

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 142.88	0.1%	-14.1%	USD Mn – 20,505 KES Bn – 2,184
	NSE 20 Share Index – 2,011.77	0.8%	-24.2%	USD Mn – 17,643 KES Bn – 1,922.438
	NSE 25 Share Index – 3,285.90	-	-19.9%	USD Mn – 19,175 KES Bn – 2,042.246

Source:NSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –106.5047	(0.4%)	(5.1%)	5.5% (05/2020)	5.4% (2019)
NGN/USD -360.50	-	(17.6%)	12.3% (04/2020)	2.3% (2019)
ZAR/USD – 17.0858	(1.4%)	(21.7%)	4.1% (03/2020)	-0.5%(4Q2019)

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

Centum Posts 19.2% Growth in Operating Profit

- Centum recorded a 19.2% rise in the company's* operating profit to KES 827.0 million. This was mainly on the back on a 16.7% growth in investment income to KES 3.7 billion but weighed down by higher operating expenses and finance costs.
- The rise in investment income was primarily attributable to gains of KES 2.7 billion following the disposal of Almasi Beverages and Nairobi Bottlers Limited. It is worth noting that this gain is lower due to the adoption of IFRS 9 which does not allow recycling/reclassification of prior unrealized gains through the income statement. The actual gain realized (calculated as difference between the sale proceeds and acquisition cost) was KES 16.0 billion.
- Operating expenses increased by 41.9% to KES 894.0 million on higher portfolio costs (employee bonuses).
- Interest expenses increased by 6.0% to KES 1.8 billion despite company level borrowings declining by 53.6% to KES 7.5 billion. The decline in borrowings was due to the settlement of the USD 75.0 million (KES 7.8 billion) facility. However, this was done late in year and so the company incurred finance costs and (forex losses on settlement) for most of the financial year. The company has subsequently (post balance sheet date) retired the remaining KES 6.6 billion corporate bond.
- Income tax expense grew by 848.8% to KES 797.0 million mainly due to the capital gains tax on the disposal of the bottler assets. As a result, profit after tax declined by 74.6% to KES 189.0 million.
- The company also booked a KES 3.6 billion impairment provision on Amu Power and other assets
- Total company assets decreased to 56.9 billion from KES 71.6 billion as a result of the debt repayments and increased impairment provisioning.

*We use company statements because they better capture Centum's business model (an investment company).

Portfolio Performance Highlights:

Real Estate

- Represents 59.0% of the Net Asset Value and 65.0% of total assets
- Total units pre-sold increased by 71.6% to 999 units. The sales value of these units is KES 7.8 billion. Over 26.0% of the deposits have been collected.
- Occupancy at Two Rivers Mall increased from 78.0% to 81.0%.

Private Equity

- Represents 25.0% of Net Asset Value and 22.0% of total assets. Total private equity assets stood at KES 9.4 billion
- 2.7x growth in profitability year on year driven by turnaround of Sidian Bank Limited
- KES 318.0 million in dividends (27.0% y/y) paid to Centum (this excludes bottler assets). Average dividend yield of about 1.8% for the period between FY2015 and FY2019.
- Bottler proceeds of KES 18.6 billion (net of Capital Gains Tax)

Marketable Securities and Cash Holdings

- Represents 12.0% of Net Asset Value and 10.0% of total assets. Market securities and cash holds stood at KES 8.9 billion (from KES 4.1 billion) allocated as follows: 60.0% in fixed income, 6.0% in mutual funds, 30.0% cash and 5.0% in equities.
- KES 450.0 million in cash returns (12.5% y/y)

Development Portfolio

- This mostly reflects the greenfield projects in Amu Power, Akiira, Greenblade Growers and ACE holdings.
- Represents 3.4% of Net Asset Value and 2.8% of Total assets
- Most of the projects are carried at cost since they are yet to be profitable.
- AMU power have been plagued by delays which has necessitated the write down.

Commentary

- On real estate, we are optimistic on the sales led strategy which ensures that there is market validation first (30.0% pre-sales level) before

commencement of any project. However, real estate is characterized by a boom-bust cycle and currently we are at a “bust” (over-supply). We also recognize that properties are unique. Centum may benefit from the lower exposure to commercial office properties and unique location of some of its properties. The COVID-19 pandemic is expected to slow down sales. According to management, monthly sales have dropped from an average of 40.0 units pre-COVID-19 to 24.0 units in April but have picked up in June.

- On private equity, Sidian bank's return to profitability is a boost to the performance of the portfolio. We expect further improvement in profitability post-COVID-19 as result of the repeal on interest rate caps. However, with the pandemic, we may see lower dividends from the portfolio companies as they conserve cash. On the other hand, it offers an opportunity for Centum to acquire stakes in distressed (but with good growth prospects) companies at significant discounts. The move to adopt a more a hedge fund like structure (where Centum is a general partner and 3rd party investors are limited partners) and under Fund II will also reduce strain on Centum's cash flows.
- The increased allocation to fixed income securities in the marketable securities will help the company preserve wealth. However, according to management, tactical allocation to equities may be made in anticipation of a recovery.
- Overall, we are optimistic on the move towards less greenfield projects under the Centum 4.0 strategy. We also laud the move to deleverage the balance sheet at company level which may lead higher dividend payouts or investments in more profitable ventures. However, the high real estate exposure is a cause for concern. Investment in the company will entail significant risk tolerance to ride the uncertainties as to when there will be recovery of the real estate market in Kenya. We note that the company still holds sizable amounts of land banks and undeveloped properties. Monetizing these investments will take a long period and will require investors to have a long-term outlook on the company. We are therefore **NEUTRAL** on Centum.

Market Commentary

All Share Index gained 2.7% w-o-w to close the week at 142.8. This was mainly attributed to price gains on Safaricom, +3.2% w-o-w to close the week at KES 30.45 on foreign investor demand. NSE 20 Index gained 2.7% w-o-w to close the week at 2,011.77 as majority of the counters in the index recorded price gains. The biggest gainer of the week was Britam (+49.5%) to close the week at KES 9.72 driven by foreign investor demand. Other gainers were Centum (+9.2%) at KES 25.50 and Equity (+5.1%) at KES 34.85. We expect continued pickup in activity in the coming week with anticipated profit taking activities on Safaricom and Britam.

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	35.00	-35.2%	0.3%	3,200,200	45.9%	4.34	10.0%	0.84	20.7%
Equity Bank	34.85	-34.9%	5.1%	3,091,100	51.5%	5.83	0.0%	1.18	21.8%
NCBA	27.05	-26.6%	-2.7%	104,500	41.9%	3.11	0.0%	0.60	15.3%
Stanbic	77.00	-29.5%	-1.9%	814,200	56.2%	4.77	9.2%	0.62	13.6%
Absa Bank Kenya Plc	9.92	-25.7%	-1.3%	452,600	51.2%	7.23	11.1%	1.19	16.7%
Housing Finance	3.91	-39.5%	0.0%	62,400	93.8%	N/M	0.0%	0.13	-1.1%
Co-operative Bank	12.25	-25.1%	-3.2%	1,938,700	52.1%	5.02	8.2%	0.91	19.2%
Diamond Trust Bank	70.00	-35.8%	0.4%	2,300	48.6%	2.88	3.9%	0.33	12.1%
Standard Chartered	170.00	-16.0%	-1.7%	200	55.6%	7.09	11.8%	1.22	17.5%
I&M	50.00	-7.4%	8.7%	200	39.0%	1.92	5.1%	0.36	20.4%
Sector Average					53.6%	4.69	5.9%	0.74	15.6%

P/B (X) - FY2019

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	2.86	39.5%	22.7%	217,800	N/M	0.0%	-1.3	N/M
Nation Media Group	16.15	-59.4%	-1.8%	41,600	3.59	9.3%	4.5	10.9%
WPP Scangroup	17.00	-1.2%	0.3%	17,000	15.18	2.9%	1.12	6.0%
Uchumi Supermarket	0.30	3.4%	-6.3%	21,200	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.60	-32.0%	-3.4%	18,300	6.76	11.3%	0.68	17.3%
Eveready	1.01	-8.2%	-12.9%	20,300	N/M	0.0%	-1.45	-10.8%
Sector Average					8.51	4.7%		5.8%

*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	38.20	-52.3%	-8.9%	6,600	15.59	0.0%	1.6%	2.1%
E.A. Portland Cement	14.25	-1.7%	0.0%	0	N/M	0.0%	0.0%	0.0%
Sector Average					15.59	0.0%	0.8%	1.0%

*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	4.90	-14.3%	0.6%	79,300	4.08	8.2%	1.20	4.2%
Kenya Power	2.29	-18.5%	11.7%	355,200	17.62	0.0%	0.13	0.4%
Total Kenya	25.00	-9.1%	2.5%	2,000	6.20	5.2%	4.03	10.8%
Sector Average					9.30	4.1%		2.3%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.30	-14.2%	-4.2%	2,044,300	0.29	19.17	69.8%	34.4%
Britam	9.72	8.0%	49.5%	5,090,700	0.33	6.89	65.3%	37.2%
Jubilee	255.00	-27.4%	1.2%	0	9.08	4.86	91.9%	46.2%
Kenya Re	2.20	-27.4%	-3.9%	8,249,600	0.08	0.86	71.2%	13.1%
Sanlam Kenya	14.95	-13.1%	-6.6%	0	10.38	18.92	85.8%	35.5%
Liberty	8.00	-22.7%	-2.4%	7,500	1.00	6.11	119.6%	48.7%
Sector Average					0.88	9.57	83.9%	35.8%

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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	25.50	9.2%	9.2%	56,200	3.67	*0.36	6.95	8.9%
Home Afrika Ltd	1.62	-23.3%	-2.1%	46,500	N/M	N/M	N/M	2.6%
Trans-Century	0.00	-35.2%	-0.6%	10,900	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.36		5.4%

*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	7.36	-100.0%	6.3%	11,900	26.07	#DIV/0!	0.3	3.9%
Sector Average					26.07	#DIV/0!		

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	167.00	-15.1%	0.9%	121,300	15.00	5.0%	11.23	83.0%
FTG Holdings	1.46	-25.9%	25.3%	84,500	7.04	0.0%	0.26	4.8%
Carbacid	8.74	12.5%	3.0%	10,400	8.65	7.8%	1.04	8.6%
BAT	320.00	-36.0%	0.0%	161,300	8.24	10.5%	38.85	40.8%
Sector Average					9.73	4.7%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	30.45	-3.3%	3.2%	21,340,700	16.37	4.6%	1.86	51.8%
Sector Average					16.37	4.6%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	6.00	-36.3%	-0.7%	242,700	20.80	12.50%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

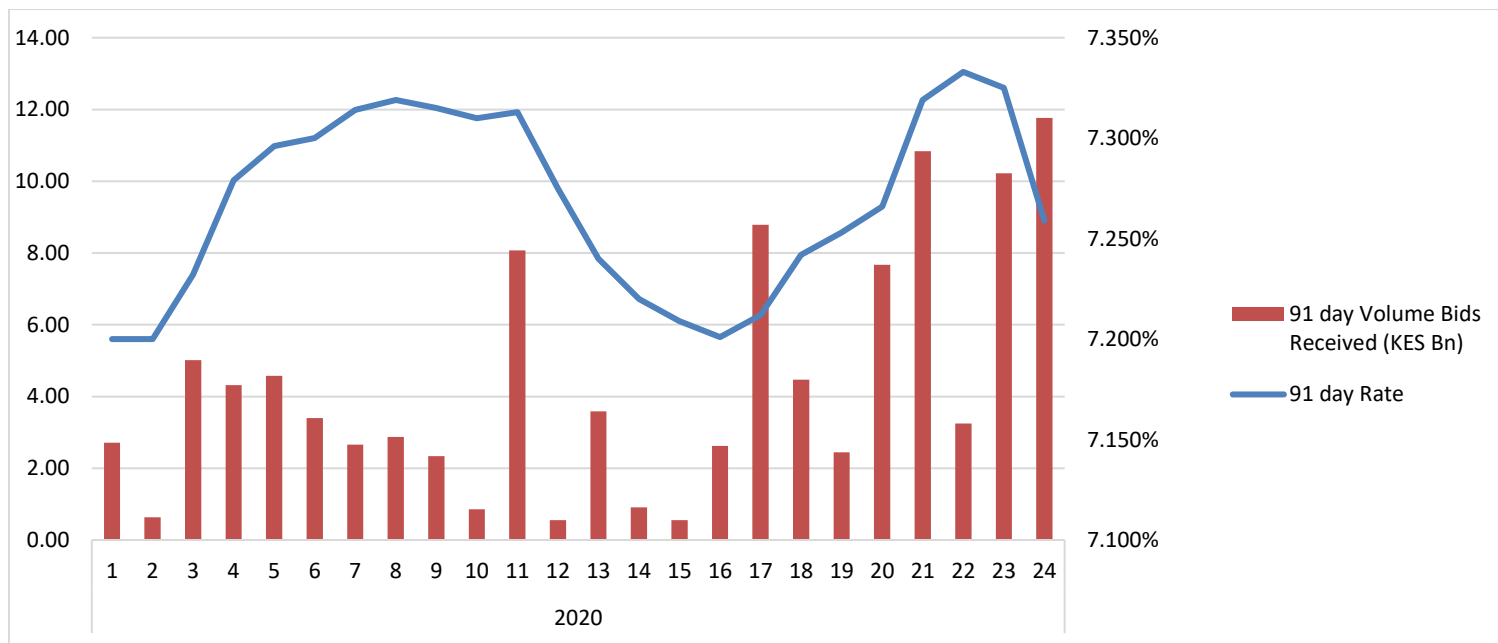
Market Statistics	This Week	Last Week	% Change
Total Volumes	147,068,500	98,901,600	48.70%
Total Turnover (KES)	3,302,568,741	2,302,014,802	43.46%

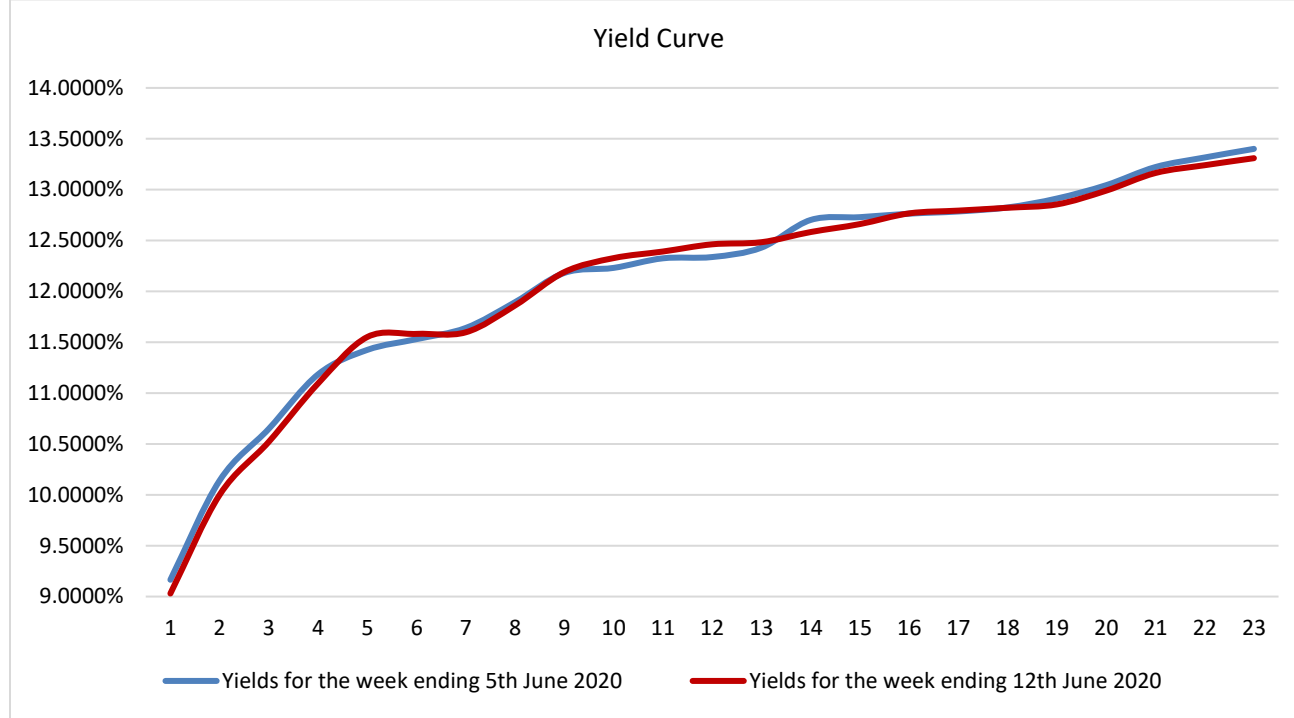
Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	11.76Bn	294.03%	3.86Bn	7.259%	7.325%	(0.066)
182 day T-bill	26.50Bn	264.95%	6.70Bn	8.058%	8.200%	(0.142)
364 day T-bill	31.47Bn	314.66%	12.29Bn	9.030%	9.165%	(0.135)

Graph showing 91 day T-bill rate and volume

Week No. 24





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	10-Apr-20	26-Jun-20
KCB Group PLC	Final dividend	Kes.2.50	12-Mar-20	27-Apr-20	Subject to Approval
Standard Chartered Bank Kenya	Final dividend	Kes.15.00	19-Mar-20	27-Apr-20	Subject to Approval
NCBA Group PLC	Bonus Issue	1:10	22-Apr-20	12-May-20	Subject to Approval
Stanbic Holdings PLC	Final dividend	Kes.5.8	02-Mar-20	18-May-20	Subject to Approval
BK Group PLC	Final dividend	Frw.14.40	27-Mar-20	12-Jun-20	01-Jul-20
Equity Group Holdings Plc	First & Final dividend	Kes.2.50	20-Mar-20	12-Jun-20	24-Jul-20
Nation Media Group Ltd	Bonus Issue	1:10	20-Apr-20	12-Jun-20	Subject to Approval
Kenya Reinsurance Ltd	First & Final dividend	Kes.0.10	27-Mar-20	12-Jun-20	24-Jul-20
Umeme Ltd	Final dividend	Ushs.41.30	23-Mar-20	22-Jun-20	17-Jul-20
Diamond Trust Bank Ltd	First & Final dividend	Kes.2.70	20-Mar-20	25-Jun-20	24-Jul-20
Total Kenya Plc	First & Final dividend	Kes.1.30	02-Jun-20	26-Jun-20	31-Jul-20
Jubilee Holdings	Final dividend	Kes.8.00	21-May-20	30-Jun-20	24-Jul-20
Safaricom Plc	First & Final dividend	Kes.1.40	29-Apr-20	31-Jul-20	01-Nov-20
ABSA Bank Kenya PLC	Final dividend	Kes.0.90	24-Mar-20	Subject to Approval	Subject to Approval
Britam Holdings PLC	First & Final dividend	Kes.0.25	03-Apr-20	Subject to Approval	Subject to Approval
I&M Holdings Plc	First & Final dividend	Kes.2.55	26-Mar-20	Subject to Approval	Subject to Approval
Nairobi Securities Exchange	First & Final dividend	Kes.0.08	27-Mar-20	Subject to Approval	Subject to Approval

Market Recommendations

Counter	Recommendation	YTD Change	Price as at 12th June 2020
Equity Group Holdings	Long-term Buy	-34.86%	34.85
KCB	Long-term Buy	-35.19%	35.00
ABSA Bank Kenya Plc	Long-term Buy	-25.69%	9.92
NCBA	Long-term Buy	-26.59%	27.05
Stanbic	Long-term Buy	-29.52%	77.00
Standard Chartered	Sell	-16.05%	170.00
HF	Sell	-39.47%	3.91
Safaricom	Hold	-3.33%	30.45
Bamburi	Sell	-52.25%	38.20

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E-mail:

research@fib.co.ke

HEAD OFFICE:

Crawford Business Park,
Ground Floor,
State House Road
Tel: 0207606026-37
P.O Box 45236-00100
Nairobi