

DBIB WEEKLY BULLETIN

WEEK 35

Date: 03.09.2021

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and NASI fell

0.4% and 4.1%w-o-w to close at 2,025.37 and 179.47, respectively.

Weekly equity turnover

dropped 15.8% w-o-w to USD 18.05 MN (KES 1.99 BN).

USD | KES: KES weakened

0.2% w-o-w to close at 109.99 (-0.7% YTD).

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	179.47	(4.13)	5.65	11.01	17.99
NSE-20	2,025.37	(0.44)	6.11	4.33	8.40
DBIB Select	108.77	(2.06)	1.38	5.25	11.45
FTSE 15	215.03	(4.31)	7.68	15.57	20.70
FTSE 25	237.97	(4.39)	5.76	13.43	20.44
FTSE Frontier 50	49,595.11	1.01	1.95	9.38	12.56

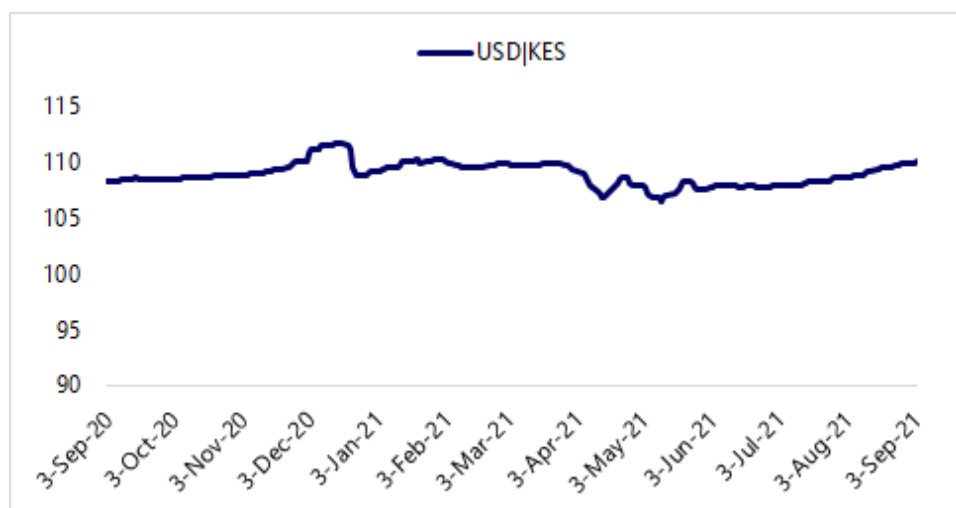
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,796.73	(4.14)	0.54	5.73	12.59
Market Turnover (USD m)	18.05	(15.78)	31.56	(15.98)	(7.73)
Market P/E (x)	17.83	(3.12)	0.15	24.44	37.13
Market Div. yld (%) *	3.39	19.06	(11.45)	(130.94)	(142.64)
Market ROE (%) *	37.80	0.72	456.25	483.72	844.87

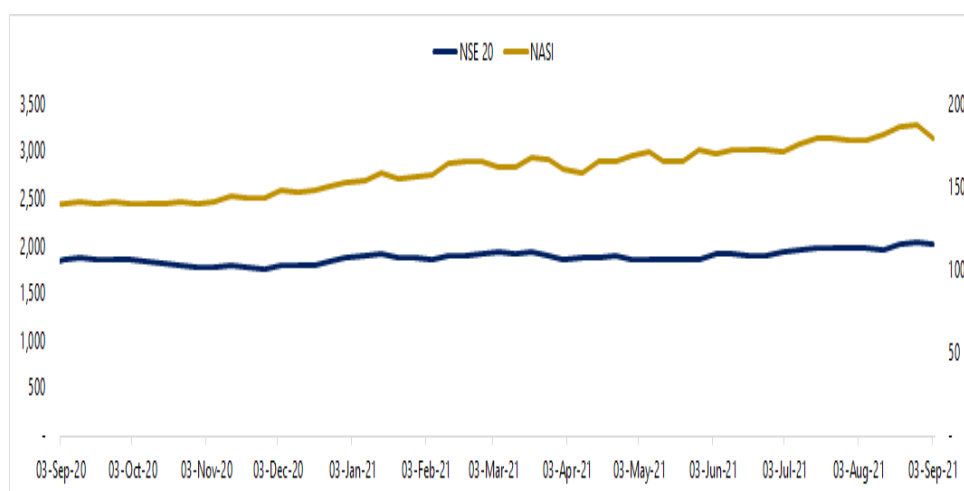
* Changes in bps ** Market ROE is market cap weighted

(Source: NSE, DBIB Research)

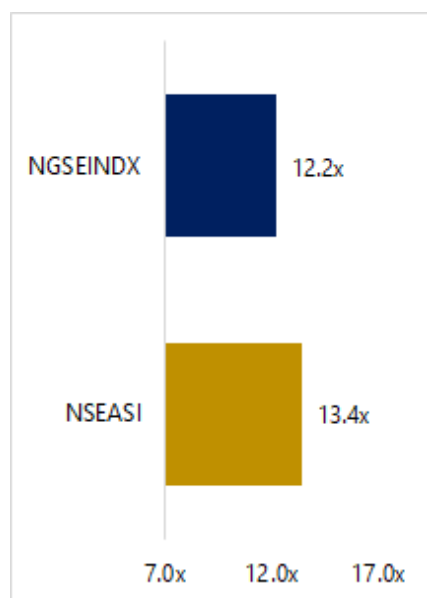
USD | KES : 52-Week Trend



Indices : 52-Week Trend



PEER P/E MULTIPLES



NSEASI* - Nairobi All Share Index

NGSEINDX* - Nigeria All Share Index

*LTM Price/EPS

(Source: Bloomberg, DBIB Research)

(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
NBV	30.3
WPP Scangroup	29.7
Crown Paints Kenya	25.1
E.A.Cables Ltd	10.3
Kapchorua Tea	7.93

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Housing Finance	(8.3)
Equity Group	(8.0)
Kakuzi	(7.7)
Sanlam	(7.1)
BK Group	(6.6)

(Source: NSE, DBIB Research)



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Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 6.83 MN (KES 781.19 BN) representing 37.83% of this week's turnover.

The stock shed 5.0% w-o -w to close at KES 42.15 on Friday.

Foreign investors assumed a **net buying** position on the counter this week by accounting for 50.17% of foreign sales and 96.21% of foreign purchases.

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<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	6.83
Equity	3.78
KCB Group	2.38
E.A Breweries	1.35
Bamburi	1.04

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
BK Group	75.6
Nation Media Group	61.8
NBV	60.7
Car & General	59.1
Equity Group	36.5

(Source: NSE, DBIB Research)

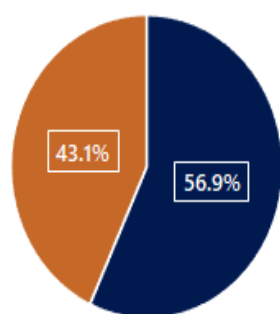


<u>Top Losers</u>	<u>%</u>
WPP Scangroup	(22.8)
E.A.Portland	(22.2)
Kenya Power	(20.5)
Sanlam	(18.9)
Longhorn Publishers	(18.2)

(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>
Kenya Re	89.8
Equity Group	72.0
KCB Group	62.1
Safaricom	61.2
NSE	57.3

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
Safaricom	88.9
WPP Scangroup	78.3
TCL.O000	76.6
E.A Breweries	69.7
KCB Group	65.4

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	100.0
BOC Kenya	90.4
Safaricom	74.1
Stanbic Holdings	71.8
Equity Group	63.2

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	99.7
E.A Breweries	79.7
Stanbic Holdings	69.2
BAT Kenya	67.1
BK Group	65.0

FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 98.91 MN (KES 10.88 BN) representing a 15.1% w-o -w decrease from USD 116.53 MN (KES 12.79 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 98.91 MN (KES 10.88 BN) representing a 15.1% w-o-w decrease from USD 116.53 MN (KES 12.79 BN) recorded the previous week. The bond issue number FXD1/2019/15Yr emerged as the top traded bond with a turnover of KES 2.02 BN accounting for 18.6% of the week's turnover. The bond traded between 12.1300% and 12.9600%.

September Issue: IFB1/2021/21 ((New issue)

This September, the government has issued an IFB1/2021/21 with the aim of raising KES 75.0 BN for the funding of the infrastructure projects in the full year 2021/2022 budget estimates. The coupon rate will be market determined whereas the period of sale runs from 20 August 2021 to 07 September 2021.

Top Trades for the week ending 03 September 2021

					Total
			Coupon	Yield	Price
Trading Date	Issue No.	Years	(%)	(%)	(KES m)
31-Aug	FXD1/2020/ 5Yr	3.7	11.6670	10.2600	107.82
31-Aug	FXD1/2013/15Yr	6.4	11.2500	11.2000	100.68
31-Aug	FXD 4/2019/10Yr	8.2	12.2800	12.2500	103.45
31-Aug	FXD1/2018/15Yr	11.7	12.6500	12.5000	104.30
2-Sep	FXD 1/2021/2Yr	1.3	9.4860	8.3500	102.77
31-Aug	FXD1/2018/15Yr	11.7	12.6500	12.5700	103.88
3-Sep	IFB 1/2021/16Yr	15.3	12.2570	12.0000	102.84
2-Sep	FXD 3/2019/10Yr	7.9	11.5170	12.3000	96.62
2-Sep	IFB 1/2020/11Yr	9.9	10.9000	11.0000	99.81
31-Aug	FXD1/2018/15Yr	11.7	12.6500	12.6731	103.25
1-Sep	FXD 4/2019/10Yr	8.2	12.2800	12.2500	103.48
3-Sep	FXD 3/2019/10Yr	7.9	11.5170	12.2315	96.99
1-Sep	FXD 1/2016/10Yr	4.9	15.0390	11.0000	115.53
1-Sep	FXD1/2021/20Yr	19.9	13.4440	13.5000	100.19
3-Sep	FXD 1/2016/10Yr	4.9	15.0390	11.0000	115.73
3-Sep	FXD 3/2019/10Yr	7.9	11.5170	12.2500	96.90
3-Sep	FXD1/2021/20Yr	19.9	13.4440	13.0000	103.78
31-Aug	FXD1/2013/15Yr	6.4	11.2500	11.8071	97.98
3-Sep	FXD1/2021/20Yr	19.9	13.4440	13.4000	101.06

Sell & buy backs

31-Aug	FXD1/2020/ 5Yr	3.7	11.6670	10.2600	104.30	100.0
31-Aug	FXD1/2013/15Yr	6.4	11.2500	11.2000	102.77	100.0

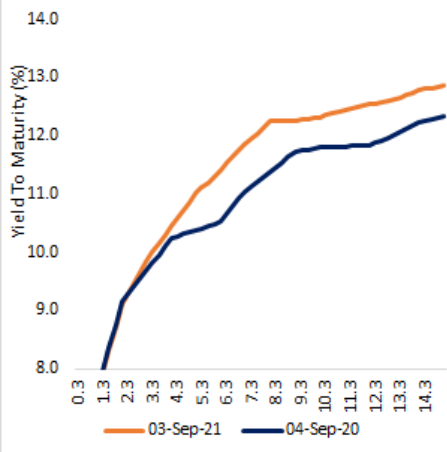
(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 03 September 2021

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	4.03	100.79	4.03	6.774	3.3
182-day	10.00	9.95	99.49	9.95	7.226	3.1
364-day	10.00	9.89	98.95	9.89	7.517	2.5

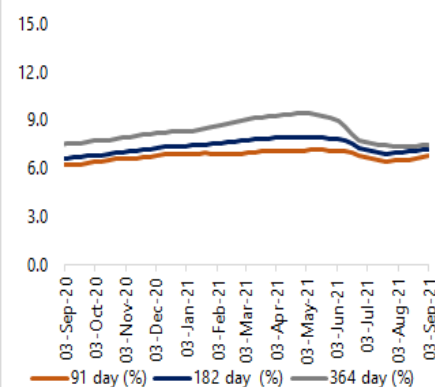
(Source: NSE, DBIB Research)

Kenya: GoK Yield Curve



Source: NSE, DBIB Research

Yields: Treasury Bills



Source: NSE, DBIB Research

Salient News

I&M Group 1H21 Earnings

I&M Group released its 1H21 results reporting a Profit after tax (PAT) of KES 4.3 BN, a 33.2% y-o-y improvement. This was mainly on account of a 28.1% y-o-y increase in net interest income to KES 8.9 BN. The EPS for the period closed at KES 2.44 compared to KES 1.85 in 1H20.

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I&M Group released its 1H21 results reporting a PAT of KES 4.3 BN, a 33.2% y-o-y improvement.
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Net interest income advanced 28.1% y-o-y to KES 8.9 BN on the back of an 11.6% y-o-y increase in interest income to KES 14.6 BN and a 6.9% y-o-y decrease in interest expense to KES 5.8 BN. Annualized yield on interest earning assets gained 42 bps y-o-y to 9.4% whereas annualized cost of funds shed 76 bps y-o-y to 3.8%. As a result, the group's annualized net interest margin (NIM) grew 118 bps to 5.6%.

Non-funded income declined 6.4% y-o-y to KES 3.9 BN, courtesy of a 18.2% y-o-y decline in net income from forex dealings to KES 770.3 MN and a 20.1% y-o-y decline in other operating income to KES 967.9 MN. Fees and commission income saw a 7.1% y-o-y increase to KES 2.2 BN following a 17.9% y-o-y growth in other fees and commissions to KES 1.3 BN but held back by a 5.2% y-o-y decrease in fees and commissions on loans to KES 909.2 MN. As a result, funded income reliance rose 706 bps y-o-y to 69.2%.

Operating expenses (less loan loss provisions) rose 22.5% y-o-y to KES 6.2 BN mainly on the back of a 23.7% y-o-y increase in other operating expenses to KES 2.2 BN and a 17.0% y-o-y rise in staff costs to KES 2.7 BN. As a result, pre-provision operating profit grew 9.0% y-o-y to KES 6.7 BN. Cost to income ratio for the period rose 291 bps y-o-y to 48.1%.

Loan loss provision expense saw a 2.1% y-o-y increase to KES 1.1 BN placing the annualized cost of risk at 1.0%, 9 bps down y-o-y. We highlight that the group's loan book grew by 10.8% y-o-y while gross NPLs rose 3.8% y-o-y. The share of profit of joint venture stood at KES 267.9 MN compared to a loss of KES 579.5 MN in 1H20. As a result, profit before tax rose 30.5% y-o-y to KES 5.9 BN.

Customer loans and advances rose 10.8% y-o-y to KES 204.5 BN. On the funding side, customer deposits saw a 9.6% y-o-y increase to KES 276.8 BN whilst borrowed funds saw a 86.7% y-o-y increase to KES 18.6 BN.

Total non-performing loans (NPLs) saw a 6.9% y-o-y increase to KES 19.2 BN (-8.1% q-o-q) as a result of a 3.8% y-o-y rise in gross NPLs to KES 22.9 BN (-7.2% q-o-q) and a 9.7% y-o-y decline in interest in suspense to KES 3.8 BN (-2.6% q-o-q). NPL ratio dropped 61 bps y-o-y to 10.1%. Loan loss provisions rose 19.1% y-o-y to KES 11.6 BN (+3.7% q-o-q). The NPL coverage ratio rose 623 bps y-o-y to 60.8%.

On a trailing basis, I&M is trading at a P/E ratio of 4.2x, against an industry median of 6.3x, and a P/B of 0.6x against an industry median of 0.8x. ROE stands at 13.7% whereas ROA stands at 2.4%. (*Source: Company filings, DBIB Research*)

Salient News cont'd

NCBA Group 1H21 Earnings

NCBA Group released its 1H21 earnings reporting a **76.9% y-o-y growth in Profit after tax (PAT) to KES 4.7 BN**. This was primarily on account of a 19.7% y-o-y rise in net interest income to KES 13.4 BN and a 22.4% y-o-y drop in bad debt charge to KES 5.9 BN. Earnings per share (EPS) for the period closed at KES 2.83, 60.8% higher y-o-y. The board approved the payment of **an interim dividend of KES 0.75 per share**, payable on or about 12th October 2021 to shareholders on register at the close of business on 28th September 2021.

Net interest income rose by 19.7% y-o-y to KES 13.4 BN, backed by an 8.7% y-o-y growth in interest income to KES 22.5 BN and a 4.4% y-o-y decrease in interest expense to KES 9.0 BN. Annualized yield on interest earning assets rose 13 bps y-o-y to 9.6% whereas annualized cost of funds shed 62 bps y-o-y to 4.1%. As a result, the group's net interest margin (NIM) gained 75 bps y-o-y to 5.5%.

Non-funded income rose 6.2% y-o-y to KES 10.7 BN. Fees and commissions income edged up 1.0% y-o-y to KES 7.3 BN on the back of a 16.7% y-o-y rise in fees and commissions on loans to KES 5.5 BN but curtailed by a 28.2% y-o-y drop in other fees and commissions to KES 1.8 BN. Other operating income increased by 10.7% y-o-y to KES 1.0 BN while net income from forex dealings rose by 23.5% y-o-y to KES 2.4 BN. As such, funded income reliance rose 297 bps y-o-y to 55.6%.

Operating expenses (less loan loss provisions) rose by 11.1% y-o-y to KES 10.4 BN owing to a 21.1% y-o-y increase in other operating expenses to KES 4.9 BN and a 10.7% y-o-y increase in staff costs to KES 3.9 BN. This placed cost to income ratio at 43.1%, 86 bps lower y-o-y.

The loan loss provision expense decreased by 22.4% y-o-y to KES 5.9 BN, placing the annualized cost of risk at 4.9%, 60 bps up y-o-y.

On the funding side, customer deposits rose 12.0% y-o-y to KES 437.3 BN (+0.7% q-o-q) while borrowed funds dropped 65.9% y-o-y to KES 7.3 BN (-43.8% q-o-q). On the other hand, the loan book dropped 3.5% y-o-y to KES 239.6 BN (+1.5% q-o-q) while investment securities rose 12.1% y-o-y to KES 190.8 BN (+10.6% q-o-q).

Gross non-performing loans (NPLs) rose by 16.5% y-o-y to KES 45.0 BN (+13.8% q-o-q) whereas interest in suspense rose 9.2% y-o-y to KES 7.6 BN (+7.1% q-o-q). As such, total NPLs rose 18.0% y-o-y to KES 37.5 BN (+15.3% q-o-q). The NPL ratio rose to 15.8%, 235 bps up y-o-y. Loan loss provisions rose 62.5% y-o-y to KES 23.0 BN (+23.5% q-o-q) pivoting the NPL coverage ratio to 61.5%, 1,683 bps higher y-o-y.

On a trailing basis, NCBA is trading at a P/E multiple of 6.6x against a sector median of 6.3x and a P/B multiple of 0.6x against a sector median of 0.8x. Currently, its ROE stands at 8.9% whereas ROA stands at 1.2%. Dividend yield as per current prices stands at 8.5%. (*Source: Company filings, DBIB Research*)

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NCBA Group released its 1H21 earnings reporting a 76.9% y-o-y growth in PAT to KES 4.7 BN.
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Salient News cont'd

Britam Group 1H21 Earnings

Britam reported a profit after tax of KES 376.3 MN, an advancement from a loss after tax of KES 1.6 BN in 1H20. This was primarily due to improved revenue from regional general insurance, significant growth in investment income and improved performance of the stock market.

Net earned premiums rose 2.4% y-o-y to KES 12.0 BN on the back of a 5.7% y-o-y rise in gross written premiums to KES 14.9 BN and a 21.8% y-o-y rise in premiums ceded to KES 2.9 BN. Management attributed top line growth to continued growth of the international general insurance business which contributed 24.0% to the group's gross earned premium.

Investment income rose 35.5% y-o-y to KES 4.9 BN whereas net unrealized gains on assets held at FVPL stood at KES 1.4 BN compared to a loss of KES 3.2 BN in 1H20. As such, total income rose 52.2% y-o-y to KES 19.7 BN. Investment income ratio grew by 4,902 bps y-o-y to 52.6% while investment income reliance ratio gained 2,872 bps y-o-y to 31.9%.

Net claims and benefits rose 15.8% y-o-y to KES 9.4 BN to see a claims ratio of 78.5%, up 903 bps y-o-y due to the continued financial constraints faced by customers occasioned by the COVID-19 pandemic. Operating and other expenses increased by 25.8% y-o-y to KES 4.9 BN, on the back of one-off item related expenses tied to the implementation of the Group's new transformational strategy, to see an expense ratio of 41.0%, up 761 bps y-o-y. Commission payable rose 11.5% y-o-y to KES 2.0 BN whereas commission earned rose 22.1% y-o-y to KES 775.9 MN. As a result, acquisition ratio rose 34 bps y-o-y to 10.6%. Altogether, the combined ratio rose 1,698 bps y-o-y to 130.0%.

The group's net assets grew 7.2% y-o-y to KES 18.3 BN courtesy of a 7.2% y-o-y rise in total assets to KES 146.9 BN and a 7.2% y-o-y rise in total liabilities to KES 128.6 BN.

On a trailing basis, Britam is trading at a P/E of (2.9)x and a P/B of 1.1x against sector median price multiples of 5.0x and 0.8x respectively. (*Source: Company filings, DBIB Research*)

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Britam reported a profit after tax of KES 376.3 MN, an advancement from a loss after tax of KES 1.6 BN in 1H20.
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Salient News cont'd

Jubilee Holdings 1H21 Earnings

Jubilee Holdings released its 1H21 results reporting a 146.2% y-o-y rise in after tax profits to KES 4.5 BN. The board declared an interim dividend of KES 1.00 per share, to be paid on or about 11th October 2021 to shareholders on register at close of business on 10th September 2021.

Gross written premiums grew 9.8% y-o-y to KES 22.2 BN.

Total Income increased by 28.1% y-o-y to KES 17.9 BN, due to a 2.5% y-o-y increase in gross earned premiums to KES 15.9 BN, an 11.7% y-o-y drop in premiums ceded to KES 4.7 BN and a 76.4% y-o-y increase in other revenue sources to KES 6.7 BN.

Net benefits and claims rose by 42.1% y-o-y to KES 12.2 BN placing claims ratio at 109.6%, 2,474 bps higher y-o-y while other expenses and commissions rose by 3.8% y-o-y to KES 3.4 BN placing expense ratio at 30.4%, 181 bps lower y-o-y.

Total assets rose by 4.0% y-o-y to KES 151.7 BN mainly due to a 9.0% y-o-y rise in investment assets to KES 119.7 BN. Total liabilities edged up by 1.5% y-o-y to KES 112.0 BN mainly attributable to a 7.3% y-o-y rise in insurance and investment contract liabilities to KES 97.8 BN while total equity grew by 11.9% y-o-y to KES 39.8 BN.

Net cash from operating activities stood at KES 3.6 BN, net cash used in investing activities stood at KES 3.5 BN while net cash used in financing activities stood at KES 285.2 MN. (*Source: Company filings, DBIB Research*)

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Jubilee Holdings released
its 1H21 results reporting a
146.2% y-o-y rise in after
tax profits to KES 4.5 BN.
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UPCOMING EVENTS

Profit Warnings

1. E.A. Cables

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
Kapchorua Tea	First & Final: KES 10.00	21-Jul-21	STA*
Williamson Tea	First & Final: KES 10.00	21-Jul-21	STA*
Centum Investment	Final: KES 0.33	STA*	STA*
BAT Kenya	Interim: KES 3.50	12-Aug-21	16-Sep-21
Stanbic Holdings	Interim: KES 1.70	06-Sep-21	27-Sep-21
Jubilee Holdings	Interim: KES 1.00	10-Sep-21	11-Oct-21
BOC Kenya	Interim: KES 1.50	24-Sep-21	18-Oct-21
NCBA Group	Interim: KES 0.75	28-Sep-21	12-Oct-21

(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	11:00 a.m.	Virtual	14-Sep-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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