

NAIROBI SECURITIES EXCHANGE PLC

ANNOUNCEMENT OF UNAUDITED GROUP RESULTS FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2024

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income For the	6 Months Ended 30.06.2024 Unaudited Kshs '000	6 Months Ended 30.06.2023 Unaudited Kshs '000	12 Months Ended 31.12.2023 Audited Kshs '000
Transaction levy - Equity	113,485	141,639	211,094
Transactions levy - Bond	85,999	30,991	64,395
Data income	66,842	65,866	116,569
Annual, initial and additional listing fees	36,876	36,269	69,838
Interest income	71,731	55,188	120,950
Broker back office subscriptions	14,774	13,886	27,944
Consultancy income	14,391	-	-
Other income	25,370	33,425	51,531
Total income	429,468	377,264	662,321
Staff costs	103,571	88,245	176,452
Systems maintenance costs	41,199	31,215	61,847
Depreciation and amortisation	18,528	20,298	37,720
Building and office costs	23,577	24,777	41,914
Directors' emoluments	23,796	24,338	47,922
Revaluation loss on property	-	-	27,500
Other operating expenses	128,788	98,229	202,683
Total expenses	339,459	287,102	596,038
Operating profit before ECL and fair value movements	90,009	90,162	66,283
Provision for expected credit losses and bond mark to market valuation	(9,212)	3,286	(4,528)
Share of loss of associate	(790)	(1,316)	(19,429)
Profit before tax	80,007	92,132	42,326
Tax expense	(25,287)	(22,750)	(23,922)
Profit after tax	54,720	69,382	18,404
Other comprehensive (loss)/income	(4,078)	20,451	23,597
Total comprehensive income	50,642	89,833	42,001

Earnings Per Share (EPS)* - Basic and diluted (Kshs)	0.21	0.27	0.07
Weighted average number of shares in issue	260,634,541	260,391,721	260,452,401

*EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the parent by the weighted average number of shares in issue during the period.

Summary Consolidated Statement of Financial Position As at	30.06.2024 Unaudited Kshs '000	30.06.2023 Unaudited Kshs '000	31.12.2023 Audited Kshs '000
Assets			
Property and equipment	431,979	438,915	404,657
Intangible assets	101,123	105,937	108,048
Investment in associate	165,361	186,959	166,151
Financial assets at fair value through other comprehensive income – Quoted equity instruments	129,043	127,280	133,121
Government securities at amortised cost	201,820	202,402	201,973
Financial assets at fair value through profit or loss - Government securities	78,472	196,756	241,324
Cash and bank balances and bank deposits	624,483	531,530	407,082
Other assets	384,056	362,554	365,708
Total assets	2,116,337	2,152,333	2,028,064
Equity and liabilities			
Share capital	1,042,538	1,041,567	1,041,810
Share premium	279,725	279,459	279,489
Revenue reserves	506,003	543,955	492,979
Non controlling interest	6,884	17,369	6,860
Other reserves	51,515	52,447	55,593
Non current liabilities	14,695	13,965	13,965
Other liabilities	214,977	203,571	137,368
Total shareholders' funds and liabilities	2,116,337	2,152,333	2,028,064

Summary Consolidated Statement of Cash Flows For The	6 Months Ended 30.06.2024 Unaudited Kshs '000	6 Months Ended 30.06.2023 Unaudited Kshs '000	12 Months Ended 31.12.2023 Audited Kshs '000
Cash flows from operating activities			
Cash generated from/(used in) operations	50,569	59,377	(13,547)
Tax paid	(6,298)	(20,422)	(27,905)
Net cash generated from/(used in) operating activities	44,271	38,955	(41,452)
Net cash generated from investing activities	185,618	66,044	155,488
Net cash used in financing activities	-	-	(49,950)
Increase in cash and cash equivalents	229,889	104,999	64,086
Cash and cash equivalents at the start of the year	318,806	251,674	250,234
Effect of foreign exchange rate changes	(11,550)	6,680	4,486
Cash and cash equivalents at the end of the period	537,145	363,353	318,806

Summary Consolidated Statement of Changes in Equity	Share capital Kshs '000	Share premium Kshs '000	Revaluation & Other reserves Kshs '000	Retained earnings Kshs '000	Non controlling interest Kshs '000	Total Kshs '000
At 1 January 2023	1,041,567	279,459	31,996	526,654	17,366	1,897,042
Profit for the period	-	-	-	69,379	3	69,382
Other comprehensive income	-	-	20,451	-	-	20,451
2022 first and final dividend declared in the year	-	-	-	(52,078)	-	(52,078)
At 30 June 2023	1,041,567	279,459	52,447	543,955	17,369	1,934,797
Loss for the period	-	-	-	(50,976)	(2)	(50,978)
Other comprehensive income	-	-	3,146	-	-	3,146
Reduction in NCI on increase in shareholding in AKS	-	-	-	-	(9,523)	(9,523)
Issue of shares to employee share ownership plan	243	30	-	-	-	273
2023 dividend declared by AKS	-	-	-	-	(984)	(984)
At 31 December 2023	1,041,810	279,489	55,593	492,979	6,860	1,876,731
Profit for the period	-	-	-	54,696	24	54,720
Other comprehensive loss	-	-	(4,078)	-	-	(4,078)
2023 first and final dividend declared in the year	-	-	-	(41,672)	-	(41,672)
Issue of shares to employee share ownership plan	728	236	-	-	-	964
At 30 June 2024	1,042,538	279,725	51,515	506,003	6,884	1,886,665

OPERATING ENVIRONMENT IN 2024

As per the International Monetary Fund, the global economy is expected to grow 3.2% in the year 2024 similar to the rate reported in 2023. Global Gross Domestic Product (GDP) growth continues to be impacted by the effects of monetary policy which has taken a broader toll on growth drivers. Equally, inflationary pressure, geopolitical uncertainties, and high interest rates moderated economic growth in the period under review.

The Kenyan economy remained resilient recording a 5.0% growth in Gross Domestic Product driven by strong performances in key sectors including agriculture, financial services, real estate and information and communications. In H1 2024, inflation remained within the Government's target of 5% with annual headline inflation settling at 4.6% as of June 2024.

The Kenyan shilling appreciated against major trading currencies strengthening against the US dollar to trade at an average of Kshs.129.92 in the six months to June 2024. The appreciation in the shilling resulted from several factors including the repayment of Kenya's Eurobond in June 2024.

MARKET PERFORMANCE

During the period, investor sentiments improved significantly, driving strong performance across the NSE benchmark indices. Notably, in the six months to June 2024, the market showed remarkable progress, with the NSE All Share Index achieving a 19% increase and ranking as the world's top performer in dollar terms among over 90 global benchmarks tracked by Bloomberg. These gains indicate a clear resurgence in investor confidence.

The first half of the year 2024 saw foreign investors become overall net buyers of equities listed on the NSE, a testament of renewed investor confidence in the market and the country's economic prospects.

In the six months to June 2024, equity turnover decreased by 19.86% to settle at Kshs. 47.45 billion from Kshs. 59.21 billion recorded over the same period during the previous year. The decline in equity turnover was attributed to the Kshs. 22 billion equity block transaction in H1 2023 and the impact of international investors re-allocating capital to high yielding Government bonds. Subsequently, the bond market recorded an exceptional performance in the period recording a turnover of Kshs. 781.8 billion compared to Kshs. 309.9 billion posted over a similar period last year. This was largely driven by issuances of incentivized infrastructure bonds that attracted both local and international flows in both primary and secondary markets.

The period was equally marked with the historic listing of the first Sukuk on the Unquoted Securities Platform (USP). The listing was commemorated through a bell ringing event graced by His Excellency Hon. Dr. William Samoei Ruto C.G.H, PhD at the NSE. The Kshs. 3 billion Linzi Sukuk listing highlights the growing demand for alternative finance instruments and paves the way for further expansion of Shariah-compliant products in Kenya, and opens avenues for more investors to participate in the capital markets.

FINANCIAL HIGHLIGHTS

The Group reported an operating profit before expected credit losses and fair value movements of Kshs. 90 million in the first half of the year 2024, compared to Kshs. 90.2 million recorded in the first half of the year 2023.

This is attributed to the continued non-trading income growth strategy adopted by the Board. Interest income increased from Kshs. 55 million in H1 2023 to Kshs. 72 million in H1 2024. Consultancy income, a new product line started in 2023, recorded revenues of Kshs. 14.4 million in H1 2024.

Equity transaction levy however reduced by 19.9% from Kshs. 141.6 million in H1 2023 to Kshs. 113.5 million in H1 2024 due to high interest rates on bonds which have shifted secondary trading activity in equities to bonds and the impact of the Kshs. 22 billion block transaction in H1 2023. Bond levy increased by over 100% from Kshs. 31 million in H1 2023 to Kshs. 86 million in H1 2024 on an increased investor base and the high interest rate regime resulting to increased trading activity in bonds.

Total expenses increased by 18.2% from Kshs. 287.1 million in H1 2023 to Kshs. 339 million in H1 2024. This was mainly driven by marketing costs on the new consultancy income line, inflationary pressures as well as the impact of the Kenya Shilling on the US dollar denominated expenses in the first few months of H1 2024.

Total investable funds stood at Kshs. 904.8 million inclusive of the regulatory restricted funds amounting to Kshs. 317.2 million.

OUTLOOK – SECOND HALF OF 2024

In the second half of the year, the Board will prioritize the strategic uptake of our diverse range of equity and debt products, with an aim to foster uptake in both the main market and the Unquoted Securities Platform (USP). We are expecting the listing of one exchange traded fund following approval from the Capital Markets Authority and two additional admissions on the USP in the second half of the year.

In line with our commitment to diversify the business core income streams, the Board will continue to support the development of alternative non-trading income streams with a view to achieving a 50-50 balance between trading and non-trading income. The diversification has been key in supporting cushion the business against market volatility and enhancing shareholder value. Through this strategy, the NSE has been able to develop rapidly growing new revenue streams to further enhance profitability growth.

The Board is focused on repositioning the NSE to be a crucial platform to support the next phase of Kenya's growth and development through effectively supporting public and private sector entities raise capital through public capital markets and listing on the NSE. This repositioning will anchor the new strategy that seeks to accelerate our growth and impact to the economy and the region.

We have continued to enhance our relationship with the Government with a view to unlocking critical market opportunities that will see the performance of the NSE revitalized. In the second half of the year, we will be working with the Government to finalize the first phase of the divestiture of the State's shareholding in six listed companies through the sale of shares on the NSE following the approval by the Cabinet.

The divestiture of the State's shareholding in the six listed companies is a testament of the Government's preference of the NSE as the most efficient platform for privatizations and a solid demonstration of the commitment by His Excellency Hon. Dr. William Samoei Ruto PhD, C.G.H. to revitalize the Kenyan capital market through further sell downs and the privatization of State-Owned Enterprises through the NSE.

The recent political demonstrations led to the repeal of the Finance Bill 2024. The Board is optimistic about a return to stability in the country's political landscape, especially with the formation of a broad-based government. This is expected to restore Kenya's favorable position with investors, similar to the positive outlook observed in the first half of the year.

The Board would like to assure shareholders of continued business transformation anchored on new leadership and a new strategy that will steer the business in its next phase of growth. We are looking forward to better performance in the year and enhanced returns to shareholders.

DIVIDENDS

The Board of Directors does not recommend an interim dividend for the first half of the year 2024.

By Order of the Board



Frank Lloyd Mwiti
Chief Executive Officer

Nairobi
29th August 2024