

DBIB WEEKLY BULLETIN

WEEK 36

Date: 04.09.2020

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and **NASI** indices **rose** by 3.4% and 0.4% w-o-w to close at 1,855.04 and 139.27 respectively.

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	139.3	0.38	0.06	(10.82)	(16.31)
NSE-20	1,855.0	3.42	(4.36)	(22.72)	(30.11)
DBIB Select	86.9	0.90	0.74	(0.75)	(2.90)
FTSE 15	173.3	0.77	0.93	(17.01)	(21.71)
FTSE 25	185.1	0.70	1.31	(14.26)	(19.33)
FTSE Frontier 50	38,204.2	2.33	8.08	(6.54)	(14.28)

(Source: NSE, Bloomberg, DBIB Research)

Weekly equity turnover **increased** by 7.5% w-o-w to USD 27.38 MN (KES 2.97 BN).

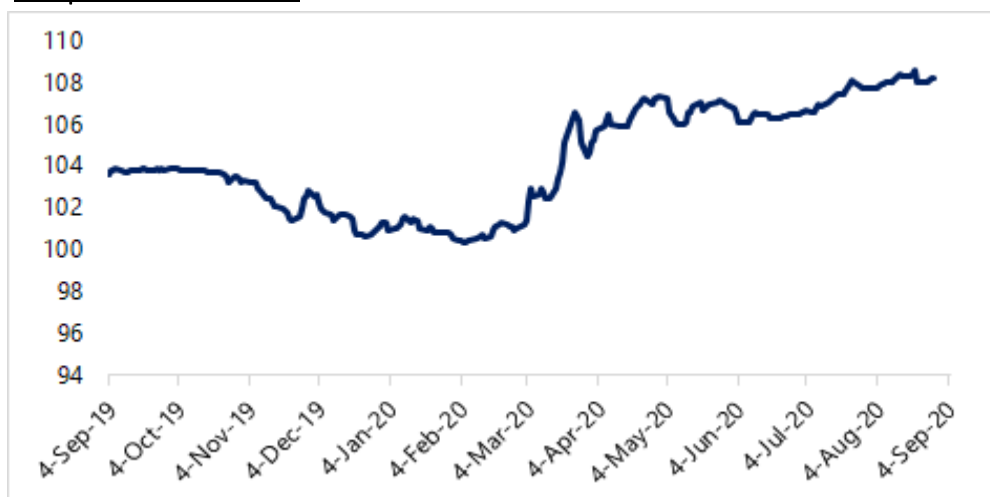
Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,138.16	0.39	6.67	0.51	(10.44)
Market Turnover (USD m)	27.38	7.48	0.56	24.68	(27.08)
Market P/E (x)	11.98	0.03	4.69	(0.06)	(3.68)
Market Div. yld (%) *	4.82	(1.90)	(47.73)	(119.25)	(176.47)
Market ROE (%) *	29.35	79.51	(897.20)	(1,553.14)	(481.04)

* Changes in bps

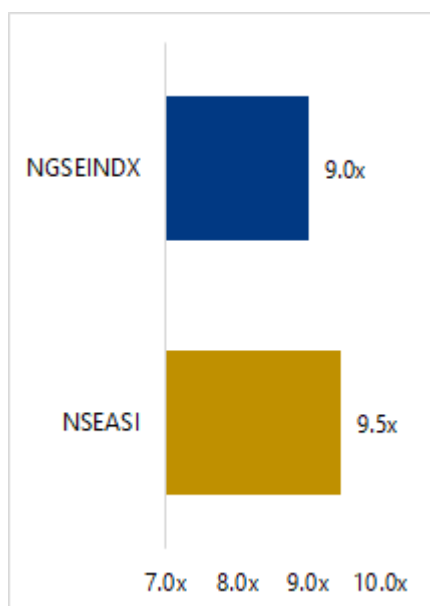
(Source: NSE, DBIB Research)

USD | KES: KES weakened 0.1% w-o-w to close at 108.32 (-6.9% YTD).

USD | KES : 52-Week Trend



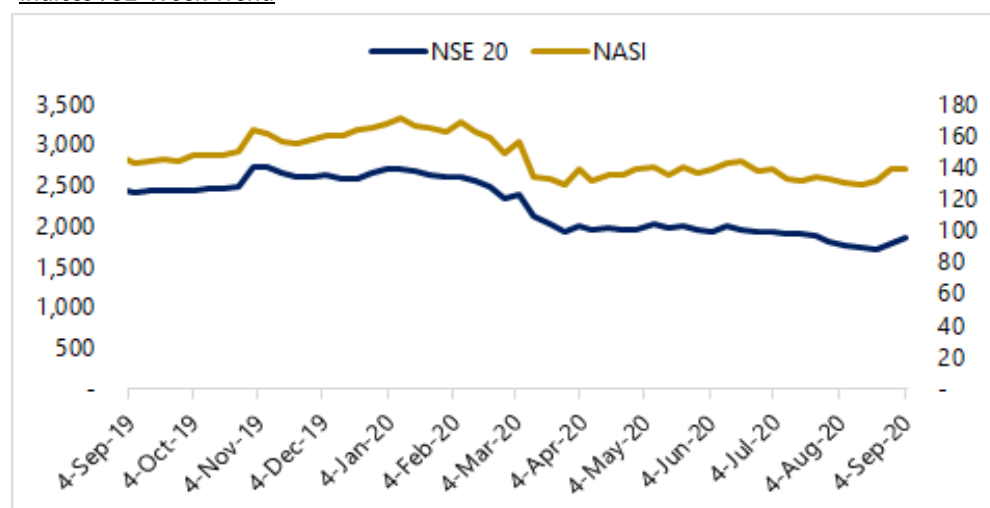
PEER P/E MULTIPLES



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 16.74 MN (KES 1.81 BN) representing 61.25% of this week's turnover.

The stock dropped by 0.8% w-o-w to close at KES 29.60 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 58.75% of foreign sales and 98.45% of foreign purchases.

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Scangroup	29.1
Nation Media	23.3
Eaagads	19.0
BK Group	11.5
Stanbic Holdings	9.6

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Sameer Africa	(12.3)
Unga Group	(9.1)
Trans-Century	(8.8)
Kapchorua Tea	(8.2)
Kenya Re	(7.9)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	16.74
Equity Group	3.53
KCB Group	1.78
E.A. Breweries	1.08
BK Group	0.87

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	86.8
ABSA Gold ETF	38.8
Eaagads	23.8
Sasini	18.3
Kakuzi Ltd	15.0

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Bamburi Cement	(75.0)
Nation Media	(57.4)
Scangroup	(51.0)
Flame Tree Group	(46.2)
Fahari I-REIT.	(46.1)

(Source: NSE, DBIB Research)



Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
BK Group	99.3
Safaricom	98.4
Standard Chartered	88.7
N.S.E.	69.1
E.A. Breweries	53.2

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
BOC Gases	100.0
BK Group	99.9
Kenya Re	95.4
Uchumi	89.6
Centum	84.8

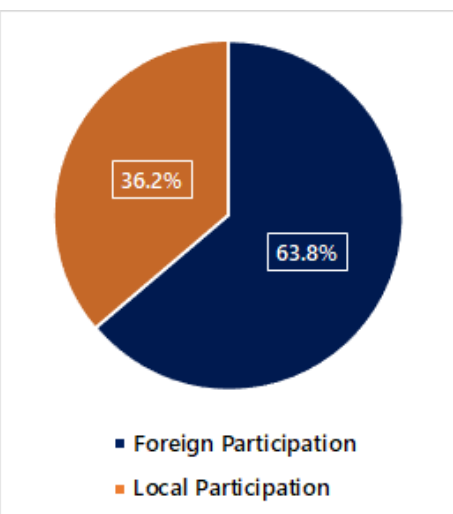
Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
BK Group	98.3
B.A.T. Kenya	83.4
ABSA Gold ETF	70.5
N.S.E.	69.2
E.A. Breweries	66.7

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
BK Group	99.9
B.A.T. Kenya	90.4
ABSA Gold ETF	88.2
Stanbic Holdings	87.1
Safaricom	81.2

WEEKLY LOCAL VS FOREIGN PARTICIPATION



(Source: NSE, DBIB Research)

FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 298.03 MN (KES 23.28 BN) representing a 31.6% w-o-w increase from USD 226.43 MN (KES 24.50 BN) recorded the previous week.

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September Issue : FXD2/2010/15, FXD1/2020/15 & FXD1/2011/20 (Reopens)

This September, the government has reopened the bonds issue number FXD2/2010/15 (5.3 yrs.), FXD1/2020/15 (14.5 yrs.) & FXD1/2011/20 (10.7 yrs.) with the aim of raising KES 50.0 BN for budgetary support. The coupons on FXD2/2010/15, FXD1/2020/15 & FXD1/2011/20 are set at 9.000%, 12.756% and 10.000% respectively. The period of sale runs from 31 August 2020 to 15 September 2020.

Top Trades for the week ending 4 September 2020

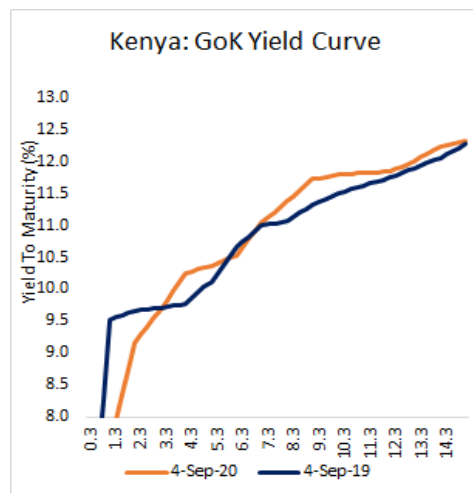
						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
2-Sep	IFB 1/2020/11Yr	10.9	11.5170	11.1000	99.2085	1,607.6
31-Aug	FXD 2/2019/ 5Yr	3.7	11.3040	10.2000	105.3385	1,500.0
31-Aug	FXD 3/2019/10Yr	8.9	10.9000	11.5200	100.4151	1,500.0
4-Sep	FXD 1/2019/ 5Yr	3.5	10.8500	10.2200	103.4348	1,200.0
4-Sep	IFB 1/2020/11Yr	10.9	10.8500	11.1000	99.2674	1,054.0
1-Sep	IFB 1/2020/9Yr	8.6	10.9000	10.6000	105.3200	1,000.0
2-Sep	IFB 1/2020/9Yr	8.6	12.2800	10.5250	105.6960	900.0
1-Sep	IFB 1/2020/11Yr	10.9	10.8500	11.1000	99.1791	808.3
2-Sep	FXD 4/2019/10Yr	9.2	11.5170	11.6500	106.8357	700.0
2-Sep	IFB 1/2020/9Yr	8.6	11.0000	10.5500	105.5805	547.2
1-Sep	FXD 3/2019/10Yr	8.9	11.7500	11.5200	100.4460	500.0
1-Sep	FXD1/2012/15Yr	7.0	11.0000	11.0500	104.8571	500.0
1-Sep	IFB 1/2019/16Yr	15.1	12.4650	11.4000	106.3510	500.0
2-Sep	FXD1/2012/15Yr	7.0	10.8500	11.0500	104.8881	500.0
3-Sep	FXD 1/2017/ 5Yr	2.0	10.9000	9.1000	106.2885	500.0
3-Sep	IFB 1/2020/9Yr	8.6	13.2000	10.5000	105.8415	500.0
3-Sep	IFB 1/2020/11Yr	10.9	10.8500	11.1150	99.1596	500.0
4-Sep	FXD2/2018/20Yr	17.8	10.9000	12.7000	104.8824	500.0
4-Sep	IFB 1/2020/9Yr	8.6	12.5000	10.5000	105.8712	500.0
4-Sep	IFB 1/2020/11Yr	10.9	11.4920	11.0500	99.5294	500.0

(Source: NSE, DBIB Research)

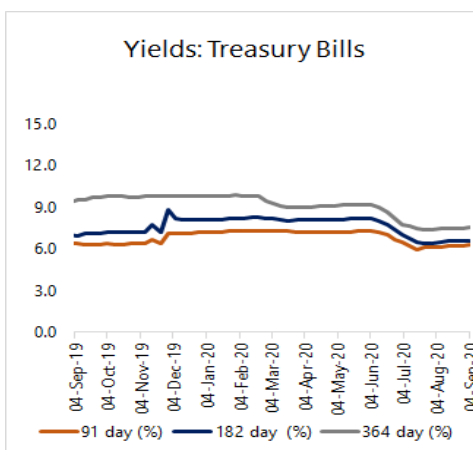
Treasury Bill auction for the week ending 4 September 2020

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	2.74	68.47	2.25	6.295	2.2
182-day	10.00	3.16	31.62	2.26	6.627	0.2
364-day	10.00	6.00	59.95	6.00	7.554	4.7

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News...

Nation Media 1H20 Earnings

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Nation Media: The group recorded a loss after tax of KES 375.2 MN, a 192.9% y-o-y deterioration from a profit after tax of KES 403.7 MN recorded in 1H19.
.....

The group recorded a loss after tax of KES 375.2 MN, a 192.9% y-o-y deterioration from a profit after tax of KES 403.7 MN recorded in 1H19. This was primarily on account of a 28.7% y-o-y decline in turnover to KES 3.3 BN and an upsurge in expenses. Loss per share for the period stood at KES 1.90 compared to an EPS of KES 2.20 in the previous period.

Gross profit saw a 27.4% y-o-y decline to KES 2.6 BN. Top-line performance was affected by the group's decline in advertising and circulation volumes, particularly between April and June. Most advertisers reallocated their marketing spend to business cashflow in a bid to survive the current obscure environment. The restriction on the mobility of people across the markets led to a decline in newspaper copy sales.

Loss before tax saw a 122.3% y-o-y deterioration to KES 145.4 MN compared to a profit before tax of KES 651.9 MN in 1H19. Though not reported, this paints a clear picture of the group's upsurge in operating expenses.

Net working capital for the period stood at KES 3.2 BN, representing a 5.0% y-o-y decline. Current assets rose 0.8% y-o-y to KES 7.0 BN whilst current liabilities rose 6.1% y-o-y to KES 3.8 BN.

Total equity declined 4.5% y-o-y to KES 7.4 BN. Non-current assets declined 4.5% y-o-y to KES 5.0 BN whereas non-current liabilities declined 6.9% y-o-y to KES 675.3 MN.

Total cash and cash equivalents declined 0.2% y-o-y to KES 2.8 BN. Net cash from operations declined 55.2% y-o-y to KES 262.3 MN whereas net cash generated from investing rose 197.4% y-o-y to KES 421.7 MN. Net cash used in financing activities stood at KES 89.2 MN. In July 2020, NMG launched 'Nation.Africa', its new digital brand, which is expected to accelerate the group's transformation into digital media. The group also intends to strengthen its print and broadcast media products.

On a trailing basis, NMG is trading at a P/E of 33.6x and a P/B of 0.3x. ROE stands at 1.0% whereas ROA stands at 0.6%. The BOD did not recommend payment of an interim dividend. We maintain an UNDERWEIGHT recommendation. *(Source: Company filings, DBIB Research)*

Salient News...

Standard Group 1H20 Earnings

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Standard Group: Profit after tax (PAT) saw a 36.5% y-o-y decline to KES 2.6 BN.
.....

Profit after tax (PAT) saw a 36.5% y-o-y decline to KES 2.6 BN. This was primarily on account of a 249.2% y-o-y increase in the bad debt charge to KES 1.9 BN. The EPS for the period closed at KES 8.59, 38.2% lower y-o-y.

The group released its 1H20 results posting a loss after tax of KES 306.1 MN, compared to a profit after tax of KES 19.4 MN in 1H19. This was primarily attributable to a 41.9% y-o-y decline in revenue to KES 1.4 BN. Loss per share for the period stood at KES 3.01 compared to an EPS of KES 0.59 in 1H19.

Total operating costs saw a 24.0% y-o-y decline to KES 1.7 BN. Management indicated that direct costs declined by 40.0% whilst overheads declined by 15.0%.

Finance costs saw a 14.9% y-o-y decline to KES 73.5 MN. As such, loss before tax stood at KES 416.6 MN, compared to a PBT of KES 27.7 MN in 1H19. The company recognized a tax credit of KES 110.4 MN, compared to a tax expense of KES 8.3 MN in 1H19.

Total assets rose 1.4% y-o-y to KES 4.3 BN courtesy of a 1.9% y-o-y increase in non-current assets to KES 2.9 BN and a 0.6% y-o-y increase in current assets to KES 1.4 BN.

Total liabilities rose 13.2% y-o-y to KES 3.1 BN following an 18.0% y-o-y increase in current liabilities to KES 2.7 BN and an 11.3% decline in non-current liabilities to KES 402.7 MN.

Shareholders' equity saw a 20.8% y-o-y decline to KES 936.4 MN, due to a 33.5% y-o-y decline in retained earnings to KES 488.3 MN.

Net cash generated from operating activities saw a 72.0% y-o-y decline to KES 147.6 MN whereas net cash used in investing and financing activities declined 35.2% and 44.3% y-o-y to KES 124.7 MN and KES 142.3 MN. As such, the net decrease in cash stood at KES 119.4 MN. Cash at the end of the period stood at a negative position of KES 191.4 MN.

The COVID-19 pandemic has significantly affected the media industry. Standard Group saw a decline in advertising spend by most of its clients during 1H20. This, in addition to the industry's systemic hurdles i.e. the digital disruption and heightened competition, poses a threat to medium term profitability.

On a trailing basis, the counter is trading at a P/E of -2.4x and a P/B of 2.0x. ROE stands at -81.5% whereas ROA stands at -17.9%. We maintain an UNDERWEIGHT recommendation. *(Source: Company filings, DBIB Research)*

Salient News...

Liberty Holdings 1H20 Earnings

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Liberty Holdings released its 1H20 results reporting a 15.1% y-o-y decline in PAT to KES 333.1 MN.
.....

Liberty Holdings released its 1H20 results reporting a 15.1% y-o-y decline in PAT to KES 333.1 MN. EPS for the period stood at KES 0.58, 17.1% lower y-o-y.

Net insurance premiums rose 1.1% y-o-y to KES 3.4 BN on account of an 11.7% y-o-y increase in insurance premiums to KES 6.0 BN and a 29.5% y-o-y rise in reinsurance premiums to KES 2.6 BN.

Total income for the period shed 23.2% y-o-y to KES 4.4 BN largely on account of a 90.3% y-o-y decrease in fair value adjustments to assets held at fair value through P/L to KES 154.7 MN.

PBT dropped by 53.2% y-o-y to KES 294.3 MN primarily attributable to a 22.5% y-o-y increase in claims and policy holder benefits under insurance contracts to KES 3.5 BN. Other operating expenses dropped by 3.5% y-o-y to KES 1.6 BN.

The company recognized a KES 38.8 MN tax credit for the period in contrast to a KES 236.7 MN tax charge in 1H19.

Long term policy holder liability decreased by 91.8% y-o-y to KES 1.6 BN while short term insurance liabilities rose by 18.8% y-o-y to KES 3.9 BN. Total assets increased by 1.4% y-o-y to KES 30.6 BN.

Total assets rose by 2.1% y-o-y to KES 39.0 BN while total equity increased by 4.8% y-o-y to KES 8.4 BN.

On a trailing basis, Liberty is trading at P/E and P/B multiples of 5.8x and 0.5x against respective sector medians of 2.7x and 0.6x. Its ROA stands at 1.8% against a sector median of 1.5% while its ROE stands at 8.7% against a sector median of 8.6%.

(Source: Company filings, DBIB Research)

Salient News...

Total Kenya 1H20 Earnings

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Total Kenya posted a 2.5% y-o-y increase in PAT to KES 1.1 BN.
.....

Total Kenya posted a 2.5% y-o-y increase in PAT to KES 1.1 BN. EPS for the period stood at KES 1.80, 2.3% up y-o-y.

Net sales declined 51.8% y-o-y to KES 31.5 BN, following a 45.3% y-o-y decline in sales to KES 44.4 BN and a decline in indirect taxes and duties to KES 13.0 BN. Cost of sales saw a 55.0% y-o-y decline to KES 27.5 BN. As a result, gross profit declined 3.6% y-o-y to KES 4.0 BN.

Operating expenses saw a 3.5% y-o-y increase to KES 3.1 BN. Other income rose 37.5% y-o-y to KES 732.5 MN whereas finance income dropped 69.2% y-o-y to KES 39.3 MN. Net foreign exchange loss declined 21.1% y-o-y to KES 80.8 MN. As such, profit before tax declined 7.2% y-o-y to KES 1.6 BN.

Current Assets declined 6.8% y-o-y to KES 22.2 BN, following a 15.3% y-o-y decline in inventory to KES 5.6 BN and a 20.0% y-o-y decline in trade and other receivables to KES 10.3 BN. Cash and cash equivalents rose 46.2% y-o-y to KES 6.3 BN.

Current liabilities declined 20.9% y-o-y to KES 8.7 BN, following a 19.9% y-o-y decline in trade and other payables to KES 8.0 BN and a 55.2% decline in short term borrowings to KES 335.3 MN.

Net cash flow from operating activities stood at KES 2.8 BN, 148.6% higher y-o-y. Net cash used in investing activities stood at KES 429.9 MN (22.4% down y-o-y) whereas net cash used in financing activities stood at KES 14.1 MN (63.3% down y-o-y). As such, net increase in cash and cash equivalents stood at KES 2.4 BN.

On a trailing basis, Total is trading at a P/E of 5.7x, against a sector median of 4.1x and a P/B of 0.6x against a sector median of 0.2x. ROE stands at 10.4% whereas ROA stands at 7.2%. *(Source: Company filings, DBIB Research)*

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Unga Group
- 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*
BAT Kenya	Interim Div: KES 3.50	21-Aug-20	18-Sep-20
Kenya Re	First & Final: KES 0.10	09-Oct-20	20-Nov-20
KenGen	First & Final: KES 0.25	22-Oct-20	17-Dec-20
Jubilee	Interim Div: KES 1.00	11-Sep-20	09-Oct-20
Centum Investment	First & Final: KES 1.20	STA*	STA*

<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>
E.A. Breweries	TBC	Virtual	16-Sep-20
Olympia Capital	11.00 am	Virtual	31-Aug-20
EA Cables	11.00 am	Virtual	03-Sep-20
Centum	11.00 am	Virtual	18-Sep-20
Express Kenya	11.00 am	Virtual	24-Sep-20
CIC Group	10.00 am	Virtual	29-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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