

# DBIB WEEKLY BULLETIN

# WEEK 34

Date: 21.08.2020

## Contents:

Equity Market Sum Up	2
Fixed Income Wrap Up	4
Salient News	5
Corporate Actions	7
Appendix	8

## INDICES & MARKET METRICS MOVEMENT

NSE 20 dropped by 1.1% w-o-w to close at 1,723.96 while NASI rose by 1.8% w-o-w to close at 131.75 .

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	131.8	1.77	(6.15)	(16.81)	(20.83)
NSE-20	1,724.0	(1.13)	(14.44)	(31.01)	(35.05)
DBIB Select	83.9	0.39	(3.01)	(16.06)	(6.18)
FTSE 15	160.4	4.22	(7.65)	(23.88)	(27.54)
FTSE 25	173.9	3.39	(6.11)	(20.29)	(24.24)
FTSE Frontier 50	36,532.9	(0.02)	7.51	(15.11)	(18.03)

(Source: NSE, Bloomberg, DBIB Research)

Weekly equity turnover increased by 16.9% w-o-w to USD 18.17 MN (KES 1.96 BN).

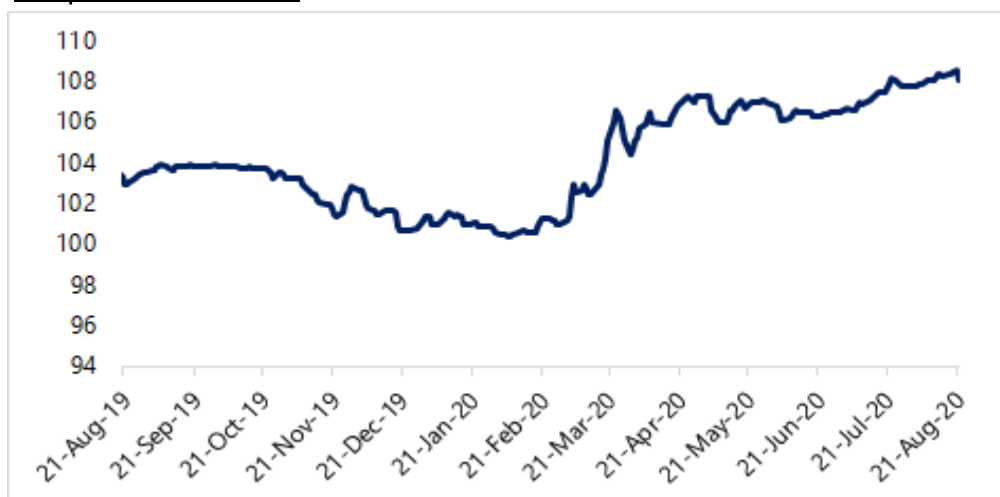
Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,022.40	1.77	(1.68)	(5.75)	(16.33)
Market Turnover (USD m)	18.17	16.86	(40.62)	(19.45)	(25.92)
Market P/E (x)	11.10	1.08	(1.39)	(6.59)	(11.62)
Market Div. yld (%) *	5.30	(3.70)	(52.64)	(59.39)	(90.25)
Market ROE (%) *	30.48	(690.48)	(836.53)	(1,361.52)	(592.50)

\* Changes in bps

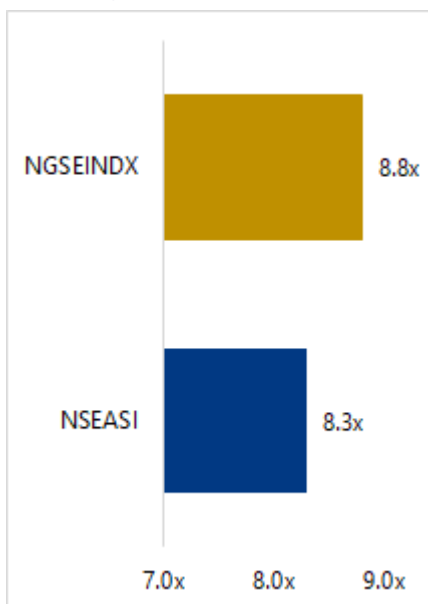
(Source: NSE, DBIB Research)

USD | KES: KES strengthened 0.3% w-o-w to close at 108.01 (-6.6% YTD).

### USD | KES : 52-Week Trend



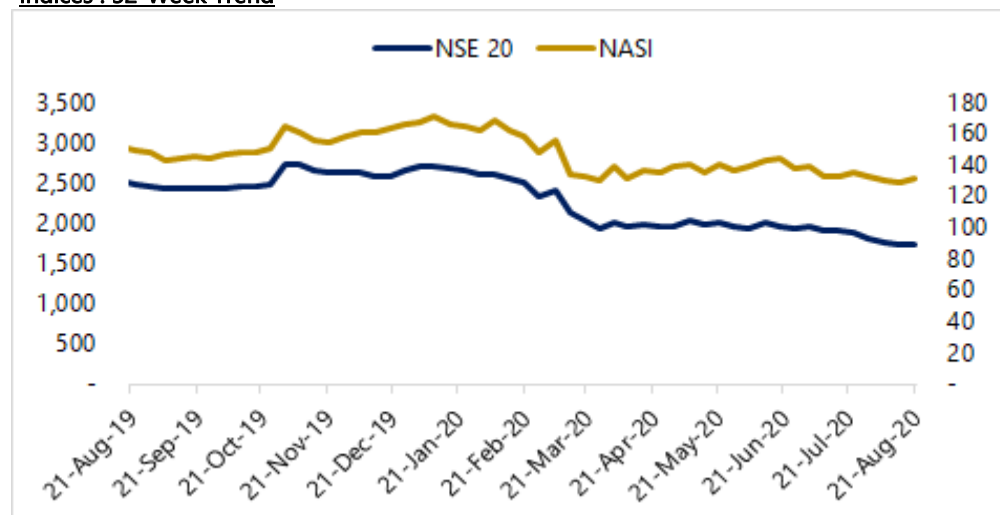
### PEER P/E MULTIPLES



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

(Source: Bloomberg, DBIB Research)

### Indices : 52-Week Trend



(Source: NSE, DBIB Research)



# WEEKLY BOURSE WRAP UP...

## Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
N.B.V.	17.9
Equity Group	14.6
Uchumi	13.8
E.A.Cables	12.3
K.C.B. Group	10.1

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Bamburi Cement	(11.9)
NCBA Group	(11.4)
Williamson Tea	(10.9)
Scangroup	(9.1)
Home Afrika	(8.9)

(Source: NSE, DBIB Research)



.....  
**Safaricom** emerged the top traded counter on the bourse recording a weekly turnover of USD 6.59 MN (KES 711.54 MN) representing 36.28% of this week's turnover.

The counter edged up 1.8% w-o-w to close at KES 28.20 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 52.87% of foreign sales and 62.71% of foreign purchases.  
 .....

<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	6.59
K.C.B. Group	4.96
Equity Group	1.75
Co-operative Bank	1.10
NCBA Group	0.79

(Source: NSE, DBIB Research)

## Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	86.8
ABSA New Gold ETF	38.3
Olympia Capital	21.9
Kakuzi	15.0
Uchumi	13.8

(Source: NSE, DBIB Research)

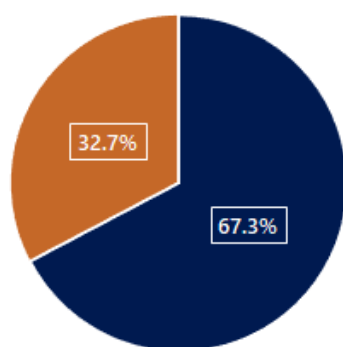


<u>Top Losers</u>	<u>%</u>
Bamburi Cement	(71.3)
Nation Media	(71.1)
Scangroup	(59.3)
BK Group	(46.4)
N.S.E.	(45.4)

(Source: NSE, DBIB Research)



## WEEKLY LOCAL VS FOREIGN PARTICIPATION



■ Foreign Participation  
 ■ Local Participation

(Source: NSE, DBIB Research)

## Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
N.S.E.	99.5
BK Group	97.3
Umeme	92.6
E.A. Breweries	65.9
D.T.B. Group	64.2

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
ABSA Gold ETF	100.0
BK Group	99.6
N.S.E.	95.7
Kenya Re	94.8
WPP Scangroup	87.9

## Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
BK Group	98.3
BAT Kenya	83.9
N.S.E.	75.1
E.A. Breweries	67.4
ABSA Gold ETF	66.7

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
BK Group	100.0
Stanbic	92.5
B.A.T. Kenya	91.1
ABSA Gold ETF	86.6
Safaricom	83.1

## FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 52.78 MN (KES 5.70 BN) representing a 59.7% w-o-w decrease from USD 130.83 MN (KES 14.17 BN) recorded the previous week. .

The Bond market's turnover for the week stood at USD 52.78 MN (KES 5.70 BN) representing a 59.7% w-o-w decrease from USD 130.83 MN (KES 14.17 BN) recorded the previous week. The bond issue number FXD1/2019/5Yr emerged as the top traded bond with a turnover of KES 2.21 BN accounting for 38.77% of the week's turnover. The bond traded at 10.2500%.

### August Issue Results: IFB1/2020/11

The Government received KES 101.47 BN from its issue of the IFB1/2020/11, above the total amount offered of KES 70.00 BN. This placed the performance rate at 144.96%. The government accepted KES 78.64 BN. The average rate of the accepted bids came in at 11.302% whilst the market weighted average rate was placed at 11.406%. The bond's coupon rate was fixed at 10.900%.

### Top Trades for the week ending 21 August 2020

						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
17-Aug	FXD 1/2019/ 5Yr	3.5	11.3040	10.2500	108.4789	2,200.0
18-Aug	FXD2/2007/15Yr	1.8	13.5000	9.0000	109.9437	300.0
17-Aug	FXD1/2020/ 5Yr	4.7	11.6670	10.1000	108.8859	250.0
17-Aug	FXD2/2007/15Yr	1.8	13.5000	8.6000	110.6073	231.0
18-Aug	FXD2/2007/15Yr	1.8	13.5000	8.3134	111.1304	200.0
20-Aug	FXD2/2007/15Yr	1.8	13.5000	8.6500	110.5979	200.0
21-Aug	FXD2/2007/15Yr	1.8	13.5000	8.3500	111.1416	200.0
18-Aug	FXD1/2010/25Yr	14.8	11.2500	11.5500	99.8363	190.0
19-Aug	FXD3/2019/15Yr	13.9	12.3400	10.1500	106.6220	150.0
21-Aug	FXD 2/2010/10Yr	0.2	9.3070	6.3000	103.6066	140.0
17-Aug	FXD2/2007/15Yr	1.8	13.5000	8.6500	110.5207	100.0
20-Aug	FXD 2/2017/ 5Yr	2.2	12.5170	9.1000	110.7442	100.0
21-Aug	FXD 2/2017/ 5Yr	2.2	12.5170	8.5618	111.8593	100.0
21-Aug	FXD 1/2018/ 5Yr	2.6	12.2990	9.0652	112.3894	100.0
21-Aug	FXD2/2018/20Yr	17.9	13.2000	12.7500	104.0273	100.0
19-Aug	FXD2/2018/20Yr	17.9	13.2000	12.7098	104.2457	80.0
20-Aug	FXD1/2020/ 5Yr	4.7	11.6670	10.3000	108.2136	63.8
18-Aug	FXD2/2018/20Yr	17.9	13.2000	12.3527	106.8374	56.1
19-Aug	FXD1/2009/15Yr	4.1	12.5000	10.1394	112.1986	50.0
18-Aug	FXD 3/2019/ 5Yr	4.3	11.4920	10.3500	105.8893	40.0

#### Sale Buy Back

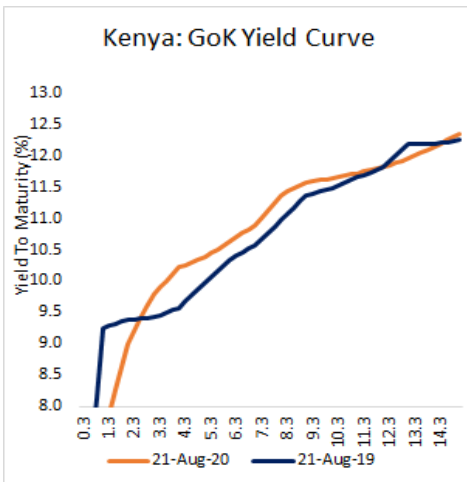
20-Aug	FXD 1/2018/ 5Yr	2.57	12.2990	9.9000	110.41	100
--------	-----------------	------	---------	--------	--------	-----

(Source: NSE, DBIB Research)

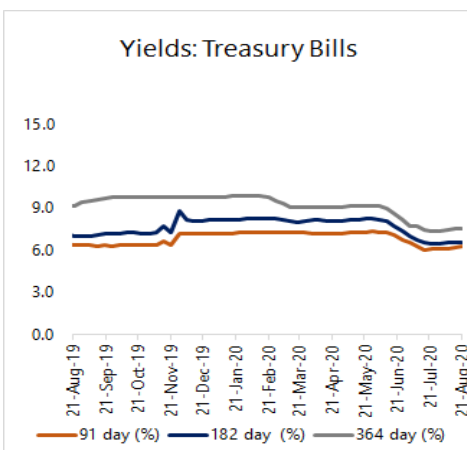
### Treasury Bill auction for the week ending 21 August 2020

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	2.62	65.45	2.62	6.257	5.7
182-day	10.00	0.88	8.83	0.88	6.600	3.9
364-day	10.00	6.18	61.84	6.18	7.508	(0.9)

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

---

## Salient News...

### Britam Group 1H20 Earnings

.....  
**Britam** saw a 197.7% decline in profit after tax to a loss of KES 1.6 BN in 1H20.  
.....

**Britam saw a 197.7% decline in profit after tax to a loss of KES 1.6 BN in 1H20**, down from a profit of KES 1.7 BN in 1H19 primarily due to fair value losses of KES 3.1 BN following the depressed performance of the stock market and property revaluation losses of KES 929.0 MN due to the depressed property market that has seen low occupancy levels and rental yields.

**Net earned premiums rose 8.1% y-o-y to KES 11.7 BN** on the back of an 8.7% y-o-y rise in gross written premiums to KES 14.1 BN and a 31.5% y-o-y rise in premiums ceded to KES 2.4 BN. Management attributed top line growth to continued growth of the international general insurance business which recorded an increase in gross earned premium of 34.0%, contributing 23.0% of the group's gross earned premium and a profit of KES 575.0 MN.

**Investment income rose 33.5% y-o-y to KES 3.6 BN** whereas net unrealized gains on assets held at FVPL declined 228.4% y-o-y to a loss of KES 3.2 BN. As a result, total income declined 23.6% y-o-y to KES 12.9 BN. Investment income ratio declined 4483 bps y-o-y to 3.6% while investment income reliance ratio declined 2,766 bps y-o-y to 3.2%.

**Net claims and benefits rose 22.3% y-o-y to KES 8.1 BN** to see a claims ratio of 69.4%, up 809 bps y-o-y. Operating and other expenses declined 6.4% y-o-y to KES 3.9 BN on the back cost of control measures to see an expense ratio of 33.4%, down 517 bps y-o-y. Commission payable rose 9.9% y-o-y to KES 1.8 BN whereas commission earned rose 24.9% y-o-y to KES 635.6 MN. As a result, acquisition ratio declined 47 bps y-o-y to 10.2%. Altogether, the combined ratio rose 246 bps y-o-y to 113.0%.

**The group's net assets declined 14.4% y-o-y to KES 25.1 BN** on the back of a 2.6% y-o-y rise in total assets to KES 128.5 BN and a 7.8% y-o-y rise in total liabilities to KES 103.4 BN.

**We do not anticipate a significant recovery until the stock market recovers from the COVID-19 related sell off.** On a trailing basis, Britam is trading at a P/E of 61.7x and a P/B of 0.7x against sector median price multiples of 3.7x and 0.6x respectively. We issue an **UNDERWEIGHT** recommendation. *(Source: Company filings, DBIB Research)*

---

## Salient News...

### Equity Group 1H20 Earnings

.....  
**Equity Group** released its 1H20 results recording a 24.4% y-o-y decline in profit after tax (PAT) to KES 9.1 BN mainly due to a 773.4% y-o-y rise in loan loss provision expense to KES 8.0 BN (cost of risk of 2.0%).  
.....

**Equity Group Holdings** released its 1H20 results recording a **24.4% y-o-y decline in profit after tax (PAT) to KES 9.1 BN** mainly due to a 773.4% y-o-y rise in loan loss provision expense to KES 8.0 BN (cost of risk of 2.0%). EPS for the period stood at KES 2.39. Trailing EPS stands at KES 5.14. Annualized ROE declined 858 bps y-o-y to 14.6% whereas annualized ROA declined 134 bps y-o-y to 2.4%.

**Net interest income rose 16.9% y-o-y to KES 24.6 BN.** This was on the back of an 18.5% y-o-y rise in interest income to KES 32.8 BN and a 23.6% y-o-y rise in interest expense to KES 8.2 BN. The annualized yield on interest earning assets declined 9 bps y-o-y to 10.1% whereas annualized cost of funds rose 13 bps y-o-y to 2.7%. Consequently, annualized net interest margin declined 22 bps y-o-y to 7.3%.

**Non-funded income declined 13.0% y-o-y to KES 14.4 BN.** This followed an 8.0% y-o-y drop in total fees and commissions to KES 9.2 BN, and a 36.7% y-o-y drop in other operating income to KES 2.9 BN. Net forex income rose 20.0% y-o-y to KES 2.2 BN. Fees and commissions from loans declined 10.8% y-o-y to KES 2.5 BN whereas other fees and commissions declined 7.0% y-o-y to KES 6.8 BN. Funded income reliance ratio rose 708 bps y-o-y to 63.1%.

**COVID-19 accommodated loans:** The group has identified 45.0% of the loan book to be accommodated for COVID-19 purposes.

**Acquisition of BCDC:** The acquisition of BCDC was completed on 7th August 2020. BCDC will contribute 200,000 customers and 29 branches to the group's operations in DRC. Based on financials as at FY19, BCDC will contribute KES 124.0 BN of assets, KES 43.9 BN of net loans and KES 105.1 BN of customer deposits.

**On a trailing basis,** Equity is trading at a P/E of 5.9x and a P/B of 0.9x against sector median multiples of 4.8x and 0.6x. It has an ROE of 14.6% and an ROA of 2.4% against sector median return multiples of 15.4% and 2.0%. We maintain our **BUY** recommendation. *(Source: Company filings, DBIB Research)*

---

## Salient News...

### Umeme 1H20 Earnings

.....  
**Umeme** released its 1H20 results reporting a 64.5% y-o-y decline in PAT to USH 21.8 BN (USD 5.9 MN).  
.....

**Umeme released its 1H20 results reporting a 64.5% y-o-y decline in PAT to USH 21.8 BN (USD 5.9 MN)** primarily on account of revenue shortfalls arising from reduced electricity demand, increased energy losses and outstanding regulatory income recoveries. EPS for the period stands at USH 13.40 (USD 0.004).

**The board did not recommend an interim dividend** for the period citing uncertainties around the COVID-19 crisis and their focus on improving the operational performance, managing liquidity and resolving the regulatory challenges facing the company.

**Revenue from contracts with customers rose 4.1% y-o-y to USH 848.8 BN (USD 231.0 MN)** despite a 5.0% y-o-y drop in electricity sales to USH 778.0 BN (USD 211.7 MN) arising from a 1.6% y-o-y reduction in underlying electricity unit sales to 1,538 GWh. ECP revenues relating to completed connections for the period rose by 79.3% y-o-y to USH 52.0 BN (USD 14.1 MN).

**Cost of sales rose by 18.7% y-o-y to USH 616.8 BN (USD 167.8 MN)** owing to a 11.7% y-o-y increase in electricity purchases to USH 544.0 BN (USD 148.0 MN) driven majorly by a 12.0% y-o-y increase in bulk supply tariff. This saw the gross profit margin decline 890 bps y-o-y to 27.3%.

**Total expenses edged up 13.4% y-o-y to USH 111.5 BN (USD 31.5 MN).** **Energy losses** for the period rose by 50 bps y-o-y to 17.4%.

**Finance costs reduced by 12.3% y-o-y to USH 26.7 BN (USD 7.3 MN)** as the company paid down debt totalling USH 65.0 BN (USD 17.7 MN) in settlement of the term facility with Standard Chartered Bank, Stanbic Bank Uganda Limited, International Finance Corporation (IFC) and a short-term revolving facility with DFCU Bank Limited.

**Total assets increased by 4.0% y-o-y to USH 2.6 TN (USD 719.2 MN)** on the back of a 2.8% y-o-y increase in non-current assets to USH 2.0 TN (USD 557.0 BN) and an 8.4% y-o-y rise in current assets to USH 596.1 BN (USD 719.2 MN).

**Total liabilities rose by 3.6% y-o-y to USH 1.8 TN (USD 481.6 MN)** while total equity increased by 4.8% y-o-y to USH 873.1 BN (USD 273.6 MN).

**On a trailing basis**, Umeme is trading at a P/E multiple of 4.1x in line with the sector median and a P/B multiple of 0.5x against a sector median of 0.2x. Its ROE stands at 11.4% against a sector median of 10.4% while its ROA stands at 3.8% in line with the sector median. We issue a **HOLD** 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*
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>
Olympia Capital	11.00 am	Virtual	31-Aug-20
E.A. Cables	11.00 am	Virtual	03-Sep-20
E.A. Breweries	TBC	Virtual	16-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*

### DISCLAIMER

*While every care has been taken in preparing this report and it has been prepared from sources believed to be reliable, no representation, warranty, or undertaking (express or implied) is given and no responsibility is accepted by Dyer and Blair Investment Bank Limited, its related companies, subsidiaries, affiliates, its employees and agents, as to the accuracy and completeness of the information contained herein or in respect of any reliance on or use thereof. This report is solely intended for distribution to clients of Dyer and Blair Investment Bank Limited. Any information may be changed after distribution at any time without any notice.*

### RESEARCH TEAM

Edwin Chui | Mary Mukuria | Cynthia Wangari

Email: [research@dyerandblair.com](mailto:research@dyerandblair.com) | Contact: +254 709 930 130