.0
11-Aug	FXD1/2010/15Yr	4.6	10.2500	10.0422	104.8984	200.0
11-Aug	FXD2/2018/20Yr	17.9	13.2000	12.8000	103.3170	200.0
11-Aug	IFB 1/2018/20Yr	18.2	11.9500	11.2000	107.4633	200.0
12-Aug	FXD 2/2016/ 5Yr	0.9	14.0690	7.1000	107.0858	200.0
12-Aug	FXD2/2018/20Yr	17.9	13.2000	12.7000	104.0696	200.0
13-Aug	FXD 1/2013/10Yr	2.8	12.3710	9.6000	108.5216	200.0

(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 14 August 2020

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	6.37	159.34	6.37	6.200	7.7
182-day	10.00	9.38	93.78	6.97	6.561	1.2
364-day	10.00	6.51	65.11	5.31	7.517	6.2

(Source: NSE, DBIB Research)

Salient News...

KCB GROUP 1H20 Earnings

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KCB GROUP released its 1H20 results recording a 40.4% y-o-y drop in profit after tax (PAT) to KES 7.6 BN.
.....

KCB GROUP released its 1H20 results recording a 40.4% y-o-y drop in profit after tax (PAT) to KES 7.6 BN. Trailing EPS stands at KES 6.23. The drop in profit followed an increase in bad debt impairment of 263.8% y-o-y to KES 11.0 BN due to the impact of the COVID-19 crisis and the consolidation of NBK. A 23.2% quarter on quarter decline in non funded income due to concessions on fees (fees on restructured loans and transactions below KES 1,000) also impacted the performance.

Net interest income rose 22.3% y-o-y to KES 31.1 BN (+6.4% q-o-q) on the back of a 23.2% y-o-y rise in interest income to KES 41.4 BN and a 25.7% y-o-y increase in interest expense to KES 10.3 BN.

Non-funded income rose 6.0% y-o-y to KES 13.9 BN. This followed an 18.0% y-o-y rise in forex income to KES 2.4 BN and a 5.6% y-o-y rise in total fees and commissions to KES 9.4 BN. Other income declined 3.4% y-o-y to KES 2.1 BN.

Operating expenses (less loan loss provisions) rose 20.3% y-o-y to KES 21.2 BN mainly on the back of a 27.4% y-o-y rise in other operating expenses to KES 8.2 BN and a 12.3% y-o-y rise in staff costs to KES 10.1 BN.

Loan loss provision expense rose 263.8% y-o-y to KES 11.0 BN placing annualized cost of risk on average loans at a record 4.2%. For the period under review, KCB re-structured facilities worth KES 101.0 BN to cushion customers against the effects of the crisis.

Customer loans and advances grew 17.0% y-o-y to KES 559.9 BN primarily due to the consolidation of NBK. Customer deposits grew 34.6% y-o-y to KES 758.2 again on the back of consolidation of NBK. *(Source: Company filings, DBIB Research)*

.....
NCBA announced that it opts to redeem CBA's MTN earlier than the initial maturity date, December 14, 2020.
.....

Early Redemption of NCBA's Medium Term Note (KES 7.0 BN)

NCBA announced that it opts to redeem CBA's MTN earlier than the initial maturity date, December 14, 2020. The redemption of the outstanding principal amount (KES 7.0 BN) will be effected on September 14, 2020. The amount will be disbursed to holders registered as owners of the notes in the CDSC register as at August 12, 2020. *(Source: Company filings, DBIB Research)*

Salient News...

CO-OP BANK: 1H20 Earnings

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Co-operative Bank released its 1H20 results recording a 3.6% y-o-y drop in profit after tax (PAT) to KES 7.2 BN.
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Co-operative Bank released its 1H20 results recording a 3.6% y-o-y drop in profit after tax (PAT) to KES 7.2 BN. This was partly attributable to a 57.9% y-o-y upsurge in the loan loss provision expense to KES 1.9 BN, in light of the adverse effects of COVID-19 on the business environment. Basic EPS stood at KES 1.23.

Net interest income rose 11.6% y-o-y to KES 15.9 BN on the back of a 6.8% y-o-y increase in interest income to KES 21.8 BN and a 4.4% y-o-y decline in interest expense to KES 5.9 BN.

Non-funded income declined 5.1% y-o-y to KES 8.3 BN, attributable to a 4.4% y-o-y decline in fees and commission income to KES 6.8 BN and a 67.5% y-o-y decline in other income to KES 0.2 BN. Net income from forex dealings rose 37.2% y-o-y to KES 1.3 BN.

Operating expenses (less loan loss provisions) rose 11.3% y-o-y to KES 12.7 BN mainly on the back of a 15.5% y-o-y rise in staff costs to KES 6.6 BN, a 5.1% y-o-y increase in other expenses to KES 4.0 BN and an 82.9% y-o-y increase in the depreciation charge on PPE to KES 1.3 BN.

Pre-provision operating profit declined 0.6% y-o-y to KES 11.5 BN. Loan loss provision expense rose 57.9% y-o-y to KES 1.9 BN. As a result, profit before tax saw an 8.0% y-o-y decline to KES 9.6 BN. The tax expense declined 19.1% y-o-y to KES 2.4 BN, marginally offsetting the loss.

Customer loans and advances rose 5.7% y-o-y to KES 272.2 BN whereas investment securities saw a 27.2% y-o-y increase to KES 123.3 BN. On the funding side, customer deposits saw an 18.9% y-o-y increase to KES 384.6 BN whilst borrowings saw a 19.4% y-o-y increase to KES 25.6 BN.

On a trailing basis, CO-OP is trading at a P/E ratio of 4.4x, below an industry median of 5.0x and a P/B of 0.8x against an industry median of 0.7x. ROE stands at 17.5% above an industry median of 15.4% whereas its ROA stands at 2.7% above an industry median of 2.0%. We maintain our BUY recommendation. *(Source: Company filings, DBIB Research)*

Salient News...

CIC Insurance 1H20 Earnings

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CIC Insurance Group released their 1H20 results recording a KES 335.5 MN loss after tax compared to a profit after tax of KES 20.9 MN recorded in 1H19.
.....

CIC Insurance Group released their 1H20 results recording a KES 335.5 MN loss after tax compared to a profit after tax of KES 20.9 MN recorded in 1H19. Loss per share for the period stood KES 0.13.

Gross written premiums decreased by 3.24% y-o-y to KES 9.3 BN. Total income declined by 4.9% y-o-y to KES 8.3 BN primarily on the back of a 26.0% y-o-y drop in investment and other income to KES 1.2 BN, while net earned premiums remained fairly constant at KES 7.1 BN (-0.1% y-o-y).

Operating and other expenses edged down 10.7% y-o-y to KES 2.9 BN. These gains were however significantly eroded by the 7.6% y-o-y increase in net claims and policy holders' benefits to KES 5.4 BN resulting in a 0.5% y-o-y rise in total expenses to KES 8.3 BN. Finance costs dropped by 10.2% y-o-y to KES 302.1 MN.

Total assets grew by 5.3% y-o-y to KES 37.2 BN largely on account of an 11.5% y-o-y increase in other investments to KES 19.3 BN. Total liabilities rose 8.1% y-o-y to KES 29.7 BN mainly owing to a 9.2% y-o-y increase in insurance liabilities to KES 23.3 BN. Total equity declined by 4.3% y-o-y to KES 7.5 BN. *(Source: Company filings, DBIB Research)*

Equity completes acquisition of Banque Commerciale Du Congo

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Equity Group Holdings (EGH) fully acquired Banque Commerciale Du Congo (BCDC) on August 7, 2020 having met the necessary conditions, including the receipt of corporate and regulatory approvals.
.....

Equity Group Holdings (EGH) fully acquired Banque Commerciale Du Congo (BCDC) on August 7, 2020 having met the necessary conditions, including the receipt of corporate and regulatory approvals. In light of the COVID-19 adversity, the two parties agreed to a 10.5% reduction in the consideration to USD 95.0 MN from USD 105.0 MN. By virtue of a successful acquisition, BCDC is now a subsidiary of EGH, as EGH holds 66.5% of its issued share capital.

EGH's objective is to amalgamate BCDC's business with that of Equity Bank Congo, EGH's existing banking subsidiary in DRC. Management estimates that the two subsidiaries will produce a combined balance sheet in excess of USD 2.0 BN, which will contribute more than 20.0% of the group's total balance sheet. As at 1Q19, the group's balance sheet stood at KES 693.2 BN. This acquisition will put EGH on the path to become a KES 1.0 TRN balance sheet business. *(Source: Company).*

Salient News...

Stanbic Bank 1H20 Earnings

.....
Stanbic Bank released its 1H20 results recording a 37.0% y-o-y drop in profit after tax (PAT) to KES 2.5 BN.
.....

Stanbic Bank released its 1H20 results recording a 37.0% y-o-y drop in profit after tax (PAT) to KES 2.5 BN. This was attributable to a 12.0% y-o-y decline in total income to KES 10.7 BN and an 83.6% y-o-y upsurge in the loan loss provision expense to KES 1.7 BN. EPS for the period stood at KES 14.61.

Net interest income declined 5.9% y-o-y to KES 6.0 BN on the back of a 4.8% y-o-y decline in interest income to KES 9.6 BN and a 3.1% y-o-y decline in interest expense to KES 3.6 BN.

Non-funded income declined 18.8% y-o-y to KES 4.7 BN, attributable to a 33.4% y-o-y decline in fees and commission income to KES 1.8 BN and a 4.7% y-o-y decline in forex income to KES 2.6 BN.

Operating expenses (less loan loss provisions) declined 14.8% y-o-y to KES 5.0 BN mainly on the back of a 4.6% y-o-y decline in staff costs to KES 2.7 BN and a 32.6% y-o-y decline in other expenses to KES 1.6 BN.

Pre-provision operating profit declined 9.5% y-o-y to KES 5.7 BN. Loan loss provision expense saw an 83.6% y-o-y increase to KES 1.7 BN. As a result, profit before tax dropped 25.3% y-o-y to KES 4.0 BN.

Customer loans and advances declined 0.6% y-o-y to KES 161.0 BN whereas investment securities saw a 14.1% y-o-y decline to KES 40.8 BN. On the funding side, customer deposits saw a 23.0% y-o-y increase to KES 252.2 BN whilst borrowed funds saw a 3.5% y-o-y decline to KES 12.8 BN.

On a trailing basis, Stanbic Bank is trading at a P/E ratio of 6.2x, against an industry median of 4.8x, and a P/B of 0.8x against an industry median of 0.7x. ROE stands at 12.1% whereas ROA stands at 1.4%. The group's dividend yield stands at 9.4% against an industry median of 6.9%. We maintain our BUY recommendation. *(Source: Company filings, DBIB Research)*

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Unga Group
- Nation Media
- Longhorn
- Kenya Power

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
N.S.E.	First & Final Div: KES 0.08	09-Jul-20	STA*
Umeme	Final Div: USHS 41.30	28-Jul-20	17-Aug-20
WPP Scangroup	Special Div: KES 8.00	28-Jul-20	27-Aug-20
Kapchorua Tea	Final Div: KES 10.00	30-Jul-20	STA*
Safaricom	First & Final: KES 1.40	31-Jul-20	31-Aug-20
Williamson Tea	Final Div: KES 20.00	18-Aug-20	STA*
BAT Kenya	Interim Div: KES 3.50	21-Aug-20	18-Sep-20
Centum Investment	First & Final: KES 1.20	STA*	STA*

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Crediting Date</u>
Nation Media	Bonus Issue: 1:10	12-Jun-20	STA*

(Source: NSE, DBIB Research)

STA—Subject to approval*

AGM SCHEDULE

<u>Company</u>	<u>Time</u>	<u>Venue</u>	<u>Date</u>
E.A. Breweries	TBC	Virtual	16-Sep-20
Olympia Capital	11.00 am	Virtual	31-Aug-20
EA Cables	11.00 am	Virtual	03-Sep-20

(Source: Company filings , DBIB Research)

**TBC—To be confirmed*

APPENDIX

COMPANY INVESTMENT RATINGS

Buy: Share price may generate more than 15.0% upside over the next 12 months

Overweight: Share price may generate between 10.0% and 15.0% upside over the next 12 months

Hold: Share price may fall within the range of < +5.0%/ -10.0% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

Underweight: Share price may generate between 10.0% and 15.0% downside over the next 12 months

Sell: Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

Not Rated: Counter is not within regular research coverage

SECTOR INVESTMENT RATINGS

Overweight: Industry performance better than that of the whole market

Equal weight: Industry performance about the same as that of the whole market

Underweight: Industry performance worse than that of the whole market

DBIB SELECT INDEX

*The DBIB Select Index is an **in-house, bespoke index** designed by DBIB Research department to represent the performance of select Kenyan companies listed on the Nairobi Securities Exchange which fall within DBIB Research's class A and B coverage. The Index is market capitalization-weighted and comprises of counters in the Banking, Insurance, FMCG, Investments, Cement, Telco, Utilities and Media space. We believe this provides investors with a complementary index with which to measure the performance of the major capital and industry segments of the Kenyan Stock Market, hence appealing to broad range of investors and intermediaries seeking to develop structured portfolios based on indices*

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