

Equity Stock Picks

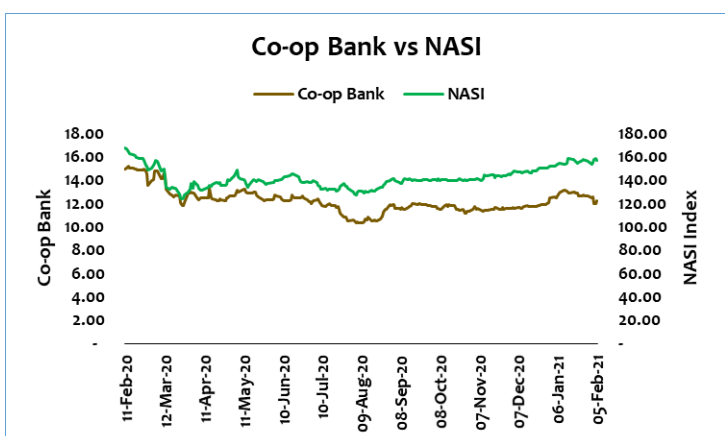
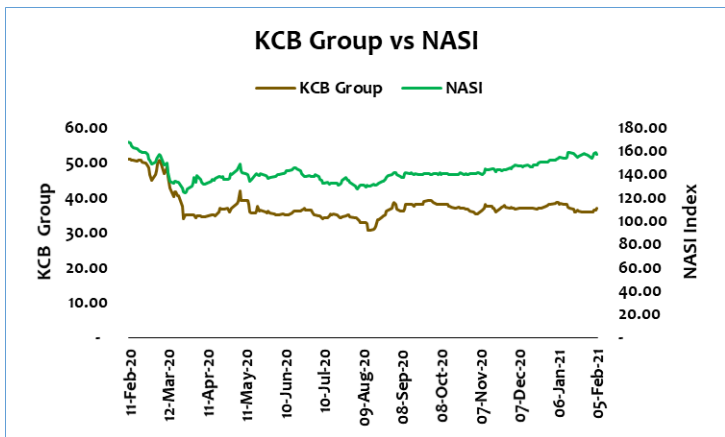
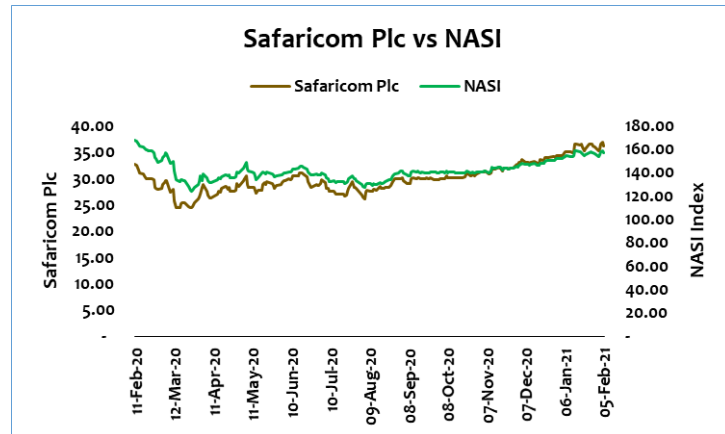
Safaricom Plc – Buy – Safaricom continues to maintain a positive trajectory with the reversal of government directive on M-Pesa charges on transaction valued KES 1,000 or less. Although the tariff charges on transaction valued KES 1,000 or less were adjusted downwards, we expect positive results on the revenue streams which contributes c.35% of total revenues. The counter has gained 5.7% y-t-d and 22.1% over 6-month period.

The market continues to await the results of the tender issued by Ethiopian Communication Authority on two licenses. The tender which as issued on November 27th, 2020 with the results pushed to April Monday 5th, 2021 from an earlier date of March Friday 5th, 2021.

Safaricom remains hopeful of entering the market with a population of more than 110Mn, one major mobile operator and mobile phone penetration of less than 50%.

KCB Group – Buy – The lender maintains a positive 2021 outlook despite expected to announce profit warning after a 43.2% decline in Q3-2021 profits. The counter maintained growth on the top line with net interest income increasing by 23.7%. The counter has lost 3.5% y-t-d while gaining 5.7% 6-month period. PE and PB indicators 4.57x and 0.92x compared to the industry average of 4.66x and 0.84x respectively.

Co-op Bank – Buy – The lender closed the week at KES 12.20, a flat performance compared to 6-months value and a decline of 2.8% y-t-d. We expect a solid 2021 performance compared to 2020 with the bank issuing a FY-2020 earning warnings on January 8th, 2021. PE and PB indicators 5.02x and 0.90x compared to the industry average of 4.66x and 0.84x respectively.

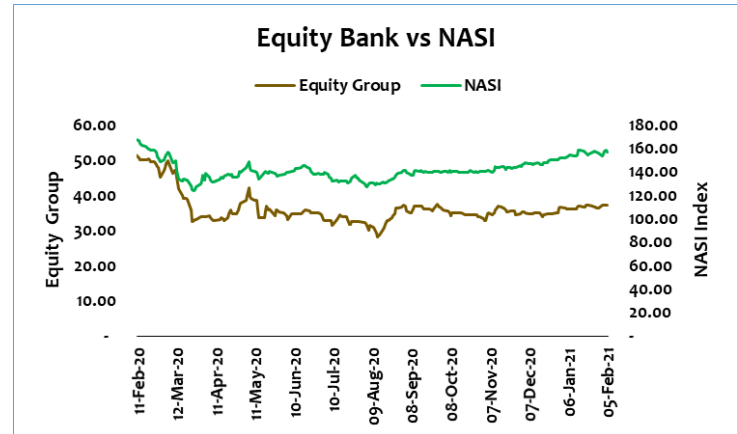


KINGDOM SECURITIES

Equity Stock Pick

February 8th, 2021

Equity Group – Buy – Equity Group is set to issue better FY-2020 results compared to its peers. The lender is yet to issue a profit warning with Q3-2020 profits declined by 14.6% y-y having managed to grow its non-funded income by 10.1% y-y, a feat not replicated by its competitor. The counter has gained 2.8% y-t-d and 13.4% in 6-months. We forecast a positive bottom line performance in Q1-2021. PE and PB indicators 6.28x and 1.26x compared to the industry average of 4.66x and 0.84x respectively.



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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% 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 10% and 30%.
- **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 10%.
- **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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