

DBIB WEEKLY BULLETIN

WEEK 21

Date: 22.05.2020

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and NASI indices

rose 2.0% and 3.7% w-o-w to close at 2,014.88 and 140.39 respectively.

| Index | Current | 1 wk (%) | 3 m (%) | 6 m (%) | YTD (%) |
|------------------|----------|----------|---------|---------|---------|
| NASI | 140.4 | 3.74 | (11.36) | (9.33) | (15.64) |
| NSE-20 | 2,014.9 | 2.00 | (19.37) | (23.06) | (24.09) |
| DBIB Select | 86.5 | 1.46 | (13.46) | (0.20) | (3.27) |
| FTSE 15 | 173.7 | 1.78 | (17.57) | (18.99) | (21.53) |
| FTSE 25 | 185.2 | 3.43 | (15.10) | (95.18) | (19.30) |
| FTSE Frontier 50 | 33,982.1 | 3.92 | (21.04) | (20.92) | (23.76) |

(Source: NSE, Bloomberg, DBIB Research)

Weekly equity turnover

declined 51.1% to USD 22.55 MN (KES 2.41 BN).

| Market Metrics | Current | 1 wk | 3 m | 6 m | 12m |
|-------------------------|----------|---------|----------|----------|---------|
| Market Cap. (USD m) | 2,145.80 | 3.75 | 3.40 | (11.23) | (9.20) |
| Market Turnover (USD m) | 22.55 | (51.13) | (43.91) | (8.04) | (9.50) |
| Market P/E (x) | 11.88 | 5.16 | (0.50) | (5.39) | (9.99) |
| Market Div. yld (%) | 5.83 | (17.36) | (6.75) | (20.45) | (57.09) |
| Market ROE (%) | 38.85 | 40.53 | (524.99) | (563.22) | 152.60 |

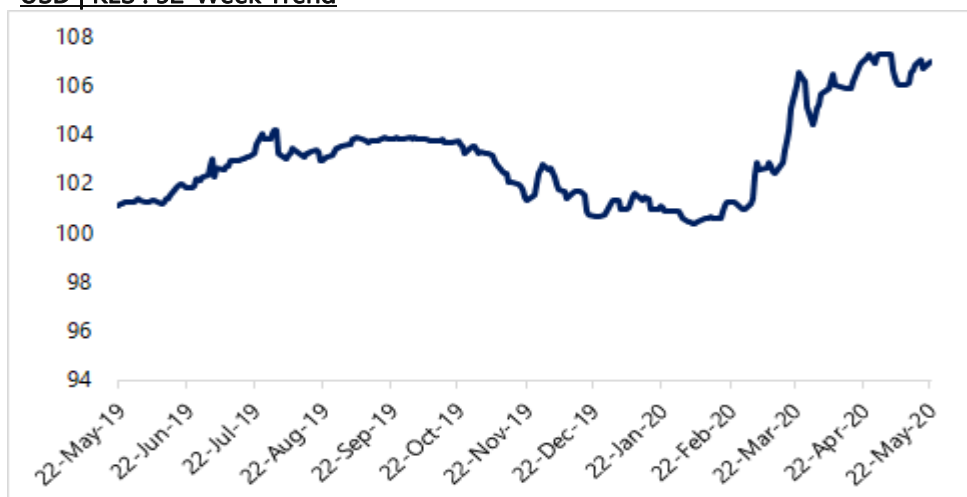
* Changes in bps

(Source: NSE, DBIB Research)

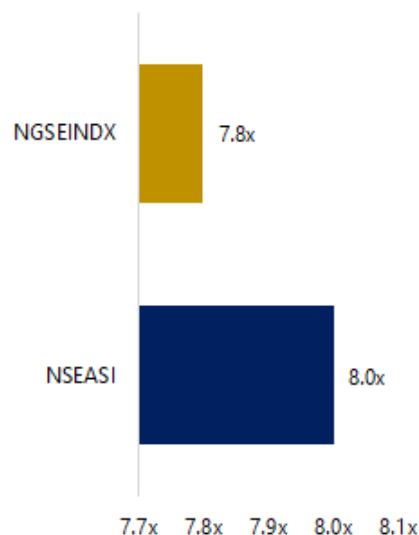
USD | KES: KES weakened

0.2% to close at 106.97 (-5.6% YTD).

USD | KES : 52-Week Trend



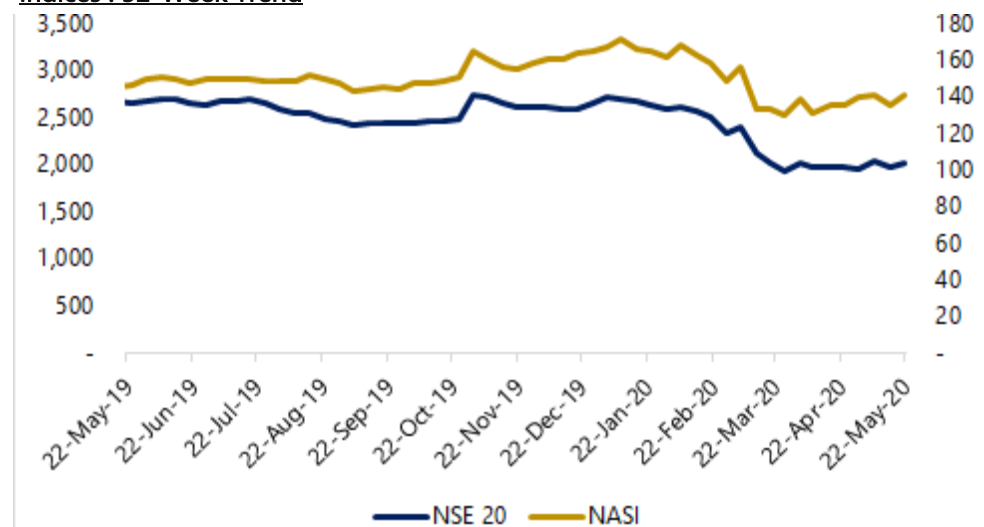
PEER P/E MULTIPLES



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...

Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 6.9 MN (KES 733.4 MN) representing 32.4% of this week's turnover. The stock edged up 6.1% w-o -w to close at KES 29.35 on Friday. Foreign investors assumed a net buying position on the counter this week by accounting for 62.9% of foreign sales and 85.7% of foreign purchases.

Week-on-Week Performance

| Top gainers | % |
|---------------------------|------|
| Kenya Airways | 56.7 |
| Sameer Africa | 15.3 |
| Sasini Ltd | 11.1 |
| Nairobi Business Ventures | 11.1 |
| Liberty Holdings | 10.7 |

(Source: NSE, DBIB Research)



| Top Losers | % |
|-----------------------|--------|
| BK Group | (18.2) |
| Stanlib Fahari I-REIT | (12.0) |
| TPS Eastern Africa | (9.5) |
| Crown Paints | (9.1) |
| B.O.C Kenya | (9.0) |

(Source: NSE, DBIB Research)



| Top traders (Value) | USD MN |
|---------------------|--------|
| Safaricom | 6.86 |
| Equity Group | 5.66 |
| KCB Group | 4.92 |
| E.A Breweries | 2.40 |
| BK Group | 0.84 |

(Source: NSE, DBIB Research)

Y-T-D Performance

| Top gainers | % |
|---------------|------|
| Kenya Airways | 53.7 |
| New Gold ETF | 23.3 |
| Carbacid | 14.5 |
| Uchumi | 6.9 |
| Scangroup | 0.9 |

(Source: NSE, DBIB Research)

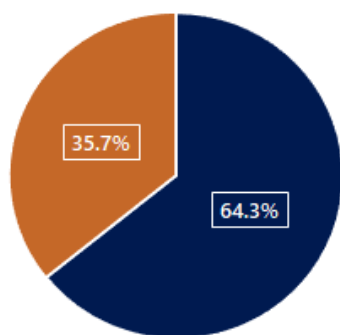


| Top Losers | % |
|------------------|--------|
| Flame Tree Group | (64.4) |
| Nation Media | (52.6) |
| Bamburi Cement | (43.8) |
| Housing Finance | (37.3) |
| B.A.T Kenya | (36.0) |

(Source: NSE, DBIB Research)



WEEKLY LOCAL VIS-À-VIS FOREIGN PARTICIPATION



(Source: NSE, DBIB Research)

Weekly Foreign Performance

| Top Weekly Buys | % Purchase |
|-----------------|------------|
| Bank of Kigali | 98.6 |
| B.A.T Kenya | 95.4 |
| Safaricom | 85.7 |
| Umeme | 58.2 |
| E.A Breweries | 55.1 |

(Source: NSE, DBIB Research)

| Top Weekly Sales | % Sold |
|------------------|--------|
| Bank of Kigali | 100.0 |
| New Gold ETF | 100.0 |
| KCB Group | 97.4 |
| B.A.T Kenya | 97.2 |
| Stanbic Holdings | 96.8 |

Y-T-D Foreign Performance

| Top Foreign Buys | % Purchase |
|------------------|------------|
| Bank of Kigali | 99.6 |
| B.A.T Kenya | 85.7 |
| New Gold ETF | 80.6 |
| Safaricom | 64.6 |
| E.A Breweries | 61.7 |

(Source: NSE, DBIB Research)

| Top Foreign Sales | % Sold |
|-------------------|--------|
| Bank of Kigali | 100.0 |
| New Gold ETF | 99.6 |
| Stanbic Holdings | 92.2 |
| B.A.T Kenya | 89.9 |
| Safaricom | 84.9 |

The Bond market's turnover for the week stood at USD 96.55 MN (KES 10.33 BN) representing a 3.9% w-o-w decline from USD 100.45 MN (KES 10.73 BN) recorded the previous week.

FROM THE FIXED INCOME DESK

The Bond market's turnover for the week stood at USD 96.55 MN (KES 10.33 BN) representing a 3.9% w-o-w decline from USD 100.45 MN (KES 10.73 BN) recorded the previous week. The bonds, issue number FXD1/2014/10Yr emerged as the top traded bond with a turnover of KES 2.68 BN accounting for 25.95% of the week's turnover. The bond traded between 10.75% and 11.20%.

May Issue: FXD1/2020/5 Re-open Results

The Government received KES 20.58 BN from the re-open of the FXD1/2020/5 below the total amount offered, KES 30.00 BN, placing the performance rate at 68.60%. The government accepted KES 8.95 BN. The average rate of the accepted bids came in at 11.851% whilst the market weighted average rate was placed at 11.748%. As per the initial issue, the bond's coupon rate remained at 11.667%.

Top Trades for the week ending 22 May 2020

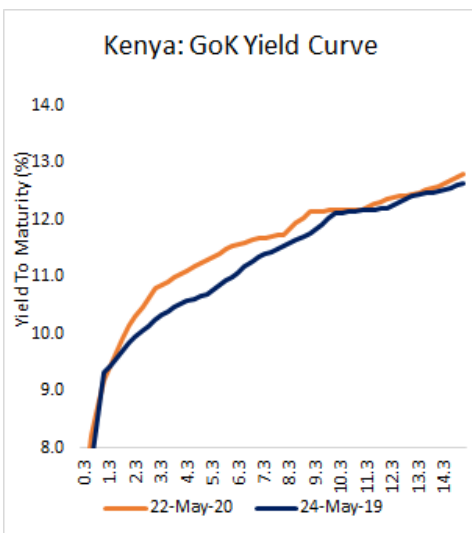
| | | | | | | Total |
|--------------|-----------------|-------|------------|-----------|-------------|---------|
| | | | | | | Value |
| Trading Date | Issue No. | Years | Coupon (%) | Yield (%) | Price (KES) | (KES m) |
| 20-May | FXD 1/2014/10Yr | 3.6 | 12.1800 | 11.2000 | 106.8946 | 500.0 |
| 21-May | FXD 1/2014/10Yr | 3.6 | 12.1800 | 10.7500 | 108.2864 | 500.0 |
| 18-May | FXD 1/2014/10Yr | 3.6 | 12.1800 | 11.2000 | 106.8306 | 400.0 |
| 18-May | IFB 1/2013/12Yr | 5.3 | 11.0000 | 10.4000 | 103.3234 | 400.0 |
| 18-May | IFB 1/2020/9Yr | 8.9 | 10.8500 | 11.7500 | 96.9333 | 400.0 |
| 19-May | FXD 1/2014/10Yr | 3.6 | 12.1800 | 10.9000 | 107.7677 | 400.0 |
| 19-May | IFB 1/2013/12Yr | 5.3 | 11.0000 | 10.2000 | 103.9157 | 400.0 |
| 22-May | IFB 1/2018/20Yr | 18.4 | 11.9500 | 12.7500 | 95.4073 | 374.5 |
| 21-May | FXD 3/2016/ 5Yr | 3.0 | 13.1120 | 9.7000 | 106.2782 | 350.0 |
| 22-May | FXD 3/2016/ 5Yr | 3.0 | 13.1120 | 9.2372 | 106.8933 | 350.0 |
| 19-May | FXD1/2009/15Yr | 4.4 | 12.5000 | 11.3200 | 105.2126 | 300.0 |
| 20-May | FXD1/2009/15Yr | 4.4 | 12.5000 | 10.9000 | 106.7191 | 300.0 |
| 21-May | FXD 1/2014/10Yr | 3.6 | 12.1800 | 11.2000 | 106.9266 | 300.0 |
| 22-May | FXD 1/2014/10Yr | 3.6 | 12.1800 | 10.8689 | 107.9563 | 300.0 |
| 19-May | IFB 1/2016/9Yr | 5.0 | 12.5000 | 10.5000 | 105.7566 | 264.0 |
| 19-May | IFB 1/2018/20Yr | 18.4 | 11.9500 | 12.5000 | 96.7479 | 250.0 |
| 22-May | FXD1/2018/25Yr | 23.0 | 13.4000 | 13.6000 | 104.1274 | 230.0 |

(Source: NSE, DBIB Research)

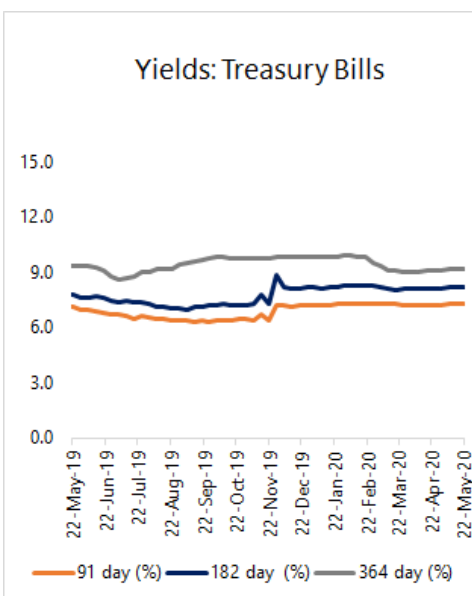
Treasury Bill auction for the week ending 22 May 2020

| Instrument | Amount (KES Bn) | Bids Received (KES Bn) | Subscription Rate (%) | Bids Accepted (KES Bn) | Yield (%) | w-o-w bps ch |
|------------|-----------------|------------------------|-----------------------|------------------------|-----------|--------------|
| 91-day | 4.00 | 10.84 | 270.95 | 7.86 | 7.319 | 5.3 |
| 182-day | 10.00 | 10.49 | 104.90 | 5.52 | 8.227 | 3.5 |
| 364-day | 10.00 | 14.50 | 144.96 | 13.2 | 9.195 | 2.2 |

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News...

Co-op Bank: 1Q20 Earnings

Co-op saw a 0.3% y-o-y decline in PAT to KES 3.6 BN, its profit before tax held flat at KES 5.1 BN. As expected, cost of risk drove earnings performance with bad debt charges rising 79.5% y-o-y to KES 0.9 BN, effectively eating into operating profit which rose 9.7% y-o-y to KES 6.1 BN.

Net interest income rose 8.5% y-o-y to KES 7.5 BN on the back of a 4.5% y-o-y rise in interest income to KES 10.5 BN and a 4.4% y-o-y decline in interest expense to KES 3.0 BN.

Non-interest income rose 19.0% y-o-y to KES 5.0 BN on the back of a 28.3% y-o-y rise in fees and commissions to KES 4.4 BN.

Operating expenses less provisions rose 15.2% y-o-y to KES 6.4 BN, placing cost to income ratio at 50.9%.

Customer loans and advances rose 9.8% y-o-y to KES 276.2 BN while customer deposits rose 6.9% y-o-y to KES 339.6 BN. Investments in government securities rose 10.4% y-o-y to KES 117.2 BN.

Gross NPLs rose 7.1% y-o-y to KES 31.8 BN, interest in suspense rose 18.5% y-o-y to KES 5.5 BN. *(Source: Company filings, DBIB Research)*

DTB Group: 1Q20 Earnings

DTB Group announced its 1Q20 results reporting a 3.7% y-o-y increase in profit after tax (PAT) to KES 2.0 BN. Earnings per share (EPS) for the period closed at KES 6.83 compared to KES 6.55 in 1Q19.

Net interest income rose 2.9% y-o-y to KES 4.7 BN following a 9.0% y-o-y decline in interest expense to KES 3.3 BN. Interest income saw a 2.4% y-o-y decline to KES 8.0 BN. Non-funded income (NFI) rose 3.4% y-o-y to KES 1.6 BN, ascribable to a 9.6% y-o-y increase in fees and commission income to KES 0.9 BN. Net income from forex dealings declined 13.1% y-o-y to KES 0.6 BN.

Operating expenses (less loan provisions) rose 0.9% y-o-y to KES 2.9 BN courtesy of a 10.4% y-o-y increase in staff costs to KES 1.2 BN. Other operating expenses declined by 7.2% y-o-y to KES 1.2 BN.

The bank's loan loss provision expense saw a 52.0% y-o-y upswing to KES 408.1 MN. An increase in the cost of risk in 2Q20 is inevitable across the sector given the need to provide for the restructured loans that will instantaneously move from stage 1 to stage 2 loans as dictated by IFRS 9. As of mid-May 2020, DTB Kenya had restructured circa 20.2% of its loan book.

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Co-op Bank saw a 0.3% y-o-y decline in PAT to KES 3.6 BN, its profit before tax held flat at KES 5.1 BN.
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DTB Group announced its 1Q20 results reporting a 3.7% y-o-y increase in profit after tax (PAT) to KES 2.0 BN.
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Salient News...

DTB Group: 1Q20 Earnings continued...

Customer loans and advances saw a 6.7% y-o-y increase to KES 201.3 BN (+1.1% q-o-q). The group's investments in government securities rose 1.9% y-o-y to KES 128.2 BN (-3.2% q-o-q). On the funding side, customer deposits declined 0.9% y-o-y to KES 272.8 BN (-2.6% q-o-q). Deposits due to other banks rose 82.6% y-o-y to KES 23.3 BN (+4.0% q-o-q) whilst borrowed funds rose 20.3% y-o-y to 15.1 BN (+32.6 q-o-q).

Gross non-performing loans (NPLs) rose 15.7% y-o-y to KES 16.6 BN whereas interest in expense rose 26.3% y-o-y to KES 2.5 BN. As such, total NPLs stood at KES 14.1 BN, 14.0% up y-o-y. The NPL ratio edged up 55 bps y-o-y to 7.6%. *(Source: Company filings, DBIB Research)*

NCBA Group: 1Q20 Earnings

As NBCA results are reported on a prospective basis (continuation of CBA), for our y-o-y variance analysis and purely for the sake of discussion we have tried to achieve an apples to apples comparison by combining NIC's 1Q19 and CBA's 1Q19 numbers to get NCBA 1Q19**.

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NCBA Group's PAT declined 26.8% y-o-y to KES 1.6 BN. Earnings per share (EPS) for the period closed at KES 1.09. With 2Q20 expected to be even worse across the sector, these results do not bode well for NCBA's FY20 outlook.

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Profit after tax (PAT) declined 26.8% y-o-y to KES 1.6 BN. Earnings per share (EPS) for the period closed at KES 1.09. With 2Q20 expected to be even worse across the sector, these results do not bode well for NCBA's FY20 outlook.

Total income saw a 23.6% y-o-y increase to KES 10.9 BN (-30.7% q-o-q). This was attributable to a 5.5% y-o-y increase in net interest income to KES 5.5 BN (-1.7% q-o-q) and a 49.7% y-o-y increase in non-funded income to KES 5.4 BN (-46.7% q-o-q).

Interest income rose 6.8% y-o-y to KES 10.2 BN (-2.9% q-o-q). Interest expense rose 8.3% y-o-y to KES 4.7 BN (-4.3% q-o-q) as a result of continued pressure on customer deposits.

Fees and commission income rose 37.0% y-o-y to KES 4.0 BN (-4.5% q-o-q) whereas net income from forex dealings rose 17.0% y-o-y to KES 1.0 BN (+2.4% q-o-q).

Operating expenses (less loan loss provisions) declined 5.5% y-o-y to KES 4.5 BN (-14.7% q-o-q). Pre-provision operating profit rose 40.4% y-o-y to KES 6.4 BN (-38.9% q-o-q). Loan loss provisions saw a 200.1% y-o-y upswing to KES 3.8 BN (-54.2% q-o-q).

On the funding side, customer deposits advanced by 9.9% y-o-y to KES 390.5 BN (+3.2 q-o-q). In line with deposit growth, the loan book advanced by 2.2% y-o-y to KES 245.9 BN (-1.4% q-o-q). *(Source: Company filings, DBIB Research)*

Salient News...

Jubilee Holdings: FY19 Earnings

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Jubilee Holdings released its FY19 results reporting a 2.6% y-o-y decline in PAT to KES 4.0 BN. EPS for the period stands at KES 49.07, 5.3% lower y-o-y.

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Jubilee Holdings released its FY19 results reporting a 2.6% y-o-y decline in PAT to KES 4.0 BN. EPS for the period stands at KES 49.07, 5.3% lower y-o-y.

Dividends per share (DPS) for the period remained constant at KES 9.00. The directors recommended and approved a final dividend of KES 8.00 per share to be paid on 24/07/2020 (Interim dividend - KES 1.00).

Net insurance premium revenue recorded a 13.0% y-o-y upswing to KES 19.5 BN on account of a 9.4% y-o-y growth in gross earned premiums to KES 29.1 BN and a 2.9% y-o-y increase in insurance revenue ceded to reinsurers to KES 9.6 BN. Other revenues grew 24.8% y-o-y to KES 13.3 BN.

Operating profits remained fairly constant at 4.0 BN (+0.5% y-o-y) as net insurance benefits and claims edged up 23.8% y-o-y to KES 19.7 BN and total expenses and commissions rose by 13.4% y-o-y to KES 9.1 BN

Total assets increased by 13.9% y-o-y to KES 130.1 BN while total liabilities rose by 14.6% y-o-y to KES 99.6 BN. Total equity edged up 11.6% y-o-y to KES 30.5 BN. *(Source: Company filings, DBIB Research)*

KCB Group: 1Q20 Earnings

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KCB GROUP released its 1Q20 results recording an 8.5% y-o-y increase in profit after tax (PAT) to KES 6.3 BN.

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KCB GROUP released its 1Q20 results recording an 8.5% y-o-y increase in profit after tax (PAT) to KES 6.3 BN. On a like for like basis (KCB's 1Q19 + NBK's 1Q19), profit rose 7.2% y-o-y. For our variance analysis and for the sake of discussion, we use the numbers on a like for like basis. As expected, cost of risk drove performance with bad debt charges up 90.6% y-o-y to KES 2.9 BN (annualized cost of risk of 2.1%) eating into operating profit before provisions which was up 16.8% y-o-y to KES 11.8 BN.

Net interest income rose 4.4% y-o-y to KES 15.1 BN on the back of a 5.6% y-o-y rise in interest income to KES 20.2 BN and a 9.4% y-o-y rise in interest expense to KES 5.1 BN. Non-funded income rose 20.9% y-o-y to KES 7.9 BN. This followed a 24.7% y-o-y rise in total fees and commissions to KES 5.4 BN. Forex income rose 31.8% y-o-y to KES 1.5 BN.

Customer loans and advances grew 8.6% y-o-y to KES 553.9 BN (+3.5% q-o-q) whereas investment securities rose 17.6% y-o-y to KES 202.6 BN. On the funding side, customer deposits rose 15.4% y-o-y to KES 740.4 BN whereas borrowed funds rose 2.3% y-o-y to KES 21.9 BN. *(Source: Company filings, DBIB Research)*

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Unga Group
- E.A. Breweries

| <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 |
| NCBA | Final Div: KES 1.50 | 23-Apr-20 | STA* |
| KCB Group | Final Div: KES 2.50 | 27-Apr-20 | STA* |
| Stanchart | Final Div: KES 15.00 | 27-Apr-20 | 28-May-20 |
| Stanlib Fahari | First & Final: KES 0.75 | 30-Apr-20 | 31-May-20 |
| Stanbic Holdings | Final Div: KES 5.80 | 18-May-20 | STA* |
| BK Group | Final Div: FRW 14.40 | 12-Jun-20 | 24-Jul-20 |
| Kenya Re | First & Final Div: KES 0.1 | 12-Jun-20 | 24-Jul-20 |
| Equity Group | First & Final Div: KES 2.50 | 12-Jun-20 | 24-Jul-20 |
| Kakuzi | First & Final Div: KES 14.00 | 19-Jun-20 | 15-Jul-20 |
| Umeme | Final Div: USH 41.30 | 22-Jun-20 | 27-Jul-20 |
| DTB Kenya | First & Final Div: KES 2.70 | 25-Jun-20 | 24-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 |
| Britam Holdings | First & Final Div: KES 0.25 | STA* | STA* |
| NSE | First & Final Div: KES 0.08 | STA* | STA* |
| I&M Holdings | First & Final Div: KES 2.55 | STA* | STA* |
| ABSA | Final Div: KES 0.90 | 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* |
| NMG | 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> |
|-------------------|-------------|--------------------------|-------------|
| WPP Scangroup EGM | 11:00am | Electronic communication | 27-May-20 |
| KCB Group | 10:00am | Electronic communication | 04-Jun-20 |

Please note:

The Capital Markets Authority (CMA) advised in a press statement dated 18 March 2020 that AGMs scheduled for March, April and May 2020 be deferred to a later date. We will therefore advise on the amended dates once announced.

(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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