

Kenya Weekly Commentary

Kenya market summary

Index	Level	Key Market Indicators					
		1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	2,651.8	(1.4)	0.7	(5.9)	(8.8)	(20.1)	(6.4)
Kenya NASI	149.0	(0.5)	(0.4)	(5.8)	1.7	(13.6)	6.1
FTSE NSE Kenya 15	186.7	0.1	1.2	(5.3)	2.3	(14.6)	8.0
FTSE NSE Kenya 25	194.8	(0.1)	0.5	(5.0)	3.9	(13.9)	10.2
MSCI Frontier Mkts	59,391.7	0.7	3.7	7.7	9.4	2.7	12.9

Others*	Level	1w	1m	3m	6m	12m
Market cap (USD bn)	23.6	23.5	23.3	23.4	21.7	25.3
Equity turnover (USD m)	26.0	22.0	26.8	22.5	33.0	17.7
Bond turnover (USD m)	155.6	229.5	206.2	111.4	120.2	106.5
USD/KES	103.8	103.1	102.4	101.5	101.1	100.3
EUR/KES	115.6	115.7	116.5	113.1	114.6	116.9
GBP/KES	129.0	128.6	130.1	130.8	131.7	131.6
ZAR/KES	7.3	7.4	7.3	7.0	7.3	7.6
KES/UGX	35.6	35.8	36.1	36.9	36.5	36.9
KES/TZS	22.1	22.3	22.5	22.7	22.9	22.7
91 Day T-Bill (%)*	6.6	6.5	6.7	7.3	7.1	7.6
5 Year bond	10.2	10.3	10.8	11.3	12.0	12.2
5.5 Year Eurobond (%)	5.0	5.1	5.5	6.3	7.0	6.4
8 Year Eurobond (%)	6.0	6.0	6.4	-	-	-
9 Year Eurobond (%)	6.4	6.5	6.8	7.3	7.7	7.1
13 Year Eurobond (%)	7.0	7.1	7.4	-	-	-
29 Year Eurobond (%)	7.7	7.8	8.0	8.3	8.8	8.1
Inflation (%)**	5.7	5.7	5.7	4.4	5.7	4.3
Avg. Base Lending Rate**	12.5	12.5	12.5	12.5	12.6	13.5

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

NSE Top Movers					
Gainers	w-o-w %	Losers	w-o-w %	Top Traders	KES m
E.A. Cables	10.9	TransCentury	-17.1	Safaricom	976.1
Car & General	10.0	Kenya Airways	-16.1	E.A. Breweries	396.6
Eveready	7.0	Olympia Capital	-10.0	KCB Bank	348.5
Express Kenya	6.3	Mumias Sugar	-7.9	Equity Bank	339.9
TPSEA Serena	4.2	Umeme Ltd.	-7.5	Barclays Bank	170.4

Source: Bloomberg, NSE

Notable events

- E.A. Breweries EPS +56% y/y in FY19 - above expectations
- Potential nationalisation of KQ - Estimated Impact on Banks

Exchange rates

- USD/KES weakens 0.7% w/w to KES 103.82
- EUR/KES strengthens 0.1% w/w to KES 115.56

Equity market commentary

- NSE 20 Share Index down 6.4% ytd to 2,651.80
- NASI Index up 6.1% ytd to 149.00
- Value traded for the week at USD 26.0m (KES 2.7bn)

Debt market commentary

- 91-Day Treasury bill yield up 9bps w/w to 6.592%
- 182-Day Treasury bill yield up 1bp w/w to 7.365%
- 364-Day Treasury bill yield up 20bps w/w to 8.988%

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Notable Events

E.A. Breweries EPS +56% y/y in FY19 - above expectations

- E.A. Breweries reported their FY19 results on Thursday. Reported EPS stood at KES 11.23, +56% y/y. DPS increased by 13.3% y/y to KES 8.50.
- Core operating profits (excluding “Indirect Tax Expenses”) increased by 31.7% y/y - 17.0% above our estimates.
- Finance costs remained unchanged at KES 3.4bn, 19.0% below our forecasts. This is noteworthy because E.A. Breweries invested heavily in the Kisumu brewery over the course of FY19.
- Cash position at the business improved as a result of a lower cash-tax component. Cash and cash equivalents at the end of the year closed at KES 12.5bn (+290% y/y).
- Offsetting this strong operating performance, we highlighted the business recorded an “Indirect Tax Expense” of KES 1.3bn, for the second year running. E.A. Breweries' management have been unwilling to divulge further details on this tax component and we await further information from them on the same.
- Also of note was the better than anticipated performance of Mainstream Beer (we believe driven by Tusker Ale) and Reserve Spirits (which had shown strong performance in 1H19).

Sales performance by category: Actual - FY19

Premium Beer	7%	Reserve Spirits	36%
Mainstream Beer	16%	Premium Spirits	3%
Value Beer	15%	Mainstream Spirits	20%
RTDs	2%	Value Spirits	4%

- Operating results are a positive. We believe E.A. Breweries' cash position suggests potential additional expansion plans, given both Uganda and Tanzania are running at 90.0 - 100.0% utilisation.
- Although we expect E.A. Breweries to pay-down its MTN maturing in March 2020, of approximately KES 5.0bn.
- The results will likely result in an upward revision in our fair value estimates, given the strong operating metrics.

(Source: Company, Kestrel Research)

Notable Events

Potential nationalisation of KQ - Estimated Impact on Banks

- On Tuesday, Parliament voted in favour of the nationalisation of Kenya Airways. This follows the recommendation of the Transport Committee which proposed the consolidation of the aviation sector. The proposed holding company would have 4 subsidiaries: Kenya Airport Authority (KAA), Kenya Airways, Jomo Kenyatta International Airport (JKIA) and the Aviation Services College.
- Management had previously guided that the consolidation could be implemented relatively quickly and have positive effects within 24 months.
- We believe that the consolidation will result in synergies between the airline and the airport, with the possibility of generating additional revenues from servicing other airlines. Additionally, this may result in a boost in passenger numbers transiting through JKIA. We highlight that JKIA's regional importance has been on a decline since 2011 - JKIA's aircraft seat kilometres (ASKs) share in East Africa has declined from 50% in 2011 to 34% in 2017, while Ethiopia's (Bole) ASKs share has increased from 30% in 2011 to 44% in 2017.
- This will be a positive for the airline's turnaround efforts as it will amount to significant cost reductions, better procurement conditions and taxation allowances. A successful turnaround will also be beneficial to the economy as a whole as we estimate that the airline industry contributes approximately 5% to 8% of GDP.
- Airlines that currently operate under the holding structure and have managed to execute it successfully include Qatar Airways, Ethiopian Airways and Emirates.
- We await further information on the implementation plans and timelines but we believe that the fair value of Kenya Airways' share is KES 0, driven by the negative shareholders' equity and loss reported in FY18.
- We highlight that the government guarantee to Kenya Airways, KES 76bn, is already incorporated in the total public debt stock.
- In the event the airline's shares are deemed to be worthless, we expect banks such as Equity and NIC / CBA to see the highest hit in terms of an impact to shareholders' equity, in terms of their equity investment in the airline through KQ Lenders Company. We believe this figure could be as high as KES 3.0bn for these banks. For banks such as KCB we expect a smaller impact.
- We highlight our estimation does not take into consideration the option value in the convertible. We expect the value of the option component of the convertible to be minimal, given that the current stock price is significantly lower than the strike price.
- In terms of an impact to shareholders' equity, rough estimates suggest banks will see an impact of between 2.0% - 5.0%.
- There are a number of moving assumptions in our analysis above, notwithstanding the legal implications of a nationalisation on the above instruments. We further anticipate banks to disagree to any equity write-down if it were enforced by the Government. We expect banks to give the market additional guidance during 1H19 results.

(Source: Business Daily, Kestrel Research)

Top Gainers	
Company	w-o-w %
E.A. Cables	10.9
Car & General	10.0
Eveready	7.0
Express Kenya	6.3
TPSEA Serena	4.2

Equity market trading commentary

Market turnover increased by 18.8% w/w to close at a 4-week high of USD 26.0m (KES 2.7bn). Foreign investor participation was up 12.9% w/w to close at a 15-week high of 76.1%. Foreign investors were net sellers for the seventh consecutive week. Noteworthy, net foreign outflows declined by 34.0% w/w to close at USD 3.8m.

Top Loser	
Company	w-o-w %
TransCentury	-17.1
Kenya Airways	-16.1
Olympia Capital	-10.0
Mumias Sugar	-7.9
Umeme Ltd.	-7.5

The NSE 20 was down 1.4% w/w to close at 2,651.80. The NASI was down 0.5% w/w to close at 149.00. 27 counters appreciated while 25 counters declined, representing an advance/decline ratio of 1.08, an increase from the previous week's ratio of 0.75.

Safaricom dominated trading mainly on account of active foreign trading on the counter. Turnover on **Safaricom** accounted for 36.2% of weekly turnover. The stock was down 0.9% w/w to close at KES 27.60. **E.A. Breweries** was the second most actively traded stock, accounting for 14.7% of weekly turnover. The stock was up 2.3% w/w to close at a 7-week high of KES 203.25. Among the banking sector stocks, **Housing Finance** recorded the largest decline, down 6.5% w/w to close at a 13-week low of KES 4.00. Noteworthy, **Nation Media** was down 4.2% w/w to close at a 12-month low of KES 46.05. **Bank of Kigali** saw an increase in trading activity towards the end of the week, unchanged w/w to close at KES 28.00. **E.A. Cables** increased by 10.9% w/w to close at KES 2.65, emerging as the top gainer. **TransCentury** declined by 17.1% w/w to close at KES 3.30, emerging as the top decliner.

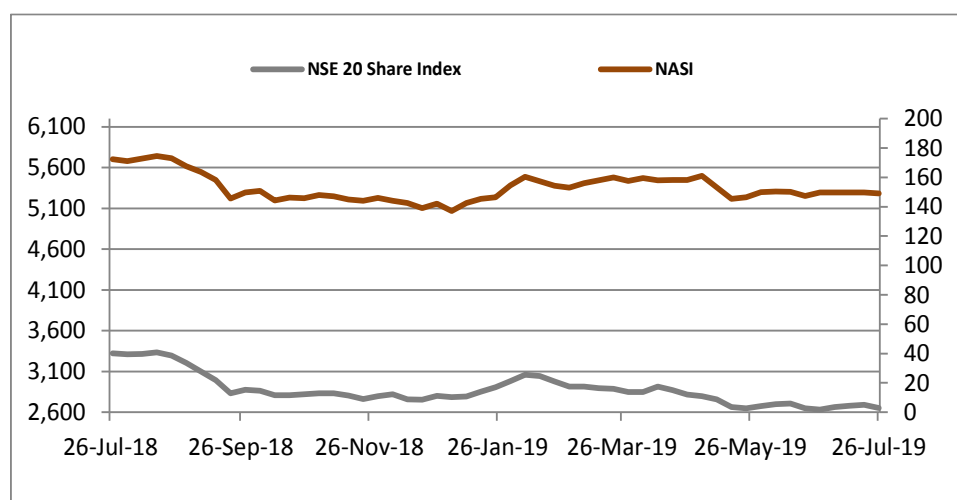
Top Trader	
Company	KES m
Safaricom	976.1
E.A. Breweries	396.6
KCB Bank	348.5
Equity Bank	339.9
Barclays Bank	170.4
BAT Kenya	136.5
Bank of Kigali	134.5
DTB Bank	52.6
Centum Investment	34.3
KenGen	33.6

Upcoming Book Closures:

Kapchorua Tea: 30th July 2019 for a final dividend of KES 10.00 per share.

Williamson Tea: 31st July 2019 for a final dividend of KES 20.00 per share.

Market performance over the past 12 months



Source: NSE

Top Gainers (ytd)	
Company	ytd %
Sameer Africa	128.1
Longhorn Publishers	74.8
Express Kenya	35.6
I&M Holdings	24.7
Safaricom	24.3

Top Losers (ytd)	
Company	ytd %
Uchumi Supermarkets	-55.0
Kenya Airways	-53.8
Mumias Sugar	-39.7
Nation Media	-32.8
BAT Kenya	-29.4

Source: NSE

Debt market trading commentary

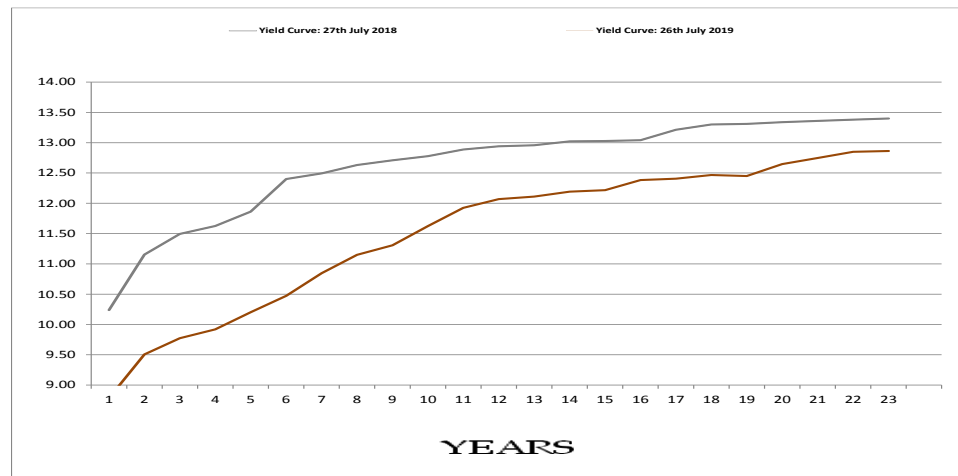
Bond market turnover declined by 31.7% w/w to close at a 2-week low of USD 155.6m (KES 16.2bn). All T-Bills except the 182-Day T-Bill recorded over-subscriptions at the end of the week. The inter-bank overnight rate increased marginally to close at a 6-week high of 2.75%.

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 8.1bn for the 91-Day T-Bill, implying a subscription rate of 201.80% - the highest in 35 weeks. It accepted bids worth KES 5.1bn at an average yield of 6.592% (+9bps w/w). The 182-Day T-Bill received bids worth KES 2.7bn, implying a performance rate of 27.20% - the lowest in 8 weeks. It accepted bids worth KES 2.7bn at an average yield of 7.365% (+1bp w/w). The 364-Day T-Bill received bids worth KES 16.4bn implying a performance rate of 164.46%. It accepted bids worth KES 16.4bn at an average yield of 8.988% (+20bps w/w).

Interest Rates (%)	19-Jul-19	26-Jul-19
Inter-Bank Overnight Rate	2.02	2.75
3-Month T-Bill Rate	6.50	6.59
3-Month Deposit Rate	7.20	7.20
Central Bank Rate	9.00	9.00

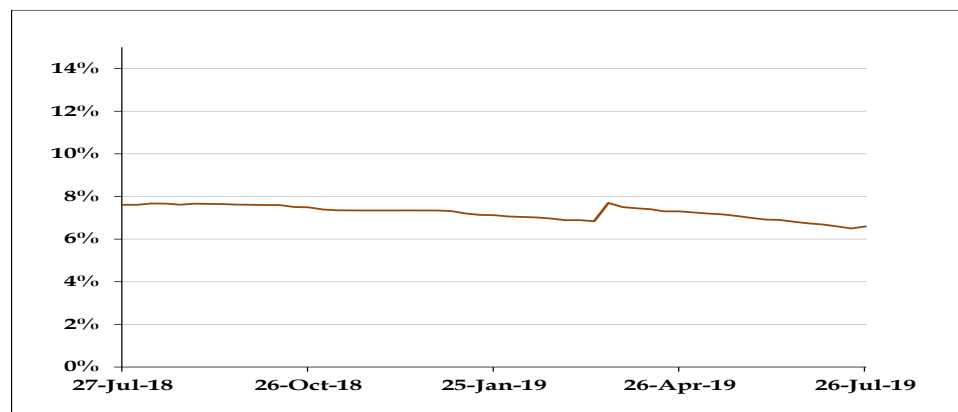
Source: CBK

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	29.75	21.30	27.60	24.3	10,651	48.3	1.58	1.87	3.6	17.5	6.8	7.7	43.9	2,023,620
EA Breweries	Breweries	Jun	229.00	160.00	203.25	16.3	1,548	7.0	11.23	8.50	20.4	18.1	4.2	9.9	55.0	450,068
Equity Bank	Banking	Dec	52.50	33.60	40.35	15.8	1,467	6.6	5.33	2.00	25.0	7.6	5.0	1.6	21.3	1,050,435
KCB Bank	Banking	Dec	51.00	35.75	39.90	6.5	1,178	5.3	8.02	3.50	39.0	5.0	8.8	1.0	20.6	645,164
Co-op Bank	Banking	Dec	17.20	11.40	12.10	-15.4	684	3.1	2.20	1.00	12.4	5.5	8.3	1.0	17.7	125,735
StanChart Bank	Banking	Dec	220.00	178.00	196.00	0.8	649	2.9	25.25	19.00	143.0	7.8	9.7	1.4	17.6	16,259
Barclays Bank	Banking	Dec	12.55	10.00	10.45	-4.6	547	2.5	1.37	1.10	8.5	7.6	10.5	1.2	16.1	102,042
BAT Kenya	Tobacco	Dec	725.00	485.25	512.00	-29.4	493	2.2	45.99	35.00	86.9	11.1	6.8	5.9	52.9	165,141
I&M Holdings	Banking	Dec	124.75	52.50	53.00	24.7	422	1.9	10.95	3.90	60.6	4.8	7.4	0.9	18.1	17,079
Bamburi Cement	Cement	Dec	185.00	110.00	114.25	-13.8	399	1.8	2.45	5.10	81.9	46.6	4.5	1.4	3.0	16,825
KenGen	Power	Jun	7.45	5.50	6.00	-14.5	381	1.7	1.20	0.40	29.1	5.0	6.7	0.2	4.1	39,263
Stanbic Bank	Banking	Dec	107.00	87.50	98.50	8.5	375	1.7	15.88	5.80	106.8	6.2	5.9	0.9	14.9	85,240
KenolKobil	Oil	Dec	22.00	13.15	22.00	15.5	312	1.4	1.83	0.66	8.3	12.0	3.0	2.6	22.0	-
DTB Bank	Banking	Dec	200.00	112.25	114.00	-27.2	307	1.4	24.51	2.60	198.3	4.7	2.3	0.6	12.4	48,042
Jubilee Insurance	Insurance	Dec	509.00	366.00	370.00	-8.6	258	1.2	58.14	9.00	338.2	6.4	2.4	1.1	17.2	90,197
Bank of Kigali	Banking	Dec	33.00	28.00	28.00	-15.2	242	1.1	3.41	1.36	24.2	8.2	4.9	1.2	14.1	22,350
Kenya Airways	Airlines	Dec	12.05	3.16	4.11	-53.8	225	1.0	(1.01)	-	(0.4)	-	-	-	-	2,372
Centum Investment	Finance	Mar	36.95	24.75	32.90	12.5	211	1.0	6.19	1.20	77.5	5.3	3.6	0.4	8.0	67,108
NIC Bank	Banking	Dec	40.40	22.00	29.90	7.6	203	0.9	6.01	1.25	50.3	5.0	4.2	0.6	11.9	28,419
Britam	Insurance	Dec	14.50	7.50	7.84	-21.6	191	0.9	(0.88)	-	9.5	-	-	0.8	(9.3)	32,454
Total Oil	Oil	Dec	32.75	25.00	28.65	4.2	174	0.8	3.67	1.30	36.0	7.8	4.5	0.8	10.2	2,060
Umeme Ltd.	Power	Dec	11.00	5.46	7.40	-8.6	116	0.5	2.28	0.79	12.4	3.2	10.6	0.6	18.4	350
Kenya Re	Insurance	Dec	16.80	3.62	3.89	11.5	105	0.5	0.79	0.45	10.1	4.9	11.6	0.4	7.8	24,279
CIC Insurance	Insurance	Dec	4.95	3.33	3.56	-7.8	90	0.4	0.24	0.12	3.0	14.9	3.4	1.2	7.9	3,734
Nation Media	Media	Dec	90.50	46.05	46.05	-32.8	84	0.4	5.93	5.00	41.9	7.8	10.9	1.1	14.1	8,870
Kenya Power	Power	Jun	6.35	3.06	4.00	-1.7	75	0.3	0.74	-	34.2	5.4	-	0.1	2.2	13,399
Kakuzi	Agric	Dec	341.00	300.00	340.00	9.7	64	0.3	24.57	9.00	238.2	13.8	2.6	1.4	10.3	12,300
Crown Paints	Manufac.	Dec	87.00	51.00	80.25	0.3	55	0.2	2.58	0.60	14.4	31.1	0.7	5.6	17.9	556
Liberty K. Holdings	Insurance	Dec	13.80	9.10	10.50	-18.6	54	0.2	1.03	0.50	14.3	10.2	4.8	0.7	7.2	740
ARM Cement	Cement	Dec	5.55	4.25	5.55	0.0	51	0.2	(7.77)	-	19.8	-	-	0.3	(39.2)	-
WPP Scangroup	Media	Dec	20.05	10.75	12.00	-14.3	50	0.2	1.32	4.00	19.6	9.1	33.3	0.6	6.7	30,987
Sasini Tea & Coffee	Agric	Sept	23.00	14.15	18.10	-9.0	40	0.2	0.30	1.00	46.1	59.3	5.5	0.4	0.7	839
TPSEA Serena	Tourism	Dec	30.00	19.05	19.95	-13.3	35	0.2	0.69	0.35	45.8	28.9	1.8	0.4	1.5	280
NSE	Finance	Dec	17.90	11.55	11.55	-20.6	29	0.1	0.72	0.49	8.1	16.0	4.2	1.4	8.9	2,625
Sanlam Kenya	Insurance	Dec	26.00	18.00	19.40	-11.8	27	0.1	(14.01)	-	9.2	-	-	2.1	(151.9)	709
Unga Ltd	Food	Jun	44.00	15.00	36.50	-7.5	27	0.1	4.02	1.00	78.2	9.1	2.7	0.5	5.1	171
Carbacid	Gases	July	12.00	8.00	8.94	-10.6	22	0.1	0.94	0.70	11.7	9.5	7.8	0.8	8.0	2,161
Standard Newspapers	Media	Dec	31.00	23.75	27.10	-8.1	21	0.1	3.20	0.60	20.3	8.5	2.2	1.3	15.7	321
Longhorn	Publishing	Jun	8.24	4.15	8.06	74.8	21	0.1	0.79	0.42	4.1	10.2	5.2	2.0	19.5	1,397
Housing Finance	Banking	Dec	8.50	3.98	4.00	-27.8	15	0.1	(2.05)	-	26.5	-	-	0.2	(7.7)	7,249
BOC Kenya	Gases	Dec	94.00	58.00	72.00	-4.0	14	0.1	3.56	5.20	78.0	20.2	7.2	0.9	4.6	444
National Bank	Banking	Dec	6.50	3.71	3.88	-27.1	13	0.1	1.16	-	21.3	3.4	-	0.2	5.4	458
EA Portland	Cement	Jun	20.50	12.60	14.30	-10.6	12	0.1	86.64	-	274.4	0.2	-	0.1	31.6	26
Flame Tree Group	Manufac.	Dec	3.95	2.15	2.67	6.8	5	0.0	0.19	-	4.6	14.1	-	0.6	4.2	82
Deacons	Retail	Dec	1.30	0.45	0.45	0.0	1	0.0	(7.21)	-	0.8	-	-	0.6	(886.3)	-

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

*13.5 *6.4 *5.1 *32.5 ***5,153,945

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

Adjusted for special dividend

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

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	191.85	GBP	3,330.0	12,890,000	273.90	163.30
Oil & gas exploration	Africa Oil	Kenya, Ethiopia, Somalia	Toronto	AOI CN	1.23	CAD	439.6	76,270	1.64	1.02
Oil & gas exploration	Molori Energy Inc.	Kenya (North Eastern)	Toronto (TSX)	MOL CN	0.13	CAD	3.0	2,250	0.72	0.07
Gold exploration	Red Rock Resources	Kenya (Migori)	London (AIM)	RRR LN	0.48	GBP	4.0	10,170	0.90	0.45
Gold mining	Goldplat	Kenya (Kilimapesa)	London (AIM)	GDP LN	2.95	GBP	6.1	9,280	5.75	2.15
Gold exploration	Sona Nanotech	Kenya (Lake Victoria)	Canada (CSE)	SPT CN	0.20	CAD	8.1	2,430	0.34	0.17
Titanium mining	Base Resources	Kenya (Kwale Project)	Australia	BSE AU	0.26	AUD	213.5	372,240	0.33	0.21
Gold mining	Acacia Mining	Kenya, Tanzania	London	ACA LN	228.60	GBP	1,160.0	1,720,000	268.20	93.56

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
Sona Nanotech	www.sonanano.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**.

•**Stockport Exploration** changed its name to **Sona Nanotech** Its ticker is now **SONA CN**.

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