



i&M Burbidge Capital



MARKET UPDATE BULLETIN

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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

Business Continuity Plans have come right into the spotlight over the past few weeks in East Africa. We hope you find the pointers from the IMBC team helpful in this regard. Please find these on page 6.

PART I : DEALS & CORPORATE DEVELOPMENTS

Kenya

Deals

Finnfund backs East African e-commerce platform with \$1m

Finnish development financier Finnfund has made a USD 1 million investment in Kasha, an e-commerce platform selling health, hygiene and self-care products in East Africa. The company supplies menstrual care products, contraceptives, pharmaceuticals and a range of beauty products via its own platform, accessible through basic phones and a website and delivered to customers confidentially. Kasha was first founded in 2016 in Rwanda and has since expanded to Kenya

Source: Africa Private Equity News

DFC backs Kenya's Twiga Foods with USD 5M debt deal

The US International Development Finance Corporation (DFC) announced the first disbursement of a \$5 million loan to Twiga Foods to strengthen food security in Kenya by increasing farmers' access to markets and improving the agricultural supply chain with cold storage. Since 2014, Twiga has worked to streamline Kenya's fragmented, inefficient food distribution system.

Source: Africa Private Equity News

Market

Foreign investors pull KES 11 billion from NSE

Foreign investors withdrew KES 11.2 billion from the Nairobi Securities Exchange (NSE) in February and March, leading to a sharp fall in the value of blue chip stocks like Safaricom and Equity Bank Group. The foreigners, who make up about 70 percent of daily trading at the NSE, turned into net sellers in the two months as part of a global sell-off during which investors dumped stocks, particularly in emerging and frontier markets, and sought shelter in fixed income assets, including government bonds.

Source: Business Daily

Forex reserves drop to KES 836 billion

The Central Bank of Kenya's (CBK) usable foreign exchange reserves dropped by KES 35.87 billion in the week to March 26, to lows last recorded over two years ago. CBK data show the reserves now stand at KES 836.33 Billion (USD 7,965 million) down from KES 872.20 Billion (USD 8,298 million) recorded in the week ending March 19, marking the lowest point since the week ending March 8, 2018 of USD 7,155 million or 4.78 months of import cover.

Source: Business Daily

Economy

Virus to cut Sh1trn from Kenya GDP

Kenya's economy could shrink by five percent in what will represent a USD 10 billion (KES 1 trillion) loss of the country's output if the coronavirus pandemic is not contained, management consultants McKinsey & Company have warned in a new report to be released Friday. The firm reckons that the dip in gross domestic product (GDP) will be the product of disruption to the supply chain for key inputs in machinery and chemicals, a hit on the tourism inflows and exports like flowers and reductions in household and business spending, all of which are critical for economic sustenance and growth.

Source: Business Daily

Regional

Markets

DSE's debt trading rises three-fold in quarter one

Bond market trading on the Dar es Salaam Stock Exchange (DSE) increased three-fold quarter to quarter driven by throat cutting competition in primary market. The DSE debt market recorded a historic level after increase from TZS 171 Billion in Q1 last year to TZS 484 Billion in Q1 this year.

Source: Daily News Tanzania

Quote of the day

"When there's change, there's opportunity."
-Jack Welch.

PART II: TREASURY UPDATE – 02.04.20

LOCAL MARKET – KENYA SHILLING

The Kenyan Shilling was steady against the Dollar on Thursday to close at 105.85/106.35. The NSE 20 share index edged higher by 17.34 points to close at 1,985.27 while in the secondary market, bonds worth KES 2.0 Billion were transacted.

INTERNATIONAL MARKET OVERVIEW

The Dollar was steady on Thursday on the back of positive data that showed the Trade Balance figures for February at -39.9 Billion against a forecast of 40.0 Billion and as demand for the currency also increased. The currency was unmoved despite an unprecedented jump in the number of unemployment insurance claims to 6.648 million people from the previous 3.28 million people. EUR edged lower by 0.2% to close at 1.0939 on the back of negative news showing the year-on-year German PPI dipped to -1.3% against a previous reading of 0.7% and as the month-to-month PPI which also went lower to -0.6% against a previous reading of -0.2%. The Producer Price Index is an index that measures the change in prices received by domestic producers of commodities in all stages of processing and is used to define and assess price stability in the euro area as a whole in quantitative terms. Changes in the Producer Prices are an indicator of commodity inflation. GBP was up 0.3% to close at 1.2418 on the back of positive data that showed month-on-month Nationwide House Prices surged to 0.8% against a forecast of -0.1% while the year-on-year data also surged to 3.0% against a forecast of 2.0%. The Nationwide House Prices are an indicator for costs of homes in the UK and can show broader inflationary pressures which can be felt later as the housing price pressures are to fed into consumer prices.

In the US stock market; the Dow Jones Industrial average settled 469.93 points higher to close at 21,413.44; the S&P 500 gained 56.40 points to close at 2,526.90 while the Nasdaq Composite was higher by 126.73 points to close at 7,487.31.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.240	10.700	4.047	6.300
182 Day T-Bill	8.118	11.300	4.774	6.600
364 Day T-Bill	9.045	13.400	5.951	7.400
Inflation Data	6.06	3.00	3.70	8.70

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		104.60	106.40
GBP		129.10	132.50
EUR		113.00	116.50
CHF		107.10	110.00
JPY		0.9650	0.9960
ZAR		5.30	6.20
INR		-	1.4200
CNH		-	16.20
RWF		7.40	9.95

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)	1.75	2.25	2.75	3.00
EUR (Above 500,000)	0.75	1.25	1.25	1.50
GBP (Above 500,000)	0.25	0.50	0.50	0.50

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1491.00
Murban Crude Oil	USD/barrel	28.26
Coffee	US Cents/lb.	119.35
Wheat	US Cents/Bushel	547.25
Corn	US Cents/Bushel	335.25



PART III: EQUITIES AND BOND TRADING – 02.04.20

MARKET COMMENTARY

The NSE All share and the NSE 20 share indices edged up 2.57% and 0.88% to close at 136.68 and 1,985.27 respectively. Market turnover gained marginally by 1% to settle at KES 478.8 Million against KES 473.5 Million recorded on Wednesday. Volumes traded declined marginally as well with 16.2 Million shares having been traded against 16.9 Million shares traded in the previous session. The market had reduced foreign investor presence in today's session at 72.9% against 83% recorded in the previous session. Foreigners held selling positions in Safaricom and Equity Group, accounting for 65.6% of the day's total purchases and 80% of the day's sales. The secondary bond market recorded a rise in activity, with bonds worth KES 2.05 Billion having been traded as compared to KES 1.1 Billion recorded in the previous session. The number of deals in the bonds market also increased to 109 from 66 deals in the previous session.

INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	136.68	2.57	-17.87
NSE 20	1985.27	0.88	-25.21
NSE 25	3126.82	1.16	-22.87
FTSE NSE 25	177.89	1.92	-22.48

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2089.00	2036.40
Turnover (KES, millions)	478.80	473.54
Volume (millions)	16.16	16.91
Foreign Buys (%)	65.57	73.33
Foreign Sales (%)	65.57	92.75

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD3/2019/5	11.492	11.144	200.00
FXD4/2019/10	12.280	12.225	1000.00
FXD1/2012/20	12.000	12.566	175.00

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	9.15	258.39	28.25
Equity Group Holdings	3.08	104.31	33.85
KCB Group Plc	1.36	46.50	34.25

Source: Faida Investment Bank



PART IV: BUSINESS INSIGHTS

Business Continuity during the COVID-19 Pandemic

The COVID-19 pandemic has, in a relatively short space of time, caused unprecedented disruption to lives, businesses, economies, governments and society, on a global scale. In Kenya, we are at exactly the 3 week-point from the time the first COVID-19 case in the country was announced. We bear witness to uncertain and rapidly changing times with rafts of additional and increasingly rigorous directives being issued by Government to contain the spread of the pandemic.

In such an ever-changing situation, here is our take on what businesses could focus on, to not only warrant survival during this crisis, but ensure that they are poised to thrive once this crisis is behind us.

- **People – the biggest asset**

Covid-19 is, unfortunately, threatening both lives and livelihoods. Businesses have a moral obligation to ensure that their greatest assets – their people – are well looked after. Where possible, businesses should encourage people to work remotely from their homes, and facilitate this with appropriate communication and IT infrastructure. Where people are required to come to work-places, it goes without saying that enhanced standards of cleanliness and hygiene as well as social distancing norms have to be strictly enforced. Ensure that those who are sick are treated fairly.

- **Cash is King**

At a time when revenues are likely to be strained, it is essential that businesses conserve cash, by eliminating or deferring all non-essential expenses and focusing on core business necessities. Cash flows need to be monitored on a daily basis. It would be advisable to put in place contingency plans for additional funding to pay fixed expenses. This could include approaching banks to restructure their loans or seeking temporary working capital / overdraft facilities if needed.

- **Supply Chain Management**

Businesses may find that their usual supply chain management norms, particularly stock management, do not hold true in the current circumstances. Reduced air and sea traffic, enhanced screening measures for air and sea carriers that arrive at the ports, reduced hours for road and rail transport and enhanced cleanliness standards for carriers mean that the lead times for goods delivery can be significantly longer than normal. Businesses will need to adapt to these new conditions, perhaps by holding more stocks and/or adjusting production cycles / shifts.

- **Communication**

Communication with all business stakeholders, both internal and external, is of paramount importance. The internet, telecommunication infrastructure, as well as social media platforms have meant that we can keep virtual proximity whilst ensuring social distance. Speak regularly to your bankers, your regulatory bodies, the tax authorities, your employees, your customers, your suppliers and your professional advisers – discuss the challenges you are facing, individually and collectively, and very likely, solutions will emerge.

- **A time to show solidarity**

Businesses need to ensure that their efforts at self-preservation do not hamper the existence of other businesses and organisations in the economy. There is a need to show support and solidarity during these difficult times – for example, by supporting employees who need to work from home, by understanding the position of debtors who may not be able to fully settle their obligations to your business, by making partial or complete settlement of amounts owed to suppliers when the business can afford to, etc.

- **Preparing for the 'New Normal'**

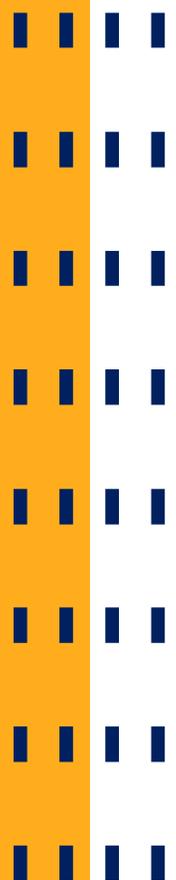
There are lessons to be learnt from the current crisis; for example, many businesses have learnt the cost of over-reliance on supplies from a single country / supplier; some businesses are learning to operate with at least half the staff complement working remotely. Inevitably, the current crisis may fundamentally alter the operating model or strategic direction for some businesses – and businesses have to plan and prepare for this once the crisis is behind us and we have a 'New normal' business and operating environment. In the coming weeks, and as the future becomes clear, we will be sharing more on this subject.



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Our Services

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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