

# DBIB WEEKLY BULLETIN

# WEEK 48

Date: 02.12.2022

## Contents:

Equity Market Sum Up	2
Fixed Income Wrap Up	4
Salient News	5
Corporate Actions	6
Appendix	7



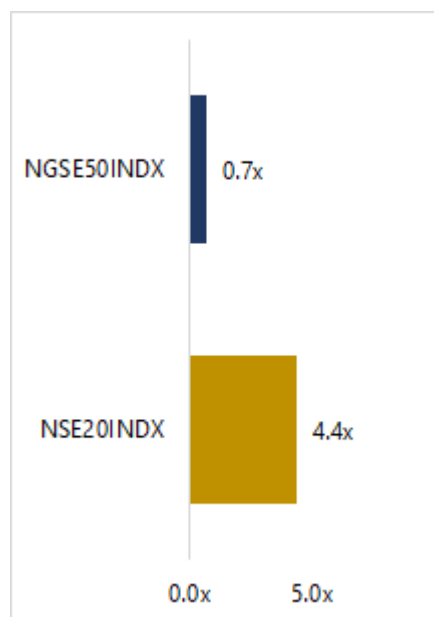
## INDICES & MARKET METRICS MOVEMENT

**NSE 20** and **NASI** fell by 0.1% and 0.7% w-o-w to close at 1,649.99 and 126.42, respectively.

**Weekly equity turnover** grew by 4.13% w-o-w to USD 12.26 MN (KES 1.50 BN).

**USD | KES:** KES weakened 0.2% w-o-w to close at 122.53 (-8.3% year-to-date).

### PEER P/E MULTIPLES



NSE20INDX\* - NSE 20 Index  
NGSE50INDX\* - Nigeria Stock Exchange 50 Index

\*LTM Price/EPS

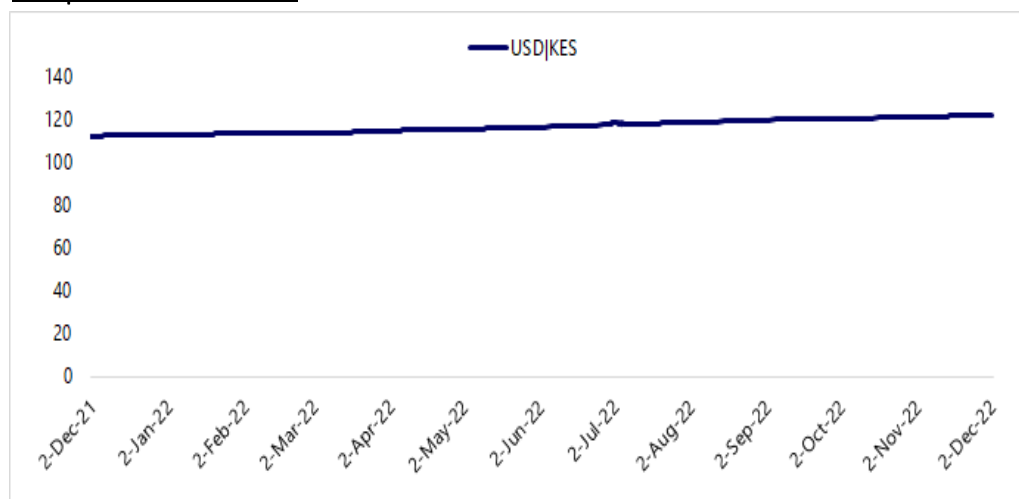
Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	126.42	(0.68)	(8.40)	(21.00)	(24.05)
NSE-20	1,649.99	(0.13)	(6.43)	(10.30)	(13.28)
DBIB Select	97.44	(0.00)	144.31	(4.74)	(0.32)
MSCI Kenya (USD)	1,119.10	(1.57)	(10.91)	(29.85)	(33.16)
MSCI Frontier (USD)	490.46	4.94	(6.56)	(25.31)	(26.32)

(Source: NSE, Bloomberg, DBIB Research)

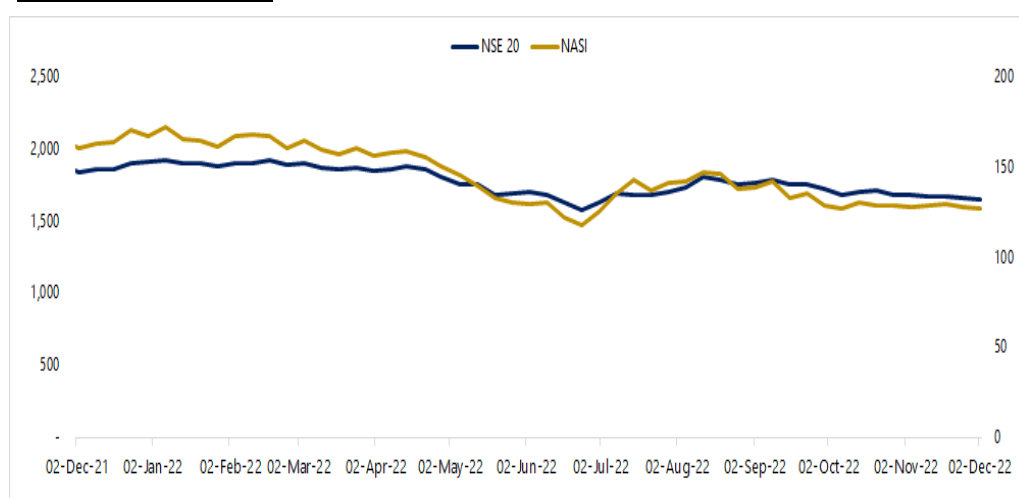
Market Metrics	Current	1 wk (ch)	3 m (ch)	6 m (ch)	12 m (ch)
Market Cap. (USD m)	1,969.60	(0.68)	(0.89)	(8.42)	(20.98)
Market Turnover (USD m)	12.26	4.13	33.78	(19.22)	(61.29)
Market P/E (x)	3.50	(10.26)	40.00	20.69	(76.73)
Market Div. yld (%) *	11.80	420.00	510.00	803.35	535.88
Market ROE (%) *	42.76	726.00	576.00	289.41	756.08

\* Changes in % \*\*Changes in bps -Market ROE is market cap weighted -ch: changes  
(Source: NSE, DBIB Research)

### USD | KES : 52-Week Trend



### Indices : 52-Week Trend



(Source: NSE, DBIB Research)

# WEEKLY BOURSE WRAP UP...

.....  
**E.A Breweries** emerged as the top traded counter on the bourse recording a weekly turnover of USD 2.78 MN (KES 340.75 MN) representing 22.69% of this week's turnover.  
 .....

The stock **shrunk** by 0.9% w-o-w to close at KES 164.25 on Friday.

Foreign investors assumed a **net selling** position on the counter this week by accounting for 14.5% of foreign sales and 10.3% of foreign purchases.  
 .....

## Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
NBV Ltd	14.2
Kakuzi	10.0
BK Group	9.8
Williamson Tea	7.9
HF Group	7.0

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Carbacid Investments	(13.6)
Longhorn Publishers	(11.2)
Trans-Century Ltd	(11.0)
Crown Paints	(10.6)
Olympia Capital	(9.0)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
E.A Breweries	2.78
Safaricom	2.55
Equity Group	1.80
New Gold ETF	1.79
KCB Group	1.61

(Source: NSE, DBIB Research)

## Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Olympia Capital	41.0
Limuru Tea	31.3
NCBA Group	31.0
Portland Cement	18.9
Sasini	17.4

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Centum Investment	(42.7)
Jubilee Holdings	(37.6)
NBV Ltd	(37.5)
Safaricom	(35.8)
Liberty Kenya	(32.9)

(Source: NSE, DBIB Research)



## Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
New Gold ETF	100.0
NBV Ltd	93.7
Equity Group	85.5
Crown Paints	49.8
Safaricom	37.2

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
BOC Kenya	100.0
New Gold ETF	100.0
TPS EA	94.7
BAT Kenya	93.4
Eaagads	88.0

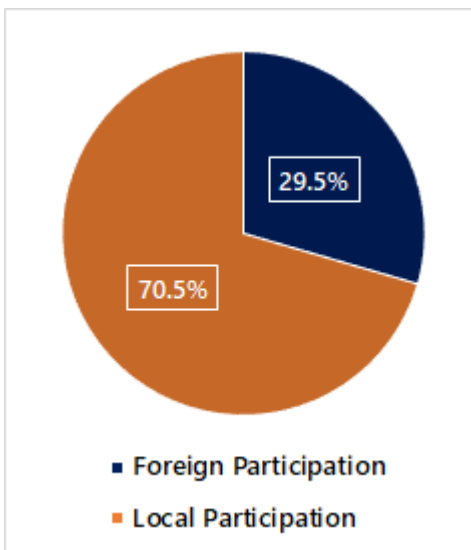
## Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	99.9
BK Group	85.2
Stanbic	79.4
Crown Paints	76.9
Kapchorua Tea	65.2

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	99.1
KPLC	98.5
BAT Kenya	88.2
Safaricom	84.1
E.A Breweries	73.7

## 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 117.63 MN (KES 14.41 BN) representing a 8.4% w-o-w growth from USD 108.53 MN (KES 13.27 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 117.63 MN (KES 14.41 BN) representing a 8.4% w-o-w growth from USD 108.53 MN (KES 13.27 BN) recorded the previous week. The bond issue number IFB1/2022/14Yr emerged as the top traded bond with a turnover of KES 4.33 BN accounting for 30.01% of the week's turnover. The bond traded between 13.0063% and 13.9676%.

### December Bonds Issue: FXD1/2008/20 (re-opened) and FXD1/2022/25

The Central Bank Kenya has re-opened the fixed coupon bonds: FXD1/2008/20 (5.6 years) and FXD1/2022/25 (24.9 years) with the intention of raising KES 40.0 BN for budgetary support. The coupon rate for FXD1/2008/20 stands at 13.750% while that of FXD1/2022/25 stands at 14.188%. The period of sale of the re-opened bonds runs from 22 November 2022 to 06 December 2022.

### Top Trades for the week ending 25 November 2022

						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
29-Nov	FXD1/2022/3Yr	2.4	11.7660	12.2000	100.71	1,200.0
29-Nov	FXD1/2021/2Yr	0.1	9.4860	7.0000	103.93	1,000.0
28-Nov	FXD1/2017/10Yr	4.6	12.9660	98.5712	103.06	534.1
28-Nov	FXD1/2017/10Yr	4.6	12.9660	98.4873	102.98	500.0
29-Nov	FXD1/2017/10Yr	4.6	12.9660	13.2750	103.43	500.0
29-Nov	FXD1/2017/10Yr	4.6	12.9660	13.2500	103.52	500.0
30-Nov	IFB1/2020/9Yr	6.3	10.8500	13.0111	94.77	500.0
1-Dec	IFB1/2020/9Yr	6.3	10.8500	12.6000	96.03	500.0
1-Dec	IFB1/2022/14Yr	13.9	13.9380	13.9000	100.84	352.5
1-Dec	FXD1/2012/15Yr	4.8	11.0000	13.6000	93.45	303.3
30-Nov	IFB1/2022/14Yr	13.9	13.9380	13.2200	104.59	263.4
28-Nov	IFB1/2022/14Yr	13.9	13.9380	100.4606	101.00	259.0
1-Dec	FXD2/2010/15Yr	3.0	9.0000	12.8500	94.80	244.0
29-Nov	IFB1/2022/14Yr	13.9	13.9380	13.8500	101.03	230.4
1-Dec	FXD1/2020/5Yr	2.4	11.6670	12.5500	98.95	201.0
1-Dec	FXD1/2022/25Yr	24.8	14.1880	14.1600	101.63	200.0
29-Nov	IFB1/2022/14Yr	13.9	13.9380	13.2200	104.55	162.5
29-Nov	IFB1/2022/14Yr	13.9	13.9380	13.8850	100.84	140.0
29-Nov	IFB1/2022/14Yr	13.9	13.9380	13.1700	104.84	128.9

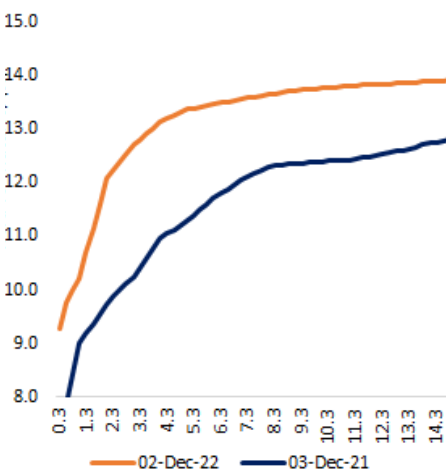
(Source: NSE, DBIB Research)

### Treasury Bill auction for the week ending 25 November 2022

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	13.23	330.72	13.23	9.275	3.8
182-day	10.00	3.92	39.16	3.90	9.752	1.9
364-day	10.00	2.64	26.37	2.54	10.225	0.6

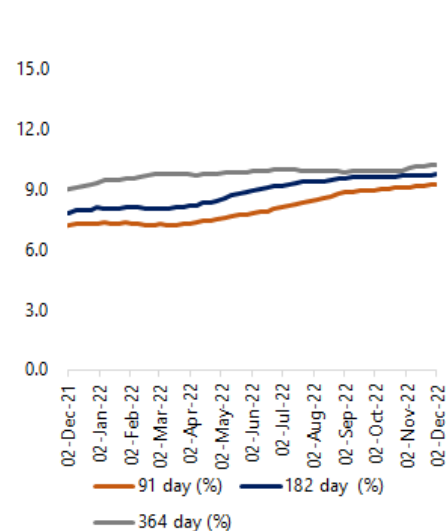
(Source: NSE, DBIB Research)

Kenya: GoK Yield Curve



Source: NSE, DBIB Research

Yields: Treasury Bills



Source: NSE, DBIB Research

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# Salient News

## ABSA Group 3Q22 Earnings Snapshot

ABSA Group released its 3Q22 results recording a 30.1% y-o-y increase in profit after tax (PAT) to KES 10.7 BN.

ABSA Group released its 3Q22 results recording a 30.1% y-o-y increase in profit after tax (PAT) to KES 10.7 BN. Performance was supported by a 22.5% y-o-y increase in total operating income to KES 33.4 BN but trimmed by a 47.9% y-o-y increase in the loan loss provision expense to KES 5.0 BN. EPS for the period stood at KES 1.97 (+30.1% y-o-y).

**Net interest income grew by 25.3% y-o-y to KES 23.3 BN**, on the back of a 24.7% y-o-y increase in interest income to KES 29.3 BN. Interest expense increased by 22.4% y-o-y to KES 6.0 BN, slowing net interest income growth. The annualized net interest margin in turn edged up by 22 bps y-o-y to stand at 8.2%.

**Non-funded income increased by 16.4% y-o-y to KES 10.2 BN**, largely attributable to 60.0% y-o-y increase in net income from forex dealings to KES 5.0 BN. Other operating income recorded a 36.8% y-o-y decline to KES 638.4 MN while fees and commission income declined by 1.2% y-o-y to KES 4.6 BN. The funded income reliance in turn increased 157 bps y-o-y to 69.6%.

**Operating expenses (less loan loss provisions) edged up by 10.2% y-o-y to KES 13.3 BN**. Staff costs increased by 8.7% y-o-y to KES 7.4 BN whereas other operating expenses increased by 14.3% y-o-y to KES 4.9 BN. The cost-to-income ratio stood at 39.7%, down 442 bps y-o-y.

**Pre-provision operating profit increased by 32.1% y-o-y to KES 20.2 BN**. Loan loss provision expense saw a 47.9% y-o-y increase to KES 5.0 BN, placing the annualized cost of risk at 2.3%, 34 bps higher y-o-y. In turn, pre-tax profit was up 27.6% y-o-y to KES 15.1 BN.

**Customer loans and advances grew by 26.4% y-o-y to KES 289.4 BN**. Government securities saw a 12.9% y-o-y increase to KES 92.2 BN whereas held for dealing securities increased by 6.1% y-o-y to KES 47.6 BN. **On the funding side, customer deposits saw a 4.6% y-o-y increase to KES 281.1 BN**. The loans-to-deposits ratio stood at 103.0%, up 1,777 bps y-o-y.

**Gross NPL** edged up by 2.0% y-o-y to stand at KES 20.0 BN, with the NPL ratio declining by 142 bps y-o-y to stand at 6.5%. The NPL coverage ratio increased by 617 bps y-o-y to 77.0%.

**On a trailing basis**, ABSA is trading at a P/E ratio of 4.6x relative to an industry median of 3.7x, and a P/B ratio of 1.0x relative to an industry median of 0.7x. Its annualized ROE stands at 22.1% whereas annualized ROA stands at 2.8%.

*Source: Company Filings*

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## Salient News

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Stanbic Bank released its 3Q22 results recording a 36.8% y-o-y increase in profit after tax (PAT) to KES 7.0 BN.

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### Stanbic Bank 3Q22 Earnings Snapshot

Stanbic Bank released its 3Q22 results recording a 36.8% y-o-y increase in profit after tax (PAT) to KES 7.0 BN. This was largely attributable to a 31.4% y-o-y growth in total operating income to KES 23.0 BN. EPS for the period stood at KES 41.00 (+36.8% y-o-y).

**Net interest income grew by 26.8% y-o-y to KES 12.7 BN**, bolstered by a 19.2% y-o-y increase in interest income to KES 17.6 BN. Interest expense edged up by 3.1% y-o-y to KES 4.9 BN. As such, the net interest margin decreased by 28 bps y-o-y to 5.1%.

**Non-funded income was up 37.5% y-o-y to KES 10.2 BN**, attributable to 69.3% y-o-y increase in forex trading income to KES 6.9 BN and an 8.1% y-o-y increase in fees and commission income to KES 2.9 BN. Other operating income on the other hand declined by 36.6% y-o-y to KES 426.1 MN. As such, funded income reliance declined by 199 bps y-o-y to stand at 55.4%.

**Operating expenses (less loan loss provisions) increased by 16.7% y-o-y to KES 10.4 BN** mainly on the back of 14.4% y-o-y increase in staff costs to KES 5.1 BN and 22.5% y-o-y upsurge in other expenses to KES 4.4 BN. The cost-to-income ratio in turn declined by 570 bps y-o-y to stand at 45.4%.

**Pre-provision operating profit increased by 46.7% y-o-y to KES 12.5 BN**. Loan loss provision expense marked an 88.7% y-o-y increase to KES 2.8 BN, placing the cost of risk at 1.6%, 46 bps higher y-o-y. As a result, profit before tax was up by 37.7% y-o-y to KES 9.7 BN.

**Customer loans and advances grew by 34.1% y-o-y to KES 236.9 BN**. Investment securities saw a 39.1% y-o-y increase to KES 63.5 BN whereas held for dealing securities declined by 94.2% y-o-y to KES 1.2 BN.

**On the funding side**, customer deposits saw a 25.6% y-o-y increase to KES 267.3 BN whilst borrowed funds saw a 24.6% y-o-y increase to KES 13.6 BN. The loans-to-deposits ratio stood at 88.6%, up 566 bps y-o-y.

**Gross NPL** increased by 18.0% y-o-y to stand at KES 25.6 BN, with the NPL ratio declining 119 bps y-o-y to 9.8% supported by loan book growth. The NPL coverage ratio improved 866 bps y-o-y to 54.2%.

*Source: Company Filings*

### KenGen FY22 Earnings Snapshot

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**KenGen released its FY22 results reporting a 157.9% y-o-y jump in after tax profits to KES 4.7 BN.**

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**KenGen released its FY22 results reporting a 157.9% y-o-y jump in after tax profits to KES 4.7 BN.** The financial performance was principally buoyed by a 76.1% y-o-y reduction in the income tax expense to KES 3.2 BN, as the company benefited from capital allowances following the commissioning of the 86.3 MW Olkaria I Unit 6 geothermal power plant. EPS for the period stood at KES 0.72 (FY21: KES 0.28). **The board has recommended a final dividend per share of KES 0.20 (FY21: KES 0.30), which translates to a dividend yield of 6.1% (based on a share price of KES 3.26).**

**Gross revenue advanced by 7.5% y-o-y to KES 49.2 BN** while total reimbursable expenses soared by 134.4% y-o-y to KES 9.8 BN. Consequently, net revenues eased by 5.2% y-o-y to KES 39.5 BN.

**Operating income declined by 16.9% y-o-y to KES 36.5 BN** weighed down by the lower net revenues as well as the recognition of other losses worth KES 3.0 BN (FY21: other income of KES 2.2 BN).

**Total operating expenses went up by 16.3% y-o-y to KES 31.9 BN** mainly driven by higher operating expenses (+27.1% y-o-y to KES 15.7 BN), depreciation & amortization costs (+8.2% y-o-y to KES 12.5 BN), higher allowances for expected loss (+22.1% y-o-y to KES 602.0 MN) and steam costs (+2.1% y-o-y to KES 3.1 BN). The company attributed the higher operating expenses to increased drilling costs in Ethiopia. The higher depreciation & amortization costs were attributable to a KES 88.0 BN property, plant & equipment revaluation surplus and the capitalization of Olkaria I unit 6.

**The company's operating profit settled at KES 4.6 BN, 72.3% lower y-o-y.** Owing to the significant decline in operating profits, **the operating profit margin for the period eased to 9.3% from 35.9% realized in FY21.**

**Finance income increased by 6.9% y-o-y to KES 2.1 BN** while finance costs eased by 16.7% y-o-y to KES 2.0 BN. Unrealized forex gains settled at KES 3.3 BN (FY21: unrealized forex loss of KES 701.0 MN).

**Income tax expense declined by 76.1% y-o-y to KES 3.2 BN** owing to capital allowances associated with the commissioning of the 86.3 MW Olkaria I Unit 6 geothermal power plant.

**Total assets rose by 19.3% y-o-y to KES 502.1 BN while total liabilities increased by 6.1% y-o-y to KES 227.0 BN.** Total equity went up by 32.9% y-o-y to KES 275.1 BN.

**Cash and cash equivalents at the end of the year increased marginally by 1.1% y-o-y to KES 14.0 BN.** Net cash generated from operations declined by 24.9% y-o-y to KES 21.3 BN, net cash used in investing activities eased by 1.8% y-o-y to KES 14.8 BN while net cash used in financing activities surged by 33.7% y-o-y to KES 6.6 BN.

*Source: Company Filings*

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## Salient News

### November Inflation

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**The annual headline inflation rate slowed down to 9.5% in October 2022 from 9.6% in October 2022.**

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The annual headline inflation rate slowed down to 9.5% in October 2022 from 9.6% in October 2022. The monthly inflation rate for November 2022 came in at 0.3%, compared to the monthly inflation rate of 0.9% in October 2022. The increase in annual inflation was mainly steered by increased prices of food and non-alcoholic beverages (index went up by 15.4% y-o-y); housing, water, electricity, gas and other fuels (index rose by 6.1% y-o-y); transport (index inched higher by 11.7% y-o-y); and furnishings, household equipment and routine household maintenance (index increased by 10.6% y-o-y).

*Source: KNBS*

### Bamburi Cement Profit Warning

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**Bamburi Cement announced that it expects its net income for FY22 to decline by more than 25.0% on a y-o-y basis.**

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Bamburi Cement announced that it expects its net income for FY22 to decline by more than 25.0% on a y-o-y basis. The board attributes the deterioration in profits to a slow-down in cement demand during the period, increased energy costs and increased raw material costs owing to the global supply chain disruption.

*Source: Company Filings*



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## UPCOMING EVENTS

### Profit Warnings

1. Sameer
2. NSE
3. Bamburi

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
Carbacid	Final: KES 1.70	25-Nov-22	16-Dec-22
KenGen	Final: KES 0.20	STA*	STA*
KCB Group	Interim: KES 1.00	08-Dec-22	13-Jan-22

*(Source: NSE, DBIB Research)*

*STA\*—Subject to approval*

## AGM SCHEDULE

<u>Company</u>	<u>Time</u>	<u>Venue</u>	<u>Date</u>
Unga Group	10:00am	Virtual	08-Dec-22
Catbacid	10:00am	Virtual	16-Dec-22
KPLC	11:00am	Virtual	16-Dec-22

*(Source: Company filings , DBIB Research)*

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## 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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