

DBIB WEEKLY BULLETIN

WEEK 29

Date: 22.07.2022

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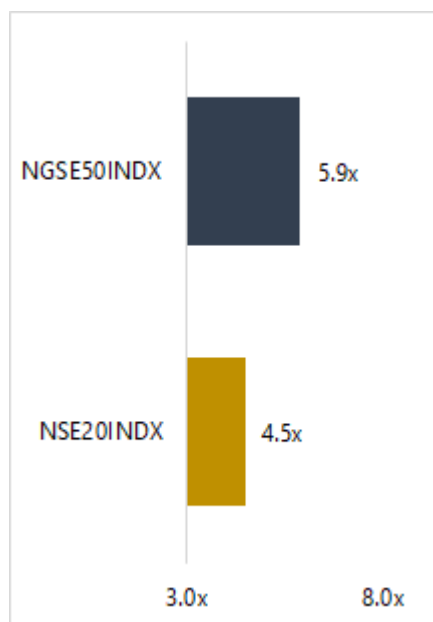
INDICES & MARKET METRICS MOVEMENT

NSE 20 and **NASI** shed 0.4% and 4.0% w-o-w to close at 1,676.51 and 136.57 respectively.

Weekly equity turnover grew by 39.7% w-o-w to USD 15.43 MN (KES 1.83 BN).

USD | KES: KES weakened 0.3% w-o-w to close at 118.57 (-4.8% YTD).

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	136.57	(4.05)	(11.80)	(23.70)	(17.96)
NSE-20	1,676.51	(0.36)	(9.56)	(15.41)	(11.88)
DBIB Select	92.45	(0.50)	(5.16)	(15.11)	(5.42)
FTSE 15	170.14	-	(14.62)	(19.33)	(18.79)
FTSE 25	170.32	-	(18.25)	(28.12)	(24.10)
FTSE Frontier 50	43,336.37	0.73	(11.59)	(9.05)	(15.73)

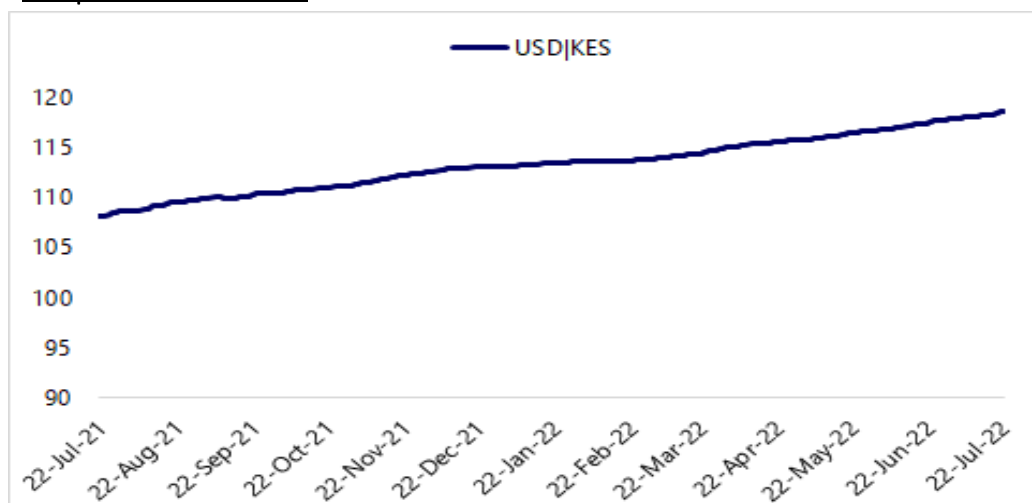
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk (ch)	3 m (ch)	6 m (ch)	12 m (ch)
Market Cap. (USD m)	2,128.20	(4.06)	16.56	(11.83)	(23.69)
Market Turnover (USD m)	15.43	39.69	57.11	(8.15)	(9.11)
Market P/E (x)	14.10	(6.00)	19.16	(10.10)	(0.21)
Market Div. yld (%) *	6.50	30.00	36.71	213.00	264.69
Market ROE (%) *	36.31	(37.00)	(306.30)	284.00	(316.49)

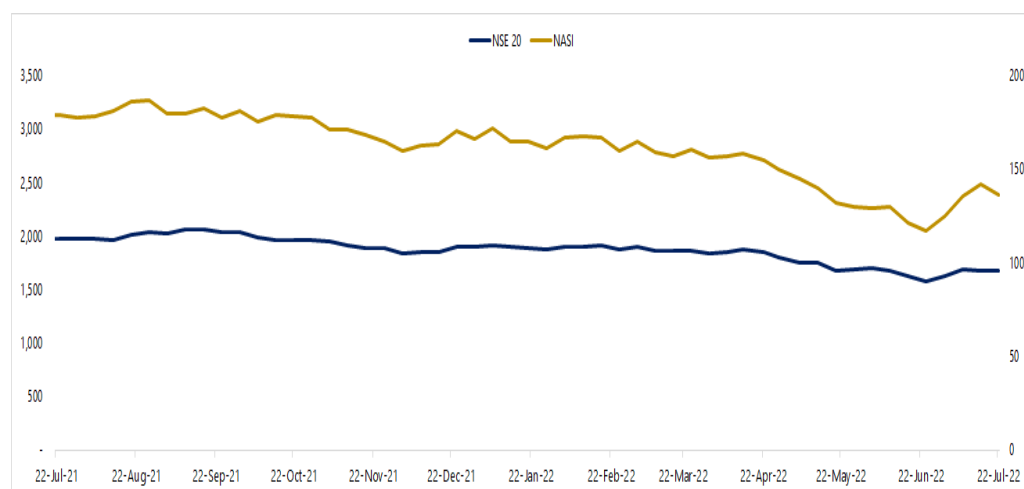
* Changes in % **Changes in bps -Market ROE is market cap weighted -ch: changes

(Source: NSE, DBIB Research)

USD | KES : 52-Week Trend



Indices : 52-Week Trend



(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

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Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 6.13 MN (KES 726.98 MN) representing 55.65% of this week's turnover.

The stock **fell** by 7.8% w-o-w to close at KES 29.00 on Friday.

Foreign investors assumed a **net selling** position on the counter this week by accounting for 92.99% of foreign sales and 27.34% of foreign purchases.

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<u>Top gainers</u>	<u>%</u>
Stanbic	17.8
Trans-Century	11.2
Standard Group	9.3
Crown Paints	9.0
TPS E.A	8.9

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Olympia Capital	(10.7)
Express Kenya	(10.0)
Safaricom	(7.8)
Bamburi	(7.1)
Uchumi	(5.3)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	6.13
Equity Group	4.50
KCB	2.77
E.A Breweries	0.98
NCBA	0.27

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Crown Paints	39.3
Sameer Africa	39.2
Limuru Tea	31.3
Car & General	28.1
Stanbic	21.5

(Source: NSE, DBIB Research)

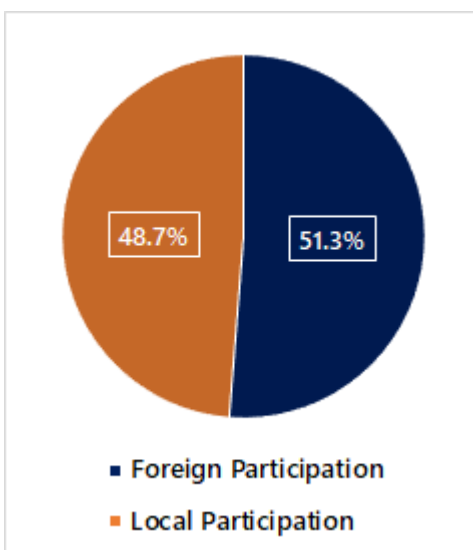


<u>Top Losers</u>	<u>%</u>
NBV Ltd	(38.8)
Centum	(32.1)
Uchumi	(25.0)
Eveready E.A	(24.5)
Safaricom	(23.6)

(Source: NSE, DBIB Research)



WEEKLY LOCAL VS FOREIGN PAR-



(Source: NSE, DBIB Research)

Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
E.A Breweries	95.2
TPS E.A	91.0
BAT Kenya	69.5
Equity Group	50.5
Safaricom	27.3

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
BAT Kenya	93.1
Safaricom	93.0
E.A Breweries	87.0
KCB Group	84.5
Centum	83.8

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	99.9
BK Group	93.3
Crown Paints	91.6
Stanbic	82.4
BAT Kenya	73.6

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	97.7
Safaricom	87.0
BAT Kenya	85.0
Deacons E.A	81.7
E.A Breweries	81.2

The Bond market's turnover for the week stood at USD 126.20 MN (KES 14.96 BN) representing a 109.0% w-o-w growth from USD 60.39 MN (KES 7.14 BN) recorded the previous week.

FROM THE FIXED INCOME DESK

The Bond market's turnover for the week stood at USD 126.20 MN (KES 14.96 BN) representing a 109.0% w-o-w growth from USD 60.39 MN (KES 7.14 BN) recorded the previous week. The bond issue number IFB1/2022/18Yr emerged as the top traded bond with a turnover of KES 2.99 BN accounting for 19.99% of the week's turnover. The bond traded between 13.0000% and 13.9715%.

July Auction Results: FXD2/2013/15 & FXD2/2018/15

The Central Bank re-opened the fixed coupon bonds: FXD2/2013/15 (5.8 years) and FXD2/2018/15 (11.3 years) with the intention of raising KES 40.0 BN for budgetary support. From the auction, they received KES 5.45 BN for FXD2/2013/15 and KES 5.12 BN for FXD2/2018/15 translating to a subscription rate of 13.62% and 12.80% respectively. Consequently, the government accepted KES 5.22 BN for FXD2/2013/15 and KES 4.09 BN for FXD2/2018/15. The weighted average rate of accepted bids for FXD2/2013/15 stood at 13.256% while that of FXD2/2018/15 stood at 13.888%. Both their coupon rates remained fixed at 12.000% (FXD2/2013/15) and 12.750% (FXD2/2018/15).

Top Trades for the week ending 22 July 2022

						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
19-Jul	FXD 1/2019/10Yr	6.6	12.4380	12.1800	106.18	960.0
20-Jul	FXD 1/2019/10Yr	6.6	12.4380	12.1650	106.28	890.0
20-Jul	FXD 4/2019/10Yr	7.3	12.2800	12.3700	101.49	816.0
21-Jul	FXD 4/2019/10Yr	7.3	12.2800	12.3600	101.57	816.0
18-Jul	FXD1/2012/20Yr	10.3	12.0000	12.5300	99.01	720.0
19-Jul	FXD1/2012/20Yr	10.3	12.0000	12.5200	99.10	650.0
18-Jul	FXD1/2008/20Yr	5.9	13.7500	13.0000	104.32	500.0
19-Jul	FXD1/2012/20Yr	10.3	12.0000	12.5000	99.21	500.0
20-Jul	FXD1/2008/20Yr	5.9	13.7500	12.6000	106.05	500.0
21-Jul	FXD2/2013/15Yr	5.7	12.0000	11.9000	103.46	485.1
22-Jul	FXD2/2013/15Yr	5.7	12.0000	11.8900	103.54	485.1
19-Jul	IFB 1/2022/18Yr	17.9	13.7420	13.6500	101.86	468.1
21-Jul	FXD 2/2018/10Yr	6.4	12.5020	12.1300	102.90	400.0

Sell & buy-backs

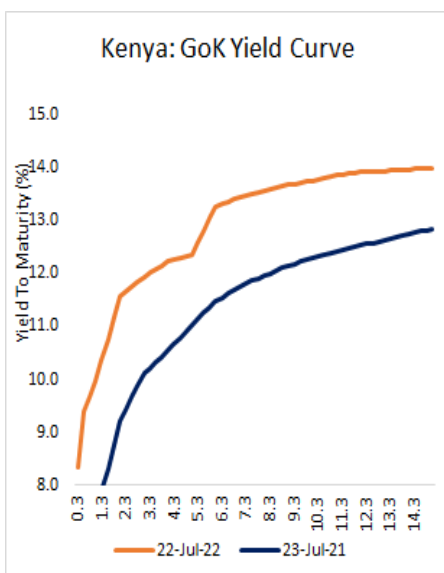
18-Jul	FXD1/2012/20Yr	10.3	12.0000	12.5300	99.01	500.0
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(Source: NSE, DBIB Research)

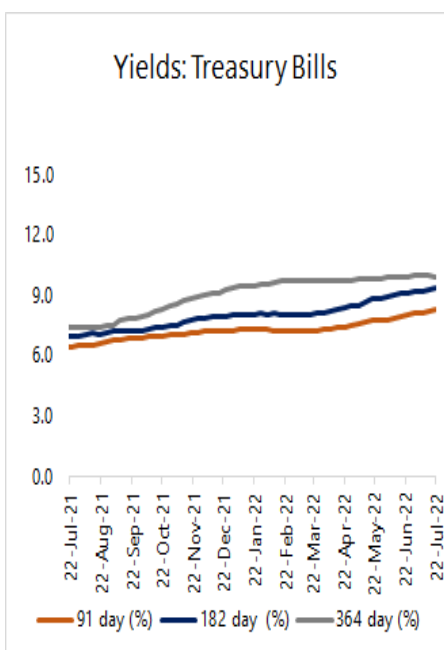
Treasury Bill auction for the week ending 22 July 2022

Instrument	Amount (KES Bn)	Bids Received (KES Bn)	Subscription Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.00	15.53	388.35	13.48	8.322	7.4
182-day	10.00	14.65	146.49	14.46	9.393	8.8
364-day	10.00	4.40	43.95	2.82	9.968	(1.8)

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News

BAT Kenya 1H22 earnings

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BAT Kenya released its 1H22 results reporting an 8.4% y-o-y increase in PAT to KES 2.9 BN.
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BAT Kenya has released its 1H22 results reporting an 8.4% y-o-y increase in PAT to KES 2.9 BN on the back of a 12.4% y-o-y growth in net revenue to KES 14.1 BN and a 0.9% y-o-y marginal increase in excise duty and VAT to KES 7.8 BN. Revenue performance was supported by the export business (mainly Egypt) and domestic excise-led upward price adjustments. **We anticipate further price adjustment in the short term following the July 2022 10.0% excise increase.** Operating costs edged up by 15.0% y-o-y to stand at KES 9.9 BN, leading to margin deterioration.

EPS for the period stood at KES 26.25 (+8.4% y-o-y). The board of directors proposed an **interim dividend of KES 5.00 per share** (compared to KES 3.50 paid in 1H21) to be paid on or about 16th September 2022 to shareholders on the register at the close of business on 12th August 2022. This marks a change in the company's interim dividend amount from the traditional KES 3.50.

Net revenue grew by 12.4% y-o-y to KES 14.1 BN. This was on account of an 8.0% y-o-y increase in gross revenue to KES 21.9 BN. The company attributed the performance in gross revenue to domestic excise-led price increases (that however stifled volume growth in the period to +5.0% y-o-y) and an increase in export sales. Export business was notably supported by Egypt as highlighted by management during the results call, while political unrest in South Sudan stifled growth numbers. Export volumes stood at c.60.0% of total volumes, while revenue split between export business and domestic market remained at c.50-50, implying better domestic margins. **Management pointed out that the company's export business covers its forex requirement for imports, implying a natural hedge against the current dollar shortage.**

Excise duty and VAT edged up a marginal 0.9% y-o-y to KES 7.8 BN in spite of a 5.0% increase in excise duty in November 2021. The proportion of excise duty and VAT to gross revenue in turn declined by 250 bps y-o-y to 35.5%. Annual excise adjustment for VAT was enacted in the Finance Act 2022, thwarting efforts by manufactures to change the review period to every two years. **Notably, the cumulative adjustment in the one year period spanning Nov 2021-Nov 2022 stands at c.23%, with the company management indicating during the results call that an upward excise review of c. 8.0% is expected in 4Q22.**

Cost of operations increased by 15.0% y-o-y to KES 9.9BN driven by higher input costs due to global supply chain challenges. As a result, operating profit margin deteriorated 162 bps y-o-y to 29.5%.

Total assets declined by 1.0% h-o-h (compared to FY21) to KES 23.9 BN. Total liabilities increased by 20.0% ho-h to KES 11.0 BN while total shareholders' funds declined by 13.8% in the half year period to KES 12.9 BN.

On a trailing basis, BATK is trading at a P/E multiple of 6.4x against a sector median of 5.8x and a P/B multiple of 3.3x against a sector median of 0.9x. Its ROE stands at 52.0%, against a sector median of 17.1% whereas ROA stands at 28.1%, against a sector median of 4.8%.

Source: Business Daily

UPCOMING EVENTS

Company	Announcement	Book Closure	Payment
Jubilee Holdings	Final: KES 8.00	22-Jun-22	25-Jul-22
Jubilee Holdings	Special: KES 5.00	22-Jun-22	25-Jul-22
Bamburi Cement	First & Final: KES 3.58	26-May-22	26-Jul-22
DTB Kenya	First & Final: KES 3.00	30-Jun-22	28-Jul-22
Nation Media Group	Final: KES 1.50	16-Jun-22	29-Jul-22
Kenya Re	First & Final: KES 0.10	17-Jun-22	29-Jul-22
TotalEnergies	First & Final: KES 1.31	24-Jun-22	30-Jul-22
Crown Paints	First & Final: KES 4.00	28-Jun-22	15-Aug-22
Safaricom	Final: KES 0.75	31-Mar-22	31-Aug-22
BAT Kenya	Interim: KES 5.00	12-Aug-22	16-Sep-22
Kapchorua Tea	First & Final: KES 4.00	29-Jun-22	STA*
Williamson Tea	Final: KES 20.00	29-Jul-22	STA*

(Source: NSE, DBIB Research)

STA—Subject to approval*

AGM SCHEDULE

Company	Time	Venue	Date
Safaricom	11:00 a.m.	Virtual	29-Jul-22

(Source: Company filings , DBIB Research)

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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