



# Weekly Report

## Week 6

Week Ending Friday, February 12, 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	31,418.45	0.87%	3.38%
S&P 500	3,915.98	0.75%	4.85%
NASDAQ 100	13,747.79	1.30%	6.95%
DAX	14,028.58	(0.20%)	2.26%
FTSE 100	6,569.79	1.24%	1.69%
EURO STOXX 50	3,690.73	0.96%	3.89%
Shanghai Composite	3,655.09	0.34%	5.24%
NIKKEI 225	29,520.07	2.57%	7.58%
Commodities			
Brent Oil (USD/bbl.)	61.53	3.69%	20.36%
Gold (USD/Oz)	1,826.37	0.68%	(3.77%)

Source: Bloomberg, NSE; \*As at 6:50 PM EAT

Most of the equity indices registered gains. The S&P 500 hit a new 52-week high on Wednesday (3,931.50) but lost some of the gains thereafter. Oil (Brent) continued with the upward momentum, reaching a new 52-week high this week (USD 62.46). The upward momentum was buoyed by production supply cuts and positive investor sentiments that vaccine rollouts would drive demand recovery.

## Equities Market

### Equity Market Commentary

The All Share Index and NSE 20 Indices gained 4.4% and 1.3% w/w to close the week at 164.02 and 1,889.77 respectively mainly attributed to gains in large cap counters: EABL (+5.9% to KES 175.00), KCB (+2.6% to KES 38.00), Equity (+1.6% to KES 37.85) Co-op (+4.1% to KES 12.70) and Safaricom.

Notably, Safaricom rallied 5.9% w/w, reaching an all-time high of KES 39.00 during the week before closing at KES 38.35. We attribute this to positive investor sentiment following the announcement of an interim dividend (a first for the company) of KES 0.45 per ordinary share (book closure on 5th March 2021).

Overall market turnover declined by 35.0% to KES 2.0 billion while the volume of shares traded declined by 37.8% to 68.0 million. We expect overall market activity to increase as investors position themselves (particularly on banking counters) ahead of FY2020 reporting season.

## Market Indices Performance

Index	Value	Weekly Change %	YTD Change %
NASI	164.02	4.4%	7.8%
NSE 20	1,889.77	1.3%	1.1%
NSE 25	3,612.06	3.9%	5.8%

Source: NSE

## Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,520.09	2,413.71	4.4%
Number of Shares Traded (Mn)	68.02	109.29	(37.8%)
Equity Turnover (KES Mn)	2,034.43	3,130.21	(35.0%)

Source: NSE

## Recommendations

Counter	Recommendation	Price (KES)	Weekly Change %	YTD Change %
Kenya Re	Hold	2.46	1.2%	6.0%

Source: NSE and Faida Investment Bank Analysis

For more detailed information on the recommendations, please click [here](#):

## Equities Performance

	<b>Top Gainers</b>	<b>Price (KES)</b>	<b>Weekly Change %</b>	<b>YTD Change</b>
1.	Sasini	18.3	10.91%	(6.15%)
2.	Car & General	24	9.09%	9.09%
3.	BK Group	20.50	7.89%	0.00%
4.	Stanbic Holdings	85.00	6.92%	0.00%
5.	Safaricom	38.35	5.94%	11.97%

	<b>Top Losers</b>	<b>Price (KES)</b>	<b>Weekly Change</b>	<b>YTD Change %</b>
1.	Eaagads	12.50	(9.75%)	0.00%
2.	Flame Tree	1.26	(8.03%)	2.44%
3.	NBV	5.20	(7.80%)	21.50%
4.	Bamburi	38.85	(6.72%)	2.64%
5.	Liberty Kenya	7.48	(5.32%)	(2.86%)

	<b>Movers</b>	<b>Price (KES)</b>	<b>Turnover (KES Mn)</b>
1.	Safaricom	38.35	750.49
2.	EABL	175.00	410.01
3.	KCB Group	38.00	268.46
4.	Equity Group	37.85	147.48
5.	StanChart	135.00	83.69

Source: NSE and Faida Investment Bank Analysis

## News Highlights

### Update on Safaricom

- On 4th February 2021, Safaricom provided an update on the company's financial performance. We highlight some of the key take-aways from the briefing below:
  - **MPESA**
    - The Central Bank of Kenya's (CBK) move to remove charges on transactions between bank accounts and mobile wallets would have a dampening effect on revenues in the short term. However, the company is keen on monetizing these transactions in other ways.
    - The reduction in MPESA tariffs of up to 45.0% is only expected to have a temporary negative impact on revenues. In the long-term, the resultant increase in customer numbers and transaction volumes is anticipated to make up for this.
    - While Mshwari was initially affected by the CRB listing suspension with a dip in lending (but has improved) Fuliza has been doing well consistently.
    - On the CBK's vision to extend interoperability to agents and merchants, management intimated that the company was willing to open up the company's agent and merchant network to the competition on commercial basis. This, according to the company, would enable it recoup investments made in building its agent and merchant network.
  - **Mobile data**
    - Mobile data pricing is anticipated to continue declining. However, according to management, mobile data growth is holding.
    - The company is seeking to enhance the use of its affordable handset financing scheme "Lipa mdogo mdogo" by having outlets nearer to customers
  - **Fixed data**
    - According to management, Fibre to The Home (FTTH) experienced accelerated use as people worked from home due to the pandemic while Fibre to The Business (FTTB) has improved as people resume work. The company had doubled the speeds on all of its home

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fibre packages during the pandemic as a promotional offer.

- This week the company introduced a permanent offer on its home fibre packages which offers speed increases of between 60.0% and 250.0% but with slight price increases on the higher tier offerings.
- The new speeds for the bronze, silver, gold and diamond packages will be 8Mbps, 20Mbps, 40Mbps and 100Mbps up from 5Mbps, 10Mbps, 20Mbps and 40Mbps respectively. The prices for the Gold and Diamond packages has risen by 5.3% to KES 5,999 and by 4.3% to KES 11,999 respectively from KES 5,699 and KES 11,499 while the price of bronze and silver packages remained the same at KES 2,900 and KES 3,999 respectively.
- We opine that the increased speeds will be welcomed by subscribers working from home, especially given the new prices for the two packages are not significantly higher. We also see these new offers as more competitively priced particularly in areas that are served by multiple ISPs.
- The company still holds market lead in the fixed data segment (3Q2020: 35.6%).

○ **Ethiopia**

- According to management, the Ethiopian Communications Authority (ECA) has extended the submission deadline from March to April 2021. Safaricom will take the lead (with a 51.0% shareholding) of the consortium (a joint venture with Vodafone, Vodacom group and other strategic investors) that is going into Ethiopia. The consortium received \$500 million loan from the US International Development Finance Corporation to fund the expansion into Ethiopia.

○ **Internet Of Things (IOT)**

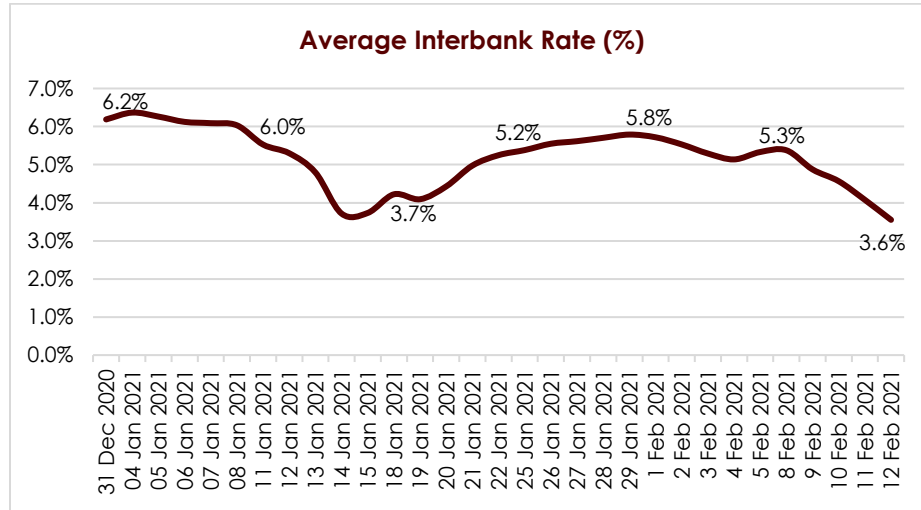
- New IOT projects are underway and in early stages with innovation remaining a primary focus.

## Commentary

- Overall, we are optimistic of the company's growth prospects. However, we see regulation, particularly on MPESA, as a major risk.
- The CBK's vision to expand interoperability to merchants and agents in the medium-term from just P2P payments is a cause for concern. The competition is yet to catch up in terms of building a mobile money ecosystem (products, customers, agents etc.) that can rival that of Safaricom. However, agent and merchant interoperability would help the competition close some of the gap (this will also depend on investments made to increase network coverage and quality). There is also possibility that CBK may require lower tariff on mobile money transactions in the future.

## Fixed Income Market

### Interbank Rate



Source: CBK

### Treasury Bill Auction Results

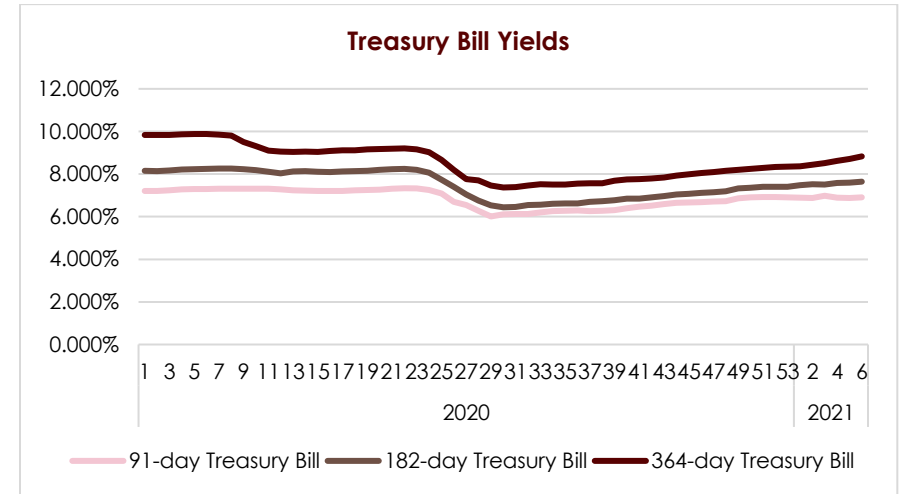
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.00	0.96	23.91%	0.95	6.905%	3.2
182 day	10.00	4.70	46.98%	4.22	7.644%	5.0
364 day	10.00	16.08	160.79%	14.07	8.824%	10.8
Total	24.00	21.73	90.56%	19.24		

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

Source: CBK

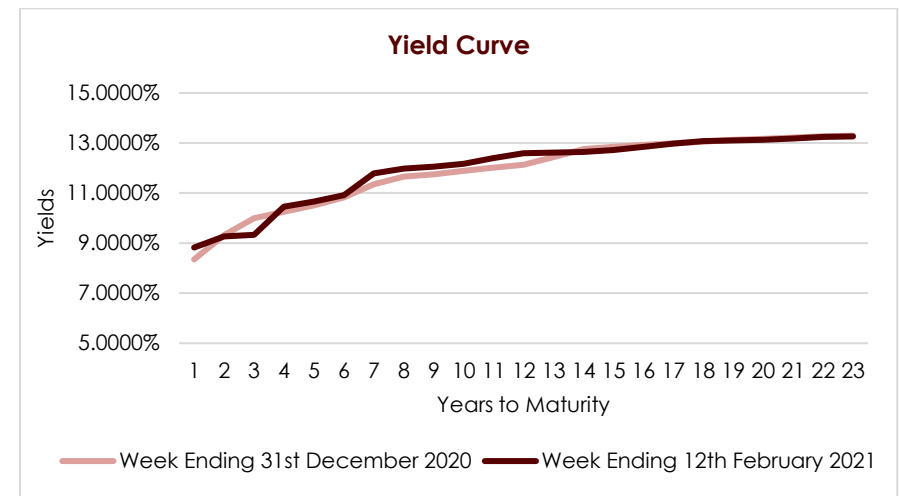
Treasury bills remained undersubscribed during the week's auction; the total subscription rate was 90.56%, up from last week's 70.00%. The 364 day paper also had the highest subscription rate this week, at 160.79%.

## Treasury Bill Yields



Source: CBK

## Government Securities Yield Curve



Source: NSE

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## Macroeconomic Indicators

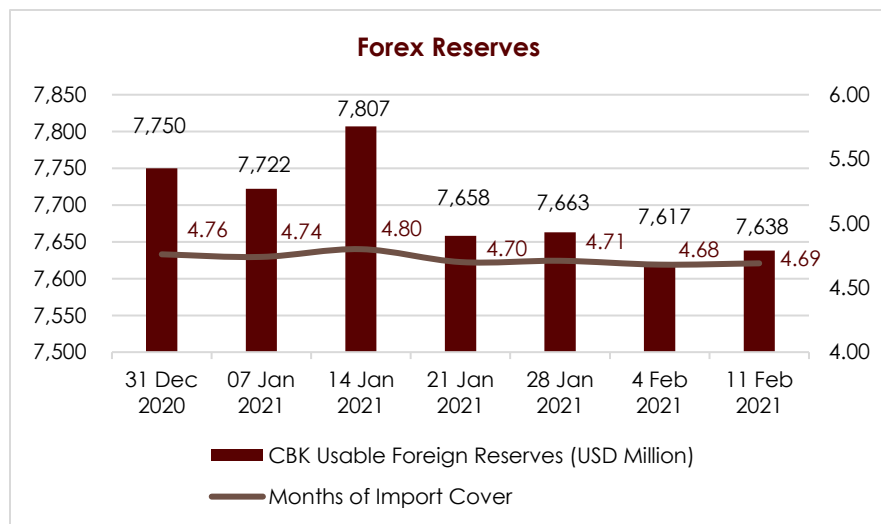
### Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	109.4429	0.3%	(0.2%)
STG Pound	151.4441	(1.1%)	(2.1%)
EURO	132.7915	(0.8%)	0.8%

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

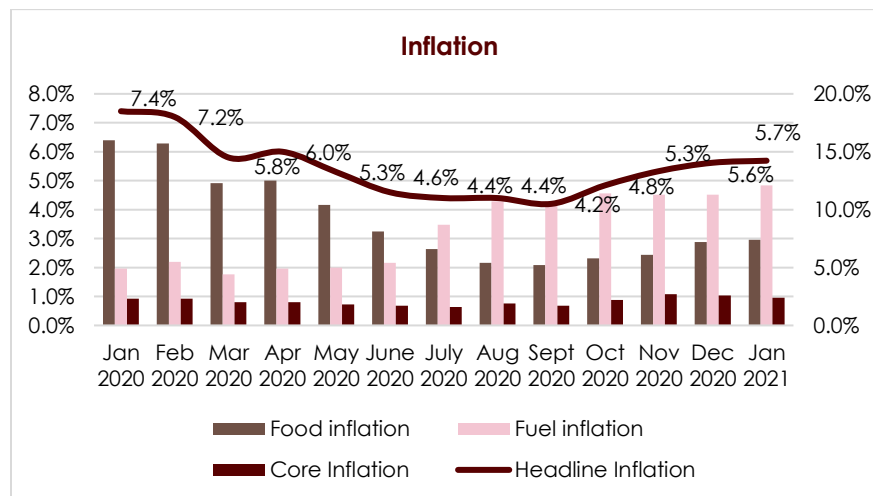
The Kenya Shilling appreciated marginally against the USD but depreciated against the Sterling Pound and the Euro. We believe the appreciation may have been influenced by a weakening USD.

### Forex Reserves



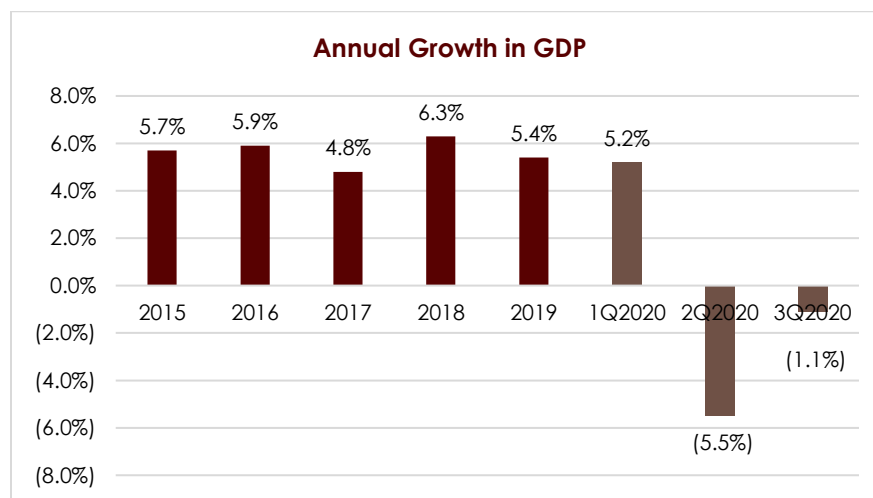
Source: CBK

## Inflation



Source: KNBS

## Gross Domestic Product (GDP)



Source: KNBS

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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	33	106
Total Value	1,026,750	2,572,350
Total Open Interest	205	201

Source: NSE

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## Corporate Finance

### DilenyTech secures USD 160,000 Non-equity Grant

DilenyTech, an Egyptian e-health startup has secured USD 160,000 non-equity grant from the Information Technology Academia Collaboration (ITAC) programme, to expand its Artificial Intelligence (AI) enabled platform with an aim to improve and quicken breast cancer detection. The startup was founded in 2018 and develops solutions for medical imaging analysis, breast cancer risk assessment and structured reporting in several medical applications. At present, the firm has provided services to international health-tech companies in three continents. The funding will be used to scale up operations and comes a few months after the firm was awarded a US patent for an innovative AI-enabled image analysis technology. According to management, thousands of healthcare professionals can access the online platform anytime and anywhere which should reduce patients' suffering due to long waiting time and inaccurate diagnosis.

## Profit Warnings Issued

	Company	Sector
1.	Britam Holdings	Insurance
2.	Absa Bank	Banking
3.	East African Breweries	Manufacturing and Allied
4.	Kenya Power	Energy
5.	East African Cables	Construction and Allied
6.	Kenya Orchards	Manufacturing and Allied
7.	Longhorn Publishers	Commercial and Services
8.	Nairobi Business Ventures	Commercial and Services
9.	Nation Media Group	Commercial and Services
10.	Unga Group	Manufacturing and Allied
11.	NCBA Group	Banking
12.	TPS Eastern Africa	Commercial and Services
13.	I&M Holdings	Banking
14.	Standard Chartered Bank	Banking
15.	Diamond Trust Bank	Banking
16.	Cooperative Bank of Kenya	Banking
17.	CIC Insurance Group	Insurance

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	38.00	(0.3%)	2.6%	7,123,500	45.9%	4.72	9.2%	0.91	20.7%
Equity Bank	37.85	3.6%	1.6%	3,915,000	51.5%	6.33	0.0%	1.28	21.8%
NCBA	24.45	(8.6%)	(0.2%)	196,500	41.9%	2.81	0.0%	0.54	15.3%
Stanbic	85.00	0.0%	6.9%	654,800	56.2%	5.27	8.3%	0.69	13.6%
Absa Bank Kenya Plc	9.60	(0.6%)	3.7%	2,754,900	51.2%	6.99	11.5%	1.15	16.7%
Housing Finance	3.50	5.4%	(3.3%)	132,300	93.8%	<b>N/M</b>	0.0%	0.12	(1.1%)
Co-operative Bank	12.70	1.6%	4.1%	818,400	52.1%	5.21	7.9%	0.94	19.2%
Diamond Trust Bank	69.00	(8.0%)	0.7%	85,100	48.6%	2.84	3.9%	0.33	12.1%
Standard Chartered	135.00	(6.4%)	(1.5%)	633,600	55.6%	5.63	5.6%	0.97	17.5%
I&M	45.00	0.0%	1.9%	1,366,200	39.0%	1.73	5.7%	0.32	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>4.61</b>	<b>5.2%</b>	<b>0.73</b>	<b>15.6%</b>

### P/B (X) - FY2019

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%	(1.3)	<b>N/M</b>
Nation Media Group	13.50	(12.6%)	3.8%	406,500	3.00	11.1%	4.5	10.9%
WPP Scangroup	5.96	(0.7%)	(0.7%)	397,400	5.32	8.4%	1.1	6.0%
Uchumi Supermarket	0.28	0.0%	0.0%	67,500	<b>N/M</b>	0.0%	(4.6)	<b>N/M</b>
Longhorn Publishers	4.79	(1.8%)	1.9%	2,300	7.04	10.9%	0.7	17.3%
Eveready	1.11	(7.5%)	0.0%	16,100	<b>N/M</b>	0.0%	(1.5)	(10.8%)
<b>Sector Average</b>					<b>5.12</b>	<b>6.1%</b>		<b>5.8%</b>

\*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	38.85	2.6%	(6.7%)	158,600	15.86	0.0%	1.6%	2.1%
E.A. Portland Cement	10.20	(7.3%)	2.0%	5,100	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>15.86</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.0%</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	4.81	2.1%	(1.6%)	2,390,600	1.72	6.2%	2.79	9.0%
Kenya Power	1.53	(10.5%)	(1.3%)	1,149,900	11.77	0.0%	0.13	0.4%
Total Kenya	23.70	(1.3%)	1.50%	23,700	5.88	5.5%	4.03	10.8%
<b>Sector Average</b>					<b>6.46</b>	<b>3.1%</b>		<b>4.7%</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	2.12	(0.5%)	1.0%	730,100	0.27	17.67	69.8%	34.4%
Britam	7.30	0.6%	(3.2%)	236,000	0.25	5.18	65.3%	37.2%
Jubilee	276.00	(2.8%)	1.5%	6,000	9.83	5.26	91.9%	46.2%
Kenya Re	2.46	6.0%	1.2%	16,296,900	0.09	0.96	71.2%	13.1%
Sanlam Kenya	11.30	(12.7%)	(3.8%)	16,000.00	7.85	14.30	85.8%	35.5%
Liberty	7.48	(2.9%)	(5.3%)	24,400.00	0.93	5.71	119.6%	48.7%
<b>Sector Average</b>					<b>3.20</b>	<b>8.18</b>	<b>83.9%</b>	<b>35.8%</b>

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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	17.50	1.45%	1.4%	641,800	2.52	0.37	6.95	9.3%
Home Afrika Ltd	1.35	(14.3%)	2.9%	322,400	N/M	N/M	N/M	2.6%
Trans-Century	1.35	(6.9%)	(0.7%)	24,900.00	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 Aset Value

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.82	8.1%	2.8%	1,028,400	29.40	3.2%	0.30	3.9%
<b>Sector Average</b>					<b>29.40</b>	<b>3.2%</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%	-	N/M	0.0%	(4.43)	(69.4%)
EABL	175.00	13.5%	5.9%	2,322,900	33.85	1.7%	5.17	46.6%
FTG Holdings	1.26	2.4%	(8.0%)	49,900	4.85	0.0%	0.26	4.8%
Carbacid	11.85	(2.1%)	(2.5%)	252,300	9.33	5.9%	1.27	10.0%
BAT	425.00	17.7%	1.01%	139,400	10.94	7.9%	38.85	40.8%
<b>Sector Average</b>					<b>14.74</b>	<b>3.1%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	38.35	12.0%	5.9%	20,300,400	20.62	3.7%	1.86	51.8%
<b>Sector Average</b>					<b>20.62</b>	<b>3.7%</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	6.00	7.9%	0.0%	145,300	20.80	12.50%	0.83
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

Source: NSE and Faida Investment Bank Analysis

## Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Car & General	Final dividend	KES 0.80	28-Jan-21	<b>22-Feb-21</b>	25-Mar-21
Safaricom	Interim dividend	KES 0.45	10-Feb-21	<b>5-Mar-21</b>	31-Mar-21
KenGen	First & Final dividend	KES 0.30	28-Jan-21	<b>29-Apr-21</b>	22-Jul-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