

DBIB WEEKLY BULLETIN

WEEK 12

Date: 25.03.2022

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WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

KCB Group emerged the top traded counter on the bourse recording a weekly turnover of USD 5.21 MN (KES 597.83 MN) representing 25.74% of this week's turnover.

The stock shed 1.3% w-o-w to close at KES 44.00 on Friday.

Foreign investors assumed a **net selling** position on the counter this week by accounting for 7.84% of foreign sales and 4.54% of foreign purchases.

<u>Top gainers</u>	<u>%</u>
Flame Tree	7.8
NSE	6.2
Housing Finance	4.5
Safaricom Ltd	4.2
NBV Ltd	3.9

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Home Afrika Ltd	(8.1)
TPS E.A	(6.4)
B.O.C Kenya	(5.9)
Uchumi	(4.5)
Car & General	(4.1)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
KCB Group	5.21
Safaricom	5.09
StanChart Bank	3.56
Equity Group	2.40
E.A Breweries	2.16

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Car & General	106.2
Crown Paints	18.0
Stanbic Holdings	16.9
B.O.C Kenya	14.3
BAT Kenya	11.2

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
TPS E.A	(23.0)
NBV Ltd	(21.1)
Housing Finance	(17.2)
Home Afrika	(15.0)
Jubilee Holdings	(13.5)

(Source: NSE, DBIB Research)



Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
Crown Paints	99.5
Safaricom	57.9
Housing Finance	43.2
E.A Breweries	12.1
Equity Group	11.2

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
Limuru Tea	100.0
KenGen	59.5
Safaricom	57.4
Equity Group	36.0
E.A Breweries	21.2

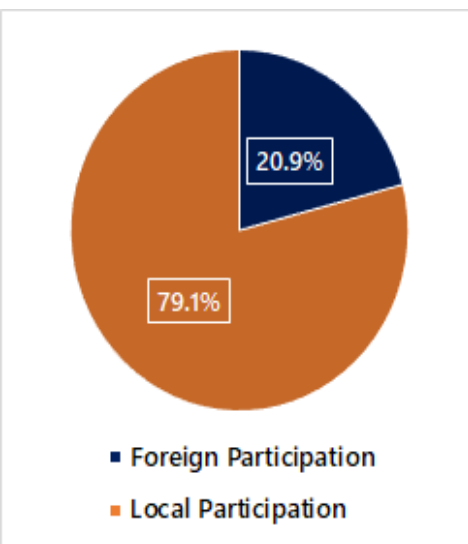
Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	100.0
BK Group	98.2
Crown Paints	96.6
BAT Kenya	83.4
NSE	64.3

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	98.2
BK Group	94.9
Safaricom	82.3
BAT Kenya	79.8
E.A Breweries	71.8

WEEKLY LOCAL VS FOREIGN PARTICIPATION



(Source: NSE, DBIB Research)

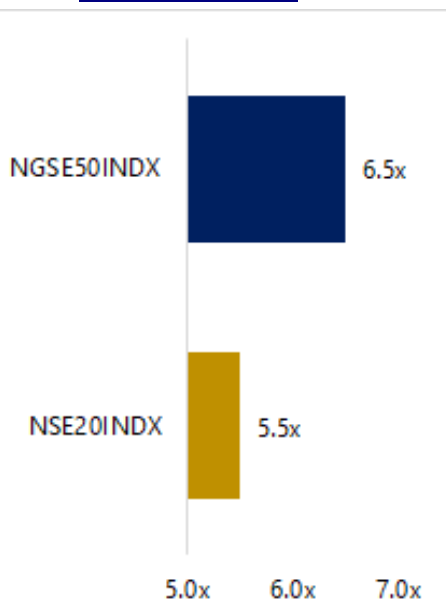
INDICES & MARKET METRICS MOVEMENT

NSE 20 held constant w-o
-w to close at 1,861.25
while **NASI gained** 2.3% w
-o-w to close at 160.43.

Weekly equity turnover
advanced by 52.0% w-o-w
to USD 20.25 MN (KES
2.32 BN).

USD | KES: KES weakened
0.3% w-o-w to close at
114.69 (-1.4% YTD).

PEER P/E MULTIPLES



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

*LTM Price/EPS

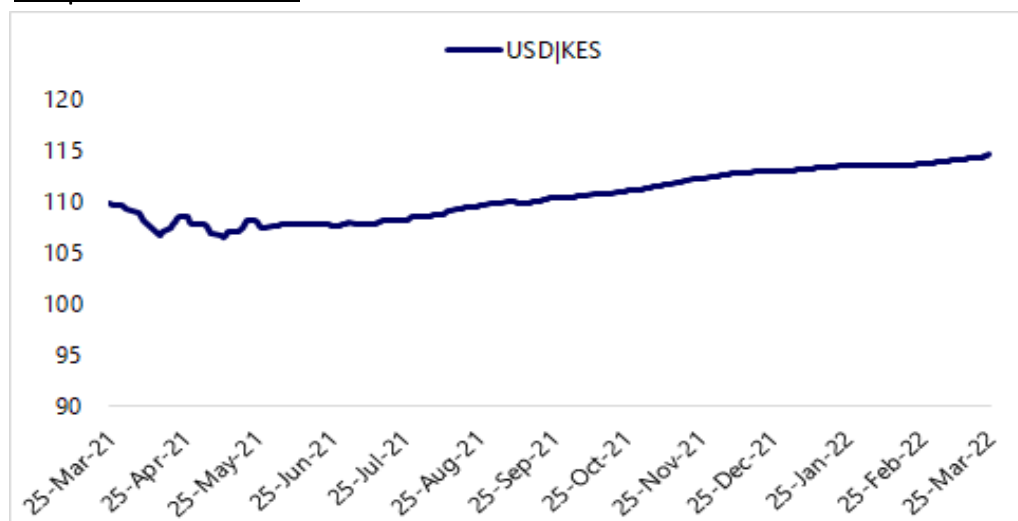
Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	160.43	2.26	(5.94)	(9.77)	(3.62)
NSE-20	1,861.25	0.04	(2.14)	(8.75)	(2.17)
DBIB Select	99.10	0.98	(9.49)	(8.39)	1.38
FTSE 15	204.02	0.08	(1.65)	(5.05)	(2.62)
FTSE 25	215.57	1.46	(5.07)	(9.08)	(3.93)
FTSE Frontier 50	49,038.29	1.07	(3.89)	(1.90)	(4.64)

(Source: NSE, Bloomberg, DBIB Research)

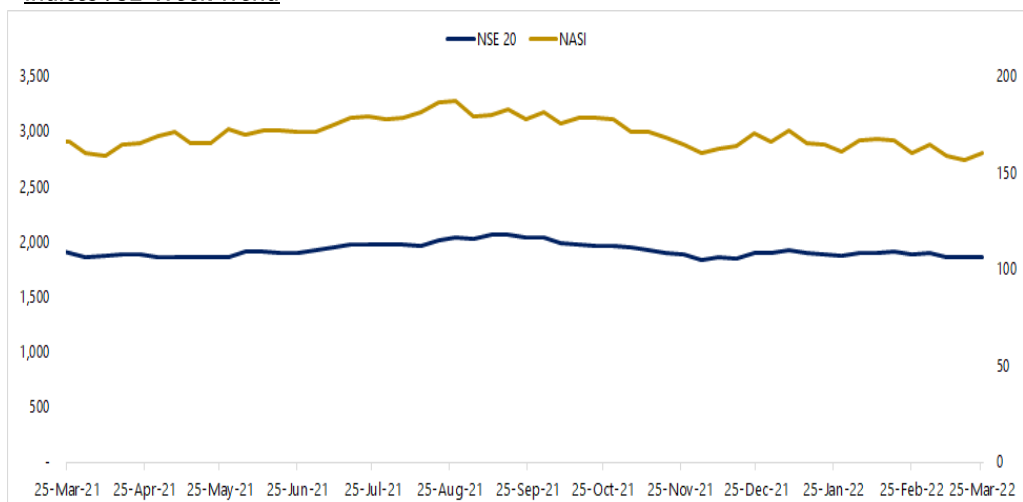
Market Metrics	Current	1 wk (ch)	3 m (ch)	6 m (ch)	12 m (ch)
Market Cap. (USD m)	2,498.75	2.26	0.25	(5.96)	(9.82)
Market Turnover (USD m)	20.25	52.03	(1.27)	32.08	(30.54)
Market P/E (x)	14.63	4.03	(1.43)	(10.21)	(17.52)
Market Div. yld (%) *	5.83	43.67	229.98	241.45	160.11
Market ROE (%) *	39.59	60.93	(65.35)	175.69	686.36

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

USD | KES : 52-Week Trend

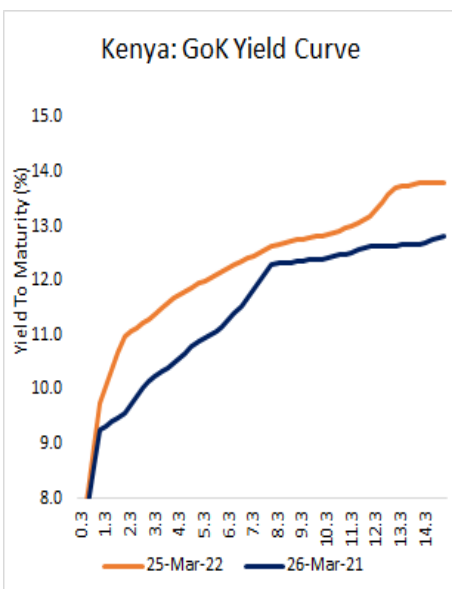


Indices : 52-Week Trend

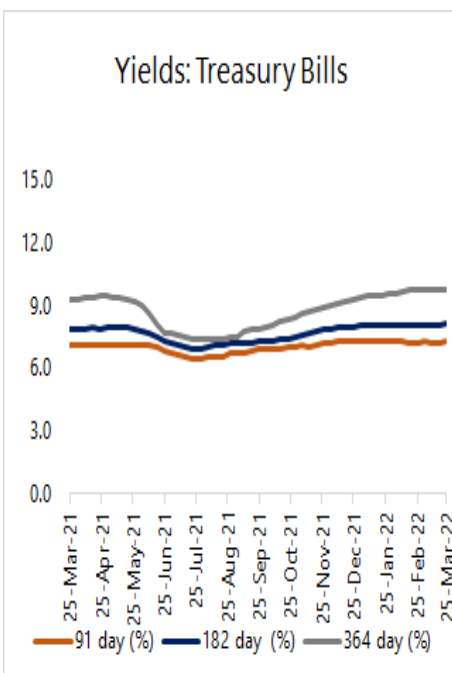


(Source: NSE, DBIB Research)

The Bond market's turnover for the week stood at USD 132.64 MN (KES 15.21 BN) representing a 48.2% w-o-w decrease from USD 256.11 MN (KES 29.29 BN) recorded the previous week.



Source: NSE, DBIB Research



Source: NSE, DBIB Research

FROM THE FIXED INCOME DESK

The Bond market's turnover for the week stood at USD 132.64 MN (KES 15.21 BN) representing a 48.2% w-o-w decrease from USD 256.11 MN (KES 29.29 BN) recorded the previous week. The bond issue number IFB1/2021/16Yr emerged as the top traded bond with a turnover of KES 5.40 BN accounting for 35.5% of the week's turnover. The bond traded between 11.8000% and 13.1300%.

April Issue: FXD1/2022/03 (New) & FXD1/2022/15 (New)

The Central Bank has newly issued an FXD1/2022/03 (3.0 years) and an FXD1/2022/15 (15.0 years). The aim is to raise KES 40.0 BN for the FXD1/2022/03 and KES 30.0 BN for the FXD1/2022/15; for budgetary support. The period of sale for the FXD1/2022/03 runs from 24th March 2022 to 5th April 2022 while that of the FXD1/2022/15 runs from 24th March 2022 to 19 April 2022. Both coupon rates will be market determined.

Top Trades for the week ending 25 March 2022

						Total
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (KES m)	Value (KES m)
21-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.8500	98.46	1,000.0
22-Mar	FXD 1/2018/5Yr	1.0	12.2990	9.9200	102.24	700.0
23-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.5500	100.22	700.0
23-Mar	IFB 1/2022/19Yr	18.9	12.9650	12.9250	101.29	521.0
21-Mar	FXD 1/2017/5Yr	0.4	12.4650	9.3000	102.22	500.0
21-Mar	IFB 1/2021/16Yr	14.8	12.2570	13.0000	97.63	500.0
22-Mar	IFB 1/2017/7Yr	2.7	12.5000	10.5000	106.99	500.0
22-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.8500	98.50	500.0
22-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.6000	99.90	500.0
23-Mar	FXD1/2021/25Yr	24.1	13.9240	13.7500	106.33	400.0
23-Mar	IFB 1/2021/16Yr	14.8	12.2570	13.0000	97.70	394.8
24-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.8750	98.42	394.8
25-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.8000	98.88	394.8
22-Mar	FXD1/2021/25Yr	24.1	13.9240	13.9500	104.90	300.0
22-Mar	IFB 1/2022/19Yr	18.9	12.9650	13.0500	100.48	300.0
23-Mar	FXD1/2021/25Yr	24.1	13.9240	13.9500	104.94	300.0
23-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.7000	99.37	300.0
24-Mar	IFB 1/2021/16Yr	14.8	12.2570	13.0000	97.74	300.0
25-Mar	IFB 1/2021/16Yr	14.8	12.2570	12.8500	98.60	300.0

(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 25 March 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	2.32	57.99	2.32	7.283	3.1
182-day	10.00	3.84	38.42	3.84	8.134	4.1
364-day	10.00	7.22	72.19	7.08	9.767	0.4

(Source: NSE, DBIB Research)

Salient News

Equity Group FY21 Earnings

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Equity Group released its FY21 results reporting a 99.4% y-o-y growth in after tax profits to KES 40.1 BN.

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Equity Group released its FY21 results reporting a 99.4% y-o-y growth in after tax profits to KES 40.1 BN. The significant improvement in profitability was principally driven by a 78.1% y-o-y drop in loan loss provisions to KES 5.8 BN, a 24.8% y-o-y growth in net interest income to KES 68.8 BN and a 15.8% y-o-y increase in non-funded income to KES 44.6 BN. EPS for the period stood at KES 10.38 (FY20: KES 5.24). The board has recommended **a first and final dividend per share of KES 3.00**. If approved, the dividend will be payable on or before 30th June 2022 to shareholders on the share register at the close of business on 20th May, 2022.

Net interest income climbed by 24.8% y-o-y to KES 68.8 BN, supported by a 27.9% y-o-y growth in total interest income to KES 94.3 BN outweighing a 37.2% y-o-y rise in total interest expenses to KES 25.5 BN. The yield on interest earning assets eased by 50 bps y-o-y to 9.5% while the cost of funds shed 10 bps y-o-y to 2.7% resulting in a NIM of 6.8% (FY20: 7.2%).

Non-funded income edged up by 15.8% y-o-y to KES 44.6 BN occasioned by a 34.6% y-o-y growth in other fees and commissions to KES 21.6 BN, a 31.8% y-o-y rise in forex trading income to KES 8.2 BN and a 17.0% y-o-y improvement in fees & commissions on loans to KES 7.7 BN. The contribution of non-funded income to total income eased by 180 bps y-o-y to 39.3% (FY20: 41.1%).

Operating expenses (excluding provisions) rose by 20.9% y-o-y to KES 55.7 BN largely driven by a 22.0% y-o-y growth in other expenses to KES 28.7 BN and a 23.9% y-o-y growth in staff costs to KES 19.1 BN. The group's cost-to-income ratio (excluding provisions) remained fairly constant at 49.1% (FY20: 49.2%).

Loan loss provisions dwindled by 78.1% y-o-y to KES 5.8 BN as gross non-performing loans for the group declined by 9.3% y-o-y to KES 53.9 BN. The group's NPL ratio eased by 270 bps to 8.3%.

Net loans and advances rose by 23.0% y-o-y to KES 587.8 BN in comparison to an 81.3% y-o-y rise in government and investment securities to KES 394.1 BN. On the funding side, customer deposits edged up by 29.5% y-o-y to KES 959.0 BN while borrowed funds increased by 42.1% y-o-y to KES 123.9 BN.

The group's gross non-performing loans declined by 9.3% y-o-y to KES 53.9 BN. Interest in suspense grew by 6.7% y-o-y to KES 9.4 BN. As a result, total NPLs (gross NPLs less interest in suspense) sank by 12.1% y-o-y to KES 44.5 BN. The group's NPL ratio eased by 270 bps to 8.3% and this was lower than the Kenya industry average of 13.1%.

Equity Group is currently trading at a P/E multiple of 4.9x against an industry median of 4.8x and a P/B multiple of 1.1x against an industry median of 0.8x. Its ROE stands at 23.2% while its ROA stands at 3.0%.

(Source: Company filings, DBIB Research).

Salient News cont'd...

NCBA Group FY21 Earnings

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NCBA Group released its FY21 results recording a 123.7% y-o-y advancement in profit after tax (PAT) to KES 10.2 BN.

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NCBA Group released its FY21 results recording a 123.7% y-o-y advancement in profit after tax (PAT) to KES 10.2 BN. This was predominantly as a result of a 37.8% y-o-y reduction in loan loss provision expense to KES 12.7 BN, a 6.1% y-o-y growth in net interest income to KES 27.0 BN and a 5.6% y-o-y rise in total non-funded income to KES 22.1 BN. EPS for the period stood at KES 6.21 vis-à-vis KES 2.77 in FY20. The board recommended **a final dividend per share of KES 2.25**, having already paid an interim dividend per share of KES 0.75. If approved, the dividend will be payable to shareholders registered on the company's register as at the close of business on 29th April 2022 and will be paid on or after 5th May 2022.

Net interest income inched higher by 6.1% y-o-y to KES 27.0 BN, following a 5.1% y-o-y growth in interest income to KES 46.5 BN which offset the 3.9% yo-y increase in interest expense to KES 19.5 BN. Yield on interest earning assets dropped by 59 bps y-o-y to 9.1% while cost of funds shrank by 28 bps y-o-y to 4.0%. As a result, the group's net interest margin (NIM) eased 31 bps yo-y to 5.2%.

Non-funded income grew by 5.6% y-o-y to KES 22.1 BN courtesy of a 2.5% y-o-y rise in fees and commission income to KES 14.5 BN and a 6.8% y-o-y increase in net income from forex dealings to KES 5.1 BN. Other operating income grew by 24.3% y-o-y to KES 2.5 BN.

Operating expenses (less loan loss provisions) rose by 5.8% y-o-y to KES 20.7 BN mainly on account of a 10.0% y-o-y increase in other operating expenses to KES 9.8 BN and a 10.0% y-o-y increase in staff costs to KES 8.0 BN. The cost to income ratio remained relatively unchanged at 42.2% (-1 bp y-o-y).

Pre-provision operating profit rose by 5.9% y-o-y to KES 28.4 BN. Loan loss provision expense dropped by 37.8% y-o-y to KES 12.7 BN placing the cost of risk at 5.2%, 302 bps lower y-o-y. As such, profit before tax improved by 201.8% y-o-y to close at KES 15.0 BN. We attribute the lower provisioning to the improved operating environment with 98.0% (as at 3Q21) of its re-structured portfolio during the COVID-19 period now categorized as performing.

Net customer loans and advances edged down by 1.8% y-o-y to KES 244.0 BN (+2.5% q-o-q) while investment securities grew by 33.7% y-o-y to KES 219.7 BN (+3.9% q-o-q). We view the group's contracted loan book vis-à-vis its increased allocation to investment securities as a hedge against its deteriorating asset quality.

Gross non-performing loans rose by 10.7% y-o-y to KES 44.3 BN (-3.6% q-o-q) as interest in suspense rose by 25.6% y-o-y to KES 8.3 BN (+2.3% q-o-q). Consequently, total NPLs rose by 7.8% y-o-y to KES 36.1 BN (-4.9% q-o-q). The NPL ratio deteriorated to 15.4%, 149 bps higher y-o-y.

NCBA is currently trading at a P/E multiple of 4.0x, against an industry median of 4.6x and a P/B multiple of 0.5x, against an industry median of 0.8x. Its ROE stands at 13.1% whereas its ROA stands at 1.7%.

(Source: Company filings, DBIB Research).

UPCOMING EVENTS

Profit Warnings

1. WPP Scangroup
2. Sanlam
3. Fahari I-REIT

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
E.A Breweries	Interim: KES 3.75	28-Feb-22	27-Apr-22
Safaricom	Interim: KES 0.64	17-Mar-22	31-Mar-22
Car & General (K)	Bonus Issue: 1:1	24-Mar-22	08-Apr-22
ABSA Bank	First & Final: KES 1.10	25-Apr-22	26-May-22
StanChart Bank	Final: KES 14.00	27-Apr-22	25-May-22
NCBA Group	Final: KES 2.25	29-Apr-22	05-May-22
Stanbic Holdings	Final: KES 7.30	20-May-22	STA*
Equity Group	First & Final: KES 3.00	20-May-22	30-Jun-22
BAT Kenya	Final: KES 50.0	24-May-22	22-Apr-22
Co-operative Bank	First & Final: KES 1.00	30-May-22	17-Jun-22
Kakuzi	First & Final: KES 22.00	31-May-22	30-Jun-22

(Source: NSE, DBIB Research)

STA—Subject to approval*

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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