# NCBA INVESTMENT BANK

# KENGEN- INITIATION OF COVERAGE

## Diversification to support value creation


**Analyst:**

**Victoria Mututu**

Email: Victoria.Mututu@ncbagroup.com

**Research Team:**

**Alex Kiagiri**

Email: Alex.Kiagiri@ncbagroup.com

**Diana Muthike**

Email: Diana.Muthike@ncbagroup.com



***Analyst certifications and required disclosures begin on page 15***

## Company Profile

Kenya Electricity Generating Company PLC (KenGen) is the leading electric power generating company in East Africa. The company was incorporated in 1954 as Kenya Power Company (KPC) under the Kenyan Companies Act and commissioned to generate electricity through the development, management, and operation of power plants in the country. The shareholders of the Company later contracted East Africa Power and Lighting Company (EAP&L), now Kenya Power, to manage KPC.

In January 1997, the Government of Kenya restructured the energy sector, separating generation, transmission, and distribution of electricity into distinct and autonomous functions. With this move, in October 1998 the management of KPC was separated from Kenya Power and renamed KenGen.

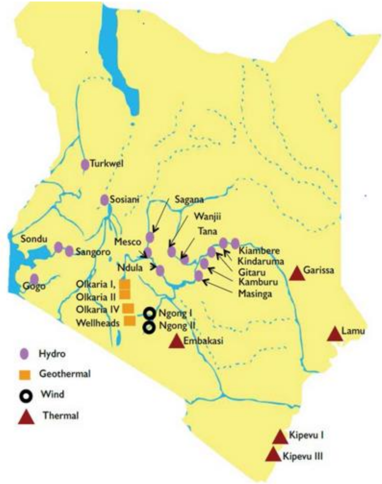
In May 2006 the government sold 30% of its stake in the company following a successful Initial Public Offer. Consequently, KenGen was listed on the Nairobi Securities Exchange (NSE). Over the years, the company has continued to increase shareholder value through profitability and maintaining a sustainable growth path. In line with the organization's strategic objectives, shareholders were given the opportunity to exercise their rights in a successful Rights Issue in 2016.

KenGen is currently the largest power producer in the country engaged in the business of developing, managing, and operating power generation plants in four generation methods: Hydro, Geothermal, Thermal, and Wind to supply electric power to the Kenyan market. The company then sells this power to Kenya Power which then distributes and sells to consumers.

Today, KenGen PLC has an installed generation capacity of 1,817MW drawn from Geothermal (713MW), Hydro (826MW), Thermal (253MW), and Wind (25MW).

KenGen has a presence in strategic areas across the country including Naivasha, which hosts the Olkaria and Eburru Geothermal plants, Western Region consists of four hydro stations; Turkwel, Sondu Miriu, Sang'oro and Gogo. The Eastern Region hosts five power plants along the Tana River while the Upper Tana region comprises of four power plants: Mesco, Wanjii, Sagana and Tana. Kipevu region in coast region has two thermal plants and Ngong region hosts the company's wind power plants.


*Locations of their generation plants*



## KenGen Equity

We initiate coverage with a **STRONG BUY** recommendation based on a target price of 5.37 implying a 27.0% return, exclusive of dividend yield. Our view is informed by the installed capacity increase and revenue diversification projects being done by the company which will result in increased earnings. At current market prices, the company is a value pick for long-term investors.

### Key Upsides

- **Capacity increase:** KenGen is looking to set up an additional unit in Olkaria 1 geothermal power plant to further scale up revenue.
- **Leveraging the government:** The government currently holds 70% of the total shares of the company. This has enabled the company borrow at relatively competitive rates from global lenders with the Government of Kenya acting as the guarantor.
- **Reliable power:** Going forward, it is worth noting that the energy mix has shifted to sources that are not affected by hydrology. This will result in a steady supply of power, thereby minimizing fluctuations in revenues caused by erratic weather patterns.
- **Revenue diversification to support growth:** Ethiopia Projects to offer consultancy services are geared towards the company's strategy to realize 50% of revenues from non-generation sources.

### Key Downsides

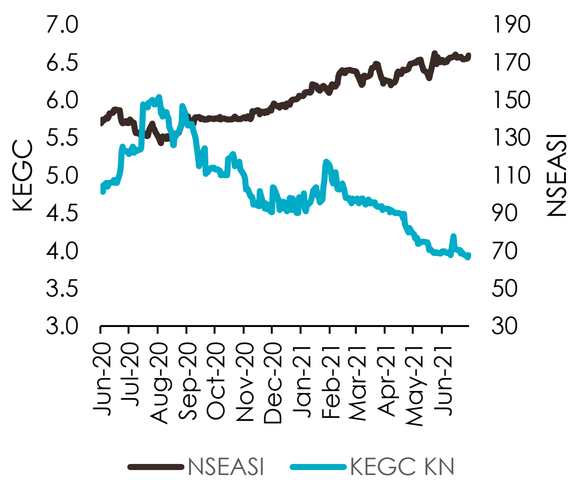
- **Cost of funding and capital expenditure:** The interest burden on the company's earnings has increased steadily attributable to increased borrowing by the firm to fund capital expenditure. The projects under pipeline are majorly capital-intensive.
- **Fluctuating hydrology:** During the past five years the company has relied heavily on hydro-electric generated power (approximately 50%) which has seen the revenues fluctuate.
- **Low ROE and ROA:** Over the past 5 years, the Return on Average Equity (ROE) for KenGen has fluctuated between 3.3% and 4.8%. The Return on Average Assets has been between 1.6% and 2.3%.

### Share Data

| | |
|---|---|
| Bloomberg Ticker | **KEGC KN** |
| Reuters ticker | **KEGN.NR** |
| Recommendation | **STRONG BUY** |
| Current Price(KES) | **4.21** |
| Target Price(KES) | **5.37** |
| Upside | **27%** |
| 52WK High (KES) | **4.70** |
| 52WK Low (KES) | **3.90** |
| Market Cap (Bn) | **27.76** |
| Dividend yield (%) | **7.13** |
| Free Float | **30%** |
| Current P/E | **1.51** |

***Source: Bloomberg, NSE, NCBA IB research***

### Kengen one-year return




***Source: NSE, NCBA IB research***

| Shareholding Structure | Number of Shares | Percentage |
|---|---|---|
| National treasury | 4,615,424,088 | 69.99% |
| Stanbic Nominees Limited | 692,999,189 | 10.51% |
| Standard Chartered Nominees A/C KE002339 | 100,000,000 | 1.52% |
| Standard Chartered Nominees RESD A/C Ke11450 | 64,702,437 | 0.98% |
| Kenya Commercial Bank Nominees Limited A/C 915A | 60,000,000 | 0.91% |
| Standard chartered Nominees RESD A/C Ke11443 | 40,163,194 | 0.61% |
| Standard Chartered Nominees RESD A/C Keg 11401 | 37,773,580 | 0.57% |
| Standard Chartered Nominees A/C KE Ke19335 | 22,031,966 | 0.33% |
| Kerai Harji Mavji & Ramila Harji Mavji | 18,101,000 | 0.27% |
| Sub-Total | 5,651,195,454 | 85.70% |
| 190,137 Other Shareholders | 943,326,885 | 14.30% |
| Grand Totals | 6,594,522,339 | 100% |

***Figure 1: Shareholder composition*** ***Source: Company financials and NCBA IB research***

## Management

An acute focus on KenGen's management profile outlines an improved strategic outlook in realizing the company's Good to Great strategy (G2G) which was developed in 2007 to ensure sustainable power growth in the country by 2025.

The G2G transformation strategy implementation across three horizons:

- Horizon I (2008 - 2012) sought to stabilize the power situation in Kenya.
- Horizon II - launched in 2013 and revamped in 2015 in response to the changes in the external operating environment, with the aim of creating sustainable power growth in Kenya by 2025.
- Horizon III (past 2025), will explore expansion opportunities to drive growth beyond Kenya, establish a strong African footprint, and become a regional leader in technology and innovation.

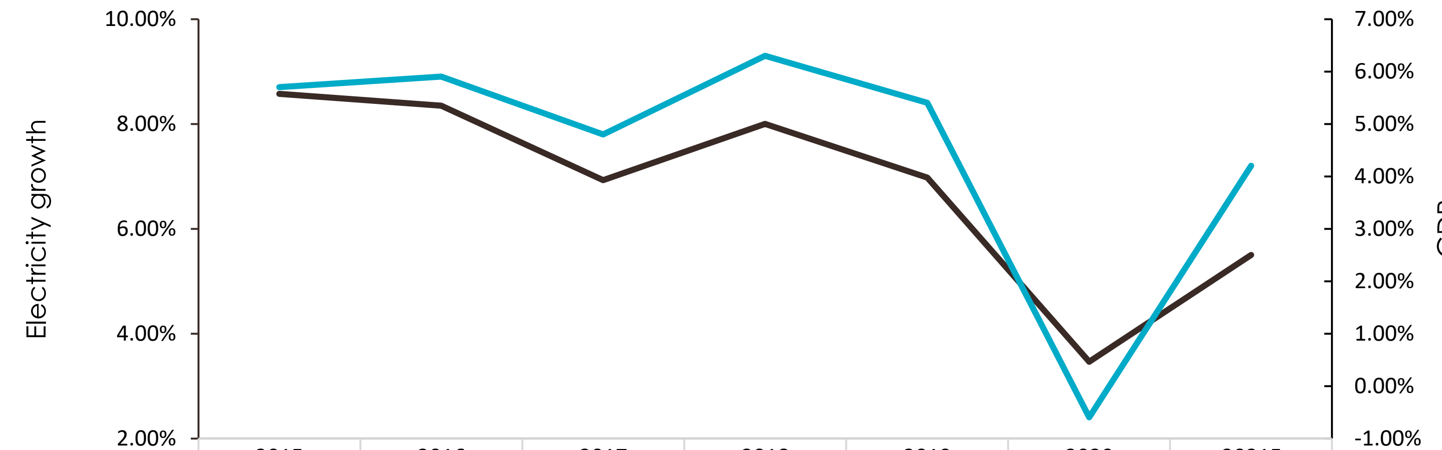
KenGen is currently on track with execution of the Second Horizon; production has been scaled up with a key focus harnessing geothermal production. (Projects under implementation discussed further).

In the strategy, the company is focusing on three pillars: generation growth primarily through geothermal expansion, regulatory management and operational excellence that ensures the company optimizes production efficiency and cost reduction.

The current Managing Director is Mrs. Rebecca Miano who since taking over in October 2017 continues to encompass KenGen's strategic and operational objectives with a focus to accelerate growth and increase stakeholder value.

## Key Developments

The country has continued to scale up electricity production mainly from renewable sources. As at June 2020, the country's total installed capacity was 2,832MW with approximately 74% attributable to renewable sources. As the graph below shows, electricity consumption has a direct correlation with GDP growth. An efficient and cost effective energy sector is the driving force for growth of any economy. As the GDP of the country grows, so does the electricity consumption.




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021F |
|---|---|---|---|---|---|---|---|
| Electricity | 8.58% | 8.35% | 6.93% | 8.00% | 6.98% | 3.47% | 5.50% |
| Real GDP | 5.70% | 5.90% | 4.80% | 6.30% | 5.40% | -0.60% | 4.20% |

***Figure 2: Annual GDP and electricity growth Rates*** ***Source: KNBS and NCBA IB research***

### Industrialization and Manufacturing sector growth

Energy is a key input to any production process. As the economy grows, increased production capacity by industries lead to a surge in electricity demand. Peak demand reached 1,976MW in December 2020 surpassing the pre-Covid peak of 1926MW (February 2020).

### Infrastructure projects

The energy and infrastructure sectors recorded a slowdown in growth from a five-year average of 7.8% to 1.3% in 2020 as a result of the Covid-19 pandemic. The government's continued pursuit to complete flagship development projects provides a ready market for electricity consumption.

### Finance Bill and 2021/2022 Budget

The energy and infrastructure sectors were allocated KES 182.5 Bn and 71.9 Bn, respectively in the 2021/2022 budget (up from 172.4Bn and 63.3Bn allocated in the previous financial year).

Further, the Finance Bill proposed VAT exemptions for taxable goods excluding motor vehicles imported or purchased for direct and exclusive use in geothermal, oil or mining prospecting or exploration and specialized equipment for the development and generation of solar and wind energy.

The factors above are expected to complement growth of up to 5.0% in the sector that will primarily be driven by the resumption of large-scale infrastructure projects such as the Jomo Kenyatta International Airport (JKIA)-Nairobi railway line and the JKIA–Westlands Highway.

## Capacity Expansion

KenGen's installed generation capacity has grown at a CAGR of 2.18% from 1,631MW in FY2016 to 1,817MW in FY2020. KenGen estimates an effective installed capacity of 2500MW by FY2025.
The ongoing project of Olkaria 1 unit 6 expected to yield an additional 83.3MW will see the effective capacity at 1,901MW in 2021.

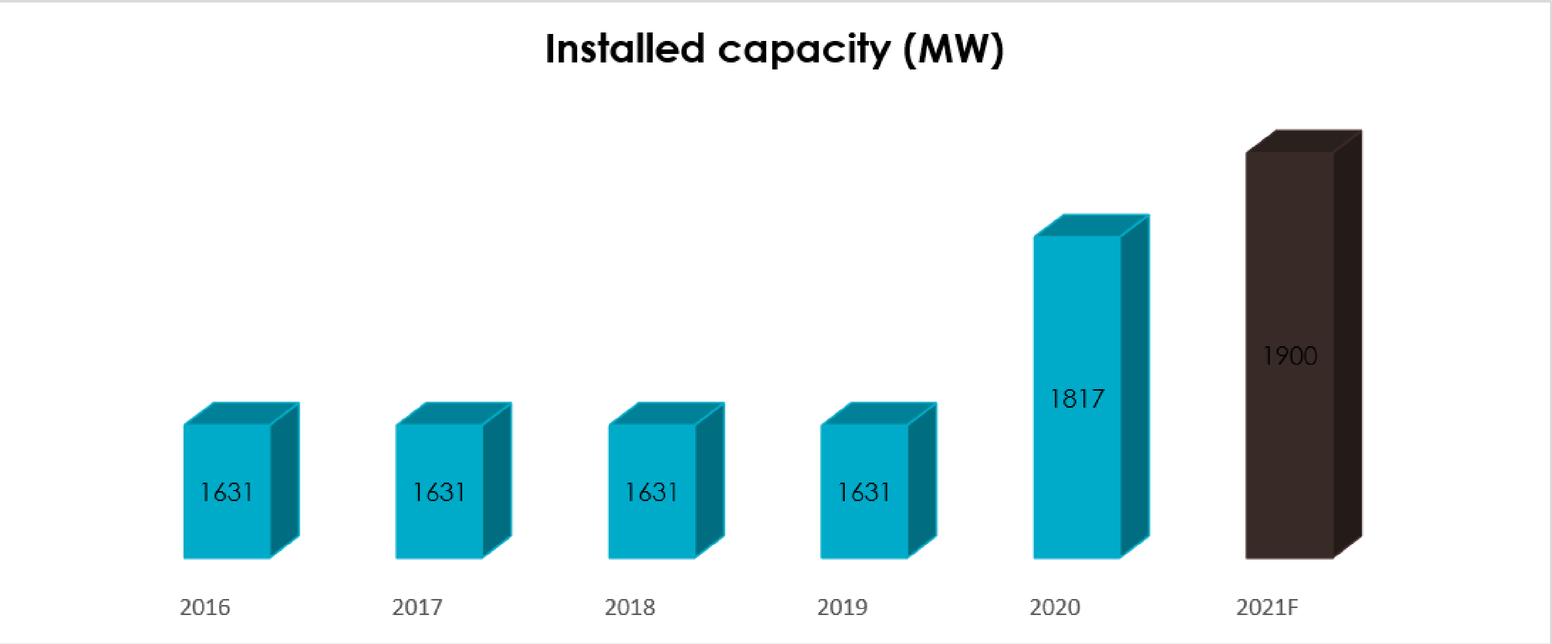



*Figure 3: Capacity growth* *Source: Company financials and NCBA IB research*

## Geothermal Focus

Kenya is the leading geothermal energy producer in the continent and the eighth of top geothermal power producing countries worldwide. According to KenGen, Kenya has significant geothermal power potential of approximately 7,000 MW. Geothermal power has been identified as a cost-effective power option in Kenya's Least-cost Power Development Plan.

Geothermal energy is renewable, sustainable, reliable and not weather dependent, thus, the focus on scaling up capacity. KenGen is currently aggressively exploiting geothermal potential with a growing demand to increase generation capacity and create sustainable energy growth. This has significantly reduced dependence on hydro power generation.

Energy mix contribution has shifted to geothermal contributing 60% to revenue and hydro, thermal and wind coming in at 21%, 18% and 1% respectively. The completion of the Olkaria V geothermal project in November 2019 boosted production by 14%.

## Hydro

Hydro was for a long time Kenya's main source of electricity and has been the leading source of the total power generated for KenGen. Over-reliance on hydro has resulted in fluctuating revenues.

## Thermal

KenGen operates some thermal power plants in Mombasa and Kisumu Counties, with the largest being the Kipevu power plant in Mombasa. Thermal mix fluctuates based on hydro-production. Thermal power generation has considerable fuel pass-through costs and associated effects on the environment.

## Wind

In line with KenGen's green energy agenda, the company installed and commissioned several wind turbines on Ngong hills in Nairobi which add a rich mix of wind energy to the national grid.

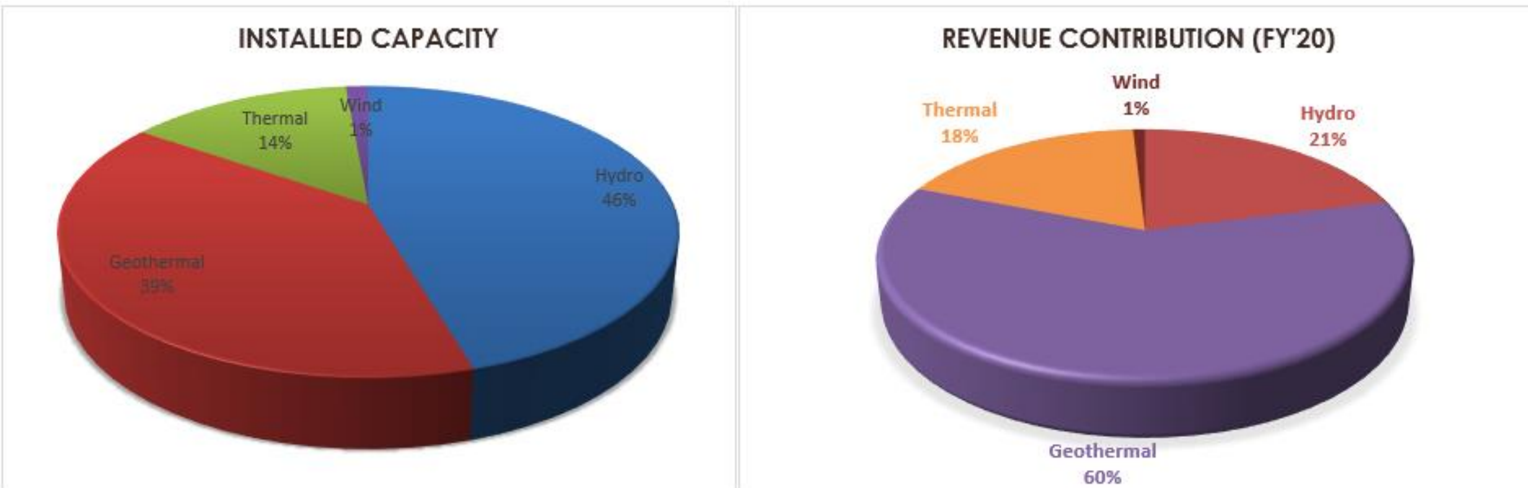



*Figure 4: Installed Capacity and Revenue Contribution* *Source: Company financials and NCBA IB research*

The table below shows the projects KenGen has lined up for the next five years:

| Projects under implementation | MW | Expected Completion Date |
|---|---|---|
| Olkaria 1 Unit 6 | 83.3 | 2021 |
| Ngong 1 - Phase III | 11 | 2023 |
| Olkaria 1 Rehabilitation | 50.7 | 2024 |
| Olkaria PPP | 140 | 2024 |
| Olkaria I & IV Turbine Uprating | 40 | 2024 |
| 7 Forks Solar PV Plant | 42.5 | 2024 |
| Wellhead leasing | 50 | 2025 |
| Total | 417.5 | |

*Figure 5: Upcoming Projects* *Source: Company Financials, NCBA IB Research*

## Revenue diversification to support growth

KenGen has established a diversification strategy for non-energy production revenue streams. These include: consultancies, operation maintenance services, trainings and drilling contracts.
As part of the ongoing diversification strategy, KenGen is implementing well drilling contracts in Tulu-Moye and Aluto-Langano in Ethiopia. Recently, KenGen also signed a geothermal drilling contract in Djibouti.
The diversification strategy will not only contribute supplemental income but also entrench the business in energy services regionally.

## Financial Performance

KenGen condensed Income Statement KES 'MM

| | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|
| Electricity revenue | 28,934 | 29,007 | 29,286 | 29,797 | 33,783 |
| Steam revenue | 6,856 | 5,189 | 6,222 | 5,872 | 5,550 |
| Energy related revenue | | 257 | 376 | 105 | 49 |
| Revenue from Branch | - | - | - | - | 440 |
| **Total Revenue** | **35,790** | **34,452** | **35,884** | **35,774** | **39,822** |
| Expenses | (22,338) | (21,804) | (23,667) | (24,288) | (26,075) |
| **Gross Profit** | **13,451** | **12,649** | **12,217** | **11,487** | **13,747** |
| Gross Profit Margin | 38% | 37% | 34% | 32% | 35% |
| Other income | 2,210 | 896 | (775) | 3,798 | 6,855 |
| Operating Profit | 15,661 | 13,545 | 11,442 | 15,285 | 20,603 |
| Finance income (Net) | (5,007) | (2,175) | 304 | (3,631) | (6,813) |
| Profit before tax (PBT) | 10,654 | 11,370 | 11,745 | 11,654 | 13,790 |
| Income tax (charge)/credit | (4,521) | (2,477) | (3,855) | (3,769) | 4,587 |
| **Profit after tax (PAT)** | **6,134** | **8,893** | **7,891** | **7,884** | **18,377** |
| EBITDA | 25,885 | 22,790 | 21,590 | 25,645 | 32,632 |
| EBIT | 15,661 | 13,545 | 11,442 | 15,285 | 20,603 |
| EPS | 1.08 | 1.37 | 1.20 | 1.20 | 2.79 |
| DPS | - | - | 0.4 | 0.25 | 0.3 |

KenGen condensed Balance sheet KES 'MM

| | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Property, plant and equipment | 320,933 | 323,843 | 328,082 | 346,737 | 352,430 |
| Other non-current assets | 23,889 | 23,247 | 19,858 | 21,056 | 26,459 |
| Inventories | 867 | 1,082 | 1,149 | 1,324 | 1,371 |
| Trade receivables | 9,347 | 15,752 | 21,883 | 18,855 | 23,402 |
| Other current assets | 4,946 | 4,974 | 4,996 | 4,274 | 3,948 |
| Cash and cash balances | 6,756 | 7,831 | 3,383 | 9,175 | 5,316 |
| **Total assets** | **366,738** | **376,730** | **379,353** | **401,422** | **412,927** |
| **EQUITY AND LIABILITIES** | | | | | |
| Total Equity | 172,385 | 182,836 | 190,104 | 194,965 | 211,318 |
| Borrowings | 126,149 | 127,884 | 121,288 | 128,772 | 137,350 |
| Other non-current liabilities | 50,014 | 45,916 | 47,082 | 52,088 | 47,203 |
| Borrowings due within one year | 10,757 | 10,830 | 10,621 | 12,463 | 8,481 |
| Other current liabilities | 7,433 | 9,263 | 10,259 | 13,134 | 8,575 |
| **Total Equity and Liabilities** | **366,738** | **376,730** | **379,353** | **401,422** | **412,927** |

***Source: NCBA IB Research Estimates, Company Financials***

| Key Financial Ratios | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|
| ROE | 3.39 | 4.71 | 3.90 | 4.06 | 8.86 |
| ROA | 1.59 | 2.25 | 1.92 | 2.00 | 4.42 |
| Debt-Equity ratio | 79% | 76% | 69% | 72% | 69% |
| Debt-Asset ratio | 37% | 37% | 35% | 35% | 35% |
| Debt- service coverage ratio | 2.59 | 2.57 | 2.08 | 1.96 | 2.15 |
| EBITDA Margin | 68% | 64% | 61% | 65% | 70% |
| EBIT Margin | 41% | 38% | 33% | 39% | 44% |
| Current ratio | 1.20 | 1.48 | 1.50 | 1.31 | 2.00 |
| Quick ratio | 1.16 | 1.42 | 1.45 | 1.26 | 1.92 |
| Cash ratio | 0.64 | 0.64 | 0.40 | 0.53 | 0.54 |
| Div. payout ratio | - | - | 33.33% | 20.83% | 10.75% |

***Source: NCBA IB Research Estimates, Company Financials***

## Key Results Highlights FY'20

### Growth in return on equity

The Return on Equity (ROE) went up by 100% y/y which was attributable to the KES 4.6Bn tax credit earned by the company from investment tax allowances during the review period (this is not likely to recur in the current financial year).

### Revenues in line with growth:

Electricity revenue backed by the power plant rose by 13.4% y/y to KES 33.8Bn owing to favorable hydrology and output from the new power plant (Olkaria V) additional generation capacity. Fuel costs dropped by 59.0% following thermal displacement by geothermal generation by 32.1%. The commissioning of Olkaria 1 Rehabilitation will give an additional 51MW by end of 2021. Going forward, we are likely to see continuous steady growth as other power plants are commissioned.

### Revenue diversification steadily paying off:

Revenue from Ethiopia was KES 440Mn in FY20 (KES 0 in FY19). In the year 2019, the business bagged contracts worth KES 12.8Bn for geothermal drilling services from Ethiopia and Djibouti. KenGen is eyeing eight other countries along the Great Rift Valley belt. Additionally, the business has been keen on attracting manufacturing companies at its Olkaria Industrial Park for cheaper and reliable power connection.

### Steady growth in operating expenses:

Operating expenses rose marginally (+0.8% y/y) to KES 14.05Bn compared to KES 13.93Bn recorded during the previous year. The gross profit margin went up slightly to 35% compared to 32% recorded during the previous financial year. Finance Costs increased by 63.1% from KES 5.054Bn to KES 8.244Bn due to a foreign exchange loss of KES 5.965Bn on the Company's foreign exchange dominated borrowings.

## Strategy and Outlook

### Capacity increase:

KenGen targets to provide 2,500MW over the next 5 years. It expects to bring in 124MW in the current financial year, in addition, projects of 284.2MW of power are also at different stages of development. We expect the increase in capacity to contribute to the top line of the company.

### Solid geothermal driven revenue growth:

Electricity revenue growth in 2020 was boosted by commissioning of the Olkaria V power plant in November 2019, with generation from geothermal growing 14.0% y/y entrenching geothermal as the largest source of revenue, will result in a steady supply of power displacing hydro and thermal power generation. From our estimates, geothermal revenue mix to total electricity revenue will rise to 65% in FY'21. The rise in geothermal power generation is expected to minimize volatility in revenues caused by over-reliance on hydro power generation.

### Funding & capital expenditure:

During the FY'20 financial year, capital expenditure for the company was 18.1Bn mainly attributable to Olkaria V construction. Based on released communications from KenGen management, they have indicated they expect capital expenditure in the current financial year, to increase due to the construction of Olkaria I unit 6 power plant, the drilling of wells, and Olkaria 1 rehabilitation. This is expected to be funded through both debt and equity in the ratio 70% debt and 30% equity.

### Rise in electricity demand:

Electricity demand has been increasing steadily, with the figure closing FY2020 at 1976MW. Demand will continue to grow, supported by the ongoing investment in the national grid transmission network.

### Kenya Power:

Over the recent years, the risk of a single buyer has manifested in the business through inconsistent cash receipts. Its sole buyer, Kenya Power, grapples with cash flow difficulties. The national grid is operated as an integrated network linked by a transmission system. The grid is one of the main challenges for Kenya Power, with limited number of transmission lines and deficiencies which lead to frequent power outages as well as technical and non-technical losses. We expect these challenges to remain even as Kenya Power restructures its operations to address its cash flow challenges.

### Our View:

We are looking at sustained buoyant financial performance on the geothermal capacity increase (83MW Olkaria 1 Unit 6 power plant in the next one year) and additional contractual revenues from well drilling and geothermal contracts in Ethiopia and Djibouti in the revenue diversification strategy. We recommend the stock as a pick for value investors.

## Valuation

We derive our target price by blending discounted cash flow (DCF), EV/EBITDA and Discounted Dividend Model (DDM) target prices to arrive at a 12-month target price of KES 5.37, implying an upside of 27% to the current trading price of KES 4.21.

### Assumptions

- Risk free rate of 12.30% based on a 10-year treasury bond yield.
- Tax rate of 30%
- Equity risk premium of 10.0%
- Beta of 0.65 on stock's relative volatility on the index.
- Cost of debt of 13.0 % based on YTM of 16-year government paper (weighted debt maturity is 16.3-years and they borrow at government rates)
- Target Debt to Equity of 70% to 30%
- Long term growth rate of 5.0% based on GDP growth forecast for 2021.

**Valuation summary**

| Valuation model | Value | Weight | Weighted average value |
|---|---|---|---|
| DCF | 6.30 | 33.3% | 2.10 |
| EV/EBITDA | 6.56 | 33.3% | 2.19 |
| DDM | 3.24 | 33.3% | 1.08 |
| **Equity Fair Value** | **5.37** | | |
| Current price | 4.21 | | |
| Upside | 27% | | |

| Discounted Cash Flow ( DCF) | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---|---|---|---|---|
| EBITDA | 25,730 | 27,826 | 30,142 | 32,663 | 35,407 |
| NWC change | 1,833 | (1,241) | (685) | (1,629) | (1,148) |
| CAPEX | (16,232) | (14,683) | (15,673) | (16,742) | (17,896) |
| Tax rate | 30% | 30% | 30% | 30% | 30% |
| Less taxes(EBIT *30%) | (7,719)) | (8,348) | (9,043) | (9,799) | (10,662) |
| Free Cash Flows FCF | 3,612 | 3,534 | 4,741 | 4,493 | 5,741 |
| Terminal Value | 40,903 | | | | |
| Net present value | 14,451 | | | | |
| Perpetuity growth rate | 5% | | | | |
| WACC | 14.74% | | | | |
| Total Enterprise value | 55,353 | | | | |
| Less Net value of debt | 13,797 | | | | |
| Equity value | 41,556 | | | | |
| Shares outstanding | 6,595 | | | | |
| **Fair Value** | **Ksh6.30** | | | | |

| EV/EBITDA | |
|---|---|
| EBITDA FY20 | 26,249 |
| Market value of equity | 27,763 |
| Interest | 8,244 |
| After tax cost of debt | 13.00% |
| Value of debt | 145,831 |
| Market value of Debt | 120,806 |
| Cash and cash equivalents | 5,374 |
| Total EV | 143,195 |
| EV/EBITDA | 5.46 |
| EV/EBITDA Multiple | 7x |
| Equity value | 43,289.22 |
| Shares outstanding | 6,595 |
| **Fair Value per share** | **Ksh6.56** |

| Dividend discount model (DDM) | FY20 | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---|---|---|---|---|---|
| Dividend (D) | 0.30 | 0.32 | 0.33 | 0.35 | 0.36 | 0.38 |
| Growth rate (g) | 5.00% | | | | | |
| Discount rate( r) | 14.74% | | | | | |
| | 9.74% | | | | | |
| **Fair value per share (V)** | **3.24** | | | | | |

***Source: Company financials, NCBA IB Research Estimates***

## Financial Forecasts

| Income Statement | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---|---|---|---|---|
| Electricity revenue | 33,871 | 36,567 | 39,485 | 42,642 | 46,060 |
| Energy related revenue | 5,649 | 5,654 | 5,660 | 5,666 | 5,673 |
| Revenue from Branch | 462 | 485 | 510 | 535 | 562 |
| **Total Revenue** | **39,982** | **42,707** | **45,654** | **48,844** | **52,295** |
| Expenses | (26,856) | (27,701) | (28,492) | (29,324) | (30,200) |
| **Gross Profit** | **13,126** | **15,006** | **17,163** | **19,520** | **22,095** |
| Gross Profit Margin | 33% | 35% | 38% | 40% | 42% |
| Other income | 7,231 | 7,602 | 7,993 | 8,404 | 8,838 |
| Operating Profit | 20,357 | 22,608 | 25,155 | 27,924 | 30,933 |
| Finance income (Net) | (3,804) | (3,994) | (4,194) | (4,404) | (4,624) |
| Profit before tax (PBT) | 16,553 | 18,614 | 20,961 | 23,520 | 26,309 |
| Income tax (charge)/credit | (4,966) | (5,584) | (6,288) | (7,056) | (7,893) |
| **Profit after tax (PAT)** | **11,587** | **13,030** | **14,673** | **16,464** | **18,416** |
| **EPS** | 1.76 | 1.98 | 2.23 | 2.50 | 2.79 |
| **DPS** | 0.32 | 0.33 | 0.35 | 0.36 | 0.38 |

| Statement of Financial Position | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Non-current assets | 382,413 | 385,973 | 389,568 | 393,199 | 396,866 |
| Current assets | 37,455 | 37,842 | 38,937 | 39,083 | 39,855 |
| **Total assets** | **419,869** | **423,815** | **428,504** | **432,282** | **436,721** |
| **EQUITY AND LIABILITIES** | | | | | |
| Total Equity | 212,299 | 213,290 | 214,290 | 215,301 | 216,321 |
| Non-current liabilities | 186,458 | 187,776 | 189,106 | 190,450 | 191,808 |
| Current liabilities | 21,111 | 22,749 | 25,108 | 26,531 | 28,592 |
| **Total Equity and Liabilities** | **419,869** | **423,815** | **428,504** | **432,282** | **436,721** |

| Cash Flows | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---|---|---|---|---|
| Cash from operating activities | 19,848 | 22,100 | 24,647 | 27,416 | 30,425 |
| Cash from investing activities | (20,098) | (18,549) | (19,539) | (20,608) | (21,762) |
| Cash from Financing activities | (5,409) | (4,845) | (3,932) | (4,226) | (4,340) |

| Key Ratios | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---|---|---|---|---|
| Debt-Equity ratio | 71% | 71% | 72% | 73% | 73% |
| EBITDA Margin | 54% | 55% | 56% | 57% | 58% |
| EBIT Margin | 29% | 31% | 33% | 35% | 37% |
| Return on Assets | 2.69% | 2.99% | 3.34% | 3.73% | 4.14% |
| Return on equity | 5.29% | 5.93% | 6.66% | 7.46% | 8.33% |

***Source: Company financials, NCBA IB Research Estimates***

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## Physical Address

NCBA Annex,
Hospital Road, Upper Hill, Tel: +254 20 2884444
Mobile: +254 711 056444/+254 732 156444

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**BUY**-Total expected 12-month return (incl. dividends) between 10%- 20%
**HOLD** – Total expected 12-month return (incl. dividends) between 0%-10%
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## Disclaimer



## Key Contacts: Research

NCBAIBResearch@ncbagroup.com

## Key Contacts: Trading

Dealing@ncbagroup.com

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