

## Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	107.1088	(0.1%)	(5.7%)
STG Pound	131.6135	(0.9%)	1.0%
EURO	117.2603	(0.5%)	(3.4%)

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

## Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	137.81	(0.8%)	(17.2%)
NSE 20	1,976.50	(1.6%)	(25.5%)
NSE 25	3,222.96	(0.7%)	(21.4%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,106.30	2,123.61	(0.8%)
Number of Shares Traded (Q)	16,358,600	18,125,200	(9.7%)
Equity Turnover (KES)	490,695,069	588,338,111	(16.6%)
Foreign Buys (%)	54.3%	48.1%	
Foreign Sells (%)	87.0%	88.6%	
Foreign Participation (%)	70.6%	68.4%	

Source: NSE

## Equities Performance

Top Gainers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Flame Tree	1.05	9.4%	(57.5%)	1,600
2. Equity Group	35.85	4.8%	(33.0%)	772,800
3. TPS EA	12.90	3.2%	(26%)	500
4. CIC	2.43	3.0%	(9.3%)	204,400
5. Kenya Re	2.39	2.6%	(21.1%)	236,600

Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Kenya Airways	2.70	(22.0%)	31.7%	1,795,100
2. Standard Group	19.00	(5.0%)	(31.0%)	100
3. E.A.Cables	1.81	(4.7%)	(27.6%)	6,900
4. STANLIB FAHARI	6.60	(4.6%)	(29.9%)	13,200
5. Bamburi Cement	43.55	(3.2%)	(45.6%)	2,100

Movers	Turnover (KES)	Volume (KES)	Price (KES)
1. Safaricom	162,743,460	5,680,400	28.65
2. KCB Group	146,667,665	4,114,100	35.65
3. EABL	108,069,000	663,000	163.00
4. Equity Group	27,704,880	772,800	35.85
5. BAT	12,224,000	38,200	320.00

Source: NSE

## Market Commentary

The All Share Index eased by 0.8% to close the day at 137.81. We partly attribute this to losses on Safaricom (1.2%), EABL (1.1%), Coop (0.4%) and KCB (0.3%). Kenya Airways was among the top losers of the day, declining by 22.0%. We attribute this to profit taking activities which were exacerbated by the announcement of its dismal FY2019 financial results. The airline's after-tax loss grew by 71.0% y/y to KES 13.0 billion (see below for more on the financial results). Equity Group (+4.8%), however, was among the top gainers on increased investor demand as investors took advantage of yesterday's price slump.

## Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	35.65	(0.3%)	(34.0%)
Equity Group	Long-term Buy	35.85	4.8%	(33.0%)
Absa Kenya	Long-term Buy	10.35	(1.4%)	(22.5%)
Stanbic Holdings	Long-term Buy	84.50	(1.2%)	(22.7%)
StanChart	Sell	170.00	(0.4%)	(16.0%)
Safaricom	Hold	28.65	(1.2%)	(9.0%)
Bamburi	Sell	43.55	(3.2%)	(45.6%)

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

## Bonds Performance

	Today	Previous	Daily Change %
Total Deals	124	102	21.6%
Bond Turnover	3,465,770,596	2,483,924,756	39.5%

## Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
FXD2/2015/5	13.9200	8.4000	634.0	180

FXD1/2018/25	13.4000	13.4000	500.0	8,398
IFB1/2018/20	11.9500	12.5750	374.6	6,725

Source: NSE; DTM = Days to Maturity

## News Highlights

### Kenya Airways Loss Widens by 71.0% for FY2019

- Kenya Airways after tax loss widened by 71.0% y/y to a KES 13.0 billion from an after-tax loss of KES 7.6 billion in FY2018.
- According to management, the loss was partly due to adoption of IFRS 16 and an increase in operating costs associated with a 15.0% increase in capacity (deployed to offer increased connectivity between city pairs and investment in new routes).
- Total income edged up by 12.4% y/y to KES 128.3 billion (FY2018: KES 114.2 billion). According to the airline the growth was due to improved passenger revenue (+8.9%), cargo revenue (as cargo tonnage grew by 6.3% to 68,264 tonnes), ancillaries and other revenue streams. This was primarily owing to expansion of the Kenya Airways network.
- Following the expansion to Geneva, Rome and Malindi, passenger numbers grew by 6.7% to 5.1 million passengers. The increase in passenger revenue was further driven up by New York operations. Moreover, capacity deployed in Available Seat Kilometres (ASKs) increased by 15.0% while the Cabin factor registered a minimal decline of 0.6 points to 77.0%.
- Operating costs rose by 12.5% y/y to KES 129.2 billion. This was attributed to increase in capacity deployed and an increase in fleet ownership costs attributed to the return of two Boeing 787 aircraft that had been subleased to Oman Air. According to management, the airline benefitted from the reduced global fuel prices and maintained low fuel costs through its hedging program.
- Consequently, the airline recorded a 24.9% y/y growth in operating loss to KES 853 million.
- Other costs edged up by 74.8% y/y to KES 12.2 billion (FY2018: KES 7.0 billion). Interest income fell by 33.3% y/y to KES 30 million.

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- The airline expects that it will take a year to gain traveler confidence and recover travel demand in light of the Covid-19 pandemic. From 25<sup>th</sup> March most of its operations were suspended.

### **Commentary**

- As noted previously, the airline has been grappling with increased competition and high operating and financial leverage. The performance reflects these challenges facing the airline.
  - Our biggest issue with the company is the lack of a clear long-term turnaround strategy. However, according to the Business Daily, a legal framework for the airline's nationalization will be discussed in Parliament in the coming week. This may form the first step towards a more comprehensive action plan for the recovery of the airline.
  - The nationalization could be the reason for the recent increase in speculative activity and price gain (though the nationalization was not non-public information). We urge caution when trading on this news. The airline has been surviving on the government's goodwill. In our view, the share price reflects mostly this government goodwill. In buying out the other investors, the government may consider previous initiatives to keep the airline afloat and the current financial condition of the airline.
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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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