



Weekly Report

Week 19

Week Ending Thursday, May 13, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	34,064.44	-1.8%	12.1%
S&P 500	4,118.72	-2.4%	10.3%
NASDAQ 100	13,095.61	-5.0%	1.9%
DAX	15,194.38	-1.2%	10.8%
FTSE 100	6,964.90	-2.4%	7.8%
EURO STOXX 50	3,955.13	-1.1%	11.3%
Shanghai Composite	3,429.54	0.3%	-1.3%
NIKKEI 225	27,448.01	-6.5%	-
Commodities			
Brent Oil (USD/bbl.)	67.73	-0.8%	32.5%
Gold (USD/Oz)	1,821.73	-1.0%	-4.0%

Source: Bloomberg, NSE; *As at 5:41 PM EAT

Most of the equity eased during the week. The FTSE 100 and the S&P 500 eased during the week on inflation concerns.

Equities Market

Equity Market Commentary

The All Share Index (NASI) eased by 3.1% w/w while the NSE 20 Share Index remained flat to close the week at 165.76 and 1,863.25 respectively. The market was characterized by an increase in market turnover (14.2% to KES 3.1 billion) and volume of shares traded (9.5% to 81.0 million shares). Safaricom eased by 3.4% w/w to close at KES 39.40 as the company announced a 6.8% y/y decline in after tax profits to KES 68.7 billion for FY2021. The company's total dividend payment for the financial year (Interim: KES 0.45; Final: KES 0.92 - Total: KES 1.37) was slight lower than the previous year (first & final: KES 1.40). Notable price gains were posted on; HF (8.7% to KES 4.00), Stanbic (2.5% to KES 83.00), DTB (1.2% to KES 65.00), Equity (0.5% to KES 40.95) and Absa (0.5% to KES 8.80). We expect increased activity on banking counters ahead of the first quarter results release.

Market Indices Performance

Index	Value	Weekly Change %	YTD Change %
NASI	165.76	(3.1%)	9.0%
NSE 20	1,863.25	0.0%	(0.3%)
NSE 25	3,586.62	(3.7%)	5.0%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,580.95	2,629.01	(1.8%)
Number of Shares Traded	81.04	74.02	9.5%
Equity Turnover (KES)	3,050.35	2,670.50	14.2%

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. NBV	4.90	12.1%	14.5%
2. Eveready	1.09	9.0%	(9.2%)
3. Crown Paints	39.20	8.9%	3.2%
4. HF Group	4.00	8.7%	20.5%
5. Eaagads	15.00	7.1%	20.0%

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. I&M Holdings	24.30	(43.0%)	(46.0%)
2. WPP Scangroup	5.56	(8.9%)	(7.3%)
3. Uchumi	0.23	(8.0%)	(17.9%)
4. Express Kenya	4.05	(7.3%)	12.2%
5. B.O.C Kenya	64.50	(6.5%)	2.4%

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	39.40	980.5
2. KCB Group	41.95	925.3
3. Equity Group	40.95	823.5
4. EABL	172.25	131.2
5. I&M Holdings	24.30	45.7

Source: NSE and Faida Investment Bank Analysis

News Highlights

Safaricom PLC Posts a 6.8% Decrease In After Tax Profits for FY2021

Safaricom's after tax profits declined by 6.8% y/y in FY2021 to KES 68.7 billion from KES 73.7 billion registered in FY2020. The performance was characterized by:

- 0.3% y/y dip in service revenues to KES 250.4 billion (FY2020: KES 251.2 billion). The decrease was mainly owing to voice, messaging and M-PESA revenue segments.
 - Voice and Messaging revenues declined by 4.6% y/y and 11.7% y/y to KES 82.6 billion and KES 13.6 billion respectively. The two segments combined now contribute 38.4% of service revenue. While promotional campaigns (Tunukiwa talk campaign) increased voice traffic (+19.1% y/y outgoing minutes per subscriber) and grew voice market share (4.5% q/q to 69.2%) this was not enough to compensate for the lower yields.
 - MPESA revenues dipped by 2.1% y/y to KES 82.7 billion with the segment mostly taking a hit in the first half (-14.5% y/y), owing to:
 - i. waiver of fees on person-to-person (P2P) transactions worth KES 1,000 and below
 - ii. waiver of fees on transfers between bank accounts and MPESA wallets
 - iii. zero-rating of paybills and tills for hospitals and dispensaries
 - iv. zero-rating of Lipa na MPESA transactions below KES 1,000

2H2021 saw a recovery in MPESA revenues (+10.1% y/y) buoyed by the resumption of charges in 4Q2021. Tariffs were however lowered (up to 45.0%) for low value transaction bands below KES 7,500. The company retained the free transactions between bank accounts and MPESA wallets in line with the CBK's directive to cushion customers during the pandemic. This has seen an increase in MPESA deposits, as customers load cash onto the MPESA wallets for onward transfers to bank accounts. 30-day active MPESA customers grew by 13.6% y/y to KES 28.3 million. Lending and savings contributed the highest (KES 1.9 billion) to MPESA revenues, mainly supported by Fuliza. MPESA revenues now accounts for 33.0% of the service revenues.

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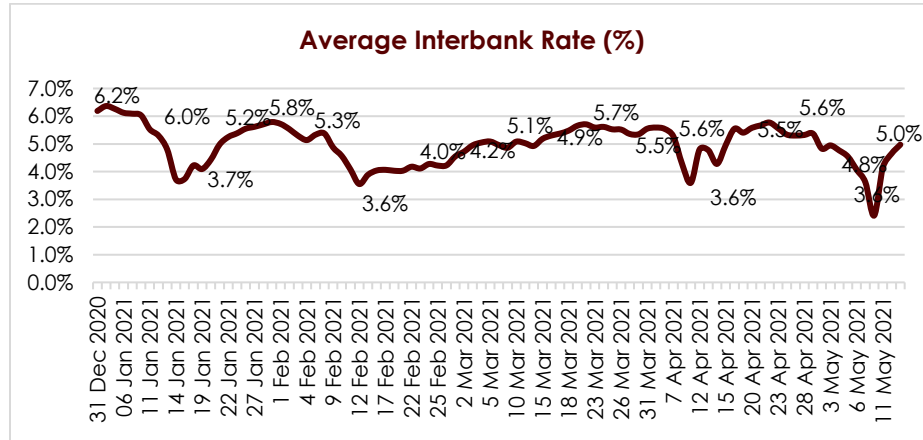
- Mobile data revenues rose by 11.5% y/y to KES 44.8 billion (faster growth in 1H2021 due to uplift in demand). The growth was supported by continued growth in 30-day active customer numbers (+8.1% y/y to 23.8 million) and customer usage (+32.7% to 1.5 gigabytes (GB)). The rate per MB continued to fall, easing by 21.9% y/y as the company maintained its focus on increasing affordability. The Average Revenue Per User (ARPU) rose by 3.7% y/y to KES 181.0.
- Fixed service revenues rose by 6.0% y/y to KES 9.5 billion supported by a 49.1% y/y growth in fibre to the home (FTTH) revenue to KES 3.5 billion. The growth in FTTH was on account of higher number of customers working and schooling from home. FTTH customers grew by 31.5% y/y to KES 137,400. Fibre to the business (FTTB) revenues however dipped as businesses shifted to working from home due to the pandemic.
- Direct costs grew by 7.1% y/y to KES 80.0 billion. MPESA commissions grew by 18.4% y/y to KES 28.2 billion on the back of increased MPESA deposits. Promotions and value added costs eased owing to movement restrictions with more focus on digital advertising. Direct cost intensity (direct costs/total revenues) rose from 28.4% to 30.3% due to a faster growth in direct costs than revenues (+0.6% y/y to KES 264.0 billion).
- Expected credit losses edged up by 80.3% y/y to KES 3.0 billion driven by expected collection delays owing to the pandemic.
- OPEX intensity (operating expenses - OPEX/total revenues) declined from 18.2% to 17.5% due to the improvement in operating expenses (-3.2% y/y to KES 46.0 billion). The company attributed the improvement in operational efficiency to smart procurements and increased digitization and is keen on investing further in technology.

The performance shows resilience amidst the challenging operating conditions. We were particularly impressed by M-PESA performance. The dip in M-PESA revenues was much lower than anticipated. We remain optimistic on the segment's growth prospects despite increasing regulatory uncertainty. Extending M-PESA to Ethiopia could also be a source of further upside. Unfortunately the company could not provide further details on the license terms due to confidentiality clauses (will do this at a later date once the licenses have been awarded). The company did confirm they could be allowed to offer mobile money services at some point in the future (timing unknown).

The recommendation is under review.

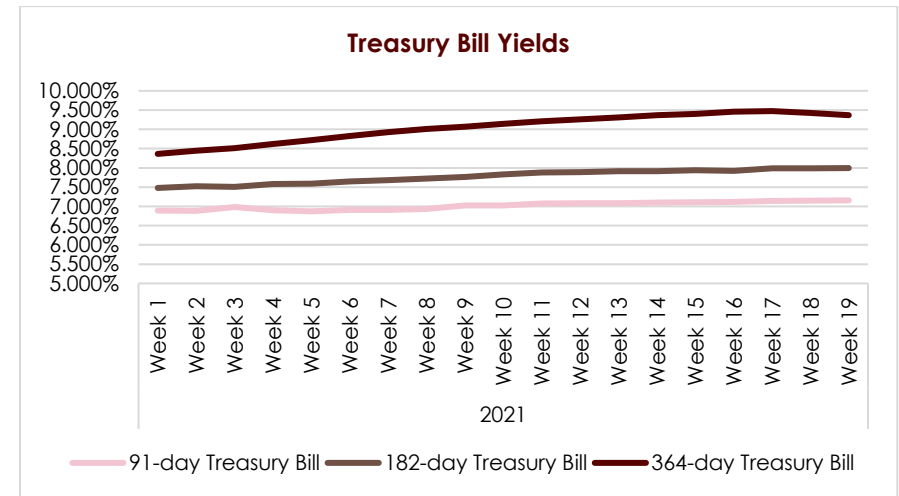
Fixed Income Market

Interbank Rate



Source: CBK

Treasury Bill Yields



Source: CBK

Treasury Bill Auction Results

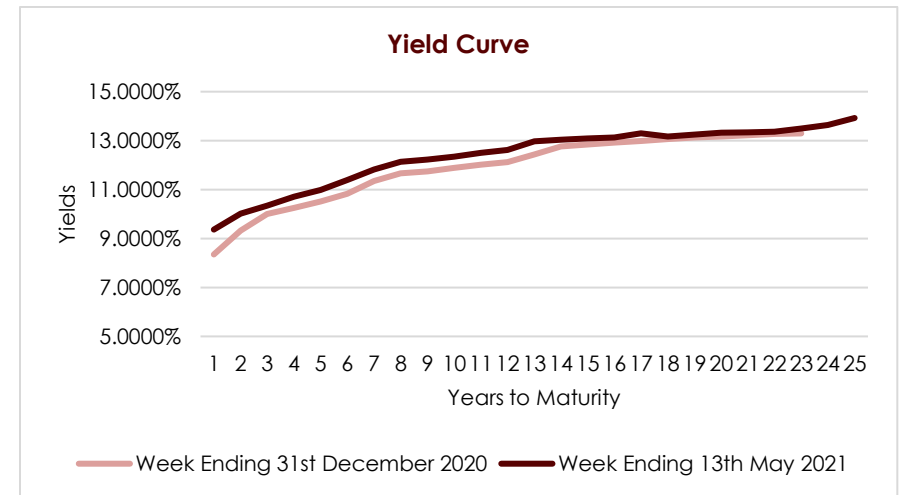
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	1.43	35.71%	1.40	7.156%	0.4
182 day	10.0	2.89	28.86%	2.86	7.995%	0.5
364 day	10.0	22.26	222.62%	16.20	9.365%	(5.9)
Total	24.0	26.58	110.74%	20.45		

*Change = Current Rate – Previous Rate; 1.0% = 100 bps
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were oversubscribed during the week's auction; the total subscription rate was 110.74%, down from last week's 131.01%. The 364 day paper also had the highest subscription rate this week, at 222.62%.

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

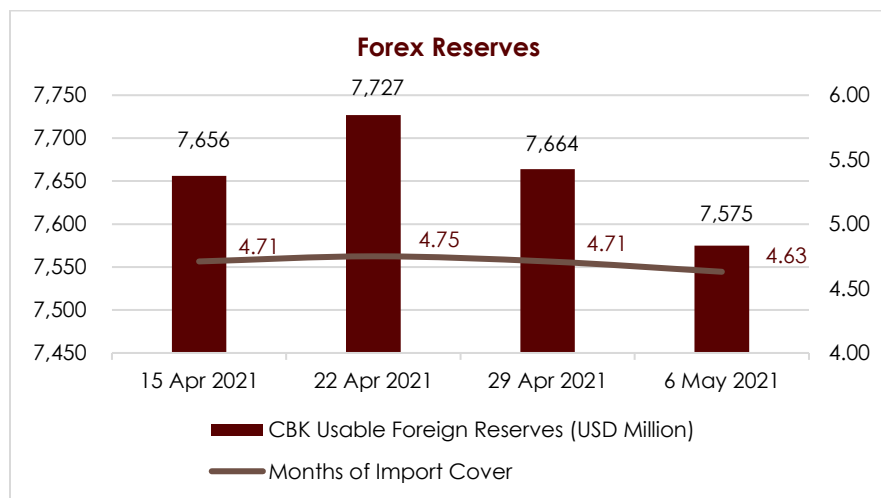
Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	107.0235	(0.2%)	2.0%
STG Pound	151.2103	(2.4%)	(1.9%)
EURO	129.7474	(1.4%)	3.1%

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

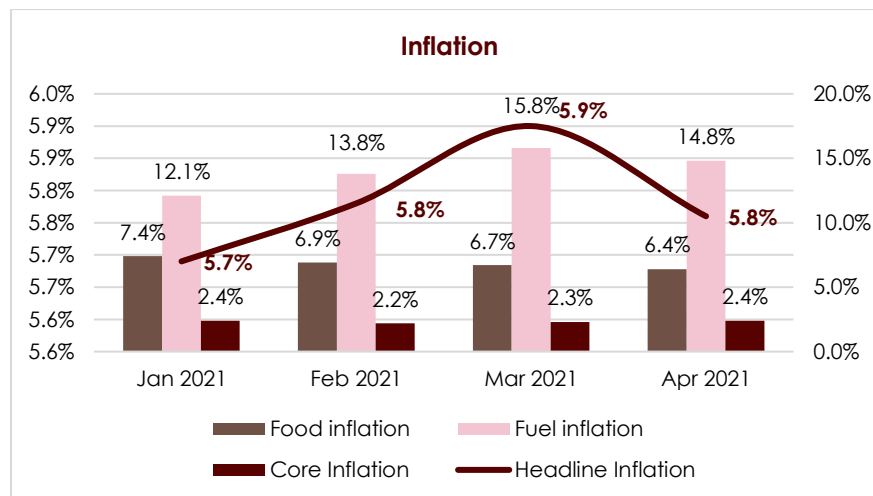
During the week, the Kenya Shilling depreciated against the US Dollar, the Euro, and the Sterling Pound.

Forex Reserves



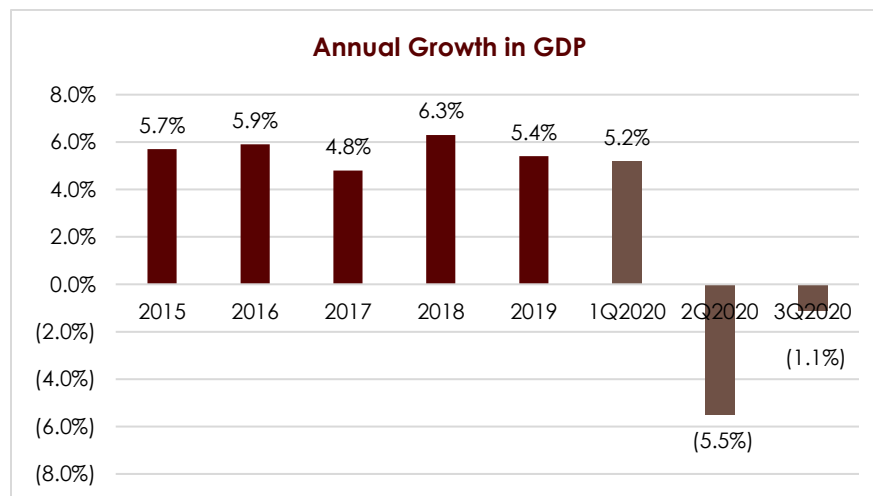
Source: CBK

Inflation



Source: KNBS

Gross Domestic Product (GDP)



Source: KNBS

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Kenya's economy slid into a recession in the 3Q2020 as GDP contracted for the second consecutive quarter. Kenya's Real GDP is estimated to have contracted by 1.1% in the 3Q2020, showing some improvement from the contraction of 5.5% witnessed in 2Q2020, but markedly different from the growth of 5.8% realized in 3Q2019. The improvement from the previous quarter was supported by the partial easing of COVID-19 restrictions that enhanced economic activities.

The economic performance was largely weighed down by the accommodation and food services (contracted by 57.9% compared to a growth of 9.9% in 3Q2019) and the education (contracted 41.9% compared to a growth of 6.0% in 3Q2019) sectors. These were the hardest hit sectors due to the closure of learning institutions and the implementation of travel restrictions in order to contain the spread of the virus.

Growth was however largely supported by the agricultural, construction and real estate sectors which grew by 6.3%, 16.2% and 5.3% respectively. Growth in the agricultural sector was supported by increases in tea production, fruit exports and sugarcane production. In the construction sector, cement consumption rose by 23.5% y/y to 1,952.2 thousand metrics reflecting increased construction activity which also buoyed growth in the real estate sector.

Real GDP Growth by Sector	3Q2019	3Q2020
Agriculture	5.0%	6.3%
Mining & Quarrying	3.4%	18.2%
Manufacturing	3.9%	(3.2%)
Electricity and Water Supply	6.4%	4.7%
Construction	6.6%	16.2%
Wholesale & Retail Trade	6.1%	(2.5%)
Accommodation & Food Services	9.9%	(57.9%)
Transport & Storage	7.6%	2.9%
Information & Communication	8.0%	7.3%
Financial & Insurance	8.1%	5.3%
Public Administration	8.4%	9.6%
Professional, Admin & Support Services	4.8%	(12.3%)
Real Estate	5.5%	5.3%
Education	6.0%	(41.9%)
Health	5.5%	5.6%
Other Services	5.3%	(4.5%)

Source: KNBS

Labour Statistics

Indicator	3Q2019	1Q2020	2Q2020	3Q2020
Unemployment Rate	5.3%	5.2%	10.4%	7.2%
Labour Force Participation Rate	69.8%	69.7%	64.4%	68.8%

Source: KNBS

Derivatives Market

Weekly Statistics

	This Week	Previous Week
Total Volumes	150	203
Total Value	5,398,370	8,287,515
Total Open Interest	387	378

Source: NSE

Corporate Finance

iXperience raises \$2.5 million in Series A Seed Round

iXperience, a South African ed-tech startup, has raised \$2.5 million in its series A seed funding round. The funding was raised from Kalon Venture Partners and Caleo Private Equity. iXperience was founded in 2013 and was initially used for coding. It currently offers career-focused skills training and seeks to bridge the gap between traditional education and the skills needed in the workforce today. The funding will be used to grow its team, continue investing in the innovative tech platform, launch programs across different markets and build out its global strategic partnerships divisions.

Profit Warnings Issued

	Company	Sector
1	East African Cables	Construction and Allied
2	Kenya Orchards	Manufacturing and Allied
3	Longhorn Publishers	Commercial and Services
4	Nairobi Business Ventures	Commercial and Services
5	Unga Group	Manufacturing and Allied
6	TPS Eastern Africa	Commercial and Services
7	Centum Investment Company	Investment

Source: NSE

Results Delay Notices

	Company	Sector
1	Scangroup	Commercial and Services
2	Kenya Re	Insurance
3	East African Cables	Construction and Allied
4	Crown Paints	Construction and Allied
5	Home Afrika	Investment
6	Express Kenya	Commercial and Services

Source: NSE

Counter Statistics

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	41.95	10.1%	0.0%	21,887,300	44.8%	6.88	2.4%	0.95	14.4%
Equity Bank	40.95	12.0%	0.5%	20,127,700	51.5%	7.81	0.0%	1.11	15.8%
NCBA	24.65	-7.9%	0.2%	52,500	41.9%	2.84	7.1%	0.55	15.3%
Stanbic	83.00	-2.4%	2.5%	149,300	52.2%	6.32	4.6%	0.63	10.3%
Absa Bank Kenya Plc	8.80	-8.9%	0.5%	806,900	48.2%	11.48	0.0%	1.03	8.9%
Housing Finance	4.00	20.5%	8.7%	102,400	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	12.45	-0.4%	-1.2%	1,927,600	58.1%	6.76	8.0%	0.81	11.9%
Diamond Trust Bank	65.00	-13.3%	1.2%	118,600	48.6%	5.60	4.2%	0.29	5.4%
Standard Chartered	132.00	-8.5%	0.2%	90,700	58.8%	12.57	8.0%	0.90	11.2%
I&M	24.30	-46.0%	-43.0%	1,181,500	39.0%	1.87	10.5%	0.35	20.4%
Sector Average					53.7%	6.90	4.5%	0.68	9.5%

P/B (X) - FY2020

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	3.83	0.0%	0.0%	-	N/M	0.0%	-6.22	N/M
Nation Media Group	15.05	-2.6%	-4.4%	451,600	75.25	0.0%	0.2	1.7%
WPP Scangroup	5.56	-7.3%	-8.9%	352,500	4.96	9.0%	1.12	6.0%
Uchumi Supermarket	0.23	-17.9%	-8.0%	129,300	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.48	-8.2%	1.1%	8,200	6.59	11.6%	0.68	17.3%
Eveready	1.09	-9.2%	9.0%	20,500	N/M	0.0%	-1.45	-10.8%
Sector Average					28.93	4.1%		3.6%

*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
Bamburi Cement	39.25	3.7%	0.5%	197,900	16.02	7.6%	3.2%	3.8%
E.A. Portland Cement	8.00	-27.3%	0.0%	100	N/M	0.0%	0.0%	0.0%
Sector Average					16.02	3.8%	1.6%	1.9%

*NPM - Net Profit Margin

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	4.12	-12.5%	0.7%	910,600	1.48	7.3%	2.79	9.0%
Kenya Power	1.40	-18.1%	1.4%	2,810,600	N/M	0.0%	N/M	N/M
Total Kenya	24.00	0.0%	0.0%	37,900	5.96	5.4%	4.03	10.8%
Sector Average					3.72	3.6%		9.0%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.20	3.3%	1.4%	556,200	0.29	N/M	71.4%	34.6%
Britam	7.00	-3.6%	0.0%	187,200	0.24	N/M	80.6%	58.1%
Jubilee	280.00	-1.4%	-1.7%	15,800	8.56	5.33	101.3%	44.2%
Kenya Re	2.39	3.0%	0.0%	265,500	0.07	0.94	71.2%	13.1%
Sanlam Kenya	11.35	-12.4%	-1.3%	8,100.00	7.88	14.37	85.8%	35.5%
Liberty	7.98	3.6%	5.3%	800.00	0.99	6.09	119.6%	48.7%
Sector Average					3.01	6.68	88.3%	39.0%

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	15.45	6.6%	6.6%	2,811,100	2.22	0.33	6.95	9.3%
Home Afrika Ltd	1.18	0.0%	5.0%	341,400	N/M	N/M	N/M	2.6%
Trans-Century	1.18	-18.6%	6.3%	21,500.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.33		5.5%

*P/B based on company Net Asset Value

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	9.00	10.3%	4.4%	60,300	30.00	3.1%	0.3	3.9%
Sector Average					30.00	3.1%		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.27	0.0%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	172.25	11.7%	0.3%	763,100	33.32	1.7%	5.17	46.6%
FTG Holdings	1.41	14.6%	4.4%	27,300	5.42	0.0%	0.26	4.8%
Carbacid	10.90	-9.9%	-0.9%	12,800	8.58	6.4%	1.27	10.0%
BAT	471.00	30.5%	0.7%	3,000	8.54	9.6%	55.18	51.2%
Sector Average					13.96	3.5%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	39.40	15.0%	-3.4%	24,267,600	23.04	3.5%	1.71	49.9%
Sector Average					21.18	3.6%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.10	9.7%	0.0%	38,900	20.86	12.13%	0.82
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

Source: NSE and Faida Investment Bank Analysis

Recommendations

Counter	Recommendation	52-Week High	52-Week Low	Price	Target Price	Upside/(Downside)	Expected DPS	YTD Change
Equity Group	Hold	KES 42.00	KES 28.10	KES 40.95	KES 41.07	0.3%	KES 2.21	12.0%
KCB	Neutral	KES 42.45	KES 30.55	KES 41.95	KES 44.59	6.3%	KES 1.10	10.1%
EABL	Long-term Buy	KES 177.50	KES 148.25	KES 172.25	N/A	N/A	N/A	11.7%

Source: NSE and Faida Investment Bank Analysis

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

Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
I&M Holdings Plc	Final dividend	KES 2.25	1-Apr-21	15-Apr-21	20-May-21
NCBA Group	Final dividend	KES 1.50	29-Mar-21	20-Apr-21	Subject to approval
KCB Group	First & Final dividend	KES 1.00	18-Mar-21	26-Apr-21	Subject to approval
Standard Chartered Bank	First & Final dividend	KES 10.50	25-Mar-21	27-Apr-21	27-May-21
KenGen Co. Plc	First & Final dividend	KES 0.30	28-Jan-21	29-Apr-21	22-Jul-21
I&M Holdings Plc	Bonus Issue	1.1	31-Mar-21	10-May-21	21-May-21
Bamburi Cement Ltd	First & Final dividend	KES 3.00	20-Apr-21	16-May-21	15-Jul-21
Stanbic Holdings Plc	Final dividend	KES 3.80	5-Mar-21	21-May-21	Subject to approval
B.O.C Kenya	Final dividend	KES 4.15	21-Apr-21	25-May-21	19-Jul-21
Jubilee Holdings	Final dividend	KES 8.00	16-Apr-21	26-May-21	26-Jul-21
Kakuzi Plc	First & Final dividend	KES 18.00	19-Mar-21	31-May-21	30-Jun-21
Sasini	Interim dividend	KES 0.50	11-May-21	2-Jun-21	15-Jul-21
NSE Plc	First & Final dividend	KES 0.53	26-Mar-21	4-Jun-21	30-Aug-21
Umeme Ltd	Final dividend	UGX 12.20	23-Mar-21	25-Jun-21	19-Jul-21
Total Kenya	First & Final dividend	KES 1.57	6-Apr-21	26-Jun-21	30-Jul-21
Safaricom	Final dividend	KES 0.92	13-May-21	Subject to Approval	Subject to approval

Source: NSE

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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 drivers