

DYER & BLAIR INVESTMENT BANK

WEEKLY MARKET WRAP UP

Founder Member of the Nairobi Securities Exchange

24th January 2020



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

KENYA EQUITIES: INDICES & MARKET METRICS MOVEMENT

| Index | 0 wk | 1 wk | 1 m | 3 m | 6 m | 12 m | Y-T-D |
|------------------|----------|--------|--------|------|--------|--------|--------|
| NASI | 165.0 | (0.01) | (0.00) | 0.10 | 0.11 | 0.13 | (0.01) |
| NSE-20 | 2,642.5 | (0.01) | (0.00) | 0.06 | (0.00) | (0.09) | (0.00) |
| DBIB Select | 90.1 | 0.00 | 0.02 | 0.06 | 0.05 | 0.05 | 0.01 |
| FTSE 15 | 219.2 | 0.01 | 0.00 | 0.14 | 0.18 | 0.18 | (0.01) |
| FTSE 25 | 227.4 | 0.01 | (0.04) | 0.12 | 0.16 | 0.22 | (0.01) |
| FTSE Frontier 50 | 45,749.1 | (0.00) | (1.00) | 0.04 | (0.06) | 0.01 | 0.03 |

(Source: NSE, Bloomberg, DBIB Research)

| Market Metrics | 0 wk | 1 wk | 1 m | 3 m | 6 m | 12 m |
|-------------------------|----------|---------|--------|---------|---------|--------|
| Market Cap. (USD m) | 2,518.11 | (0.01) | (0.00) | 0.10 | 0.11 | 0.15 |
| Market Turnover (USD m) | 28.19 | (0.30) | 2.21 | (0.28) | 0.09 | (0.15) |
| Market P/E (x) | 13.53 | 0.01 | (0.01) | (0.05) | (0.04) | 0.14 |
| Market Div. yld (%) | 5.66 | 3.73 | 6.00 | (56.41) | (60.56) | 83.44 |
| Market ROE (%) | 45.15 | (38.85) | 41.00 | 968.19 | 788.27 | 868.04 |

(Source: NSE, DBIB Research)

KENYA FIXED INCOME: YIELDS & MARKET METRICS MOVEMENT

| | 0 wk | 1 wk | 1 m | 3 m | 6 m | 12 m |
|-------------------------|--------|--------|----------|----------|--------|--------|
| FTSE Bond Index | 97.36 | 0.00 | (0.00) | (0.01) | (0.01) | 0.02 |
| Market Turnover (USD m) | 102.91 | (0.08) | 1.96 | 2.84 | (0.34) | (0.03) |
| 91-day T-Bill (%) | 7.28 | 4.70 | 7.90 | 85.50 | 68.70 | 15.90 |
| 5 year rate (%) | 11.54 | 20.29 | 5.26 | 131.96 | 128.95 | (5.54) |
| Interbank Lending (%) | 3.86 | 7.27 | (192.41) | (290.00) | 125.00 | 82.00 |

(Source: CBK, NSE)

KENYA MACRO METRICS MOVEMENT

| | 0 wk | 1 wk | 1m | 3m | 6m | 12m |
|--------------------------|--------|--------|--------|---------|---------|---------|
| KES/USD | 100.86 | 0.00 | (0.00) | 0.02 | 0.01 | (0.03) |
| KES/GBP | 132.39 | (0.00) | (0.01) | 0.02 | (0.02) | 0.01 |
| KES/EUR | 111.87 | 0.01 | (0.01) | 0.03 | 0.01 | (0.01) |
| Fx reserve: Import Cover | 5.20 | - | (0.24) | (0.39) | (0.81) | (0.09) |
| Inflation | 5.82 | - | - | 87 | (45) | 112 |
| CBR | 8.50 | - | - | (50.00) | (50.00) | (50.00) |

(Source: CBK, NSE)

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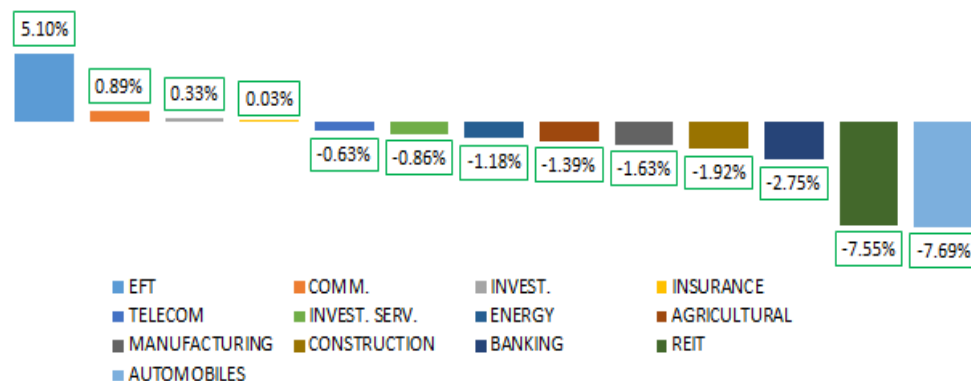
IN THIS WEEK'S ISSUE...

EQUITY MARKET SUM UP

Weekly equity turnover declined by 30.1% w-o-w to close at USD 28.19 MN (KES 2.84 BN).

NSE 20 and NASI dropped 1.0% and 0.8% w-o-w to close at 2,642.50 and 164.98 respectively.

Weekly equity turnover declined by 30.1% w-o-w to close at USD 28.19 MN (KES 2.84 BN). NSE 20 and NASI dropped 1.0% and 0.8% w-o-w to close at 2,642.50 and 164.98 respectively. Below is a graphic representation of the weekly sector-wide performance.



(Source: NSE, DBIB Research)

Week-on-Week Performance

| Top gainers | % | Top Losers | % | Top Traders | USD m |
|--------------------|------|----------------|--------|--------------|-------|
| Uchumi | 12.0 | Stanbic | (10.6) | Safaricom | 9.75 |
| TPS Eastern Africa | 11.7 | Unga Group | (10.5) | Equity Group | 5.53 |
| Olympia Capital | 10.3 | BK Group | (9.9) | E.A.B.L. | 3.98 |
| Kapchorua Tea | 3.8 | Kakuzi | (8.9) | KCB Group | 3.78 |
| Standard Group | 2.7 | Bamburi Cement | (8.4) | Carbacid | 1.08 |

(Source: NSE, DBIB Research)

Y-T-D Performance

| Top gainers | % | Top Losers | % |
|----------------------|------|--------------------|--------|
| Kenya Airways | 17.1 | Sameer Africa | (25.8) |
| Carbacid Investments | 12.5 | Flame Tree Group | (23.1) |
| Olympia Capital | 11.4 | BK Group | (18.9) |
| CIC Insurance Group | 9.0 | Home Afrika | (13.3) |
| B.O.C Kenya | 8.6 | Nation Media Group | (12.1) |

(Source: NSE, DBIB Research)

Weekly Foreign Performance

| Top Weekly Buys | % Purchase | Top Weekly Sales | % Sold |
|-----------------|------------|------------------|--------|
| Bank of Kigali | 100.0 | Bank of Kigali | 100.0 |
| Safaricom | 95.2 | Safaricom | 95.5 |
| E.A.B.L. | 84.0 | KCB Group | 92.0 |
| Equity Group | 78.4 | Centum | 87.8 |
| KenGen | 46.6 | B.A.T (K) | 62.6 |

(Source: NSE, DBIB Research)

Y-T-D Foreign Performance

| Top Foreign Buys | % Purchase | Top Foreign Sales | % Sold |
|------------------|------------|-------------------|--------|
| Bank of Kigali | 99.7 | Bank of Kigali | 100.0 |
| Safaricom | 94.5 | B.A.T. (K) | 92.7 |
| B.A.T. (K) | 84.1 | Jubilee Ins | 88.8 |
| E.A.B.L. | 82.9 | Safaricom | 72.3 |
| Equity Group | 80.5 | Equity Group | 59.1 |

(Source: NSE, DBIB Research)

FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 102.91 MN (KES 10.38 BN) representing a 8.0% w-o-w contraction from USD 111.7 MN (KES 11.3 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 102.91 MN (KES 10.38 BN) representing a 8.0% w-o-w contraction from USD 111.7 MN (KES 11.3 BN) recorded the previous week. The government bond, issue number IFB1/2019/16Yr emerged as the top traded bond with a turnover of KES 1.73 BN, accounting for 16.7% of the week's turnover. The bond traded at an average yield of 11.3572%.

December Issue Results: FXD1/2019/5 and FXD1/2019/10

The Government of Kenya received KES 69.94 BN from its issue of the FXD1/2019/5 and FXD1/2019/10 above the offered KES 50.00 BN placing the cumulative performance rate at 139.9%. The performance for the 5yr bond came in higher at 89.03% compared to the 10yr's at 50.85%. The government accepted KES 44.49 BN of the 5 yr bond and KES 19.26 BN of the 10 yr bond bringing the total accepted to KES 63.75 BN. The average rate of the accepted bids for the 5 yr came in at 11.499% whereas that of the 10 yr stood at 12.430%. The market weighted average rate for the 5 yr came in at 11.500% whilst that of the 10 yr stood at 12.496%. The pre-determined coupon rate for the 5 yr was 11.304% whilst that of the 10 yr was 12.438%.

Top Trades for the Week ending 24 January 2020

| | | | | | | Total |
|--------------|-----------------|-------|------------|-----------|-----------|---------------|
| Trading Date | Issue No. | Years | Coupon (%) | Yield (%) | Price (%) | Value (KES m) |
| 21-Jan | FXD 3/2016/ 5Yr | 3.0 | 13.112 | 10.350 | 108.42 | 733.1 |
| 20-Jan | IFB 1/2019/16Yr | 15.7 | 11.750 | 11.450 | 104.67 | 520.0 |
| 20-Jan | FXD1/2008/20Yr | 8.4 | 13.750 | 12.800 | 107.07 | 500.0 |
| 20-Jan | FXD1/2019/20Yr | 19.2 | 12.873 | 12.830 | 103.72 | 500.0 |
| 21-Jan | FXD1/2018/20Yr | 18.1 | 13.200 | 12.725 | 107.64 | 500.0 |
| 21-Jan | FXD1/2019/20Yr | 19.2 | 12.873 | 12.770 | 104.18 | 500.0 |
| 22-Jan | IFB 1/2016/15Yr | 11.7 | 12.000 | 11.200 | 106.84 | 500.0 |
| 23-Jan | FXD 2/2010/10Yr | 0.7 | 9.307 | 10.541 | 101.51 | 500.0 |
| 23-Jan | IFB 1/2016/15Yr | 11.7 | 12.000 | 11.100 | 107.37 | 500.0 |
| 24-Jan | FXD 2/2010/10Yr | 0.7 | 9.307 | 9.738 | 102.10 | 500.0 |
| 22-Jan | IFB 1/2019/16Yr | 15.7 | 11.750 | 11.250 | 106.10 | 409.0 |
| 21-Jan | FXD2/2019/15Yr | 14.3 | 12.734 | 12.455 | 104.28 | 300.0 |
| 24-Jan | FXD2/2013/15Yr | 8.2 | 12.000 | 12.300 | 101.56 | 300.0 |
| 22-Jan | FXD 3/2016/ 5Yr | 3.0 | 13.112 | 10.370 | 108.42 | 213.8 |
| 20-Jan | FXD 4/2019/10Yr | 9.8 | 12.280 | 12.200 | 102.30 | 200.0 |
| 20-Jan | IFB 1/2018/15Yr | 13.0 | 12.500 | 11.450 | 112.38 | 200.0 |
| 20-Jan | IFB 1/2019/16Yr | 15.7 | 11.750 | 11.500 | 104.33 | 200.0 |
| 21-Jan | IFB 1/2018/15Yr | 13.0 | 12.500 | 11.350 | 113.05 | 200.0 |
| 22-Jan | FXD 3/2016/ 5Yr | 3.0 | 13.112 | 10.150 | 108.76 | 200.0 |
| 23-Jan | FXD 3/2016/ 5Yr | 3.0 | 13.112 | 9.855 | 109.25 | 200.0 |
| 23-Jan | IFB 1/2015/9Yr | 4.9 | 11.000 | 10.200 | 103.19 | 200.0 |

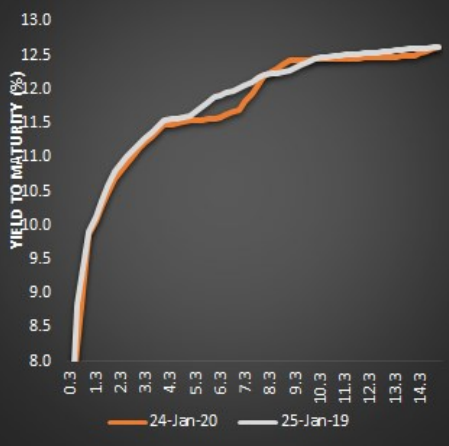
(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 24 January 2020.

| Instrument | Amount Bids Received (KES Bn) | Subscription Bids Accepted (KES Bn) | Rate (%) | Yield (%) | w-o-w bps ch |
|------------|-------------------------------|-------------------------------------|----------|-----------|--------------|
| 91-day | 4.0 | 4.313 | 107.83 | 7.279 | 4.7 |
| 182-day | 10.0 | 8.979 | 89.79 | 8.212 | 4.5 |
| 364-day | 10.0 | 21.713 | 217.13 | 9.859 | 1.7 |

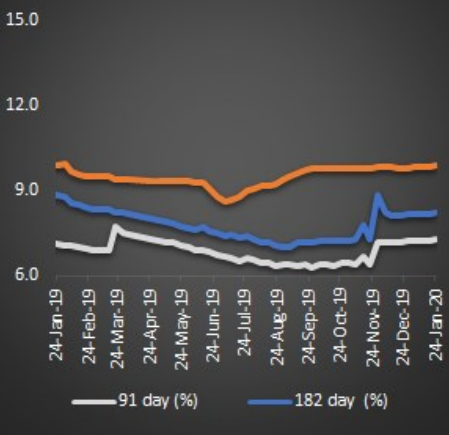
(Source: NSE, DBIB Research)

Kenya: GoK Yield Curve



Source: NSE, DBIB Research

Yields: Treasury Bills



Source: NSE, DBIB Research

EAC MARKETS SNAPSHOT

Rwanda: The RSE RSI gained 0.2% w-o-w to close at 121.78 while RSE RASI edged up by 0.03% w-o-w to close 150.97 respectively.

Tanzania: The DSE DSEI and DSE TSI increased 0.1% and 0.3% w-o-w to close at 2,091.01 and 3,445.89 respectively.

Uganda: USE ALSI recorded a 0.6% increase w-o-w to close at 1820.26 while USE LSI shed 0.1% to close at 345.43.

Rwanda: The RSE RSI gained 0.2% w-o-w to close at 121.78 while RSE RASI edged up by 0.03% w-o-w to close 150.97 respectively. Total weekly turnover declined by 80.0% w-o-w to stand at RWF 31.6 MN. Bank of Kigali was the top traded counter accounting for 87.7% of the week's turnover.

Tanzania: The DSE DSEI and DSE TSI increased 0.1% and 0.3% w-o-w to close at 2,091.01 and 3,445.89 respectively. Weekly turnover recorded an 18.0% w-o-w decline to stand at TZS 23.58 BN. Tanzania Breweries emerged the top traded counter with a turnover of TZS 23.50 BN, accounting for 99.6% of the week's turnover.

Uganda: The USE ALSI recorded a 0.6% increase w-o-w to close at 1820.26 while USE LSI shed 0.1% to close at 345.43.

| | Week's High (L.C) | Week's Low(L.C) | Current Price (L.C) | Price (KES) | w-o-w change % | y-t-d change % | Turnover (L.C MN) | Turnover (KES MN) |
|---|----------------------|---------------------|------------------------|----------------|-------------------|-------------------|----------------------|----------------------|
| Rwanda Stock Exchange (RSE) | | | | | | | | |
| Bank of Kigali | 265 | 259 | 260 | 27.62 | 0.4 | -1.9 | - | - |
| Bralirwa | 139 | 139 | 139 | 14.77 | 0.0 | 0.0 | 0.53 | 0.06 |
| Cyrstal Telecom Ltd | 65 | 65 | 65 | 6.90 | 0.0 | -7.1 | 157.47 | 16.73 |
| I&M Rwanda | 90 | 90 | 90 | 9.56 | 0.0 | 1.1 | - | - |
| Dar Es Salaam Stock Exchange (DSE) | | | | | | | | |
| CRDB Bank | 110 | 100 | 110 | 4.81 | 10.0 | 15.8 | 6,925.08 | 302.74 |
| Dar Es Salaam Community Bank (DCB) | 295 | 295 | 295 | 12.90 | 0.0 | 0.0 | - | - |
| DSE | 980 | 980 | 980 | 42.84 | 0.0 | 0.0 | 0.47 | 0.02 |
| Maendeleo (MBP) | 490 | 490 | 490 | 21.42 | 0.0 | 0.0 | - | - |
| National Microfinance Bank (NMB) | 2,340 | 2,340 | 2,340 | 102.30 | 0.0 | 0.0 | 5.19 | 0.23 |
| Precision Air Services (PAL) | 400 | 400 | 400 | 17.49 | 0.0 | 0.0 | - | - |
| Swissport Tanzania (SWIS) | 1,600 | 1,600 | 1,600 | 69.95 | 0.0 | 0.0 | - | - |
| Tanzania Breweries (TBL) | 10,900 | 10,900 | 10,900 | 476.52 | 0.0 | 0.0 | 21,789.39 | 952.57 |
| Tanga Cement Company (TCCL) | 600 | 600 | 600 | 26.23 | 0.0 | 0.0 | - | - |
| Tanzania Cigarette Company (TCC) | 17,000 | 17,000 | 17,000 | 743.19 | 0.0 | 0.0 | 0.02 | 0.00 |
| Tanzania Portland Cement (TPCC) | 2,000 | 2,000 | 2,000 | 87.43 | 0.0 | 0.0 | 27.98 | 1.22 |
| Tanzania Tea Packers (TTP) | 120 | 120 | 120 | 5.25 | 0.0 | 0.0 | - | - |
| TOL Gases | 660 | 660 | 660 | 28.85 | 0.0 | 0.0 | - | - |
| Swala | 490 | 490 | 490 | 21.42 | 0.0 | 0.0 | - | - |
| Mucoba Bank | 400 | 400 | 400 | 17.49 | 0.0 | 0.0 | - | - |
| YETU | 550 | 550 | 550 | 24.04 | 0.0 | 0.0 | - | - |
| MCB | 500 | 500 | 500 | 21.86 | 0.0 | 0.0 | - | - |
| MKCB | 780 | 780 | 780 | 34.10 | 0.0 | 0.0 | - | - |
| Vodacom | 850 | 850 | 850 | 37.16 | 0.0 | 0.0 | 0.24 | 0.01 |
| TICL | 385 | 385 | 385 | 16.83 | 0.0 | 0.0 | - | - |
| NICO | 170 | 170 | 170 | 7.43 | 0.0 | -2.9 | 5.37 | 0.23 |

(Source: RSE, DSE, DBIB Research)

*L.C refers to Local Currency

KENYA MARKET NEWS

Court suspends recruitment of the Auditor General

The Employment and Labor Relations Court has suspended the recruitment of an Auditor-General pending the determination of a case filed by activist Okiya Omtatah.

The Employment and Labor Relations Court has suspended the recruitment of an Auditor-General pending the determination of a case filed by activist Okiya Omtatah. He sued the selection panel that had last year been selected to nominate three candidates for appointment by the president. The panel was unable to nominate any of the candidates on the basis that they all scored poorly in tests for independence, diplomacy and tact, which were key considerations. Mr.Omtatah argues that the decision to cancel the recruitment and re-advertise the position was unconstitutional and beyond their legal powers as the applicants had the right academic and technical qualifications. The court has since issued an interim order prohibiting the parties from giving effect to the advertisement pending the hearing and determination of the case. This will see a further delay in the release of financial results by six state-controlled institutions, including three companies listed on the Nairobi Securities Exchange i.e. KenGen, Kenya Power and East Africa Portland Cement. Having felt the void left by the expiry of the former Auditor General's term, the Institute of Certified Public Accountants (ICPAK) is now pushing for changes in the law to allow for an acting head of the National Audit for a short fixed period during which time the substantive auditor general will be recruited to avoid the observed impasse in the future. *(Source: Business Daily, DBIB Research)*

EABL to relish a 90% remission rate

We believe that this amendment will proliferate EABL's top line and in turn bottom line due to a reduction in the indirect taxes owing to the increase of senator keg's remission rate from 80.0%.

According to the Excise Duty (Amendment) Regulations (2019), manufacturers will now relish a remission of excise duty at 90.0% with respect to beer made from sorghum, millet, cassava or any other agricultural produce grown in Kenya. We believe that this amendment will proliferate EABL's top line and in turn bottom line due to a reduction in the indirect taxes owing to the increase of senator keg's remission rate from 80.0%. This amendment follows the recent excise increase on spirits and wines from 15.0% to circa 20.0% which was assented in the Finance bill in the third quarter of 2019. We expect that the commercialization of the Kisumu brewery plant has unveiled an additional capacity of circa 1.0 MN HL. Given that the plant is solely dedicated to the production of senator keg, this amendment has checked in at an opportune time as the brewer utilizes locally produced white sorghum to produce the value brand. As the amendment is deemed to have taken effect on 01.07.2019, the brewer is expected to receive refunds for the excess excise charge they have been paying for that period of six months. This announcement, alongside the market's anticipation of the 1H20 results that are to be released on 31.01.20, have seen the share price rally to a high of KES 215.00. *(Source: Kenya Gazette Supplement No. 204, DBIB Research)*

Profit Warnings

- Sasini
- Kenya Power
- Eaagads
- BOC Gases
- NSE

UPCOMING EVENTS

| Company | Announcement | Book Closure | Payment |
|----------------|---------------------|---------------------|----------------|
| Longhorn | Final Div: KES 0.52 | 28-Nov-19 | 26-Feb-20 |
| Kenya Re | Bonus Issue of 3:1 | 14-Jun-19 | N/A |
| Carbacid | Final Div: KES 0.70 | 06-Nov-19 | N/A |

(Source: NSE, DBIB Research)

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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