



Weekly Report

Week 7

Week Ending Friday, February 19, 2021

CONTACTS:

Email: research@fib.co.ke

Website: 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	35,594.39	0.43%	3.95%
S&P 500	3,923.22	0.18%	5.05%
NASDAQ 100	13,692.10	(0.41%)	6.51%
DAX	13,993.85	(0.40%)	2.01%
FTSE 100	6,635.73	0.70%	2.71%
EURO STOXX 50	3,713.07	0.47%	4.52%
Shanghai Composite	3,696.17	1.12%	6.42%
NIKKEI 225	30,017.92	1.69%	9.39%
Commodities			
Brent Oil (USD/bbl.)	63.70	2.03%	24.61%
Gold (USD/Oz)	1,781.83	(2.32%)	(6.12%)

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

The NASDAQ 100 dipped slightly this week by 0.41% while the S&P 500 rose only marginally by 0.18%. This was attributed to profit taking on technology stocks as well as concerns of a potential surge in inflation. Oil (Brent) continued with the upward momentum, reaching a new 52-week high this week (USD 65.52) before easing to settle at USD 63.70. The price eased despite a decrease in oil inventories. The upward momentum was driven by production supply cuts from the Organization of the Petroleum Exporting Countries (OPEC) and allied producers in the OPEC+.

Equities Market

Equity Market Commentary

The All Share Index gained by 0.9% w/w to close at 165.55. The NSE 20 Index however declined by 0.1% w/w to 1,888.47. Market turnover and volume of shares traded increased by 19.0% and 6.7% to KES 2.4 billion and 72.6 million shares respectively.

Large cap counters saw price gains on the back of increased investor demand: KCB (+3.9% to KES 39.50), Equity (+1.6% to KES 38.45), Bamburi (+3.1% to KES 40.05) and BAT (+14.1% to KES 484.75). BAT edged up significantly following positive FY2020 results with a 34.3% y/y increase in dividend to KES 45.00 (dividend yield at 9.3%). We expect market activity to remain relatively high in the coming week. We also anticipate some profit taking activities on Safaricom, Equity, KCB and BAT.

Market Indices Performance

Index	Value	Weekly Change %	YTD Change %
NASI	165.55	0.9%	8.8%
NSE 20	1,888.47	(0.1%)	1.1%
NSE 25	3,638.57	0.7%	6.5%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,543.63	2,520.09	0.9%
Number of Shares Traded (Mn)	72.55	68.02	6.7%
Equity Turnover (KES Mn)	2,420.23	2,034.43	19.0%

Source: NSE

Recommendations

Counter	Recommendation	Price (KES)	Weekly Change %	YTD Change %
Kenya Re	Hold	2.48	0.8%	6.9%

Source: NSE and Faida Investment Bank Analysis

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

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Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. Sameer	3.60	20.00%	10.77%
2. BAT	484.75	14.06%	34.28%
3. Kapchorua	84.00	7.69%	7.69%
4. Flame Tree	1.34	6.35%	8.94%
5. Total	25.00	5.49%	4.17%

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Olympia	2.00	(12.28%)	(9.09%)
2. NBV	4.64	(10.77%)	8.41%
3. Sanlam	10.10	(10.62%)	(22.01%)
4. Eveready	1.01	(9.01%)	(15.83%)
5. Unga Group	29.50	(7.81%)	(7.23%)

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	38.75	1,110.3
2. EABL	171.00	398.9
3. KCB Group	39.50	304.6
4. Equity Group	38.45	271.4
5. StanChart	135.00	64.6

Source: NSE and Faida Investment Bank Analysis

News Highlights

BAT Posts a 42.0% Growth in After Tax Profit for FY2020

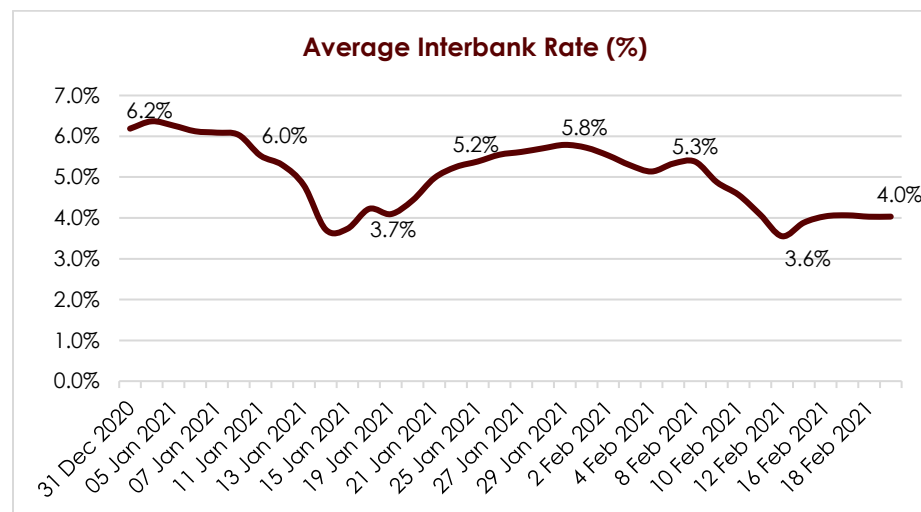
- British American Tobacco (BAT) Kenya reported a 42.0% y/y increase in after tax profit for FY2020 to KES 5.5 billion (FY2019: KES 3.9 billion). The increase in profitability was primarily due to higher export revenues, lower excise duty and Value Added Tax (VAT) and lower cost of operations.
- Gross revenue declined by 2.5% y/y to KES 38.9 billion (FY2019: KES 39.8 billion). According to the company, the dip was due to a 24.0% y/y decrease in domestic sales arising from the adverse economic impact of the COVID-19 pandemic, excise-led price increases which eroded consumer affordability and illicit trade in Kenya.
- However, the decline in domestic sales was cushioned by higher export sales and a 14.5% y/y dip in excise duty and VAT (mainly due to the lower VAT in 2020 of 14.0% from 16.0%). As a result, net revenue grew by 5.4% y/y to KES 25.3 billion.
- The cost of operations eased by 3.1% y/y to KES 17.8 billion (FY2019: KES 18.3 billion). According to management, this was driven by pro-active cost saving initiatives undertaken to cushion business profitability from the impact of the pandemic. Consequently, the operating profit margin rose to 29.9% (FY2019: 23.8%).
- Finance costs declined by 10.4% y/y to KES 173.0 million from KES 193.0 million in FY2019.
- According to management, the company invested significantly in a new factory based in Nairobi to manufacture oral nicotine pouches as part of its commitment to reducing the health impact of its business. The sale of the pouches was however stopped by the Ministry of Health on grounds that it illegally licensed.
- The company has proposed a final dividend of KES 41.50 per share (FY2019: KES 33.50) giving a total dividend of KES 45.00 (inclusive of the interim dividend of KES 3.50).

Commentary

- The performance is impressive given the challenging economic environment. However, we note with concern the rise in illicit trade. Further, we note that regulatory challenges on the sale of the nicotine pouches remain a key risk to revenue growth. The Lyft product was launched to support revenues, given the shifting consumer trends (focus on health) and declining global consumption. According to management, the company has opened talks with the government on reversal of the ban.
- We opine that BAT is a good dividend stock for investors as it has had a consistent dividend payout of 86.0% for the past 5 years, which has not been affected by the pandemic and a high dividend yield (currently 9.3% based on the FY2020 payout).

Fixed Income Market

Interbank Rate



Source: CBK

Treasury Bill Auction Results

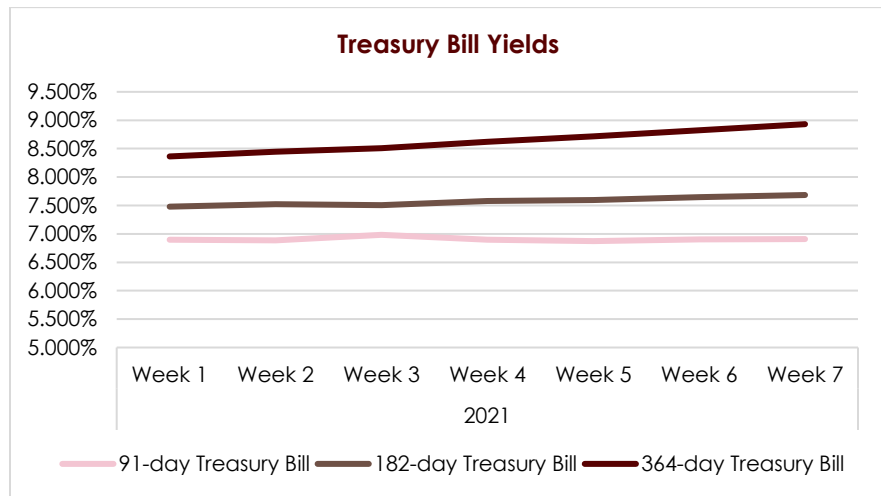
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.00	4.67	116.86%	4.66	6.911%	0.6
182 day	10.00	11.40	114.03%	10.68	7.684%	4.0
364 day	10.00	13.90	139.01%	13.47	8.931%	10.7
Total	24.00	29.98	124.91%	28.81		

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

Source: CBK

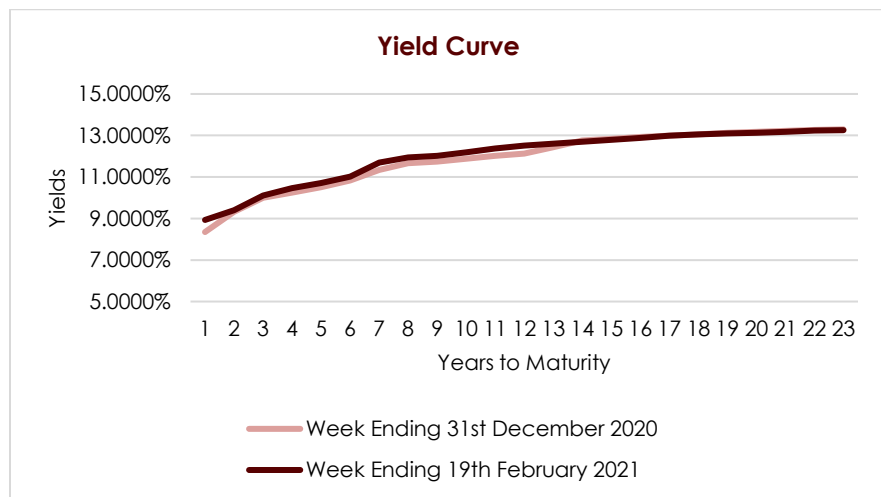
Treasury bills were oversubscribed during the week's auction; the total subscription rate was 124.91%, up from last week's 90.56%. The 364 day paper also had the highest subscription rate this week, at 139.01%.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

Macroeconomic Indicators

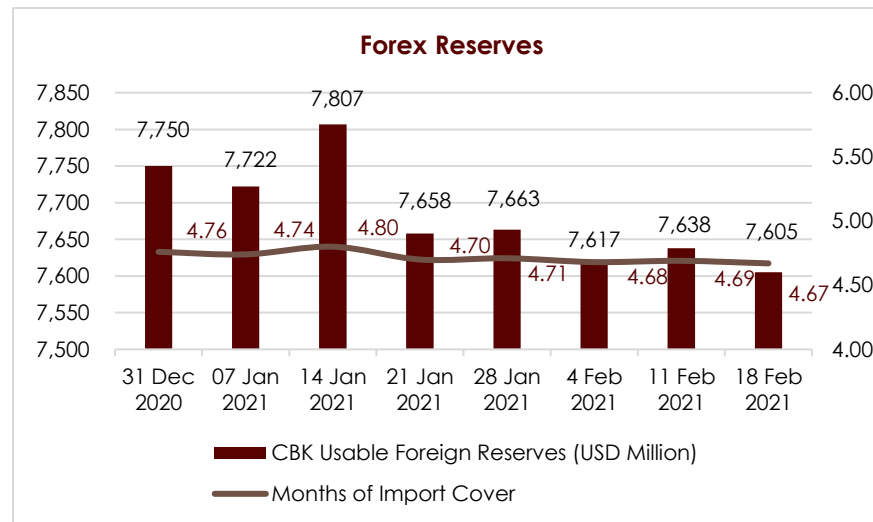
Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	109.5500	(0.1%)	(0.3%)
STG Pound	152.6632	(0.8%)	(2.9%)
EURO	132.2929	0.4%	1.2%

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

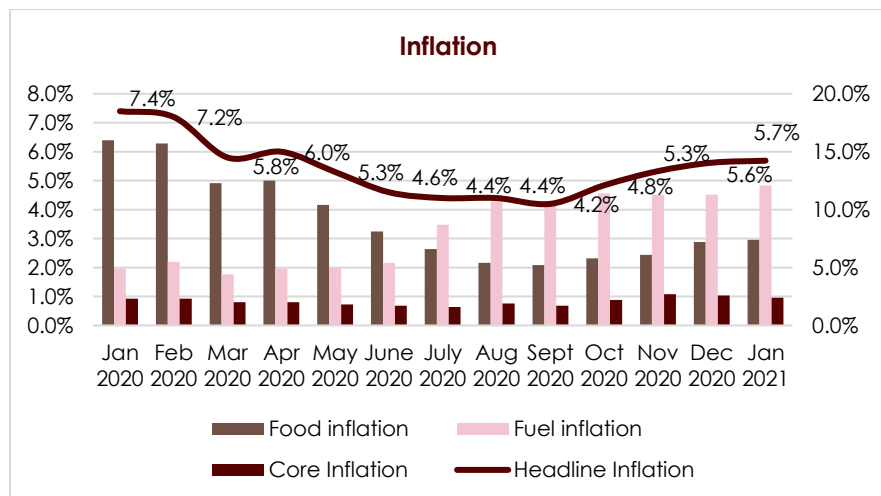
During the week, the Kenya Shilling remained relatively stable, depreciating marginally against the US Dollar and Sterling Pound but appreciating marginally against the Euro.

Forex Reserves



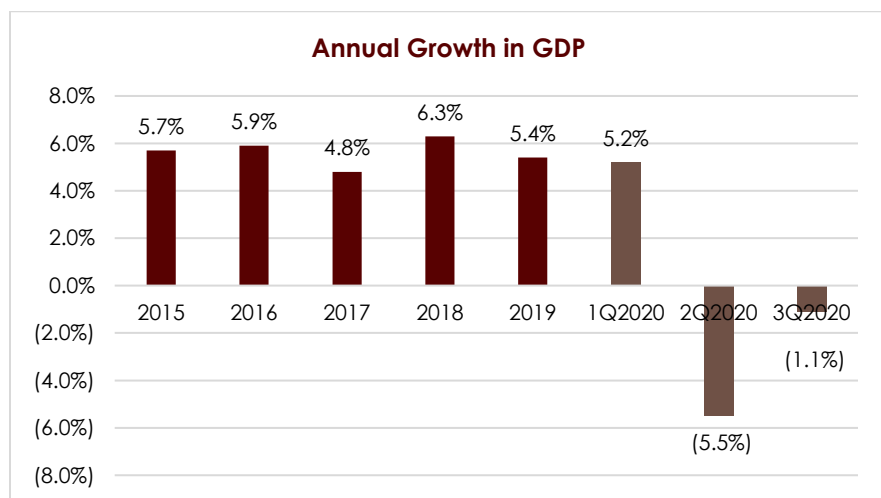
Source: CBK

Inflation



Source: KNBS

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

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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	56	33
Total Value	2,712,010	1,026,750
Total Open Interest	218	205

Source: NSE

Corporate Finance

SunCulture Secures USD 11.0 Million in Debt Funding

SunCulture, a Kenyan startup has secured USD 11.0 million in debt funding. The funding was raised through SunFunder (a financing company specialized in solar energy) as well as new financial partners – Off-Grid Energy Access Fund of African Development Bank's (AFDB) Energy Inclusion Facility (OGEF), Triodos Investment Management, the Danish government's Nordic Development Fund (NDF) and Alpha Mundi. SunCulture provides solutions tailored to smallholder farmers by combining technology with pay-as-you-go (PAYG) financing and value-add services. According to management, 2020 was devastating for millions of smallholder farmers in Kenya and 87.0% are in a worse financial position owing to the pandemic. However, 81.0% of the firm's farmers were able to grow revenue last year. Further, management stated that solar irrigation helps create food security and sovereignty and lifts people out of poverty. The funding will be used for expansion across the continent. The firm had previously raised USD 14.0 million in a Series A funding round last year.

Profit Warnings Issued

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

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	39.50	3.7%	3.9%	7,848,600	45.9%	4.90	8.9%	0.95	20.7%
Equity Bank	38.45	5.2%	1.6%	7,045,600	51.5%	6.43	0.0%	1.30	21.8%
NCBA	24.05	-10.1%	-1.6%	185,200	41.9%	2.77	0.0%	0.54	15.3%
Stanbic	84.00	-1.2%	-1.2%	471,400	56.2%	5.20	8.4%	0.68	13.6%
Absa Bank Kenya Plc	9.62	-0.4%	0.2%	2,919,100	51.2%	7.01	11.4%	1.16	16.7%
Housing Finance	3.51	5.7%	0.3%	515,000	93.8%	N/M	0.0%	0.12	-1.1%
Co-operative Bank	12.80	2.4%	0.8%	2,492,700	52.1%	5.25	7.8%	0.95	19.2%
Diamond Trust Bank	70.75	-5.7%	2.5%	139,400	48.6%	2.92	3.8%	0.34	12.1%
Standard Chartered	135.00	-6.4%	0.0%	478,800	55.6%	5.63	5.6%	0.97	17.5%
I&M	44.80	-0.4%	-0.4%	77,500	39.0%	1.72	5.7%	0.32	20.4%
Sector Average					53.6%	4.65	5.2%	0.73	15.6%

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%	-	N/M	0.0%	-1.3	N/M
Nation Media Group	13.05	-15.5%	-3.3%	461,400	2.90	11.5%	4.5	10.9%
WPP Scangroup	5.60	-6.7%	-6.0%	821,400	5.00	8.9%	1.12	6.0%
Uchumi Supermarket	0.27	-3.6%	-3.6%	60,400	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.66	-4.5%	-2.7%	43,000	6.85	11.2%	0.68	17.3%
Eveready	1.01	-15.8%	-9.0%	34,700	N/M	0.0%	-1.45	-10.8%
Sector Average					4.92	6.3%		5.8%

*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	40.05	5.8%	3.1%	152,300	16.35	0.0%	1.6%	2.1%
E.A. Portland Cement	9.50	-13.6%	-6.9%	6,100	N/M	0.0%	0.0%	0.0%
Sector Average					16.35	0.0%	0.8%	1.0%

*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	4.70	-0.2%	-2.3%	3,553,000	1.68	6.4%	2.79	9.0%
Kenya Power	1.49	-12.9%	-2.6%	1,914,700	11.46	0.0%	0.13	0.4%
Total Kenya	25.00	4.2%	5.5%	38,000	6.20	5.2%	4.03	10.8%
Sector Average					6.45	3.2%		4.7%

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%	0.0%	364,900	0.27	17.67	69.8%	34.4%
Britam	7.00	-3.6%	-4.1%	2,190,700	0.24	4.96	65.3%	37.2%
Jubilee	265.25	-6.6%	-3.9%	19,300	9.45	5.05	91.9%	46.2%
Kenya Re	2.48	6.9%	0.8%	4,904,900	0.09	0.97	71.2%	13.1%
Sanlam Kenya	10.10	-22.0%	-10.6%	205,100.00	7.01	12.78	85.8%	35.5%
Liberty	7.46	-3.1%	-0.3%	14,500.00	0.93	5.69	119.6%	48.7%
Sector Average					3.00	7.86	83.9%	35.8%

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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	17.25	-1.4%	-1.4%	1,809,800	2.48	0.36	6.95	9.3%
Home Afrika Ltd	1.36	-11.9%	2.8%	237,200	N/M	N/M	N/M	2.6%
Trans-Century	1.36	-6.2%	0.7%	3,100.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.36		5.5%

*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	8.56	4.9%	-2.9%	391,100	28.53	3.3%	0.3	3.9%
Sector Average					28.53	3.3%		

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	171.00	10.9%	-2.3%	2,306,200	33.08	1.8%	5.17	46.6%
FTG Holdings	1.34	8.9%	6.3%	14,700	5.15	0.0%	0.26	4.8%
Carbacid	11.85	-2.1%	0.0%	59,300	9.33	5.9%	1.27	10.0%
BAT	484.75	34.3%	14.1%	18,600	8.78	9.3%	55.18	51.2%
Sector Average					14.09	3.4%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	38.75	13.1%	1.0%	28,656,200	20.83	3.6%	1.86	51.8%
Sector Average					20.83	3.6%		

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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	6.20	11.5%	3.3%	221,500	20.80	12.10%	0.83
Sector Average						NA	

*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	22-Feb-21	25-Mar-21
Safaricom	Interim dividend	KES 0.45	10-Feb-21	5-Mar-21	31-Mar-21
BAT Kenya	Final dividend	KES 41.50	19-Feb-21	16-Apr-21	12-May-21
KenGen	First & Final dividend	KES 0.30	28-Jan-21	29-Apr-21	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