

# DBIB WEEKLY BULLETIN

# WEEK 33

Date: 18.08.2023

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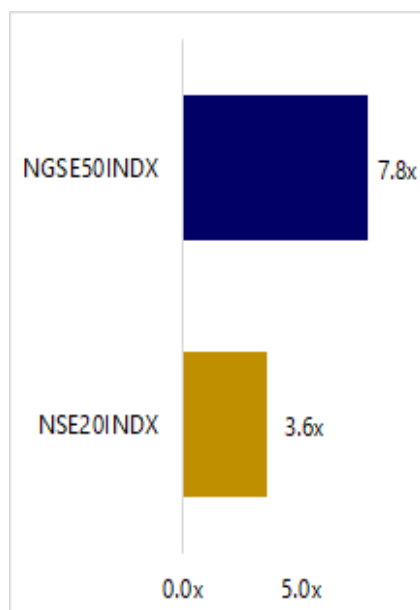
## INDICES & MARKET METRICS MOVEMENT

**NSE 20 eased** by 3.9% w-o-w to close at 1,532.46 while **NASI eased** by 2.6% w-o-w to close at 101.35.

**Weekly equity turnover rose** by 35.0% w-o-w to close at USD 11.71 MN (KES 1.69 BN).

**USD | KES:** KES weakened by 0.4% w-o-w to close at 144.18 (-16.9% 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	101.35	(2.55)	2.87	(20.83)	(20.49)
NSE-20	1,532.46	(3.86)	4.40	(8.81)	(8.57)
DBIB Select	101.00	(2.39)	(1.00)	(9.40)	(7.60)
MSCI Kenya (USD)	698.34	(2.34)	(2.06)	(36.16)	(36.77)
MSCI Frontier (USD)	504.12	(2.86)	5.52	2.46	6.73

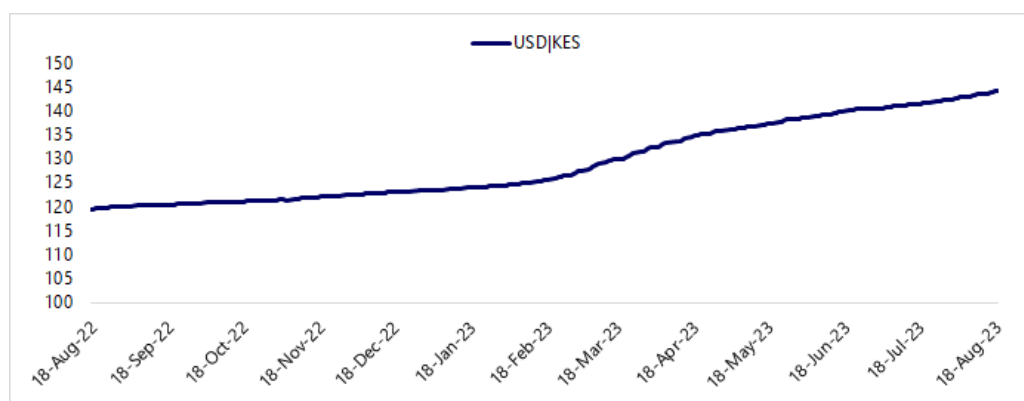
(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk (ch)	3 m (ch)	6 m (ch)	12 m (ch)
Market Cap. (USD m)	1,577.92	(2.56)	(8.43)	2.88	(20.89)
Market Turnover (USD m)	11.71	34.98	106.77	(2.02)	11.49
Market P/E (x)	8.93	(2.36)	1.41	17.12	(16.12)
Market Div. yld (%) *	8.28	21.23	(180.61)	63.03	179.84
Market ROE (%) *	26.09	6.82	(287.57)	(1,117.74)	(1,090.53)

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

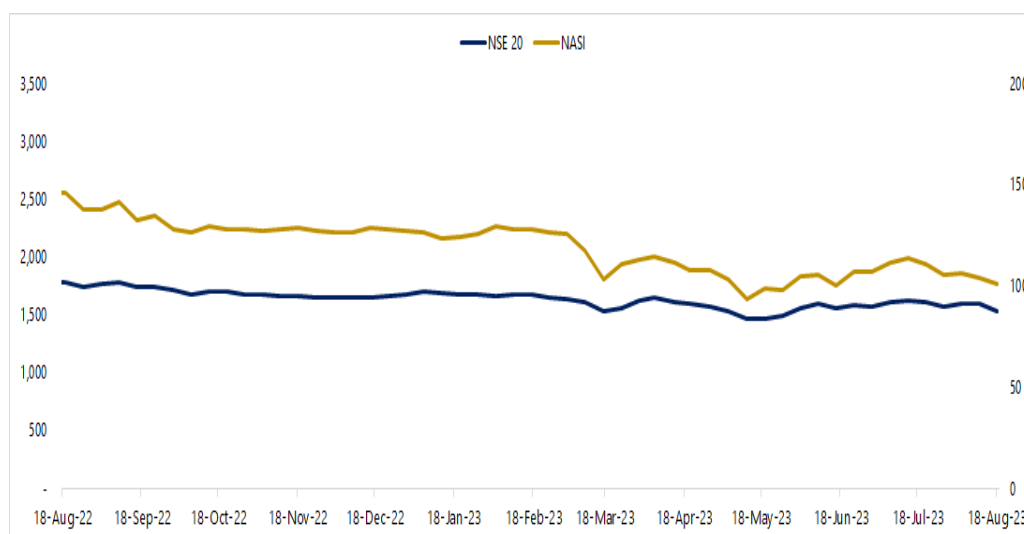
(Source: NSE, DBIB Research)

### USD | KES : 52-Week Trend



(Source: CBK, DBIB Research)

### Indices : 52-Week Trend



(Source: NSE, DBIB Research)

# WEEKLY BOURSE WRAP UP...

Safaricom emerged as the top traded counter on the bourse recording a weekly turnover of USD 5.08 MN (KES 732.47 MN) representing 43.40% of this week's turnover.

The stock eased by 0.3% w-o-w to close at KES 16.00 on Friday.

Foreign investors assumed a **net buying** position on the counter this week by accounting for 44.59% of foreign sales and 53.75% of foreign purchases.

## Week-on-Week Performance

Top gainers	%
Car & General	18.0
Kenya Orchards	9.7
Portland Cement	7.7
Longhorn	7.6
Unga	5.9

(Source: NSE, DBIB Research)

Top Losers	%
Olympia Capital	(23.3)
Eveready	(13.8)
Jubilee	(10.2)
Williamson Tea	(10.0)
Uchumi	(9.5)

Source: NSE, DBIB Research

Top traders (Value)	USD MN
Safaricom	5.08
EABL	2.06
Equity	1.07
Absa	1.03
BAT	0.78

(Source: NSE, DBIB Research)

## Y-T-D Performance

Top gainers	%
Kapchorua Tea	105.5
Umeme	91.4
Kenya Orchards	81.2
Eveready	58.2
HF Group	56.7

Source: NSE, DBIB Research

Top Losers	%
Unga	(43.8)
Trans-Century	(43.0)
KenGen	(33.7)
Liberty	(31.1)
Safaricom	(28.0)

(Source: NSE, DBIB Research)

## Weekly Foreign Performance

Top Weekly Buys	% Purchase
BAT Kenya	96.8
E.A. Breweries	94.1
Jubilee	92.1
Equity	88.2
Kenya Re	65.5

(Source: NSE, DBIB Research)

Top Weekly Sales	% Sold
BAT Kenya	91.6
E.A. Breweries	91.1
Equity	75.4
Kakuzi	51.8
Safaricom	44.6

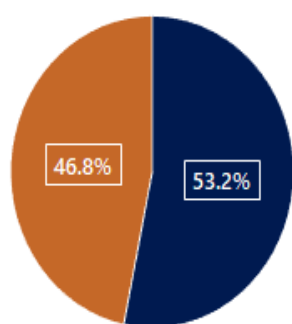
## Y-T-D Foreign Performance

Top Foreign Buys	% Purchase
New Gold ETF	93.2
BK Group	88.5
E.A. Breweries	67.7
Equity	63.7
NBV	61.1

(Source: NSE, DBIB Research)

Top Foreign Sales	% Sold
New Gold ETF	96.1
BAT Kenya	87.1
Safaricom	79.2
BK Group	71.6
Unga Ltd	70.1

## WEEKLY LOCAL VS FOREIGN PARTICIPATION



■ Foreign Participation  
■ Local Participation

(Source: NSE, DBIB Research)



## FROM THE FIXED INCOME DESK

The **Bond market's** turnover for the week stood at USD 96.15 MN (KES 13.86 BN) representing a 5.6% w-o-w decrease from USD 101.90 MN (KES 14.63 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 96.15 MN (KES 13.86 BN) representing a 5.6% w-o-w decrease from USD 101.90 MN (KES 14.63 BN) recorded the previous week. The bond issue number IFB1/2023/17 (re-opened) emerged as the top traded bond with a turnover of KES 3.28 BN accounting for 23.7% of the week's turnover. The bond traded between 13.9746% and 17.2200%.

### August Auction Results: FXD1/2023/2 and FXD1/2023/5

The Central Bank of Kenya (CBK) issued FXD1/2023/2 (2.0 years) and re-opened FXD1/2023/5 (4.9 years) with the intention of raising KES 40.0 BN for budgetary support. From the auction, the CBK received a sum of KES 53.01 BN (FXD1/2023/2: KES 38.30 BN, FXD1/2023/5: KES 14.70 BN) translating to a subscription rate of 132.52% (FXD1/2023/2: 95.75%, FXD1/2023/5: 36.76%). In turn, it accepted KES 11.66 BN for FXD1/2023/2 and KES 7.46 BN for FXD1/2023/5. The coupon rate for FXD1/2023/2 came in at 16.9723% while that of FXD1/2023/5 stands at 16.8440%.

### Top Trades for the week ending 18 August 2023

						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
15-Aug	FXD1/2016/10Yr	3.0	15.0390	17.2500	102.23	1,991.6
15-Aug	FXD1/2013/15Yr	4.5	11.2500	17.2500	81.77	1,000.0
17-Aug	IFB1/2023/17Yr	16.5	14.3990	15.8500	98.45	935.0
15-Aug	FXD1/2013/15Yr	4.5	11.2500	17.2000	81.91	900.0
16-Aug	FXD1/2013/15Yr	4.5	11.2500	16.4000	84.12	700.0
17-Aug	IFB1/2023/17Yr	16.5	14.3990	15.7000	99.21	630.0
17-Aug	IFB1/2023/17Yr	16.5	14.3990	15.5500	99.97	630.0
17-Aug	IFB1/2023/17Yr	16.5	14.3990	15.3000	101.26	618.0
16-Aug	IFB1/2023/17Yr	16.5	14.3990	15.3000	101.22	368.0
17-Aug	FXD1/2013/15Yr	4.5	11.2500	16.4132	84.12	300.0
15-Aug	FXD1/2023/5Yr	4.9	16.8440	17.0000	100.79	281.2
15-Aug	FXD1/2019/20Yr	15.6	12.8730	15.9000	87.14	280.1
16-Aug	FXD1/2019/20Yr	15.6	12.8730	15.7500	87.91	275.0

(Source: NSE, DBIB Research)

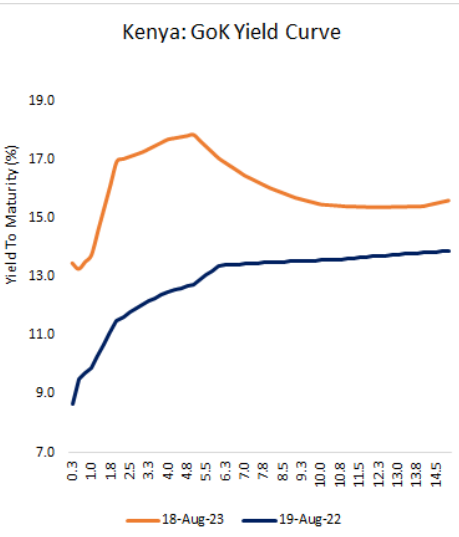
### Sell & Buy Backs

14-Aug	IFB1/2018/20Yr	15.2	11.9500	12.3662	100.85	100.0
15-Aug	IFB1/2018/20Yr	15.2	11.9500	12.3730	100.85	100.0

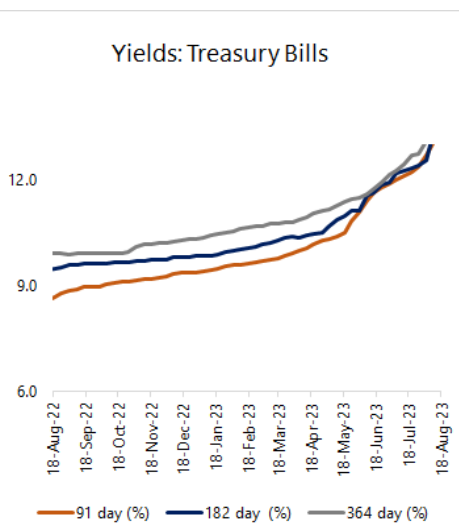
### Treasury Bill auction for the week ending 18 August 2023

Instrument	Amount (KES Bn)	Bids Received (KES Bn)	Subscription Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.00	38.23	955.74	37.14	13.475	36.5
182-day	10.00	3.86	38.57	3.85	13.276	(16.2)
364-day	10.00	2.59	25.92	2.59	13.746	40.6

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

### CO-OP GROUP: 1H23 EARNINGS SNAPSHOT

.....  
**Co-op Group released its 1H23 results reporting a 5.9% y-o-y growth in after tax profits to KES 12.1 BN.**  
.....

**Co-op Group released its 1H23 results reporting a 5.9% y-o-y growth in after tax profits to KES 12.1 BN.** The rise in profitability was mainly underpinned by a 4.0% y-o-y rise in non-funded income to KES 13.8 BN and a 2.3% y-o-y growth in net interest income to KES 21.5 BN. EPS for the period went up by 5.9% y-o-y to KES 2.08 (1H22: KES 1.95).

**Net interest income rose by 2.3% y-o-y to KES 21.5 BN,** lifted by a 12.0% y-o-y growth in total interest income to KES 32.0 BN against a 38.9% y-o-y rise in total interest expenses to KES 10.4 BN. The annualized yield on interest earning assets rose by 41 bps y-o-y to 11.5% while the annualized cost of funds advanced by 93 bps y-o-y to 4.2% and this led to a 53 bps y-o-y drop in the NIM to 7.3%.

**Interest income from loans and advances rose by 13.6% y-o-y to KES 21.0 BN** propelled by a 10.7% y-o-y growth in the group's net loan book to KES 365.4 BN and a 37 bps y-o-y rise in the annualized yield on loans to 11.9%. **Interest income from government securities inched higher by 6.7% y-o-y to KES 10.5 BN** fueled by an 88 bps y-o-y upswing in the annualized yield on government securities to 11.5%; the group's holding of government & investment securities rose by 2.9% y-o-y to KES 190.2 BN.

**Interest expenses from customer deposits notched up by 22.7% y-o-y to KES 8.3 BN** and this was occasioned by a 48 bps y-o-y jump in the annualized cost of customer deposits to 3.7% and a 9.7% y-o-y growth in customer deposits to KES 463.9 BN.

**Non-funded income improved by 4.0% y-o-y to KES 13.8 BN** largely driven by a 13.3% y-o-y rise in fees and commissions on loans and advances to KES 6.2 BN and a 3.4% y-o-y growth in other fees and commissions to KES 5.6 BN. Forex trading income eased by 10.0% y-o-y to KES 1.8 BN while other income fell by 64.3% y-o-y to KES 154.1 MN. Total operating income rose by 3.0% y-o-y to KES 35.4 BN. The contribution of non-funded income to total operating income inched higher by 37 bps y-o-y to 39.1% (1H22: 38.7%).

**The group's operating expenses (minus provisions) climbed by 2.9% y-o-y to KES 16.3 BN** mainly on the back of a 12.6% y-o-y rise in staff costs to KES 8.0 BN. Other expenses declined by 10.0% y-o-y to KES 5.9 BN. The group's cost-to-income ratio eased marginally by 2 bps y-o-y to 46.0%.

**The group's gross non-performing loans increased by 14.2% y-o-y to KES 58.4 BN (+4.9% q-o-q)** while interest in suspense rose by 4.9% y-o-y to KES 6.3 BN (+0.6% q-o-q). Consequently, total NPLs (gross NPLs less interest in suspense) advanced by 15.4% y-o-y to KES 52.2 BN (+5.5% q-o-q). **Owing to the rise in gross non-performing loans, the NPL ratio rose by 36 bps y-o-y to 13.8%.** NPL coverage declined from 61.3% in 1H22 to 56.0% in 1H23. **Loan loss provisions eased by 14.4% y-o-y to KES 2.9 BN** — placing the group's cost of risk at 1.6%, down 46 bps y-o-y.

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## Salient News

### CO-OP GROUP: 1H23 EARNINGS SNAPSHOT

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Co-op Group released its 1H23 results reporting a 5.9% y-o-y growth in after tax profits to KES 12.1 BN.

.....

**Net loans and advances to customers rose by 10.7% y-o-y to KES 365.4 BN (+1.5% q-o-q).** Government and investment securities rose by 2.9% y-o-y to KES 190.2 BN (+5.1% q-o-q). **On the funding side, customer deposits increased by 9.7% y-o-y to KES 463.9 BN (+10.5% q-o-q)** while borrowed funds advanced by 43.6% y-o-y to KES 59.4 BN (+22.7% q-o-q). The group's loan-to-deposit ratio went up by 75 bps y-o-y to 78.8% while the ratio of loans to customer deposits & borrowed funds eased by 124 bps y-o-y to 69.8%.

**The group's core capital ratio improved by 100 bps y-o-y to 16.5% while the total capital ratio rose by 390 bps y-o-y to 20.5%.** Both ratios remain above the statutory minimum of 10.5% and 14.5% respectively. **Co-op bank's core capital ratio advanced by 110 bps y-o-y to 16.5% while the total capital ratio climbed by 410 bps y-o-y to 20.7%.** Both ratios remain above the statutory minimum of 10.5% and 14.5% respectively. The group's and the bank's liquidity ratios advanced by 150 bps y-o-y and 340 bps y-o-y to 52.3% and 47.2% respectively, but remained above the statutory minimum requirement of 20.0%.

**On a trailing basis,** Co-op Group is currently trading at a P/E multiple of 3.0x against an industry median of 4.1x and a P/B multiple of 0.6x against an industry median of 0.7x. Its ROE stands at 21.0% while its ROA stands at 3.4%.

*Source: Company*

### EQUITY GROUP: 1H23 EARNINGS SNAPSHOT

.....

Equity Group released its 1H23 results reporting a 7.8% y-o-y growth in after tax profits to KES 26.3 BN.

.....

**Equity Group released its 1H23 results reporting a 7.8% y-o-y growth in after tax profits to KES 26.3 BN.** Profitability growth was backed by a 41.2% y-o-y jump in non-funded income to KES 36.5 BN and a 16.5% y-o-y growth in net interest income to KES 46.4 BN. EPS for the period stood at KES 6.75 (1H22: KES 6.29).

**Net interest income advanced by 16.5% y-o-y to KES 46.4 BN,** characterized by a 27.0% y-o-y growth in total interest income to KES 69.8 BN against a 54.3% y-o-y rise in total interest expenses to KES 23.4 BN. The annualized yield on interest earning assets rose by 100 bps y-o-y to 10.7% while the annualized cost of funds rose by 90 bps y-o-y to 3.7% resulting in a NIM of 7.0% (1H22: 6.9%).

**Interest income from loans and advances rose by 26.9% y-o-y to KES 44.8 BN** primarily driven by a 25.6% y-o-y expansion in the group's loan book to KES 817.2 BN as the annualized yield on loans grew by 50 bps y-o-y to 11.9%.

**Interest income arising from the group's portfolio of government & investment securities improved by 18.8% y-o-y to KES 22.7 BN** fueled by a 110 bps y-o-y increase in the annualized yield on government securities to 11.1% and a 33.0% y-o-y growth in the group's holding of government & investment securities to KES 485.6BN.

**Interest expenses from customer deposits went up by 53.8% y-o-y to KES 16.1 BN** occasioned by a 21.0% y-o-y growth in customer deposits to KES 1.2 TN and a 60 bps y-o-y jump in the annualized cost of customer deposits to 2.9%.

**Non-funded income went up by 41.2% y-o-y to KES 36.5 BN** principally driven by a 48.0% y-o-y increase in other fees and commissions to KES 18.7 BN and a 68.0% y-o-y growth in foreign exchange trading income to KES 8.4 BN. Fees and commissions on loans and advances rose by 9.5% y-o-y to KES 4.6 BN while other income grew by 19.2% y-o-y to KES 4.7 BN. Total operating income increased by 26.2% y-o-y to KES 82.9 BN. The contribution of non-funded income to total income improved by 466 bps y-o-y to 44.0% (1H22: 39.4%).

**Operating expenses (excluding provisions) climbed by 32.6% y-o-y to KES 40.6 BN** largely buoyed by a 40.6% y-o-y rise in other expenses to KES 22.6 BN (due to the elevated inflationary environment and the weakening currency) and a 31.5% y-o-y advancement in staff costs to KES 14.2 BN. Owing to the faster rise in operating expenses (excluding provisions) in comparison to operating income, the group's cost-to-income ratio (excluding provisions) rose by 234 bps y-o-y to 49.0% (1H22: 46.7%).

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## Salient News

### EQUITY GROUP: 1H23 EARNINGS SNAPSHOT

.....  
Equity Group released its  
1H23 results reporting a  
7.8% y-o-y growth in after  
tax profits to KES 26.3 BN.  
.....

The group's gross non-performing loans increased by 59.8% y-o-y to KES 97.5 BN (+21.5% q-o-q) while interest in suspense rose by 59.1% y-o-y to KES 18.4 BN (+19.3% q-o-q). Consequently, total NPLs (gross NPLs less interest in suspense) advanced by 59.9% y-o-y to KES 79.1 BN (+22.0% q-o-q). **Owing to the rise in gross non-performing loans, the NPL ratio rose by 130 bps y-o-y to 9.8%, but still remained below the Kenyan banking industry NPL ratio of 14.9% as at May 2023.** NPL coverage (excluding credit guarantees) declined from 94.0% in 1H22 to 74.0% in 1H23 (including credit guarantees, coverage stood at 98.0%—down from 120.0% in 1H22). **Loan loss provisions surged by 73.6% y-o-y to KES 7.1 BN** placing the group's cost of risk at 1.9%, up 60 bps y-o-y.

**Net loans and advances rose by 25.6% y-o-y to KES 817.2 BN (+8.0% q-o-q) while government and investment securities rose by 33.0% y-o-y to KES 485.6 BN (+23.7% q-o-q).** On the funding side, customer deposits improved by 21.0% y-o-y to KES 1.2 TN (+5.8% q-o-q) while borrowed funds decreased by 2.5% y-o-y to KES 117.5 BN (+2.9% q-o-q). The group's loan-to-deposit ratio improved by 253 bps y-o-y to 69.5% while the ratio of loans to customer deposits & borrowed funds went up by 361 bps y-o-y to 63.2%.

**The international business contributed** 46.0% of total assets (1H22: 40.0%) and 45.0% of total pre-tax earnings (1H22: 29.0%).

**Equity Group's core capital ratio (Core capital/TRWA) increased by 90 bps y-o-y to 15.0%** above the statutory minimum of 10.5% while Total capital/TRWA rose by 20 bps y-o-y to 19.0% above the statutory minimum of 14.5%. **Equity Bank Kenya's core capital ratio (Core capital/TRWA) rose by 170 bps y-o-y to 15.2%** above the statutory minimum of 10.5% while Total capital/TRWA went up by 100 bps y-o-y to 19.8% above the statutory minimum of 14.5%. The group's liquidity ratio eased by 210 bps y-o-y to 51.1% while the Kenyan bank's liquidity ratio rose by 20 bps y-o-y to 64.7%.

**On a trailing basis,** Equity Group is currently trading at a P/E multiple of 3.3x against an industry median of 4.1x and a P/B multiple of 0.8x against an industry median of 0.7x. Its ROE stands at 25.1% while its ROA stands at 2.8%.

*Source: Company*



## UPCOMING EVENTS

### Profit Warnings

1. Kenya Power
2. Longhorn
3. Unga Group

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
Safaricom	Final: KES 0.62	28-July-23	31-Aug-23
BAT Kenya	Interim: KES 5.00	18-Aug-23	22-Sep-23
Williamson Tea	Final: KES 30.00	23-Aug-23	4-Sep-23
Kapchorua Tea	First & Final: KES 25.00	23-Aug-23	4-Sep-23
Stanbic Holdings	Interim: KES 1.15	4-Sep-23	27-Sep-23
EABL	Final: KES 1.75	15-Sep-23	27-Oct-23
Centum	Final: KES 0.60	STA	STA

*(Source: NSE, DBIB Research)*

*STA\*—Subject to approval*

## AGM SCHEDULE

<u>Company</u>	<u>Time</u>	<u>Venue</u>	<u>Date</u>
Olympia Capital	11:00 a.m.	Virtual	25-Aug-23

*(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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