

DBIB WEEKLY BULLETIN

WEEK 19

Date: 13.05.2022

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WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

.....
Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 13.82 MN (KES 1.6 BN) representing 64.80% of this week's turnover.

The stock **dropped** by 5.6% w-o-w to close at KES 30.20 on Friday.

Foreign investors assumed a **net selling** position on the counter this week by accounting for 89.21% of foreign sales and 38.77% of foreign purchases.

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<u>Top gainers</u>	<u>%</u>
Sanlam Kenya	15.1
Eaagads Ltd	13.9
Eveready E.A	7.3
Trans-Century Ltd	7.3
Car & General (K)	6.7

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
NBV Ltd	(15.9)
Kapchorua Tea	(8.9)
E.A. Cables	(6.4)
Flame Tree	(6.3)
Safaricom	(5.6)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	13.82
Equity Group	3.24
KCB Group	1.63
E.A Breweries	1.13
NCBA Group	0.38

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Sanlam Kenya	28.6
Crown Paints	27.2
Umeme Ltd	18.7
Stanbic Holdings	18.3
Olympia Capital	14.0

(Source: NSE, DBIB Research)

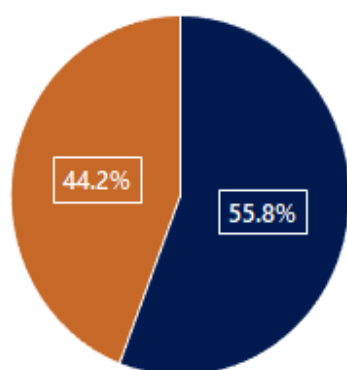


<u>Top Losers</u>	<u>%</u>
NBV Ltd	(39.6)
Housing Finance	(23.3)
KCB Group	(21.3)
TPS E.A	(21.3)
Uchumi	(20.8)

(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>
Stanbic Holdings	98.1
Kapchorua Tea	72.6
E.A Breweries	55.9
I&M Group	50.8
Safaricom	38.8

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
Jubilee Holdings	100.0
Safaricom	89.2
Equity Group	84.6
Centum	84.0
E.A Breweries	80.3

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	99.8
Crown Paints	98.0
BK Group	96.3
Umeme	81.1
BAT Kenya	80.2

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	91.8
Safaricom	85.0
TPS E.A	82.4
BAT Kenya	79.4
E.A Breweries	74.9

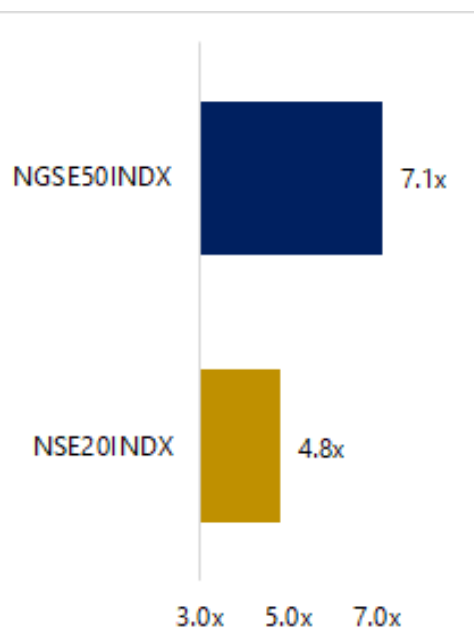
INDICES & MARKET METRICS MOVEMENT

NSE 20 and **NASI** shed 0.5% and 3.5% w-o-w to close at 1,747.22 and 139.65, respectively.

Weekly equity turnover grew by 77.8% w-o-w to USD 21.32 MN (KES 2.48 BN).

USD | KES: KES weakened 0.2% w-o-w to close at 116.12 (-2.6% YTD).

PEER P/E MULTIPLES



NSE20INDEX* - NSE 20 Index
NGSE50INDEX* - Nigeria Stock Exchange 50 Index

*LTM Price/EPS

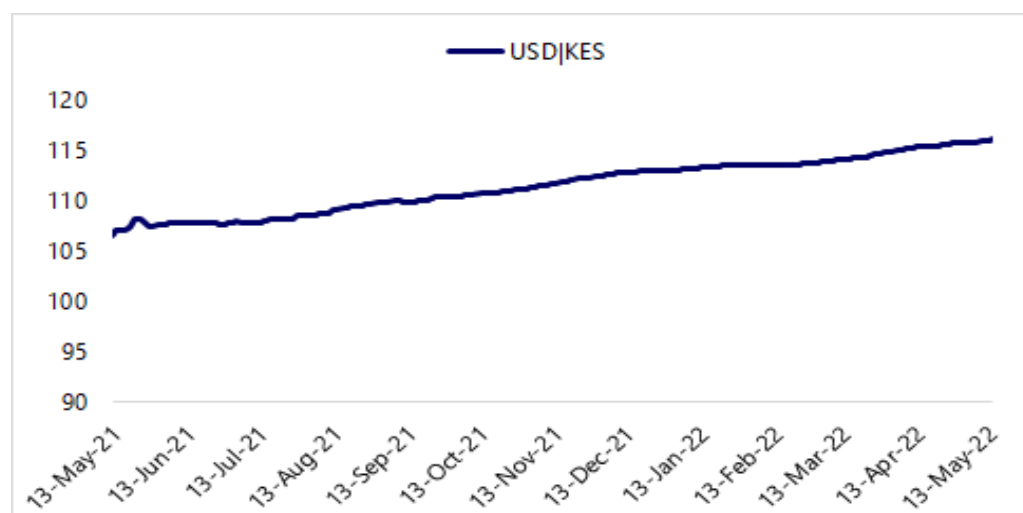
Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	139.65	(3.51)	(16.85)	(18.56)	(16.11)
NSE-20	1,747.22	(0.48)	(7.91)	(9.00)	(8.17)
DBIB Select	92.20	(1.11)	(8.23)	(12.99)	(5.68)
FTSE 15	178.05	(2.12)	(15.18)	(14.50)	(15.01)
FTSE 25	185.84	(3.22)	(17.57)	(18.83)	(17.18)
FTSE Frontier 50	45,533.19	(4.86)	(11.26)	(12.43)	(11.46)

(Source: NSE, Bloomberg, DBIB Research)

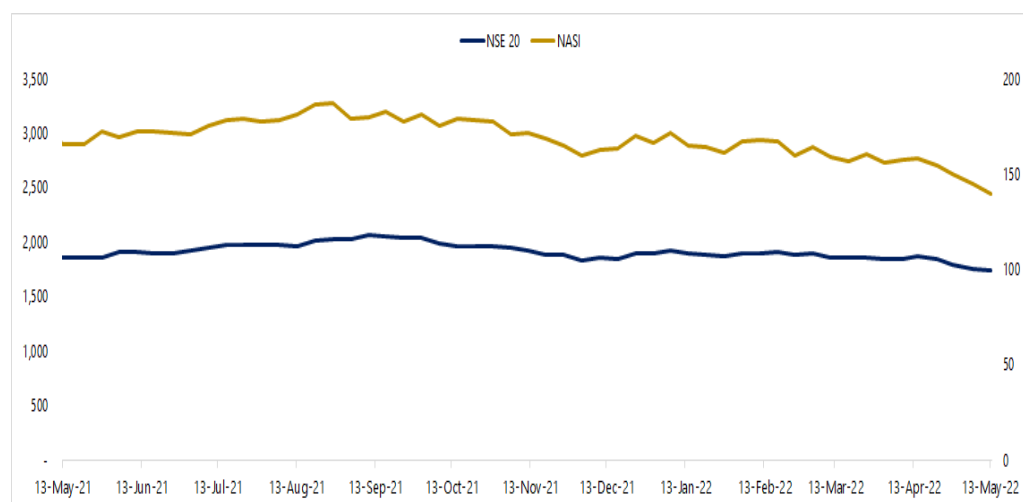
Market Metrics	Current	1 wk (ch)	3 m (ch)	6 m (ch)	12 m (ch)
Market Cap. (USD m)	2,176.36	(3.52)	(11.76)	(16.80)	(18.66)
Market Turnover (USD m)	21.32	77.77	83.78	(7.54)	(31.81)
Market P/E (x)	14.94	0.00	(6.76)	(7.23)	(8.87)
Market Div. yld (%) *	6.34	(23.79)	233.58	278.24	275.16
Market ROE (%) *	36.41	(292.15)	(334.31)	(343.23)	320.75

* 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

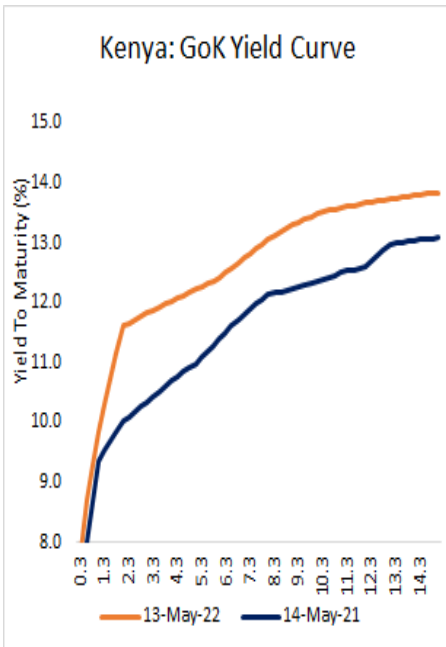


(Source: NSE, DBIB Research)

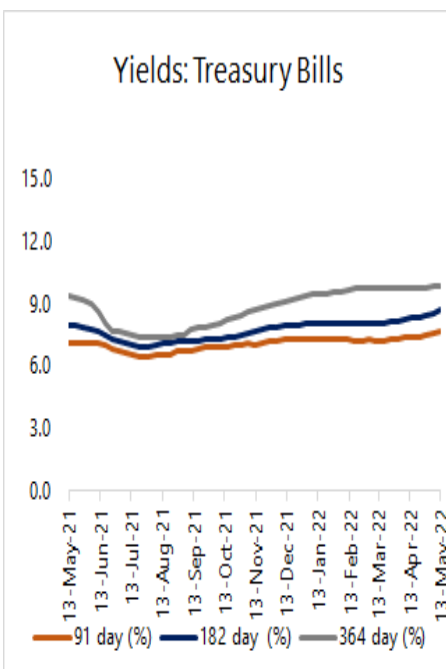
FROM THE FIXED INCOME DESK

The Bond market's turnover for the week stood at USD 143.39 MN (KES 16.65 BN) representing a 110.7% w-o-w advancement from USD 68.04

The Bond market's turnover for the week stood at USD 143.39 MN (KES 16.65 BN) representing a 110.7% w-o-w advancement from USD 68.04 MN (KES 7.89 BN) recorded the previous week. The bond issue number IFB1/2022/19Yr emerged as the top traded bond with a turnover of KES 2.32 BN accounting for 13.9% of the week's turnover. The bond traded between 12.1000% and 13.4600%.



Source: NSE, DBIB Research



Source: NSE, DBIB Research

MN (KES 7.89 BN) recorded the

May auction results: FXD1/2022/10 (New) & FXD1/2021/25 (Re-opened)

The Central Bank of Kenya issued two bonds in May, FXD1/2022/10 (new) and FXD1/2021/25 (re-opened) with the aim of raising a total of KES 60.0 BN. The auction received bids worth KES 43.1 BN (KES 32.9 BN for FXD1/2022/10 and KES 10.2 BN for FXD1/2021/25) translating into a subscription rate of 71.86% (54.82% for FXD1/2022/10 and 17.04% for FXD1/2021/25). The CBK accepted KES 28.7 BN for FXD1/2022/10 and KES 3.1 BN for FXD1/2021/25 -- a total of KES 31.7 BN. The weighted average rate of accepted bids for FXD1/2022/10 came in at 13.490% while that of FXD1/2021/25 came in at 13.976%. Thus, FXD1/2022/10 will have a coupon rate of 13.490% while that of the FXD1/2021/25 remains fixed at 13.924%.

Top Trades for the week ending 13 May 2022

Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Total	
					Price (KES m)	Value (KES m)
11-May	FXD3/2007/15Yr	0.5	12.5000	9.0000	101.72	1,412.8
10-May	IFB 1/2021/21Yr	20.3	12.7370	13.4000	97.92	700.0
13-May	IFB 1/2021/21Yr	20.3	12.7370	13.2000	99.21	700.0
13-May	FXD2/2010/15Yr	3.6	9.0000	12.5500	93.71	532.0
9-May	FXD1/2022/15Yr	14.9	13.9420	13.8500	101.09	500.0
9-May	IFB 1/2021/18Yr	16.9	12.6670	12.8000	100.17	500.0
10-May	FXD1/2022/15Yr	14.9	13.9420	13.8000	101.45	500.0
12-May	IFB 1/2020/6Yr	4.0	10.2000	11.6000	101.70	500.0
9-May	FXD1/2022/15Yr	14.9	13.9420	13.9489	100.48	450.0
10-May	FXD1/2021/5Yr	4.5	11.2770	12.1000	102.65	422.0
10-May	IFB 1/2020/9Yr	6.9	10.8500	12.8599	93.94	320.0
9-May	IFB 1/2020/11Yr	9.3	10.9000	12.7000	94.53	300.0
11-May	FXD1/2020/5Yr	3.0	11.6670	11.6500	100.10	300.0

(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 13 May 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	5.28	131.97	5.28	7.683	10.3
182-day	10.00	7.93	79.26	7.92	8.722	18.0
364-day	10.00	11.34	113.41	9.90	9.860	2.0

(Source: NSE, DBIB Research)

Salient News

Safaricom PLC FY22 earnings

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Safaricom PLC announced its FY22 results recording a 1.7% y-o-y decline in the Group's profit after tax to KES 67.5 BN

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Safaricom PLC announced its FY22 results recording a 1.7% y-o-y decline in the Group's profit after tax to KES 67.5 BN largely impacted by a 218.4% y-o-y jump in net finance cost to KES 6.4 BN. This came on the back of a USD 400 MN loan facility taken up by the company to finance the payment of the telecommunication license fees in Ethiopia. EBIT was up 13.5% y-o-y to KES 109.1 BN supported by a 12.3% y-o-y increase in service revenue to KES 281.1 BN. A final dividend of KES 0.75 per share was recommended, implying total dividend of KES 1.39 per share.

Service revenue was up 12.3% y-o-y to KES 281.1 BN mainly supported by 30.3% y-o-y growth in M-Pesa revenue to KES 107.7 BN. M-Pesa performance was supported by the lifting of the waiver on charges on transactions below KES 1,000, and was further supported by economic recovery. Voice revenue grew by 1.1% y-o-y to KES 93.1 BN while SMS revenue was down 20.0% y-o-y to KES 10.9 BN. Mobile data revenue increased 8.1% y-o-y to stand at KES 48.4 BN. Voice revenue contribution to service revenue declined to 33.1% compared to FY21's 36.8%. Mpesa revenue contribution stood at 38.3% compared to FY21's 33.0% while mobile data revenue contribution stood at 17.2% compared to FY21's 17.9%.

One month active customer ARPU increased by 5.1% y-o-y to KES 725.04 mainly supported by 18.9% y-o-y growth in M-Pesa ARPU to KES 305.37. The number of chargeable transactions per one month active customer stood at 20.25, up 16.6% y-o-y compared to 17.36 transactions in FY21. Mobile data ARPU was up 10.4% y-o-y to KES 205.73, with one month active mobile data subscribers increasing by 6.1% y-o-y to 25.22 MN. Voice ARPU was down 3.4% y-o-y to KES 248.91.

EBITDA margin deteriorated 100 bps y-o-y to stand at 50.0% following a 19.9% y-o-y increase in operating costs to KES 55.2 BN. EBIT margin improved 19 bps y-o-y to 36.6%. **The company's net finance cost stood at KES 6.4 BN, up 218.4% y-o-y** following an increase in non-current liabilities from KES 17.5 BN in FY21 to KES 68.9 BN in FY22 on account of the Ethiopia licence fee loan facility.

Management's FY23 EBIT guidance including Safaricom Ethiopia stands at KES 87-93 BN, while CAPEX guidance including Safaricom Ethiopia stands at KES 100-108 BN. The company expects to launch Ethiopia operations in 2022.

Safaricom is currently trading at a P/E multiple of 18.6x and a P/B multiple of 9.3x. Its ROE stands at 49.9% and ROA stands at 20.1%.

(Source: Company, DBIB Research)

Salient News cont'd

Equity Group 1Q22 earnings

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Equity Group released its 1Q22 results reporting a 36.0% y-o-y growth in after tax profits to KES 11.9 BN.
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Equity Group released its 1Q22 results reporting a 36.0% y-o-y growth in after tax profits to KES 11.9 BN. Profitability growth was backed by a 30.6% y-o-y rise in net interest income to KES 19.4 BN and a 9.7% y-o-y growth in non-funded income to KES 11.9 BN. EPS for the period stood at KES 3.06 (1Q21: KES 2.29).

Net interest income advanced by 30.6% y-o-y to KES 19.4 BN, following a 31.1% y-o-y growth in total interest income to KES 26.7 BN which off-set a 32.6% y-o-y rise in total interest expenses to KES 7.3 BN.

Non-funded income went up by 9.7% y-o-y to KES 11.9 BN principally driven by a 23.1% y-o-y increase in other fees and commissions to KES 6.0 BN. Fees and commissions on loans and advances inched higher by 17.7% y-o-y to KES 1.9 BN while foreign exchange trading income rose marginally by 2.3% y-o-y to KES 2.0 BN. The contribution of non-funded income to total income eased by 419 bps y-o-y to 38.1% (1Q21: 42.3%).

Operating expenses (excluding provisions) climbed by 11.5% y-o-y to KES 14.2 BN largely buoyed by a 23.8% y-o-y growth in staff costs to KES 5.0 BN and a 10.4% y-o-y growth in other expenses to KES 7.4 BN. The group's cost-to-income ratio (excluding provisions) reduced by 414 bps y-o-y to 45.3% (1Q21: 49.5%).

Loan loss provisions grew by 42.4% y-o-y to KES 1.8 BN even as gross non-performing loans for the group declined by 6.5% y-o-y to KES 59.4 BN. The group's NPL ratio eased by 270 bps y-o-y to 8.6%.

Net loans and advances rose by 27.8% y-o-y to KES 623.6 BN (+6.1% q-o-q) in comparison to a 50.4% y-o-y rise in government and investment securities to KES 389.4 BN (-1.2% q-o-q). On the funding side, customer deposits improved by 14.0% y-o-y to KES 900.9 BN (-6.1% q-o-q) while borrowed funds increased by 40.3% y-o-y to KES 124.1 BN (+0.2% q-o-q).

On a trailing basis, Equity Group is currently trading at a P/E multiple of 4.0x against an industry median of 4.0x and a P/B multiple of 1.1x against an industry median of 0.7x. Its ROE stands at 25.2% while its ROA stands at 3.3%.

(Source: Company, DBIB Research)

Salient News cont'd

HF Group 1Q22 earnings

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HF Group reported its 1Q22 results reporting after tax profits of KES 34.2 MN, a reversal from a loss after tax of KES 191.8 MN in 1Q21.

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HF Group reported its 1Q22 results reporting after tax profits of KES 34.2 MN, a reversal from a loss after tax of KES 191.8 MN in 1Q21. This was mainly occasioned by a 9.7% y-o-y improvement in net interest income to KES 520.1 MN, an 87.2% y-o-y advancement in non-funded income to KES 252.7 MN, a 5.0% y-o-y decrease in operating expenses (excluding loan loss provisions) to KES 677.4 MN and a 24.4% y-o-y reduction in loan loss provision expense to KES 56.4 MN. Earnings per share for the period stood at KES 0.36 as compared to a loss per share of KES 1.99 in 1Q21.

Net interest income rose by 9.7% y-o-y to KES 520.1 MN on the back of a 1.1% y-o-y growth in interest income to KES 1.0 BN which was supported by a 6.5% y-o-y decrease in interest expense to KES 503.2 MN. Non-funded income went up by 87.2% y-o-y to KES 252.7 MN due to a 44.1% y-o-y increase in fees and commissions income to KES 110.7 MN, a 248.7% y-o-y increase in other income to KES 115.8 MN and a 4.9% y-o-y rise in net income from forex dealings to KES 26.2 MN.

Operating expenses (less loan loss provisions) fell by 5.0% y-o-y to KES 677.4 MN mainly driven by a 29.6% y-o-y decrease in other operating expenses to KES 214.5 MN. Staff cost rose by 16.0% y-o-y to KES 308.8 MN. The group's cost-to-income ratio eased y-o-y to 87.7% from 117.0% in 1Q21. Loan loss provision expense decreased by 24.4% y-o-y to KES 56.4 MN placing the annualized cost of risk at 0.7% (1Q21: 0.8%).

Net customer loans and advances edged down by 2.7% y-o-y to KES 34.8 BN (+0.3% q-o-q) while investment securities grew by 26.5% y-o-y to KES 7.2 BN (+10.2% q-o-q). On the funding side, customer deposits advanced by 3.1% y-o-y to KES 38.4 BN (+1.7% q-o-q) while borrowed funds dropped by 2.2% y-o-y to KES 5.0 BN (+14.6% q-o-q). Thus, loan-to-deposits ratio declined by 540 bps y-o-y to 90.8% while loans-to-deposits and borrowed funds ratio dropped by 425 bps y-o-y to 80.3%.

Gross non-performing loans (NPLs) eased by 19.8% y-o-y to KES 8.4 BN (-2.8% q-o-q) while interest in suspense decreased by 13.5% y-o-y to KES 2.7 BN (-2.6% q-o-q). Thus, total NPLs went down by 22.5% y-o-y to KES 5.7 BN (-2.9% q-o-q). The group's NPL ratio was placed at 19.5%, 321 bps lower y-o-y. Cumulative loan loss provisions inched higher by 1.4% y-o-y to KES 3.7 BN (+3.0% q-o-q) placing the NPL coverage ratio at 64.6% compared to 49.4% in 1Q21.

HF Group's core capital ratio (Core capital/TRWA) rose by 11 bps y-o-y to 8.2% while total capital ratio (Total capital/TRWA) increased by 49 bps y-o-y to 12.1%. Both ratios remain below the statutory minimum of 10.5% and 14.5% respectively. Liquidity ratio increased by 400 bps y-o-y to 24.6%, above the statutory minimum of 20.0%.

On a trailing basis, the counter is trading at a P/E multiple of (3.3)x against an industry median of 4.3x and a P/B multiple of 0.2x against an industry median of 0.7x. Its ROE stands at (4.7)% while its ROA stands at (0.7)%.

Source: Company, DBIB Research)

UPCOMING EVENTS

Profit Warnings

1. Sanlam

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
I&M Group	First & Final: KES 1.50	21-Apr-22	26-May-22
ABSA Bank	First & Final: KES 1.10	25-Apr-22	26-May-22
KCB Group	Final: KES 2.00	25-Apr-22	07-Jul-22
StanChart Bank	Final: KES 14.00	27-Apr-22	25-May-22
Stanbic Holdings	Final: KES 7.30	20-May-22	03-Jun-22
Equity Group	First & Final: KES 3.00	20-May-22	30-Jun-22
Bamburi Cement	First & Final: KES 3.58	26-May-22	26-Jul-22
BOC Kenya	Final: KES 2.90	27-May-22	19-Jul-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
NSE	Final: KES 0.40	03-Jun-22	15-Jul-22
NSE	Special: KES 0.50	03-Jun-22	15-Jul-22
Kenya Re	First & Final: KES 0.10	17-Jun-22	29-Jul-22
BK Group	First & Final: FRw 28.7	22-Jun-22	01-Jul-22
Umeme Ltd	Final: USH 54.10	24-Jun-22	22-Jun-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
Jubilee Holdings	Final: KES 8.00	22-Jun-22	25-Jul-22
Jubilee Holdings	Special: KES 5.00	22-Jun-22	25-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

(Source: NSE, DBIB Research)

STA—Subject to approval*

AGM SCHEDULE

<u>Company</u>	<u>Time</u>	<u>Venue</u>	<u>Date</u>
Stanbic Holdings	11:00 a.m.	Virtual	19-May-22
Umeme Ltd	10:00 a.m.	Hybrid	19-May-22
HF Group	10:00 a.m.	Virtual	20-May-22
StanChart Bank	11:00 a.m.	Virtual	25-May-22
ABSA Bank	10:00 a.m.	Virtual	26-May-22
I&M Holdings	10:00 a.m.	Virtual	26-May-22
WPP Scangroup	11:00 a.m.	Virtual	27-May-22
KCB Group	10:00 a.m.	Virtual	03-Jun-22
NSE	11:00 a.m.	Virtual	03-Jun-22
Britam Holdings	10:00 a.m.	Virtual	08-Jun-22
BOC Kenya	11:00 a.m.	Virtual	23-Jun-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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