

DBIB WEEKLY BULLETIN

WEEK 24

Date: 12.06.2020

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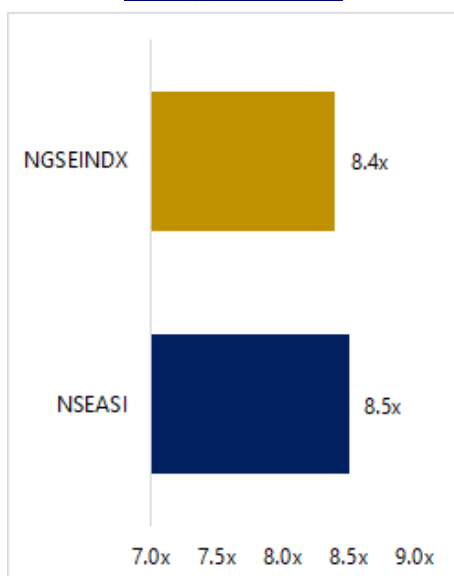
INDICES & MARKET METRICS MOVEMENT

NSE 20 and NASI indices **rose** by 3.7% and 2.7% w-o-w to close at 2,011.77 and 142.88 respectively .

Weekly equity turnover **edged up** 43.1% w-o-w to USD 31.42 MN (KES 3.35 BN).

USD | KES: KES **weakened** 0.4% to close at 106.50 (-5.1% YTD).

PEER P/E MULTIPLES



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

(Source: Bloomberg, DBIB Research)

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	142.9	2.66	6.90	(10.99)	(14.14)
NSE-20	2,011.8	3.72	(5.32)	(22.26)	(24.21)
DBIB Select	86.2	(0.00)	8.99	(1.29)	(3.62)
FTSE 15	174.7	1.79	(3.22)	(18.05)	(21.04)
FTSE 25	186.8	2.21	1.44	(15.71)	(18.62)
FTSE Frontier 50	34,879.2	(1.33)	(0.17)	(21.24)	(21.74)

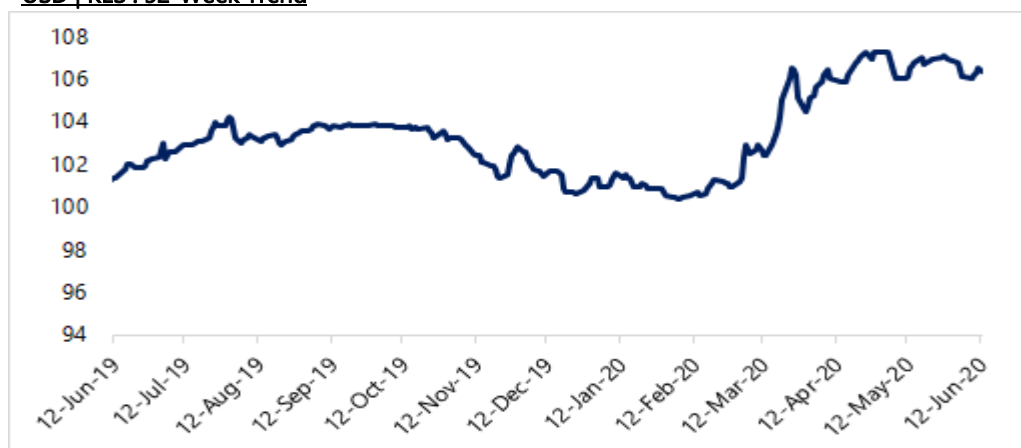
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,183.92	2.67	5.59	6.92	(10.86)
Market Turnover (USD m)	31.42	43.07	(31.92)	(40.92)	(4.84)
Market P/E (x)	12.30	2.61	8.85	20.72	(9.82)
Market Div. yld (%)	5.20	(9.43)	(183.04)	(100.00)	(104.32)
Market ROE (%)	38.38	5.94	(565.79)	(633.00)	130.43

* Changes in bps

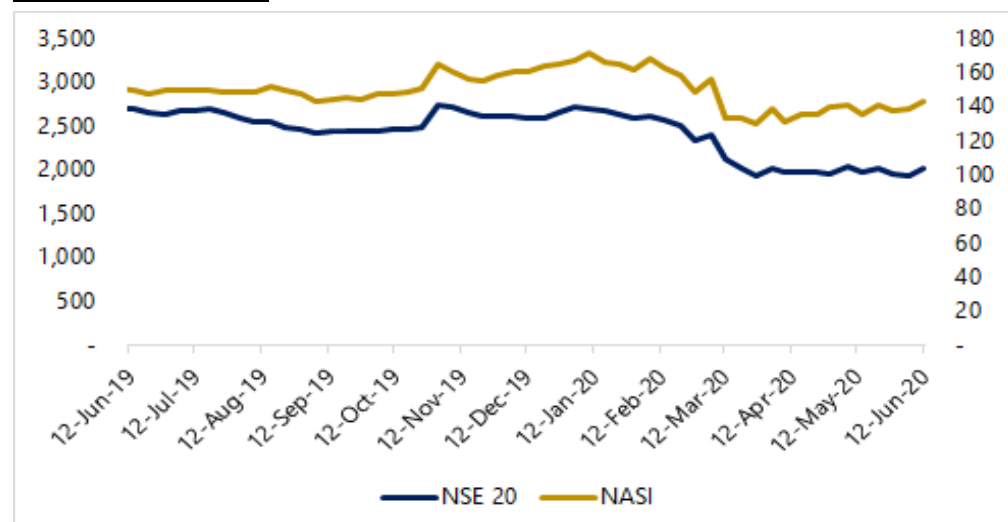
(Source: NSE, DBIB Research)

USD | KES : 52-Week Trend



(Source: CBK, DBIB Research)

Indices : 52-Week Trend



(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Britam Insurance	49.5
Flame Tree Group	25.3
Kenya Airways	22.7
TPS Eastern Africa	15.3
K.P.L.C. Ltd	11.7

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Eveready East Africa	(12.9)
Olympia Capital	(9.6)
Bamburi Cement	(8.9)
Sanlam Kenya	(6.6)
Uchumi Supermarket	(6.3)

(Source: NSE, DBIB Research)



Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 14.0 MN (KES 1.5 BN) representing 45.0% of this week's turnover.

The stock edged up 3.2% w-o-w to close at KES 30.45 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 50.3% of foreign sales and 97.2% of foreign purchases.

<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	13.99
K.C.B. Group	3.21
Equity Group	2.31
E.A. Breweries	1.51
Britam Insurance	1.05

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	39.5
ABSA New Gold ETF	22.1
Carbacid Investments	12.5
Britam Insurance	8.0
Olympia Capital	3.5

(Source: NSE, DBIB Research)

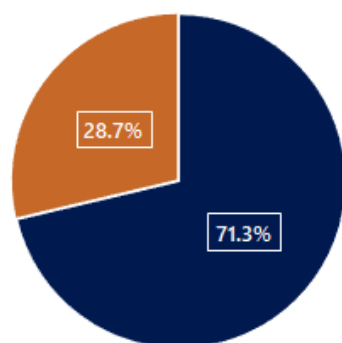


<u>Top Losers</u>	<u>%</u>
Nation Media	(59.4)
Bamburi Cement	(52.3)
Housing Finance	(39.5)
N.S.E.	(36.7)
Stanlib Fahari I-Reit	(36.3)

(Source: NSE, DBIB Research)



WEEKLY LOCAL VIS-À-VIS FOREIGN PARTICIPATION



Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
BK Group	97.3
Safaricom	97.2
B.A.T. Kenya	95.9
E.A. Breweries	84.1
KCB Group	67.4

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
ABSA New Gold ETF	100.0
BK Group	100.0
E.A. Breweries	99.5
Stanbic Holdings	97.7
K.C.B. Group	96.6

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
BK Group	99.4
B.A.T. Kenya	86.1
Safaricom	67.5
E.A. Breweries	61.9
ABSA New Gold ETF	61.1

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
BK Group	100.0
ABSA New Gold ETF	99.7
Stanbic Holdings	92.6
B.A.T. Kenya	90.0
Safaricom	82.7

(Source: NSE, DBIB Research)

FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 110.27 MN (KES 11.74 BN) representing a 23.3% w-o -w upswing from USD 89.45 MN (KES 9.49 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 110.27 MN (KES 11.74 BN) representing a 23.3% w-o-w upswing from USD 89.45 MN (KES 9.49 BN) recorded the previous week. The bond issue number IFB1/2020/6Yr emerged as the top traded bond with a turnover of KES 2.11 BN accounting for 17.96% of the week's turnover. The bond traded between 10.400% and 11.050%.

Top Trades for the week ending 12 June 2020

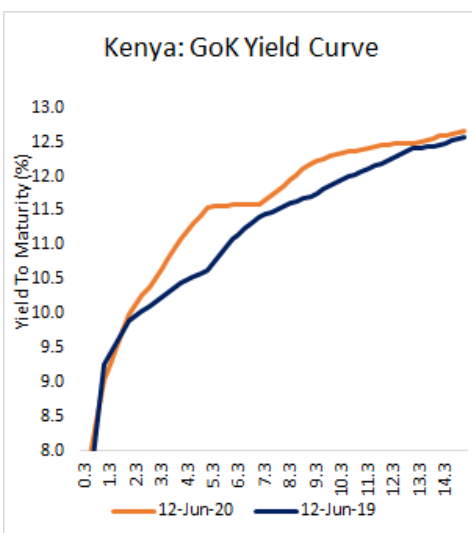
						Total
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (KES m)	Value (KES m)
9-Jun	IFB 1/2020/6Yr	5.9	10.2000	11.0000	97.5064	1,100.0
9-Jun	FXD1/2018/25Yr	23.0	13.4000	13.3000	106.9202	800.0
8-Jun	FXD3/2007/15Yr	2.4	12.5000	10.2000	105.7715	400.0
8-Jun	FXD2/2018/20Yr	18.1	13.2000	13.0500	103.7696	300.0
8-Jun	FXD1/2018/25Yr	23.0	13.4000	13.3400	106.5959	300.0
9-Jun	FXD1/2018/20Yr	17.7	13.2000	12.9000	104.8520	300.0
10-Jun	FXD1/2018/20Yr	17.7	13.2000	12.8400	105.3116	300.0
10-Jun	IFB 1/2019/16Yr	15.3	11.7500	12.1500	98.8488	300.0
12-Jun	FXD1/2019/20Yr	18.8	12.8730	12.9500	101.5388	300.0
12-Jun	IFB 1/2020/6Yr	5.9	10.2000	11.0000	97.5925	300.0
12-Jun	FXD1/2018/25Yr	23.0	13.4000	13.3000	107.0337	250.0
8-Jun	FXD1/2008/15Yr	2.7	12.5000	10.5500	107.4243	200.0
8-Jun	IFB 1/2019/16Yr	15.3	11.7500	12.1500	98.7847	200.0
8-Jun	IFB 1/2020/6Yr	5.9	10.2000	11.0500	97.3115	200.0
9-Jun	FXD 1/2013/10Yr	3.0	12.3710	10.3882	110.7850	200.0
10-Jun	FXD1/2020/ 5Yr	4.9	11.6670	11.5500	101.3690	200.0
10-Jun	IFB 1/2019/16Yr	15.3	11.7500	12.0500	99.4748	200.0
10-Jun	IFB 1/2020/6Yr	5.9	10.2000	11.0487	97.3733	200.0
11-Jun	FXD1/2019/15Yr	13.6	12.8570	12.7500	105.4495	200.0
11-Jun	IFB 1/2019/16Yr	15.3	11.7500	12.1000	99.1930	200.0
12-Jun	FXD 1/2016/ 5Yr	0.8	14.3340	8.9250	106.4116	200.0
12-Jun	FXD 2/2016/ 5Yr	1.1	14.0690	9.3250	110.4107	200.0
12-Jun	IFB 1/2020/6Yr	5.9	10.2000	10.9500	97.7588	200.0
12-Jun	IFB 1/2020/9Yr	8.8	10.8500	11.7000	97.9159	195.5
12-Jun	IFB 1/2019/25Yr	23.7	12.2000	12.1500	103.0290	185.0
12-Jun	FXD1/2018/25Yr	23.0	13.4000	13.2500	107.3937	180.0
8-Jun	IFB 1/2020/9Yr	8.8	10.8500	11.7000	97.7936	175.5
9-Jun	FXD1/2018/20Yr	17.7	13.2000	12.8000	105.5596	150.0
10-Jun	FXD 3/2019/10Yr	9.2	11.5170	12.2500	99.5904	150.0
12-Jun	FXD3/2007/15Yr	2.4	12.5000	10.1500	105.9952	150.0

(Source: NSE, DBIB Research)

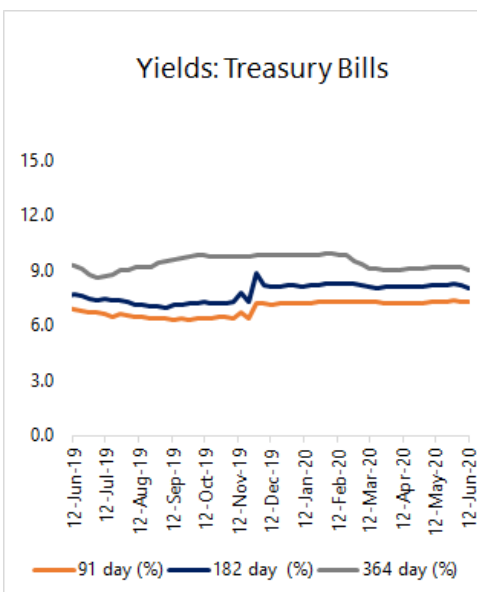
Treasury Bill auction for the week ending 12 June 2020

Instrument	Amount (KES Bn)	Bids Received (KES Bn)	Subscription Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.00	11.76	294.03	3.86	7.259	(6.6)
182-day	10.00	26.50	264.95	6.70	8.058	(14.2)
364-day	10.00	31.47	314.66	12.29	9.030	(13.5)

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News...

Centum FY20 Earnings Update

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Centum Company Plc (the listed entity) saw a 192.6% y-o-y decline in total comprehensive income to a loss of KES 4.4 BN mainly on the back of a one off provision of KES 3.6 BN for their investment in Amu Power.

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Centum Company Plc (the listed entity) saw a 192.6% y-o-y decline in total comprehensive income to a loss of KES 4.4 BN mainly on the back of a one off provision of KES 3.6 BN for their investment in Amu Power. The Board of Directors recommended the payment of a first and final dividend of KES 1.20 per share, amounting to KES 798.0 MN.

Centum's operating profit rose 19.2% y-o-y to KES 986.0 MN on the back of a 16.7% y-o-y rise in investment income to KES 3.7 BN. Operating expenses rose 41.9% y-o-y to KES 894.0 MN while finance costs rose 6.0% y-o-y to KES 1.8 BN.

Deleveraging: Investor concerns remain over the earnings outlook from Two Rivers Development.

As of June 8th 2020, Centum has deleveraged its balance sheet at the company level, having paid the USD 75.0 MN bank debt in September 2019 and the KES 6.6 BN corporate bond on 8th June 2020. Management estimates that this will see annual finance cost savings of about KES 1.9 BN that will go towards enhancement of future dividend payouts. We highlight that Two Rivers Development, a company that is 58.0% owned by Centum, has an outstanding debt position of KES 9.3 BN which against Centum's assets of KES 52.6 BN places the gearing at 17.7%.

Real Estate: Headwinds abound

Centum Real Estate is currently constructing 1,442 residential units, of which 999 units, with a revenue potential of KES 7.8 BN had been sold as at 31st March 2020 with collected deposits standing at KES 2.1 BN (27.0%). While management argues that the attendant receivables of KES 5.7 BN fully cover the construction cost and profits, we see material uncertainty regarding the impact of the COVID-19 crisis on the payment of contractual installments. Indeed, management highlights that they have seen a 40.0% reduction in new residential unit sales as a direct impact of the pandemic.

Two Rivers Mall and the two office towers are 81.0% and 20.0% let respectively while converted bulk land sales as at March 2020 stood at KES 2.8 BN. We note that the letting of the mall and the office towers appears to have stagnated while the performance of bulk land sales though commendable depends on the unpredictable payments of future installments.

Salient News...

Centum FY20 Earnings Update

Private Equity: Outlook unclear

Investors have long expressed concern that recent exits have left the company without what were seen as its cash cows. Management highlights that the usage of proceeds to pay down debts will earn the company total savings of KES 1.9 BN which against peak dividends of KES 408.0 MN from the two bottlers, leads to incremental annuity cash flows to Centum of circa KES 1.5 BN. With these savings invested in marketable securities, specifically fixed income assets, management sees the opportunity to grow interest income from the expected rise of the yield curve moving forward. Further, Centum sees opportunities to re-enter the private equity market at attractive valuations with a new fund (Fund II) that is currently a work in progress. Whereas we share some of these premises, it is hard to assess the future impact of these initiatives to Centum until more details come out with respect to third party capital raises and initial investments.

Share price performance and attribution: Significant value opportunity for investors.

Management highlights that with Centum's share price of KES 25.95 as at June 11th 2020, its cash and marketable securities value of KES 13.50 per share, implies a market valuation of KES 12.45 for the rest of its portfolio. This is against a total portfolio NAV per share of KES 57.80 (excluding marketable securities) comprising KES 42.03 from the real estate portfolio, KES 13.36 from the PE portfolio and KES 2.41 from the development portfolio. Even if one was to arbitrarily discount the real estate portfolio by 50.0% and the development portfolio by 100%, there would still be significant value of circa 33.0%. Although management is exploring a raft of measures to boost the share price, from having the major shareholder announce their intention to gradually raise their stake to just under 50.0%, raising the dividend payout and to implementing a share buyback, we believe that these strategies have to be accompanied with a change in the messaging to focus on a simple regular narrative of how they intend to unlock the latent value. *(Source: Company filings, DBIB Research)*

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Unga Group
- E.A. Breweries
- Nation Media
- Longhorn

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
Limuru Tea Plc	First & Final Div: KES 0.70	10-Apr-20	26-Jun-20
KCB Group	Final Div: KES 2.50	27-Apr-20	STA*
Stanbic Holdings	Final Div: KES 5.80	18-May-20	29-Jun-20
ABSA Bank	Final Div: KES 0.90	03-Jun-20	19-Jun-20
I&M Holdings	First & Final Div: KES 2.55	08-Jun-20	26-Jun-20
BK Group	Final Div: FRW 14.40	12-Jun-20	24-Jul-20
Kenya Re	First & Final Div: KES 0.10	12-Jun-20	24-Jul-20
Kakuzi Plc	First & Final Div: KES 14.00	19-Jun-20	15-Jul-20
Umeme	Final Div: USH 41.30	22-Jun-20	27-Jul-20
Britam Holdings	First & Final Div: KES 0.25	23-Jun-20	STA*
DTB Kenya	First & Final Div: KES 2.70	25-Jun-20	24-Jul-20
Total Kenya	First & Final Div: KES 1.30	26-Jun-20	31-Jul-20
Jubilee Holdings	Final Div: KES 8.00	30-Jun-20	24-Jul-20
Safaricom	First & Final: KES 1.40	31-Jul-20	01-Nov-20
N.S.E.	First & Final Div: KES 0.08	STA*	STA*
<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Crediting Date</u>
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>
Bamburi	2:30pm	Virtual	18-Jun-20
ABSA Bank	10:00am	Virtual	19-Jun-20
BAT Kenya	9:00am	Virtual	24-Jun-20
DTB Group	11:00am	Virtual	25-Jun-20
Total Kenya	9:00am	Virtual	26-Jun-20
Nation Media	3:00pm	Virtual	26-Jun-20
Stanbic Holdings	11:00am	Virtual	26-Jun-20
Britam Insurance	11:00am	Virtual	29-Jun-20
Equity Group	10:00am	Virtual	30-Jun-20
CIC Insurance	10:00am	Virtual	30-Jun-20
TPS Serena	11:00am	Virtual	30-Jun-20

(Source: Company filings , 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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