

DBIB WEEKLY BULLETIN

WEEK 47

Date: 20.11.2020

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and **NASI** indices edged down 0.2% and 0.1% w-o-w to close at 1,785.88 and 143.72 respectively.

Weekly equity turnover rose by 5.1% w-o-w to USD 19.99 MN (KES 2.19 BN).

USD | KES: KES weakened 0.3% w-o-w to close at 109.39 (-7.9% YTD).

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	143.7	(0.15)	9.09	2.37	(13.63)
NSE-20	1,785.9	(0.20)	3.59	(11.37)	(32.72)
DBIB Select	87.9	(0.20)	4.73	1.58	(1.74)
FTSE 15	170.1	(1.78)	6.07	(2.05)	(23.14)
FTSE 25	187.7	(0.91)	7.94	1.34	(18.22)
FTSE Frontier 50	41,757.3	1.45	14.30	22.88	(6.31)

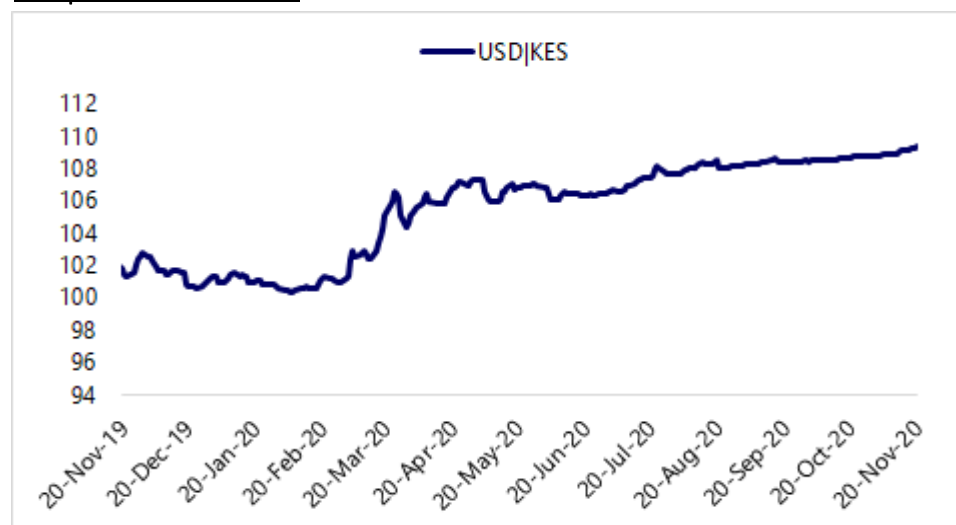
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,206.65	(0.15)	1.78	9.11	2.84
Market Turnover (USD m)	19.99	5.06	64.66	10.06	(11.35)
Market P/E (x)	13.29	2.50	6.71	19.71	11.82
Market Div. yld (%) *	4.66	1.15	(63.51)	(116.15)	(136.60)
Market ROE (%) *	34.89	(96.69)	441.25	(395.28)	(958.50)

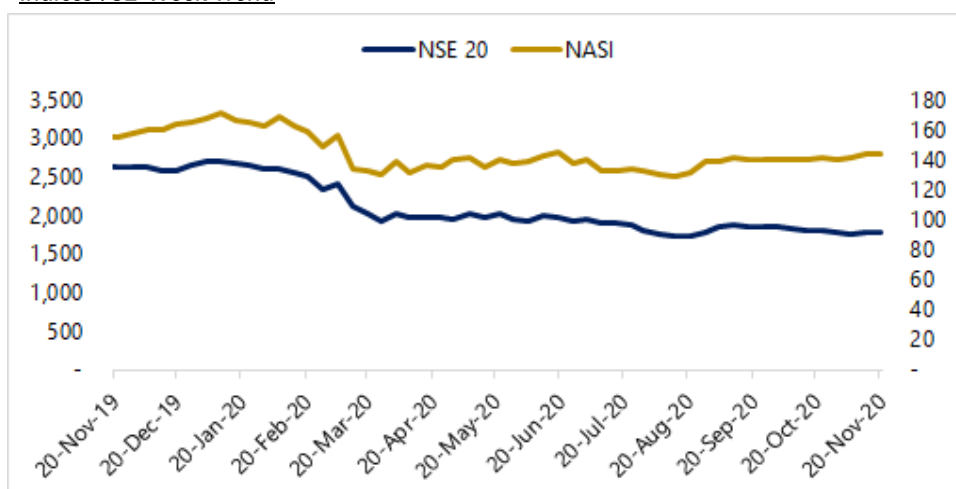
* Changes in bps ** Market cap weighted

(Source: NSE, DBIB Research)

USD | KES : 52-Week Trend

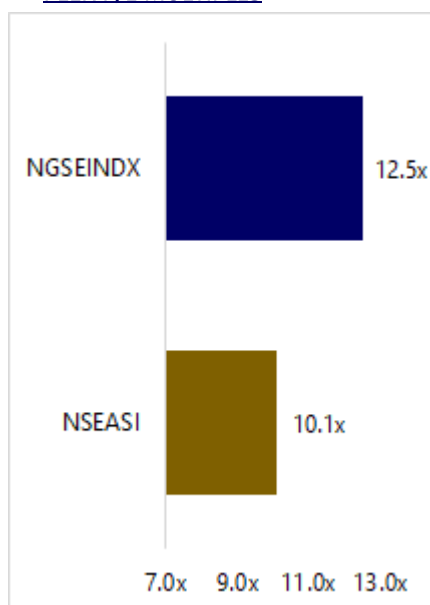


Indices : 52-Week Trend



(Source: NSE, DBIB Research)

PEER P/E MULTIPLES



NSEASI* - Nairobi All Share Index
NGSEINDX* - Nigeria All Share Index
*LTM Price/EPS

(Source: Bloomberg, DBIB Research)

WEEKLY BOURSE WRAP UP...

.....
Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 9.08 MN (KES 992.86 MN) representing 45.40% of this week's turnover.

The stock rose by 0.6% w-o-w to close at KES 32.00 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 52.04% of foreign sales and 80.19% of foreign purchases.

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Bamburi Cement	13.3
B.O.C Kenya	10.0
BK Group	7.1
E.A.Cables	6.9
Carbacid	6.5

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Express Kenya	(20.7)
Trans-Century	(18.0)
Kapchorua Tea	(10.1)
E.A.Portland Cement	(9.7)
Sameer Africa	(9.1)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	9.08
Equity Group	3.98
Stanbic Holdings	1.49
E.A. Breweries	1.34
B.A.T. Kenya	1.13

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	86.8
ABSA Gold ETF	34.7
Eaagads Ltd	25.7
Olympia Capital	15.9
B.O.C Kenya	13.8

(Source: NSE, DBIB Research)

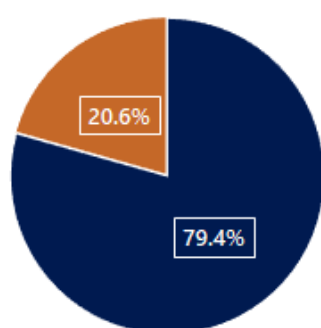


<u>Top Losers</u>	<u>%</u>
Bamburi Cement	(64.8)
Scangroup	(63.8)
Nation Media	(61.1)
Express Kenya	(54.7)
BK Group	(51.8)

(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>
BK Group	99.8
Safaricom	89.3
Bamburi Cement	89.2
KenGen	53.5
Equity Group	48.8

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
BK Group	99.9
Stanbic Holdings	93.1
KenGen	87.1
B.A.T. Kenya	81.6
DTB Group	73.4

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
BK Group	97.8
Crown Paints	79.6
B.A.T. Kenya	76.5
Safaricom	71.0
ABSA Gold ETF	70.2

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
BK Group	99.9
B.A.T. Kenya	88.4
ABSA Gold ETF	88.2
Stanbic Holdings	87.1
Safaricom	80.2

FROM THE FIXED INCOME DESK

The Bond market's turnover for the week stood at USD 115.08 MN (KES 12.59 BN) representing a 31.3% w-o-w increase from USD 87.67 MN (KES 9.57 BN) recorded the previous week.

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November Auction Results: FXD2/2013/15 & FXD1/2018/20

The Government received a total of KES 55.98 BN from the auction, above the total amount offered of KES 50.00 BN. Bids on FXD2/2013/15 and FXD1/2018/20 stood at KES 27.10 BN and KES 28.88 BN respectively placing overall, the performance rate at 139.95%. Against these bids, the government accepted KES 53.72 BN: KES 26.2 BN from FXD2/2013/15 and KES 27.49 BN from FXD1/2018/20. The market weighted average rates stood at 11.457% and 13.283% while the weighted average rate of accepted bids were placed at 11.445% and 13.247% respectively. The coupon rates remained at 12.00% and 13.20% for FXD2/2013/15 and FXD1/2018/20 respectively.

Top Trades for the week ending 20 November 2020

						Total
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (KES m)	Value (KES m)
16-Nov	FXD 1/2019/ 5Yr	3.2	11.3040	10.0000	106.14	800.0
17-Nov	FXD 3/2019/ 5Yr	4.0	11.4920	10.1000	109.43	700.0
20-Nov	FXD1/2018/25Yr	22.5	13.4000	13.4700	105.04	700.0
16-Nov	FXD 1/2014/10Yr	3.1	12.1800	9.7086	110.56	650.0
16-Nov	FXD 1/2019/ 5Yr	3.2	11.3040	9.7104	106.95	500.0
16-Nov	FXD1/2010/15Yr	4.3	10.2500	10.0750	102.35	500.0
17-Nov	FXD 1/2019/ 5Yr	3.2	11.3040	9.7701	106.81	500.0
17-Nov	FXD1/2010/15Yr	4.3	10.2500	9.9000	102.98	500.0
18-Nov	FXD 3/2019/ 5Yr	4.0	11.4920	10.0174	109.74	500.0
20-Nov	IFB 1/2020/11Yr	10.7	10.9000	10.6700	103.81	423.7
16-Nov	FXD 3/2019/ 5Yr	4.0	11.4920	10.0000	109.74	400.0
18-Nov	FXD 2/2017/ 5Yr	1.9	12.5170	9.4151	106.34	350.0
18-Nov	FXD1/2018/25Yr	22.5	13.4000	13.4250	105.28	325.0
18-Nov	FXD1/2018/25Yr	22.5	13.4000	13.4850	104.86	300.0
18-Nov	IFB 1/2020/11Yr	10.7	10.9000	10.6750	103.72	300.0
20-Nov	FXD2/2010/15Yr	5.0	9.0000	10.2645	98.99	300.0

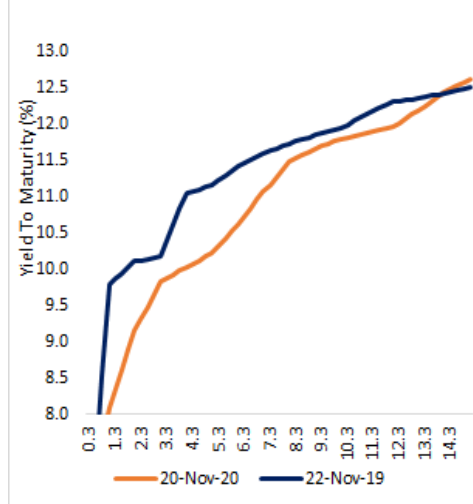
(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 20 November 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	5.58	139.55	5.56	6.706	3.2
182-day	10.00	6.50	65.03	6.50	7.152	3.8
364-day	10.00	12.93	129.32	12.10	8.094	5.2

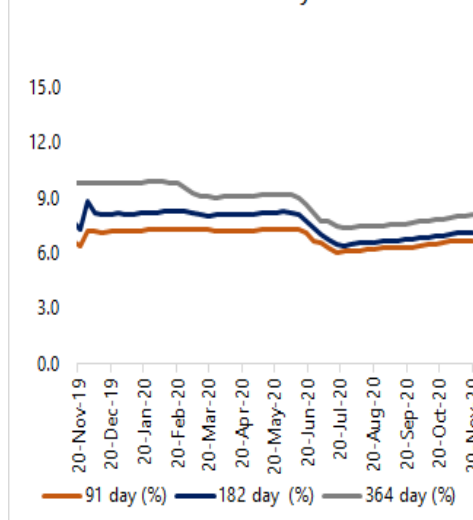
(Source: NSE, DBIB Research)

Kenya: GoK Yield Curve



Source: NSE, DBIB Research

Yields: Treasury Bills



Source: NSE, DBIB Research

Salient News...

.....
Co-operative Group saw a 10.2% y-o-y decline in profit after tax to KES 9.8 BN in 3Q20.
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CO-OP Group: 3Q20 Earnings Update

Co-op Group saw a 10.2% y-o-y decline in profit after tax to KES 9.8 BN. Pre-provisions operating profit rose 1.5% y-o-y to KES 17.8 BN but was impacted by an 89.4% y-o-y rise in loan loss provisions to KES 4.0 BN.

Net interest income rose 11.7% y-o-y to KES 23.6 BN on the back of a 7.1% y-o-y rise in interest income to KES 32.5 BN and a 3.5% y-o-y decline in interest expense to KES 8.9 BN.

Non-interest income declined 3.5% y-o-y to KES 13.6 BN on the back of a 1.9% y-o-y decline in fees and commissions to KES 11.3 BN and a 13.9% y-o-y rise in forex income to KES 1.8 BN. Other operating income declined 54.2% y-o-y to KES 417.2 MN.

Total income rose 5.6% y-o-y to KES 37.2 BN whereas operating expenses rose 9.8% y-o-y to KES 19.4 BN. Staff costs rose 6.3% y-o-y to KES 9.7 BN whereas other operating expenses to KES 15.8% y-o-y to KES 6.5 BN.

Customer loans and advances rose 5.7% y-o-y to KES 284.2 BN whereas customer deposits rose 16.4% y-o-y to KES 375.5 BN. Investment securities rose 48.3% y-o-y to KES 143.3 BN.

Gross NPLs rose 33.6% y-o-y to KES 40.2 BN whereas interest in suspense rose 13.8% y-o-y to KES 6.0 BN. As a result, total NPLs rose 37.8% y-o-y to KES 34.2 BN. Loan loss provisions rose 23.7% y-o-y to KES 14.1 BN.

On a trailing basis, Co-op is trading at a P/E multiple of 5.0x against a sector median of 4.7x and a P/B multiple of 0.8x against a sector median of 0.6x. Its ROE stands at 15.6%, whereas its ROA stands at 2.6%. We maintain our **HOLD** recommendation.

(Source: Company Filings, DBIB Research)

Salient News...

.....
ABSA Bank Kenya announced its 3Q20 results reporting a 65.4% y-o-y decline in profit after tax (PAT) to KES 1.9 MN.
.....

ABSA Bank: 3Q20 Earnings Update

ABSA Bank announced its 3Q20 results reporting a 65.4% y-o-y decline in profit after tax (PAT) to KES 1.9 MN. The group recorded a 6.2% y-o-y increase in pre-provision operating profit to KES 12.9 BN. However, this was eroded by a 146.7% y-o-y increase in the group's bad debt charge to KES 7.6 BN. Earnings per share (EPS) for the period closed at KES 0.35 compared to KES 1.02 in the previous period.

Net interest income rose 1.6% y-o-y to KES 17.1 BN, courtesy of a 1.4% y-o-y increase in interest income to KES 23.2 BN and a 0.8% y-o-y increase in interest expense to KES 6.1 BN.

Non-funded income (NFI) rose 4.5% y-o-y to KES 8.3 BN, partly attributable to an 18.8% y-o-y increase in net income from forex dealings to KES 3.2 BN and a 55.3% y-o-y increase in other operating income to KES 1.0 BN. Fees and commissions income declined 10.7% y-o-y to KES 4.1 BN.

Operating expenses (less loan loss provisions) declined 1.1% y-o-y to KES 12.5 BN, owing to an 8.1% y-o-y decline in other operating expenses to KES 3.7 BN and a 1.9% y-o-y increase in staff costs to KES 7.5 BN. Under the exceptional items, separation costs rose 113.6% y-o-y to KES 1.9 BN.

The bank's loan loss provision expense saw a 146.7% y-o-y upswing to KES 7.6 BN, spiking the annualized cost of risk to 4.8%. The bank has restructured c. KES 63.0 BN of loan value, representing 30.0% of net customer loans and advances.

Customer loans and advances saw a 7.8% y-o-y increase to KES 209.2 BN (+3.6% q-o-q). The group's investments in government securities rose 23.2% y-o-y to KES 94.7 BN (+2.9% q-o-q). On the funding side, customer deposits rose 4.7% y-o-y to KES 246.6 BN (-0.9% q-o-q).

On a trailing basis, ABSA is trading at a P/E multiple of 14.2x and a P/B multiple of 1.2x, above sector medians of 4.7x and 0.6x respectively. Its ROE stands at 8.6% whereas its ROA stands at 1.0%. The dividend yield stands at 9.0%, above a sector median of 5.4%. We maintain a **HOLD** recommendation.

(Source:: Company Filings, DBIB Research)

Salient News...

.....
Standard Chartered Bank
released its 3Q20 results
recording a 30.4% y-o-y
drop in profit after tax
(PAT) to KES 4.3 BN.
.....

Standard Chartered: 3Q20 Earnings Update

Standard Chartered Bank released its 3Q20 results recording a 30.4% y-o-y drop in profit after tax (PAT) to KES 4.3 BN. This was largely attributable to a 274.2% y-o-y rise in loan loss provision expense to KES 2.7 BN. EPS for the period stood at KES 11.13.

Net interest income dropped by 2.4% y-o-y to KES 14.3 BN owing to a 5.8% y-o-y decrease in interest income to KES 17.9 BN and a 17.3% y-o-y decline in interest expense to KES 3.6 BN.

Non-funded income declined by 8.8% y-o-y to KES 6.3 BN on the back of a 9.7% y-o-y decline in fees and commission income to KES 3.5 BN, a 19.9% y-o-y drop in income from forex dealings to KES 1.9 BN and a 30.0% y-o-y increase in other operating income to KES 990.0 MN.

Operating expenses (less loan loss provisions) dropped by 3.3% y-o-y to KES 11.4 BN mainly on the back of a 6.7% y-o-y decline in other operating expenses to KES 4.5 BN. Staff costs dropped 2.5% y-o-y to KES 5.4 BN.

Pre-provision operating profit declined 5.8% y-o-y to KES 9.3 BN. Loan loss provision expense rose 274.2% y-o-y to KES 2.7 BN. As a result, profit before tax fell 28.2% y-o-y to KES 6.6 BN.

Customer loans and advances rose 11.1% y-o-y to KES 131.7 BN while investment securities rose by 6.9% y-o-y to KES 102.3 BN. Customer deposits saw an 8.0% y-o-y increase to KES 242.8 BN while borrowings rose by 21.0% y-o-y to KES 12.7 BN.

On a trailing basis, Stanchart is trading at a P/E multiple of 9.0x against an industry median of 4.8x and a P/B multiple of 1.1x against an industry median of 0.6x. Its ROE stands at 12.6% while its ROA stands at 2.0%. We issue a **HOLD** recommendation.

(Source: Company Filings, DBIB Research)

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Nation Media
- 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*
Kapchorua Tea	Final Div: KES 10.00	30-Jul-20	STA*
Williamson Tea	Final Div: KES 20.00	18-Aug-20	STA*
KenGen	First & Final: KES 0.25	03-Nov-20	17-Dec-20
<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>
Limuru Tea	11:00 am	Virtual	08-Dec-20
BOC	11:00 am	Virtual	08-Dec-20
Jubilee Holdings	11:00 am	Virtual	15-Dec-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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