

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 150.07	1.2%	6.9%	USD Mn – 22,212 KES Bn – 2,293
	NSE 20 Share Index - 2,489.95	1.2%	-12.1%	USD Mn – 18,757 KES Bn – 1,936.667
	NSE 25 Share Index - 3,604.21	1.5%	1.5%	USD Mn – 20,116 KES Bn – 2,076.997
NIGERIA	ASI- 26,348.73	-0.4%	-16.2%	USD Mn – 41,787 NGN Bn – 12,826
EGYPT	EGX100*- 1,406.50	-0.6%	-18.6%	USD Mn – 33,594 EGP Bn – 542.270
SOUTH AFRICA	All share – 55,478.45	-0.9%	5.2%	USD Mn – 1,002.057 ZAR Bn – 14,660

Source: NSE, JSE, NSE (Nigeria), \*EGX100-as at 24<sup>th</sup> October 2019

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –103.25	0.4%	-1.4%	3.8%(09/2019)	5.6%(1Q2019)
NGN/USD* -306.90	0.5%	9.9%	11.2%(09/2019)	2.4%(3Q2018)
EGP/USD* –16.14	-	-0.1%	4.8%(09/2019)	5.3%(3Q2018)
ZAR/USD – 14.63	1.1%	-7.8%	4.3%(08/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP\*-as at 24<sup>th</sup> October 2019

## Safaricom Launches New Tariff Plans

Safaricom has unveiled a new voice and data tariff to its subscribers in an effort to counter increasing competition and shore up its market share. Unlike some of the tariffs that expire, the new tariff are stand-alone plans that do not blend other products such as SMS and Data. This is expected since blended offers are not popular, accounting for less than 5.0% of total revenues. For voice, about 75.0% of the customers are out of bundle customers.

The new mobile data tariff will give subscribers an option to purchase internet bundles without expiry dates. This plan has offered more data for smaller denomination purchases. For instance, for KES 20.0 a customer gets 70.0 Megabytes (MBs) on the new tariff as opposed to 50.0 MBs on the daily (non-Blaze) tariff. However, for higher denomination purchases, the allocation has been reduced by about 50.0% for the same amounts compared to tariffs that expire. Therefore, the cost of extending bundle validity is much steeper for heavy users. We therefore expect the new tariff to resonate more with less data intensive users. We note that 60.0% of the company's active mobile data users use on average less than 100MBs per month. Since the average data usage per month tends to be more than 100MBs (721 MBs per month for FY2019), most of the mobile data traffic is driven by the 40.0% active users who use more than 100MBs per month (the actual percentage of heavy users driving most of traffic could be lower due to usage habits, availability of smartphones and high speed networks and purchasing power). Therefore, the 60.0% of the active users which we opine the company is targeting is unlikely to impact mobile data revenues in a meaningful way since they don't drive majority of mobile data traffic, are getting more data for less impacting negatively mobile data yields and are unlikely to purchase data bundles more frequently due to the longer validity period.

The new voice tariff will give subscribers 50.0% extra airtime to calls. For instance, for KES 20.0, a customer gets KES 30.0 worth of airtime, effectively lowering the

cost of a call from KES 4.30 to KES 2.87. Although the rate is still higher than its competitors, we believe it's much competitive given that the company still has better network coverage. We therefore see this positively impacting its customer acquisition and retention. However, in terms of revenue growth, we expect a negative impact. In the recent past, the effect of lower minute yields as a result of tariffs cuts (either direct cuts or through promotional offers) has dominated the effect on usage (as measured by Minutes of Use-MoU). We opine that this disproportionate growth in MoU is due to popularity of alternative communication channels like SMS and Over the Top applications like WhatsApp. For instance, in the 2H2019, the company offered several promotional offers which lowered the yields on the minutes by 6.5% from an estimated KES 2.66 in 1H2019 to an estimated KES 2.48 in the 2H2019. However usage (MoU) only grew by 3.0% from 101.3 minutes to 104.0 minutes. As a result, the Voice Average Revenue per User (ARPU) and voice revenues over the same period declined by 3.9% and 0.3% to KES 254.46 and KES 47.9 billion respectively.

Overall, we believe this gives customers more choice which will ultimately help with customer acquisition and retention but its impact on revenues for the respective will be minimal due to lower ARPU.

#### **Jubilee Holdings Partners with Credit Bank to Launch SME – Focused Products**

Jubilee Holdings and Credit Bank have entered into a partnership focused on creating loan and insurance products targeted at small and medium sized enterprises (SMEs). The development of the loan/insurance products is expected to be facilitated by an information sharing agreement between the two financial institutions. Jubilee Holdings and Credit Bank expect to sell the financial products under a bancassurance model. According to management, the amalgamated loan and insurance products will be competitively priced to enable the bank to disburse money for small and big-ticket deals while retaining the business (especially trade finance) that has in the past been insured by foreign underwriters. We expect Jubilee to benefit from access to the bank's customer base - - this should enhance their premium growth.

#### **Stock Market Performance and Outlook**

The overall market edged up by 1.2% w/w to close the week at 150.07 (NASI) characterized by an increase in turnover and volumes. We attribute the gain in the index to price gains on majority of the counters. Investor focus was maintained on banking stocks during the week with majority of the counters registering price gains. Some of the notable price increases include; Equity (+5.1% w/w), NCBA (+5.2% w/w), Stanbic (+2.3% w/w), and KCB (+2.0% w/w). Safaricom edged up slightly by 1.6% w/w. We note that during the week, Safaricom appointed a new CEO and revamped its customer acquisition and retention strategy by launching a new tariff plan amongst other things. In the coming week, we expect some profit taking activities on some of the banking stocks following the price rallies. Additionally, we expect investors to focus on Safaricom as it releases its 1H2020 results at the close of the week.

# Equity Market Summary

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	44.10	17.8%	2.0%	9,352,200	48.7%	5.64	7.9%	1.19	21.9%
Equity Bank	39.95	14.6%	5.1%	39,421,400	52.2%	7.60	5.0%	1.59	21.1%
NIC Bank	33.60	20.9%	5.2%	274,100	46.3%	5.09	3.7%	0.61	12.1%
Stanbic	101.75	12.1%	2.3%	9,600	50.2%	6.41	5.7%	0.90	14.3%
National Bank	4.12	-22.6%	0.0%	0	92.0%	199.18	0.0%	0.20	0.1%
Barclays Bank	11.50	5.0%	1.3%	1,013,100	54.2%	8.42	9.6%	1.41	17.1%
Housing Finance	6.70	20.9%	-1.8%	177,200	107.7%	<b>N/M</b>	0.0%	0.23	-5.5%
Co-operative Bank	12.50	-12.6%	0.4%	2,510,300	54.6%	5.76	8.0%	1.05	18.2%
Diamond Trust Bank	115.00	-26.5%	-2.1%	866,600	45.2%	4.54	2.3%	0.60	13.9%
Standard Chartered	198.25	1.9%	1.3%	21,200	51.8%	8.41	9.6%	1.46	17.5%
I&M	45.15	-46.9%	-7.8%	702,000	36.6%	2.20	8.6%	0.39	17.9%
<b>Sector Average</b>					<b>58.1%</b>	<b>25.32</b>	<b>5.5%</b>	<b>0.88</b>	<b>13.5%</b>

## P/B (X) - FY2018

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	2.84	-68.1%	4.0%	273,800	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	41.85	-38.9%	2.7%	58,100	6.07	23.9%	6.9	13.2%
WPP Scangroup	13.50	-3.6%	3.8%	11,400	12.05	3.7%	1.12	7.1%
Uchumi Supermarket	0.30	-62.5%	11.1%	78,900	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	7.34	59.2%	5.2%	15,500	14.98	5.2%	0.49	13.1%
Eveready	1.06	6.0%	-7.0%	21,100	0.83	94.3%	1.27	-35.3%
<b>Sector Average</b>					<b>8.48</b>	<b>6.6%</b>		<b>-0.5%</b>

\*N/M - Not Meaningful

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<b>Construction &amp; Allied</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>NPM*</b>	<b>ROE</b>
ARM Cement	5.55	0.0%	0.0%	0	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	90.00	-32.1%	-3.2%	15,900	36.73	5.7%	1.6%	0.5%
E.A. Portland Cement	16.70	4.4%	0.0%	100	N/M	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>36.73</b>	<b>1.9%</b>		<b>4.3%</b>

\*NPM - Net Profit Margin

<b>Energy &amp; Petroleum Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
KenGen	0.00	-100.0%	-100.0%	588,500	0.00	#DIV/0!	1.20	4.2%
Kenya Power	2.91	-28.5%	0.0%	232,800	2.97	0.0%	0.98	3.0%
Total Kenya	29.20	6.2%	0.7%	22,500	7.96	4.5%	3.67	10.5%
<b>Sector Average</b>					<b>3.64</b>	<b>#DIV/0!</b>		<b>3.6%</b>

<b>Insurance Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/B(X)</b>	<b>P/E(X)</b>	<b>Loss Ratio</b>	<b>Expense Ratio</b>
CIC Insurance	2.97	-23.1%	-1.0%	498,600	0.99	16.50	64.9%	49.0%
Britam	6.92	-30.8%	-2.3%	601,000	0.63	28.83	67.6%	134.8%
Jubilee	350.00	-13.5%	2.0%	2,900	0.97	6.67	92.0%	138.2%
Kenya Re	3.03	-78.3%	1.0%	1,146,800	0.07	0.59	62.2%	106.7%
Sanlam Kenya	17.05	-22.5%	0.0%	21,800	1.85	81.19	95.4%	149.7%
Liberty	10.40	-19.4%	6.8%	500	0.75	6.58	66.5%	66.5%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>74.7%</b>	<b>107.5%</b>

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<b>Investment Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>P/B(X)</b>	<b>NAVPS**</b>	<b>EPS (KES)</b>	<b>ROE</b>
Centum Investment	28.55	-2.4%	0.2%	72,100	25.49	0.36	79	1.12	1.5%
Home Afrika Ltd	0.54	-22.9%	0.0%	158,800	<b>N/M</b>	<b>N/M</b>	0.85	-0.39	2.6%
Trans-Century	3.00	328.6%	-0.3%	3,800	<b>N/M</b>	0.24	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	0.30			<b>2.9%</b>

\*NPM - Net Profit Margin, \*\*NAVPS - Net Asset Value Per Share

<b>Investment Services</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>%w-o-w change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
NSE	10.45	-28.2%	1.0%	33,400	14.32	4.7%	0.73	9.3%
<b>Sector Average</b>					<b>14.32</b>	<b>4.7%</b>		

<b>Manufacturing &amp; Allied Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
Mumias Sugar	0.27	-53.4%	0.0%	0	<b>N/M</b>	0.0%	-4.43	-69.4%
EABL	195.00	11.6%	1.6%	962,800	17.36	4.4%	11.23	82.8%
FTG Holdings	2.11	-15.6%	-4.1%	29,000	2.48	0.0%	0.85	22.3%
Carbacid	8.38	-16.2%	8.8%	147,200	6.07	8.4%	1.38	14.6%
BAT	485.00	-33.1%	0.0%	673,400	14.54	5.4%	33.36	48.0%
<b>Sector Average</b>					<b>10.11</b>	<b>3.6%</b>		

<b>Telecommunication &amp; Technology Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
Safaricom	28.70	29.3%	1.6%	47,056,500	18.16	6.5%	1.58	44.1%
<b>Sector Average</b>					<b>18.16</b>	<b>6.5%</b>		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	8.58	-21.6%	0.7%	34,000	12.08	8.74%	0.71
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

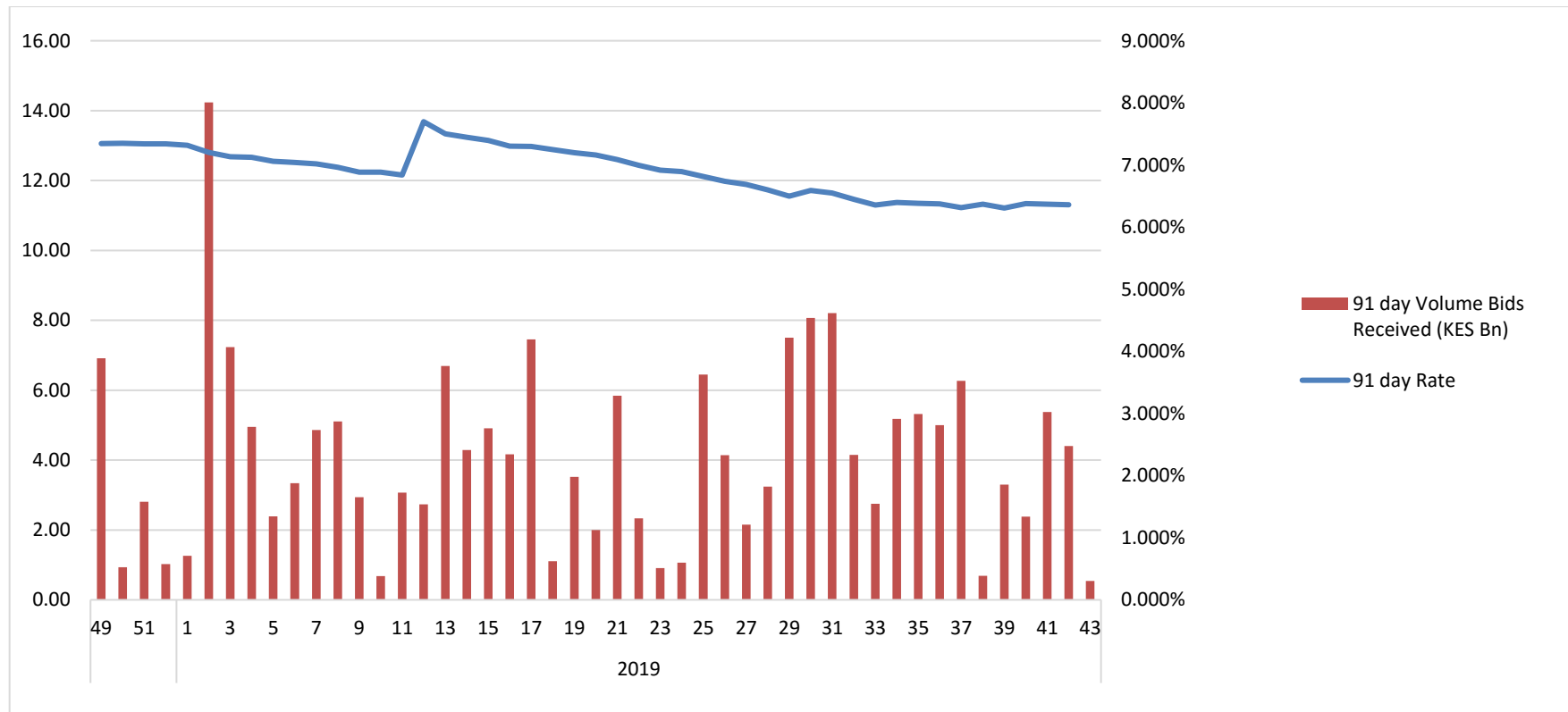
Market Statistics	This Week	Last Week	% Change
Total Volumes	107,377,500	97,038,000	10.7%
Total Turnover (KES)	4,037,778,192	3,570,453,439	13.1%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	0.54Bn	13.60%	0.54Bn	6.424%	6.362%	0.062
182 day T-bill	3.41Bn	34.13%	2.93Bn	7.223%	7.241%	-0.018
364 day T-bill	13.52Bn	135.17%	13.00Bn	9.780%	9.787%	-0.007

Graph showing 91 day T-bill rate and volume

Week No. 43



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## Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Centum PLC	First & Final dividend	Kes. 1.20	17-May-19	<b>07-Jun-19</b>	25-Oct-19
Crown Paints Kenya PLC	Final Dividend	Kes. 0.60	13-May-19	<b>28-Jun-19</b>	(Subject to Approval)
Safaricom Plc	Special dividend	Kes.0.62	03-May-19	<b>02-Sep-19</b>	30-Nov-19
Safaricom Plc	First & Final dividend	Kes.1.25	03-May-19	<b>02-Sep-19</b>	30-Nov-19
Barclays Bank	Interim dividend	Kes.0.20	30-Aug-19	<b>07-Sep-19</b>	31-Oct-19
Standard Chartered	Interim Dividend	Kes. 5.00	26-Aug-19	<b>23-Sep-19</b>	30-Oct-19
Carbacid Investment PLC	Final Dividend	Kes. 0.70	23-Oct-19	<b>06-Nov-19</b>	(Subject to Approval)
Longhorn Publishers PLC	Final Dividend	Kes.0.52	30-Aug-19	<b>28-Nov-19</b>	26-Feb-20
Unga Group PLC	First & Final dividend	Kes.0.50	27-Sept-2019	<b>15-Jan-20</b>	15-Jan-20



## Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 25th October 2019
KCB Group	Long-term Buy	48.00	36.00	17.76%	44.10
Equity Group Holdings	Long-term Buy	46.00	32.50	14.63%	39.95
Barclays Bank of Kenya	Hold	12.50	10.00	5.02%	11.50
Diamond Trust Bank	Hold	165.00	102.00	-26.52%	115.00
Jubilee Holdings	Long-term Buy	462.00	330.00	-13.53%	350.00
Bamburi Cement	Hold	159.00	89.00	-32.08%	90.00
Safaricom	Hold	29.31	20.51	29.28%	28.70
EABL	Hold	225.00	160.00	11.59%	195.00
KenGen	Long-term Buy	7.80	5.00	-17.38%	5.80

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