



Weekly Report

Week 26

Week Ending Friday, July 2, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	34,621.26	0.7%	13.9%
S&P 500	4,330.45	1.4%	15.9%
NASDAQ 100	14,664.68	2.2%	14.1%
DAX	15,657.21	0.6%	14.1%
FTSE 100	7,134.38	0.1%	10.4%
EURO STOXX 50	4,088.34	-0.6%	15.1%
Shanghai Composite	3,518.76	-2.5%	1.3%
NIKKEI 225	28,783.28	-1.0%	4.9%
Commodities			
Brent Oil (USD/bbl.)	75.64	0.0%	48.0%
Gold (USD/Oz)	1,785.26	-0.1%	-5.9%

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

Most equities indices rose during the week. The FTSE 100 edged up slightly by 0.1% w/w driven by consumer (Reckitt Benckiser, GlaxoSmithKline and Unilever) and home builder stocks. The S&P 500 and NASDAQ 100 rose, supported by better-than-expected jobs numbers (non-farm payrolls increased by 850,000 compared to the Dow Jones estimate of 706,000. However, unemployment rate was higher at 5.9% compared to the estimate of 5.6 %.) The unemployment rate is still above pre-COVID-19 levels. As such, policies may remain stimulative despite rising inflation. Oil (brent crude) eased marginally following an extension of OPEC+ supply talks.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 Share Index rose by 1.1% and 1.5% to close the week at 173.49 and 1,928.42 respectively. Market turnover declined by

24.2% to KES 2.6 billion while the volume of shares traded fell by 20.3% to 89.3 million shares. There were notable price gains on NBV (44.5% w/w to KES 12.05), Jubilee (21.2% w/w to KES 375.50), CIC (13.7% w/w to KES 2.40), HF (7.4% w/w to KES 3.90), BAT (4.2% w/w to KES 450.00) and Co-operative Bank (3.1% w/w to KES 13.40). Safaricom edged up by 1.5% w/w to KES 41.35.

We attribute the gain on Jubilee to shareholder approval of amendments to the articles of association, giving the company the option to buy back its shares. We opine that the gain on BAT was driven by the lower tax on nicotine pouches. NBV announced plans to spend about KES 3.0 billion to acquire certain assets as part of its restructuring. These assets include a parcel of land on which it plans to build a cement plant, a heavy vehicle maintenance company (Delta Automobile) and two companies in the aviation industry (Air Direct and Aviation Management Solutions Limited).

We could see some profit taking activities on counters that have rallied in recent weeks (e.g. Equity, Jubilee) as investors remain cautious of inflationary pressures in the economy (private sector activities have also been weak in recent months as evidenced by the low PMI).

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	173.49	171.62	1.1%	12.6%
NSE 20	1,928.42	1,899.11	1.5%	3.2%
NSE 25	3,781.20	3,749.19	0.9%	10.7%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,701.65	2,672.38	1.1%
Volume (Mn)	89.33	112.12	(20.3%)
Equity Turnover (KES Mn)	2,556.42	3,370.26	(24.2%)

Source: NSE

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Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. NBV	12.05	44.5%	181.5%
2. Jubilee	375.50	21.1%	32.2%
3. Kapchorua Tea	94.25	13.9%	20.8%
4. CIC Insurance	2.40	13.7%	12.7%
5. NSE	8.96	9.3%	9.8%

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Crown Paint	35.90	(10.3%)	(5.5%)
2. Liberty	7.70	(9.4%)	0.0%
3. Eaagads	10.60	(9.4%)	(15.2%)
4. BOC Kenya	61.50	(8.6%)	(2.4%)
5. Umeme	5.54	(7.8%)	(23.9%)

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	47.66	1,218.37
2. Equity	14.64	374.22
3. NMG	9.66	246.95
4. KCB	6.54	167.14
5. EABL	5.43	138.78

Source: NSE and Faida Investment Bank Analysis

News Highlights

Safaricom Market Share Rises to 64.4% in 1Q2021

- According to the Communication Authority of Kenya (CA) 1Q2021 industry statistics, Safaricom's market share in customer subscriptions rose to 64.4% (quarter on quarter, q/q) in 1Q2021 (4Q2020: 63.6%) as mobile subscriptions grew by 2.1% q/q to 39.9 million subscribers (4Q2020: 39.1 million subscribers). On a year-on-year basis however, Safaricom's market share fell slightly by 0.2% from 64.5% in 1Q2020.
- Airtel Kenya's mobile subscribers declined by 1.1% q/q to 16.5 million subscribers (4Q2020: 16.7 million subscribers) with market share easing to 26.6% as a result (4Q2020: 27.2%). Telkom's mobile subscribers on the other hand grew by 0.6% to 3.8 million subscribers with market share remaining flat at 6.2%.
- The company's voice market share increased to 70.9% (4Q2020: 69.2%) as the company's local voice traffic (national outgoing) edged up by 1.4% q/q to 13.8 billion minutes (4Q2020: 13.6 billion minutes).
- According to the CA, local mobile voice traffic eased by 0.9% q/q to 19.5 billion minutes. This was likely due to a dip in voice traffic in other players (Airtel and Telkom)
- Safaricom's market share in the SMS segment rose slightly to 92.3% (4Q2020: 92.2%) despite SMS traffic falling by 25.4% to 9.8 billion texts (4Q2020: 13.1 billion texts), due to a higher decline in voice traffic for the other players.
- Safaricom's mobile data subscriptions declined by 0.7% to 29.3 million subscribers. However, its market in the segment rose to 68.2% (4Q2020: 67.6%), probably due to a higher decline in other players.
- Fixed data registered subscriptions grew by 4.9% q/q to 255,594 users from 243,623 in 4Q2020. Consequently, its market share rose slightly to 35.8% (4Q2020: 35.6%). The company maintained its market leadership position in the segment (Wananchi Group was second with a market share of 30.3%).

Commentary

Investors should keep in mind that the high and growing market shares in some of the legacy segments like voice and messaging do not necessarily translate to positive revenue growth. This is because of commodization of the segments – to grow usage in these segments, company has to cut prices (this is done either

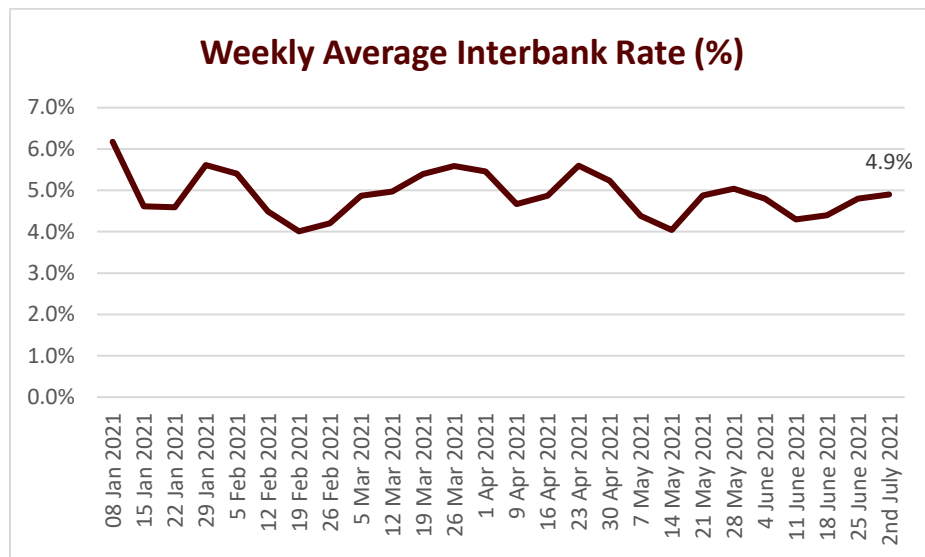
through permanent cuts and/or occasional promotional offers). This increases usage ((e.g. minutes of use per subscriber in case of voice) but reduces the revenue per unit (e.g. revenue per minute or yields in case of voice). In recent years, the decline in revenue per unit dominates the increase in usage, leading to decline in the average revenue per user (ARPU) and revenues.

This trend in voice and SMS is likely to continue. In the short term, the intensity is likely to be amplified given the higher inflation (also note that the higher excise taxes will likely contribute to this if passed on to consumers) - we expect customers to be more cost conscious and will likely be hunting for bargains on some of these services or will increase adoption of over the top applications such as WhatsApp). With the increase in excise duty, companies may also choose to absorb the taxes, which also hurts their revenues.

We remain optimistic on Safaricom's growth prospects, driven mainly by data and M-PESA.

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	10.1	252.02%	6.1	6.728%	-0.13%
182 day	10.0	134.0	139.50%	13.9	7.228%	-0.09%
364 day	10.0	7.3	73.22%	5.5	7.661%	-0.07%
Total	24.0	31.4	130.64%	25.5		

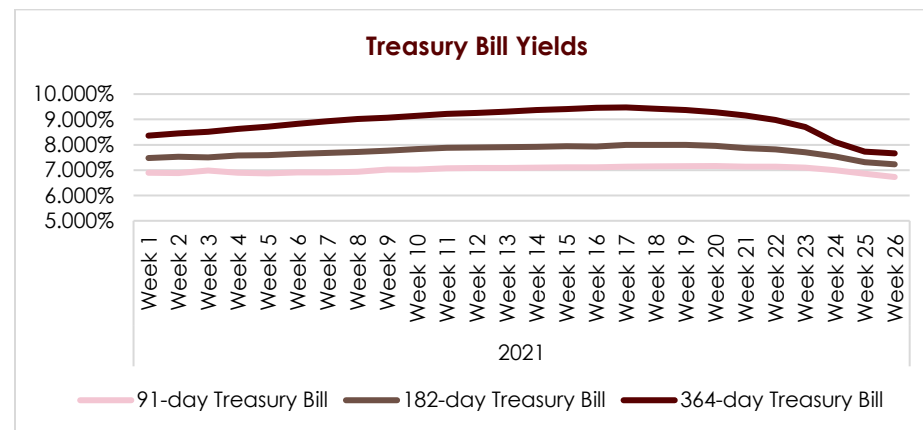
*Change = Current Rate – Previous Rate; 1.0% = 100 bps
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were oversubscribed during the week's auction; the total subscription rate was 130.64%, up from last week's 105.62%. The 91 day bill had

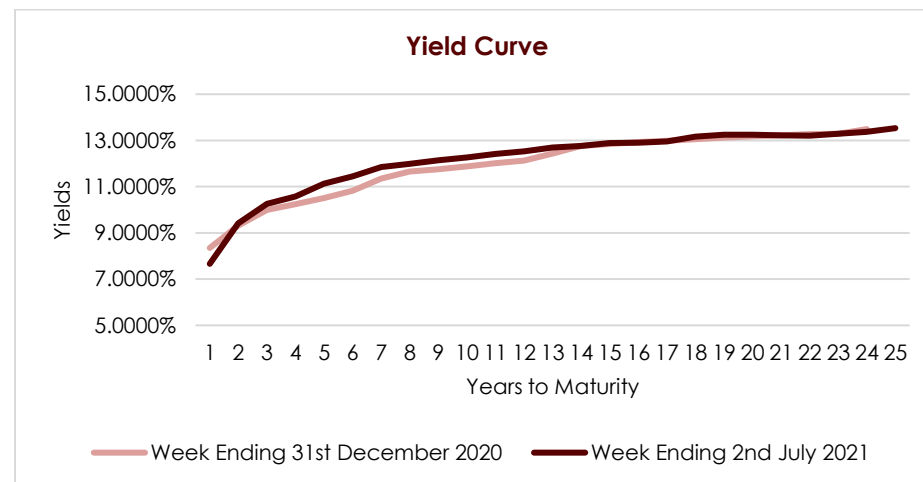
the highest subscription rate this week, at 252.02%. However, the 364 day bill was undersubscribed.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

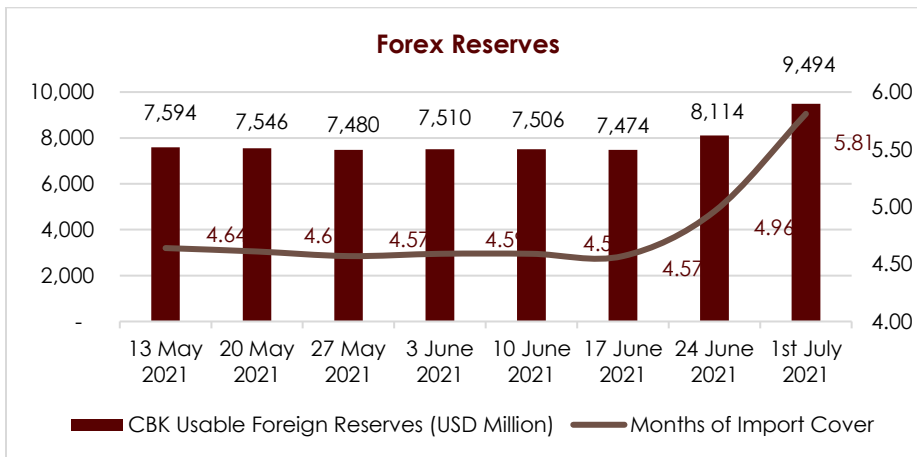
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	107.9529	(0.2%)	1.1%
STG Pound	149.0624	0.7%	(0.5%)
EURO	128.1238	0.4%	4.3%

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

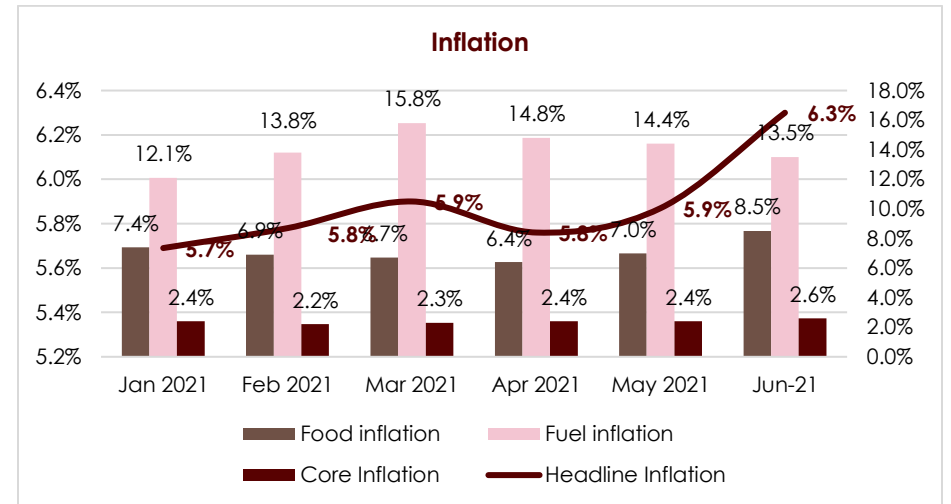
During the week, the Kenya Shilling depreciated against the US Dollar and appreciated against the STG pound and the Euro.

Forex Reserves



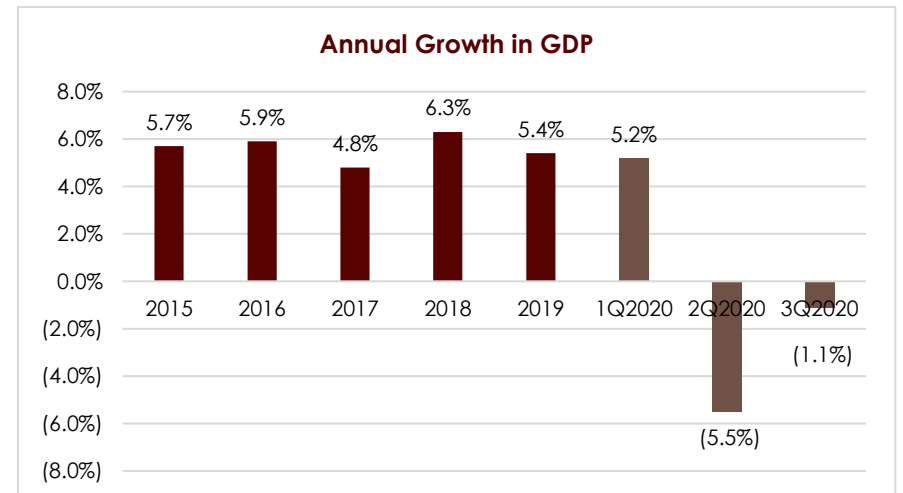
Source: CBK

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	140	126
Total Value	4547640	3,227,865
Total Open Interest	297	384

Source: NSE

Corporate Finance

Zeepay raises \$7.9 million in Funding

Zeepay, a Ghanaian fintech startup, has secured \$7.9 million in Series A funding. The company connects digital assets, for instance mobile money wallets, cards, ATMs and bank accounts to international money transfer operators, payments and subscriptions among others. The funding is a mix of equity and debt and was supported by ARK Holdings Absa bank Ghana and First National Bank Ghana. The company has presence in more than 20 African markets. The funding will be used to finance operations and enable the startup to expand further.

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	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	42.50	11.5%	-3.1%	3,918,100	44.8%	6.97	2.4%	0.96	14.4%
Equity Bank	46.70	27.8%	0.2%	8,090,100	51.5%	8.91	0.0%	1.27	15.8%
NCBA	25.00	-6.5%	-0.6%	367,100	41.9%	2.88	7.0%	0.56	15.3%
Stanbic	83.00	-2.4%	2.2%	6,300	52.2%	6.32	4.6%	0.63	10.3%
Absa Bank Kenya Plc	9.40	-2.7%	-5.2%	1,530,200	48.2%	12.27	0.0%	1.10	8.9%
Housing Finance	3.90	17.5%	7.4%	201,500	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	13.40	7.2%	3.1%	8,949,900	58.1%	7.27	7.5%	0.99	12.7%
Diamond Trust Bank	59.00	-21.3%	-1.7%	222,600	48.6%	5.08	4.6%	0.27	5.4%
Standard Chartered	130.00	-9.9%	0.0%	183,300	58.8%	12.38	8.1%	0.89	11.2%
I&M	21.55	-52.1%	2.1%	820,400	39.0%	1.65	11.8%	0.31	20.4%
Sector Average					53.7%	7.08	4.6%	0.71	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	25.00	61.8%	8.5%	5,386,400	125.00	0.0%	0.2	1.7%
WPP Scangroup	5.18	-13.7%	-3.4%	518,300	4.63	9.7%	1.12	6.0%
Uchumi Supermarket	0.25	-10.7%	-7.4%	502,100	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.00	-18.0%	-0.5%	53,300	5.88	13.0%	0.68	17.3%
Eveready	0.95	-20.8%	-3.1%	16,500	N/M	0.0%	-1.45	-10.8%
Sector Average					45.17	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	37.90	0.1%	8.1%	91,400	15.47	7.9%	3.2%	3.8%
E.A. Portland Cement	8.00	-27.3%	-6.8%	4,300	N/M	0.0%	0.0%	0.0%
Sector Average					15.47	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%	1.0%	1,808,100	1.43	7.5%	2.79	9.0%
Kenya Power	1.39	-18.7%	6.9%	8,172,900	N/M	0.0%	N/M	N/M
Total Kenya	24.85	3.5%	-0.6%	20,700	6.17	5.2%	4.03	10.8%
Sector Average					3.80	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	2.40	12.7%	13.7%	1,247,900	0.82	N/M	71.4%	34.6%
Britam	7.18	-1.1%	-2.4%	476,300	0.92	N/M	80.6%	58.1%
Jubilee	375.50	32.2%	21.1%	23,500	0.83	7.15	101.3%	44.2%
Kenya Re	2.42	4.3%	0.4%	3,431,400	0.05	2.30	67.7%	8.9%
Sanlam Kenya	10.20	-21.2%	2.0%	67,900.00	1.11	12.91	85.8%	35.5%
Liberty	7.70	0.0%	-9.4%	58,800.00	0.49	5.88	119.6%	48.7%
Sector Average					0.70	7.06	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	16.30	3.8%	3.8%	3,580,800	2.35	0.34	6.95	9.3%
Home Afrika Ltd	1.30	2.4%	2.4%	405,100	N/M	N/M	N/M	2.6%
Trans-Century	1.30	-10.3%	-3.0%	92,600.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.34		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	8.96	9.8%	9.3%	248,800	29.87	3.1%	0.3	3.9%
Sector Average					29.87	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	181.00	17.3%	-0.3%	765,500	35.01	1.7%	5.17	46.6%
FTG Holdings	1.37	11.4%	6.2%	42,700	5.27	0.0%	0.26	4.8%
Carbacid	12.50	3.3%	6.4%	399,400	9.84	5.6%	1.27	10.0%
BAT	450.00	24.7%	4.2%	29,100	8.16	10.0%	55.18	51.2%
Sector Average					14.57	3.5%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	41.35	20.7%	1.5%	29,510,800	24.18	3.3%	1.71	49.9%
Sector Average					24.18	3.3%		

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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	0.00	-100.0%	-100.0%	0	20.86	#DIV/0!	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 193.75	KES 148.25	KES 181.00	N/A	N/A	N/A	17.34%

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
Kengen Co. Plc	First & Final dividend	Kes. 0.30	28-Jan-21	29-Apr-21	22-Jul-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 Plc	Rights Issue	1.1	21-May-21	31-May-21	15-Jul-21
Sasini Plc	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	Ushs. 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
Kenya Re	First & Final dividend	Kes. 0.20	2-Jun-21	30-Jun-21	13-Aug-21
Kapchorua Tea	First & Final dividend	Kes. 10.00	30-Jun-21	21-Jul-21	(Subject to Approval)
Williamson Tea	First & Final dividend	Kes. 10.00	30-Jun-21	21-Jul-21	(Subject to Approval)
Safaricom PLC	Final dividend	Kes.0.92	13-May-21	30-Jul-21	31-Aug-21

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