



# Weekly Report

## Week 36

Week Ending Friday, September 10, 2021

### CONTACTS:

**Email:** [research@fib.co.ke](mailto:research@fib.co.ke)

**Website:** [www.fib.co.ke](http://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	34,887.39	-1.4%	14.8%
S&P 500	4,509.18	-0.6%	20.7%
NASDAQ 100	15,656.45	0.1%	21.8%
DAX	15,662.42	-0.5%	14.2%
FTSE 100	7,041.43	-1.4%	9.0%
EURO STOXX 50	4,185.12	-0.3%	17.8%
Shanghai Composite	3,703.11	3.4%	6.6%
NIKKEI 225	30,381.84	6.1%	10.7%
Commodities			
Brent Oil (USD/bbl.)	72.89	-0.3%	42.6%
Gold (USD/Oz)	1,794.94	-1.8%	-5.4%

Source: Bloomberg, NSE; \*As at 5:00 PM EAT

Most of the equity indices fell during the week. The FTSE eased weighed down by concerns over slowing economic growth. Data showed the pace of domestic economic recovery stalled in July against the backdrop of a surge in COVID-19 cases and supply chain disruptions. Oil (brent crude) dipped partly due to China's plan to release state oil reserves in a bid to tame high input costs.

## Equities Market

### Equity Market Commentary

The All Share Index (NASI) and the NSE 20 rose by 0.4% w/w and 1.9% w/w to close the week at 180.14 and 2,063.44 respectively. Market turnover edged up by 1.6% to KES 2.0 billion while number of shares traded fell by 17.2% to 65.3 million shares. Notable price declines this week included; BK Group (-17.2% w/w to KES 29.80), Liberty (-8.0% w/w to KES 7.64), Sanlam (-5.5% w/w to KES 9.92), Stanbic (-5.1% w/w to KES 89.25) and Carbacid (-4.3% w/w to KES 11.00). Safaricom rose by 0.8% w/w to KES 42.50. I&M eased by 1.1% w/w to KES 22.50 even as the group announced a 32.2% y/y increase in after tax profits for 1H2021 to KES 4.0 billion. Read more on I&M's performance in today's report. In the coming week, we expect price stability.

### Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	180.14	179.47	0.4%	18.4%
NSE 20	2,063.44	2,025.37	1.9%	10.4%
NSE 25	3,948.99	3,932.50	0.4%	15.6%

Source: NSE

### Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,807.19	2,796.73	0.4%
Volume (Mn)	65.3	78.85	(17.2%)
Equity Turnover (KES Mn)	2,016.87	1,985.52	1.6%

Source: NSE

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## Equities Performance

	<b>Top Gainers</b>	<b>Price (KES)</b>	<b>Weekly Change %</b>	<b>YTD Change</b>
1.	Scangroup	5.56	20.1%	(7.3%)
2.	Kenya Power	1.58	16.2%	(9.4%)
3.	BOC Kenya	74.50	10.4%	18.3%
4.	Sasini	20.15	7.8%	3.3%
5.	Kengen	4.98	5.3%	5.7%

	<b>Top Losers</b>	<b>Price (KES)</b>	<b>Weekly Change</b>	<b>YTD Change %</b>
1.	BK Group	29.80	(17.2%)	45.4%
2.	Eveready	0.92	(9.8%)	(23.3%)
3.	Olympia	2.01	(8.6%)	5.0%
4.	Liberty	7.64	(8.0%)	(0.8%)
5.	Sanlam	9.92	(5.5%)	(23.4%)

	<b>Movers</b>	<b>Price (KES)</b>	<b>Turnover (KES Mn)</b>
1.	Safaricom	42.50	1,025.54
2.	Equity	51.00	439.40
3.	KCB	46.60	171.51
4.	Bamburi	38.15	135.59
5.	EABL	175.00	62.97

Source: NSE and Faida Investment Bank Analysis

## In the News

### I&M Group Posts a 32.2% Growth in After Tax Profits for 1H2021

I&M Group registered a 32.2% y/y increase in after tax profits for 1H2021 to KES 4.0 billion. The growth in profitability was primarily driven by higher net interest income.

Total interest income rose by 11.6% y/y to KES 14.6 billion mainly attributed to a 92.6% y/y growth interest income from government securities to KES 4.1 billion as the group's investment in government securities grew by 43.3% y/y to KES 103.6 billion. The yield on government securities rose to 8.1% (1H2020: 7.9%).

Interest income from loans and advances declined by 3.6% y/y to KES 10.4 billion as the yield on net loans declined to 10.6% from 12.0% in 1H2020 (declining yields in the foreign loan book). Net loans advanced grew by 10.8% y/y to KES 204.5 billion. Management attributed this to increased lending to the public & private sector as well as contribution from Orient Bank Uganda (total assets boosted by KES 23.5 billion).

Total interest expenses declined by 6.9% y/y to KES 5.8 billion as interest expenses from customer deposits declined by 11.8% y/y to KES 4.8 billion. The cost of funds fell to 3.9% from 4.8% in 1H2020. Customer deposits grew by 9.6% y/y to KES 276.8 billion. As a result net interest income grew by 28.1% y/y to KES 8.9 billion (+70bps y/y growth in net interest margin (NIM) to 5.6%).

Non-funded income fell by 6.4% y/y to KES 3.9 billion mainly due to reduced loan processing fees, forex and treasury income. As a result, the contribution of non-funded income to total operating income declined to 30.8% from 37.8% in 1H2020.

Total operating expenses (excluding provisions) increased by 22.5% y/y to KES 6.2 billion, mainly driven by a 23.7% y/y growth in other expenses (digitization costs) and staff expenses which edged up by 17.0% y/y. The cost-to-income ratio excluding provisions grew to 48.1% (1H2020: 45.1%).

Loan loss provisions grew by 2.1% y/y to KES 1.1 billion. Gross non-performing loans rose by 3.8% y/y to KES 23.0 billion. The NPL ratio (gross NPL/gross loans) declined to 11.0% (1H2020: 12.0%). Cost of risk declined marginally to 1.0% from 1.1% in 1H2020.

## Commentary

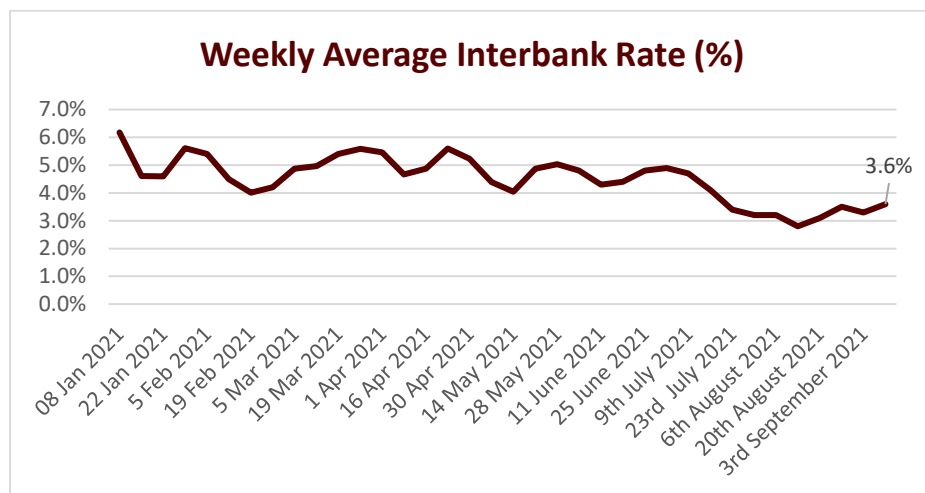
- Orient Bank is currently undergoing a rebranding exercise, expected to run into 4Q2021 ahead of integration into the larger group. The Group injected USD 5 million during the period under review with another USD 2.5 million expected in the future. We expect this to firm up operations supporting the group's lending activities with a boost from the overall group's strong capital adequacy ratios. Orient Bank's positioning provides a strong client base for regional synergies. The group remains keen on further acquisitions going forward in line with their expansion strategy.
- The bank's digitization strategy remains centered on corporate and business customers, leveraging on cross-selling capabilities. The group also continues to grow its retail digital footprint which we expect to result in cost efficiencies in the medium term.
- While the Kenyan subsidiary continues to drive the group's growth, we expect to see sustained growth trajectory in the rest of the subsidiaries
- With the launch of wealth management services in Kenya, we expect the group to ride on its client base, boosting non-funded income.

The counter is trading at a P/B of 0.32x against a banking sector average P/B of 0.76x with a dividend yield of 11.3%.

The recommendation is under review.

## Fixed Income

### Interbank Rate



Source: CBK

### Treasury Bill Auction Results

	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	6.9	172.53%	6.9	6.781%	0.04%
182 day	10.0	7.7	77.03%	7.7	7.253%	0.03%
364 day	10.0	2.8	28.31%	2.8	7.777%	0.26%
Total	24.0	17.4	72.65%	17.4		

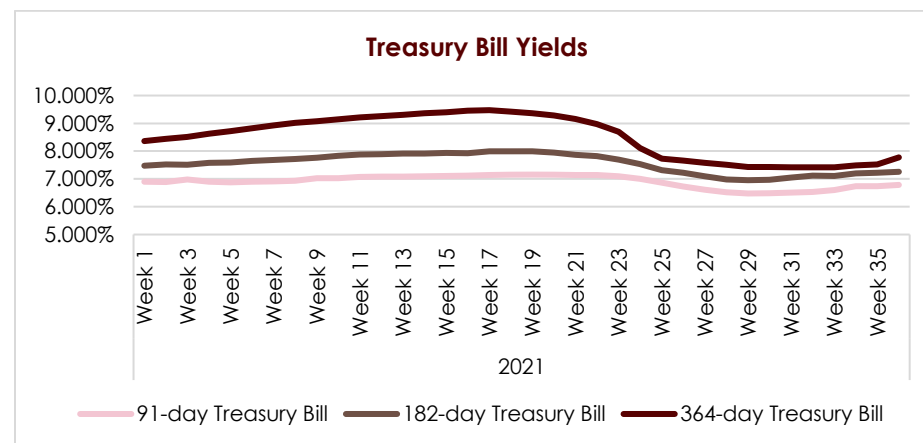
\*Change = Current Rate – Previous Rate; 1.0% = 100 bps  
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were undersubscribed in this week's auction. The total subscription rate was lower at 72.65% compared to last week's 99.49%. The 91 day bill had

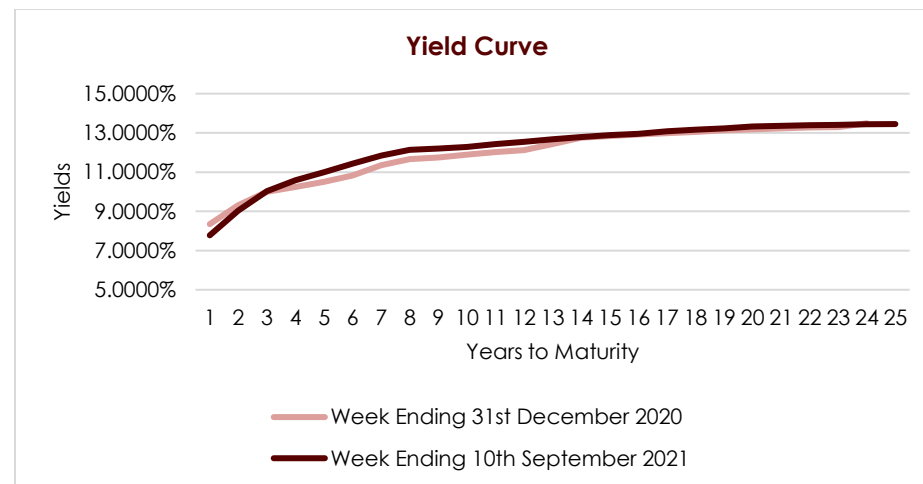
the highest subscription rate this week, at 172.53% while the 364 day bill had the lowest subscription at 28.31%.

### Treasury Bill Yields



Source: CBK

### Government Securities Yield Curve



Source: NSE

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## Macroeconomic Indicators

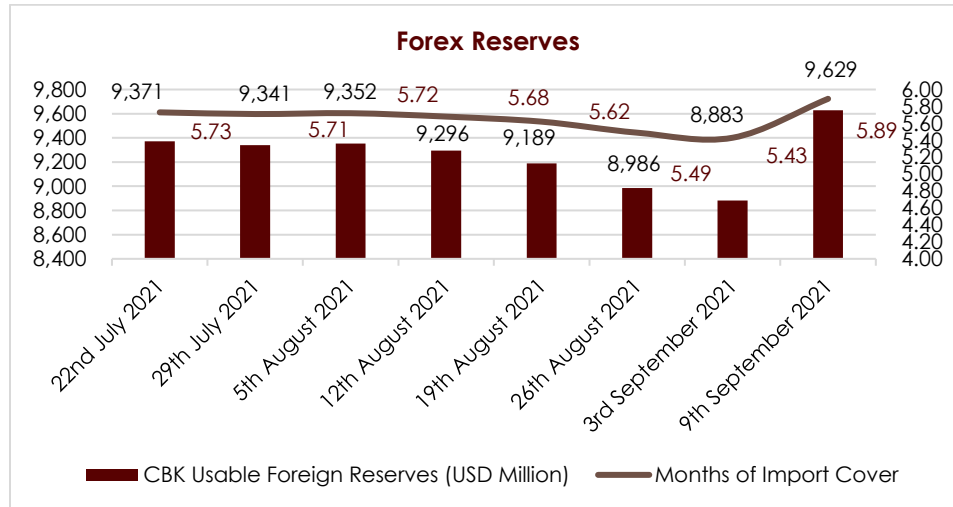
### Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	109.8735	(0.1%)	(0.6%)
STG Pound	151.8174	(0.6%)	(2.3%)
EURO	130.0241	(0.9%)	2.9%

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

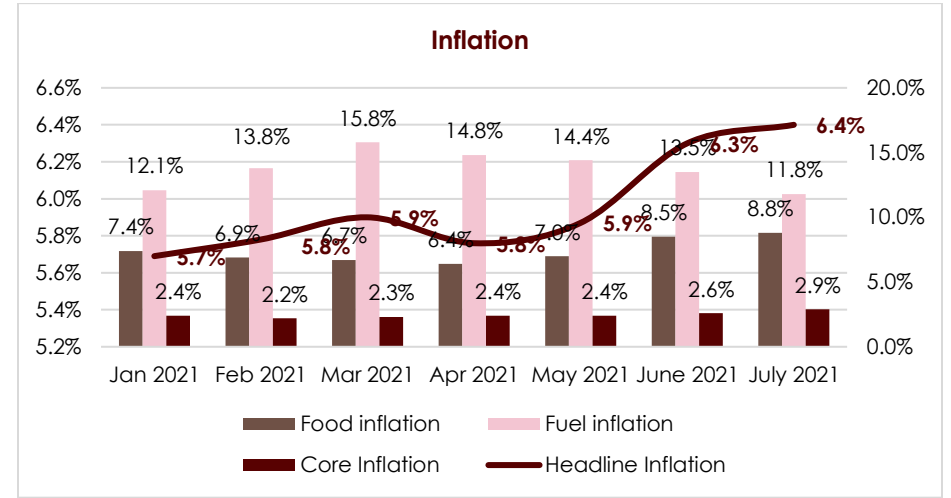
During the week, the Kenya Shilling depreciated against the US Dollar, the STG pound and the Euro.

### Forex Reserves



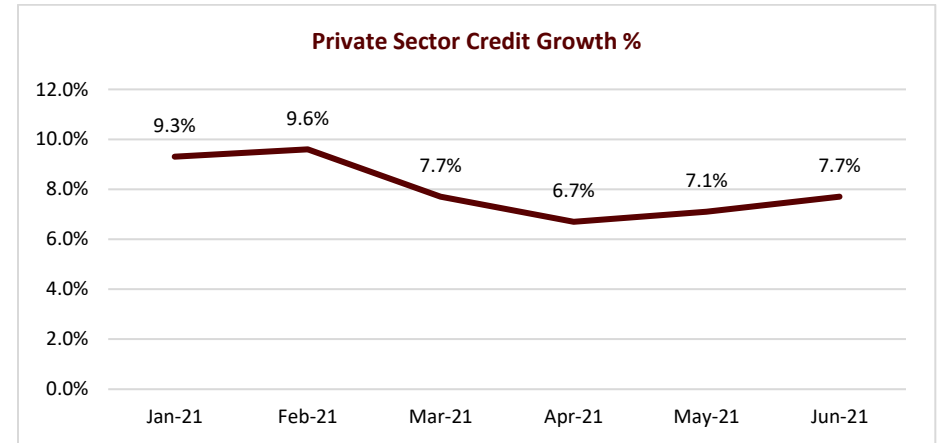
Source: CBK

## Inflation



Source: KNBS

## Credit Growth

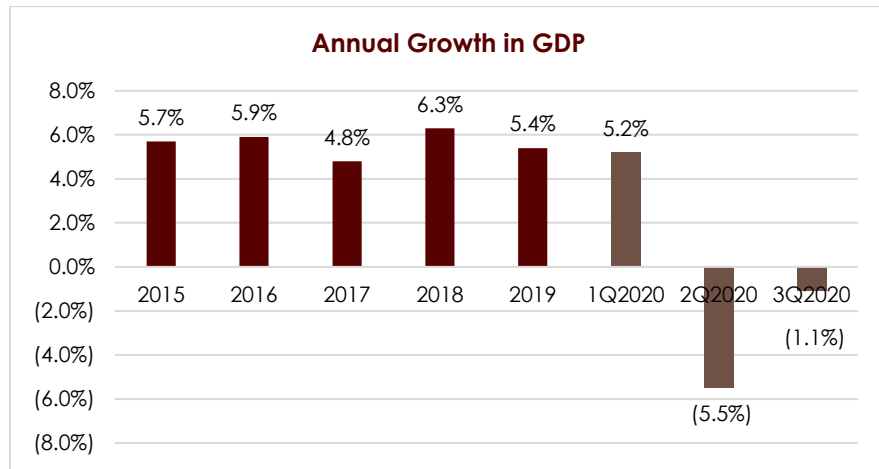


Source: CBK

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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	1Q2020	2Q2020	3Q2020	4Q2020
Unemployment Rate	5.2%	10.4%	7.2%	6.5%
Labour Force Participation Rate	69.7%	64.4%	68.8%	58.7%

Source: KNBS

## Derivatives Market

### Weekly Statistics

	This Week	Previous Week
Total Volumes	610	106
Total Value	25,597,570	3,353,130
Total Open Interest	874	331

Source: NSE

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## Corporate Finance

### Agricorp raises \$ 17.5 million in Seed Funding

Agricorp, a Nigerian startup, has raised \$ 17.5 million in seed funding. The funding round was led by Vami with \$11.5 million in equity while One Capital LLC and AFEX provided working capital financing for the startup. Agricorp was launched in 2018 and is a tech-enabled spices exporter. The startup has supported over 5,000 smallholder farmers with inputs and training on good agronomic practices. The company also built a spice processing plant in Kaduna that produces value-added products for the export market. The funding will be used to expand Agricorp's spices processing capacity, set up regional sales operations in South Africa and East Africa, acquire certifications for food safety and hygiene, increase staff strength to meet growing demand and improve marketing efforts.

## Results Delay Notices

	Company	Sector
1	Scangroup	Commercial and Services
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



## 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	46.60	22.3%	-0.4%	3,695,800	44.8%	7.64	2.1%	1.05	14.4%
Equity Bank	51.00	39.5%	2.2%	8,809,500	51.5%	9.73	0.0%	1.39	15.8%
NCBA	27.65	3.4%	1.7%	377,400	41.9%	3.18	6.3%	0.62	15.3%
Stanbic	89.25	5.0%	-5.1%	20,800	52.2%	6.80	4.3%	0.68	10.3%
Absa Bank Kenya Plc	10.40	7.7%	-1.4%	2,641,400	48.2%	13.57	0.0%	1.21	8.9%
Housing Finance	3.79	14.2%	3.6%	341,200	93.8%	<b>N/M</b>	0.0%	0.16	-18.2%
Co-operative Bank	13.40	7.2%	0.0%	742,300	58.1%	7.27	7.5%	0.99	12.7%
Diamond Trust Bank	64.00	-14.7%	-1.5%	135,100	48.6%	5.51	4.2%	0.29	5.4%
Standard Chartered	135.00	-6.4%	-0.9%	67,300	58.8%	12.86	7.8%	0.92	11.2%
I&M	22.50	-50.0%	-1.1%	156,600	39.0%	1.73	11.3%	0.32	20.4%
<b>Sector Average</b>					<b>53.7%</b>	<b>7.59</b>	<b>4.4%</b>	<b>0.76</b>	<b>9.6%</b>

### 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%	3,600.00	<b>N/M</b>	0.0%	-6.22	<b>N/M</b>
Nation Media Group	25.55	65.4%	2.2%	171,900	127.75	0.0%	0.2	1.7%
WPP Scangroup	5.56	-7.3%	20.1%	3,098,500	4.96	9.0%	1.12	6.0%
Uchumi Supermarket	0.26	-7.1%	0.0%	695,600	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	4.00	-18.0%	0.3%	64,200	5.88	13.0%	0.68	17.3%
Eveready	0.92	-23.3%	-9.8%	23,400	<b>N/M</b>	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>46.20</b>	<b>4.4%</b>		<b>3.6%</b>

\*\*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	38.15	0.8%	0.3%	3,416,000	15.57	7.9%	3.2%	3.8%
E.A. Portland Cement	8.58	-22.0%	0.2%	20,200	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>15.57</b>	<b>3.9%</b>	<b>1.6%</b>	<b>1.9%</b>

\*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	4.98	5.7%	5.3%	2,159,900	1.78	6.0%	2.79	9.0%
Kenya Power	1.58	-7.6%	16.2%	6,430,300	N/M	0.0%	N/M	N/M
Total Kenya	25.70	7.1%	2.2%	33,400	6.38	5.1%	4.03	10.8%
<b>Sector Average</b>					<b>4.08</b>	<b>3.0%</b>		<b>9.0%</b>

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.80	31.5%	-1.4%	587,500	0.96	N/M	71.4%	34.6%
Britam	8.34	14.9%	0.5%	735,600	1.06	N/M	80.6%	58.1%
Jubilee	359.25	26.5%	-0.2%	15,400	0.80	6.84	101.3%	44.2%
Kenya Re	2.52	8.6%	0.8%	1,825,500	0.05	2.40	67.7%	8.9%
Sanlam Kenya	9.92	-23.4%	-5.5%	28,100.00	1.08	12.56	85.8%	35.5%
Liberty	7.64	-0.8%	-8.0%	8,300.00	0.49	5.83	119.6%	48.7%
<b>Sector Average</b>					<b>0.74</b>	<b>6.91</b>	<b>87.7%</b>	<b>38.3%</b>

\*Unadjusted for the sale to Allianz

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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	16.95	0.6%	0.6%	356,300	2.44	0.36	6.95	9.3%
Home Afrika Ltd	1.38	-7.1%	0.0%	113,400	N/M	N/M	N/M	2.6%
Trans-Century	1.38	-4.8%	3.8%	3,100.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.36</b>		<b>5.5%</b>

\*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	9.72	19.1%	-0.4%	71,700	32.40	2.9%	0.3	3.9%
<b>Sector Average</b>					<b>32.40</b>	<b>2.9%</b>		

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	175.00	13.5%	-0.3%	359,400	33.85	1.7%	5.17	46.6%
FTG Holdings	1.35	9.8%	1.5%	19,100	5.19	0.0%	0.26	4.8%
Carbacid	11.00	-9.1%	-4.3%	268,600	8.66	6.4%	1.27	10.0%
BAT	462.00	28.0%	0.1%	24,800	8.37	9.7%	55.18	51.2%
<b>Sector Average</b>					<b>14.02</b>	<b>3.6%</b>		

\*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	42.50	24.1%	0.8%	24,327,500	24.85	3.2%	1.71	49.9%
<b>Sector Average</b>					<b>24.85</b>	<b>3.2%</b>		

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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%	4.7%	2,072,200	20.86	10.34%	0.82
<b>Sector Average</b>						<b>NA</b>	

\*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
Kapchorua Tea	First & Final dividend	Kes. 10.00	30-Jun-21	<b>21-Jul-21</b>	(Subject to Approval)
Williamson Tea	First & Final dividend	Kes. 10.00	30-Jun-21	<b>21-Jul-21</b>	(Subject to Approval)
Centum	Final dividend	Kes. 0.33	27-Jul-21	<b>(Subject to Approval)</b>	(Subject to Approval)
BAT Kenya	Interim dividend	Kes. 3.50	22-Jul-21	<b>12-Aug-21</b>	16-Sep-21
Stanbic Holdings	Interim dividend	Kes. 1.70	13-Aug-21	<b>6-Sep-21</b>	27-Sep-21
Jubilee Holdings	Interim dividend	Kes. 1.00	30-Aug-21	<b>10-Sep-21</b>	11-Oct-21
B.O.C Kenya	Interim dividend	Kes. 1.50	26-Aug-21	<b>24-Sep-21</b>	18-Oct-21
NCBA Group	Interim dividend	Kes. 1.00	30-Aug-21	<b>10-Sep-21</b>	11-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