

Kenya Weekly Commentary

Kenya market summary

Index	Level	Key Market Indicators					
		1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	3,737.2	0.8	0.5	5.5	1.0	28.3	0.7
Kenya NASI	180.2	2.3	5.0	16.3	16.0	45.3	5.2
FTSE NSE Kenya 15	220.0	3.1	4.3	15.2	14.1	49.3	5.2
FTSE NSE Kenya 25	229.0	3.9	6.0	16.5	14.9	50.2	6.4
MSCI Frontier Mkts	69,740.0	1.2	7.1	10.0	18.7	29.0	6.0

Others*	Level	1w	1m	3m	6m	12m
Market cap (USD bn)	25.8	25.2	24.5	21.9	21.9	17.3
Equity turnover (USD m)	87.1	31.6	31.0	19.1	40.5	28.6
Bond turnover (USD m)	50.9	94.2	88.1	41.1	61.1	106.6
USD/KES	102.9	103.1	103.1	103.6	103.8	103.8
EUR/KES	125.9	125.0	122.2	122.7	120.1	110.8
GBP/KES	142.7	140.7	137.7	136.5	134.7	128.0
ZAR/KES	8.4	8.2	8.1	7.6	8.0	7.6
KES/UGX	35.3	35.4	35.1	35.3	34.7	34.6
KES/TZS	21.8	21.8	21.7	21.7	21.6	21.8
91 Day T-Bill (%)*	8.0	8.0	8.0	8.1	8.2	8.7
5 Year bond	12.4	12.3	12.5	12.5	11.8	12.4
2.5 Year Eurobond (%)	3.5	3.5	3.5	3.8	4.6	4.4
7.5-Year Eurobond (%)	5.6	5.5	5.6	6.1	6.7	7.4
Inflation (%)**	4.5	4.5	4.7	7.1	9.2	6.4
Avg. Base Lending Rate**	13.7	13.7	13.7	13.6	13.7	13.7

*Recorded after one week, ** Recorded at month end

NSE Top Movers					
Gainers	w-o-w %	Losers	w-o-w %	Top Traders	KES m
Barclays Bank	10.8	Nairobi Business V.	-12.1	KenolKobil	5,519.7
Eaagads Ltd.	10.0	Deacons	-7.9	KCB Bank	1,195.9
Housing Finance	7.9	Kenya Airways	-7.8	Safaricom	1,087.4
E.A. Portland	6.7	Car & General	-7.1	E.A. Breweries	319.0
Equity Bank	6.0	E.A. Cables	-7.1	Equity Bank	293.7

Source: Bloomberg, NSE

Notable events

- EABL Kisumu plant to begin production in July
- Equity Bank introduces 5% processing fee on Equitel loans
- Treasury Secretary gazettes regulations for short selling
- Kenya Airways makes application for inclusion of Air France in KLM JV agreement
- Pilot test on mobile money interoperability to commence this week

Exchange rates

- USD/KES strengthens 0.2% w/w to KES 102.90
- EUR/KES weakens 0.7% w/w to KES 125.92

Equity market commentary

- NSE 20 Share Index up 0.7% ytd to 3,737.17
- NASI Index up 5.2% ytd to 180.17
- Value traded for the week at USD 87.1m (KES 9.0bn)

Debt market commentary

- 91-Day Treasury bill yield down 5bps to 8.004%
- 182-Day Treasury bill yield down 2bps to 10.641%
- 364-Day Treasury bill yield down 2bps to 11.149%
- 5-Year Bond up 10bps to 12.40%

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Notable Events

EABL Kisumu plant to begin production in July

- Kenya Breweries Ltd, a subsidiary of E.A. Breweries, said it will commence operations at its new KES 15.0bn, 1m HL beer plant based in Kisumu in July this year.
- The Company expects construction work to end in June and said it has begun recruiting farmers for the supply of sorghum.
- The plant will initially be used to produce Senator. We believe that current unmet demand for Senator in Kenya stands at c.1.0 – 2.0 mhL, with EABL having recently unlocked 1mhL of output through packaging improvements at their Nairobi plant and we thus think that the capacity utilisation at the new plant will increase rapidly upon completion.
- Our calculations suggest each 1m HL of Senator adds c. KES 7.0bn in net revenue (or c. 10.0%) to EABL's top line.
- We estimate EABL will need to borrow KES 10.0bn in order to complete the plant. It is unclear at present how EABL is choosing to finance the remainder of the project.
- Noteworthy, EABL announces their 1H18 results on 26th January 2018.

(Source: The Standard, Kestrel Research)

Equity Bank introduces 5% processing fee on Equitel loans

- Equity Bank introduced a 5% processing fee on its Equitel loans, aimed at supporting the lender's income stream.
- The processing fee puts Equity Bank at par with other banks like KCB Bank and Commercial Bank of Africa (CBA) which operate mobile lending products.
- Equity Bank also effected a mobile money transfer commission on its mobile app, Eazzyapp. Notably, transfers will now be charged at a fee of KES 33 per transaction.
- In FY16, Equity Bank issued 8,000 loans on a daily basis through the Equitel platform, whose average loan size was KES 8,200.

(Source: The East African, Kestrel Research)

Treasury Secretary gazettes regulations for short selling

- The Treasury Secretary, Henry Rotich, gazetted regulations for the allowance of short selling, which is expected to boost liquidity and efficiency of the NSE as a market for discovering the true valuation of listed stocks.
- Furthermore, the gazetted regulations disclose that only 'regulated persons' will be able to engage in short selling.
- Notably, short sellers will be required to give collateral to cover the borrowed securities.
- Short selling is expected to begin in June 2018 following a roll out of a system upgrade, within the next 5 months, to accommodate the process.
- The NSE revealed that the system upgrade could also be scaled up to accommodate more products.

(Source: Business Daily, Kestrel Research)

Notable Events

Kenya Airways makes application for inclusion of Air France in KLM JV agreement

- The Competition Authority of Kenya (CAK) invited stakeholders to submit their views on the revised joint venture agreement between Kenya Airways and KLM.
- The revised agreement is set to include Air France, which merged with KLM in 2004.
- The allowances from the proposed revised agreement contravene the competition law as they amount to restrictive trade practices, which necessitates the application for an exemption from the CAK.
- Furthermore, Kenya Airways is also seeking approval from the Tanzanian Fair Competition Commission (FCC) to expand its joint venture agreement.
- The FCC has invited parties opposed to the proposed revised agreement to submit their views.

(Source: Business Daily, Kestrel Research)

Pilot test on mobile money interoperability to commence this week

- A pilot test on mobile money interoperability, limited to Airtel and Safaricom employees, is set to commence on Monday 22nd January 2018.
- Notably, the pilot test is set to run for a duration of 1 month.
- Following the testing period, the operators will seek approval from the Central Bank of Kenya (CBK) and Communications Authority of Kenya (CA) before rolling out the service into the market.
- Noteworthy, the mobile money interoperability will remove the limitation of closed networks.

(Source: Business Daily, Kestrel Research)

Sasini Tea EPS down 41.1% y/y in FY17

- Sasini Tea released their FY17 results on Tuesday.
- EPS declined by 41.1% y/y to KES 1.52 from KES 2.58 in FY16.
- Notably, profit after tax, which stood at KES 339.4m, included a gain of KES 16.9m on the disposal of an investment.
- Furthermore, the changes in fair values of biological assets increased to KES 81.7m in FY17 compared to a restated loss of KES 177.9m in FY16.
- In addition, the company announced plans to venture into macadamia and avocado farming for export to diversify its business.
- The Company currently primarily grows coffee and tea and has set aside 200 acres for macadamia and avocado farming. Company MD cited fluctuating tea and coffee prices as necessitating diversification.

(Source: Company, Business Daily, Kestrel Research)

NIC Bank set to open 4 new branches in the Coast region

- NIC Bank is set to open 4 new branches in the Coast region, as part of the lender's strategic plan to expand its branch network.
- In addition to the branch network expansion, the bank continues to leverage on technology to enhance customer experience via its mobile and online banking platforms.

(Source: Business Daily, Kestrel Research)

Top Gainers

Company	w-o-w %
Barclays Bank	10.8
Eaagads Ltd.	10.0
Housing Finance	7.9
E.A. Portland	6.7
Equity Bank	6.0

Top Losers

Company	w-o-w %
Nairobi Business Ventures	-12.1
Deacons	-7.9
Kenya Airways	-7.8
Car & General	-7.1
E.A. Cables	-7.1

Top Trader

Company	KES m
KenolKobil	5,519.7
KCB Bank	1,195.9
Safaricom	1,087.4
E.A. Breweries	319.0
Equity Bank	293.7
Barclays Bank	108.8
NIC Bank	63.0
DTB Bank	58.7
Kenya Power	56.5
Co-op Bank	48.2

Top Gainers (ytd)

Company	ytd %
Barclays Bank	12.5
Equity Bank	10.7
Safaricom	10.3
Kapchorua Tea	9.9
NIC Bank	9.6

Top Losers (ytd)

Standard Media	-18.9
Deacons	-17.1
Uchumi Supermarkets	-14.1
Nairobi Business Ventures	-13.4
WPP Scangroup	-10.5

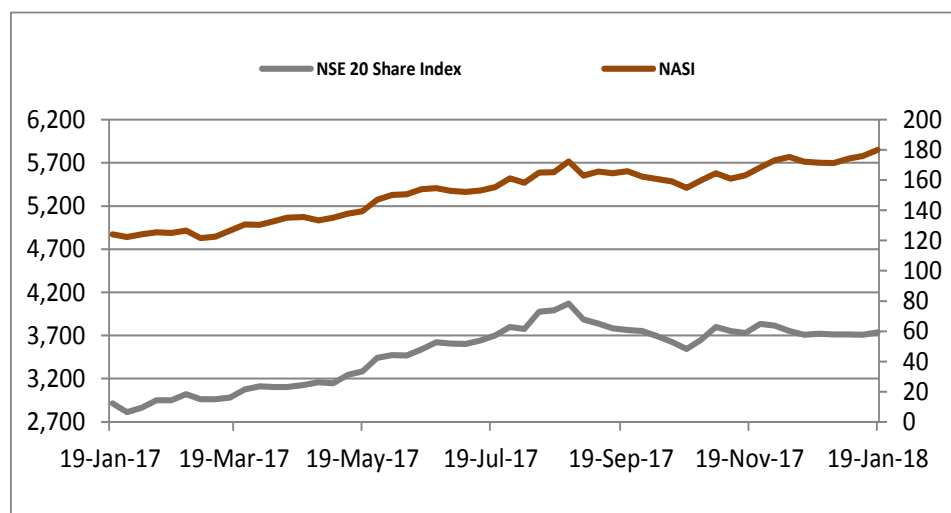
Equity market trading commentary

Market turnover more than doubled w/w to USD 87.1m (KES 9.0bn). Foreign investor participation increased to 80.6% from the previous week's 76.9%, recording a net foreign inflow of USD 1.9m.

The NSE 20 was up 0.8% w/w at 3,737.17 and the NASI increased by 2.3% w/w to close at a 12-month high of 180.17. 25 counters appreciated while 25 counters declined, representing an advance/decline ratio of 1.00, an increase from the previous week's 0.63.

KenolKobil dominated trading mainly on account of active foreign trading on the counter. The counter was up 0.3% w/w to close at KES 14.70. **Safaricom** was the second most actively traded counter, up 4.4% w/w to close at an all-time high of KES 29.50. Notably, among the bank stocks, **National Bank** experienced the largest decline at the end of the week, down 3.2% w/w to close at KES 8.95. Notably, among the construction and allied sector, **E.A. Portland** experienced the largest increase, up 6.7% w/w to close at KES 28.00. **Barclays Bank** increased by 10.8% w/w to close at KES 10.80, ending the week as the top gainer. **Nairobi Business Ventures** declined by 12.1% w/w to close at KES 2.90, ending the week as the top decliner.

Market performance over the past 12 months



Source: NSE

Debt market trading commentary

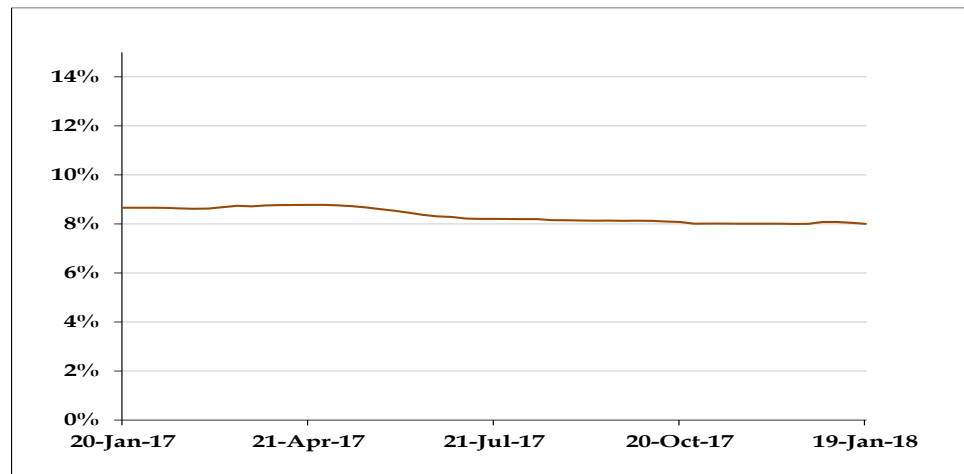
Bond market turnover declined by 46.0% w/w to USD 50.9m (KES 5.2bn). All T-Bills recorded under-subscriptions at the end of the week.

The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 1.7bn for the 91-Day T-Bill, implying a subscription rate of 42.37%. It accepted bids worth KES 1.7bn at an average yield of 8.004% (-5bps w/w). The 182-Day T-Bill received bids worth KES 9.9bn, implying a performance rate of 99.44%. It accepted bids worth KES 7.2bn at an average yield of 10.641% (-2bps w/w). The 364-Day T-Bill received bids worth KES 7.5bn, implying a performance rate of 75.37%. It accepted bids worth KES 7.3bn at an average yield of 11.149% (-2bps w/w).

Interest Rates (%)	12 Jan-18	19 Jan-18
Inter-Bank Overnight Rate	5.95	5.16
3-Month T-Bill Rate	8.05	8.00
3-Month Deposit Rate	5.16	7.36
Central Bank Rate	10.00	10.00

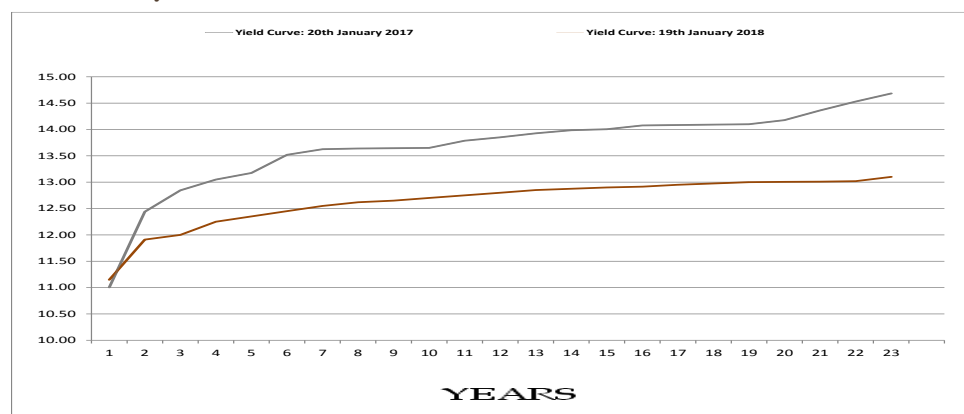
Source: CBK

Kenya Govt. debt yield



Source: CBK

Historical 91-day T-bill rate



Source: CBK

Top 45 counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Mkt ¹ cap	Weighting %	EPS	DPS	NAV	P/E	Div yld %	P/B x	ROE %	Daily T/O ² vol
Safaricom	Telecom	Mar	29.50	16.00	29.50	10.3	11,485	44.5	1.27	0.97	2.4	23.3	3.3	12.5	53.5	2,739,322
EA Breweries	Breweries	Jun	269.00	213.00	240.00	0.8	1,844	7.1	10.77	12.00	15.2	22.3	5.0	15.8	71.0	701,196
Equity Bank	Banking	Dec	44.25	23.50	44.00	10.7	1,613	6.3	4.28	2.00	23.7	10.3	4.5	1.9	18.0	699,888
KCB Bank	Banking	Dec	45.50	23.00	45.25	5.8	1,348	5.2	6.67	4.00	33.7	6.8	8.8	1.3	19.8	813,595
Co-op Bank	Banking	Dec	17.55	11.35	16.75	4.7	955	3.7	1.99	0.80	11.5	8.4	4.8	1.5	17.3	206,097
Kenya Airways	Airlines	Dec	18.45	4.00	15.95	-7.0	881	3.4	(1.62)	-	(8.6)	-	-	-	-	30,299
BAT Kenya	Tobacco	Dec	915.00	750.00	775.00	2.0	753	2.9	40.34	43.00	88.0	19.2	5.5	8.8	45.9	97,435
StanChart Bank	Banking	Dec	240.00	165.00	205.00	-1.4	684	2.7	17.55	18.50	130.4	11.7	9.0	1.6	13.5	18,848
Bamburi Cement	Cement	Dec	199.00	140.00	171.00	-5.0	603	2.3	11.54	11.00	72.1	14.8	6.4	2.4	16.0	82,424
Barclays Bank	Banking	Dec	11.60	7.15	10.80	12.5	570	2.2	1.23	1.00	7.8	8.8	9.3	1.4	15.7	71,852
DTB Bank	Banking	Dec	200.00	102.00	200.00	4.2	543	2.1	26.96	2.60	167.2	7.4	1.3	1.2	16.1	47,248
KenGen	Power	Jun	9.90	4.95	8.20	-4.1	498	1.9	1.45	-	29.3	5.7	-	0.3	4.9	68,600
I&M Holdings	Banking	Dec	130.00	74.50	116.00	-8.7	466	1.8	16.97	3.50	101.4	6.8	3.0	1.1	16.7	12,465
Jubilee Insurance	Insurance	Dec	505.00	417.00	505.00	1.2	323	1.3	54.51	8.50	338.3	9.3	1.7	1.5	16.1	56,201
Stanbic Bank	Banking	Dec	85.00	58.00	81.00	0.0	311	1.2	10.57	4.73	103.1	7.7	5.8	0.8	10.3	8,436
Centum Investment	Finance	Mar	45.75	31.00	45.75	4.6	296	1.1	10.29	1.20	57.4	4.4	2.6	0.8	17.9	59,674
Britam	Insurance	Dec	15.80	9.40	13.15	-1.5	248	1.0	0.49	0.30	9.9	26.6	2.3	1.3	5.0	21,655
NIC Bank	Banking	Dec	40.75	20.25	37.00	9.6	230	0.9	6.70	1.00	52.1	5.5	2.7	0.7	12.8	84,267
KenolKobil	Oil	Dec	16.95	12.05	14.70	5.0	210	0.8	1.80	0.45	7.4	8.2	3.1	2.0	24.4	1,087,412
Nation Media	Media	Dec	119.00	74.00	106.00	-8.6	194	0.8	8.72	10.00	50.3	12.2	9.4	2.1	17.3	32,522
Umeme Ltd.	Power	Dec	21.00	12.00	12.30	-8.2	194	0.8	(0.04)	0.53	8.7	-	4.3	1.4	(0.5)	2,301
Kenya Power	Power	Jun	11.65	6.30	8.75	-3.8	166	0.6	3.72	0.30	35.9	2.4	3.4	0.2	10.4	55,683
CIC Insurance	Insurance	Dec	6.65	3.10	5.60	0.0	142	0.6	0.09	0.11	2.8	63.0	1.9	2.0	3.1	13,195
Kenya Re	Insurance	Dec	23.00	18.05	19.55	8.0	133	0.5	4.78	0.80	34.5	4.1	4.1	0.6	13.9	77,216
ARM Cement	Cement	Dec	25.00	11.15	13.00	0.0	121	0.5	(4.21)	-	28.9	-	-	0.4	(14.5)	26,058
Liberty K. Holdings	Insurance	Dec	14.00	8.90	13.15	7.8	68	0.3	1.22	-	12.6	10.8	-	1.0	9.7	4,183
Kakuzi	Agric	Dec	360.00	266.00	355.00	7.9	68	0.3	28.70	6.00	196.2	12.4	1.7	1.8	14.6	5,792
WPP Scangroup	Media	Dec	24.50	3.55	17.00	-10.5	63	0.2	0.88	0.50	22.8	19.4	2.9	0.7	3.8	17,110
TPSEA Serena	Tourism	Dec	35.75	18.70	35.00	7.7	62	0.2	(0.18)	0.25	51.7	-	0.7	0.7	(0.3)	19,738
Sasini Tea & Coffee	Agric	Sept	31.25	17.45	26.75	-9.3	59	0.2	2.53	1.00	48.3	10.6	3.7	0.6	5.2	8,103
Crown Paints	Manufac.	Dec	80.00	41.00	78.00	-2.5	54	0.2	2.14	0.60	22.8	36.5	0.8	3.4	9.4	858
NSE	Finance	Dec	23.75	11.00	20.00	1.5	50	0.2	0.69	0.27	7.8	28.9	1.4	2.6	8.9	19,700
Total Oil	Oil	Dec	26.50	16.00	25.00	6.4	43	0.2	14.14	1.06	112.2	1.8	4.2	0.2	12.6	6,767
Sanlam Kenya	Insurance	Dec	30.75	18.00	27.00	-2.7	38	0.1	2.15	-	26.8	12.6	-	1.0	8.0	4,903
Housing Finance	Banking	Dec	13.20	9.75	10.95	5.3	37	0.1	0.65	0.50	32.1	16.9	4.6	0.3	2.0	4,567
Carbacid	Gases	July	14.15	11.70	12.95	6.6	32	0.1	1.38	0.70	10.4	9.4	5.4	1.2	13.2	15,908
National Bank	Banking	Dec	12.00	5.50	8.95	-4.3	29	0.1	(0.65)	-	33.0	-	-	0.3	(2.0)	1,392
EA Portland	Cement	Jun	35.00	21.00	28.00	3.7	24	0.1	(16.35)	-	187.7	-	-	0.1	(8.7)	118
Standard Newspapers	Media	Dec	39.25	17.15	30.00	-18.9	24	0.1	2.17	-	22.6	13.9	-	1.3	9.6	315
BOC Kenya	Gases	Dec	110.00	81.00	108.00	0.9	20	0.1	5.17	5.20	88.9	20.9	4.8	1.2	5.8	4,185
Unga Ltd	Food	Jun	34.50	27.00	27.75	-4.3	20	0.1	(0.43)	1.00	49.3	-	3.6	0.6	(0.9)	6,509
Longhorn	Publishing	Jun	6.00	3.95	5.45	0.9	20	0.1	0.36	0.21	2.6	15.1	3.9	2.1	14.2	1,484
TransCentury	Finance	Dec	8.10	5.25	5.80	-3.3	16	0.1	(11.43)	-	4.1	-	-	1.4	(278.1)	843
Flame Tree Group	Manufac.	Dec	5.75	4.15	4.70	3.3	7	0.0	0.81	-	4.9	5.8	-	1.0	16.7	330
Deacons	Retail	Dec	5.80	2.90	2.90	-17.1	3	0.0	(3.27)	-	7.6	-	-	0.4	(42.9)	521

¹ Market capitalization in USD millions, ² 3-month average daily turnover in USD

Market Cap weighted, ** Market Median, *** 3-month average daily turnover

Adjusted for special dividend

† Using 1H16 results

Data on Atlas Support is based on shares tradable at the NSE

*16.8 *4.0 7.6 **16.4 ***7,262,369

Selected Off-shore Listed Companies in East Africa – Mining, Oil and Gas

Sector	Company	Local Project	Exchange	Ticker	Price*	Currency	Mkt Cap ¹	Daily T/O**	52 Wk High	52 Wk Low
Oil & gas exploration	Tullow Oil	Kenya,Uganda, Ethiopia	London	TLW LN	216.00	GBP	4,160.0	29,760,000	271.33	142.30
Oil & gas exploration	Africa Oil	Kenya, Ethiopia, Somalia	Toronto	AOI CN	1.63	CAD	596.5	302,970	2.8	1.33
Oil & gas exploration	Molori Energy Inc.	Kenya (North Eastern)	Toronto (TSX)	MOL CN	0.31	CAD	9.1	22,120	0.68	0.1
Gold exploration	Red Rock Resources	Kenya (Migori)	London (AIM)	RRR LN	0.95	GBP	6.6	57,050	1.23	0.53
Gold mining	Goldplat	Kenya (Kilimapesa)	London (AIM)	GDP LN	8.38	GBP	19.5	35,870	8.38	5.13
Gold exploration	Stockport	Kenya (Lake Victoria)	Toronto (TSX)	SPT CN	--	CAD	--	-	0.04	0.02
Titanium mining	Base Resources	Kenya (Kwale Project)	Australia	BSE AU	0.27	AUD	243.7	298,030	0.35	0.22
Gold mining	Acacia Mining	Kenya, Tanzania	London	ACA LN	193.50	GBP	1,100.0	4,120,000	545.50	152.80

Company	Website
Tullow Oil	www.tulloil.com
Africa Oil	www.africaoilcorp.com
Molori Energy Inc.	www.taipanresources.com
Red Rock resources	www.rrrplc.com
Goldplat	www.goldplat.com
Stockport	www.stockportexploration.com
Africa Queens Mines	www.africanqueenmines.com
Base Resources	www.baseresources.com.au
Acacia Mining	www.acaciaming.com

*Share price in local currency

**3 Month average daily value traded in USD

***Percent change

¹ Market Capitalization in USD Millions

Note:

†Taipan Resources changed its name to Molori Energy Inc. Its ticker is now MOL CN.

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