

Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	108.1288	(0.2%)	(6.7%)
STG Pound	137.4788	(0.4%)	(3.4%)
EURO	125.2568	(1.5%)	(10.5%)

Source: CBK; Negative () = Depreciation, Positive = Appreciation

Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	132.44	1.1%	(20.4%)
NSE 20	1,880.84	(0.3%)	(29.1%)
NSE 25	3,072.52	0.3%	(25.1%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,024.05	2,002.32	1.1%
Number of Shares Traded (Q)	17,002,800	38,780,000	(56.2%)
Equity Turnover (KES)	446,684,674	1,074,204,175	(58.4%)
Foreign Buys (%)	27.9%	43.8%	
Foreign Sells (%)	65.7%	93.6%	
Foreign Participation (%)	46.8%	68.7%	

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Daily Change %	YTD Change	Volume Traded
1. BK Group	18.00	7.8%	(35.7%)	5,600
2. NBV	0.60	3.4%	(14.3%)	5,700
3. Eveready	1.04	3.0%	(5.5%)	300
4. Uchumi	0.36	2.9%	24.1%	4,400
5. Flame Tree	1.49	2.8%	(39.7%)	2,600

Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Longhorn	4.59	(6.3%)	(32.1%)	16,500
2. Standard Group	23.00	(4.2%)	(16.5%)	1,000
3. I&M Holdings	48.00	(3.9%)	(11.1%)	3,200
4. Sameer	3.70	(3.9%)	7.2%	100
5. E.A.Cables	2.21	(3.5%)	(11.6%)	600

Movers	Turnover (KES)	Volume (KES)	Price (KES)
1. Safaricom	197,928,500	7,197,400	27.50
2. KCB Group	85,015,980	2,478,600	34.30
3. Equity Group	66,162,005	2,077,300	31.85
4. EABL	48,924,325	305,300	160.25
5. Absa Bank	23,742,000	2,638,000	9.00

Source: NSE

Market Commentary

The All Share Index gained by 1.1% to close the day at 132.44. This was mainly attributed to Safaricom gaining by 2.4% close the day (VWAP) to KES 27.50 with investors taking advantage of the price decline in the recent trading sessions. Equity and KCB also gained by 0.3% and 0.1% to close the day (VWAP) at KES 31.85 and KES 34.30 respectively. The NSE 20 share index however continued on its losing streak, declining by 0.3% to 1,880.84 (-1.3% week to date). Market turnover declined by 58.4% to KES 446.7 million with shared traded declining by 56.2% to 17.0 million shares. Foreign investors were net sellers accounting for 65.6% of total sales against 27.8% of purchases. Local participation increased to 53.3% from 31.3% in the previous trading session.

Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	34.30	0.1%	(36.5%)
Equity Group	Long-term Buy	31.85	0.3%	(40.5%)
Absa Kenya	Long-term Buy	9.00	(0.2%)	(32.6%)
Stanbic Holdings	Long-term Buy	79.00	0.0%	(27.7%)
NCBA	Long-term Buy	25.15	(1.6%)	(31.8%)
StanChart	Sell	155.50	(1.9%)	(23.2%)
Safaricom	Hold	27.50	2.4%	(12.7%)
HF	Sell	3.96	0.0%	(38.7%)
Bamburi	Sell	25.35	(2.9%)	(68.3%)

For more detailed information on the following recommendations, please click [here](#):

Bonds Performance

	Today	Previous	Daily Change %
Total Deals	75	50	50.0%
Bond Turnover	1,436,361,486	1,861,517,490	(22.8%)

Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
IFB1/2020/9	10.8500	10.4937	300.0	3,175
IFB1/2020/9	10.8500	10.4000	200.0	3,175
IFB1/2020/6	10.2000	9.9500	200.0	2,132

Source: NSE; DTM = Days to Maturity

News Highlights

Highlights from the Safaricom Investor Briefing

- On 22nd July 2020 Safaricom provided an update on the company's financial performance over the period between May and June 2020, including the impact the pandemic has had so far on the business. Given the uncertainty created by the pandemic, no guidance (in terms of specific numbers) for FY2020/21 was provided.
- We highlight some of the important take-aways from the briefing below.
- Voice**
 - According to the company, the voice segment is experiencing pressure owing to constrained consumer wallets. Clients have been deal seeking and spending less in this segment between April and June this year. The company expects a decline in voice revenues. This is in line with our expectations.
- MPESA**
 - The extension of free P2P services beyond the initial 90 days up until December 2020 is expected to have a significant impact on MPESA revenues. Safaricom is currently working with the Central Bank of Kenya (CBK) in a bid to minimize revenue leakages. Possible ways that this could be achieved include capping the number of free transactions per person or limiting the time period (according to management, extending the period till December 2020 was "excessive").
 - On average, the company is foregoing about KES 1.5 billion per month as a result of free P2P transactions. However, this figure may increase as volume of transactions increases (in part due to customers splitting up transactions).

- The company noted that there has been an increase (20-30%) in customer's MPESA balances as more users store money in their MPESA wallets in lieu of physical holding of cash. According to management, this indicates the trust in the service and is expected to translate into strong customer loyalty. We take this as indicating that the increased customer balances have not translated to a proportionate increase in velocity of transactions during the pandemic.
 - Deposits and withdrawals (both from banks and agents) registered an increase in June; an improvement from April (registered a decline in both). Withdrawals was stated as experiencing pressure as more users opted to keep money within the MPESA ecosystem due to the containment measures. This is expected to continue as long as the pandemic persists and as more transactions are conducted digitally.
 - The pandemic has significantly affected SMEs and this has had a negative impact on Lipa na M-PESA.
 - Recently the company updated its MPESA for business platform to offer additional services. For instance, businesses can perform transactions directly from their till numbers. The recent upgrades will also improve functionality of the MPESA platform. Its yet to get regulatory approvals for its wealth management product (MALI).
 - There was an improvement in gaming revenues owing to the reduction in gaming taxes.
 - MPESA commissions as percentage of MPESA revenues has been on the decline as more transactions are conducted digitally (essentially "cutting out" the agents).
- **Mobile data**
 - The mobile data segment up until June has experienced continued growth in volumes/usage (30-40% growth in volumes). However, the rise in volumes may not directly translate into higher revenues due to company offers (customers get to use more for less) and the customer mix. On a positive note, mobile data Average Revenue per User (ARPU) has increased (low single digits).
 - The company is set to introduce affordable 4G handset on a financing scheme to encourage use of 4G. For instance, a customer will be able to acquire a KES 6,000 handset by paying a KES 1,000 deposit fee and paying the rest as daily installments of KES 20.0 over a 9-month period.
- **Fixed Service**
 - The Covid-19 pandemic forced some businesses to close down. This impacted Fibre to The Business (FTTB) resulting in a decline in revenues particularly from SMEs. Between April and June, some businesses also switched to fixed LTE service.
 - Fibre to The Home (FTTH) on the other hand has accelerated as people work from home. Since the pandemic there have been 28,000 new connections.
- **Ethiopia**
 - The company expects the process to award licenses to conclude at the end of 2020 or early next year. According to the company, the license on offer excludes provision of mobile money services. The company noted that what it would be willing to pay for such a license is lower than what it would offer if the license included mobile money services. The company is however lobbying for inclusion of a mobile money services. However, the exclusion of the mobile money services will also impact profitability. Currency fluctuations would also be a factor.
 - The company does not anticipate reductions in dividends as result of investments in Ethiopia (in case they win the bid).
 - The company further noted that there were about 19 bidders for the two licenses on offer. This indicates the intense competition for the licenses.



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Recommendations Guide

LONG-TERM BUY: The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

BUY: Strong fundamentals. Minimal risks to the catalysts/growth drivers

NEUTRAL: This is where the positives and negatives in a company almost balance out. You can accumulate for the long term.

SELL: Deteriorating fundamentals. Risks outweigh the catalyst/growth driver

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