

BAT Kenya Announces per share Dividend of KES 57.00

BAT Kenya reported KES 9.91Bn for the FY-22 profit before tax (PBT), a 6.7% y-y jump from KES 9.29Bn in FY-21. The manufacturer posted KES 9.91Bn for the period in Profits after tax (PAT), 6.3% y-y increase from KES 6.48Bn.

The board of directors proposed a final dividend of KES 52.00 for a total dividend of KES 57.00, a 6.5% y-y increase from KES 53.50 in the previous year. Dividend payout remained stable at 82.7% and a dividend yield of 12.4%.

We retain a HOLD recommendation as the share price remains flat at KES 445.00 on the 3 month, 6-month and 12-month average.

- The growth emanated from a 7.7% increase in net revenues due to increased volumes and price adjustment in the domestic and export markets.
- The market was affected by a 21.3% increase in excise tax rates over a period of 12 months, i.e., +5% in November 2021, 10.0% July 2022 and 6.3% in November 2022 affecting consumers. This was an inflationary adjustment on the excise duty.
- Higher input costs put pressure on operating profits, which were suppressed by a 9.0% rise in the cost of operation.

Key ratios

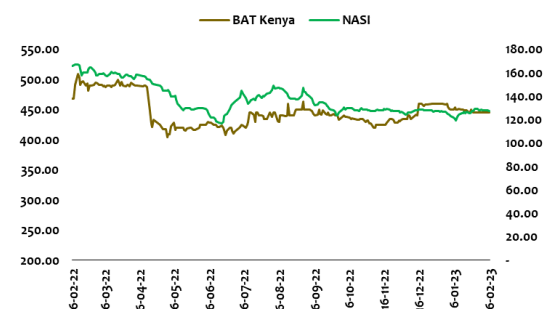
- Operating margins were marginally down to 36.1% from 36.8% in 2021.
- Profit margins were at 36.2% while net income was at 25.2% a marginal decline from 36.5% and 25.5% respectively in 2021.
- Return on average assets (ROaA) was at 28.7% from 28.3% on a marginal decline of 0.7% y-y in total assets. Return on average equity (ROaE) declined to 44.0% from 48.3% of a 13.0% y-y growth in retained assets.
- The current ratio improved to 2.2, which remains higher than 5-year average of 1.6.

Outlook

- BAT Kenya outlook was boosted by re-entry into oral nicotine business after its reclassification in the regulatory framework.
- Opening of the global economy will favor the export business. This will be countered by tight US dollar liquidity which will impact on the price of input.
- Stress on consumer income due to inflationary pressure and regulatory changes will pose headwinds as cigarettes remain a favorite consumable for taxes.

Bloomberg Ticker: BATK Company Statistics	
Recommendation	HOLD
Current Price	445.00
3-Months Avg	445.93
6 Month Avg	442.54
52 Week Avg	446.28
12 Month High/Low	509.00 - 404.00
No Of Shares (Mn)	100.00
Market Cap (KES Mn)	44,500
Market Cap (USD Mn)	354.52
Free Float	40.0%
EPS	68.92
BVPS	163.82
Dividend	57.00
PE	6.5x
PB	2.7x
Dividend Yield	12.8%
Dividend Pay-out	82.7%

Price Performance		
Period	BAT Kenya	NASI
3-Months	4.7%	-1.0%
6-Months	3.5%	-13.3%
Y-T-D	-3.3%	0.3%
Y-Y	-4.9%	-23.1%



Income Statement (KES Mn)	Period					Annual %Δ				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2021
Gross Revenues	36,496	39,827	38,845	40,049	42,247	5.9%	9.1%	-2.5%	3.1%	5.5%
Excise Duty and VAT	(15,746)	(15,788)	(13,506)	(14,621)	(14,869)	-0.3%	0.3%	-14.5%	8.3%	1.7%
Net Revenues	20,750	24,039	25,339	25,428	27,378	11.1%	15.9%	5.4%	0.4%	7.7%
Total cost of operations	(14,531)	(18,313)	(17,750)	(16,058)	(17,498)	9.1%	26.0%	-3.1%	-9.5%	9.0%
Operating profit	6,219	5,726	7,589	9,370	9,880	16.0%	-7.9%	32.5%	23.5%	5.4%
Finance costs	(338)	(193)	(173)	(82)	33	-31.6%	-42.9%	-10.4%	-52.6%	140.2%
PBT	5,881	5,533	7,416	9,288	9,913	20.8%	-5.9%	34.0%	25.2%	6.7%
Tax	(1,796)	(1,648)	(1,898)	(2,805)	(3,021)	17.3%	-8.2%	15.2%	47.8%	7.7%
PAT	4,085	3,885	5,518	6,483	6,892	22.5%	-4.9%	42.0%	17.5%	6.3%
EPS	40.85	38.85	55.18	64.83	68.92	22.5%	-4.9%	42.0%	17.5%	6.3%
Dividend	35.00	33.50	45.00	53.50	57.00	34.6%	-4.3%	34.3%	18.9%	6.5%

Balance Sheet (KES Mn)	Period					Annual %Δ				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2021
Share Capital	1,000	1,000	1,000	1,000	1,000	0.0%	0.0%	0.0%	0.0%	0.0%
Revaluation Surplus	1,820	1,756	1,756	2,837	2,800	-2.2%	-3.5%	0.0%	61.6%	-1.3%
Hedging Reserves										
Retained Earnings	6,490	6,959	9,129	11,137	12,582	30.3%	7.2%	31.2%	22.0%	13.0%
Shareholders' Funds	9,310	9,715	11,885	14,974	16,382	18.8%	4.4%	22.3%	26.0%	9.4%
Non-Current Liabilities	3,237	1,871	1,576	1,939	2,084	-4.5%	-42.2%	-15.8%	23.0%	7.5%
	12,547	11,586	13,461	16,913	18,466	11.7%	-7.7%	16.2%	25.6%	9.2%
Assets	18,339	21,936	21,706	24,119	23,947	3.0%	19.6%	-1.0%	11.1%	-0.7%
Non-Current Assets	9,123	10,685	10,914	12,305	12,096	-0.2%	17.1%	2.1%	12.7%	-1.7%
Working Capital										
Current Assets	9,216	11,251	10,792	11,814	11,851	6.4%	22.1%	-4.1%	9.5%	0.3%
Current Liabilities	(5,792)	(10,350)	(8,274)	(7,206)	(5,481)	-11.9%	78.7%	-20.1%	-12.9%	-23.9%
Working Capital	3,424	901	2,518	4,608	6,370	63.7%	-73.7%	179.5%	83.0%	38.2%
	12,547	11,586	13,432	16,913	18,466	11.7%	-7.7%	15.9%	25.9%	9.2%

Key Ratios	2018	2019	2020	2021	2021
Operating Margins	30.0%	23.8%	29.9%	36.8%	36.1%
PBT Margin	28.3%	23.0%	29.3%	36.5%	36.2%
PAT Margin	19.7%	16.2%	21.8%	25.5%	25.2%
Current Ratio	1.6	1.1	1.3	1.6	2.2
ROaA	22.6%	19.3%	25.3%	28.3%	28.7%
ROaE	47.6%	40.8%	51.1%	48.3%	44.0%
Dividend Pay-out	85.7%	86.2%	81.6%	82.5%	82.7%
Excise Duty	43.1%	39.6%	34.8%	36.5%	35.2%
Tax Rate	30.5%	29.8%	25.6%	30.2%	30.5%

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Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 10% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 5% and 10%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of -5% to +5%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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