



Weekly Report

Week 29

Week Ending Friday, July 23, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	35,061.55	0.2%	15.4%
S&P 500	4,411.79	0.9%	18.1%
NASDAQ 100	15,111.79	2.0%	17.6%
DAX	15,669.29	0.3%	14.2%
FTSE 100	7,027.58	0.2%	8.8%
EURO STOXX 50	4,109.10	1.5%	15.7%
Shanghai Composite	3,550.40	0.3%	2.2%
NIKKEI 225	27,859.75	-0.5%	1.5%
Commodities			
Brent Oil (USD/bbl.)	74.10	0.8%	45.0%
Gold (USD/Oz)	1,802.15	-1.2%	-5.0%

Source: Bloomberg, NSE; *As at 5:20 PM EAT

Most of the equity indices rose during the week. The FTSE 100 rose mainly supported by gains in consumer staples and a rise in Vodafone shares owing to strong first quarter results. The S&P 500 and the NASDAQ also rose in the week partly due strong earnings from social media companies such as Twitter, Snapchat and Facebook. Oil (brent crude) edged up on expectations that supply will remain limited throughout the year.

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Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 Share Index edged up marginally by 0.2% w/w and 0.5% w/w to close the week at 178.98 and 1,981.91 respectively. Market turnover rose slightly by 0.4% to KES 1.8 billion while the volume of shares traded fell by 13.4% to 48.6 million shares. Notable price gains were recorded on Liberty Kenya (22.6% w/w to KES 9.56), B.OC (6.7% w/w to KES 67.25), Stanbic (5.7% w/w to KES 87.50), HF (4.1% w/w to KES 3.85), BAT (4.3% w/w to KES 457.00), I&M (3.0% w/w to KES 22.15) and Britam (2.4% w/w to KES 7.70). Safaricom rose slightly by 0.5% w/w to KES 42.80. BAT's share price rose on the back of a KES 3.50 interim dividend announcement. We expect price stability in the coming week.

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	178.98	178.65	0.2%	17.7%
NSE 20	1,981.91	1,972.33	0.5%	6.1%
NSE 25	3,895.50	3,902.04	(0.2%)	14.1%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,789.04	2,783.85	0.2%
Volume (Mn)	48.71	56.25	(13.4%)
Equity Turnover (KES Mn)	1,836.73	1,830.09	0.4%

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. Liberty	9.56	22.6%	24.2%
2. EA Portland	8.68	18.9%	(21.1%)
3. Transcentury	1.39	18.8%	(4.1%)
4. Unga	29.75	9.8%	(6.4%)
5. Fahari I-REIT	7.16	9.5%	27.0%

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. NBV	9.06	(17.3%)	111.7%
2. Williamson Tea	138.50	(9.0%)	6.3%
3. Express	4.03	(8.4%)	11.6%
4. Kapchorua Tea	90.00	(8.2%)	15.4%
5. Standard Group	17.50	(6.9%)	(22.2%)

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	42.80	1,076.25
2. DTB	65.00	257.66
3. Equity	47.85	196.43
4. KCB	44.55	116.18
5. EABL	184.50	32.88

Source: NSE and Faida Investment Bank Analysis

In the News

BAT Posts a 0.7% y/y Growth in After Tax Profits for 1H2021

British American Tobacco (BAT) posted a 0.7% y/y growth in after tax profits for 1H2021 to KES 2.7 billion. The growth was supported by higher gross revenues but dampened by higher operating costs.

Gross revenue edged up by 21.8% y/y to KES 20.3 billion (1H2020: KES 16.6 billion). This was attributed to the recovery of domestic sales volumes, excise-led price increases and sustained momentum on export sales.

Excise duty and Value Added Tax (VAT) increased by 26.7% y/y to KES 7.7 billion partly offsetting the growth in revenues. According to management, excise duty rates on cigarettes increased by 5.0% in October 2021 and this triggered price increases which generated additional pressure on consumer affordability. As a result, consumers substituted more expensive brands with lower priced ones. There was increased incidences of illicit trade in tax-evaded cigarettes.

Consequently, the net revenue grew at a slower pace of 19.0% y/y to KES 12.5 billion (1H2020: KES 10.5 billion).

Total cost of operations rose by 27.2% y/y to KES 8.6 billion. This was attributed to higher sales volumes and investments in portfolio transformation. The operating profit grew by 4.2% to KES 3.9 billion (1H2020: KES 3.7 billion).

Finance costs dropped by 39.5% y/y to KES 49.0 million (1H2020: KES 81.0 million).

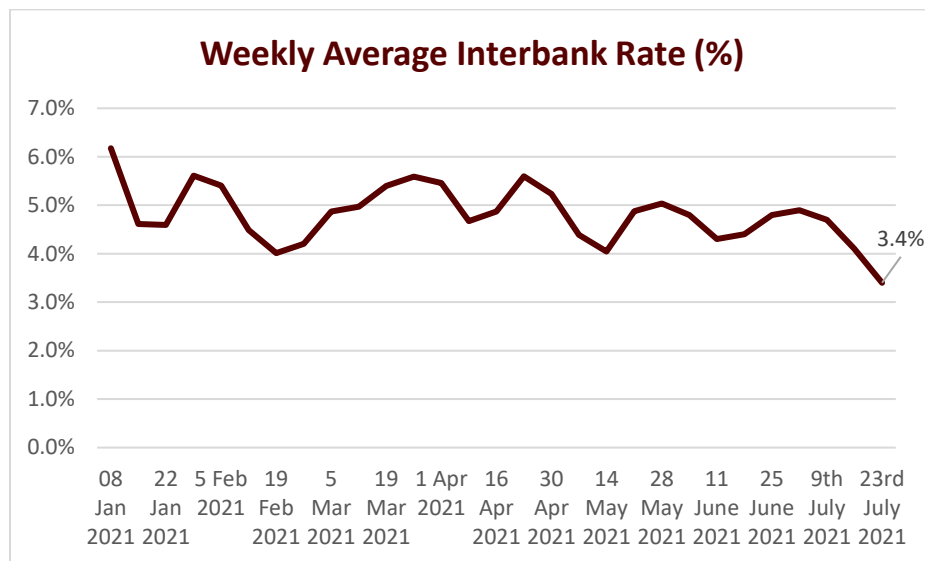
The Board of Directors approved an interim dividend of KES 3.50 per share payable on 16th September 2021, with book closure date being 12th August 2021.

Commentary

We are cautiously optimistic on the company's top line growth on the back of recovery in domestic volumes supported by consistent growth in export volumes. The regulatory environment however still poses a risk to sales volumes, with tax increases encouraging the use of cheaper tax-evaded cigarettes. We opine that cost management would help cushion bottom-line performance in the short to medium term (not a sustainable way to create value in the long term).

The company remains a good dividend stock with a dividend yield of 9.8% (However, we always recommend investing on a total return basis – look at both the capital and income component of return). The recommendation is under review.

Interbank Rate



Source: CBK

Treasury Bill Auction Results

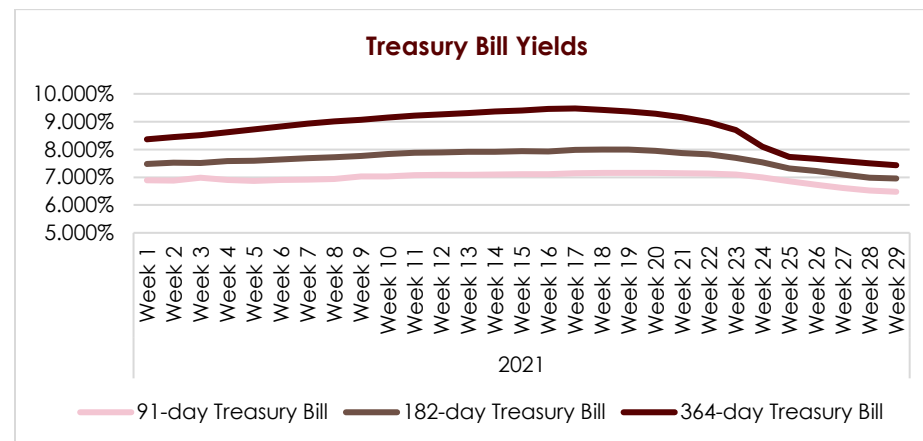
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	10.1	252.06%	10.1	6.477%	-0.04%
182 day	10.0	3.2	32.11%	3.2	6.955%	-0.03%
364 day	10.0	3.4	34.04%	3.4	7.432%	-0.07%
Total	24.0	16.7	69.58%	16.7		

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

Source: CBK

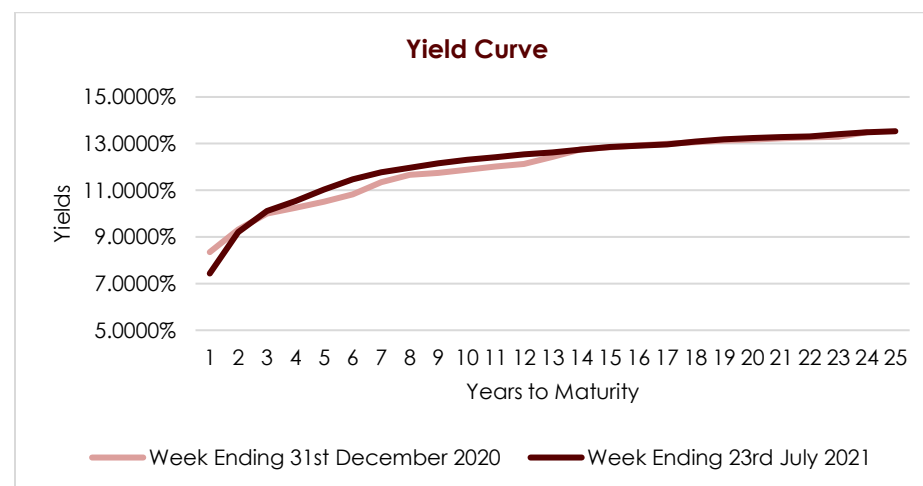
Treasury bills were undersubscribed in this week's auction; the total subscription rate was 69.58%, down from last week's 80.28%. The 91 day bill had the highest subscription rate this week, at 252.06% while the 182 day bill had the lowest subscription.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

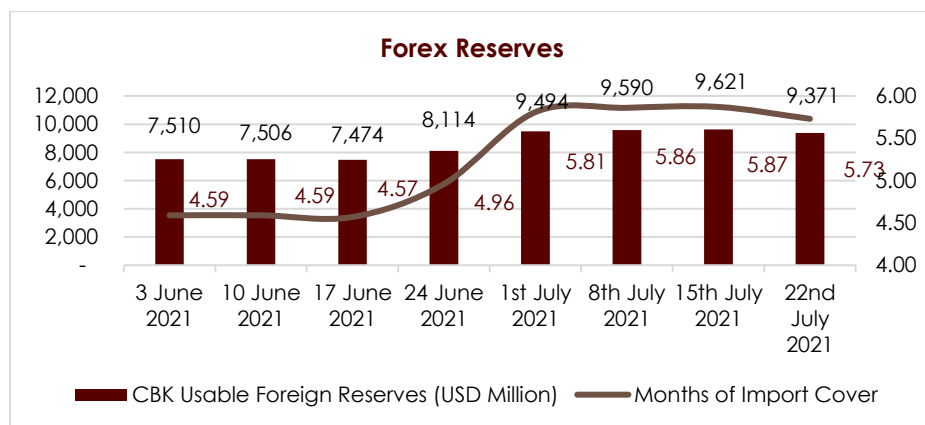
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	108.2000	(0.1%)	0.9%
STG Pound	148.7747	0.7%	(0.3%)
EURO	127.6532	0.2%	4.7%

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

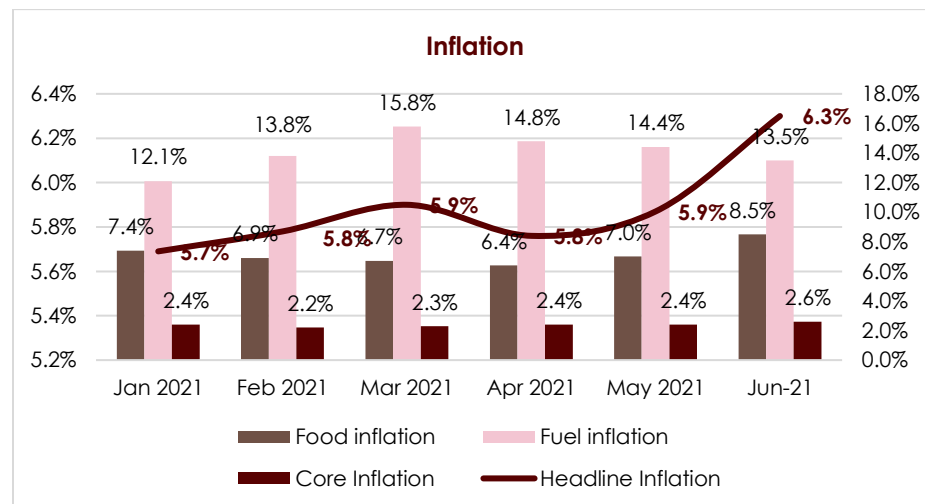
During the week, the Kenya Shilling depreciated against the US Dollar and appreciated against the STG pound and the Euro.

Forex Reserves



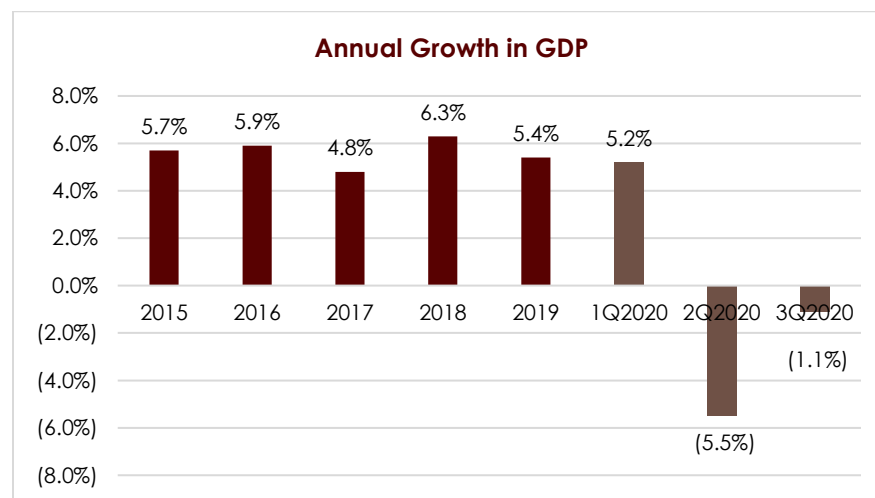
Source: CBK

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	87	121
Total Value	2,979,110	4,135,020
Total Open Interest	278	279

Source: NSE

Corporate Finance

Estshara raises \$ 500,000 in Seed Funding

Estshara, a Cairo based e-health and teleconsultations platform, has raised \$500,000 in seed funding. The firm was founded in 2018 and provides health consultations and telepharmacy services to over two million users. The funding round was led by Egypt ventures. The company hopes to use the funding to grow its current user base to 6 million by the end of 2021 by providing extra offering and customer care activities.

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	44.55	16.9%	-0.7%	2,597,200	44.8%	7.30	2.2%	1.01	14.4%
Equity Bank	47.85	30.9%	-1.4%	4,060,800	51.5%	9.12	0.0%	1.30	15.8%
NCBA	26.15	-2.2%	0.8%	146,800	41.9%	3.01	6.7%	0.58	15.3%
Stanbic	87.50	2.9%	5.7%	3,900	52.2%	6.66	4.3%	0.67	10.3%
Absa Bank Kenya Plc	9.86	2.1%	-1.4%	897,100	48.2%	12.87	0.0%	1.15	8.9%
Housing Finance	3.85	16.0%	4.1%	54,900	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	13.10	4.8%	-3.0%	1,020,000	58.1%	7.11	7.6%	0.97	12.7%
Diamond Trust Bank	65.00	-13.3%	-1.9%	3,740,900	48.6%	5.60	4.2%	0.29	5.4%
Standard Chartered	129.50	-10.2%	-0.2%	168,700	58.8%	12.33	8.1%	0.89	11.2%
I&M	22.15	-50.8%	3.0%	1,488,900	39.0%	1.70	11.5%	0.32	20.4%
Sector Average					53.7%	7.30	4.5%	0.73	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%	0.0%	135,500	125.00	0.0%	0.2	1.7%
WPP Scangroup	4.63	-22.8%	0.7%	786,800	4.13	10.8%	1.12	6.0%
Uchumi Supermarket	0.27	-3.6%	8.0%	184,700	N/M	0.0%	-4.6	N/M
Longhorn Publishers	3.98	-18.4%	-1.5%	12,600	5.85	13.1%	0.68	17.3%
Eveready	0.98	-18.3%	1.0%	2,700	N/M	0.0%	-1.45	-10.8%
Sector Average					45.00	4.8%		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	39.05	3.2%	2.1%	235,800	15.94	7.7%	3.2%	3.8%
E.A. Portland Cement	8.68	-21.1%	18.9%	1,500	N/M	0.0%	0.0%	0.0%
Sector Average					15.94	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	4.32	-8.3%	-1.4%	494,100	1.55	6.9%	2.79	9.0%
Kenya Power	1.40	-18.1%	-0.7%	2,902,300	N/M	0.0%	N/M	N/M
Total Kenya	24.45	1.9%	1.9%	13,900	6.07	5.3%	4.03	10.8%
Sector Average					3.81	3.5%		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	2.55	19.7%	-3.4%	110,100	0.87	N/M	71.4%	34.6%
Britam	7.70	6.1%	2.4%	634,900	0.98	N/M	80.6%	58.1%
Jubilee	370.00	30.3%	-3.9%	45,700	0.82	7.05	101.3%	44.2%
Kenya Re	2.52	8.6%	0.4%	1,728,400	0.05	2.40	67.7%	8.9%
Sanlam Kenya	11.60	-10.4%	5.5%	6,700.00	1.26	14.68	85.8%	35.5%
Liberty	9.56	24.2%	22.6%	106,200.00	0.61	7.30	119.6%	48.7%
Sector Average					0.77	7.86	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	17.55	3.5%	3.5%	512,700	2.53	0.37	6.95	9.3%
Home Afrika Ltd	1.39	-4.8%	-2.4%	208,500	N/M	N/M	N/M	2.6%
Trans-Century	1.39	-4.1%	18.8%	63,200.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.37		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	8.98	10.0%	1.8%	43,700	29.93	3.1%	0.3	3.9%
Sector Average					29.93	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	184.50	19.6%	-1.3%	178,400	35.69	1.6%	5.17	46.6%
FTG Holdings	1.34	8.9%	0.8%	13,100	5.15	0.0%	0.26	4.8%
Carbacid	12.50	3.3%	4.2%	62,100	9.84	5.6%	1.27	10.0%
BAT	457.00	26.6%	4.3%	17,700	8.28	9.8%	55.18	51.2%
Sector Average					14.74	3.4%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	42.80	25.0%	0.5%	25,175,400	25.03	3.2%	1.71	49.9%
Sector Average					25.03	3.2%		

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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	7.16	28.8%	9.5%	69,300	20.86	10.34%	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 184.50	N/A	N/A	N/A	19.61%

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
Jubilee Holdings	Final dividend	Kes. 8.00	16-Apr-21	26-May-21	26-Jul-21
NSE Plc	First & Final dividend	Kes. 0.53	26-Mar-21	4-Jun-21	30-Aug-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
BAT Kenya	Interim dividend	Kes. 3.50	22-Jul-21	12-Aug-21	16-Sep-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