

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 176.67	2.4%	3.2%	USD Mn – 25,886 KES Bn – 2,610
	NSE 20 Share Index – 3,352.85	0.6%	-9.7%	USD Mn – 22,354 KES Bn – 2,254
	NSE 25 Share Index – 4,559.31	2.0%	6.4%	USD Mn – 24,090 KES Bn – 2,429
UGANDA	UGSINDX – 2,115.78	3.0%	7.8%	USD Mn – 7,582 UGS Bn – 28,920
TANZANIA	DSEI – 2,316.50	0.4%	-3.3%	USD Mn – 9,867 TZS Bn – 22,329
RWANDA	RSEASI – 131.71	-1.0%	-1.3%	USD Mn – 3,377 RWF Bn – 2,898

Source: NSE, DSE, RSE, UGSE

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD – 100.84	0.7%	2.3%	4.0%(05/2018)	4.9%(FY2017)
UGS/USD 3,814.38	-1.0%	-5.0%	1.7%(05/2018)	6.6%(2Q17/18)
TZS/USD – 2,262.911	0.1%	-1.5%	3.6%(05/2018)	6.8%(3Q2017)
RWF/USD – 857.93	-0.1%	-1.5%	1.7%(04/2018)	8.0%(3Q2017)

Source: CBK, BOT, NBR, BOU, KNBS, UBOS, NISR, NBS

## ARM Cement's After Tax Loss Position Widens by 133.9% in 1Q2018

ARM Cement's after tax loss position in 1Q2018 widened by 133.9% y/y to KES 6.5 billion from KES 2.8 billion posted in 1Q2017. The deterioration in the Group's after tax loss position was occasioned by a 32.2% y/y contraction in Group turnover to KES 8.7 billion. Group turnover was negatively impacted by challenging operating environments in Kenya and Tanzania. The protracted election period in Kenya hampered cement demand (especially in the 2H2017) which remained below cement supply (influenced by excess capacity). These conditions resulted in downward pressure in cement prices. In Tanzania, the government ban on the importation of coal coupled with logistical challenge in sourcing locally produced coal affected clinker production. Furthermore, competitive pressure in Tanzania escalated owing to capacity additions – also resulting in lower cement prices in the country. Noncurrent liabilities eased by 48.5% y/y to KES 4.7 billion, while current liabilities edged up by 21.4% y/y to KES 17.2 billion. We expect the improving operating environments in both Tanzania (rising cement demand, improved coal supply) and Kenya (reduced political risk, increased investment in infrastructure) to contribute positively towards enhancing revenue growth in FY2018. We also expect the company to step-up its efforts to restructure its debt position.

## **Kenya Airways and Kenya Airport Authority Considering Partnership**

Kenya Airways (KQ) and Kenya Airport Authority (KAA) have revealed that they are currently in talks to facilitate a partnership between them. The discussions, which have received cabinet approval, are centered on a joint partnership between the two organizations for the operation of Jomo Kenyatta International Airport (JKIA). The move is part of ongoing recovery efforts aimed at improving the operations and performance of Kenya Airways while also elevating Nairobi's position as a regional aviation hub. If successful, the proposed public-private partnership will see KQ assume control over the staff and operations of the KAA. This will widen the scope of services KQ will provide to include: cargo and ground services, warehousing, and catering among others. The joint partnership is expected to benefit from certain tax exemptions. According to the proposal document detailing the proposed partnership, the partnership is anticipated to assist KQ to expand its aircraft fleet (by at least 23 aircrafts), increase international destinations (by more than 20) and raise annual passenger numbers to 6.9 million (from 4.1 million) in the next five years. Whilst the proposed partnership is still in the nascent stages, should the partnership go through, we expect KQ to greatly benefit from the synergies the undertaking would provide (additional revenue lines, improved operations).

## **Kenya Stock Market Performance and Outlook**

The overall market edged up by 2.4% w/w to close the week at 176.67 characterized by a decrease in trading volumes and a marginal increase in turnover. We attribute the gain in the overall market index to price gains made on several large cap counters notably Safaricom, Equity, KCB, Coop and KQ. This was mostly on the back of renewed investor interest (particularly on Safaricom and banking stocks) as evidenced by improved investor demand. We opine the increased interest on the banking stocks is informed by the upcoming 2018/2019 Budget which is expected to address the status of the interest rate regulations. We expect price stability in the coming week.

## Equity Market Summary

Banking Sector	Price (KES)	YTD change	% w-o-w Change	Volume Traded	C/I Ratio	P/E (X)	Dividend Yield	P/B (X)	ROE
KCB	48.50	13.5%	5.4%	12,620,400	50.9%	7.55	6.2%	1.40	19.5%
Equity Bank	49.25	23.9%	4.2%	16,560,500	53.5%	9.85	4.1%	2.00	21.6%
NIC Bank	35.00	3.7%	0.7%	189,600	42.6%	5.40	2.9%	0.65	12.7%
Stanbic	94.00	16.0%	-1.6%	157,600	57.2%	8.62	5.6%	0.87	10.4%
National Bank	6.15	-34.2%	-6.8%	80,500	83.2%	5.07	0.0%	0.29	4.5%
Barclays Bank	11.85	23.4%	0.4%	888,100	55.5%	9.29	8.4%	1.52	16.3%
Housing Finance	8.10	-22.1%	1.9%	2,942,400	78.9%	22.62	4.3%	0.25	1.1%
Co-operative Bank	17.50	9.4%	2.9%	1,590,100	52.2%	9.00	4.6%	1.46	17.4%
Diamond Trust Bank	194.00	1.0%	2.1%	154,100	42.3%	8.41	1.3%	1.01	13.0%
Standard Chartered	200.00	-3.8%	-1.0%	106,100	45.7%	9.94	8.5%	1.50	15.3%
I&M	120.00	-5.5%	11.1%	5,000	36.8%	7.33	2.9%	1.06	15.6%
<b>Sector Average</b>					<b>54.4%</b>	<b>9.37</b>	<b>4.4%</b>	<b>1.09</b>	<b>13.4%</b>

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	9.60	-44.0%	3.8%	228,500	-11.85	0.0%	-0.81	N/M
Nation Media Group	101.00	-12.9%	-2.9%	114,800	14.64	9.9%	6.9	19.1%
WPP Scangroup	16.55	-12.9%	-5.4%	1,729,600	14.78	3.0%	1.12	5.2%
Uchumi Supermarket	1.65	-64.1%	3.1%	591,400	-0.36	0.0%	-4.6	N/M
Longhorn Publishers	4.30	-20.4%	-5.5%	60,700	8.78	8.8%	0.49	13.1%
Eveready	1.55	-35.4%	-6.1%	44,400	1.22	64.5%	1.27	-35.3%
<b>Sector Average</b>					<b>4.53</b>	<b>4.4%</b>		<b>0.5%</b>

\*N/M - Not Meaningful

<b>Construction &amp; Allied</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>NPM*</b>	<b>ROE</b>
ARM Cement	2.75	-78.8%	-5.2%	8,275,300	-0.83	0.0%	-21.9%	-12.5%
Bamburi Cement	175.00	-2.8%	0.0%	8,200	38.55	2.3%	15.5%	6.4%
E.A. Portland Cement	24.00	-11.1%	9.1%	400	-1.47	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>12.08</b>	<b>0.8%</b>		<b>6.3%</b>

\*NPM - Net Profit Margin

<b>Energy &amp; Petroleum Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
KenGen	7.70	-9.9%	6.2%	1,184,400	5.62	0.0%	1.37	5.1%
KenolKobil	18.45	31.8%	-0.3%	1,522,200	11.05	3.3%	1.67	23.4%
Kenya Power	6.50	-28.6%	-3.7%	5,636,200	1.75	7.7%	3.72	10.8%
Total Kenya	32.25	37.2%	1.6%	22,000	7.41	4.0%	4.35	13.4%
<b>Sector Average</b>					<b>6.46</b>	<b>3.6%</b>		<b>13.1%</b>

<b>Insurance Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/B(X)</b>	<b>P/E(X)</b>	<b>Loss Ratio</b>	<b>Expense Ratio</b>
CIC Insurance	4.65	-17.0%	2.2%	1,636,900	1.59	25.83	65.0%	59.7%
Britam	14.35	7.5%	8.7%	2,267,100	1.37	59.79	61.6%	133.1%
Jubilee	500.00	0.2%	-3.8%	3,300	1.44	10.00	102.4%	142.2%
Kenya Re	17.00	-6.1%	-4.0%	4,885,700	0.44	3.33	55.5%	99.6%
Sanlam Kenya	25.00	-9.9%	4.2%	21,200	0.89	119.05	83.7%	68.6%
Liberty	14.00	14.8%	0.7%	99,600	1.01	8.86	75.8%	77.4%
<b>Sector Average</b>					<b>1.12</b>	<b>9.57</b>	<b>74.0%</b>	<b>96.8%</b>

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	38.50	-12.0%	2.0%	2,848,000	3.52	0.52	48	10.93	17.9%
Home Afrika Ltd	0.80	-42.9%	-11.1%	255,500	-2.05	-7.77	0.85	-0.39	2.6%
Trans-Century	4.20	-30.0%	0.0%	12,700	-2.69	0.33	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>-2.31</b>			<b>8.4%</b>

\*NPM - Net Profit Margin, \*\*NAVPS - Net Asset Value Per Share

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	18.45	-6.3%	13.2%	344,600	22.23	1.6%	0.83	11.2%
<b>Sector Average</b>					<b>22.23</b>	<b>1.6%</b>		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.70	-36.4%	0.0%	1,392,500	-0.16	0.0%	-4.43	-69.4%
EABL	222.00	-6.7%	-5.5%	1,235,900	22.86	3.4%	9.71	74.5%
FTG Holdings	4.30	-5.5%	16.2%	30,600	5.06	0.0%	0.85	22.3%
Carbacid	11.50	-5.3%	4.1%	6,000	8.33	6.1%	1.38	14.6%
BAT	631.00	-17.0%	-8.9%	1,000	18.91	4.1%	33.36	48.0%
<b>Sector Average</b>					<b>11.00</b>	<b>2.7%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	29.50	10.3%	4.4%	39,061,500	21.07	3.7%	1.40	47.8%
<b>Sector Average</b>					<b>21.07</b>	<b>3.7%</b>		

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<b>Real Estate Investment Trust</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>NAVPS*</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>
STANLIB FAHARI I-REIT	11.75	9.8%	2.2%	69,900	NA	NA	NA
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

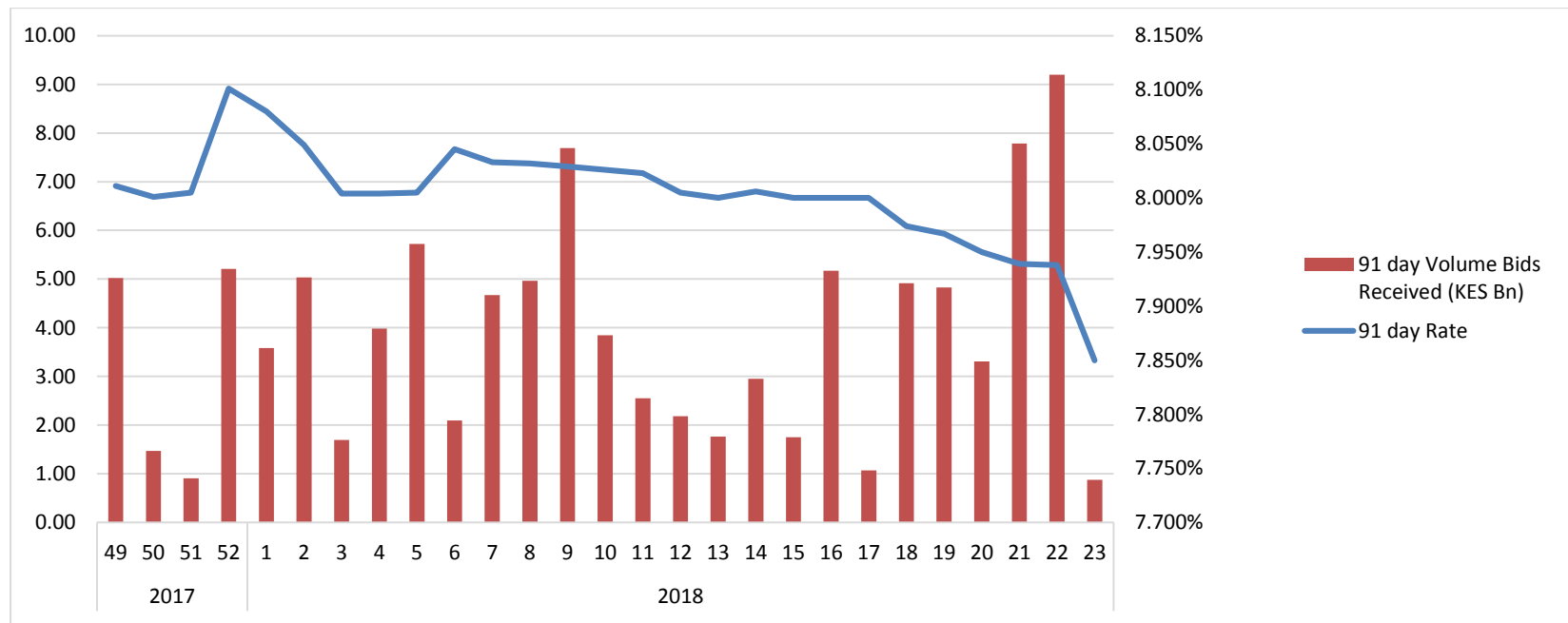
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	109,923,700	117,716,800	-6.6%
Total Turnover (KES)	3,400,146,151	3,311,730,797	2.7%
Main Market P/E	13.16	12.64	4.1%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	%Change
91 day T-bill	0.88Bn	21.88%	0.88Bn	7.850%	7.938%	(0.088)
182 day T-bill	17.35Bn	173.45%	11.75Bn	10.061%	10.196%	(0.135)
364 day T-bill	32.29Bn	322.89%	7.83Bn	10.949%	11.083%	(0.134)

Graph showing 91 day T-bill rate and volume

Week No. 23



# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nation Media Group Plc	Final dividend	Kes.7.50	18-Apr-18	<b>14-Jun-18</b>	31-Jul-18
Umeme Ltd	Final dividend	Ushs.7.60	28-Mar-18	<b>20-Jun-18</b>	06-Jul-18
Crown Paints Kenya Plc	Final dividend	Kes.0.60	02-May-18	<b>21-Jun-18</b>	Subject to Approval
Kenya-Re	First & Final dividend	Kes.0.85	29-Mar-18	<b>22-Jun-18</b>	27-Jul-18
TPS Eastern Africa Ltd	Final dividend	Kes.0.35	17-Apr-18	<b>26-Jun-18</b>	26-Jul-18
Total Kenya Plc	First & Final dividend	Kes.1.30	29-Mar-18	<b>27-Jun-18</b>	30-Jul-18
Stanbic Holdings Plc	Final dividend	Kes.4.00	05-Mar-18	<b>13-Jul-18</b>	10-Aug-18
Safaricom Plc	Final dividend	Kes.1.10	09-May-18	<b>Subject to Approval</b>	Subject to Approval
Liberty Kenya Holdings Ltd	First & Final dividend	Kes.0.50	28-Mar-18		



# Market Recommendations

Counter	Recommendation	Target Price	Comment
EQUITY	<b>HOLD</b>	<b>KES 54.11</b>	We maintain our HOLD recommendation on Equity Group Holdings with a target price of <b>KES 54.11</b> . This presents a 9.9% upside potential from the current market price (8 <sup>th</sup> June 2018) of KES 49.25. The current business model, hinged on technology, innovation and business diversification affirms the group's competitive advantage in an industry adapting to the digitization strategy amidst the current regulatory challenges. Currently Equity is trading at a P/B of 2.00x compared to the average sector P/B of 1.09x. We attribute this to higher growth expectations.
KCB	<b>LONG-TERM BUY</b>	<b>Not Rated</b>	We recommend a Long Term Buy on KCB. The counter is currently trading at a P/B of 1.40x compared to the average sector P/B of 1.09x. However, we believe the group's strategic partnerships and digital transformation will continue to deliver growth. Whilst we expect the rebound in interest income to continue in the short-term (given the improvement in the operating environment), we remain concerned over the Group's deteriorating asset quality. Furthermore, we note with concern on the diminishing contribution of non-funded income to total income given the increasing need for revenue diversification as regulatory pressure continues to intensify.

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