

DBIB WEEKLY BULLETIN

WEEK 31

Date: 30.07.2020

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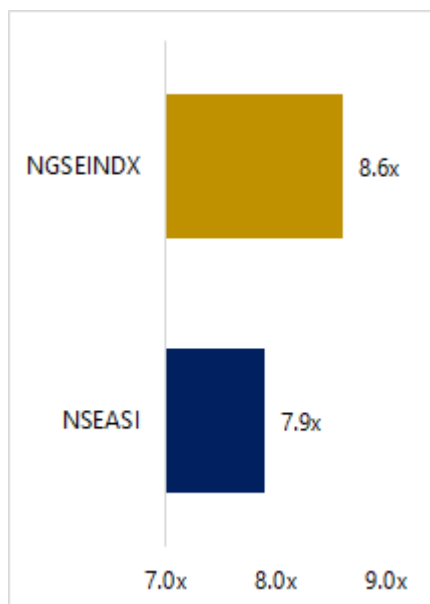
INDICES & MARKET METRICS MOVEMENT

NSE 20 dropped by 4.4% w-o-w to close at 1,804.10 whereas **NASI** fell 1.0% w-o-w to close at 133.23

Weekly equity turnover declined 53.6% w-o-w to USD 14.19 MN (KES 1.53BN).

USD | KES: KES strengthened 0.3% w-o-w to close at 107.71 (-6.3% YTD).

PEER P/E MULTIPLES



NSEASI - Nairobi All Share Index
NGSEINDEX - Nigeria All Share Index

(Source: Bloomberg, DBIB Research)

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	133.2	(1.01)	(4.62)	(17.80)	(19.94)
NSE-20	1,804.1	(4.39)	(7.86)	(30.62)	(32.03)
DBIB Select	84.4	(0.90)	(2.88)	(2.20)	(100.00)
FTSE 15	162.8	(1.87)	(8.54)	(24.70)	(26.44)
FTSE 25	176.0	(0.85)	(5.32)	(21.25)	(23.32)
FTSE Frontier 50	35,205.2	0.16	10.00	(20.69)	(21.01)

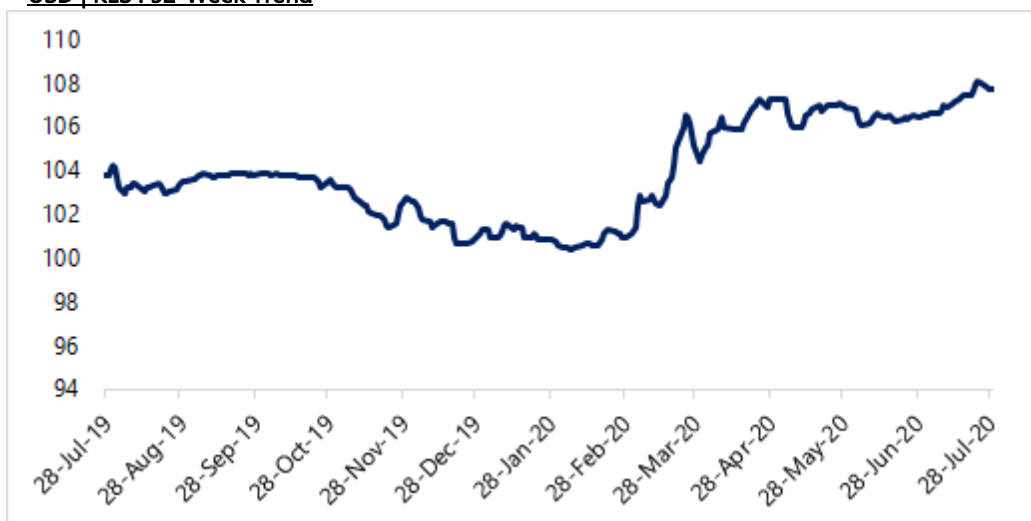
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,036.04	(1.02)	(4.56)	(4.64)	(17.70)
Market Turnover (USD m)	14.19	(53.63)	(1.40)	(6.03)	(43.01)
Market P/E (x)	11.60	3.05	13.48	-	(10.08)
Market Div. yld (%) *	5.20	(15.21)	(67.24)	(60.00)	(109.23)
Market ROE (%) *	37.19	(106.44)	(113.47)	(773.00)	75.00

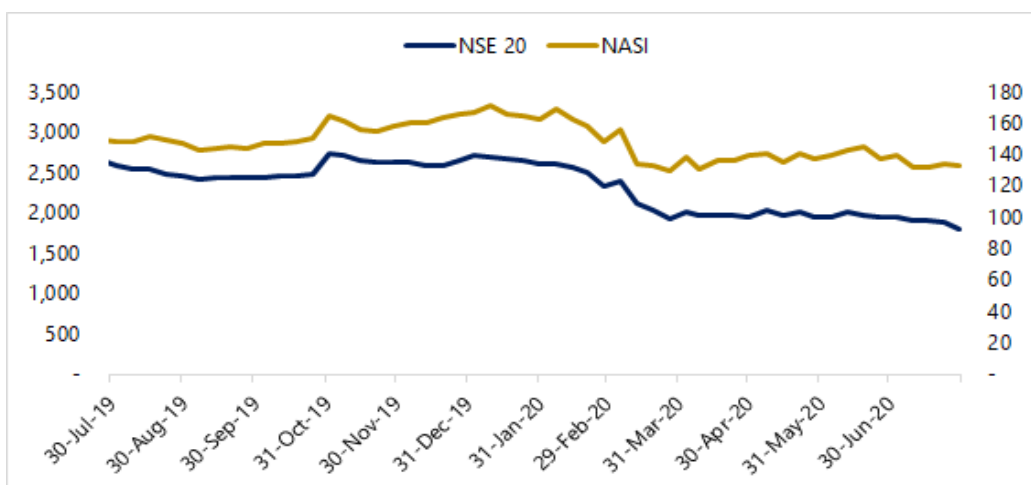
* Changes in bps

(Source: NSE, DBIB Research)

USD | KES : 52-Week Trend



Indices : 52-Week Trend



(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
E.A.Cables	12.4
N.B.V.	9.1
Stanlib Fahari I-REIT.	8.3
Stanbic Holdings	5.4
K.P.L.C.	4.2

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Scangroup	(42.2)
Sameer Africa	(10.1)
Trans-Century	(9.9)
E.A. Breweries	(7.7)
Umeme	(7.0)

(Source: NSE, DBIB Research)



Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 5.99 MN (KES 645.0 MN) representing 42.3% of this week's turnover.

The stock edged up 0.2% w-o-w to close at KES 28.15 on Friday.

Foreign investors assumed a net selling position on the counter this week by accounting for 72.1% of foreign sales and 63.3% of foreign purchases.

<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	5.99
E.A. Breweries	2.17
Equity Group	2.01
KCB Group	1.08
I&M Holdings	0.83

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	86.8
ABSA Gold ETF	39.2
Uchumi	20.7
Kakuzi	16.4
Kapchorua Tea	12.2

(Source: NSE, DBIB Research)

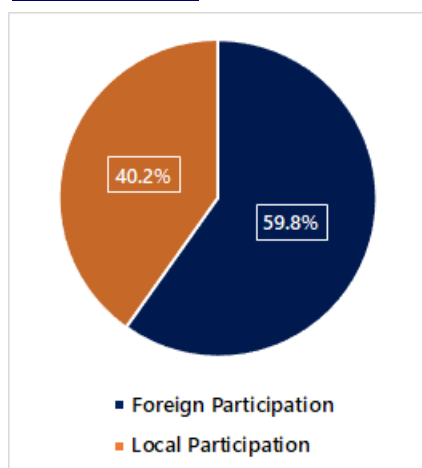


<u>Top Losers</u>	<u>%</u>
Nation Media	(73.5)
Bamburi Cement	(68.1)
N.S.E.	(44.9)
Express Kenya	(43.0)
Housing Finance	(39.9)

(Source: NSE, DBIB Research)



WEEKLY LOCAL VS FOREIGN PARTICIPATION



(Source: NSE, DBIB Research)

Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
Jubilee	99.5
E.A. Breweries	99.4
Equity Group	95.4
BAT Kenya	79.2
Safaricom	63.3

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
BK Group	98.4
Equity Group	89.9
ABSA Gold ETF	83.3
KCB Group	74.8
Safaricom	72.1

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
BK Group	99.5
BAT Kenya	84.5
E.A. Breweries	66.1
Safaricom	61.9
ABSA Gold ETF	57.0

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
BK Group	100.0
ABSA Gold ETF	99.6
Stanbic Holdings	92.6
BAT Kenya	91.3
Safaricom	83.2

FROM THE FIXED INCOME DESK

The Bond market's turnover for the week stood at USD 119.70 MN (KES 12.93 BN) representing a 11.12% w-o-w increase from USD 107.73 MN (KES 11.58 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 201.26 MN (KES 21.68 BN) representing a 68.1% w-o-w increase from USD 119.70 MN (KES 12.93 BN) recorded the previous week. The bond issue number FXD 1/2019/5Yr emerged as the top traded bond with a turnover of KES 5.80 BN accounting for 26.76% of the week's turnover. The bond traded between 9.7000% and 10.200%.

August Issue: IFB1/2020/11 and FXD2/2018/20 (Tap Sale)

For the month of August, the government has issued the infrastructure bond issue number IFB1/2020/11 aiming to raise KES 70.0 BN for funding infrastructure projects in the FY20/21 budget. The coupon rate on the bond has been set at 10.900%. The period of sale runs between 28/07/2020 and 18/08/2020. The government has as well issued a tap sale on the bond issue number FXD2/2018/20 seeking to raise a further KES 40.0 BN. The coupon is set at 13.200%. Bids on the bond will be priced at the average rate for the accepted bids during the auction value dated 24/09/2018 (12.931%) and duly adjusted for accrued interest. The period of sale runs from 28/7/2020 to the earlier of 4/08/2020 or the attainment of quantum

Top Trades for the week ending 30 July 2020

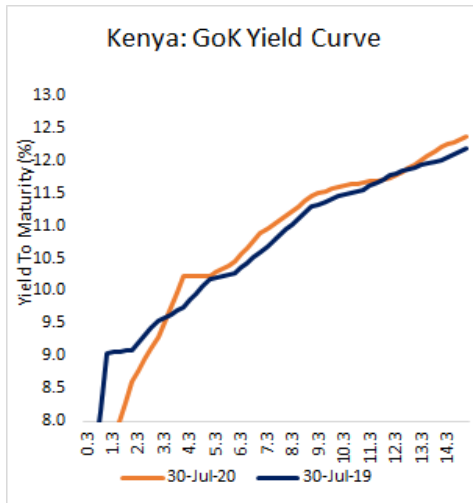
						Total
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (KES m)	Value (KES m)
30-Jul	FXD 1/2019/ 5Yr	3.5	11.3040	10.1000	108.3931	1,000.0
30-Jul	FXD 1/2019/ 5Yr	3.5	11.3040	10.1500	108.2431	1,000.0
30-Jul	FXD 1/2019/ 5Yr	3.5	11.3040	10.2000	108.0934	1,000.0
30-Jul	FXD 1/2019/ 5Yr	3.5	11.3040	10.0000	108.6938	900.0
29-Jul	FXD 1/2019/ 5Yr	3.5	11.3040	9.9000	108.9667	700.0
29-Jul	FXD1/2019/15Yr	13.4	12.8570	12.1000	105.0431	600.0
28-Jul	FXD2/2019/15Yr	13.7	12.7340	12.2000	106.2043	550.0
27-Jul	FXD1/2019/20Yr	18.6	12.8730	12.5000	106.3410	500.0
29-Jul	IFB 1/2020/6Yr	5.8	10.2000	9.9500	102.4451	500.0
28-Jul	FXD 1/2019/2Yr	0.5	10.7010	6.6000	102.0032	500.0
28-Jul	FXD 2/2018/10Yr	8.3	12.5020	11.3500	107.5723	500.0
28-Jul	FXD 1/2019/10Yr	8.5	12.4380	11.5500	110.0269	500.0
28-Jul	FXD 1/2019/10Yr	8.5	12.4380	11.5000	110.3038	500.0
28-Jul	FXD1/2019/15Yr	13.4	12.8570	12.0000	105.6945	500.0
30-Jul	FXD 1/2019/ 5Yr	3.5	11.3040	10.1200	108.3331	500.0
29-Jul	IFB 1/2017/7Yr	4.3	12.5000	9.8000	109.6064	400.0
30-Jul	IFB 1/2017/7Yr	4.3	12.5000	9.3618	110.9081	400.0

(Source: NSE, DBIB Research)

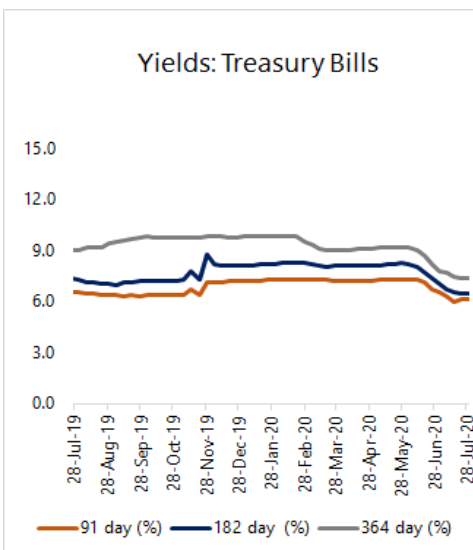
Treasury Bill auction for the week ending 30 July 2020

Instrument	Amount (KES Bn)	Bids Received (KES Bn)	Subscription Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.00	15.86	396.50	11.92	6.121	0.9
182-day	10.00	2.47	24.74	1.51	6.455	1.5
364-day	10.00	10.15	101.47	10.15	7.391	2.1

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News...

EABL: FY20 Earnings Update

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EABL released its FY20 results, recording a 39.0% y-o-y downswing in Profit after Tax (PAT) to KES 7.0 BN owing to the tough business environment instigated by the COVID-19 pandemic.

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East African Breweries released its FY20 results, recording a 39.0% y-o-y downswing in Profit after Tax (PAT) to KES 7.0 BN owing to the tough business environment instigated by the COVID-19 pandemic. Basic earnings per share (EPS) declined by 54.0% y-o-y to KES 5.17 per share. In a bid to conserve cash and remain secure during the uncertain environment, the directors did not recommend a final dividend. As such, the interim dividend (KES 3.00 per share) is deemed the full and final dividend for the year.

The brewer made a KES 188.0 MN loss after tax in 2H20 compared to a PAT of KES 7.2 BN in 1H20 (a striking 102.6% h-o-h decline). On the regional performance front, net sales growth was gravely impacted in Kenya (-14% y-o-y) and Uganda (-5% y-o-y) due to the stringent measures that were enforced. Tanzania's net sales grew by 14.0% y-o-y courtesy of its 'herd-immunity' approach with zero-containment measures in place.

Gross profit declined by 13.4% y-o-y to KES 33.0 BN courtesy of a 9.2% y-o-y decline in revenue to KES 74.9 BN and a 5.7% y-o-y decline in cost of sales to KES 41.9 BN. Total expenses rose 10.2% y-o-y to KES 22.4 BN, partly driven by a 947.7% y-o-y increase in other expenses to KES 3.4 BN. Selling and distribution costs declined by 8.6% y-o-y to KES 6.6 BN whilst administrative expenses declined by 8.9% y-o-y to KES 8.6 BN. Finance costs rose 14.3% y-o-y to KES 3.9 BN. Income tax expense dropped by 42.3% y-o-y to KES 3.6 BN.

EABL's working capital position deteriorated by 25.1% y-o-y to a negative position of KES 5.1 BN. On the current assets front; inventories rose by 48.2% y-o-y to KES 10.9 BN, receivables declined by 30.9% y-o-y to KES 5.7 BN and cash and bank balances declined by 54.6% y-o-y to KES 5.7 BN. On the current liabilities front; payables declined by 22.0% y-o-y to KES 21.7 BN and borrowings declined by 21.1% y-o-y to KES 4.1 BN. The brewer also posted a bank overdraft position of KES 3.9 BN.

Non-current liabilities edged up by 17.1% y-o-y to KES 43.6 BN, partly driven by an 18.6% y-o-y increase in borrowings to KES 36.9 BN. Non-current assets saw a 9.1% y-o-y increase to KES 62.7 BN, partly driven by a 7.0% y-o-y increase in property, plant, and equipment to KES 56.7 BN.

Operating expenses (less loan loss provisions) remained rather flat, registering a marginal 0.6% y-o-y growth to KES 17.3 BN. Pre-provision operating profit saw a 13.5% y-o-y upswing to KES 16.5 BN. Loan loss provisions advanced by 8.5% y-o-y to KES 4.2 BN.

Salient News...

EABL: FY20 Earnings Update

Net cash from operating activities declined by 85.2% y-o-y to KES 3.3 BN following a 52.1% y-o-y decline in cash generated to KES 13.6 BN and a 179.4% y-o-y increase in income tax paid to KES 6.5 BN. **Net cash used in investing activities** declined by 27.9% y-o-y to KES 8.3 BN, primarily driven by the purchase of PP&E to the tune of KES 7.9 BN. **Net cash used in financing activities** rose 210.9% y-o-y to KES 5.4 BN, partly driven by a 62.4% y-o-y increase in repayment of borrowings to KES 18.7 BN. Overall, cash and cash equivalents decreased by KES 10.3 BN in FY20. As the company's cash position at the end of the year deteriorated by 86.1% y-o-y to KES 1.7 BN from KES 12.5 BN in FY19, we are of the opinion that the lack of a final dividend payment is a sound decision for the company's stability.

Going forward, the brewer is keen on successfully remodeling its route-to-market to incorporate off-trade channels (e-commerce home delivery solutions, convenience stores, etc.) in the wake of tight regulations on alcoholic drinks and beverages that inhibit sales through the traditional retail outlets.

On a trailing basis, E.A. Breweries is trading at a P/E multiple of 18.1x and a P/B multiple of 9.1x. The counter's ROE stands at 50.2% whereas the ROA stands at 7.9%. The dividend yield currently stands at 1.9%. As we foresee a strong recovery once the dust settles, we maintain our **BUY** recommendation, with a long-term view. *(Source: Company filings, DBIB Research).*

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Unga Group
- E.A. Breweries
- 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	1-Nov-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>
Standard Chartered	Bonus Issue: 1:10	27-Apr-20	STA*
NCBA Group	Bonus Issue: 1:10	12-May-20	STA*
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>
Umeme	10.00 am	Virtual	6-Aug-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*

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RESEARCH TEAM

Edwin Chui | Mary Mukuria | Cynthia Wangari

Email: research@dyerandblair.com | Contact: +254 709 930 130