



Weekly Report

Week 34

Week Ending Friday, August 27, 2021

CONTACTS:

Email: research@fib.co.ke

Website: www.fib.co.ke

HEAD OFFICE:

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

Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	35,432.08	1.1%	16.6%
S&P 500	4,504.35	1.8%	20.6%
NASDAQ 100	15,414.05	2.4%	19.9%
DAX	15,851.83	0.4%	15.5%
FTSE 100	7,155.35	1.0%	10.8%
EURO STOXX 50	4,191.15	1.1%	18.0%
Shanghai Composite	3,522.16	2.8%	1.4%
NIKKEI 225	27,641.14	2.3%	0.7%
Commodities			
Brent Oil (USD/bbl.)	72.28	9.4%	41.4%
Gold (USD/Oz)	1,807.11	1.6%	-4.8%

Source: Bloomberg, NSE; *As at 6:40 PM EAT

Global equity indices rose during the week. The FTSE was supported by energy and mining stocks. The S&P 500 and NASDAQ edged up as the Federal Reserve's signaled the U.S Central Bank will remain patient on bond-tapering for the economy to be back to full employment. Oil (brent crude) rose as U.S government data indicated that fuel demand grew to its highest since the onset of the COVID-19 pandemic. The rise was weighed down however by renewed

concerns over demand due to i) rising COVID-19 infections ii) Mexico restored some output after a fire disrupted supplies.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 edged up by 0.5% w/w and 0.9% w/w to close the week at 187.20 and 2,034.30 respectively. Market turnover eased by 48.5% to KES 2.4 billion and number of shares traded fell by 20.1% to 71.5 million shares.

Investor focus was mainly on banking stocks this week with the announcement of 1H2021 results. Most banking counters were up, with the only decline registered on NCBA (-2.4% w/w to KES 26.45). Notable price increases included; Absa (8.4% w/w to KES 11.00), Standard Chartered (3.9% w/w to KES 140.00), Equity (3.3% w/w to KES 54.25), KCB (1.3% w/w to KES 48.55) and Stanbic (1.1% w/w to KES 95.00).

Absa and Standard Chartered released their results during the week. Absa's profitability surged by 846.0% y/y to KES 5.6 billion. Read more on this in today's report. Standard Chartered's profitability grew by 50.9% y/y to KES 4.9 billion.

Safaricom eased by 0.2% w/w to KES 44.35.

In the coming week, we expect activity to remain skewed towards the banking sector as the remaining banks release their 1H2021 results.

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	187.20	186.33	0.5%	23.1%
NSE 20	2,034.30	2,015.77	0.9%	8.9%
NSE 25	4,093.06	4,056.31	0.9%	19.9%

Source: NSE

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Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,917.37	2,903.81	17.8%
Volume (Mn)	71.53	89.51	(20.1%)
Equity Turnover (KES Mn)	2,353.06	4,566.23	(48.5%)

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. Sameer	3.67	11.2%	12.9%
2. KenGen	4.92	9.6%	(4.5%)
3. Kakuzi	415.00	8.6%	13.7%
4. Absa	11.00	8.4%	13.9%
5. Centum	17.05	8.3%	6.2%

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Scangroup	3.57	(11.4%)	(40.5%)
2. Eaagads	13.00	(9.7%)	4.0%
3. Standard Group	17.95	(8.2%)	(2.9%)
4. Sasini	18.65	(6.8)	(4.4%)
5. EA Portland	8.20	(5.3%)	(25.5%)

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	44.35	1,200.04
2. Equity	54.25	565.07
3. KCB	48.55	144.27
4. Absa	11.00	109.62
5. Eabl	134.75	91.49

Source: NSE and Faida Investment Bank Analysis

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In the News

ABSA Kenya Posts an 846.0% y/y Growth in After Tax Profits for 1H2021

ABSA Kenya after tax profits grew significantly to KES 5.6 billion (1H2020: KES 0.6 billion), driven by a sharp decline in loan loss provisions, growth in net interest income and elimination of one-off costs

Total interest income eased marginally (0.8% y/y) to KES 15.2 billion, owing to a 5.1% y/y decrease in interest income from government securities to KES 4.1 billion as the holdings of government securities fell by 9.4% y/y to KES 121.3 billion. The yield on government securities declined to 6.6% from 8.0% in 1H2020.

The dip in interest income from government securities offset a 1.3% y/y growth in interest income from loans and advances. Net loans and advances to customers rose by 8.4% y/y to KES 218.9 billion while the yields on loans declined to 9.5% from 10.3% in 1H2020 as the bank passed on the benefit of the lower Central Bank Rate (CBR) to customers.

Total interest expenses declined by 20.4% y/y to KES 3.2 billion driven by a 74.7% y/y drop in interest expenses from deposits and placements from banking institutions. Interest expenses on customer deposits fell by 7.4% y/y to KES 2.9 billion. As a result, cost of funds improved to 2.4% from 2.7% in 1H2020. Customer deposits grew by 6.1% y/y to KES 263.9 billion.

NIMs increased by 20bps to 7.0% as interest earning assets grew at a slower rate (+1.8% y/y to KES 345.3 billion) than net interest income (+6.1% y/y to KES 17.8 billion).

Non-funded income (NFI) rose by 6.1% y/y to KES 5.9 billion driven by:

- 26.1% y/y growth in fees and commissions on loans and advances to KES 877.6 million
- 5.6% y/y rise in other fees and commissions to KES 2.2 billion

NFI's contribution to total income remained flat at 32.8% owing to the growth in net interest income.

Operating expenses (excluding provisions) improved by 2.6% y/y to KES 8.0 billion supported by a 12.0% y/y decline in staff costs to KES 4.4 billion as the bank reduced headcount by over 30.0%. The cost to income ratio (excluding provisions) improved to 44.6% (1Q2020: 48.6%).

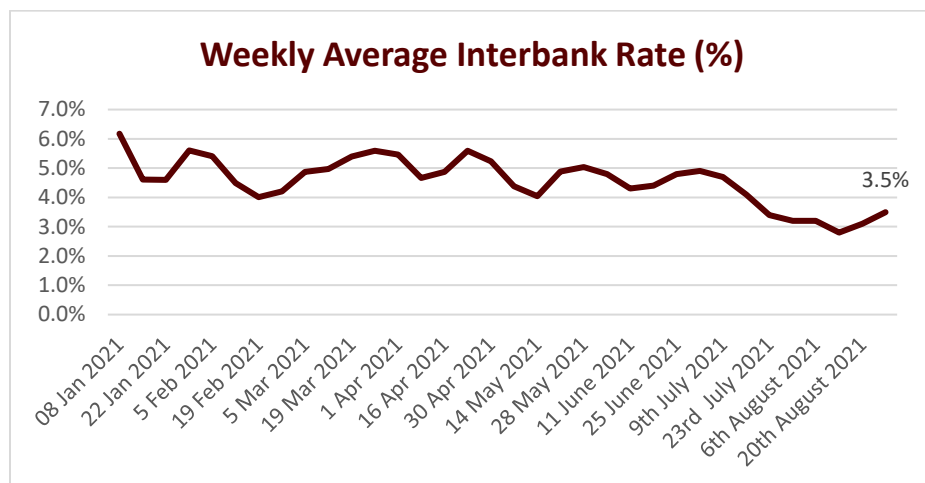
Loan loss provisions declined by 63.9% y/y to KES 1.9 billion. As at 1H2021, 94.0% of the restructured KES 62.0 billion loan book (worth KES 59.0 billion) had regularized with all retail borrowers no longer on payment holidays. We note that the bank had previously provisioned for performing loans (worth KES 2.6 billion). In our view, this was a prudent move. The NPL ratio (Gross NPL/Gross Loan book) remained flat at 7.7%.

Commentary

- The bank continues to make strides under the 5-year Growth, Transformation and Returns strategy (2018-2023):
 - The bank has consistently improved its cost-to-income ratio (C/I) ratio from 55.3% in 1H2019 to the current 44.6% in 1H2021, focusing on customer adoption of alternative channels. As at 1H2021 87.0% of the customer transactions were outside the branch, with anticipated investments in digital infrastructure (KES 1.6 billion for 2021); having so far grown the Timiza mobile banking users to 5.0 million and recently launched Whatsapp banking. We expect this to result in efficiency gains in the short to medium term, with a gradual decline in the C/I ratio.
 - We note positively the consistent decline in cost of funds from 3.0% in 1H2019 to 2.4% in 1H2021. The bank's focus on mobilizing cheaper deposits (retail) should continue to support this.
 - Non-funded income grew in 1H2021 (from a decline in 1Q2021). We expect the bank's revenue diversification strategy (through business lines such as bancassurance, Timiza mobile banking, SME banking, forex income and asset management) to result in NFI growth.
 - With expected improvement in macro-economic factors, we expect continued growth in the loanbook, albeit cautiously. We opine that a risk-based pricing model would enhance this growth.
 - Asset quality pressures are expected to decline and we opine that NPLs will remain in the single-digit range for FY2021.
- We recommend a long-term buy on Absa. The counter is trading at a P/B of 1.28x against a peer comparable P/B of 0.79x. The ROE improved to 22.0% from 6.0% in 1H2020 and we expect it to be sustained.

Fixed Income

Interbank Rate



Source: CBK

Treasury Bill Auction Results

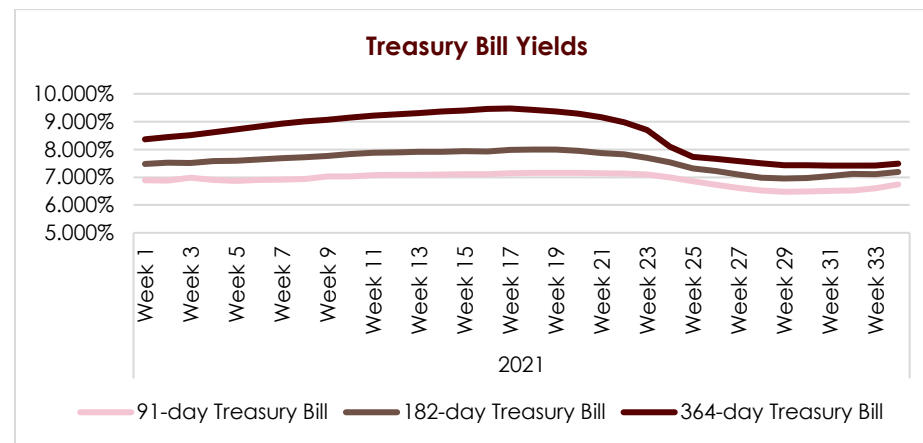
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	1.8	44.16%	1.8	6.741%	0.14%
182 day	10.0	2.0	20.23%	2.0	7.195%	0.09%
364 day	10.0	5.0	49.64%	4.0	7.492%	0.07%
Total	24.0	8.8	36.47%	7.8		

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

Source: CBK

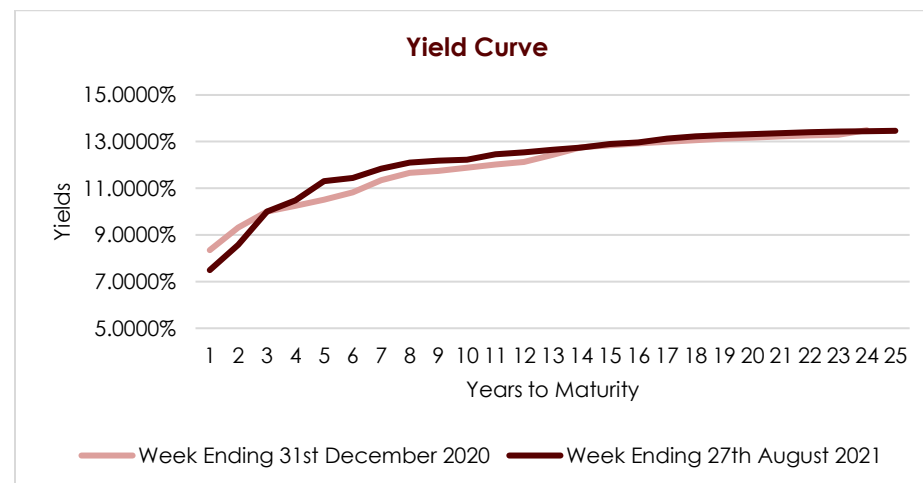
Treasury bills were undersubscribed in this week's auction. The total subscription rate was lower at 36.47% compared to last week's 118.24%. The 364 day bill had the highest subscription rate this week, at 44.16% while the 182 day bill had the lowest subscription at 20.23%.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

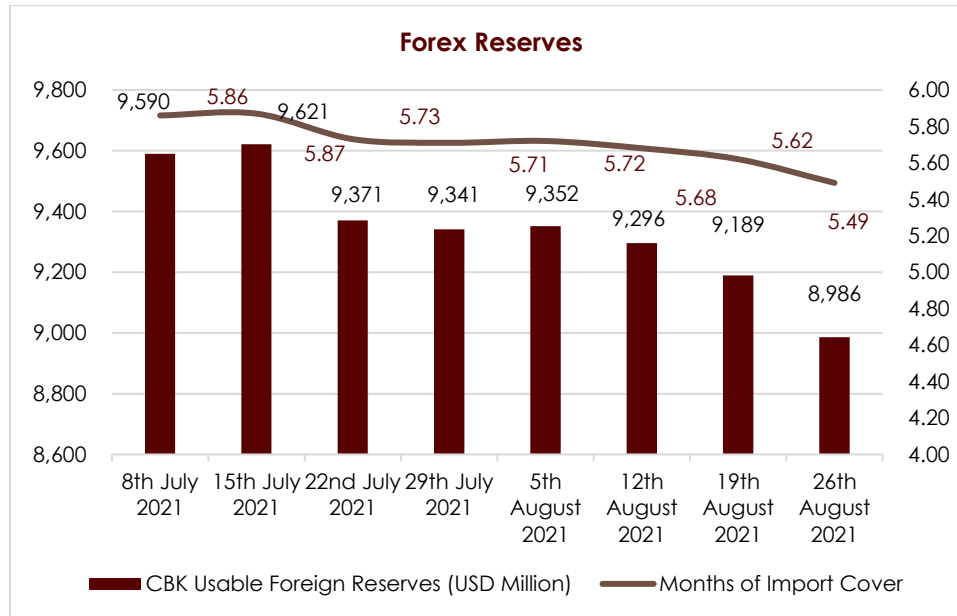
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	109.7776	(0.2%)	(0.6%)
STG Pound	150.7512	(0.5%)	(1.6%)
EURO	129.0982	(0.8%)	3.6%

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

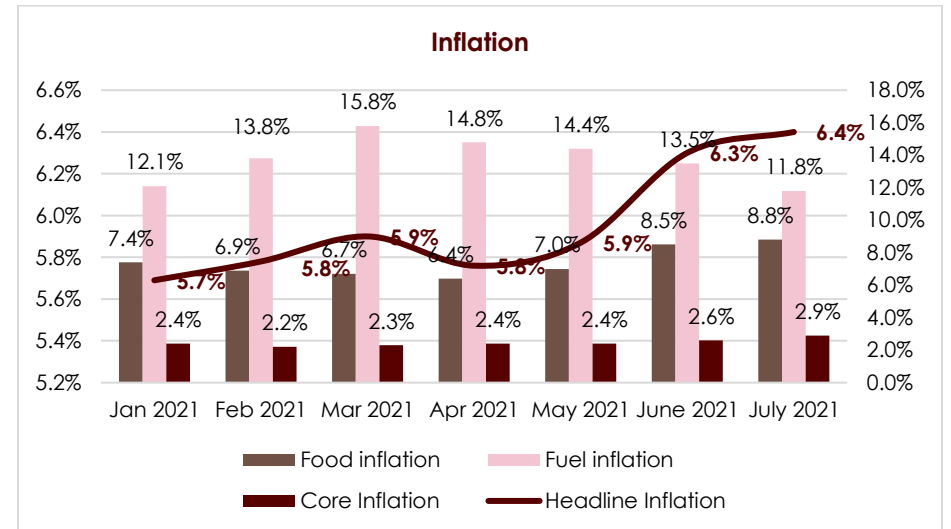
During the week, the Kenya Shilling depreciated against the US Dollar, the STG pound and the Euro.

Forex Reserves



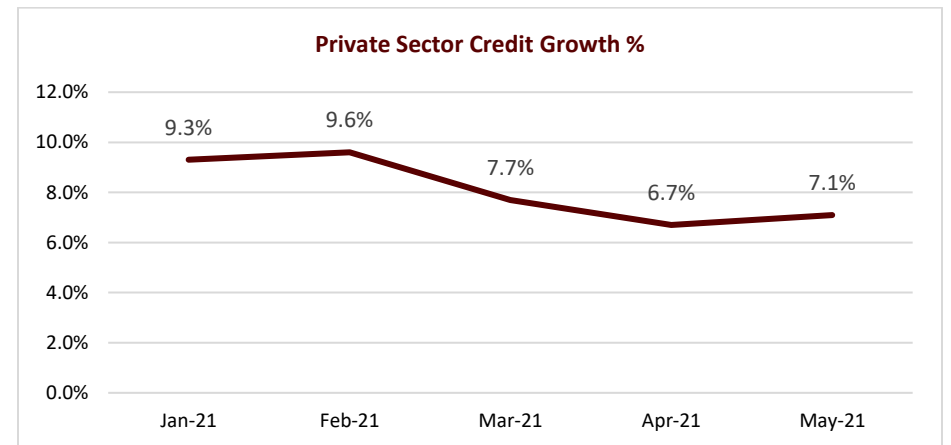
Source: CBK

Inflation



Source: KNBS

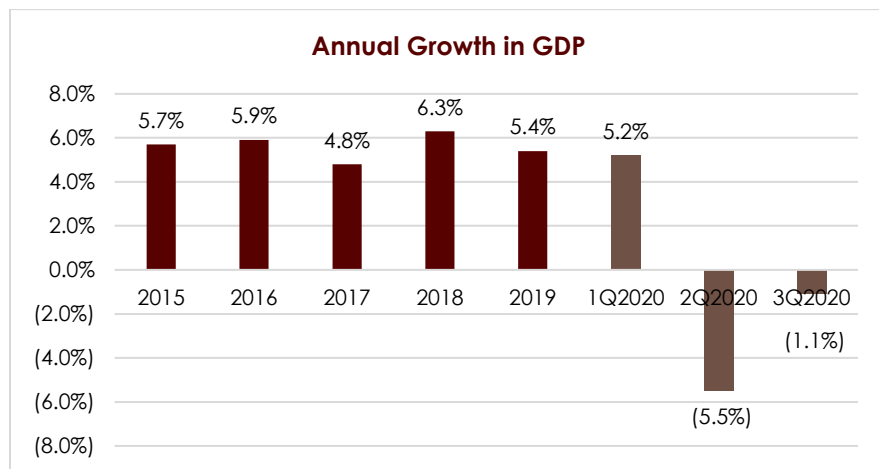
Credit Growth



Source: CBK

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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

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	106	141
Total Value	3,353,130	5,280,965
Total Open Interest	331	317

Source: NSE

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Corporate Finance

Moove raises \$ 63.2 million in Series A Funding

Moove, a Nigerian mobility startup, has raised \$ 63.2 million in Series A debt and equity funding. The funding includes \$23.2 million in equity and was led by Speedinvest and Left Lane Capital with participation from investors such as Clocktower technology ventures, Palm Drive Capital and Roka Works. Existing lenders include Emso Asset Management and the IFC. The startup provides revenue-based vehicle financing through loans to customers (mobility entrepreneurs) that finance up to 95.0% of the purchase of new vehicles within five days of signing up. Customers can pay back their loans over 24, 36 or 48 months using a percentage of their weekly revenue. The firm is currently Uber's exclusive vehicle financing and supply partner in sub-Saharan Africa. The funding will be used for expansion through building a full-service mobility fintech that supports vehicle ownership across Africa.

2	East African Cables	Construction and Allied
3	Crown Paints	Construction and Allied
4	Express Kenya	Commercial and Services
5	Nairobi Business Ventures	Commercial and Services

Source: NSE

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

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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	48.55	27.4%	1.3%	714,400	44.8%	7.96	2.1%	1.10	14.4%
Equity Bank	54.25	48.4%	3.3%	2,936,700	51.5%	10.35	0.0%	1.48	15.8%
NCBA	26.45	-1.1%	-2.4%	69,000	41.9%	3.04	6.6%	0.59	15.3%
Stanbic	95.00	11.8%	1.1%	4,200	52.2%	7.23	4.0%	0.73	10.3%
Absa Bank Kenya Plc	11.00	13.9%	8.4%	647,300	48.2%	14.36	0.0%	1.28	8.9%
Housing Finance	3.99	20.2%	0.3%	352,000	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	13.80	10.4%	0.7%	269,200	58.1%	7.49	7.2%	1.02	12.7%
Diamond Trust Bank	65.25	-13.0%	0.4%	13,300	48.6%	5.62	4.1%	0.29	5.4%
Standard Chartered	140.00	-2.9%	3.9%	62,900	58.8%	13.33	7.5%	0.96	11.2%
I&M	23.00	-48.9%	0.0%	14,400	39.0%	1.77	11.1%	0.33	20.4%
Sector Average					53.7%	7.90	4.3%	0.79	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	25.15	62.8%	0.8%	3,700	125.75	0.0%	0.2	1.7%
WPP Scangroup	3.57	-40.5%	-11.4%	1,633,400	3.19	14.0%	1.12	6.0%
Uchumi Supermarket	0.26	-7.1%	4.0%	13,100	N/M	0.0%	-4.6	N/M
Longhorn Publishers	3.99	-18.2%	-0.2%	15,000	5.87	13.0%	0.68	17.3%
Eveready	0.98	-18.3%	0.0%	400	N/M	0.0%	-1.45	-10.8%
Sector Average					44.94	5.4%		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	38.00	0.4%	-1.9%	32,400	15.51	7.9%	3.2%	3.8%
E.A. Portland Cement	8.20	-25.5%	-5.3%	0	N/M	0.0%	0.0%	0.0%
Sector Average					15.51	3.9%	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	4.92	4.5%	9.6%	936,600	1.76	6.1%	2.79	9.0%
Kenya Power	1.39	-18.7%	0.0%	337,400	N/M	0.0%	N/M	N/M
Total Kenya	26.00	8.3%	3.2%	9,800	6.45	5.0%	4.03	10.8%
Sector Average					4.11	3.0%		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	2.75	29.1%	-1.1%	56,600	0.94	N/M	71.4%	34.6%
Britam	8.12	11.8%	-1.9%	16,300	1.04	N/M	80.6%	58.1%
Jubilee	360.00	26.8%	0.0%	0	0.80*	6.86	101.3%	44.2%
Kenya Re	2.48	6.9%	0.4%	118,700	0.05	2.36	67.7%	8.9%
Sanlam Kenya	11.30	-12.7%	-5.0%	-	1.23	14.30	85.8%	35.5%
Liberty	8.58	11.4%	-4.7%	900.00	0.55	6.55	119.6%	48.7%
Sector Average					0.77	7.52	87.7%	38.3%

*Unadjusted for the sale to Allianz

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	17.05	8.3%	8.3%	167,100	2.45	0.36	6.95	9.3%
Home Afrika Ltd	1.32	-4.8%	8.1%	23,000	N/M	N/M	N/M	2.6%
Trans-Century	1.32	-9.0%	6.5%	100.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.36		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	9.94	21.8%	1.6%	18,800	33.13	2.8%	0.3	3.9%
Sector Average					33.13	2.8%		

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	178.50	15.7%	-0.8%	55,300	34.53	1.7%	5.17	46.6%
FTG Holdings	1.31	6.5%	-0.8%	61,700	5.04	0.0%	0.26	4.8%
Carbacid	11.50	-5.0%	-1.7%	47,400	9.06	6.1%	1.27	10.0%
BAT	466.00	29.1%	-0.6%	3,600	8.45	9.7%	55.18	51.2%
Sector Average					14.27	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	44.35	29.5%	-0.2%	1,947,700	25.94	3.1%	1.71	49.9%
Sector Average					25.94	3.1%		

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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	6.78	21.9%	-3.1%	9,200	20.86	10.91%	0.82
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

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
NSE Plc	First & Final dividend	Kes. 0.53	26-Mar-21	4-Jun-21	30-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
Centum	Final dividend	Kes. 0.33	27-Jul-21	(Subject to Approval)	(Subject to Approval)
BAT Kenya	Interim dividend	Kes. 3.50	22-Jul-21	12-Aug-21	16-Sep-21
Stanbic Holdings	Interim dividend	Kes. 1.70	13-Aug-21	6-Sep-21	27-Sep-21
B.O.C Kenya	Interim dividend	Kes. 1.50	26-Aug-21	24-Sep-21	18-Oct-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