

DBIB WEEKLY BULLETIN

WEEK 11

Date: 19.03.2021

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and **NASI** indices grew 0.6% and 3.0% w-o-w to close at 1,933.60 and 166.94 respectively.

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	166.94	3.00	12.77	19.04	9.75
NSE-20	1,933.60	0.55	7.61	4.67	3.49
DBIB Select	104.91	0.91	17.65	20.32	7.49
FTSE 15	194.10	2.44	13.77	122.62	8.95
FTSE 25	218.09	2.80	13.91	17.05	10.38
FTSE Frontier 50	45,542.57	0.61	2.70	19.44	3.36

(Source: NSE, Bloomberg, DBIB Research)

Weekly equity turnover dropped by 47.8% w-o-w to USD 15.4 MN (KES 1.70 BN).

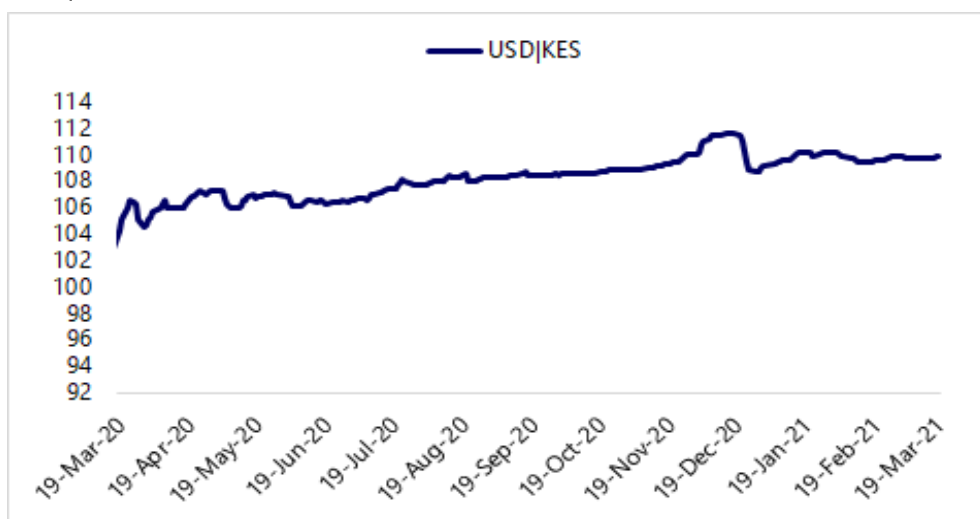
Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,565.07	3.00	0.84	12.81	19.13
Market Turnover (USD m)	15.44	(47.84)	(31.67)	(16.40)	(67.51)
Market P/E (x)	13.40	5.88	(1.47)	(4.01)	10.74
Market Div. yld (%) *	4.40	(26.10)	(13.95)	(38.32)	(310.00)
Market ROE (%) *	33.17	31.94	(381.82)	475.00	(1,152.00)

* Changes in bps ** Market ROE is market cap weighted

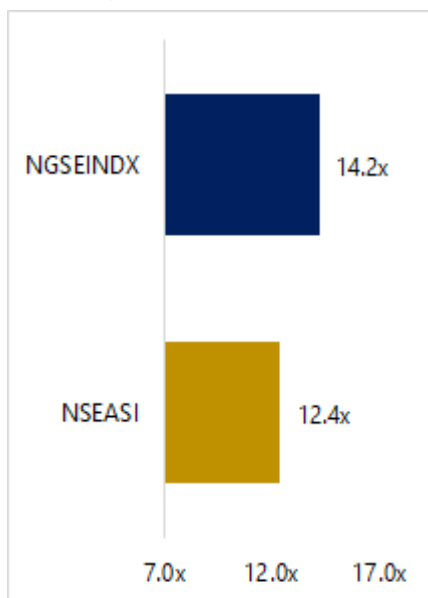
(Source: NSE, DBIB Research)

USD | KES: KES weakened 0.2% w-o-w to close at 109.86 (-0.6% YTD).

USD | KES : 52-Week Trend



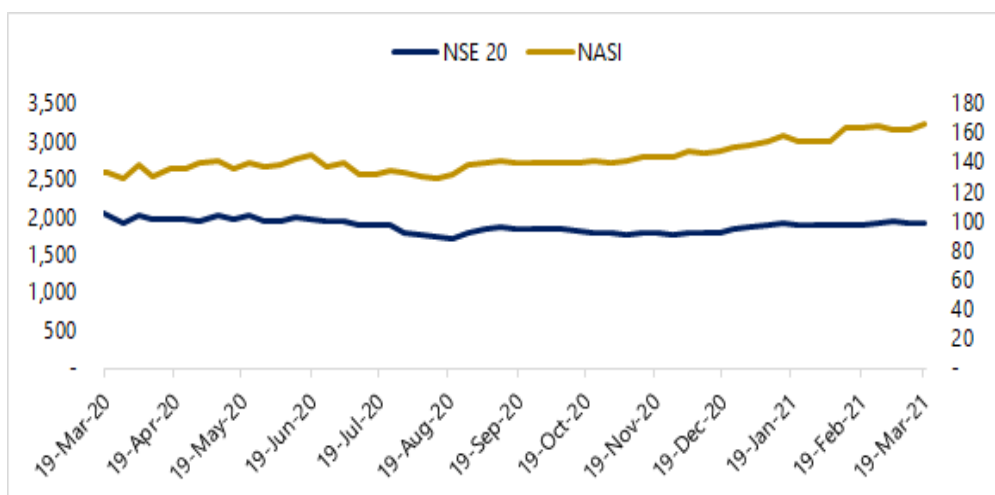
PEER P/E MULTIPLES



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

(Source: Bloomberg, DBIB Research)

Indices : 52-Week Trend



(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

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Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 7.08 MN (KES 778.3 MN) representing 45.88% of this week's turnover.

The stock gained 4.0% w-o-w to close at KES 38.60 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 70.06% of foreign sales and 75.23% of foreign purchases.

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Jubilee Holdings	8.9
Kapchorua Tea	8.6
Co-operative Bank	7.3
BK Group	7.1
Unga Group	6.9

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Uchumi Supermarket	(14.3)
Liberty Kenya	(8.9)
Total Kenya	(8.0)
Trans-Century Ltd	(6.7)
Sanlam Kenya	(6.4)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	7.08
Equity Group	2.25
E.A Breweries	2.16
KCB	1.41
Centum Investment	0.34

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
BAT Kenya	34.1
STANLIB FAHARI I-REIT	23.8
Nation Media	20.1
Express Kenya	18.6
Kenya Re	14.2

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
E.A.Portland Cement	(24.9)
Trans-Century Ltd	(22.8)
Kenya Power	(20.5)
Uchumi Supermarket	(14.3)
Eveready E.A	(14.2)

(Source: NSE, DBIB Research)



Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
KenGen	86.0
Equity Group	83.6
Safaricom	75.2
KCB	65.4
Jubilee Holdings	57.5

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
Uchumi Supermarket	97.0
Britam	94.4
KenGen	94.2
Centum Investment	89.2
E.A Breweries	74.6

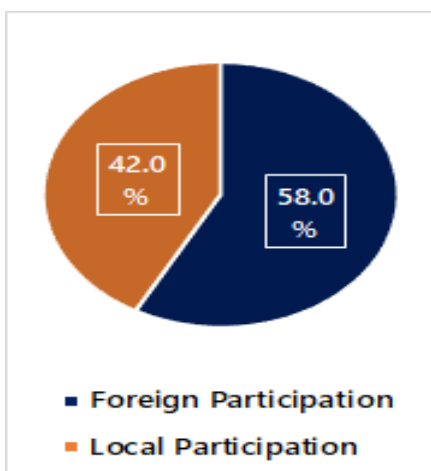
Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	100.0
Safaricom	81.0
Stanbic Holdings	79.0
Equity Group	70.6
NSE	69.4

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	100.0
KCB	81.7
Stanbic Holdings	74.5
Equity Group	72.0
KenGen	71.5

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 99.05 MN (KES 10.88 BN) representing a 23.2% w-o decrease from USD 128.90 MN (KES 14.13 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 99.05 MN (KES 10.88 BN) representing a 23.2% w-o-w decrease from USD 128.90 MN (KES 14.13 BN) recorded the previous week. The bond issue number FXD2/2018/20Yr emerged as the top traded bond with a turnover of KES 4.03 BN accounting for 37.1% of the week's turnover. The bond traded between 12.8200% and 13.5000%.

Top Trades for the week ending 19 March 2021

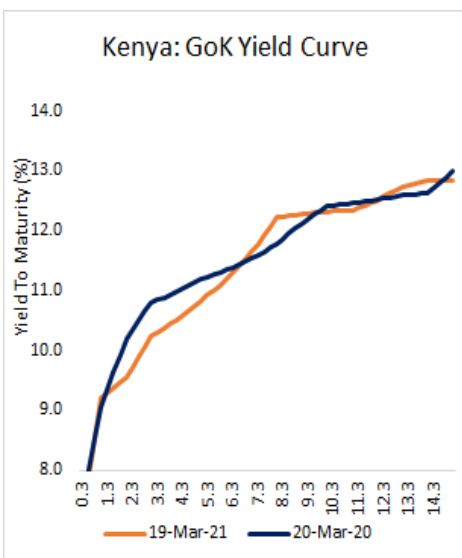
						Total
						Value
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (KES m)	(KES m)
16-Mar	IFB 1/2020/6Yr	5.2	10.2000	10.1000	103.24	700.0
18-Mar	FXD2/2018/20Yr	17.3	13.2000	13.4000	100.51	600.0
15-Mar	IFB 1/2021/16Yr	15.8	12.2570	11.8000	104.47	500.0
15-Mar	IFB 1/2016/15Yr	10.6	12.0000	11.0800	108.72	400.0
16-Mar	FXD2/2018/20Yr	17.3	13.2000	13.2400	101.50	400.0
18-Mar	IFB 1/2020/11Yr	10.4	10.9000	11.2000	99.19	302.0
16-Mar	FXD1/2020/15Yr	13.9	12.7560	12.7000	101.11	300.0
15-Mar	FXD1/2020/15Yr	13.9	12.7560	12.9000	99.79	250.0
16-Mar	FXD1/2018/15Yr	12.2	12.6500	12.4200	105.31	200.0
16-Mar	FXD2/2018/20Yr	17.3	13.2000	13.5000	99.81	200.0
16-Mar	FXD2/2018/20Yr	17.3	13.2000	13.4750	99.98	200.0
19-Mar	FXD2/2018/20Yr	17.3	13.2000	13.3750	100.71	200.0
19-Mar	IFB 1/2017/12Yr	7.9	12.5000	10.7500	106.73	200.0
19-Mar	IFB 1/2019/16Yr	14.6	11.7500	11.7750	104.46	200.0
19-Mar	IFB 1/2019/16Yr	14.6	11.7500	11.7500	104.62	200.0
15-Mar	FXD 2/2017/ 5Yr	1.6	12.5170	9.3239	109.67	165.0
16-Mar	FXD1/2009/15Yr	3.6	12.5000	10.3000	111.75	156.7
15-Mar	IFB 1/2021/16Yr	15.8	12.2570	11.7125	105.04	150.0
16-Mar	IFB 1/2020/6Yr	5.2	10.2000	10.1500	103.09	150.0
15-Mar	FXD 1/2012/10Yr	1.2	12.7050	9.2667	107.11	112.5
15-Mar	FXD1/2018/15Yr	12.2	12.6500	12.5500	104.46	100.0
15-Mar	IFB 1/2019/16Yr	14.6	11.7500	11.7750	104.33	100.0
16-Mar	FXD1/2018/15Yr	12.2	12.6500	12.5500	104.50	100.0
16-Mar	FXD2/2018/20Yr	17.3	13.2000	13.3500	100.77	100.0
16-Mar	FXD2/2018/20Yr	17.3	13.2000	13.3000	101.10	100.0
18-Mar	FXD2/2019/15Yr	13.1	12.7340	12.8070	104.01	100.0
18-Mar	FXD2/2018/20Yr	17.3	13.2000	13.1947	101.88	100.0

(Source: NSE, DBIB Research)

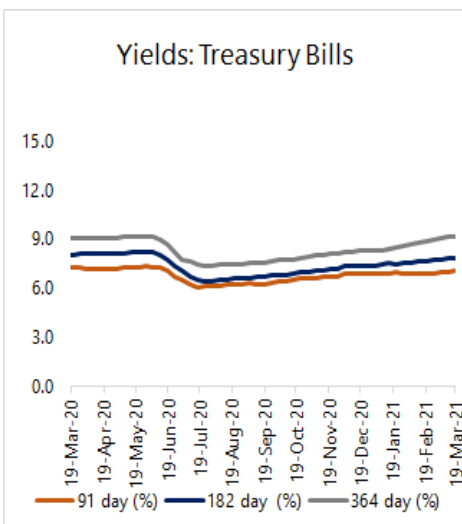
Treasury Bill auction for the week ending 19 March 2021

Instrument	Amount (KES Bn)	Bids Received (KES Bn)	Subscription Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.00	5.42	135.56	5.42	7.071	4.7
182-day	10.00	7.10	70.99	6.14	7.884	5.2
364-day	10.00	15.08	150.77	11.74	9.213	6.9

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News

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KCB GROUP released its FY20 results recording a 22.1% y-o-y decline in profit after tax (PAT) to KES 19.6 BN.

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KCB Group FY20 Earnings

KCB GROUP released its FY20 results recording a 22.1% y-o-y decline in profit after tax (PAT) to KES 19.6 BN. Pre-provisions operating profit however grew 16.3% y-o-y to KES 53.2 BN. Loan loss provision surged three-fold y-o-y to KES 27.5 BN, impacting bottom line growth numbers.

Net interest income rose 21.0% y-o-y to KES 67.9 BN on the back of a 19.4% y-o-y rise in interest income to KES 88.7 BN and a 14.2% y-o-y increase in interest expense, slower than interest income growth, to KES 20.8 BN. Net interest margin was up 35 bps y-o-y to stand at 8.3%.

Non-funded income rose 1.0% y-o-y to KES 28.4 BN following a 38.1% y-o-y rise in other operating income to KES 5.3 BN, a 19.8% y-o-y rise in net income from forex dealings to KES 5.4 BN and a 10.4% y-o-y decline in fees and commission income to KES 17.8 BN.

Operating expenses (less loan loss provisions) rose 12.1% y-o-y to KES 43.2 BN mainly on the back of a 5.6% y-o-y rise in staff costs to KES 20.4 BN and a 13.3% y-o-y rise in other operating expenses to KES 16.1 BN. Cost-to-income ratio improved 91 bps y-o-y to 44.8%.

Customer loans and advances grew 11.2% y-o-y to KES 595.2 BN (+3.1% q-o-q). On the funding side, customer deposits rose 11.7% y-o-y to KES 767.2 BN.

Gross non-performing loans rose 52.4% y-o-y to KES 96.6 BN (-0.4% q-o-q). Interest in suspense rose 31.9% y-o-y to KES 11.8 BN (-8.2% q-o-q). As a result, total NPLs (Gross NPLs less interest in suspense) rose 55.8% y-o-y to KES 84.8 BN. NPL ratio rose 338 bps y-o-y to 14.0% while NPL coverage ratio also increased 138 bps y-o-y to 54.2% following the surge in provisioning.

The Group's dividend payout stood at 16.4% (based on the recommended dividend per share of KES 1.00) vis-à-vis FY19's payout of 44.7%.

KCB Group is trading at a P/E ratio of 6.6x, above an industry median of 6.1x, and a P/B of 0.9x above an industry median of 0.7x. ROE stands at 13.8%, relative to an industry median of 11.3%, whereas ROA stands at 2.0%, relative to an industry median of 1.8%. (Source: Company Filings, DBIB Research)

Salient News

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Co-op Group saw a 24.4% y-o-y decline in profit after tax to KES 10.8 BN.
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Co-operative Group FY20 Earnings

Co-op Group saw a 24.4% y-o-y decline in profit after tax to KES 10.8 BN. Pre-provisions operating profit dropped 2.8% y-o-y to KES 22.5 BN but plummeted further due to a 219.5% y-o-y rise in loan loss provisions to KES 8.11 BN occasioned by the effects of the COVID-19 pandemic. EPS for the period stood at KES 1.98, 20.2% lower y-o-y. The Directors recommend the payment of **a first and final dividend of KES 1.00** to be paid on or about 14th April 2021 to shareholders on the register on 31st March 2021.

Net interest income rose 16.1% y-o-y to KES 36.3 BN attributable to a 11.9% y-o-y rise in interest income to KES 48.8 BN and was buffered by a 1.3% y-o-y increase in interest expense to KES 12.5 BN.

Non-interest income edged up 1.9% y-o-y to KES 17.5 BN on the back of a 0.7% y-o-y increase in fees and commissions to KES 12.9 BN and a 32.1% y-o-y rise in forex income to KES 2.8 BN. Other operating income declined 20.5% y-o-y to KES 1.7 BN.

Total income rose 11.1% y-o-y to KES 53.8 BN whereas operating expenses (less loan loss provisions) rose 23.9% y-o-y to KES 31.3 BN. Staff costs rose 8.5% y-o-y to KES 13.4 BN whereas other operating expenses increased by KES 104.9% y-o-y to KES 17.9 BN.

Customer loans and advances rose 7.5% y-o-y to KES 286.6 BN whereas customer deposits rose 13.8% y-o-y to KES 378.6 BN. Investment securities rose 36.8% y-o-y to KES 163.0 BN.

Gross NPLs rose 87.0% y-o-y to KES 59.1 BN whereas interest in suspense rose 41.9% y-o-y to KES 7.2 BN. As a result, total NPLs rose 95.7% y-o-y to KES 51.9 BN.

Co-op is currently trading at a P/E ratio of 6.9x, against an industry median of 6.6x and a P/B of 0.8x against an industry median of 0.7x. Its ROE stands at 11.9% above the industry median of 11.0% whereas its ROA stands at 2.0% above the industry median of 1.8%. *(Source: Company Filings, DBIB Research)*

Salient News Cont'd

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ILAM Fahari I-REIT released its FY20 earnings recording a 15.5% y-o-y reduction in net profit to KES 148.0 MN.
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ILAM Fahari I-REIT FY20 Earnings

ILAM Fahari I-REIT released its FY20 earnings recording a 15.5% y-o-y reduction in net profit to KES 148.0 MN owing to a 56.4% y-o-y plunge in fair value gain on re-valuation of investment property to KES 13.6 MN arising from material valuation uncertainty in the short to medium term as a result of the COVID-19 pandemic. REIT Manager has recommended and the Trustee has approved a first & final distribution of KES 0.60 per unit (20.0% lower y-o-y) subject to unit holder approval at the annual general meeting scheduled for 16th April 2021 and is payable by no later than 30th April 2021.

Distributable earnings fell 6.7% y-o-y to KES 134.4 MN mainly due to a 1.8% y-o-y rise in operating expenses to KES 229.6 MN mainly due to a y-o-y massive rise in bad debts provisions to KES 33.1 MN as a result of non-performance of the anchor tenant at Greenspan Mall. This was partially offset by a 10.8% y-o-y reduction in fund operating expenses to KES 99.2 MN after the REIT Manager temporarily reduced their fees by 10.0% to cushion the investors during a particularly difficult year. Tax leakages at the subsidiary level continued to dampen the performance during the year where KES 13.9 MN (2019: KES 16.5 MN) was provided against irrecoverable withholding taxes. The subsidiary tax legislation whose publication was slowed down by the pandemic is expected to be completed in 2021. The legislation will curb the leakages in 2021 as it will pave way for issuance of tax exemption certificates to the REIT subsidiaries.

Other income decreased 9.7% y-o-y to KES 22.9 MN following a 10.3% y-o-y drop in interest income to KES 22.4 MN. Sundry income grew 41.7% to KES 0.46 MN.

Total assets grew 0.1% y-o-y to KES 3.9 BN on account of a 1.2% y-o-y increase in fair value of investment property for accounting purposes to KES 3.4 BN and a rise in investment property by 0.7% y-o-y to KES 3.5 BN. Total liabilities shed 6.1% y-o-y to KES 108.0 MN whereas total equities rose 0.3% y-o-y to KES 3.8 BN.

REIT is currently trading at a P/E multiple of 8.3x and a P/B multiple of 0.3x. Its ROE stands at 3.9% whereas its ROA stands at 3.8%. Dividend yield stands at 8.8%. *(Source: Company Filings, DBIB Research)*

Salient News

Kakuzi Plc FY20 Earnings

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Kakuzi Plc released its FY20 results recording a 12.8% y-o-y decline in PAT to KES 622.0 MN on account of a 24.9% y-o-y reduction in sales to KES 3.61 BN resulting from the uncertainty in its sales market amidst the COVID-19 pandemic.

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Kakuzi Plc released its FY20 results recording a 12.8% y-o-y decline in PAT to KES 622.0 MN on account of a 24.9% y-o-y reduction in sales to KES 3.61 BN resulting from the uncertainty in its sales market amidst the COVID-19 pandemic. This is backed by a significant reduction in the prices of avocados by 34.0% y-o-y despite a rise in its export volumes and the significant increase in tea production thus impacting its price levels negatively. Furthermore, the results also include the cost incurred by the company in defending itself from a UK law firm who wished to bring Kakuzi into the jurisdiction of the United Kingdom. The decline in PAT was however cushioned by a 25.1% y-o-y decline in tax expenses to KES 225.5 MN.

The directors recommend the payment of a **first and final dividend of KES 18.00 per ordinary share** subject to shareholders' approval, to be paid on or about 30th June 2021 to shareholders on the member's register at the close of business 31st March 2021. EPS for the period stood at KES 31.74, 12.8% y-o-y lower.

Total assets rose 6.9% y-o-y to KES 6.9 BN whereas total liabilities increased by 7.9% y-o-y to KES 1.3 BN. Total equities rose 6.7% y-o-y to KES 5.6 BN following a y-o-y increase in retained earnings by 5.6% y-o-y to KES 5.1 BN.

Net cash generated from operating activities declined 31.1% y-o-y to KES 541.3 MN. Net cash used in investing activities dropped 11.9% y-o-y to KES 358.2 MN whereas net cash used in financing activities increased by 55.6% y-o-y to KES 274.4 MN.

Kakuzi is currently trading at a P/E multiple of 11.3x against an industry median of 9.5x and a P/B multiple of 1.3x against an industry median of 0.5x. Its ROE stands at 11.2% against an industry median of 2.5% whereas its ROA stands at 9.0% against an industry median of 2.0%. *(Source: Company Filings, DBIB Research)*

Umeme Ltd issues profit warning

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Umeme Ltd announced that the company's net profit is expected to decline by more than 60.0% compared to the year end as at 31st December 2019.

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Umeme Ltd announced that the company's net profit is expected to decline by more than 60.0% compared to the year end as at 31st December 2019. This is attributable to the effects of the COVID-19 pandemic, regulatory lag, and the suspension of the Government's free connections policy.

UPCOMING EVENTS

Profit Warnings

1. Eaagads
2. NSE
3. Eveready
4. Nation Media
5. E.A. Cables
6. I&M
7. StanChart
8. Sameer
9. HF Group
10. Kenya Airways
11. Britam
12. ABSA
13. DTB
14. CIC Insurance
15. Limuru Tea
16. Sanlam Kenya
17. Homeboyz
18. Umeme Ltd

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
Car & General	First & Final: KES 0.80	22-Feb-21	25-Mar-21
Safaricom	Interim : KES 0.45	5-Mar-21	31-Mar-21
BAT Kenya	Final: 41.50	16-Apr-21	12-May-21
KenGen	First & Final: KES 0.30	29-Apr-21	22-Jul-21
Stanbic Holdings	Final: KES 3.80	21-May-21	STA*
Co-operative Bank	First & Final: KES 1.00	31-Mar-21	14-Apr-21
KCB Group	First & Final: KES 1.00	26-Apr-21	STA*
ILAM Fahari I-REIT	First & Final: KES 0.60	STA*	30-Apr-21
Kakuzi	First & Final: KES 18.00	31-May-21	30-Jun-21

(Source: NSE, DBIB Research)

STA—Subject to approval*

AGM SCHEDULE

<u>Company</u>	<u>Time</u>	<u>Venue</u>	<u>Date</u>
Car & General (K)	10:00 am	Virtual	25-March-21
Kenya Power	11:00 am	Virtual	01-April-21
Kakuzi	12:00 noon	Virtual	18-May-21

(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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