

DBIB WEEKLY BULLETIN

WEEK 11

Date: 17.03.2023

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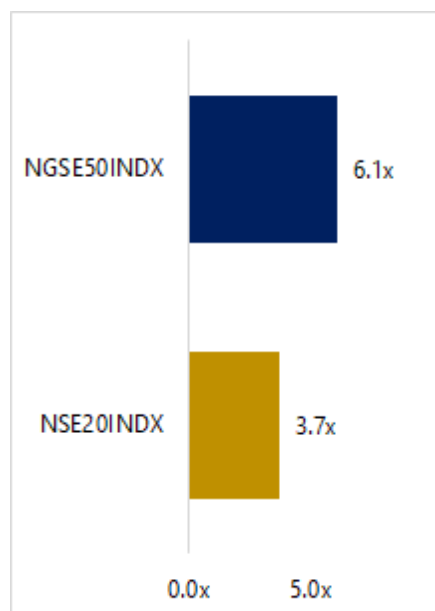
INDICES & MARKET METRICS MOVEMENT

NSE 20 & NASI shed 4.9% and 12.3% w-o-w to close at 1,530.17 and 103.41 respectively.

Weekly equity turnover advanced by 91.7% w-o-w to close at USD 22.52 MN (KES 2.93 BN).

USD | KES: KES weakened 0.8% w-o-w to close at 129.88 (-5.3% year-to-date).

PEER P/E MULTIPLES



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

*LTM Price/EPS

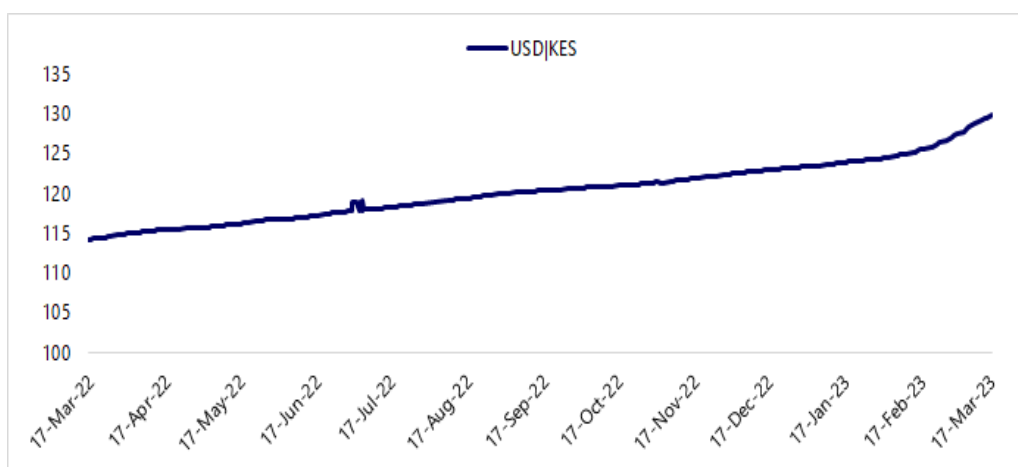
Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	103.41	(12.28)	(19.52)	(21.86)	(18.88)
NSE-20	1,530.17	(4.87)	(7.42)	(12.45)	(8.71)
DBIB Select	104.37	(3.43)	(4.41)	161.71	(4.51)
MSCI Kenya (USD)	836.95	(13.73)	(26.24)	(29.89)	(24.21)
MSCI Frontier (USD)	474.28	(1.45)	(1.93)	(7.85)	0.41

(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	Current	1 wk (ch)	3 m (ch)	6 m (ch)	12 m (ch)
Market Cap. (USD m)	1,610.24	(12.31)	(19.27)	(19.57)	(21.92)
Market Turnover (USD m)	22.52	91.68	114.53	221.64	(2.55)
Market P/E (x)	8.03	(14.60)	(24.63)	138.60	345.98
Market Div. yld (%) *	9.50	120.43	188.49	250.43	410.97
Market ROE (%) *	36.04	(53.66)	34.57	(62.66)	(293.64)

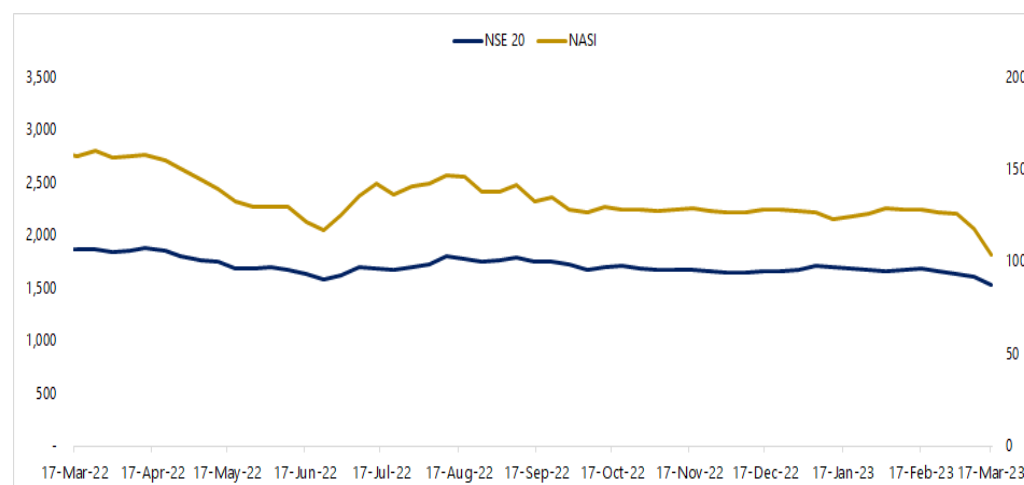
* Changes in % **Changes in bps -Market ROE is market cap weighted -ch: changes
(Source: NSE, DBIB Research)

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 18.36 MN (KES 2.38 BN) representing 81.49% of this week's turnover.

The stock shed 20.6% w-o-w to close at KES 16.35 on Friday.

Foreign investors assumed a **net selling** position on the counter this week by accounting for 94.62% of foreign sales and 51.44% of foreign purchases.

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Olympia Capital	8.5
New Gold ETF	7.7
Liberty Kenya	6.4
Kenya Power	5.1
Standard Group	4.4

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Safaricom	(20.6)
Unga Group	(17.6)
KCB Group	(17.2)
Jubilee Holdings	(13.8)
Equity Group	(11.3)

(Source: NSE, DBIB Research)



<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	18.36
StanChart Bank	1.48
Equity Group	0.87
ABSA Bank	0.31
E.A Breweries	0.29

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Orchards	44.2
Umeme Ltd	32.1
New Gold ETF	21.3
StanChart Bank	17.0
Flame Tree	15.7

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Unga Group	(48.1)
Safaricom	(32.3)
Car & General	(32.1)
KenGen	(32.0)
Jubilee Holdings	(23.8)

(Source: NSE, DBIB Research)



Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
Crown Paints	80.5
Flame Tree	80.5
Equity Group	73.4
Safaricom	51.4
Kenya Power	44.3

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
TPS E.A	99.5
Safaricom	94.6
BAT Kenya	92.8
E.A Breweries	70.0
Unga Group	66.2

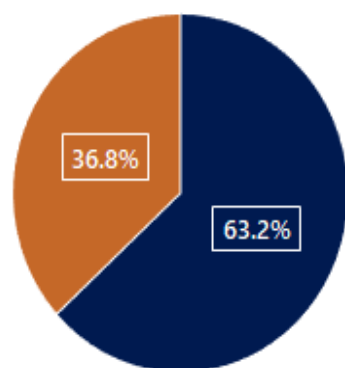
Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
New Gold ETF	98.1
Stanbic Holdings	73.9
E.A Breweries	70.8
Flame Tree Group	54.1
ABSA Bank	51.7

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
New Gold ETF	98.3
BAT Kenya	91.4
Unga Group	84.8
TPS E.A	84.4
Safaricom	79.7

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 142.08 MN (KES 18.45 BN) representing a 118.1% w-o-w increase from USD 65.16 MN (KES 8.40 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 142.08 MN (KES 18.45 BN) representing a 118.1% w-o-w increase from USD 65.16 MN (KES 8.40 BN) recorded the previous week. The bond issue number IFB1/2023/17 emerged as the top traded bond with a turnover of KES 5.70 BN accounting for 30.9% of the week's turnover. The bond traded between 13.550% and 14.440%.

April Issue: FXD2/2018/10 , FXD1/2022/03 & FXD1/2019/15 (re-opens)

The CBK has re-opened FXD2/2018/10 (5.8 yrs.) with the intention of raising KES 20.0 BN and FXD1/2022/03 (2.1 yrs.) & FXD1/2019/15 (10.9 yrs.) with the intention of raising 30.0 BN; all for budgetary support. The coupon rates for FXD2/2018/10 , FXD1/2022/03 & FXD1/2019/15 stand at 12.502%, 11.766% and 12.857% respectively. The period of sale of FXD2/2018/10 runs from 16th March 2023 to 4th April 2023 while that of FXD1/2022/03 & FXD1/2019/15 runs from 16th March 2023 to 18th April 2023.

Top Trades for the week ending 17 March 2023

						Total
			Coupon	Yield	Price	Value
Trading Date	Issue No.	Years	(%)	(%)	(KES m)	(KES m)
16-Mar	IFB1/2022/19Yr	17.9	12.9650	14.0000	94.87	800.0
13-Mar	FXD1/2017/10Yr	4.3	12.9660	13.8000	99.03	500.0
14-Mar	FXD1/2017/10Yr	4.3	12.9660	13.8000	99.07	500.0
14-Mar	IFB1/2022/6Yr	5.7	13.2150	13.1500	103.74	500.0
14-Mar	IFB1/2023/17Yr	16.9	14.3990	14.3850	100.12	500.0
15-Mar	FXD1/2017/10Yr	4.3	12.9660	13.6500	99.58	500.0
15-Mar	IFB1/2023/17Yr	16.9	14.3990	14.3500	100.36	440.0

Sell & Buy Backs

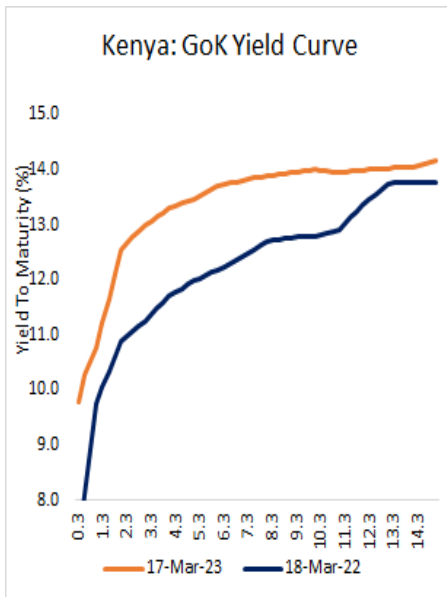
13-Mar	FXD2/2019/10Yr	6.1	12.3000	12.2100	105.56	750.0
17-Mar	FXD2/2019/10Yr	6.0	12.3000	12.1800	105.82	750.0
13-Mar	FXD1/2019/15Yr	10.8	12.8570	11.9800	106.95	500.0
15-Mar	FXD2/2019/10Yr	6.1	12.3000	11.6400	108.07	500.0
17-Mar	FXD1/2019/15Yr	10.8	12.8570	11.9500	107.27	500.0
13-Mar	FXD1/2021/25Yr	23.1	13.9240	14.0000	104.25	400.0
13-Mar	FXD3/2019/10Yr	6.4	11.5170	11.3800	101.48	300.0
17-Mar	FXD3/2019/10Yr	6.4	11.5170	11.3500	101.74	300.0

(Source: NSE, DBIB Research)

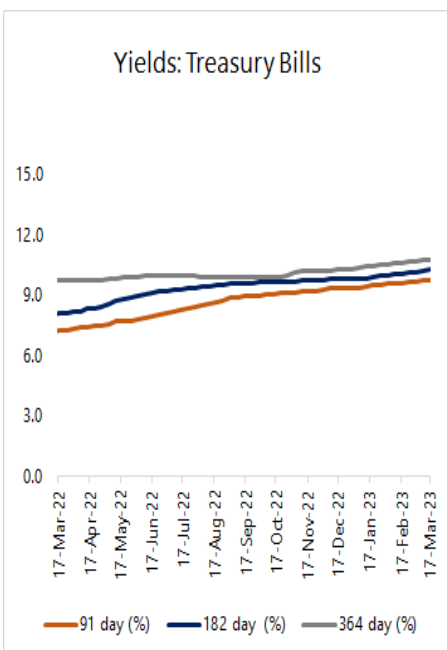
Treasury Bill auction for the week ending 17 March 2023

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	7.29	182.28	7.10	9.780	3.8
182-day	10.00	17.47	174.66	17.26	10.285	6.9
364-day	10.00	4.43	44.33	4.43	10.777	3.0

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News

KCB Group FY22 Earnings

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KCB Group released its FY22 results reporting a 19.5% y-o-y improvement in after-tax profits to KES 40.8 BN.

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KCB Group released its FY22 results reporting a 19.5% y-o-y improvement in after-tax profits to KES 40.8 BN. The improvement in the financial performance was powered by a 39.8% y-o-y rise in non-funded income to KES 43.3 BN and an 11.5% y-o-y upswing in net interest income to KES 86.7 BN. EPS for the period went up by 19.1% y-o-y to KES 12.64. **The board has recommended a final dividend of KES 1.00** placing the total dividend per share for the period at KES 2.00 (FY21: KES 3.00), having already paid an interim dividend of KES 1.00 per share. If approved, the final dividend will be paid to shareholders on the register at the close of business on 6th April 2023.

Net interest income advanced by 11.5% y-o-y to KES 86.7 BN, led by a 15.3% y-o-y growth in total interest income to KES 117.8 BN outweighing a 27.1% y-o-y climb in total interest expenses to KES 31.1 BN.

Non-funded income improved by 39.8% y-o-y to KES 43.3 BN lifting the contribution of non-funded income to total operating income by 481 bps y-o-y to 33.3% (FY21: 28.5%). The growth witnessed in non-funded income was largely driven by a 69.2% y-o-y jump in forex trading income to KES 11.1 BN, a 20.6% y-o-y rise in fees and commissions on loans and advances to KES 10.6 BN and a 16.9% y-o-y growth in other fees and commissions to KES 12.3 BN.

The group's operating expenses (minus provisions) climbed by 24.1% y-o-y to KES 59.4 BN mainly on the back of a 22.4% y-o-y growth in staff costs to KES 30.3 BN and a 33.2% y-o-y increase in other expenses to KES 21.5 BN. As a result of the faster rise in operating expenses (minus provisions) in comparison to total operating income (+19.6% y-o-y to KES 129.9 BN), the group's cost-to-income ratio rose by 167 bps y-o-y to 45.7% (FY21: 44.0%). **Loan loss provisions edged up by 1.7% y-o-y to KES 13.2 BN** while gross non-performing loans jumped by 31.2% y-o-y to KES 161.2 BN (+8.0% q-o-q). Consequently, the group's NPL ratio soared to 17.3% from 16.5% in FY21.

Net loans and advances to customers rose by 27.8% y-o-y to KES 863.3 BN (+13.8% q-o-q). Government and investment securities climbed by 6.9% y-o-y to KES 295.4 BN (+6.6% q-o-q). On the funding side, customer deposits increased by 35.6% y-o-y to KES 1.1 TN (+23.1% q-o-q) while borrowed funds jumped by 69.4% y-o-y to KES 63.6 BN (+1.5% q-o-q).

KCB Group is currently trading at a P/E multiple of 2.9x against an industry median of 3.6x and a P/B multiple of 0.6x against an industry median of 0.7x. Its ROE stands at 20.3% while its ROA stands at 2.6%.

Salient News

Co-op Group FY22 Earnings

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CO-OP Group released its FY22 results reporting a 33.2% y-o-y growth in after-tax profits to KES 22.0 BN.

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CO-OP Group released its FY22 results reporting a 33.2% y-o-y growth in after-tax profits to KES 22.0 BN. The rise in profitability was mainly underpinned by a 32.7% y-o-y rise in non-funded income to KES 25.7 BN and a 10.9% y-o-y growth in net interest income to KES 45.5 BN. EPS for the period inched higher by 30.5% y-o-y to KES 3.72 (FY21: KES 2.85). **The board announced a first and final dividend of KES 1.50 per share (FY21: KES 1.00).** If approved, the dividend will be paid on or about 9th June 2023 to shareholders registered on the group's register at the close of business on 24th May 2023.

Net interest income rose by 10.9% y-o-y to KES 45.5 BN, buoyed by an 11.0% y-o-y growth in total interest income to KES 61.7 BN as total interest expenses rose by 11.0% y-o-y to KES 16.2 BN.

Non-funded income improved by 32.7% y-o-y to KES 25.7 BN largely driven by a 28.0% y-o-y growth in other fees and commissions to KES 12.6 BN. Forex trading income surged by 65.6% y-o-y to KES 4.7 BN while fees and commissions on loans and advances grew by 38.7% y-o-y to KES 7.5 BN. The contribution of non-funded income to total operating income inched higher by 401 bps y-o-y to 36.1% (FY21: 32.1%).

The group's operating expenses (excluding provisions) scaled by 11.3% y-o-y to KES 33.6 BN driven by a 19.3% y-o-y increase in other expenses to KES 14.5 BN and an 11.0% y-o-y rise in staff costs to KES 14.8 BN. Owing to a faster rise in total operating income (+17.9% y-o-y to KES 71.3 BN) vis-à-vis the growth registered in operating expenses (sans provisions), the group's cost-to-income ratio came down by 280 bps y-o-y to 47.1% (FY21: 49.9%).

Loan loss provisions went up by 9.4% y-o-y to KES 8.7 BN while the group's gross non-performing loans rose by 5.2% y-o-y to KES 52.3 BN (+1.0% q-o-q). The group's estimated NPL ratio, however, eased by 46 bps y-o-y to 13.4%.

Net loans and advances to customers rose by 9.4% y-o-y to KES 339.4 BN (+1.3% q-o-q). Government and investment securities eased by 5.7% y-o-y to KES 175.2 BN (-4.9% q-o-q). On the funding side, customer deposits increased by 3.9% y-o-y to KES 423.8 BN (-1.9% q-o-q) while borrowed funds increased by 12.1% y-o-y to KES 48.1 BN (+14.7% q-o-q).

Co-op Group is currently trading at a P/E multiple of 3.2x against an industry median of 3.6x and a P/B multiple of 0.7x commensurate with the industry median of 0.7x. Its ROE stands at 20.5% while its ROA stands at 3.6%.

Salient News

StanChart Bank FY22 Earnings

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StanChart Bank released its FY22 results recording a 33.3% y-o-y growth in after-tax profits to KES 12.1 BN.

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Standard Chartered Bank released its FY22 results recording a 33.3% y-o-y growth in after-tax profits to KES 12.1 BN. This was mainly due to an 18.1% y-o-y increase in net interest income to KES 22.2 BN, a 13.5% y-o-y rise in non-funded income to KES 11.8 BN, and a 36.2% y-o-y decline in loan loss provisions to KES 1.3 BN. EPS for the period stood at KES 31.47 (FY21: KES 23.49). **The board recommended a final dividend of KES 16.00 per share** placing the total dividend per share for the period at KES 22.00 (FY21: 19.00), having already paid an interim dividend of KES 6.00 per share. If approved, the final dividend will be paid on 25th May 2023 to shareholders on the register at the close of business on 21st April 2023.

Net interest income went up by 18.1% y-o-y to KES 22.2 BN driven by a 14.3% y-o-y increase in interest income to KES 25.5 BN and a 6.5% y-o-y drop in interest expense to KES 3.3 BN. The yield on interest-earning assets grew by 274 bps y-o-y to 10.4% while the cost of funds dropped marginally by 11 bps y-o-y to 1.1%. This placed the net interest margin at 9.2%, a 285 bps y-o-y improvement.

Non-funded income rose by 13.5% y-o-y to KES 11.8 BN owing to a 58.4% y-o-y increase in net income from forex dealings to KES 6.0 BN and a 13.8% y-o-y rise in other operating income to KES 1.3 BN. Fees and commissions on loans fell by 38.7% y-o-y to KES 221.9 MN while other fees and commissions decreased by 16.2% y-o-y to KES 4.3 BN. The contribution of non-funded income to total income eased by 91 bps y-o-y to 34.6%.

Operating expenses (less loan loss provisions) increased by 7.3% y-o-y to KES 15.5 BN primarily steered by an 8.2% y-o-y rise in staff costs to KES 6.8 BN and a 12.8% y-o-y increase in other operating expenses to KES 7.0 BN. The cost-to-income ratio dwindled by 391 bps y-o-y to 45.8%. Loan loss provision expense eased by 36.2% y-o-y to KES 1.3 BN, placing the cost of risk at 1.0%, 70 bps lower y-o-y. Gross non-performing loans edged down by 3.0% y-o-y to KES 22.6 BN (-6.0% q-o-q) placing the NPL ratio at 13.9%, 112 bps lower y-o-y.

Customer loans and advances inched higher by 10.7% y-o-y to KES 139.4 BN (+2.5% q-o-q) while investment securities rose by 10.5% y-o-y to KES 106.1 BN (-5.6% q-o-q). On the funding side, customer deposits advanced by 5.1% y-o-y to KES 278.9 BN (-2.5% q-o-q).

StanChart is currently trading at a P/E ratio of 5.2x against an industry median of 3.7x, and a P/B of 1.1x against an industry median of 0.7x. Its ROE stands at 21.5% while ROA stands at 3.2%.

Source: Company Filings, DBIB Research

Salient News

ABSA Group FY22 Earnings

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ABSA Group released its FY22 results recording a 34.2% y-o-y advancement in after-tax profits to KES 14.6 BN.

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ABSA Group released its FY22 results recording a 34.2% y-o-y advancement in after-tax profits to KES 14.6 BN. This was mainly steered by a 27.9% y-o-y growth in net interest income to KES 32.3 BN and a 17.2% y-o-y increase in non-funded income to KES 13.7 BN. EPS for the period stood at KES 2.69 (FY21: 2.00). **The board has recommended a final dividend of KES 1.15** per share placing the total dividend per share for the period at KES 1.35 (FY21: 1.10), having already paid an interim dividend of KES 0.20 per share. If approved, the final dividend will be paid on or about 25th May 2023 to shareholders on the register at the close of business on 28th April 2023.

Net interest income rose by 27.9% y-o-y to KES 32.3 BN, backed by a 27.5% y-o-y growth in interest income to KES 40.9 BN which outweighed a 25.9% y-o-y increase in interest expense to KES 8.5 BN. The yield on interest-earning assets went up by 592 bps y-o-y to 14.2% while the cost of funds edged up by 25 bps y-o-y to 2.2%. This placed the net interest margin at 12.0%, a 567 bps y-o-y rise.

Non-funded income inched higher by 17.2% y-o-y to KES 13.7 BN, occasioned by a 59.7% y-o-y increase in net income from forex dealings to KES 6.6 BN and an 8.3% y-o-y growth in other fees and commissions to KES 4.8 BN. Fees and commissions on loans dwindled by 20.2% y-o-y to KES 1.4 BN while other operating income declined by 36.6% y-o-y to KES 853.9 MN. The contribution of non-funded income to total income eased by 186 bps y-o-y to 29.7%.

Operating expenses (less loan loss provisions) grew by 12.0% y-o-y to KES 18.7 BN mainly due to an 11.2% y-o-y increase in staff costs to KES 10.5 BN and a 15.0% y-o-y rise in other operating expenses to KES 7.0 BN. The cost-to-income ratio decreased by 456 bps y-o-y to 40.6%. **Loan loss provision expense rose by 37.6% y-o-y to KES 6.5 BN,** placing the cost of risk at 2.3%, 27 bps higher y-o-y. Gross non-performing loans rose by 13.6% y-o-y to KES 22.5 BN (+12.4% q-o-q). According to the group's management, the NPL ratio stood at 7.3%, a drop from 7.7% in FY21.

Customer loans and advances advanced by 21.1% y-o-y to KES 283.6 BN (-2.0% q-o-q) while investment securities rose marginally by 0.7% y-o-y to KES 133.5 BN (-4.5% q-o-q). On the funding side, customer deposits expanded by 13.0% y-o-y to KES 303.8 BN (+8.1% q-o-q). The loans to deposits ratio went up by 619 bps y-o-y to 93.4%.

ABSA is currently trading at a P/E multiple of 4.7x against an industry median of 3.6x and a P/B multiple of 1.1x against an industry median of 0.7x. Its ROE stands at 22.9% while its ROA stands at 3.1%.

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
Safaricom	Interim: KES 0.58	15-Mar-23	31-Mar-23
TransCentury	Rights Issue: 5:1	17-Mar-23	20-Apr-23
KCB Group	Final: KES 1.00	06-Apr-23	STA*
StanChart Bank	Final: KES 16.00	21-Apr-23	25-May-23
ABSA Bank	Final: KES 1.15	28-Apr-23	25-May-23
Stanbic Holdings	First & Final: KES 12.60	19-May-23	STA*
Co-op Bank	First & Final: KES 1.50	24-May-23	09-Jun-23
BAT Kenya	Final: KES 52.00	26-May-23	15-Jun-23

(Source: NSE, DBIB Research)

STA—Subject to approval*

AGM SCHEDULE

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

(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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