

Recommendation:

ParticipateTarget Price: **KES 21.99**Price on 23rd October 2018:**KES 15.30**

Long Stop Date:

30th July 2019, 

52-week Trading Range:

KES 12.80 to KES 20.00

Trailing Twelve Month (TTM)

EPS:

KES 1.83

Trailing Twelve Month (TTM)

P/E

8.36x

ROE

23.35%

ROA

8.5%

Dividend Yield:

4.7%

Market cap:

KES 26.27Bn

Estimated Free float:

50.7%

Shares Outstanding:

1,471,761,200

Latest Full Year Results:

Full Year 2017**(on 13th March 2018)**

KenolKobil Group PLC

The Rubis Énergie Take over

Rubis Énergie S.A.S (**the Offeror**) in a notice dated 24th October 2018 under the laws of Kenya, made public its intentions to acquire **100%** of the remaining ordinary shares of KenolKobil (**the proposed Offeree**) not already legally or beneficially held by the offeror. The notice of acquisition of KenolKobil's full controlling stake has already been proceeded by Rubis Énergie's 23rd of October transaction that saw it purchase **367,793,124** shares or **24.99%** of KenolKobil's issued and listed capital, at the then market price of **KES 15.30**.

The deadline or Long Stop Date for the offer unless extended by Énergie or the CMA is by 5:00 pm on 30th July 2019.

Proposed Offeror, Proposed Offer & Proposed Offer Price:

Rubis Énergie is a company incorporated under the laws of France, with its registered office at Tour Franklin – 100, terrasse Boieldieu – 92800 Puteaux, France. Rubis Énergie is, in turn, a fully owned subsidiary of Rubis S.C.A, a renowned French international company specialized in: storage, distribution and sale of Petroleum; Liquefied Petroleum Gas (LPG), Agri-foods and chemical products. Rubis Énergie and its subsidiaries currently have a presence in Europe, the Caribbean, in South Africa, West Africa, North Africa, Madagascar and Comoros. Its acquisition of KenolKobil appears to be part of the energy company's strategy to gain a presence in East Africa.

Rubis Énergie's offer if accepted in full, will leave the company with **1,550,761,200** ordinary shares or **100%** of the issued capital. It should be also noted that the Offer Shares will be acquired free from all liens, charge, encumbrances and other interests. The offer once accepted will grant the Proposed Offeror the rights to receive all dividends & other distributions declared after the date of Notice of Intention excluding the **KES 0.36** dividend.

The proposed Offer price for each share is **KES 23.00** for those who wish to participate. The offer could be summarised into the following:

- **2.77x** the current Book Value of **KES 8.31** (as of the end of June 2018).
- **12.57x** the Trailing Twelve Months (TTM) Earnings Per Share of **KES 1.83**.
- **7.67x** is the implied Twelve Month Trailing (TTM) EV/EBITDA.

Recommendation:

We recommend our investors to participate in the offer due to its attractive nature. The offer will actually push the stock towards our estimated KenolKobil's fundamental value of **KES 21.99** a share. At KES 23.00, any holder of KenolKobil's shares can actualize the true worth of their investment. The offer we also note is at a premium compared to Sub-Saharan (SSA) trading multiples. The implied **P/B** of **2.77x**, implied TTM **P/E** of **12.57x** and implied **TTM EV/EBITDA** of **7.67** are all at a significant premium to the **SSA** current median for the energy sector of a **P/B** of **1.43x**, a **TTM P/E** of **9.49x** and a **TTM EV/EBITDA** of **6.69x**.

Valuation:

		Weight	Value
DCF	17.09	33%	5.70
PE	22.05	33%	7.35
EV/EBITDA	26.64	33%	8.95
Average			21.99

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CERTIFICATIONS AND REQUIRED DISCLOSURES BEGIN ON PAGE 2

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