

KINGDOM SECURITIES

Equity Stock Pick

May 31, 2021

Safaricom – LONG TERM BUY: We retain a long term buy on Safaricom. The company innovation levels will continue to be a great driver of revenues while entry into new market will create value for shareholders. With the high dividend payout 80.1% in FY-21, the management opted to issue an interim dividend and a final dividend. We forecast the board to retain payout levels of 80% while offering interim dividend to ease on pressure on cash management and due to the huge dollar demand on payout date.

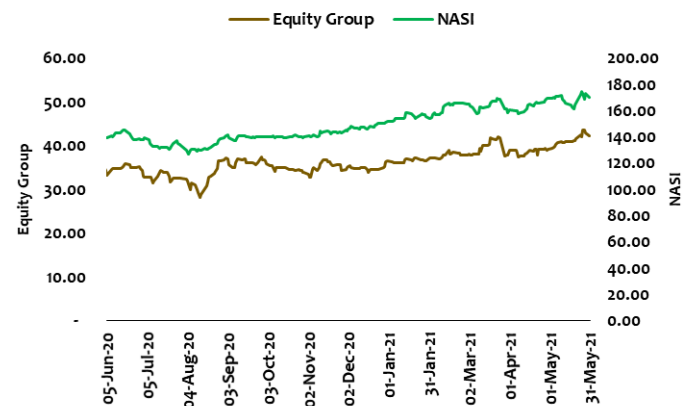
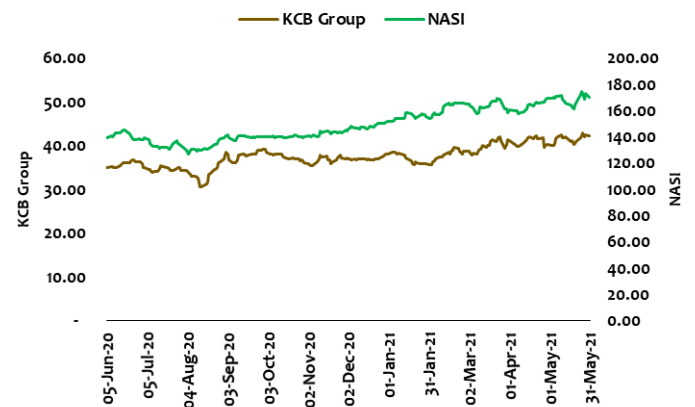
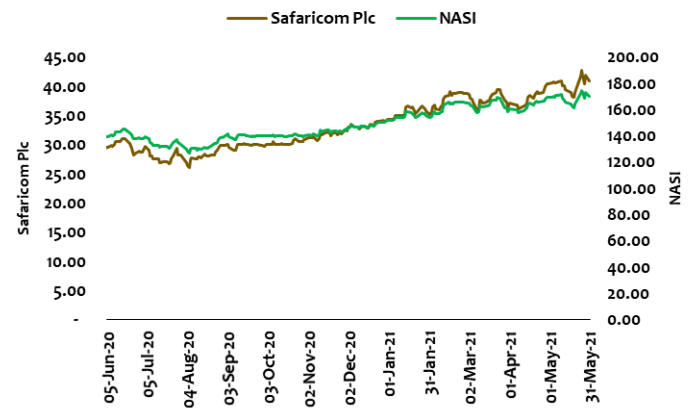
Investors are advised to enter at KES 39.75 and hold the stock to ride on capital gain and expected income.

KCB Group – LONG TERM BUY: We retain a buy on the lender as the banks post-Covid-19 turnaround continues with positive results in Q1-2021. The banking industry continues to charter way forward in managing non-performing loans. Revenue growth has maintained a positive momentum and will be propelled with reinstatement of mobile transaction charges which will replenish the non-funded income. The bank retained a dividend payment and is expected to post a dividend in FY21.

We advise client to enter with a target KES 40.75 on long term hold.

Equity Group – BUY: The group posted an exemplary performance in Q1-21 leading to re-entry of foreign investors boosting value up by 17.6% y-t-d. We opine the performance is bound continue positive momentum and the Group will revert to dividend payment having failed to pay for the past two financial year with the aim of boosting capital reserve.

We propose a price target of KES 40.45 which was 8.0% lower than a high of KES 43.95 seen on the release of Q1-21 results before easing to KES 42.20, a 4% decline.



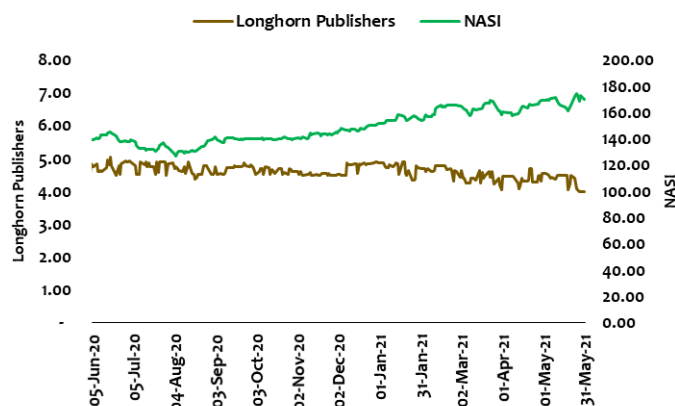
KINGDOM SECURITIES

Equity Stock Pick

May 31, 2021

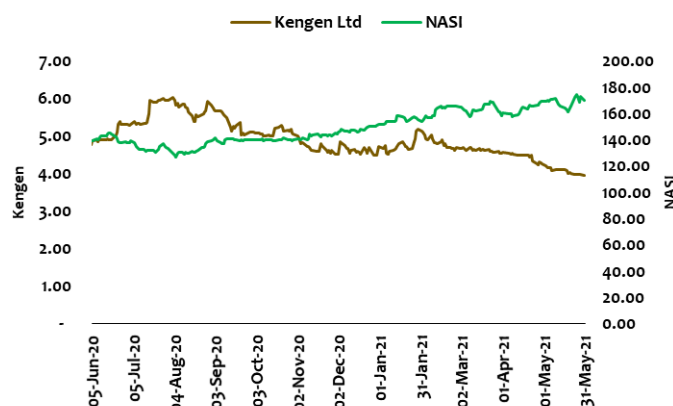
Longhorn Publishers Plc – BUY: The company reported a loss of KES 145.33Mn in HY-21 having bared the wrath on Covid-19 due to school closure. Revenues stood at KES 288.52Mn, a 60.2% dip from 725.41Mn in H1-20. Reopening of the economy, reopening of school in H2-21 and the ongoing change of curriculum will lead to growth in domestic revenues which contribute 86.2% of total revenues.

We recommend an entry of KES 4.00 with an exit target of KES 4.50, a 12.5% upside.



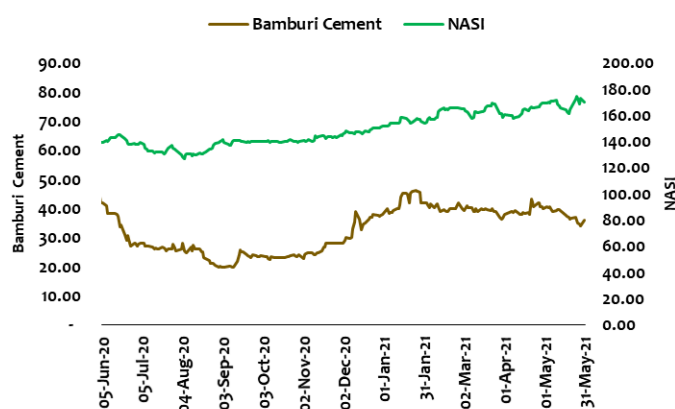
Kengen plc - Short-Term Buy: The counter continues to create discount on long term price leading us to **MAINTAIN a Short-Term BUY**. The electric generating company recorded a 9.0% growth in profits for H1 2020 despite the challenging environment issued a dividend of KES 0.30 whose book closure was on 29th March 2021.

As the company continues to focus on its strategy on sustainable energy while leveraging on innovation and partnership on business growth, and as reopening of the economy continues, we expect a price surge. The financial year for the counter comes to an end in June 2021.



Bamburi Cement - Buy: the counter has been on the rise since touching an all-time low price of KES 19.90 in September 2020. The rise has been boosted by increase in cement production and consumption with February saw a 12.0% and 10.5% increase in production and consumption respectively. This is propelled by increase in numbers of construction projects nationwide.

We propose an entry price of KES 35.85 prior to release of HY-21 results and exit at KES 39.80 for a potential 11.0% in capital gains. The counter reached a three-month peak of KES 43.15 on April 21st after release of FY-20 results.



Corporate Action - 2021

DIVIDEND PAYMENT							
COUNTER	EVENT	ANNOUNCEMENT DATE	BOOK CLOSURE	PAYMENT DATE	AMOUNT	EPS	PAYOUT
Kengen	FF	28-Jan-21	29-Mar-21	22-Jul-21	0.30	2.79	10.8%
Car & General	FIN	28-Jan-21	22-Feb-21	25-Mar-21	0.80	6.85	11.7%
Safraricmom	INT	10-Feb-21	05-Mar-21	31-Mar-21	0.45	1.71	26.3%
BAT Kenya	FIN	19-Feb-21	16-Apr-21	12-May-21	41.50	55.18	75.2%
Stanbic Hold	FF	04-Mar-21	21-May-21	STA	3.80	13.13	28.9%
Co-op Bank	FF	17-Mar-21	13-Apr-21	14-Apr-21	1.00	1.98	50.5%
KCB Group	FF	17-Mar-21	26-Apr-21	26-Jun-21	1.00	6.10	16.4%
Kakuzi Plc	FF	18-Mar-21	31-May-21	30-Jun-21	18.00	31.74	56.7%
ILAM Fahari I-REIT	FF	19-Mar-21	06-Apr-21	30-Apr-21	0.60	0.82	73.2%
UMEME*	FF	23-Mar-21	25-Jun-21	19-Jul-21	12.20	27.00	45.2%
Stanchart	FF	25-Mar-21	27-Apr-21	27-May-21	10.50	13.95	75.3%
NCBA	FF	26-Mar-21	20-Apr-21	09-Jun-21	1.50	2.77	54.2%
NSE Ltd	FF	26-Mar-21	04-Jun-21	30-Aug-21	0.53	0.65	81.5%
I&M Holdings	FF	31-Mar-21	10-May-21	21-May-21	2.25	9.77	23.0%
Total Kenya	FF	06-Apr-21	25-Jun-21	30-Jul-21	1.57	4.03	39.0%
Jubilee Holdings	FF	16-Apr-21	26-May-21	26-Jul-21	8.00	50.06	16.0%
Bamburi Cement	FF	20-Apr-21	16-May-21	10-Jul-21	3.00	2.89	103.8%
BOC	FIN	12-Apr-21	25-May-21	19-Jul-21	4.14	5.21	79.5%
Sasini	INT	11-May-21	02-Jun-21	15-Jul-21	0.50		
Safaricom	FIN	13-May-21	30-Jul-21	31-Aug-21	0.92	1.71	53.8%

BONUS ISSUE							
COUNTER	EVENT	ANNOUNCEMENT DATE	BOOK CLOSURE	PAYMENT DATE	ISSUE	ISSUED AND PAID	EXPECTED
I&M Holdings	BS	31-Mar-21	10-May-21	21-May-21	1:1	826,810,738	1,653,621,476

RIGHTS ISSUE							
COUNTER	EVENT	ANNOUNCEMENT DATE	BOOK CLOSURE	CREDITING DATE	ISSUE	ISSUED AND PAID	EXPECTED
Crown Paints	RI	21-May-21	31-May-21	15-Jul-21	1:1	71,181,000	142,362,000

AGM Meeting

Counter	Meeting Date	Venue
KCB Group	25-May-21	Virtual
Stanbic Holdings	20-May-21	Virtual
NCBA Group	09-Jun-21	Virtual
Stanchart Kenya	27-May-21	Virtual
Housing Finance	28-May-21	Virtual
ABSA Kenya	27-May-21	Virtual
Britam Holdings	28-May-21	Virtual
Nation Media Group	25-Jun-21	Virtual

Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

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.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited.

Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049540/0711049956

Email: kingdomresearch@co-opbank.co.ke/

Research Department

Willis Nalwenge [wnalwenge@co-opbank.co.ke](mailto:wналwenge@co-opbank.co.ke)
Shadrack Manyinsa smanyinsa@co-opbank.co.ke

Equities Trading

Justus Ogalo jogalo@co-opbank.co.ke
Andrew Karanja amkaranja@co-opbank.co.ke