



Weekly Report

Week 22

Week Ending Friday, June 4, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	34,674.00	0.3%	14.1%
S&P 500	4,220.23	0.1%	13.0%
NASDAQ 100	13,755.35	0.3%	7.0%
DAX	15,692.90	1.0%	14.4%
FTSE 100	7,069.04	0.3%	9.4%
EURO STOXX 50	4,089.38	0.4%	15.1%
Shanghai Composite	3,591.85	-0.2%	3.4%
NIKKEI 225	28,941.52	-0.7%	5.5%
Commodities			
Brent Oil (USD/bbl.)	71.56	2.5%	40.0%
Gold (USD/Oz)	1,890.53	-0.5%	-0.4%

Source: Bloomberg, NSE; *As at 7:30 PM EAT

The equities indices edged up during the week. The S&P 500 and the NASDAQ 100 experienced subdued growth, weighed down by inflation concerns. The FTSE 100 rose only marginally by 0.43% w/w dragged down by bank and industrial stocks. Brent Oil reached a new 52-week high of \$72.17 today and closed at 71.56 as OPEC+ announced the retention of supply cuts.

Equities Market

Equity Market Commentary

The All Share Index (NASI) eased by 1.6% w/w while the NSE 20 Share Index rose by 2.5% w/w to close the week at 169.87 and 1,908.82 respectively. The market was characterized by a decrease in both market turnover (53.6% to KES 2.3 billion) and volume of shares traded (42.4% to 77.1 million shares).

We attribute the decline in the all share index partly to Safaricom which eased by 3.2% w/w to KES 40.50. Majority of the constitute counters in the NSE 20 share index recorded price gains which may explain the rise in the index (note that the NSE 20 share index is price weighted by the NASI is market cap weighted).

Kenya Re registered an 8.2% w/w price gain to KES 2.50 even as the company reported a 25.8% y/y dip in profitability to KES 2.9 billion.

There were price increases on majority of the banking counters with notable price gains on Absa (2.7% w/w to KES 9.78), NCBA (2.6% w/w to KES 26.10) and I&M (2.1% w/w to KES 22.00).

NMG edged up by 31.0% w/w to KES 22.60 following the announcement that the company is willing to buy back shares (about 20.7 million shares) at a maximum price of KES 25.0 per share. We expect more gains in the counter in the coming week. Overall, we expect price stability.

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	169.87	172.69	(1.6%)	11.7%
NSE 20	1,908.82	1,862.15	2.5%	2.2%
NSE 25	3,692.00	3,712.70	(0.6%)	8.1%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,645.16	2,689.04	(1.6%)
Volume (Mn)	71.05	123.30	(42.4%)
Equity Turnover (KES Mn)	2,316.05	4,991.55	(53.6%)

Source: NSE

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Equities Performance

	Top Gainers	Price (KES)	Weekly Change %	YTD Change
1.	NMG	22.60	31.0%	46.3%
2.	Home Afrika	0.42	10.5%	0.0%
3.	Bamburi	37.30	9.5%	(1.5%)
4.	Olympia	1.99	9.3%	(9.5%)
5.	Umeme	6.08	8.6%	(16.5%)

	Top Losers	Price (KES)	Weekly Change	YTD Change %
1.	B.O.C Kenya	68.00	(9.6%)	7.9%
2.	Uchumi	0.24	(7.7%)	(14.3%)
3.	Sameer	3.27	(6.6%)	0.6%
4.	Scangroup	5.42	(6.6%)	(9.7%)
5.	HF Group	3.65	(5.2%)	9.9%

	Movers	Price (KES)	Turnover (KES Mn)
1.	Safaricom	40.50	547.3
2.	Equity Group	42.85	546.6
3.	EABL	190.00	479.6
4.	NCBA Group	26.10	269.3
5.	KCB Group	42.25	144.7

Source: NSE and Faida Investment Bank Analysis

News Highlights

Kenya Re Posts a 25.8% Decline in After Tax Profits for FY2020

- Kenya Re reported a 25.8% y/y decline in after tax profits (PAT) for FY2020 to KES 2.9 billion (FY2019: KES 4.0 billion).
- The decline in profitability was primarily due to an increase in net claims, a rise in cedant acquisition costs and higher taxation.
- Net earned premiums edged up by 34.3% y/y to KES 20.9 billion comprising of KES 19.1 billion in short term business and KES 1.8 billion in long-term business. The growth in net earned premiums was primarily supported by a positive inflow from the change in unearned premiums to KES 3.0 billion from an outflow of KES 913.3 million in FY2019; Gross premiums written rose by 5.8% y/y to KES 18.5 billion.
- Investment income grew by 2.1% y/y to KES 3.8 billion.
- Commissions recovered fell by 6.3% y/y to KES 51.3 million.
- Fair value loss on revaluation of investment properties stood at KES 36.4 million from a gain of KES 2.2 bn realized in FY2019.
- Other income rose marginally by 0.7% y/y to KES 53.4 million
- Share of associate profits dropped by 50.1% y/y to KES 292.8 million.
- Total income grew by 13.0% y/y to KES 25.0 billion
- Net claims and benefits rose by 22.2% y/y to KES 13.5 billion comprising of KES 12.2 billion in short term business and KES 1.3 billion in long-term business. The growth was mainly driven by a 21.7% y/y increase in gross claims incurred and policy holder benefits to KES 13.9 billion. The loss ratio improved to 64.8% from 71.2% in FY2019 owing to the faster growth in net premiums (+34.3% y/y to KES 20.9 billion) than the net claims and benefits.
- Cedant acquisition costs edged up by 29.8% y/y to KES 5.3 billion
- Operating and other expenses eased by 3.8% y/y to KES 2.0 billion. Consequently, the expense ratio fell to 9.4% (FY2019: 13.2%).
- Provision for doubtful debts eased by 69.4% y/y to KES 227.8 million even as reinsurance receivables edged up by 26.9% y/y to KES 3.3 billion.
- Total claims, benefits and other expenses grew by 17.2% y/y to KES 21.0 billion. The combined ratio fell to 100.8% from 115.5% in FY2019.
- Tax expense increased by a massive 396.0% to KES 1.0 billion. This was the biggest driver of the decline in PAT.
- The company recommended the payment of a KES 0.20 dividend (FY2019: KES 0.10).

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Commentary

- The growth in gross written premiums and improvement in underwriting ratios is commendable given the harsh operating environment. It's not clear to us whether the improvement in underwriting ratios was due to the environment in the previous year or deliberate actions by management or a combination of the two.
- We opine that the big drop in profit after tax was a blip since it was driven by a higher tax expense. We could see better performance in the coming years.
- The recommendation is under review.

CBK Invites Bids for FXD1/2019/20 and FXD1/2012/20 Treasury Bonds

- Equity. The Central Bank of Kenya (CBK), acting in its capacity as fiscal agent for the Republic of Kenya, has invited bids for the FXD1/2019/20 and the FXD1/2012/20 with the intention of raising KES 30.0 billion for budgetary support.
- The features of the bonds are shown in the table below:

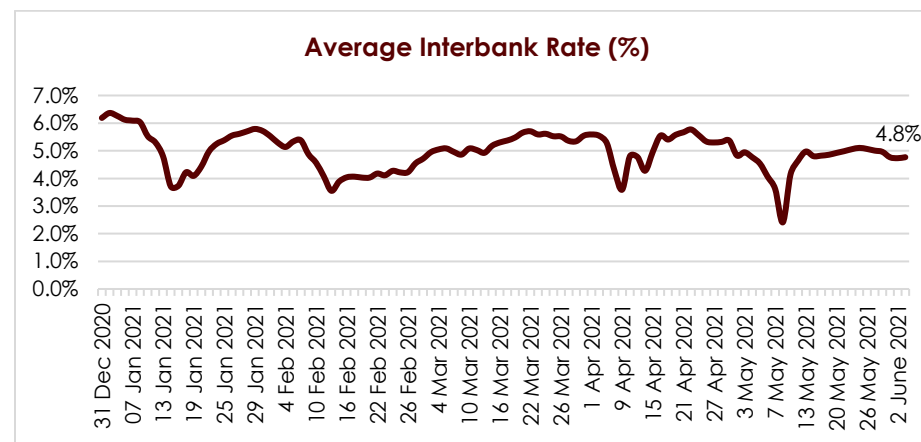
	FXD1/2019/20	FXD1/2012/20
Amount	KES 30.0 billion	
Tenor	17.9 years	11.4 years
Coupon rate	11.873%	12.000%
Taxation	10.0%	10.0%
Period of sale	2/06/2021 to 15/06/2021	
Redemption date	21/03/2039	01/11/2032

Source: CBK

- We recommend bidding as follows:
 - FXD1/2019/20**
 - Non-aggressive bids – 13.20% to 13.40%
 - Aggressive bids – 13.50% to 13.70%
 - FXD1/2012/20**
 - Non-aggressive – 12.30% to 12.50%
 - Aggressive bids – 12.60% to 12.80%

Fixed Income Market

Interbank Rate



Source: CBK

Treasury Bill Auction Results

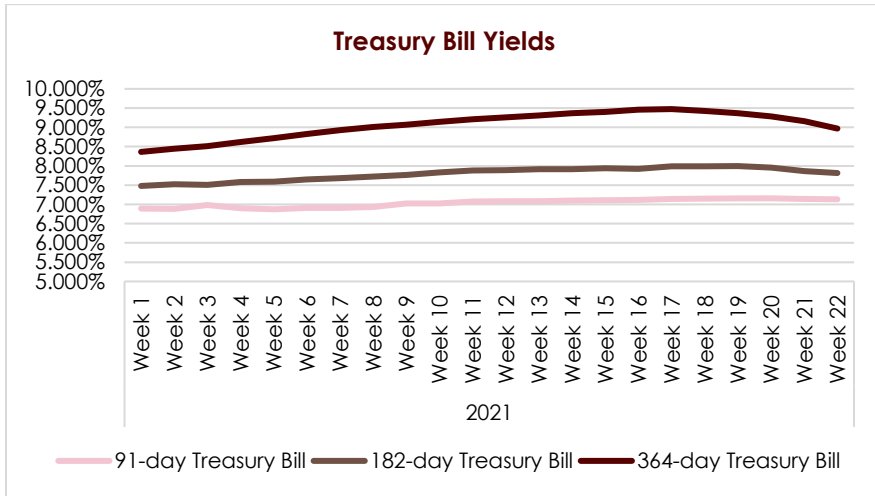
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	1.37	34.34%	1.34	7.137%	(0.2)
182 day	10.0	9.99	99.94%	9.87	7.818%	(4.7)
364 day	10.0	27.63	276.26%	11.66	8.973%	(18.3)
Total	24.0	38.99	162.47%	22.87		

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

Source: CBK

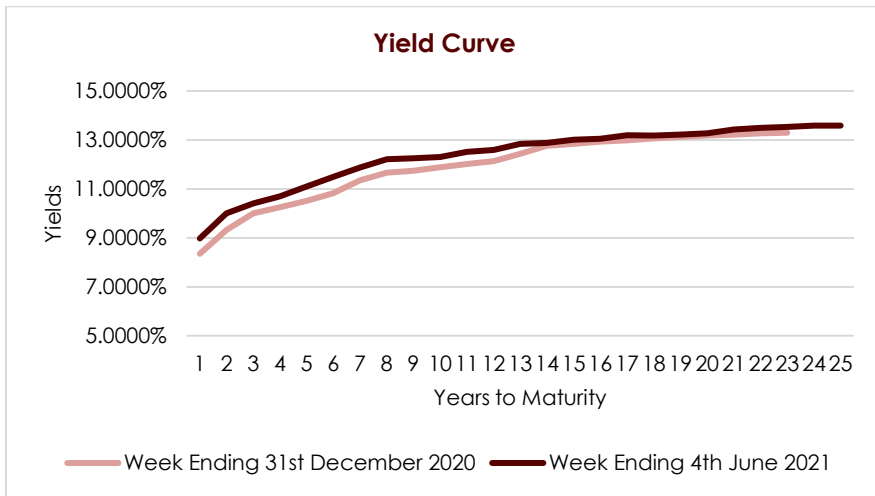
Treasury bills were oversubscribed during the week's auction; the total subscription rate was 162.47%, up from last week's 162.47%. The 364 day paper also had the highest subscription rate this week, at 276.26%.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

Macroeconomic Indicators

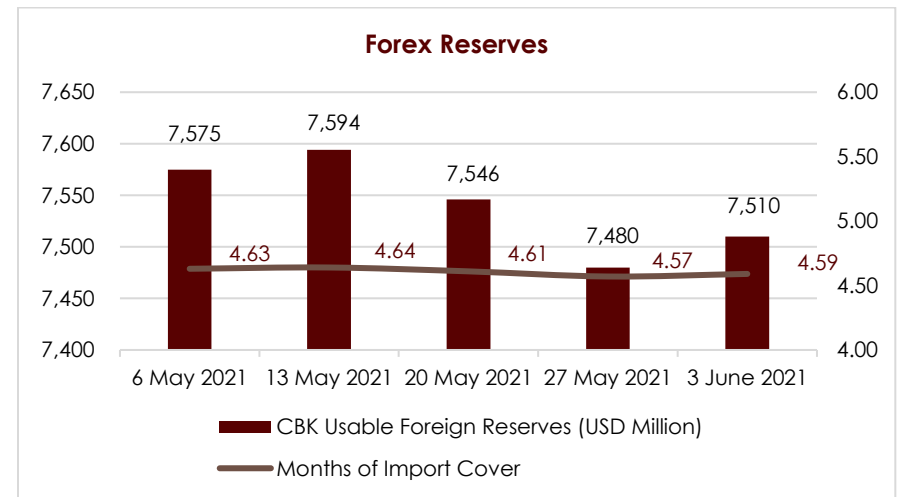
Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	107.7997	(0.2%)	1.3%
STG Pound	152.9326	(0.4%)	(3.1%)
EURO	131.4368	(0.2%)	1.8%

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

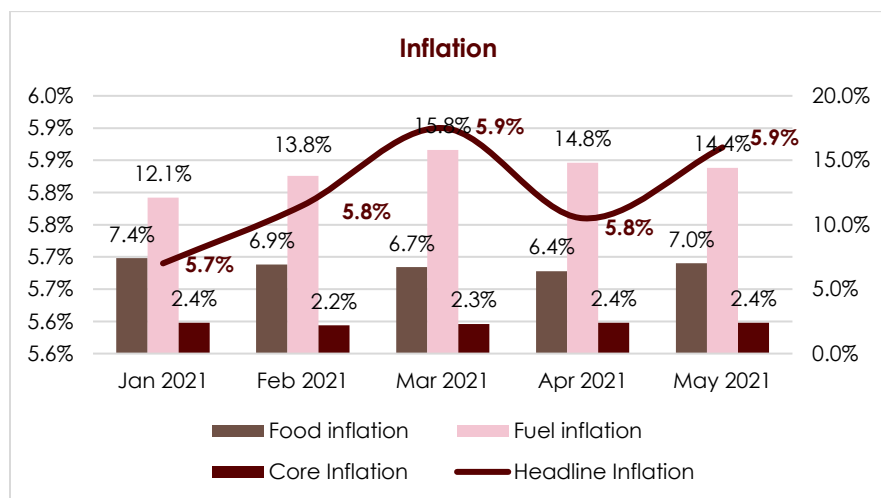
During the week, the Kenya Shilling depreciated against the US Dollar, the Euro, and the Sterling Pound.

Forex Reserves



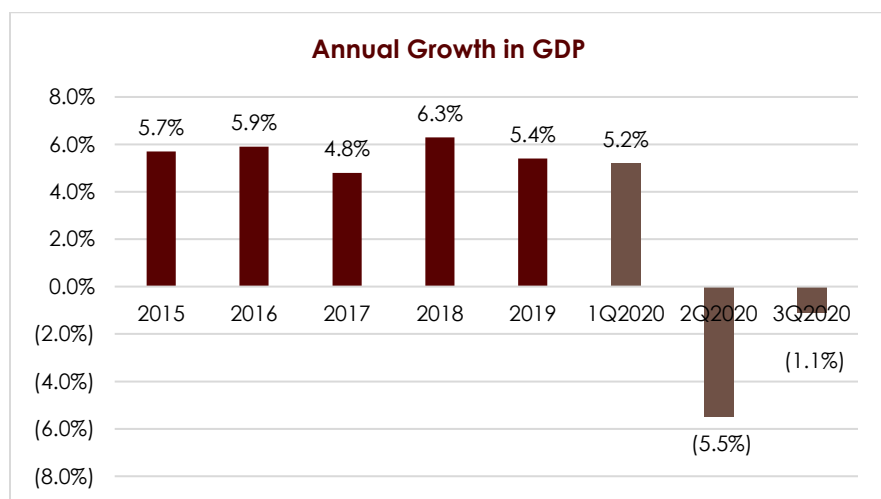
Source: CBK

Inflation



Source: KNBS

Gross Domestic Product (GDP)



Source: KNBS

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

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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	163	311
Total Value	6,409,470	12,041,125
Total Open Interest	392	453

Source: NSE

Corporate Finance

CribMD Raises USD 2.6 million in Seed Funding

CribMD, a Nigerian startup, has secured USD 2.6 million in a seed funding round. The startup connects users with doctors for house calls as well as other telemedicine services through its on demand platform. CribMD earns revenue through paid subscriptions (monthly, quarterly or yearly). The funding was raised from US accelerator Sputnik ATX and The Guardian Nigerian and will be used for expansion purposes.

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	East African Cables	Construction and Allied
3	Crown Paints	Construction and Allied
4	Home Afrika	Investment
5	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	42.25	10.9%	-0.4%	3,439,100	44.8%	6.93	2.4%	0.95	14.4%
Equity Bank	42.85	17.2%	-0.3%	12,850,300	51.5%	8.17	0.0%	1.17	15.8%
NCBA	26.10	-2.4%	2.6%	10,161,200	41.9%	3.00	6.7%	0.58	15.3%
Stanbic	80.00	-5.9%	0.6%	24,900	52.2%	6.09	4.8%	0.61	10.3%
Absa Bank Kenya Plc	9.78	1.2%	2.7%	3,547,500	48.2%	12.76	0.0%	1.14	8.9%
Housing Finance	3.65	9.9%	-5.2%	118,000	93.8%	N/M	0.0%	0.15	-18.2%
Co-operative Bank	12.25	-2.0%	0.8%	4,993,700	58.1%	6.65	8.2%	0.91	12.7%
Diamond Trust Bank	60.00	-20.0%	0.0%	1,186,000	48.6%	5.17	4.5%	0.27	5.4%
Standard Chartered	130.00	-9.9%	0.0%	178,100	58.8%	12.38	8.1%	0.89	11.2%
I&M	22.00	-51.1%	2.1%	106,300	39.0%	1.69	11.6%	0.32	20.4%
Sector Average					53.7%	6.98	4.6%	0.70	9.6%

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	22.60	46.3%	31.0%	619,000	113.00	0.0%	0.2	1.7%
WPP Scangroup	5.42	-9.7%	-6.6%	56,200	4.84	9.2%	1.12	6.0%
Uchumi Supermarket	0.24	-14.3%	-7.7%	87,500	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.00	-18.0%	0.0%	42,400	5.88	13.0%	0.68	17.3%
Eveready	0.96	-20.0%	0.0%	11,600	N/M	0.0%	-1.45	-10.8%
Sector Average					41.24	4.4%		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	37.30	-1.5%	9.5%	45,500	15.22	8.0%	3.2%	3.8%
E.A. Portland Cement	7.90	-28.2%	-1.3%	3,200	N/M	0.0%	0.0%	0.0%
Sector Average					15.22	4.0%	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	3.99	-15.3%	0.5%	905,200	1.43	7.5%	2.79	9.0%
Kenya Power	1.35	-21.1%	1.5%	3,021,000	N/M	0.0%	N/M	N/M
Total Kenya	25.25	5.2%	4.8%	33,000	6.27	5.1%	4.03	10.8%
Sector Average					3.85	3.8%		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	2.07	-2.8%	-3.3%	354,700	0.27	N/M	71.4%	34.6%
Britam	7.12	-1.9%	-1.7%	118,100	0.24	N/M	80.6%	58.1%
Jubilee	280.00	-1.4%	0.0%	8,800	8.56	5.33	101.3%	44.2%
Kenya Re	2.50	7.8%	8.2%	3,251,600	0.07	2.38	67.7%	8.9%
Sanlam Kenya	10.50	-18.9%	-4.5%	1,200.00	7.29	13.29	85.8%	35.5%
Liberty	7.00	-9.1%	-0.6%	45,200.00	0.87	5.34	119.6%	48.7%
Sector Average					2.89	6.59	87.7%	38.3%

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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	15.10	4.1%	4.1%	178,600	2.17	0.32	6.95	9.3%
Home Afrika Ltd	1.22	0.0%	10.5%	1,336,800	N/M	N/M	N/M	2.6%
Trans-Century	1.22	-15.9%	5.2%	31,100.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.32		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	9.02	10.5%	1.3%	406,700	30.07	3.1%	0.3	3.9%
Sector Average					30.07	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%	-	N/M	0.0%	-4.43	-69.4%
EABL	190.00	23.2%	2.0%	2,529,800	36.75	1.6%	5.17	46.6%
FTG Holdings	1.31	6.5%	0.8%	110,500	5.04	0.0%	0.26	4.8%
Carbacid	11.30	-6.6%	4.6%	7,381,800	8.90	6.2%	1.27	10.0%
BAT	465.25	28.9%	0.3%	21,900	8.43	9.7%	55.18	51.2%
Sector Average					14.78	3.5%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	40.50	18.2%	-3.2%	13,352,500	23.68	3.4%	1.71	49.9%
Sector Average					23.68	3.4%		

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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	6.28	12.9%	5.0%	99,600	20.86	11.78%	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
EABL	Long-term Buy	KES 190.00	KES 148.25	KES 190.00	N/A	N/A	N/A	23.2%

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
NCBA Group	Final dividend	KES 1.50	29-Mar-21	20-Apr-21	Subject to approval
KenGen Co. Plc	First & Final dividend	KES 0.30	28-Jan-21	22-Apr-21	22-Jul-21
KCB Group	First & Final dividend	KES 1.00	18-Mar-21	26-Apr-21	26-Jun-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	4-Jun-21
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
Crown Paints Kenya	Rights Issue	1.1	21-May-21	31-May-21	15-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	25-Jun-21	30-Jul-21
Kenya Re	First & Final dividend	KES 0.20	2-Jun-21	30-Jun-21	13-Aug-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