



Weekly Report

Week 25

Week Ending Friday, June 25, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	34,372.12	3.4%	13.1%
S&P 500	4,272.49	2.5%	14.4%
NASDAQ 100	14,343.02	2.1%	11.6%
DAX	15,565.79	0.8%	13.5%
FTSE 100	7,130.60	1.6%	10.4%
EURO STOXX 50	4,112.22	0.7%	15.8%
Shanghai Composite	3,607.56	2.3%	3.9%
NIKKEI 225	29,066.18	3.8%	5.9%
Commodities			
Brent Oil (USD/bbl.)	75.66	2.9%	48.0%
Gold (USD/Oz)	1,786.91	1.3%	(5.9%)

Source: Bloomberg, NSE; *As at 5:10 PM EAT

The equities indices rose during the week. The FTSE 100 edged up by 1.6% w/w driven by energy and mining stocks. The S&P 500 rose, buoyed by stock rallies (e.g. Nike and banking stocks). Oil (brent crude) rose by 2.9% w/w on positive expectations that demand growth will exceed supply and that OPEC+ will be cautious in adding more supply to the market from August.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the fell the NSE 20 Share Index fell by 0.4% and 0.1% w/w to close the week at 171.62 and 1,899.11 respectively. Market turnover rose by 42.5% to KES 3.4 billion while the volume of shares traded edged up by 67.7% to 112.1 million shares.

We partly attribute the decline in the all share index to decline on Safaricom, which eased 1.2% w/w to KES 40.75. BAT eased by 4.1% w/w to KES 432.00 as investors continued to react negatively to the move to tax some of its products (nicotine touches) that were previously exempt. However, during the week, it

was reported that the nicotine pouches would be taxed at a lower rate. We expect this to provide some stability to the share price in the coming week.

There were notable price gains on some key banking counters; Co-operative Bank (6.1% w/w to KES 13.00), Equity (4.1% w/w to KES 46.60), KCB (3.1% w/w to KES 43.85).

Overall, we expect minimal price movements in the coming week.

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	171.62	172.38	(0.4%)	12.8%
NSE 20	1,899.11	1,901.21	(0.1%)	1.6%
NSE 25	3,749.19	3,747.26	0.1%	9.8%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,672.38	2,684.28	(0.4%)
Volume (Mn)	112.12	66.94	67.5%
Equity Turnover (KES Mn)	3,370.26	2,365.13	42.5%

Source: NSE

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Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. NBV	8.34	22.7%	94.9%
2. Liberty	8.50	17.4%	10.4%
3. BOC Kenya	67.25	9.4%	6.7%
4. Williamson Tea	147.75	9.2%	13.4%
5. Sasini	18.50	8.2%	(5.1%)

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Transcentury	1.34	(11.3%)	(7.6%)
2. Limuru Tea	320.00	(5.9%)	(11.1%)
3. KPLC	1.30	(4.4%)	(24.0%)
4. BAT	432.00	(4.1%)	19.7%
5. EABL	181.50	(4.0%)	17.7%

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	40.75	1,753.20
2. KCB	43.85	381.87
3. Equity	46.60	370.71
4. EABL	181.50	336.99
5. Co-operative	13.00	88.82

Source: NSE and Faida Investment Bank Analysis

News Highlights

Finance Bill 2021 Tax Changes

The Finance Committee (committee) has proposed changes to tax proposals contained in the finance Bill. The Finance Bill contains tax measures that are set to apply from July 2021. We highlight these changes below.

The Finance Committee rejected:

- The proposal to introduce 16.0% VAT on bread. Bread is currently zero-rated which allows bakers to seek tax refunds from inputs charged VAT, such as electricity.
- An increase on motorbike taxes to 15.0% percent of the value of a unit from a fixed charge of KES 11,608. According to the Finance Committee this would negatively impact the use of bodabodas as it would raise the cost of motorcycles.
- The proposed elimination of 16.0% VAT on liquefied petroleum gas petitioned by the Petroleum Institute of East Africa. The VAT charge on cooking gas will result in users paying at least KES 360 more for the 13.0 kg cooking gas while the 20.0% duty. According to the committee the removal of the VAT charge would negatively impact tax revenues for the financial year 2021/2022.
- Elimination of 20.0% excise duty on fees and commissions on loans petitioned by the Kenya Bankers Association

The Committee has reduced:

- Duty on nicotine pouches by 76.0% to KES 1,200 per kilo. According to the committee, this is meant to allow the growth of the industry given it is a new investment, with BAT having already invested in a new factory for manufacture of the product.
- The excise duty on betting to 7.5% from 20.0% published through the Finance Bill 2021. According to the committee, 20.0% duty on betting would have encouraged users to opt for international betting platforms instead. The 7.5% rate is expected to encourage investors.

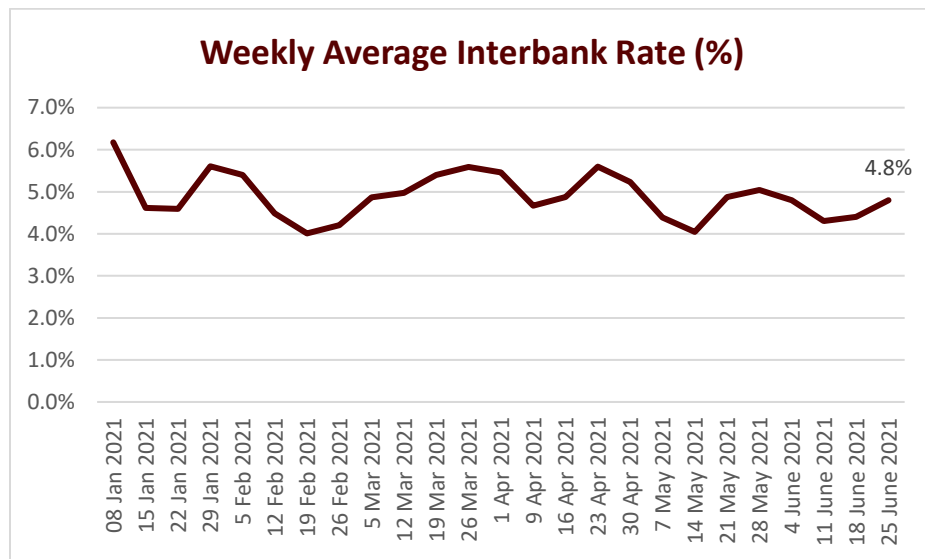
Commentary

In our view, there was an attempt to balance the need to increase tax collections by the government and cushioning individuals from higher inflation.

However, the move to levy excise duty on fees and commissions on loans at a time when credit growth is weak and there is greater urgency to stimulate the economy is quite surprising. At the very least, the government should have postponed its implementation.

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	10.7	267.71%	2.0	6.860%	-0.14%
182 day	10.0	5.6	56.04%	5.6	7.317%	-0.22%
364 day	10.0	9.0	90.38%	9.0	7.729%	-0.38%
Total	24.0	25.4	105.62%	16.6		

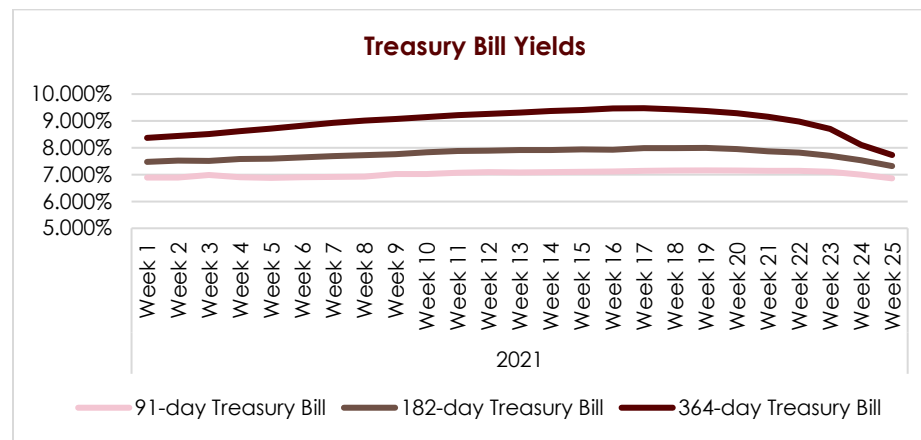
*Change = Current Rate – Previous Rate; 1.0% = 100 bps
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were oversubscribed during the week's auction; the total subscription rate was 105.62%, down from last week's 152.87%. The 91 day bill

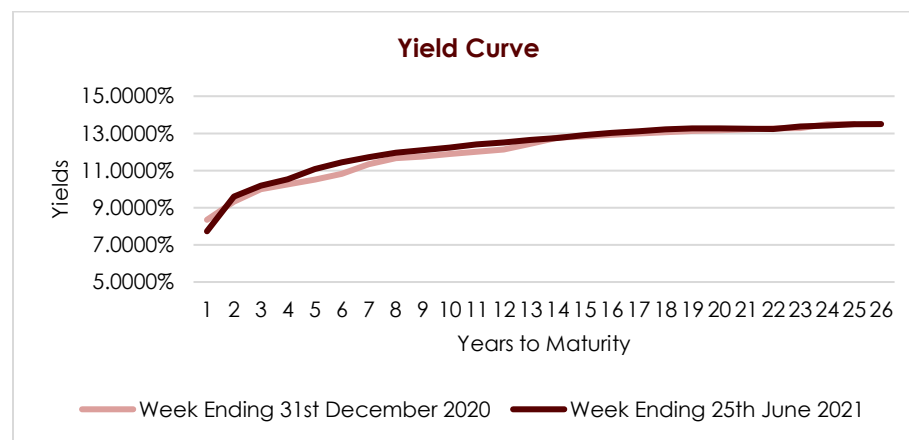
had the highest subscription rate this week, at 267.71%. However, the 182 day and 364 day bills were undersubscribed.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

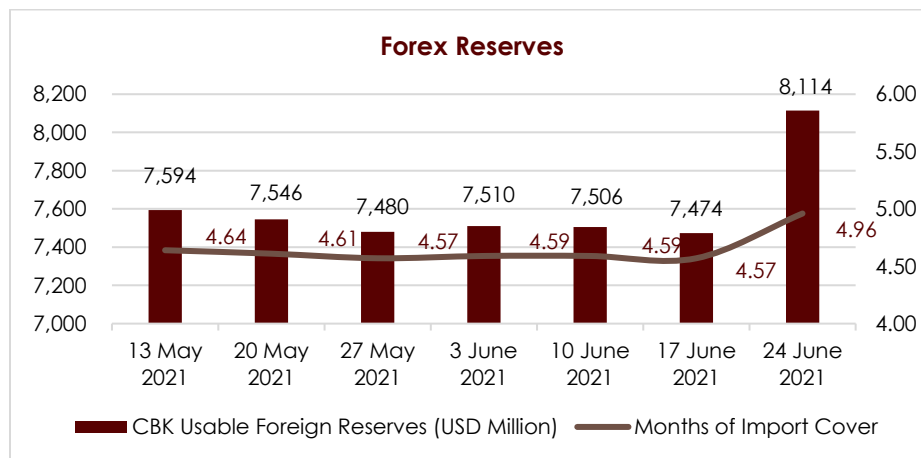
Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	107.7529	0.04%	1.3%
STG Pound	150.1394	0.7%	(1.2%)
EURO	128.6041	0.8%	4.0%

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

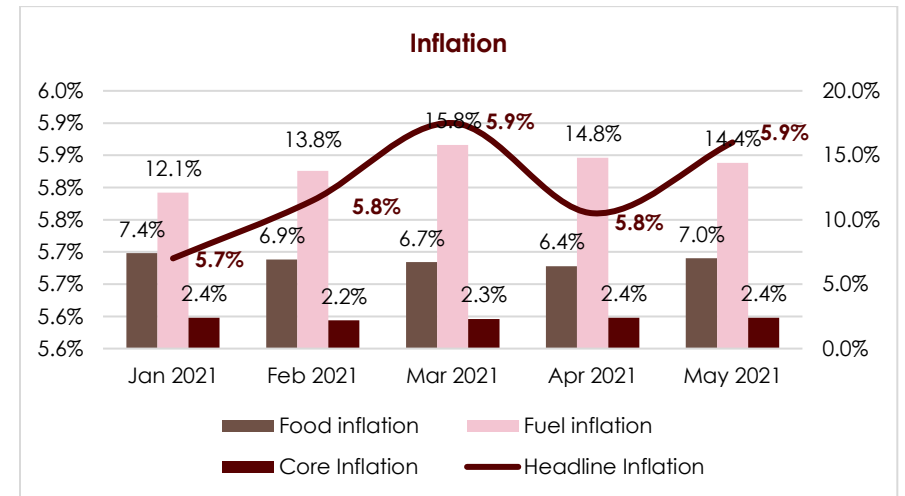
During the week, the Kenya Shilling appreciated against the US Dollar (marginally), the STG pound and the Euro.

Forex Reserves



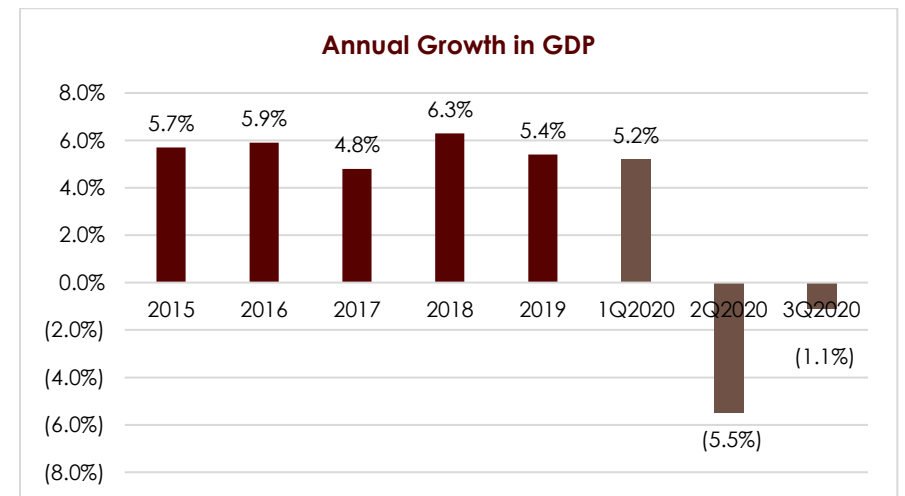
Source: CBK

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	164	300
Total Value	6,580,910	10,497,380
Total Open Interest	251	167

Source: NSE

Corporate Finance

Ed Partners Africa raises \$1.9 million in Funding

Ed Partners Africa, a Kenyan private schools financier, has raised \$1.9 million to fund affordable private schools. The funding was secured from Acumen, I&P and Zephyr as well as existing investors. The company is seeking to fund private schools with school fees ranging from \$150 to \$500 (serving low-income students) as well as learning institutions seeking loans ranging from \$2,000 to \$70,000 (payable in 6 years). The loans are for specific end-uses e.g. expansion of classrooms, purchase of school buses.

The company was founded in 2018 and has so far provided \$ 1.5 million worth of loans to 142 private schools educating 41,000 students. According to management, affordable private schools find it extremely difficult to access formal credit owing to taxing application processes and limited collateral. Moreover, mainstream financial institutions lack operational insight to lend to the segment. The new funding is expected to accelerate lending to the sector.

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
8	Williamson Tea	Agricultural
9	Olympia Capital	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	43.85	15.1%	2.9%	10,566,700	44.8%	7.19	2.3%	0.99	14.4%	
Equity Bank	46.60	27.5%	5.8%	11,634,500	51.5%	8.89	0.0%	1.27	15.8%	
NCBA	25.15	-6.0%	-4.4%	901,400	41.9%	2.89	7.0%	0.56	15.3%	
Stanbic	81.25	-4.4%	1.6%	3,100	52.2%	6.19	4.7%	0.62	10.3%	
Absa Bank Kenya Plc	9.92	2.7%	-1.8%	1,138,600	48.2%	12.95	0.0%	1.16	8.9%	
Housing Finance	3.63	9.3%	-3.5%	27,700	93.8%	N/M	0.0%	0.15	-18.2%	
Co-operative Bank	13.00	4.0%	5.7%	7,192,300	58.1%	7.05	7.7%	0.96	12.7%	
Diamond Trust Bank	60.00	-20.0%	1.7%	112,600	48.6%	5.17	4.5%	0.27	5.4%	
Standard Chartered	130.00	-9.9%	0.0%	296,300	58.8%	12.38	8.1%	0.89	11.2%	
I&M	21.10	-53.1%	-1.9%	285,000	39.0%	1.62	12.1%	0.30	20.4%	
Sector Average						53.7%	7.15	4.6%	0.72	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	23.05	49.2%	0.7%	574,500	115.25	0.0%	0.2	1.7%
WPP Scangroup	5.36	-10.7%	-2.2%	97,300	4.79	9.3%	1.12	6.0%
Uchumi Supermarket	0.27	-3.6%	8.0%	186,400	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.02	-17.6%	-4.3%	52,600	5.91	12.9%	0.68	17.3%
Eveready	0.98	-18.3%	-2.0%	6,600	N/M	0.0%	-1.45	-10.8%
Sector Average					41.98	4.5%		3.6%

**Suspended *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	35.05	-7.4%	0.1%	213,000	14.31	8.6%	3.2%	3.8%
E.A. Portland Cement	8.58	-22.0%	6.7%	48,800	N/M	0.0%	0.0%	0.0%
Sector Average					14.31	4.3%	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	3.95	-16.1%	0.3%	2,372,600	1.42	7.6%	2.79	9.0%
Kenya Power	1.30	-24.0%	-2.3%	5,533,800	N/M	0.0%	N/M	N/M
Total Kenya	25.00	4.2%	0.8%	47,100	6.20	5.2%	4.03	10.8%
Sector Average					3.81	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	2.11	-0.9%	-0.5%	608,700	0.28	N/M	71.4%	34.6%
Britam	7.36	1.4%	1.4%	474,000	0.25	N/M	80.6%	58.1%
Jubilee	310.00	9.2%	1.2%	14,000	9.48	5.90	101.3%	44.2%
Kenya Re	2.41	3.9%	-3.2%	8,687,700	0.07	2.30	67.7%	8.9%
Sanlam Kenya	10.00	-22.8%	7.5%	12,300.00	6.94	12.66	85.8%	35.5%
Liberty	8.50	10.4%	24.6%	66,700.00	1.06	6.49	119.6%	48.7%
Sector Average					3.01	6.84	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	15.70	-1.9%	-1.9%	738,800	2.26	0.33	6.95	9.3%
Home Afrika Ltd	1.34	0.0%	-4.5%	402,600	N/M	N/M	N/M	2.6%
Trans-Century	1.34	-7.6%	-6.9%	41,000.00	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	8.20	0.5%	-4.0%	467,600	27.33	3.4%	0.3	3.9%
Sector Average					27.33	3.4%		

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	181.50	17.7%	-4.5%	1,119,200	35.11	1.7%	5.17	46.6%
FTG Holdings	1.29	4.9%	-7.2%	103,300	4.96	0.0%	0.26	4.8%
Carbacid	11.75	-2.9%	6.3%	4,028,900	9.25	6.0%	1.27	10.0%
BAT	432.00	19.7%	-7.1%	49,300	7.83	10.4%	55.18	51.2%
Sector Average					14.29	3.6%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	40.75	19.0%	-1.2%	42,630,400	23.83	3.4%	1.71	49.9%
Sector Average					23.83	3.4%		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.16	10.8%	-0.6%	36,200	20.86	12.01%	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 181.50	N/A	N/A	N/A	17.67%

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
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