

# DBIB WEEKLY BULLETIN

# WEEK 09

Date: 03.03.2023

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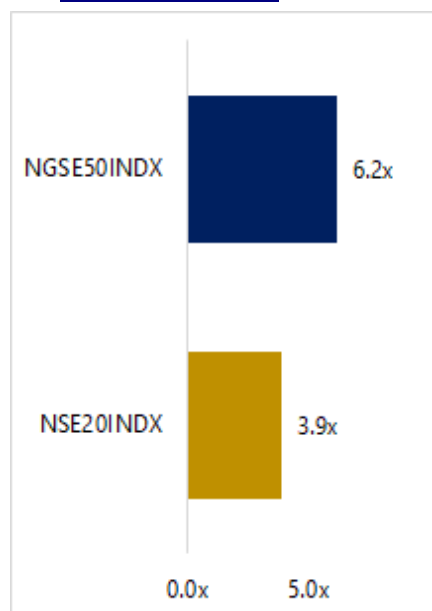
## INDICES & MARKET METRICS MOVEMENT

**NSE 20 & NASI** shed 1.3% and 0.2% w-o-w to close at 1,634.09 and 126.17 respectively.

**Weekly equity turnover** rose by 22.5% w-o-w to close at USD 7.87 MN (KES 1.0 BN).

**USD | KES:** KES strengthened 0.9% w-o-w to close at 127.54 (-3.4% year-to-date).

### PEER P/E MULTIPLES



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

\*LTM Price/EPS

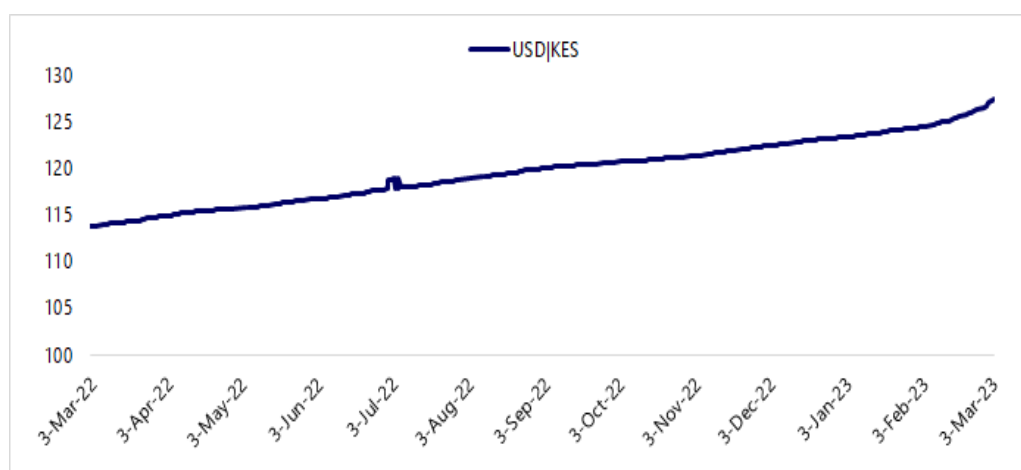
| Index               | Current  | 1 wk (%) | 3 m (%) | 6 m (%) | YTD (%) |
|---------------------|----------|----------|---------|---------|---------|
| NASI                | 126.17   | (0.24)   | (0.20)  | (8.58)  | (1.02)  |
| NSE-20              | 1,634.09 | (1.27)   | (0.96)  | (7.33)  | (2.51)  |
| DBIB Select         | 109.99   | (0.81)   | 12.88   | 175.76  | 0.63    |
| MSCI Kenya (USD)    | 1,064.37 | (0.53)   | (4.89)  | (15.27) | (3.62)  |
| MSCI Frontier (USD) | 480.67   | (0.85)   | (2.00)  | (8.43)  | 1.77    |

(Source: NSE, Bloomberg, DBIB Research)

| Market Metrics          | Current  | 1 wk (ch) | 3 m (ch) | 6 m (ch) | 12 m (ch) |
|-------------------------|----------|-----------|----------|----------|-----------|
| Market Cap. (USD m)     | 1,965.78 | (0.24)    | (2.38)   | (0.19)   | (8.60)    |
| Market Turnover (USD m) | 7.87     | 22.49     | 14.81    | (35.81)  | (48.15)   |
| Market P/E (x)          | 10.47    | 0.15      | (4.11)   | 199.15   | 261.05    |
| Market Div. yld (%) *   | 7.64     | (10.36)   | (415.93) | 94.07    | 311.13    |
| Market ROE (%) *        | 37.24    | 2.76      | (551.98) | 24.02    | (229.65)  |

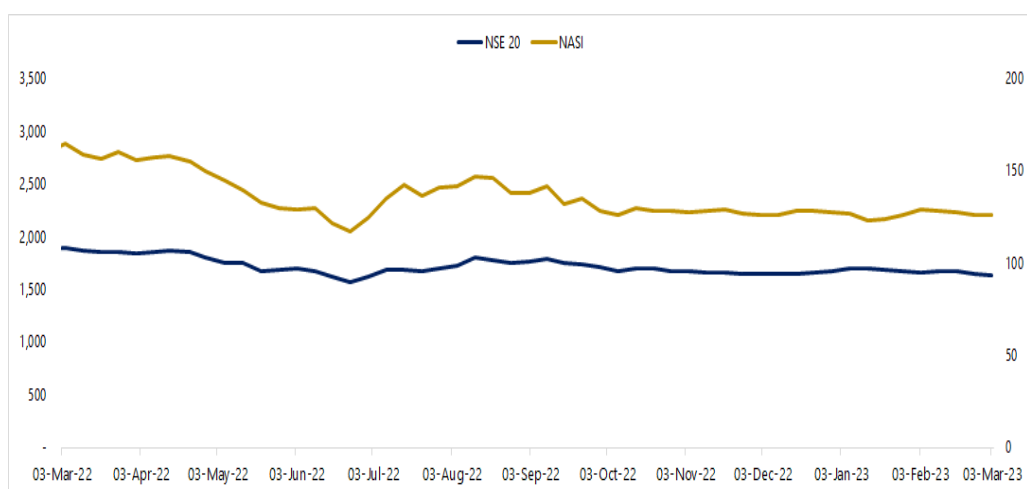
\* Changes in % \*\*Changes in bps -Market ROE is market cap weighted -ch: changes  
(Source: NSE, DBIB Research)

### 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 3.30 MN (KES 420.37 MN) representing 41.89% of this week's turnover.

The stock **gained** 0.4% w-o-w to close at KES 23.45 on Friday.

Foreign investors assumed a **net buying** position on the counter this week by accounting for 41.10% of foreign sales and 47.26% of foreign purchases.

## Week-on-Week Performance

| <u>Top gainers</u> | <u>%</u> |
|--------------------|----------|
| TPS E.A            | 10.0     |
| E.A. Portland      | 6.7      |
| Eveready E.A       | 6.5      |
| NBV Plc            | 5.1      |
| Kakuzi             | 4.6      |

(Source: NSE, DBIB Research)



| <u>Top Losers</u> | <u>%</u> |
|-------------------|----------|
| Stanbic Holdings  | (8.3)    |
| Housing Finance   | (7.6)    |
| Olympia Capital   | (6.4)    |
| Kenya Power       | (5.7)    |
| BAT Kenya         | (5.4)    |

(Source: NSE, DBIB Research)



| <u>Top traders (Value)</u> | <u>USD MN</u> |
|----------------------------|---------------|
| Safaricom                  | 3.30          |
| ABSA Bank                  | 1.12          |
| KCB Group                  | 0.78          |
| Equity Group               | 0.71          |
| BAT Kenya                  | 0.57          |

(Source: NSE, DBIB Research)

## Y-T-D Performance

| <u>Top gainers</u> | <u>%</u> |
|--------------------|----------|
| Kenya Orchards     | 44.2     |
| Umeme Ltd          | 34.0     |
| Trans-Century      | 18.3     |
| Kapchorua Tea      | 14.8     |
| StanChart Bank     | 14.0     |

(Source: NSE, DBIB Research)



| <u>Top Losers</u>  | <u>%</u> |
|--------------------|----------|
| Unga Group         | (30.6)   |
| KenGen Co.         | (26.1)   |
| Car & General      | (23.1)   |
| Crown Paints Kenya | (16.4)   |
| Uchumi Supermarket | (13.0)   |

(Source: NSE, DBIB Research)



## Weekly Foreign Performance

| <u>Top Weekly Buys</u> | <u>% Purchase</u> |
|------------------------|-------------------|
| Crown Paints           | 100.0             |
| ABSA Bank              | 95.0              |
| Fahari I-REIT          | 60.0              |
| NBV Plc                | 53.1              |
| Safaricom              | 47.3              |

(Source: NSE, DBIB Research)

| <u>Top Weekly Sales</u> | <u>% Sold</u> |
|-------------------------|---------------|
| Unga Ltd                | 100.0         |
| BAT Kenya               | 82.2          |
| TPS E.A                 | 76.8          |
| Carbacid                | 50.6          |
| Safaricom               | 41.1          |

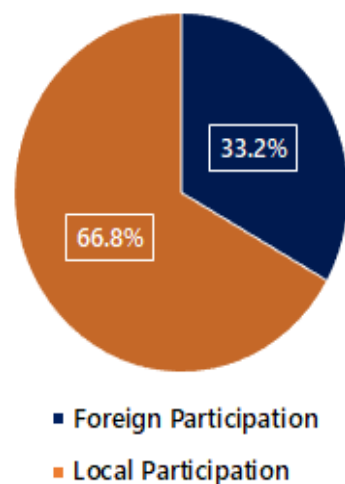
## Y-T-D Foreign Performance

| <u>Top Foreign Buys</u> | <u>% Purchase</u> |
|-------------------------|-------------------|
| New Gold ETF            | 98.1              |
| Stanbic Holdings        | 75.4              |
| E.A Breweries           | 73.9              |
| ABSA Bank               | 60.0              |
| NBV Plc                 | 51.6              |

(Source: NSE, DBIB Research)

| <u>Top Foreign Sales</u> | <u>% Sold</u> |
|--------------------------|---------------|
| New Gold ETF             | 98.3          |
| BAT Kenya                | 91.3          |
| Unga Ltd                 | 88.1          |
| Safaricom                | 77.0          |
| Bamburi Cement           | 73.9          |

## 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 74.16 MN (KES 9.46 BN) representing a 23.8% w-o-w decrease from USD 97.38 MN (KES 12.31 BN) recorded the previous week.

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### March Bond Issue: IFB1/2023/17 (New)

The Central Bank of Kenya (CBK) has newly issued the infrastructure bond IFB1/2023/17 with the intention of raising KES 50.0 BN for the funding of infrastructure projects in the financial year 2022/2023 budget estimates. The coupon rate will be market determined. The period of sale runs from 15 February 2023 to 07 March 2023.

### Top Trades for the week ending 03 March 2023

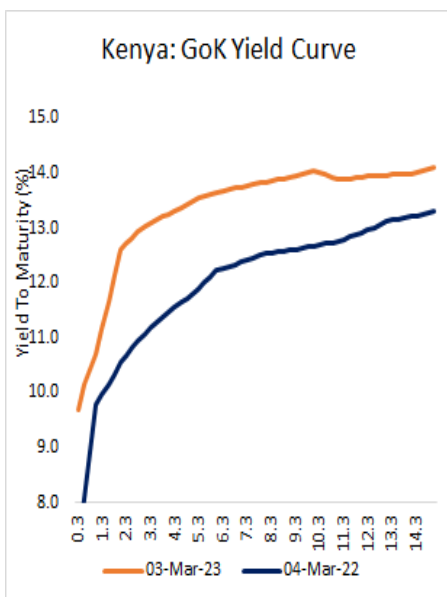
|              |                |       |         |         |         | Total   |
|--------------|----------------|-------|---------|---------|---------|---------|
|              |                |       | Coupon  | Yield   | Price   | Value   |
| Trading Date | Issue No.      | Years | (%)     | (%)     | (KES m) | (KES m) |
| 1-Mar        | FXD1/2019/5Yr  | 1.0   | 11.3040 | 10.9500 | 100.59  | 961.0   |
| 2-Mar        | FXD1/2020/5Yr  | 2.2   | 11.6670 | 12.8500 | 101.45  | 690.0   |
| 27-Feb       | FXD1/2014/10Yr | 0.9   | 12.1800 | 10.7000 | 102.60  | 671.0   |
| 3-Mar        | FXD1/2009/15Yr | 1.6   | 12.5000 | 12.2000 | 105.44  | 493.5   |
| 27-Feb       | FXD1/2020/5Yr  | 2.2   | 11.6670 | 12.8000 | 101.44  | 400.0   |
| 27-Feb       | FXD2/2018/20Yr | 15.4  | 13.2000 | 14.0750 | 95.78   | 391.0   |
| 27-Feb       | IFB1/2022/19Yr | 17.9  | 12.9650 | 12.9000 | 100.64  | 373.0   |
| 1-Mar        | FXD1/2014/10Yr | 0.9   | 12.1800 | 10.7500 | 102.61  | 361.0   |
| 27-Feb       | FXD1/2010/15Yr | 2.0   | 10.2500 | 12.0565 | 101.54  | 324.0   |
| 27-Feb       | FXD1/2021/5Yr  | 3.7   | 11.2770 | 12.6300 | 99.30   | 300.0   |
| 2-Mar        | FXD1/2019/5Yr  | 1.0   | 11.3040 | 11.0000 | 100.58  | 230.0   |
| 28-Feb       | FXD1/2020/5Yr  | 2.2   | 11.6670 | 12.8000 | 101.47  | 200.0   |
| 27-Feb       | FXD1/2018/20Yr | 15.0  | 13.2000 | 14.1000 | 100.25  | 150.0   |
| 27-Feb       | FXD1/2021/20Yr | 18.4  | 13.4440 | 14.0500 | 96.54   | 150.0   |
| 28-Feb       | FXD1/2023/10Yr | 9.9   | 14.1510 | 14.1500 | 100.57  | 150.0   |
| 1-Mar        | IFB1/2021/21Yr | 19.5  | 12.7370 | 14.2000 | 97.58   | 118.0   |
| 2-Mar        | IFB1/2021/21Yr | 19.5  | 12.7370 | 13.8000 | 99.79   | 118.0   |
| 28-Feb       | FXD2/2018/20Yr | 15.4  | 13.2000 | 14.0750 | 95.82   | 109.0   |
| 27-Feb       | FXD1/2023/10Yr | 9.9   | 14.1510 | 14.1000 | 100.80  | 100.0   |

(Source: NSE, DBIB Research)

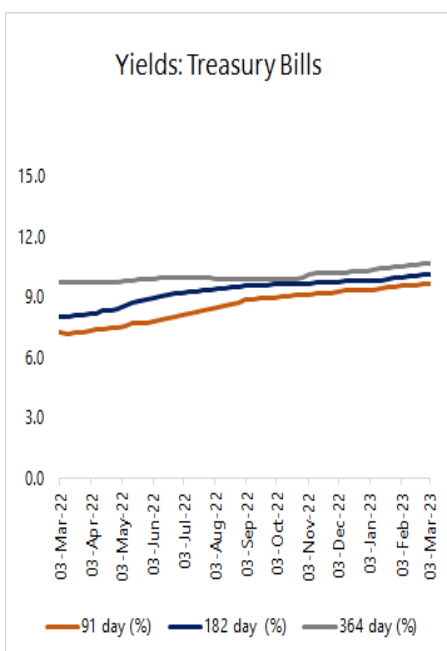
### Treasury Bill auction for the week ending 03 March 2023

| Instrument | Amount   | Bids Received | Subscription | Bids Accepted | Yield  | w-o-w  |
|------------|----------|---------------|--------------|---------------|--------|--------|
|            | (KES Bn) | (KES Bn)      | Rate (%)     | (KES Bn)      | (%)    | bps ch |
| 91-day     | 4.00     | 22.23         | 555.73       | 13.31         | 9.698  | 4.3    |
| 182-day    | 10.00    | 6.02          | 60.16        | 6.02          | 10.165 | 4.8    |
| 364-day    | 10.00    | 4.45          | 44.55        | 4.45          | 10.690 | 1.4    |

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

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# Salient News

## KenGen 1H23 Earnings

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**KenGen** released its 1H23 results reporting a 3.2% y-o-y decline in PAT to KES 3.3 BN.

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**KenGen released its 1H23 results reporting a 3.2% y-o-y decline in PAT to KES 3.3 BN.** The decline in profitability was primarily attributable to higher operating expenses which offset the growth realized in operating income. EPS for the period stood at KES 0.49 (1H22: KES 0.51).

**Gross revenue climbed by 11.0% y-o-y to KES 27.5 BN** owing to increased geothermal capacity and electricity revenue following the commissioning of Olkaria I Unit 6. Due to a higher rise in gross revenues in comparison to total reimbursable expenses (+9.0% y-o-y to KES 4.5 BN), net revenue increased by 11.4% y-o-y to KES 22.9 BN.

**Total other income came in at KES 53.0 MN** (from a loss of KES 121.0 MN in 1H22) supported by a 50.5% y-o-y reduction in other losses (net forex and fair valuation of financial assets) to KES 206.0 MN as other income declined by 12.2% y-o-y to KES 259.0 MN. Given the improvement in net revenue and total other income, operating income rose by 12.3% y-o-y to KES 23.0 BN.

**Total operating expenses went up by 15.7% y-o-y to KES 18.1 BN** mainly driven by higher depreciation & amortization costs (+31.6% y-o-y to KES 7.7 BN) following the revaluation of assets and the addition of Olkaria I Unit 6. Operating expenses increased by 7.1% y-o-y to KES 8.7 BN (attributable to higher insurance costs) while steam costs rose marginally by 1.7% y-o-y to KES 1.7 BN.

**The company's operating profit settled at KES 4.9 BN, 1.3% higher y-o-y.** Owing to the higher rise in gross revenue vis-à-vis operating profits, the operating profit margin for the period eased to 17.8% from 19.5% realized in 1H22.

**Finance costs rose by 30.7% y-o-y to KES 1.2 BN** as a result of the expiry of a moratorium on some of the borrowings as part of COVID-19 relief measures by financiers. Finance income sank by 1.1% y-o-y to KES 1.0 BN.

**Total assets rose by 1.1% y-o-y to KES 507.8 BN** while total liabilities increased by 1.7% y-o-y to KES 230.8 BN. Total equity went up marginally by 0.7% y-o-y to KES 277.0 BN.

**Cash and cash equivalents at the end of the year decreased by 37.0% y-o-y to KES 10.0 BN** predominantly due to a 45.8% y-o-y decline in net cash generated from operations to KES 5.5 BN. Net cash used in investing activities rose by 12.1% y-o-y to KES 4.3 BN while net cash used in financing activities surged by 67.6% y-o-y to KES 5.3 BN.

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## Salient News

### KenGen 1H23 Earnings cont...

The company is currently focusing on rehabilitating 45 MW Olkaria I geothermal power plant in order to increase its capacity to 63 MW and uprating Olkaria I Additional Units 4 and 5 and Olkaria IV, with the intention to increase their combined capacity by 40 MW to 340 MW.

**On a trailing basis**, KenGen is trading at a P/E multiple of 3.6x against a sector median of 2.7x and a P/B multiple of 0.1x against the sector median of 0.1x. Its ROA and ROE stand at 0.9% and 1.7% against sector medians of 2.3% and 4.0% respectively.

*(Source: Company Filings)*

### KPLC 1H23 Earnings

**Kenya Power released its 1H23 results recording a loss after tax of KES 1.1 BN – a significant reduction from an after tax profit of KES 3.8 BN realized in 1H22.** The considerable decline in profitability was primarily attributable to higher cost of sales and operating costs against subdued growth in revenue. Loss Per Share for the period stands at KES 0.59 compared to an Earnings Per Share of KES 1.96 in 1H22.

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**Kenya Power** released its 1H23 results recording a loss after tax of KES 1.1 BN – a significant reduction from an after tax profit of KES 3.8 BN realized in 1H22.

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**Revenue for the period grew by 3.7% y-o-y to KES 86.7 BN** characterized by a 4.4% y-o-y rise in unit sales to 4,764 GWh driven by higher energy demand following increased economic activities (post-pandemic) and an expanded customer base. Owing to the 15.0% reduction of end user electricity tariffs as per a government directive, basic electricity revenue declined by KES 6.7 BN, curtailing overall revenue growth.

**Cost of sales grew by 19.5% y-o-y to KES 66.1 BN** powered by a 38.7% y-o-y rise in fuel power purchase costs to KES 15.1 BN (impacted by higher fuel prices) and an 8.4% y-o-y increase in non-fuel power purchase costs to KES 43.9 BN on the back of additional electricity purchases.

**Owing to the faster rise in cost of sales vis-à-vis revenues, the gross profit sank by 27.2% y-o-y to KES 20.6 BN;** the gross profit margin came in at 23.8% (1H22: 33.8%).

**Operating costs increased by 14.1% y-o-y to KES 21.7 BN** underpinned by increased foreign exchange losses from revaluation of outstanding payments to power generators denominated in foreign currencies given the depreciation of the Kenya Shilling against major currencies.

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## Salient News

### KPLC 1H23 Earnings cont...

**Finance costs rose by 9.1% y-o-y to KES 7.4 BN** largely due to an increase in unrealized foreign exchange loss arising from the revaluation of foreign currency denominated loans apropos of the depreciation of the Kenya Shilling.

**Kenya Power's loss before tax settled to KES 1.6 BN** down from a profit before tax of KES 5.7 BN realized in 1H22. However, due to a tax credit of KES 444.0 MN, the company's after tax loss came in at KES 1.1 BN.

**Total assets increased by a marginal 0.5% y-o-y to KES 332.2 BN** while total liabilities increased by 1.0% y-o-y to KES 273.2 BN. Total equities declined by 1.9% y-o-y to KES 59.0 BN.

**Cash and cash equivalents at the end of the year declined by 15.7% y-o-y to KES 7.0 BN** predominantly due to a 49.8% y-o-y reduction in cash generated from operating activities to KES 7.5 BN. Net cash used in investing activities eased by 11.4% y-o-y to KES 3.9 BN while net cash used in financing activities sank by 43.8% y-o-y to KES 4.7 BN.

**The company is currently focusing on increasing electricity sales, diversifying its revenue lines and collaborating with key participants in the energy sector to come up with a more cost-reflective power tariff.** In a bid to mitigate against losses arising from the depreciation of the Kenya Shilling, Kenya Power has allowed some customers to settle their bills in foreign currency.

**On a trailing basis,** Kenya Power is trading at a P/E multiple of -0.003x against an industry median of 0.02x and a P/B multiple of 0.0001x against an industry median of 0.0004x. Its ROE and ROA stand at -2.5% and -0.4% against industry medians of 4.1% and 2.3% respectively.

### February inflation rate stands at 9.2%

**The annual headline inflation rate rose marginally to 9.2% in February 2023 from 9.0% in January 2023.** The monthly inflation rate for February 2023 came in at 0.6%, compared to the monthly inflation rate of 0.2% in January 2023. The increase in annual inflation was primarily driven by increased prices of commodities under food and non-alcoholic beverages (index inched higher by 13.3% y-o-y); housing, water, electricity, gas and other fuels (index rose by 7.6% y-o-y); transport (index went up by 12.9%); and furnishings, household equipment and routine household maintenance (index increased by 8.8% y-o-y).

*(Source: KNBS)*

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## UPCOMING EVENTS

### Profit Warnings

1. NSE
2. Bamburi
3. Crown Paints
4. Flame Tree
5. Eveready
6. Kenya Airways

| <u>Company</u> | <u>Announcement</u>     | <u>Book Closure</u> | <u>Payment</u> |
|----------------|-------------------------|---------------------|----------------|
| KenGen         | Final: KES 0.20         | 26-Jan-23           | 30-Mar-23      |
| E.A Breweries  | Interim: KES 3.75       | 16-Feb-23           | 28-Apr-23      |
| Car & General  | First & Final: KES 0.80 | 24-Feb-23           | 23-Mar-23      |

*(Source: NSE, DBIB Research)*

*STA\*—Subject to approval*

## AGM SCHEDULE

| <u>Company</u> | <u>Time</u> | <u>Venue</u> | <u>Date</u> |
|----------------|-------------|--------------|-------------|
| TransCentury   | 11:00 a.m.  | Virtual      | 16-Mar-23   |
| Car & General  | 10:00 a.m.  | Virtual      | 23-Mar-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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