

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 140.87	0.8%	-15.3%	USD Mn – 23.900 KES Bn – 2,457
	NSE 20 Share Index – 2,034.71	3.9%	-28.2%	USD Mn – 20,562 KES Bn – 2,113.996
	NSE 25 Share Index – 3,352.96	1.8%	-18.2%	USD Mn – 21,998 KES Bn – 2,261.593
NIGERIA	ASI– 24,045.40	4.5%	-10.4%	USD Mn – 34.760 NGN Bn – 12,531
EGYPT	EGX100– 1,084.95	-4.3%	-22.4%	USD Mn – 24.98 EGP Bn – 393.59
SOUTH AFRICA	All share – 51,033.58	1.3%	-10.7%	USD Bn – 704.40 ZAR Bn – 13.089

Source: NSE, JSE, EGX100

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD – 106.01	1.2%	-3.7%	5.6% (04/2020)	5.4% (2019)
NGN/USD – 360.50	-	-17.6%	12.3% (03/2020)	2.3% (2019)
EGP/USD – 15.75	-	1.8%	5.1% (03/2020)	4.8%(4Q2019)
ZAR/USD – 18.49	2.4%	-31.7%	4.1% (03/2020)	-0.5%(4Q2019)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and CBE

## Bamburi Posts a 37.2% y/y Decline in After Tax Profit for FY2019

Bamburi Cement reported a 37.2% y/y decline in after tax profit to KES 359.0 million for FY2019 from KES 572.0 million posted in FY2018. The dip in profitability was primarily due to a decrease in turnover growth and a rise in net finance costs. Some of the performance highlights include:

- Turnover fell by 1.3% y/y to KES 36.8 billion (FY2018: KES 37.3 billion). This was attributed to a challenging market environment as a result of;
  - inability to access the Rwandan market through the Ugandan subsidiary leading to loss of revenue
  - the shelving of the Phase 2B of the SGR project in Kenya (the project made use of premium cement that cost more than the ordinary cement and had higher margins) and
  - lower selling prices (particularly in the retail market) owing to competitive pressures in the region.
- Operating expenses improved, declining by 1.5% y/y to KES 35.6 billion. This was attributed to cost cutting and optimization initiatives such as those aimed at energy costs (like the use of alternative fuels such as pet-coke and biomass) taken by the Group under the “Building for Growth” strategy launched in FY2018.
- Consequently, operating profit edged up by 44.1% y/y to KES 1,117.0 million (FY2018: KES 775.0 million).
- Net finance costs surged by 151% y/y to KES 389.0 million. According to management, the significant increase in finance cost was due the full year impact of interest on debt (USD 20.0 million five year loan) to finance the capacity expansion project commissioned by Hima (Ugandan based subsidiary) in FY2018.

- As a result of the surge in finance costs, the Group's profit before tax grew at a slower rate (+17.4% y/y to KES 728.0 million) than the operating profit.
- The Group's bottom line was impacted by a higher tax charge of KES 369.0 million (FY2018: KES 48.0 million). In FY2018 the Group had benefited from a non-recurrent KES 370.0 million tax asset arising from the commissioning of the capacity expansion projects in FY2018.
- Going forward, the Group will continue to focus on top-line growth, cost management (optimize production, logistics, raw material and customer service costs) and defending market share.
- According to the Group, the COVID-19 outbreak has so far caused a slowdown in business operations in Kenya and Uganda. The East African cement market growth is expected to mirror GDP growth rate which will be affected by the pandemic.
- We however express concern over the decline in turnover and the rise in finance costs. In light of the pandemic and the ensuing movement restrictions, we expect weakening of the revenue lines.

### Recommendation

We place a **SELL** recommendation on Bamburi Cement. The company has a price of KES 47.70 as at 8th May 2020 and is trading at a P/E ratio of 19.47x. Although the company's cost management initiatives have proven effective, we note that this is not sufficient to sustain long term growth. We note that the Group has been experiencing a contracting market in Kenya since 1H2017. In light of the COVID-19 pandemic's economic impact, suspension of operations in Rwanda and competitive pressures within the region, we expect Bamburi to register subdued revenue growth (as compared to historical trends).

### Moody's Downgrades the Government of Kenya's Credit Rating from Stable to Negative

- Moody's Investors Service (Moody's) has downgraded the outlook on the Government of Kenya's credit rating from stable to negative.
- The negative outlook was informed by:
  - The government's rising debt burden (comprised of both external bilateral debt and a large stock of short-term domestic debt) amid
  - Escalating fiscal pressures characterized by subdued revenues and a debt structure that exposes Kenya's fiscal profile to exchange rate and interest rate shocks.
- Moody's expects the persistent tightening of financial conditions by the government as a response to the COVID-19 pandemic to compromise the government's ability to meet its financing needs that could result in higher borrowing costs.
- Moody's cites Kenya's diversified economy, strong growth prospects and mature financial sector as mitigating factors that make the country resilient to economic shocks.
- Whilst Moody's doesn't expect a ratings upgrade in the foreseeable future, the rating agency asserts that a rating upgrade would only occur if it was convinced that the government were to implement structural reforms to narrow the fiscal deficit, ease the debt burden and reduce borrowing costs.
  - Owing to the joint effects of the global COVID-19 pandemic and the ensuing containment measures (which will negatively affect domestic demand), Moody's expects Kenya's GDP growth to slow down to 1.0% in 2020.
  - Additionally, the impact of the containment measures, fiscal stimulus and slower growth are expected to result in a wider fiscal deficit of more than 8.0% of GDP over the next two years – which when combined with a weaker exchange rate are expected to push government debt to slightly above 70.0% of GDP.

- We expect the decision to exert upward pressure on the government's borrowing costs (higher benchmark rates/yields) both domestically and externally as investors demand higher premiums for the higher risk.
- We opine that this will challenge their ability to finance the budget effectively putting it between a rock and a hard place as both raising taxes and easing spending may both have the effect of curtailing economic growth.
- The knock-on effect of higher benchmark rates on the capital markets will be lower valuations (e.g. lower bond prices, equity prices) as most instruments are priced of the benchmark rates.

## My Money

### Priorities to think about when investing in a crisis

Creating a financial plan is really allocating your assets and apportioning your income in a way that ensures that in all circumstances, there are financial resources to meet financial obligations. This will require you to begin by establishing where you are at with our finances – what are your net assets? Of those assets, how much is liquid and can be sold easily should you need money to meet an urgent financial obligation? How much will your family need per month to maintain its current living standards should you be sent on leave without pay? Where does your family stand if you lost your income?

The future is unknown and none of us know how long this situation will last, or what will happen next week, or in the next couple of months. We have to make the best decisions we can with the information available.

Below are some of the things we think individual investors should prioritize:

- Savings- if you are fortunate to have some kind of income at the moment, cut your expenses and build an emergency fund to cover your living expenses for the next six to eight months. Cash is king, invest in T-Bills, and Money Market Funds so that you can be in a position to meet any emergency you may have.
- If you are able to cover your living expenses for at least six months, and you have extra money to spend, we recommend investing in fundamentally strong counters with a long-term investment horizon.
- Fundamentally strong counters are stocks of companies that are:
  - Financially strong: in terms of net assets, brand value, client base or market share;

- Liquid: have positive cash flows or substantial cash reserves and can pay their debts (if they have any);
- Profitable: able to generate profits consistently;
- Have good management and good corporate governance; and
- Are in an industry that has good growth prospects

Fundamentally strong counters are generally more likely to ride through a crisis and continue to thrive once the pandemic is over.

- It is difficult to time the market. Even seasoned investors find it difficult to know when to buy at the lowest price and sell at the highest price.
- For investors who are risk averse, we recommend investment in Treasury Bills and Treasury Bonds.
- Keep in mind that life, as we know it has shifted. We are going to have a new normal. There may be companies that had shown strong promise for growth, such as airlines, retail, and tourism, but these have been affected significantly. We must therefore consistently look out for companies that will show resilience post Covid-19.

Our team is available to consult with you and assist you in making investments that are suited to your circumstances and needs; whatever your budget. Contact us for a free consultation.

## 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	39.05	-27.7%	5.5%	1,130,400	45.9%	4.85	9.0%	0.94	20.7%
Equity Bank	39.15	-26.8%	4.0%	1,488,600	51.5%	6.55	6.4%	1.32	21.8%
NCBA	31.70	-14.0%	11.2%	186,800	41.9%	3.65	0.0%	0.71	15.3%
Stanbic	88.00	-19.5%	-4.9%	200,000	56.2%	5.45	8.0%	0.71	13.6%
Absa Bank Kenya Plc	11.00	-17.6%	3.8%	388,300	51.2%	8.01	10.0%	1.32	16.7%
Housing Finance	4.01	-37.9%	3.1%	29,300	93.8%	N/M	0.0%	0.14	-1.1%
Co-operative Bank	13.05	-20.2%	3.6%	448,400	52.1%	5.35	7.7%	0.97	19.2%
Diamond Trust Bank	83.00	-23.9%	0.0%	10,800	48.6%	3.42	3.3%	0.39	12.1%
Standard Chartered	184.25	-9.0%	-1.7%	1,600	55.6%	7.68	10.9%	1.33	17.5%
I&M	51.00	-5.6%	-0.5%	500	39.0%	1.96	5.0%	0.37	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>5.21</b>	<b>6.0%</b>	<b>0.82</b>	<b>15.6%</b>

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	1.27	-38.0%	42.7%	639,200	N/M	0.0%	-1.3	N/M
Nation Media Group	21.15	-46.9%	-0.9%	45,200	4.70	7.1%	4.5	10.9%
WPP Scangroup	17.50	1.7%	9.4%	9,000	15.63	2.9%	1.12	6.0%
Uchumi Supermarket	0.31	6.9%	14.8%	232,100	N/M	0.0%	-4.6	N/M
Longhorn Publishers	5.04	-25.4%	0.4%	5,300	7.41	10.3%	0.68	17.3%
Eveready	0.81	-26.4%	1.3%	2,400	N/M	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>9.25</b>	<b>4.1%</b>		<b>5.8%</b>

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<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>
Bamburi Cement	47.70	-40.4%	5.8%	0	19.47	0.0%	1.6%	2.1%
E.A. Portland Cement	14.25	-1.7%	0.0%	100	<b>N/M</b>	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>19.47</b>	<b>5.3%</b>	<b>0.8%</b>	<b>1.0%</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	4.90	-14.3%	7.7%	115,800	4.08	8.2%	1.20	4.2%
Kenya Power	1.99	-29.2%	-1.0%	815,800	15.31	0.0%	0.13	0.4%
Total Kenya	25.65	-6.7%	6.4%	1,400	6.36	5.1%	4.03	10.8%
<b>Sector Average</b>					<b>8.59</b>	<b>4.1%</b>		<b>2.3%</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	2.31	-13.8%	2.2%	24,700	0.29	19.25	69.8%	34.4%
Britam	6.88	-23.6%	0.6%	36,700	0.23	4.88	65.3%	37.2%
Jubilee	268.00	-23.6%	1.9%	800	9.55	5.10	91.9%	46.2%
Kenya Re	2.43	-19.8%	-3.6%	89,600	0.09	0.95	71.2%	13.1%
Sanlam Kenya	16.00	-7.0%	6.7%	100	11.11	20.25	85.8%	35.5%
Liberty	8.16	-21.2%	-2.2%	400	1.02	6.23	119.6%	48.7%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>83.9%</b>	<b>35.8%</b>

<b>Investment 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>P/B(X)</b>	<b>EPS (KES)</b>	<b>ROE</b>
Centum Investment	26.35	-10.7%	4.8%	12,700	3.94	0.51	6.68	8.0%
Home Afrika Ltd	0.40	-33.3%	5.3%	40,900	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	2.6%
Trans-Century	1.70	-32.0%	0.0%	3,900	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.51</b>		<b>5.1%</b>

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

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<b>Investment Services</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>
NSE	9.04	-26.8%	-2.4%	7,600	30.13	3.1%	0.3	3.9%
<b>Sector Average</b>					<b>30.13</b>	<b>3.1%</b>		

<b>Manufacturing &amp; Allied 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>
Mumias Sugar	0.27	0.0%	0.0%	0	<b>N/M</b>	0.0%	-4.43	-69.4%
EABL	170.50	-14.1%	-1.3%	103,800	15.18	5.0%	11.23	83.0%
FTG Holdings	0.82	-66.8%	-9.9%	159,400	3.15	0.0%	0.26	4.8%
Carbacid	8.96	12.0%	-3.2%	5,900	8.62	7.8%	1.04	8.6%
BAT	315.00	-37.0%	-1.6%	778,800	8.11	10.6%	38.85	40.8%
<b>Sector Average</b>					<b>8.76</b>	<b>4.7%</b>		

<b>Telecommunication &amp; Technology 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>
Safaricom	28.35	-10.0%	-0.5%	8,408,400	15.24	4.9%	1.86	51.8%
<b>Sector Average</b>					<b>15.24</b>	<b>4.9%</b>		

<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	8.00	-15.1%	-10.7%	54,200	20.80	9.38%	0.83
<b>Sector Average</b>						<b>NA</b>	

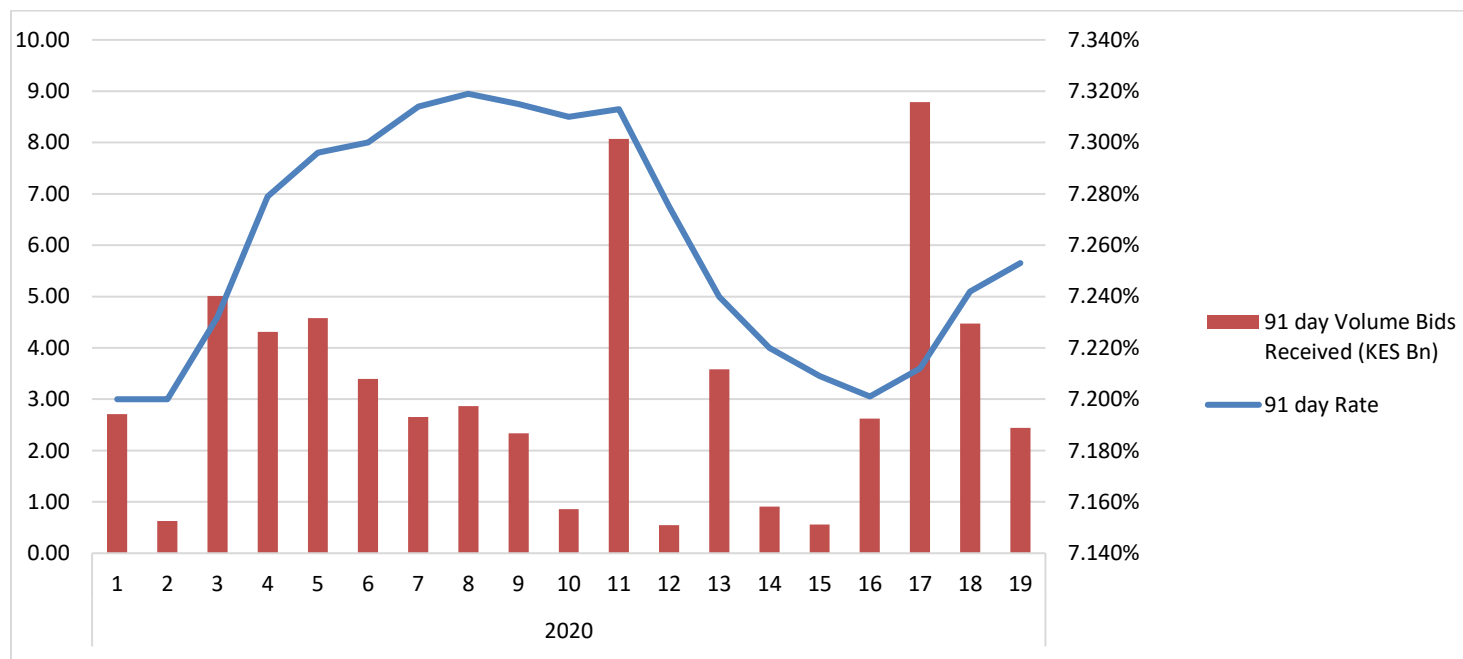
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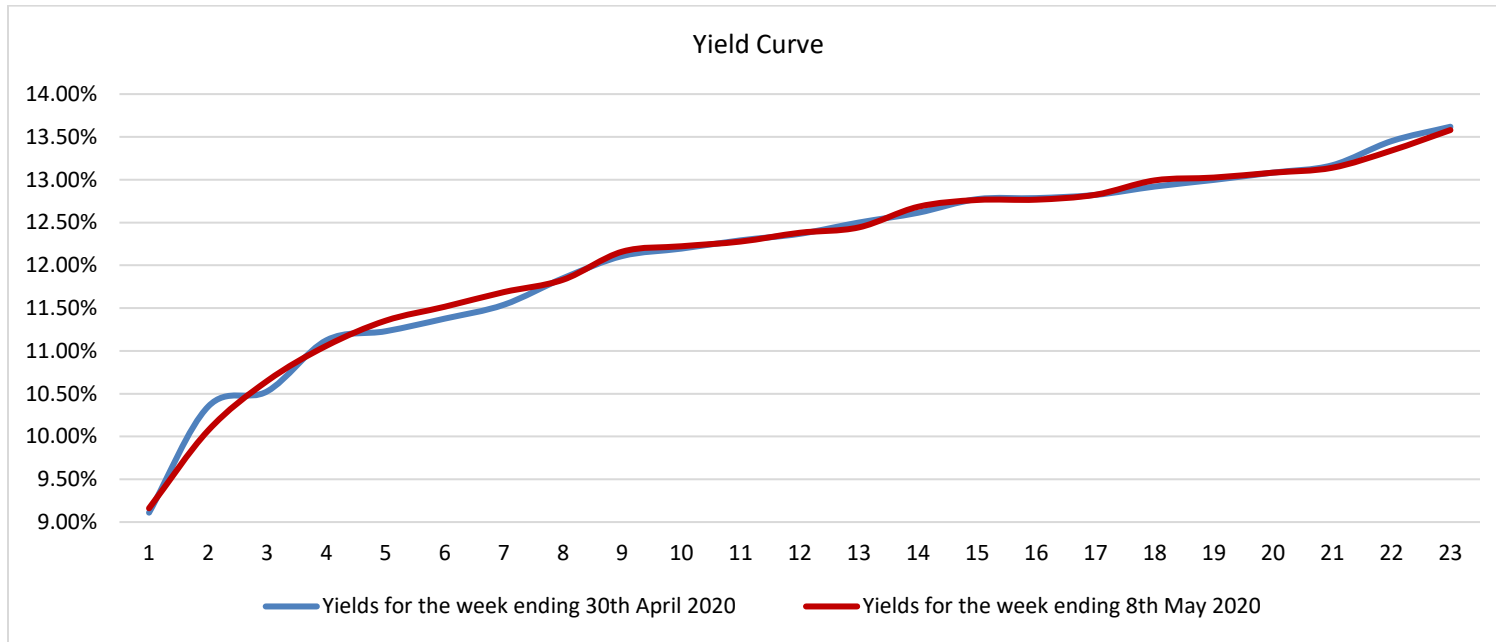
# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	2.44Bn	61.07%	2.44Bn	7.253%	7.242%	0.011
182 day T-bill	3.80Bn	37.95%	3.80Bn	8.151%	8.134%	0.017
364 day T-bill	8.78Bn	87.79%	8.55Bn	9.161%	9.115%	0.046

Graph showing 91 day T-bill rate and volume

Week No. 19







## Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Limuru Tea Company Plc	First & Final dividend	Kes.0.70	23-Mar-20	<b>10-Apr-20</b>	26-Jun-20
Standard Chartered Bank Kenya	Final dividend	Kes.15.00	19-Mar-2020	<b>27-Apr-20</b>	28-May-20
KCB Group PLC	Final dividend	Kes.2.50	12-Mar-20	<b>27-Apr-20</b>	Subject to Approval
Kakuzi Plc	First & Final dividend	Kes.14.00	20-Mar-20	<b>30-Apr-20</b>	18-May-20
NCBA Group PLC	Bonus Issue	1:10	22-Apr-20	<b>12-May-20</b>	Subject to Approval
Stanbic Holdings PLC	Final dividend	Kes.5.8	02-Mar-20	<b>18-May-20</b>	Subject to Approval
BK Group PLC	Final dividend	Frw.14.40	27-Mar-20	<b>12-Jun-20</b>	01-Jul-20
Equity Group Holdings Plc	First & Final dividend	Kes.2.50	20-Mar-20	<b>12-Jun-20</b>	24-Jul-20
Nation Media Group Ltd	Bonus Issue	1:10	20-Apr-20	<b>12-Jun-20</b>	Subject to Approval
Kenya Reinsurance Ltd	First & Final dividend	Kes.0.10	27-Mar-20	<b>12-Jun-20</b>	24-Jul-20
Umeme Ltd	Final dividend	Ushs.41.30	23-Mar-20	<b>22-Jun-20</b>	17-Jul-20
Diamond Trust Bank Ltd	First & Final dividend	Kes.2.70	20-Mar-20	<b>25-Jun-20</b>	24-Jul-20
Safaricom Plc	First & Final dividend	Kes.1.40	29-Apr-20	<b>31-Jul-20</b>	01-Nov-20
ABSA Bank Kenya PLC	Final dividend	Kes.0.90	24-Mar-20	<b>Subject to Approval</b>	Subject to Approval
Britam Holdings PLC	First & Final dividend	Kes.0.25	03-Apr-20	<b>Subject to Approval</b>	Subject to Approval
I&M Holdings Plc	First & Final dividend	Kes.2.55	26-Mar-20	<b>Subject to Approval</b>	Subject to Approval
Stanlib Fahari I-Reit	First & Final dividend	Kes.0.75	29-Apr-20	<b>Subject to Approval</b>	31-May-20
Nairobi Securities Exchange	First & Final dividend	Kes.0.08	27-Mar-20	<b>Subject to Approval</b>	Subject to Approval

# Market Recommendations

Counter	Recommendation	YTD Change	Price as at 8th May 2020
KCB Group	Long-term Buy	-27.69%	39.05
Equity Group Holdings	Long-term Buy	-26.82%	39.15
ABSA Bank Kenya Plc	Long-term Buy	-17.60%	11.00
Stanbic	Long-term Buy	-19.45%	88.00
NCBA	Long-term Buy	-13.98%	31.70
Standard Chartered	Sell	-5.56%	184.25
Safaricom	Hold	-10.00%	28.35
Bamburi	Sell	-40.38%	47.70

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