

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 164.35	9.5%	17.0%	USD Mn – 24.289 KES Bn – 2,508
	NSE 20 Share Index - 2,733.75	9.8%	-3.5%	USD Mn – 20,852 KES Bn – 2153.492
	NSE 25 Share Index - 4080.98	13.2%	14.9%	USD Mn – 22,329 KES Bn – 2,306.105
NIGERIA	ASI- 26,293.30	-0.2%	-16.3%	USD Mn – 41.692 NGN Bn – 12,799
EGYPT	EGX100*- 1,455.80	3.5%	-15.7%	USD Mn – 33.378 EGP Bn – 554.890
SOUTH AFRICA	All share – 56,425.11	1.7%	7.0%	USD Mn – 971.344 ZAR Bn – 14,640

Source: NSE, JSE, NSE (Nigeria), *EGX100-as at 31st October 2019

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –103.28	0.0%	-1.4%	3.8%(09/2019)	5.6%(1Q2019)
NGN/USD* -307.0	0.0%	-0.2%	11.2%(09/2019)	2.4%(3Q2018)
EGP/USD* –16.14	-	9.9%	4.8%(09/2019)	5.3%(3Q2018)
ZAR/USD – 15.07	-3.0%	-11.1%	4.3%(08/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP*-as at 31st October 2019

Safaricom PLC Posts a 14.4% y/y increase in After Tax Profits for 1H2020

Safaricom posted a 14.4% y/y growth in profit after tax to KES 35.7 billion for the 1H2020 from KES 31.2 billion registered in 1H2019. Total service revenue increased by 5.3% y/y to KES124.3 billion (1H2019: KES 118.1 billion). This was mainly driven by MPESA revenues, which now accounts for 33.8% of total service revenue (1H2019: 30.1% y/y). MPESA revenues grew by 18.2% y/y to KES 42.0 billion from KES 35.5 billion posted in the 1H2019. This was underpinned by a 12.4% y/y increase in the active MPESA customers to 23.6 million and a 7.8% y/y increase the monthly chargeable transactions per active user to 13.0 transactions. Due to the slow-down in the gaming industry, gaming payments through MPESA declined by 15.5% y/y. If we exclude revenue from gaming related transactions in both periods, MPESA revenue grew by 20.9% y/y and chargeable transactions per customer per month grew by 17.5% y/y.

Mobile data posted a 4.0%y/y growth to KES19.8 billion supported by a 14.8% increase in active customers to 20.2 million and a 43.6% y/y increase in monthly usage to 919.0 Megabytes (MBs) per Active User. Growth was negatively impacted by lower yield. The lower yields were due to company's initiatives to increase affordability of mobile data and absorption of excise duty increase in its in-bundle pricing. We estimate that the effective yield per MB reduced by 37.9% y/y to KES 0.18 from KES 0.29 in 1H2019. The decline in yields dominated the increase in usage leading to a decline in mobile data Average Revenue per User (ARPU) by 9.3% y/y to KES 179.1.

Fixed service revenue rose by 18.4%y/y to KES 4.6 billion as a number of homes connected increased by 44.5%y/y to KES 4.6 billion. Voice and messaging revenue declined by 1.4%y/y and 11.0%y/y respectively to KES 46.9 billion and KES 8.6 billion respectively. The decline was a result of increased competitive pressure from traditional players, popularity of over the top applications like WhatsApp and decline in usage in premium rated services (mostly as a result of

customers being able to opt of the services more easily when needed-improves customer experience).

Direct costs rose by 7.2% y/y to KES 37.5 billion. The direct cost intensity (direct costs/total revenues) increased to 28.9% from 28.5% due to slower growth in revenues. Operating expenses (OPEX) declined by 0.9% to KES 25.6 billion. However, OPEX intensity (operating expenses/total revenues) declined to 19.8% from 21.1% due to slower growth in operating expenses. EBITDA margin rose slightly by 90 bps to 51.3%.

Overall, the company's performance was a mixed bag. We were impressed with the customer growth in the period (+15.5% y/y to 34.6 million SIM connections). However, as anticipated in our 1H2020 results preview, the slowdown in voice and SMS shows that these customers are not prioritizing traditional services (particularly voice and SMS). Going forward, we expect MPESA to remain strong. The only risk with MPESA being such a huge growth driver is that any disruption (whether from regulations, competition, customer shifts) is likely to adversely affect the company. We are also concerned with the increased commoditization of voice, mobile data and SMS.

Inflation Rises to 5.0% in October

The overall inflation rate rose to 5.0% in October 2019 from 3.8% recorded in September 2019. This was mainly due to increase in the Food and Non-Alcoholic beverages index which increased by 0.48% m/m as a result of increase in retail prices for some of the common commodities. The prices of a kilogram of loose grain maize flour, sifted maize flour and tomatoes increased by 5.82% m/m, 4.58% m/m and 4.44% m/m respectively. The housing, water, electricity, gas and other fuels' index rose by 0.12% m/m owing to an increase in rent. However, the average costs of electricity declined by 0.9% m/m in the same period. Transport index declined by 0.27% m/m on the back of a decrease in the prices of petrol and diesel to KES 108.8 and KES 102.8 respectively. We opine that the early onset of the October to December rainy season may have caused some delays in harvesting and also created transportation difficulties, causing price hikes in some food stuffs. On the other hand, the onset of the rains portends well for food production and electricity generation.

Stock Market Performance and Outlook

The overall market posted a significant increase of 9.5% w/w to close the week at 164.35 (NASI) characterized by an increase in turnover and volumes. We attribute the rise in the index to significant price gains on majority of the banking counters. Some of the notable price increases include; Equity (+27.0% w/w), Co-operative (26.4% w/w), I&M (+17.9% w/w), Barclays (+17.4% w/w) and NCBA (+17.4% w/w). Safaricom registered a gain of +5.6% w/w following the announcement of positive 1H2020 results. The end of trading sessions saw increased supply (profit taking) on some the aforementioned banking counters, causing a slight pull back in the price. We anticipate more profit taking activities on these counters in the coming 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	53.25	42.2%	20.7%	30,519,800	48.7%	6.80	6.6%	1.44	21.9%
Equity Bank	50.75	45.6%	27.0%	60,664,000	52.2%	9.66	3.9%	2.02	21.1%
NIC Bank	39.45	41.9%	17.4%	2,455,100	46.3%	5.97	3.2%	0.71	12.1%
Stanbic	110.50	21.8%	8.6%	20,700	50.2%	6.96	5.2%	0.98	14.3%
National Bank	4.12	-22.6%	0.0%	0	92.0%	199.18	0.0%	0.20	0.1%
Barclays Bank	13.50	23.3%	17.4%	3,958,300	54.2%	9.89	8.1%	1.66	17.1%
Housing Finance	7.22	30.3%	7.8%	814,400	107.7%	N/M	0.0%	0.25	-5.5%
Co-operative Bank	15.80	10.5%	26.4%	12,560,200	54.6%	7.28	6.3%	1.33	18.2%
Diamond Trust Bank	119.25	-23.8%	3.7%	2,269,400	45.2%	4.71	2.2%	0.62	13.9%
Standard Chartered	214.75	10.4%	8.3%	131,500	51.8%	9.11	8.8%	1.58	17.5%
I&M	53.25	-37.4%	17.9%	320,500	36.6%	2.59	7.3%	0.46	17.9%
Sector Average					58.1%	26.21	4.7%	1.02	13.5%

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	3.11	-65.1%	9.5%	186,700	N/M	0.0%	-1.3	N/M
Nation Media Group	38.15	-44.3%	-8.8%	154,000	5.53	26.2%	6.9	13.2%
WPP Scangroup	15.80	12.9%	17.0%	117,600	14.11	3.2%	1.12	7.1%
Uchumi Supermarket	0.35	-56.3%	16.7%	118,000	N/M	0.0%	-4.6	N/M
Longhorn Publishers	7.32	58.8%	-0.3%	28,500	14.94	5.2%	0.49	13.1%
Eveready	1.13	13.0%	6.6%	23,900	0.89	88.5%	1.27	-35.3%
Sector Average					8.87	6.9%		-0.5%

*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	5.55	0.0%	0.0%	0	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	93.50	-29.4%	3.9%	205,500	38.16	5.5%	1.6%	0.5%
E.A. Portland Cement	15.05	-5.9%	-9.9%	2,600	N/M	0.0%	19.3%	25.0%
Sector Average					38.16	1.8%		4.3%

*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	6.00	-14.5%	3.4%	3,303,100	5.00	6.7%	1.20	4.2%
Kenya Power	3.16	-22.4%	8.6%	1,156,200	3.22	0.0%	0.98	3.0%
Total Kenya	29.75	8.2%	1.9%	73,200	8.11	4.4%	3.67	10.5%
Sector Average					5.44	3.3%		3.6%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	3.04	-21.2%	2.4%	1,424,900	1.01	16.89	64.9%	49.0%
Britam	7.00	-30.0%	1.2%	1,696,100	0.63	29.17	67.6%	134.8%
Jubilee	360.00	-11.1%	2.9%	29,400	1.00	6.86	92.0%	138.2%
Kenya Re	3.17	-77.3%	4.6%	1,395,000	0.08	0.62	62.2%	106.7%
Sanlam Kenya	17.30	-21.4%	1.5%	60,000	1.88	82.38	95.4%	149.7%
Liberty	9.70	-24.8%	-6.7%	13,400	0.70	6.14	66.5%	66.5%
Sector Average					0.88	9.57	74.7%	107.5%

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	30.95	5.8%	8.4%	165,800	27.63	0.39	79	1.12	1.5%
Home Afrika Ltd	0.63	-10.0%	16.7%	362,900	N/M	N/M	0.85	-0.39	2.6%
Trans-Century	3.20	357.1%	6.7%	26,600	N/M	0.25	40.96	-1.56	4.7%
Sector Average					N/M	0.32			2.9%

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

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	12.30	-15.5%	17.7%	152,200	16.85	4.0%	0.73	9.3%
Sector Average					16.85	4.0%		

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	-53.4%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	209.75	20.0%	7.6%	1,368,800	18.68	4.1%	11.23	82.8%
FTG Holdings	2.50	0.0%	18.5%	4,400	2.94	0.0%	0.85	22.3%
Carbacid	9.00	-10.0%	7.4%	73,400	6.52	7.8%	1.38	14.6%
BAT	498.75	-31.2%	2.8%	489,300	14.95	5.2%	33.36	48.0%
Sector Average					10.77	3.4%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	30.30	36.5%	5.6%	59,432,500	19.18	6.2%	1.58	44.1%
Sector Average					19.18	6.2%		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	8.86	-19.1%	3.3%	43,900	12.48	8.47%	0.71
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

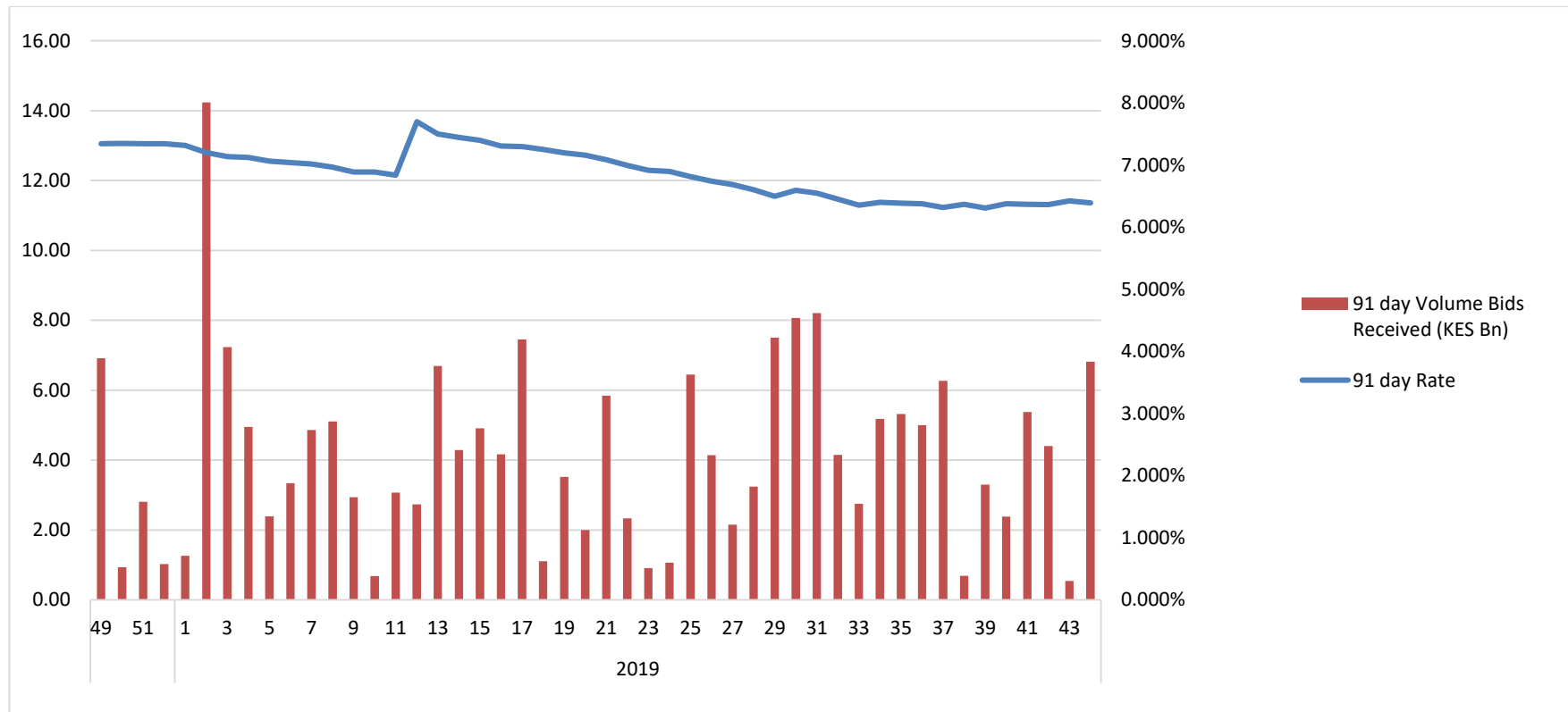
Market Statistics	This Week	Last Week	% Change
Total Volumes	185,993,300	107,377,500	73.2%
Total Turnover (KES)	7,419,666,100	4,037,778,192	83.8%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	6.81Bn	170.34%	6.81Bn	6.390%	6.424%	-0.034
182 day T-bill	4.61Bn	46.13%	4.13Bn	7.189%	7.223%	-0.034
364 day T-bill	16.00Bn	160.05%	12.78Bn	9.780%	9.780%	-

Graph showing 91 day T-bill rate and volume

Week No. 44



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Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Crown Paints Kenya PLC	Final Dividend	Kes.0.60	13-May-19	28-Jun-19	(Subject to Approval)
Safaricom PLC	Special Dividend	Kes.0.62	03-May-19	02-Sep-19	30-Nov-19
Safaricom PLC	First & Final Dividend	Kes.1.25	03-May-19	02-Sep-19	30-Nov-19
KCB Group PLC	Interim Dividend	Kes.1.00	15-Aug-19	05-Sep-19	15-Nov-19
Carbacid Investment PLC	Final Dividend	Kes.0.70	23-Oct-19	06-Nov-19	(Subject to Approval)
Longhorn Publishers PLC	Final Dividend	Kes.0.52	30-Aug-19	28-Nov-19	26-Feb-20
Unga Group PLC	First & Final Dividend	Kes.0.50	27-Sept-2019	15-Jan-20	15-Jan-20

Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 1st November 2019
KCB Group	Long-term Buy	54.00	36.00	42.19%	53.25
Equity Group Holdings	Long-term Buy	51.00	32.50	45.62%	50.75
Barclays Bank of Kenya	Hold	13.85	10.00	23.29%	13.50
Diamond Trust Bank	Hold	165.00	102.00	-23.80%	119.25
Jubilee Holdings	Long-term Buy	462.00	330.00	-11.06%	360.00
Bamburi Cement	Hold	159.00	87.00	-29.43%	93.50
Safaricom	Hold	30.95	20.51	36.49%	30.30
EABL	Hold	225.00	160.00	20.03%	209.75
KenGen	Long-term Buy	7.50	5.00	-14.53%	6.00

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