



# Weekly Report

## Week 40

Week Ending Friday, October 8, 2021

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## Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	34,800.50	1.4%	14.5%
S&P 500	4,404.00	1.1%	17.9%
NASDAQ 100	14,893.64	0.7%	15.9%
DAX	15,237.17	0.5%	11.1%
FTSE 100	7,105.80	1.1%	10.0%
EURO STOXX 50	4,087.66	1.3%	15.1%
Shanghai Composite	3,592.17	0.7%	3.4%
NIKKEI 225	28,048.94	-1.4%	2.2%
Commodities			
Brent Oil (USD/bbl.)	83.13	4.9%	62.6%
Gold (USD/Oz)	1,773.84	0.7%	-6.5%

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

Most of the equity indices rose during the week. The FTSE climbed supported by gains in oil stocks such as BP and Royal Dutch Shell. The S&P 500 rose driven by technology stocks such as Netflix and Facebook and energy stocks such as Exxon Mobil, Chevron and ConocoPhillips as US oil prices advanced above \$80 per barrel. Oil (brent crude) edged up as doubts crept in on whether the US would draw oil from its reserves. The US had announced mid-week that it was considering selling oil from the reserves.

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## Equities Market

### Equity Market Commentary

The All Share Index and the NSE 20 eased by 3.0% and 2.2% w-o-w to close the week at 175.82 and 1,992.92 respectively. The decline was primarily driven by Safaricom's price decrease (3.6% w/w to KES 41.65). Equity turnover edged up by 77.2% to KES 2.9 billion while the volume traded rose by 40.4% to 79.8 million.

Notable price declines in the week included; HF (6.8% w/w to KES 3.69), Stanbic (6.3% w/w to KES 86.25), CIC (5.1% w/w to KES 2.81), DTB (4.7% w/w to KES 60.50), I&M (4.2% w/w to KES 21.80) and EABL (4.2% w/w to KES 164.75). KPLC rose by 2.9% w-o-w to KES 1.79 buoyed by news of the Presidential Taskforce recommendations. We recommend accumulating some of these fundamentally strong counters such as Safaricom when there is a price decline.

### Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	175.82	181.23	(3.0%)	15.6%
NSE 20	1,992.92	2,824.14	(2.2%)	6.7%
NSE 25	3,834.90	3,952.17	(3.0%)	12.3%

Source: NSE

### Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,739.27	2,824.14	(3.0%)
Volume (Mn)	79.8	56.9	40.4%
Equity Turnover (KES Mn)	2,880.05.56	1,625.56	77.2%

Source: NSE

## Equities Performance

	<b>Top Gainers</b>	<b>Price (KES)</b>	<b>Weekly Change %</b>	<b>YTD Change</b>
1.	Everready	1.14	8.6%	(5.0%)
2.	Car & General	36.00	12.9%	63.6%
3.	Uchumi	0.23	9.1%	(17.9%)
4.	Eaagads	3.42	8.6%	5.2%
5.	NSE	9.12	8.6%	11.8%

	<b>Top Losers</b>	<b>Price (KES)</b>	<b>Weekly Change</b>	<b>YTD Change %</b>
1.	NMG	22.35	(8.0%)	44.7%
2.	WPP Scangroup	4.93	(7.6%)	(17.8%)
3.	Limuru Tea	300.00	(6.3%)	(16.7%)
4.	Transcentury	1.40	(5.9%)	(3.4%)
5.	Jubilee	350.00	(5.1%)	23.2%

	<b>Movers</b>	<b>Price (KES)</b>	<b>Turnover (KES Mn)</b>
1.	Safaricom	41.65	2,113.68
2.	KCB	46.10	373.18
3.	EABL	164.75	116.66
4.	Equity	49.35	76.56
5.	I&M	21.80	42.03

Source: NSE and Faida Investment Bank Analysis

## In the News

### Kenya Power declared a Special Project by Government

According to a press release from the office of the President, the government has frozen the contracting of additional power producers by KPLC and ordered a review the current Power Purchase Agreements (PPAs) so as to lower the cost of electricity in the country.

The Interior Cabinet Secretary (CS) stated that the move is in line with the recommendations of the Presidential Task Force on the Review of the PPAs. The recommendation were released on 29<sup>th</sup> September 2021 and address PPAs that have left KPLC indebted while paying for excess energy which the company does not need in take-or-pay arrangements. These arrangements were blamed on poor negotiations and vested interests.

The recommendations of the Presidential Taskforce were:

- i. Cancellation with immediate effect of all unconcluded negotiations of PPAs and ensure future PPAs are aligned to the Least Cost Power Development Plan (LCPDP)
- ii. Fast-track and deepen the ongoing reforms at KPLC
- iii. KPLC to take the lead in formulation and related PPA procurement of the LCPDP
- iv. KPLC to institute due diligence and contract management frameworks for PPA procurement and monitoring along the lines of drafts provided by the Taskforce
- v. KPLC to institute 1 and 5 year rolling demand and generation forecasts and associated models
- vi. KPLC to adopt standard PPAs and proposed government Letter of Support (LOS) along the lines of the drafts provided by the Taskforce
- vii. KPLC to undertake a forensic audit on the procurement and system losses arising from the use of Heavy Fuel Oils (HFOs)
- viii. In line with the constitutional imperative for transparency in the public sector, KPLCs annual reports should include the names and beneficial ownerships of all Independent Power Producers with which it has contractual arrangements

The government has therefore declared KPLC a “Special Project” and an inter-ministerial team has been set up carry out forensic audit and oversight the company urgently.

According to the CS, work is ongoing at an inter-ministerial level to reduce system losses including the theft of power. Further, a multi-agency team comprising of the DCI, Financial Reporting Center (FRC), Assets Recovery Authority and other investigative agencies will be assembled to investigate alarming system losses within KPLC, procurement practices, insider trading, conflict of interests and suspect transactions involving KPLC staff and others.

The system losses of 23.47% have exceeded the 19.99% limit approved by the Energy and Petroleum Authority owing to lack of internal control measures to mitigate losses, including governance.

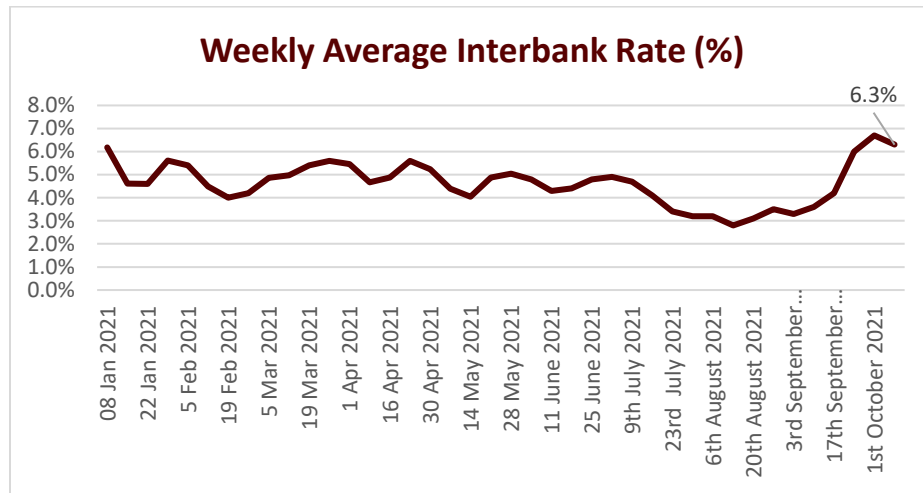
### Commentary

We opine that the Taskforce recommendations are set to ease the burden of PPAs for the company. The target of the recommendations is to reduce the cost of electricity by over 33.0% within 4 months. We opine that this will cushion consumers and it will be interesting to see how the reduction will be effected within that period of time.

Overall, these initiatives (and those aimed at addressing system losses such use of smart meters) are positive for the company. They try to address some of the major concerns we've had with the company such as system losses, energy contracts that don't reflect economic realities of energy demand and corporate governance issues at the company.

## Fixed Income

### Interbank Rate



Source: CBK

### Treasury Bill Auction Results

	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	3.4	85.56%	3.4	6.935%	0.00%
182 day	10.0	4.0	39.62%	4.0	7.316%	0.00%
364 day	10.0	2.4	24.39%	2.4	7.028%	0.06%
Total	24.0	9.8	40.93%	9.8		

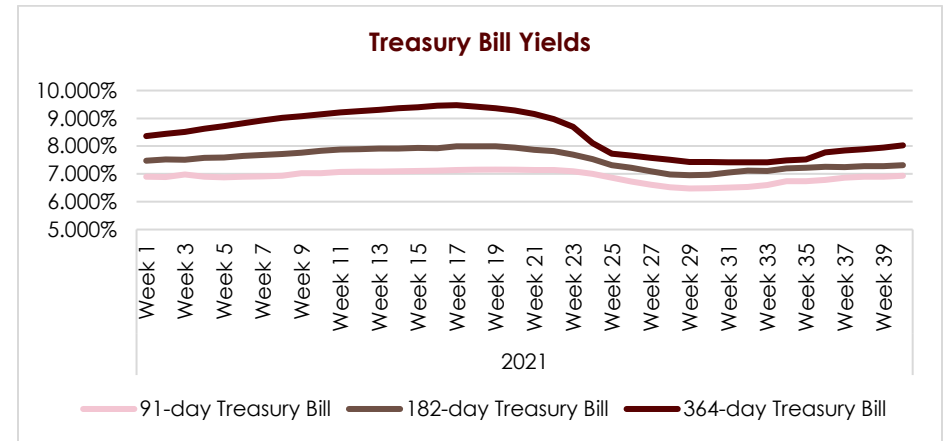
\*Change = Current Rate – Previous Rate; 1.0% = 100 bps  
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were undersubscribed in this week's auction. The total subscription rate was lower at 40.93% compared to last week's 42.22%. The 91 day bill had

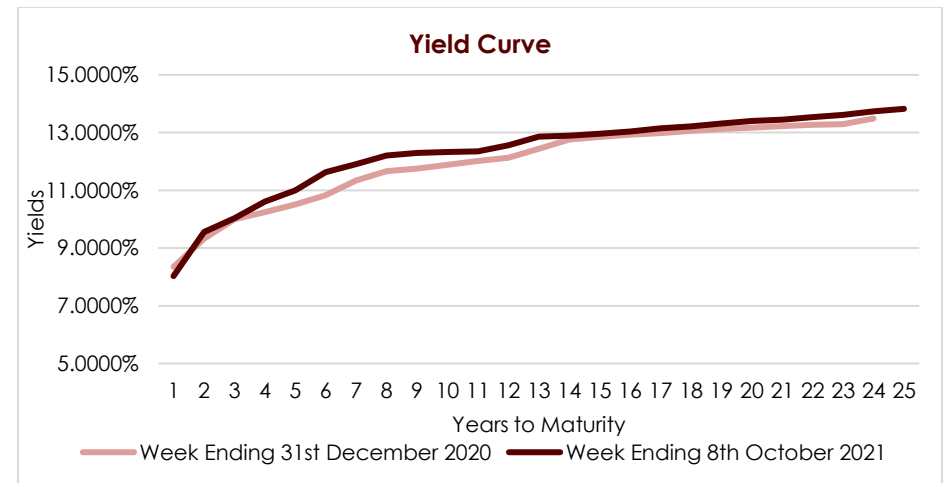
the highest subscription rate this week, at 85.56% while the 364 day bill had the lowest subscription at 24.39%.

### Treasury Bill Yields



Source: CBK

### Government Securities Yield Curve



Source: NSE

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## Macroeconomic Indicators

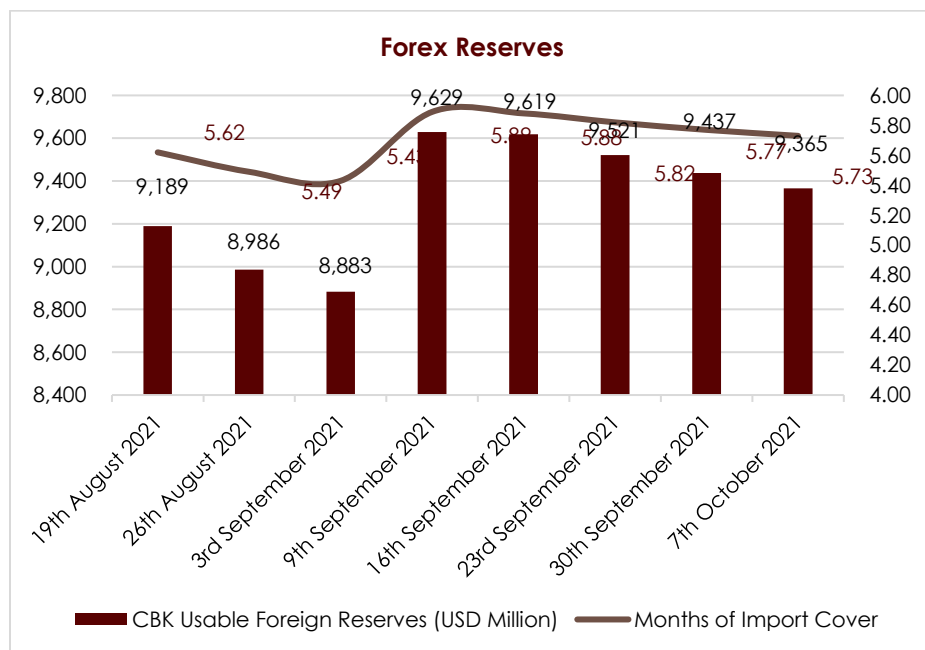
### Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	110.7165	(0.2%)	(1.4%)
STG Pound	150.4606	(1.0%)	(1.4%)
EURO	127.8988	0.4%	4.5%

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

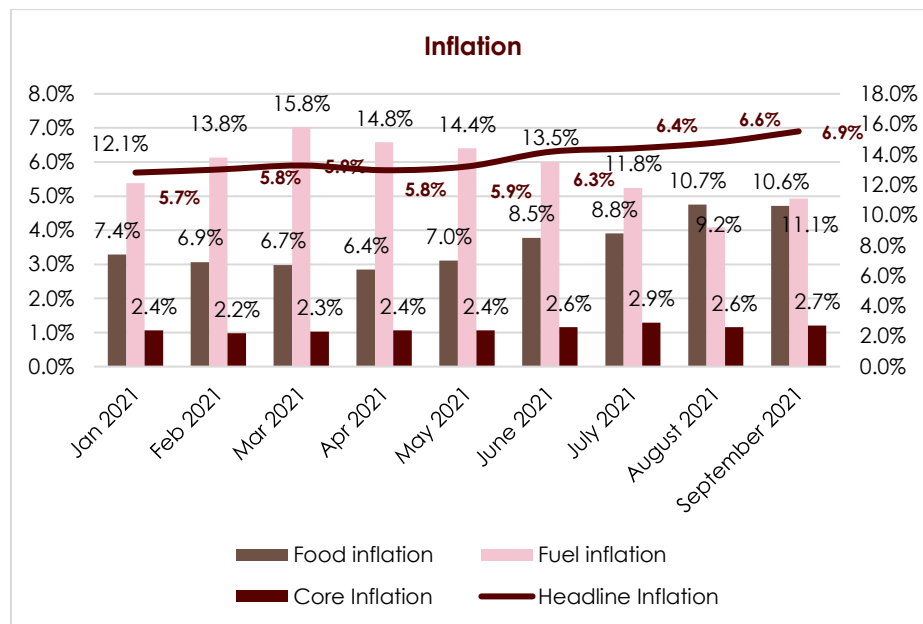
During the week, the Kenya Shilling depreciated against the US Dollar and the STG pound but appreciated against the Euro.

### Forex Reserves



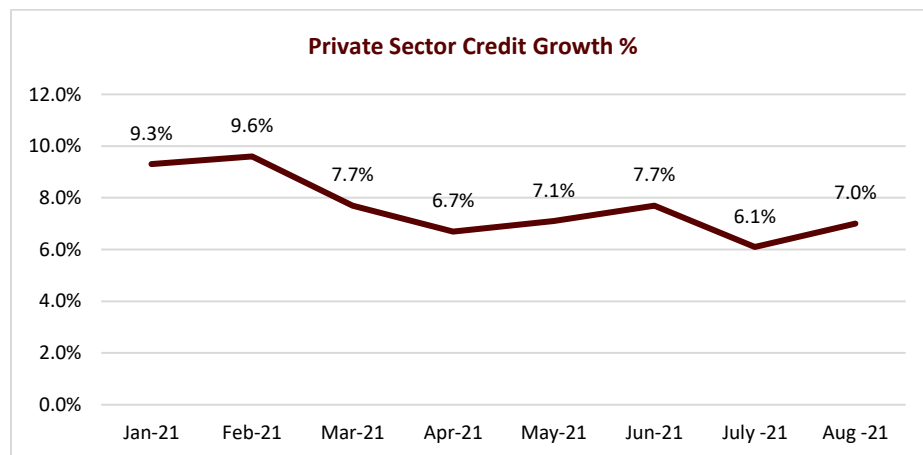
Source: CBK

## Inflation



Source: KNBS

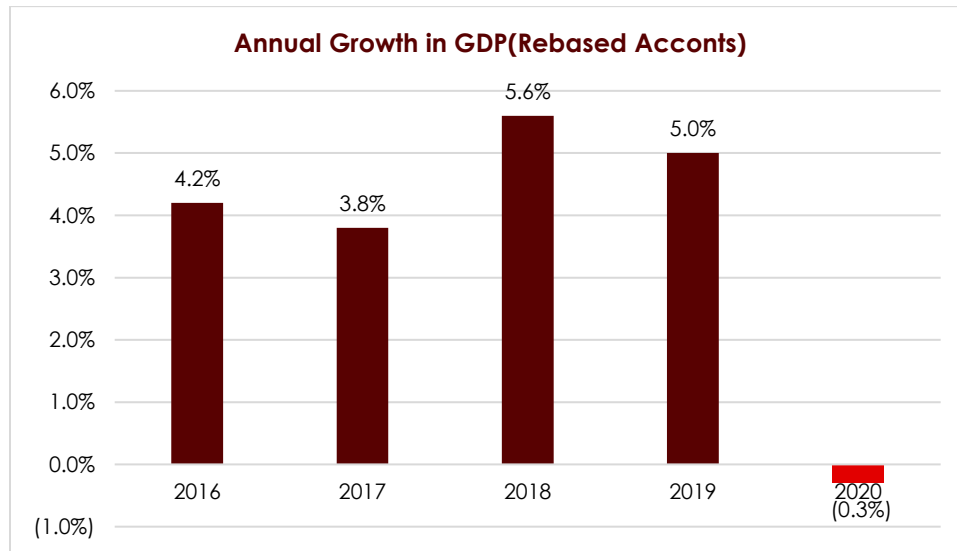
## Credit Growth



Source: CBK

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## Gross Domestic Product (GDP)



Source: KNBS

Kenya's Real GDP is estimated to have contracted by 0.3% in 2020, a decline from a growth of 5.0% in 2019. The contraction was due to disruptions caused by measures implemented to curb the spread of COVID-19. The Accommodation and food services (-47.7%) sector recorded the highest contraction due to COVID-19 movement restrictions (both international and domestic) and social distancing restrictions as the sector's operations depend on close contact between persons. The transportation and storage sector contracted by 7.8% due to restrictions in movement aimed at curbing the spread of the COVID-19 pandemic. The manufacturing sector contracted by 0.1% mitigated by sugar and cement production. Growth in agricultural production, construction activities, financial and insurance activities and health services activities buoyed the economy, having grown by 4.8%, 11.8%, 5.6% and 6.7% respectively. The agricultural sector accounted for 23.0% of nominal GDP. Growth in the agricultural sector was supported by increases in tea production (+24.1% y/y to 569.5 thousand tonnes) and sugarcane production (+36.4% y/y to 6.0 million tonnes). In the construction sector, cement consumption rose by 21.3% y/y to 7.4 million tonnes reflecting increased construction activity.

Real GDP Growth by Sector	2019	2020
Agriculture	2.6%	4.8%
Mining & Quarrying	4.3%	6.7%
Manufacturing	2.5%	(0.1%)
Electricity and Water Supply	1.7%	(0.5%)
Construction	5.6%	11.8%
Wholesale & Retail Trade	5.3%	(0.4%)
Accommodation & Food Services	14.3%	(47.7%)
Transport & Storage	6.3%	(7.8%)
Information & Communication	7.5%	4.8%
Financial & Insurance	6.9%	5.6%
Public Administration	9.9%	5.3%
Professional, Admin & Support Services	7.0%	(13.5%)
Real Estate	6.7%	4.1%
Education	4.7%	(10.8%)
Health	6.2%	6.7%
Other Services	4.9%	(19.5%)

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	146	99
Total Value	5,472,165	3,647,335
Total Open Interest	890	816

Source: NSE

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## Corporate Finance

### Chari secures \$5.0 Million in Seed Funding

Chari, a Moroccan B2B e-commerce and fintech, has raised \$5.0 million in its seed funding round co-led by Rocket Internet, Global Founders Capital and P1 Ventures. The company was founded in 2020 and allows store owners in Morocco to order products and have them delivered. It recently acquired the mobile credit book application - Karnyma with an aim to offer additional services to customers. The funding will be used for expansion to purposes.

### Profit Warnings Issued

	Company	Sector
1	East African Cables	Construction and Allied
2	Kenya Orchards	Manufacturing and Allied
3	Nairobi Business Ventures	Commercial and Services
4	TPS Eastern Africa	Commercial and Services
5	Olympia Capital	Investment

Source: NSE

### Results Delay Notices

	Company	Sector
1	East African Cables	Construction and Allied
2	Crown Paints	Construction and Allied
3	Express Kenya	Commercial and Services
4	Nairobi Business Ventures	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	46.10	21.0%	-1.4%	7,897,100	44.3%	6.76	2.2%	1.12	15.4%
Equity Bank	49.35	35.0%	-2.3%	1,411,800	48.5%	10.61	0.0%	1.26	13.0%
NCBA	25.25	-5.6%	-2.9%	172,000	43.1%	2.91	6.9%	0.54	6.5%
Stanbic	86.25	1.5%	-6.3%	38,600	48.9%	9.74	4.4%	0.69	6.8%
Absa Bank Kenya Plc	10.25	6.1%	-2.4%	1,783,800	44.6%	9.99	0.0%	1.07	11.7%
Housing Finance	3.69	11.1%	-6.8%	16,700	120.9%	<b>N/M</b>	0.0%	0.16	-3.8%
Co-operative Bank	13.15	5.2%	-1.9%	293,800	49.9%	10.47	7.6%	0.96	8.5%
Diamond Trust Bank	60.50	-19.3%	-4.7%	271,500	38.2%	5.83	4.5%	0.26	4.6%
Standard Chartered	129.25	-10.4%	-1.1%	69,900	47.3%	12.31	8.1%	0.86	9.4%
I&M	21.80	-51.6%	-4.2%	350,700	48.1%	4.47	11.7%	0.31	6.5%
<b>Sector Average</b>					<b>53.4%</b>	<b>8.12</b>	<b>4.5%</b>	<b>0.72</b>	<b>7.9%</b>

### P/B (X) – 1H2021

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%	-	<b>N/M</b>	0.0%	-6.22	<b>N/M</b>
Nation Media Group	22.35	44.7%	-2.8%	46,600	111.75	0.0%	0.2	1.7%
WPP Scangroup	4.93	-17.8%	-1.2%	367,900	4.40	10.1%	1.12	6.0%
Uchumi Supermarket	0.23	-17.9%	-4.2%	144,900	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	4.11	-15.8%	2.8%	23,900	6.04	12.7%	0.68	17.3%
Eveready	1.14	-5.0%	-6.6%	4,200	<b>N/M</b>	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>40.73</b>	<b>4.6%</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	37.05	-2.1%	-2.1%	83,700	15.12	8.1%	3.2%	3.8%
E.A. Portland Cement	7.90	-28.2%	-3.7%	0	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>15.12</b>	<b>4.0%</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	4.78	1.5%	1.7%	6,059,800	1.71	6.3%	2.79	9.0%
Kenya Power	1.79	4.7%	2.9%	3,096,100	N/M	0.0%	N/M	N/M
Total Kenya	25.25	5.2%	-1.4%	3,600	6.27	5.1%	4.03	10.8%
<b>Sector Average</b>					<b>3.99</b>	<b>3.1%</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	2.81	31.9%	-5.1%	190,200	0.96	N/M	71.4%	34.6%
Britam	8.08	11.3%	0.0%	124,400	1.03	N/M	80.6%	58.1%
Jubilee	350.00	23.2%	0.0%	2,900	*0.78	6.67	101.3%	44.2%
Kenya Re	2.50	7.8%	0.0%	293,900	0.05	2.38	67.7%	8.9%
Sanlam Kenya	11.90	-8.1%	3.5%	6,300.00	1.29	15.06	85.8%	35.5%
Liberty	7.80	1.3%	-3.9%	30,100.00	0.50	5.95	119.6%	48.7%
<b>Sector Average</b>					<b>0.77</b>	<b>7.52</b>	<b>87.7%</b>	<b>38.3%</b>

\*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	17.40	-2.5%	-2.5%	1,090,000	2.50	0.37	6.95	9.3%
Home Afrika Ltd	1.40	-4.8%	0.0%	85,100	N/M	N/M	N/M	2.6%
Trans-Century	1.40	-3.4%	10.2%	1,200.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.37</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	9.12	11.8%	-7.7%	110,200	30.40	3.1%	0.3	3.9%
<b>Sector Average</b>					<b>30.40</b>	<b>3.1%</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	164.75	6.8%	-4.2%	692,200	31.87	1.8%	5.17	46.6%
FTG Holdings	1.35	9.8%	1.5%	65,500	5.19	0.0%	0.26	4.8%
Carbacid	11.65	-3.7%	-1.7%	146,700	9.17	6.0%	1.27	10.0%
BAT	445.50	23.4%	-1.2%	11,300	8.07	10.1%	55.18	51.2%
<b>Sector Average</b>					<b>13.58</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	41.65	21.6%	-3.6%	43,864,100	24.36	3.3%	1.71	49.9%
<b>Sector Average</b>					<b>24.36</b>	<b>3.3%</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	6.62	19.1%	-4.1%	139,300	20.86	11.18%	0.82
<b>Sector Average</b>						<b>NA</b>	

\*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
KCB	Neutral	KES 49.90	KES 35.54	KES 46.10	KES 47.54	3.1%	KES 2.0	21.0%

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>8-Oct-21</b>	29-Oct-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