



DYER & BLAIR

INVESTMENT BANK

WE KNOW. YOU KNOW.



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

A presentation

By

Mr. Jimnah Mbaru

Chairman; Nairobi Stock Exchange (NSE)

Chairman/CEO; Dyer & Blair

Investment Bank Ltd

**Wealth Creation - Investment Opportunities on
the Nairobi Stock Exchange (NSE)**



Structure of the Presentation

- 1. Introduction**
- 2. Structure of Nairobi Stock Exchange**
- 3. Market Performance**
- 4. Drivers of good market performance**
- 5. Investment Opportunities**
 1. Capital Appreciation
 2. Undervalued shares
 3. IPOs
 4. The bond market
 5. Regional Opportunities
- 6. Regional Integration**
- 7. Conclusion**
- 8. Q & A**



Purpose of the Presentation

- 1. How the Diaspora can secure and profit from investments back home**
- 3. Focus on identifying credible investment opportunities**
- 5. Support Diaspora role in capital markets development**



Structure of Nairobi Stock Exchange (NSE)

- 51 Listed Companies
- 74 Treasury Bonds
- 5 Corporate Bonds
- 10 Stock Brokers
- 9 Investment Banks
- 14 Investment Advisors
- 14 Licensed Fund Managers
- Trading systems
 - 1954-1991 – Callover System
 - 1991- August 2006 - Open outcry
 - 2004 - Central Depository Settlement System (CDS) set-up
 - Sept. 2006; Automated Trading System (ATS)
 - Monday to Friday - 10.00A.M – 1.00 P.M
 - Settlement Period: T + 5 – *intended T+3*
- Capital Markets Authority established in 1989
- Member of African Stock Exchanges Association
- Kenya Rating of B+ by S&P in 2006



Nairobi Stock Exchange Performance

(A) Primary Market Raised (Kshs Million)

WE KNOW. YOU KNOW.

Year	Amount Raised (Kshs Millions)	Rights Issue (Kshs Millions)	Privatization/IPO (Kshs Millions)	Bond Market (Kshs Billions)
1992	496.10		358.00	-
1993	62.48		62.48	-
1994	2,600.04	61.90	400.00	-
1995	124.00		22.00	-
1996	5,108.00	1,200.00	3,842.00	856.50
1997	1,944.60	1,500.00	168.00	38,646.30
1998	1,800.00		1,800.00	47,288.37
1999				47,380.10
2000	997.63	619.63	378.00	25,147.00
2001	1,155.00	30.00	1,125.00	72,490.00
2002	331.21		331.21	71,228.00
2003				76,387.00
2004	2,450.00	2,450.00		91,399.00
2005	2,011.00	2,011.00		74,386.51
2006	15,225	776.00	14,445	76,666.10



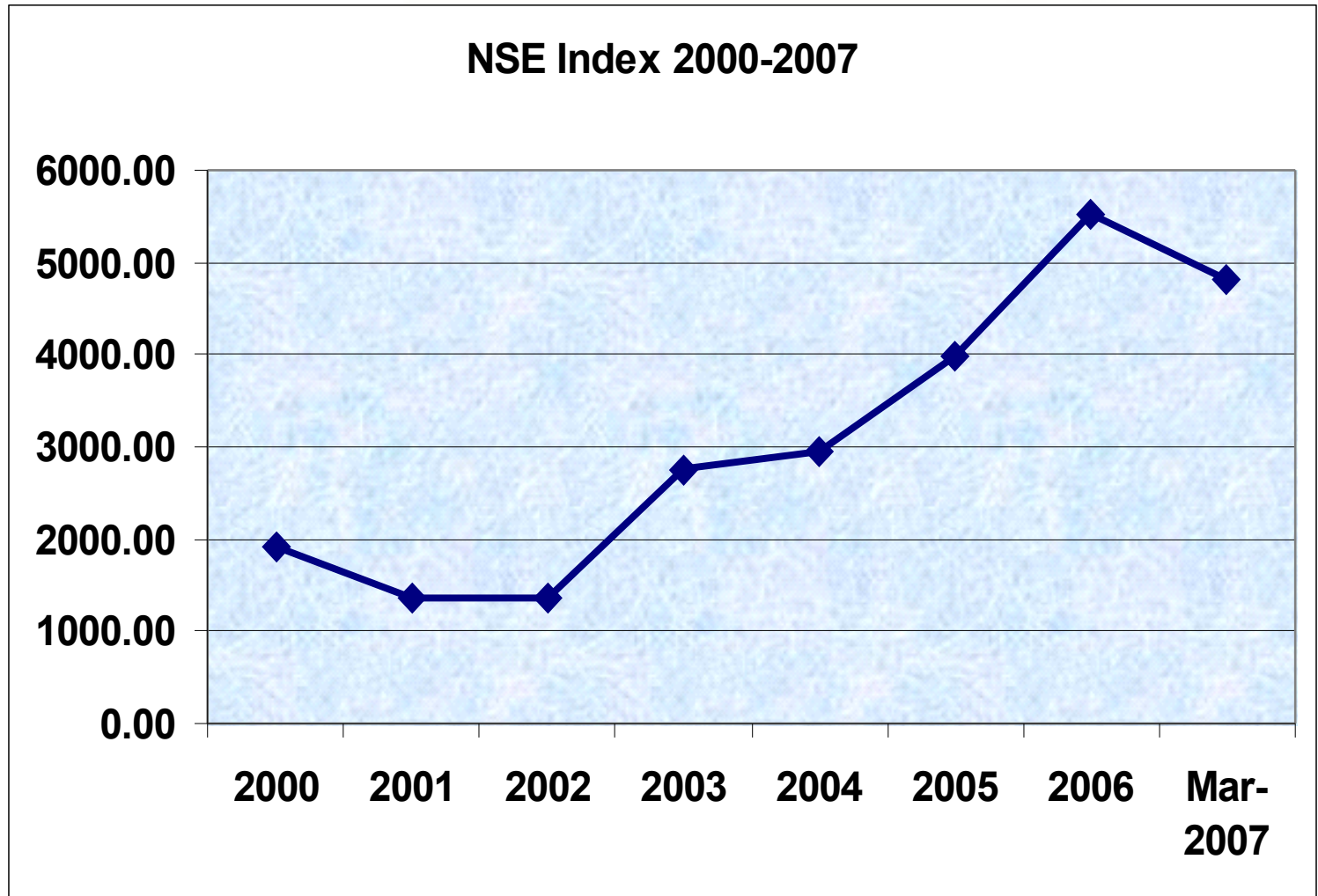
NSE Performance (B) Secondary Market

WE KNOW. YOU KNOW.

	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06
Turnover (Ksh Bn)	0.82	3.08	3.33	3.9	6.15	4.58	5.15	3.63	3.09	2.92	15.25	22.3	36.5	95.00
Volume (Mn)	27	43	62	114	144	112	101	142	115	149	381	625	847	1,455
Market Cap. (Ksh Bn)	72.4	137	105.5	98.9	114.3	129.0	107	101.4	86.1	112	318	306	463	792
NSE Index	2,513	4,559	3,468	3,114	3,115	2,962	2,303	1,913	1,355	1,363	2,738	2,956	3,973	5,646
Liquidity %	1.34	2.76	3.43	3.85	5.73	3.74	5.12	3.71	2.9	3.60	8.52	7.30	7.90	12.0
BONDS Kshs Bn	0	0	0	0.86	11.5	8.22	6.92	5.88	14.1	33.6	42.0	34.1	13.6	48.6

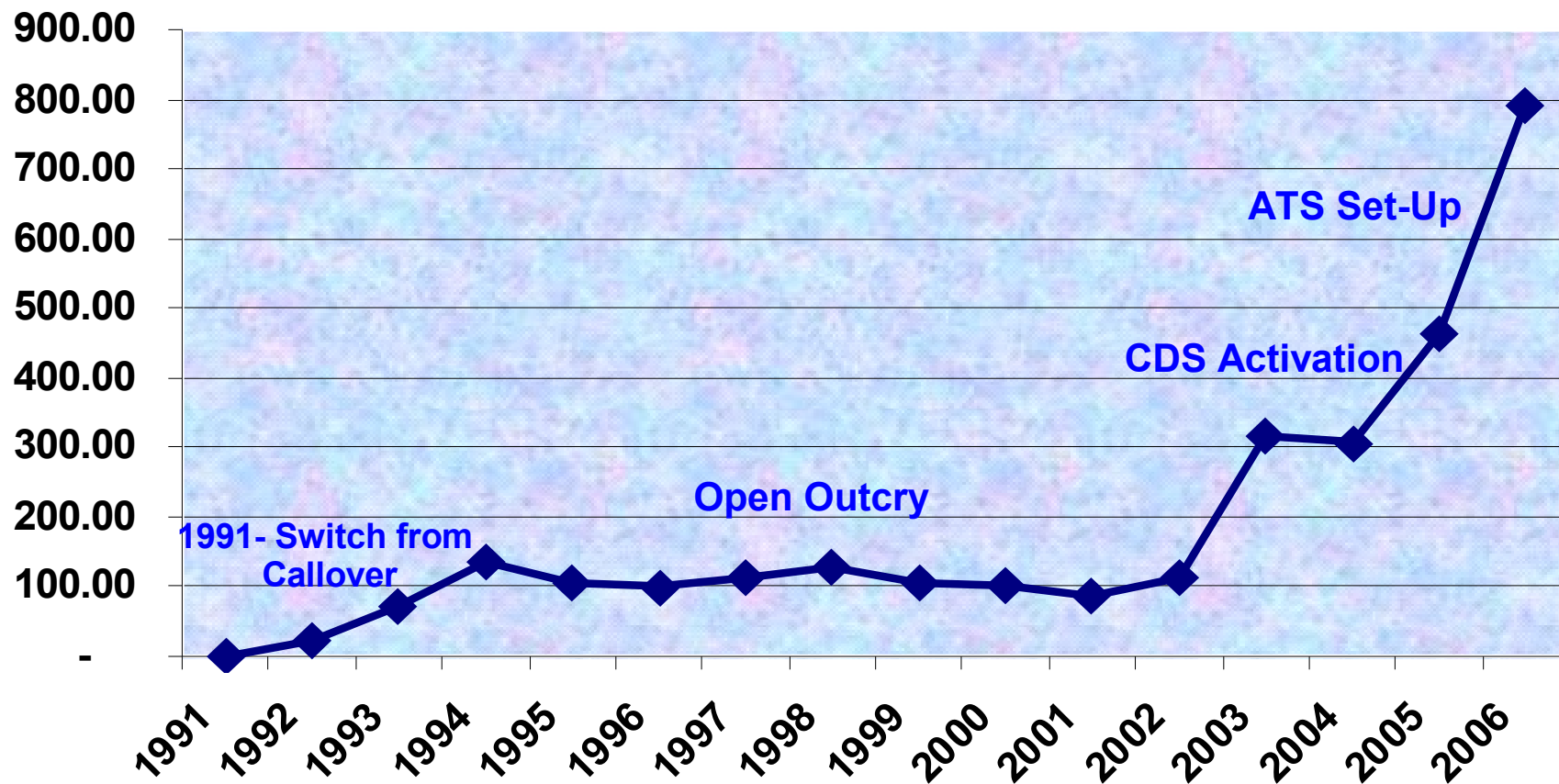


NSE Index Movement



Technology Effects on NSE: Market Capitalization Performance

Market Capitalization:1991-2006 (Kshs Billion)

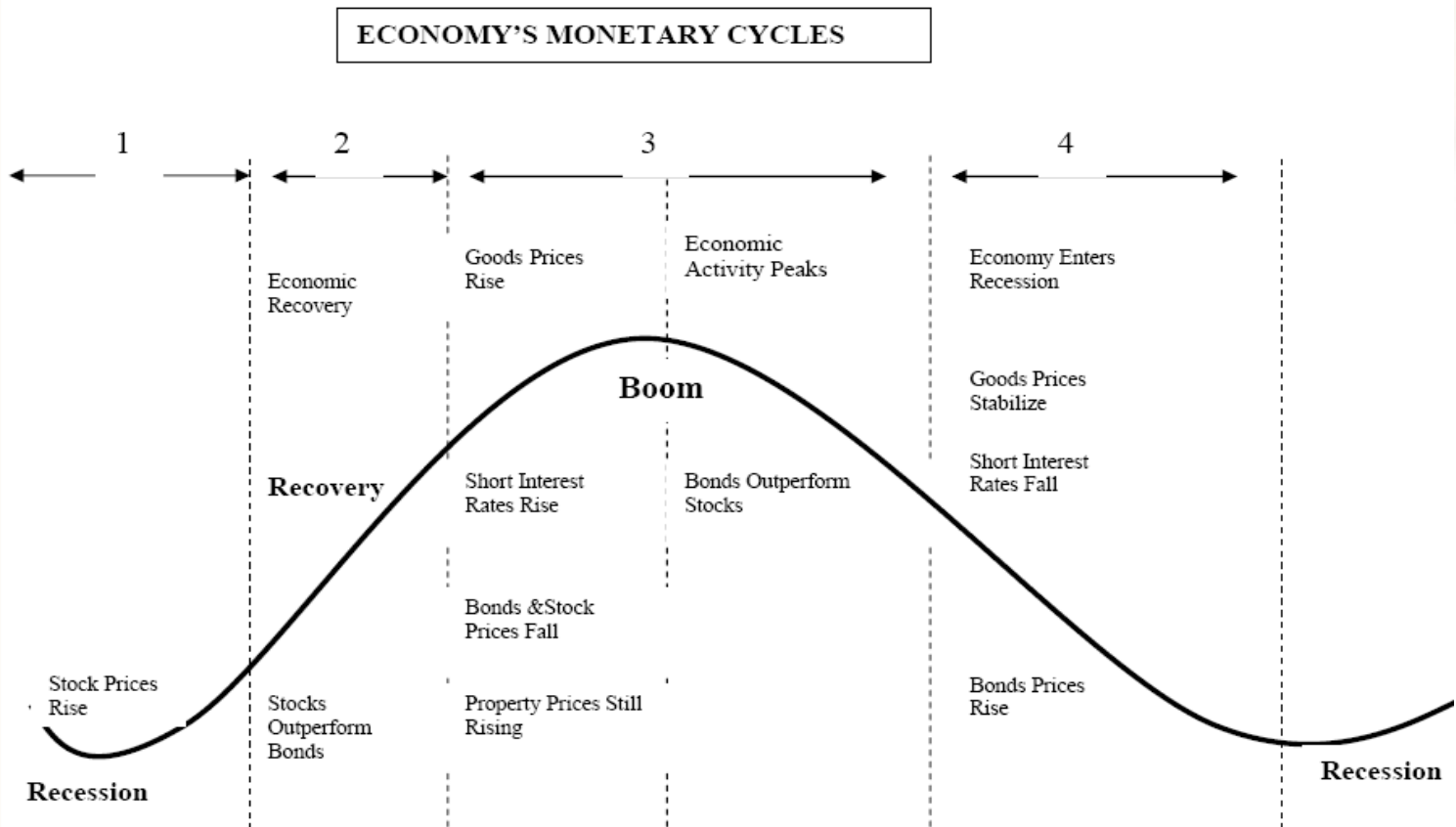




Factors Influencing NSE Performance

- Increased corporate profitability
- Kshs 70 Billion annual remittances by Kenyans in Diaspora
- Low stable interest rates and higher lending to individuals and corporates
- Over Kshs 210 billion held by pension funds – Credible reforms by Retirement Benefits Authority (RBA)
- Mutual funds and unit trusts asset base of Kshs 15 Billion
- Currently Over 600,000 investors in the stock market
- Economic recovery
 - GDP growth at 5.8% in 2005 (4.9% 2004)
 - GDP expected to grow at 6% in 2006

- Need to ensure a prolonged phase between Recovery and Boom
- Vision 2030 measures geared towards this



Investment Opportunities;

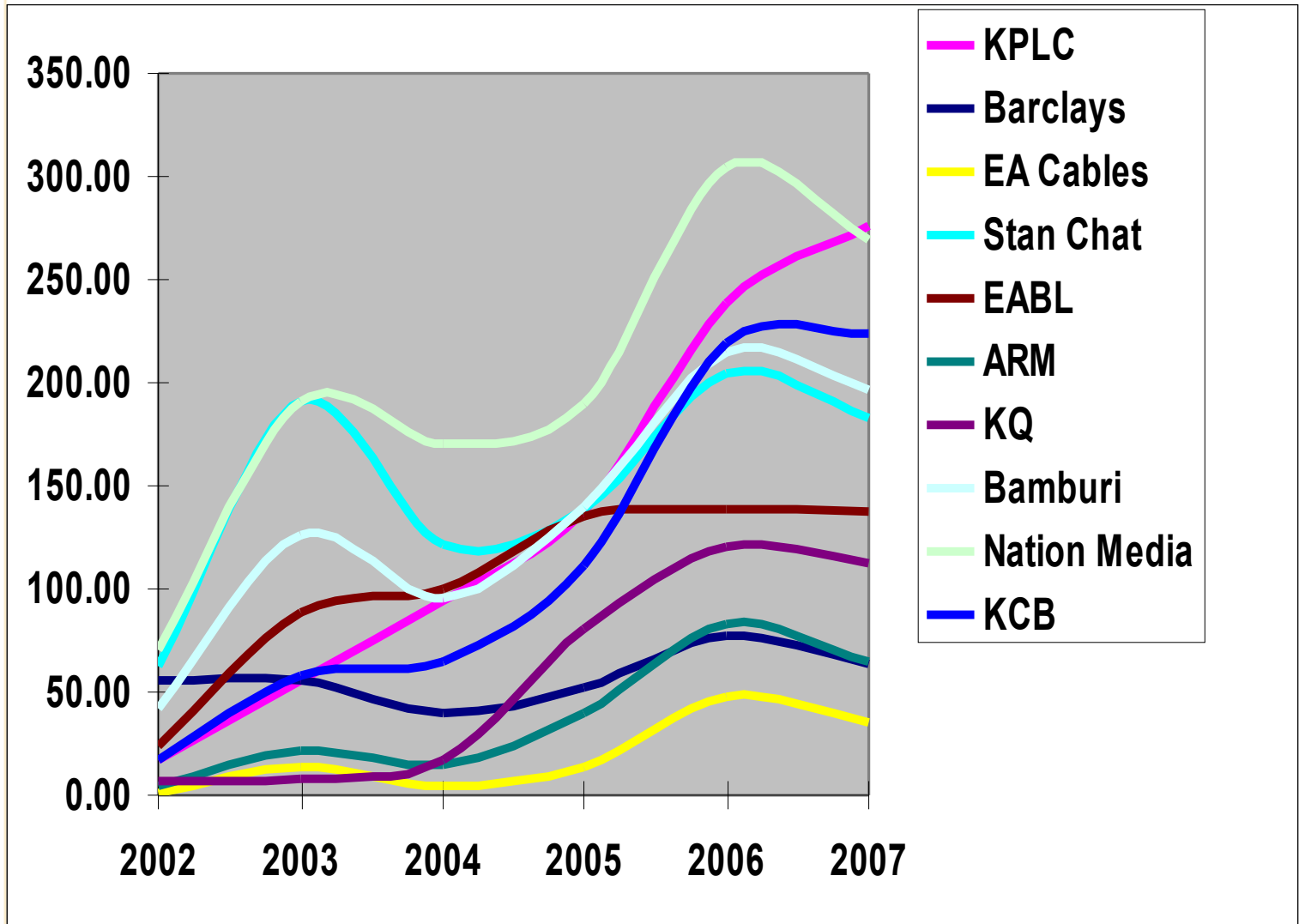
A) The Secondary Market

Capital Appreciation

Security	31-01-06	20-03-07	% Change
Equity Bank Ltd	70.00	231.00	230%
I.C.D.C Investments	7.45	23.50	215%
Sasini Ltd	5.80	16.10	178%
CMC Holdings Ltd	5.25	13.50	157%
E.A. Cables Ltd	15.70	36.25	131%
Jubilee Holdings Ltd	95.00	214.00	125%
Pan Africa Ins.	40.00	85.00	113%
Scangroup Ltd	10.45	20.00	91%
Kenya Comm. Bank	115.00	205.00	78%
Diamond Trust Bank	39.50	68.00	72%
NIC Bank Ltd	53.00	89.00	68%
Housing Finance Co	16.95	27.75	64%
KenGen Ltd.	11.90	17.75	49%
Car & General (K)	25.50	38.00	49%
Standard Group Ltd	40.50	59.00	46%
Bamburi Cement Ltd	140.00	200.00	43%
Kenya Power (KPLC)	136.00	194.00	43%
Athi River Mining	45.25	63.00	39%
C.F.C Bank Ltd	75.00	99.00	32%
National Bank	33.50	43.50	30%
Standard Chartered	143.00	180.00	26%
Nation Media Group	198.00	242.00	22%
Barclays Bank (K)	55.00	67.00	22%



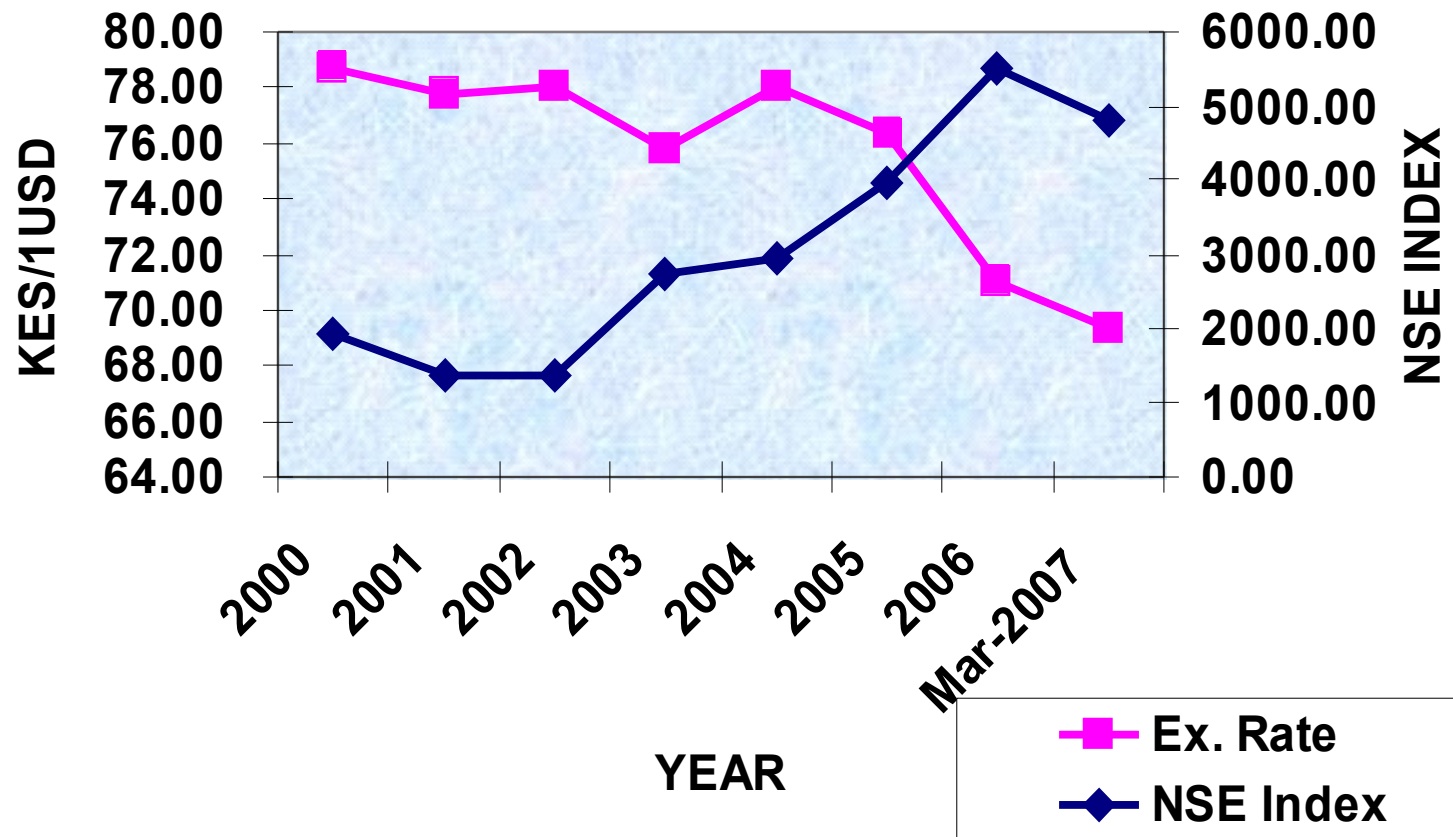
Price Movements of a Select Stocks





NSE Index Vs Exchange Rate

Average Exchange Rate Vs NSE Index Movements



Investment Opportunities;

A) The Secondary Market

Undervalued Shares

	Market Price	Trailing EPS	Trailing P/E	NAV per share	P/B	DPS	Dividend Yield %	PEG (Implied)
Rea Vipingo	17.85	1.88	9.49	10.87	1.64	0.80	4.48	0.52
Kenya Airways	76.50	10.88	7.03	37.38	2.05	1.75	2.29	0.39
Scangroup	22.00	0.96	25.60	1.51	14.5	0.23	1.05	1.22
Nation Media	242.00	10.04	24.10	45.31	5.34	6.00	2.48	1.30
Barclays Bank	65.50	3.00	21.83	10.94	5.98	1.65	2.52	1.18
Diamond Trust	68.00	3.79	17.94	20.52	3.31	1.00	1.47	0.96
Equity Bank Ltd	231.00	8.32	27.76	24.30	9.50	2.00	0.87	1.47
K.C.B Bank	216.00	12.18	17.73	58.22	3.71	6.00	2.78	0.96
Standard Chartered	180.00	9.07	19.85	37.25	4.83	8.50	4.72	1.09
British American	194.00	12.01	16.15	32.83	5.91	12.00	6.19	0.90
E.A. Breweries	140.00	8.63	16.22	20.61	6.79	5.90	4.21	0.94
Kenol	86.50	8.23	10.51	45.95	1.88	2.25	2.60	0.57
K.P.& L.C	194.00	22.73	8.53	259.84	0.75	1.50	0.77	0.50
KenGen	17.75	1.71	10.38	16.60	1.07	0.55	3.10	0.56
Mumias	28.75	2.33	12.34	15.12	1.90	0.50	1.74	0.51

Price Earnings growth (PEG) <1; Value stocks
PEG>1; Justified by higher expected growth than implied



Investment Opportunities Cont'd

□ Initial Public Offers (IPO)

□ Capital appreciation IPOs

Issuing Company	Shares Sold Million	Offer Price Kshs	1st Day Trading Price Kshs	% Change
KenGen	659.5	11.90	40.00	336%
Equity Bank	90.6	70.00	166	236%
Scangroup	69.0	10.45	17.95	137%
Eveready E. Africa	60.0	9.50	11.00	16%



B) Forthcoming IPOs

Privatization

- Kenya Reinsurance Corporation
- KenGen 2nd Issue
- KPLC
- Safaricom
- Telkom

Private Sector

- Access Kenya
- Cement company Secondary Issue
- Energy/Utility company
- Probable to list
 - Food Processing Company
 - A couple of Banks
 - A Software company



B) Forthcoming IPOs

- Demutualization of the NSE**
- Bond Market**
 - Infrastructure Bonds**
- Regional Opportunities**
 - Stanbic IPO**
 - National Insurance Company (Uganda)**

The Route to Regional Capital Markets Integration

Pre-requisites

- Ease of communication
- Language/Cultural Ties
- Regional economic co-operation
- Political stability & commitment to free enterprise
- Respect of law and property rights

Harmonization of Regulatory Framework

- East Africa Securities Regulation Authority (EASRA)
- Professional Standardization of all exchanges

Cross-border listing allowed and operational

- NSE and USE Signed an MOU
- NSE, USE and DSE Communication support system planned



Implementing Market integration

- ❑ **East Africa Stock Exchange**
 - ❑ **Merger of stock markets**
 - ❑ **Constituent country stock markets as members**
 - ❑ **Regional Trade Floors**

- ❑ **Incorporate Rwanda, Burundi, Southern Sudan(?), e.t.c**



How to Trade while Abroad

- Visit website:** www.dyerandblair.com
- Open a CDS Account (holds share balances at a time)**
 - Requirements**
 - Fill in a CDS 1 form –Personal/Bank Details form
 - 1PP size Photograph
 - Copy of Passport
- Portfolio**
 - Sample ‘Buy stocks’ allocation
- Payment – Remit Cash**
 - Written Instructions to Buy (Electronic/Fax)
 - Wire cash through Swift code – then Fax
- Deal confirmation**
 - Internet Access – On-line Account**
 - Order tracking
 - Trading Summary & Holdings Valuation Statement
 - Monthly statement of balances from CDS**



History of Dyer & Blair

- Established in 1954 as a partnership by Hickman & Grey
- Founder Member of NSE in 1954
- Sold to, Mr. Derek I. Dyer and Mr. Patrick M. Blair in 1965, hence the name Dyer and Blair
- Acquired by Kenya Commercial Bank in 1973 and became a limited liability company
- Sold to the current shareholders in 1983
- Mandated to compile the NSE 17-Share Index between 1966-1990
- Became a full-fledged Investment Bank in 2003;
 - A dedicated participant in Equity and Bond primary and secondary markets
 - Instrumental in the establishment of electronic settlement and trading systems - CDS and ATS



The Future

- Increased Alternative Investments**
- Real-Time Trading**
- A Regional Financial Hub**
- Internationalization of Kenya's Capital Market**



Conclusion

- Economic growth momentum still on**
- Financial Assets – Wealth of the Future**
- Investment from Diaspora growing fast**
- Regionalization as a capital markets development Strategy**

Q & A



DYER & BLAIR

INVESTMENT BANK

WE KNOW. YOU KNOW.