



i&M Burbidge Capital



MARKET UPDATE BULLETIN

30th March 2020

Foreword & Insight

Foreword

Facing an unprecedented public health crisis with the novel coronavirus (COVID – 19) outbreak, I&M Burbidge Capital has created a resource that gives insight to the impact of the pandemic across the regional markets and economies. We present a selection of the top stories making headlines in the private capital markets as well as market data and corporate developments.

IMBC Thought of the day

While it would be insensitive to evoke the old saying, never waste a good crisis, there are some components that can be applicable here. The downtime created by the COVID-19 pandemic provides the impetus for innovation and disruption. WhatsApp, Slack and Instagram were all founded in and around the 2008/09 financial recession and are today multibillion dollar companies. Take this time to take stock of what your business has to offer and the niches ripe for expansion. We certainly feel business leaders should be already thinking about what consumers will want in the immediate aftermath. In a way this has already overtaken standard strategy implementation.

PART I : DEALS & CORPORATE DEVELOPMENTS

Kenya

Corporate

Equity says Sh10bn buyout of regional banks to be delayed

Equity Group's purchase of four banks in Rwanda, Zambia, Mozambique and Tanzania from a London-listed investment firm will now delay further, the bank has said. The bank in January informed its shareholders that a binding agreement for the proposed KES 10.7 billion share swap deal with Atlas Mara Ltd (ATMA) has lapsed after Equity Bank failed to reach a buyout deal within the set deadline.

Source: Business Daily

Economy

EPZs allowed to sell all products locally as exports hit

All goods manufactured in the country's special economic zones (EPZs) can now be sold locally in a bid to cushion the industry from losses inflicted by the corona virus. This is after Treasury temporarily lifted the restriction that compelled EPZs to sell only 20 percent of the annual production in the local market to 100 percent effective last week.

Source: Business Daily

International

Deals

Razorite Healthcare Africa Fund 1 locks in \$10m from LP

The African Development Bank (AfDB) has approved a USD 10-million equity investment in the Razorite Healthcare Africa Fund 1 (RHAF1) to help improve healthcare infrastructure delivery across the continent.

RHAF1, to be registered in Mauritius with a 10-year term, aims to address the growing demand for affordable and quality healthcare services in several countries in sub-Saharan Africa. The fund will provide growth capital to existing operating healthcare infrastructure facilities which show high potential for growth in the healthcare infrastructure value chain.

Source: Africa PE News

Markets

South Africa announces tax relief for business hit by coronavirus

South Africa's National Treasury said on Sunday it was introducing a new tax subsidy of ZAR 500 (USD 28) per month for each worker to employers for the next four months to cushion financial losses suffered by firms due to the corona virus. In a statement, the treasury said it would also permit businesses with revenue of 50 million rand or less to delay paying 20% of their employees' tax liabilities over the next four months.

Source: Reuters

Quote of the day

"Pain + Reflection = Progress"

-Ray Dalio, Principles

PART II: TREASURY UPDATE – 27.03.20

LOCAL MARKET – KENYA SHILLING

The Kenyan Shilling strengthened last week on the back of low corporate demand to close at 104.25/104.75. Kenya also saw an increase in the number of COVID-19 cases to 42 over the weekend. The government said that the country should brace for a spike in the number of cases infected with the virus.

The NSE 20 share index dipped by 107.64 points to close at 1,917.67 while the secondary market registered reduced activity with bonds worth KES 11.7 billion transacted compared to KES 14.6 billion registered in the previous session.

INTERNATIONAL MARKET OVERVIEW

The Dollar was on a weakening spree last week as U.S. politicians initially failed to agree on the terms of a funding package of more than \$1 trillion to aid business during the current COVID-19 pandemic thus making the Federal reserve step in to keep credit flowing to essential sectors of the economy. The U.S congress later agreed on a \$2.2 trillion package but this was hit by news that over 3.28 million people applied for unemployment benefits which is the highest number ever recorded. The U.S is leading with the number of people infected with the coronavirus at 142,047 with a mortality rate of 2,484 as at yesterday.

The EUR strengthened last week on the back of the weakening of the dollar and after talks of offering a bond to help mitigate the effects of the corona virus on the economies of the countries in the Eurozone affected by the scourge. The talks were given a 2 week break for the respective finance ministers of the member countries to fine tune the deal after Germany and the Netherlands gave their reservations. The Eurozone was also noted to be the region with the highest number of infected persons with the pandemic with Italy, Spain and Germany recording the highest number of infected persons.

The GBP had a mixed week as it was affected by negative news that GBP CPI (Y/Y) gave low readings of 1.7% against a previous reading of 1.8% and the GBP Producer Index Output which also gave poor readings of 0.4% against a forecast of 0.9%. The currency later appreciated after U.K. Prime Minister Boris imposed stricter lockdown measures on Monday such as limiting gathering of more than two people in public, for at least three weeks in a bid to combat the COVID-19 pandemic. The prime minister conceded that the measures would disrupt daily life and businesses, but insisted the government would offer support. The numbers of people infected with the coronavirus rose to 19,522 among them being Prime minister Boris Johnson.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.240	9.050	4.045	6.388
182 Day T-Bill	8.118	10.204	4.774	6.687
364 Day T-Bill	9.045	13.400	5.950	7.273
Inflation Data	6.37	3.40	3.70	8.70

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		103.30	105.30
GBP		127.60	131.00
EUR		114.00	117.50
CHF		107.20	110.30
JPY		0.9520	0.9850
ZAR		5.50	6.40
INR		-	1.4130
CNH		14.59	16.50
RWF		7.80	9.70

INDICATIVE DEPOSIT RATES

Fixed period	1M	3M	6M	1Yr
KES (50,000< 5 million)	6.25	6.50	7.00	7.25
KES (Above 100 million)	6.75	7.50	8.00	8.50
USD (Above 500,000)	2.25	3.25	3.50	3.75
EUR (Above 500,000)	1.75	2.25	2.50	2.50
GBP (Above 500,000)	0.50	0.75	0.75	0.75

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1545.00
Murban Crude Oil	USD/barrel	23.30
Coffee	US Cents/lb.	115.85
Wheat	US Cents/Bushel	575.75
Corn	US Cents/Bushel	344.75

PART II: EQUITIES AND BOND TRADING – 27.03.20

WEEKLY MARKET COMMENTARY

On Friday, the NSE 20 and NASI indices edged up by 0.64% and 0.95% to close at 1,891.30 and 125.09 respectively, as compared to the previous day. Weekly however, the indices shed 5.31% and 4.24%. The week's turnover rose by value and decreased by volume, 140.6 million shares valued at KES 3.95 billion were traded last week against 150 million shares valued at KES 4.68 billion transacted the previous week. Safaricom was the most active counter last week, accounting for 37.84% of the week's traded value with 60 million shares valued at KES 1.49 billion changing hands at between KES 24.00 and KES 26.25. Equity Group had shares worth KES 1.0 billion traded within the week followed by KCB Group Plc with 18.9 million worth KES 660 million.

INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	127.30	1.77	-23.50
NSE 20	1917.67	1.39	-27.75
NSE 25	2995.86	1.04	-26.94
FTSE NSE 25	166.78	1.59	-27.33

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	1911.40	1911.40
Turnover (KES, millions)	864.80	1012.47
Volume (millions)	30.80	30.53
Foreign Buys (%)	42.79	31.24
Foreign Sales (%)	96.98	96.60

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GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD1/2019/10	12.438	12.300	600.00
FXD1/2018/20	13.750	11.800	300.00
IFB1/2015/12	11.000	10.270	700.00

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	14.90	378.01	25.35
KCB Group Plc	7.10	237.16	33.20
Equity Group Plc	0.84	113.22	135.17

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY COMMENTARY ON BUSINESS INSIGHTS

EAST AFRICA DEALS OF THE WEEK

Target Company	Acquirer Company	Deal Type	Synopsis	Deal Value	Sector	Country
Royal Oven Limited	Zebu Investment Partners	PE	The sophomore fund of Zebu Investment Partners, the Africa Food Security Fund, has closed its investment in Royal Oven Limited, Tanzania. Royal Oven is a quick-service restaurant (QSR) retail bakery chain, offering a diverse range of products which combine traditional Tanzanian food with international bakery trends. Royal Oven opened its first retail bakery in 2008 in Dar es Salaam and has since grown to 19 stores across Tanzania.	Undisclosed	FMCG	Tanzania

EFFECTIVE WORKING CAPITAL MANAGEMENT

The unprecedented pandemic being faced by the global economy is likely to affect most, if not all, businesses. Efficient use of your current assets during this period is essential for your business to come out stronger out of this. Here are a few areas businesses should consider strengthening:

- Management of inventory and procurement
- Prioritization of key expenses
- Make informed financing decisions
- Effective receivables management

For more details click [here](#)

COMMENTARY ON CBK MEASURES IN RELATION TO THE COVID-19 PANDEMIC

In order to alleviate the adverse economic impact of the novel coronavirus (COVID-19) pandemic, the Central Bank of Kenya (CBK) and National Treasury have rolled out a set of measures to be undertaken by financial institutions to ease said impact and provide immediate relief which will increase disposable income for individuals and organizations alike.

- Central Bank Rate lowered by 100 basis points from 8.25% to 7.25%
- Cash Reserve Ratio reduced from 5.25% to 4.25%
- Central Bank of Kenya to provide flexibility on loan classification
- Banks open to restructuring loan facilities
- Central Bank of Kenya extends tenor of short term loans to commercial banks

For more details click [here](#)

PKF KENYA LLP SUMMARY OF THE PROPOSED NEW TAX MEASURES

President Uhuru Kenyatta rolled out various measures to cushion every Kenyan from the shocks arising from the COVID-19 pandemic, with the principle aim of providing certainty to both employees and employers. In this alert, we have summarized the measures relating to tax. We however expect more details about these measures, including effective dates, to be included in a Bill and subsequently an Act of Parliament or through Gazette notices. We will issue a more detailed alert when this information is available.

- The proposals seek to exempt employees earning KES 24,000 and less from PAYE whilst also emending the top PAYE band rate from 30% to 25%.
- Turnover tax was reintroduced by the Finance Act 2019 with effect from 1 January 2020 at a rate of 3% for businesses on having annual turnover below KES 5 million (subject to certain restrictions). The proposal reduces this rate from 3% to 1%.
- The President issued a directive to the Kenya Revenue Authority to release payment of **verified** VAT refund claims within three weeks. The Government has set aside KES 10 billion to cater for the refunds.
- The proposals seek to amend the corporation tax rate downward from 30% to 25%.
- The Cabinet Secretary to the National Treasury and Planning, gazetted The Value Added Tax (Amendment of the Rate of Tax) Order, 2020 with an effective date of 1 April 2020. This thereby amends the VAT rate for taxable supplies down to 14% from 1 April 2020

For more details click [here](#)



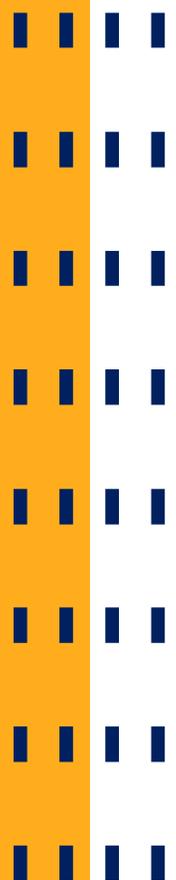
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Originating and structuring Equity and Debt capital raising, IPOs, M&A transactions, Strategic Options advisory, PE advisory, Tax Advisory and other Corporate Finance Services.

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