

WEEKLY STOCK PICKS SELECTION

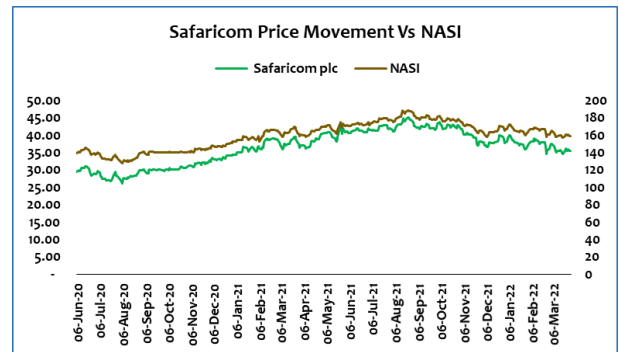
Equities' prices performances have been edging down in over the last three months since the onset of war in Eastern Europe which has halted supply of energy, metals, and agricultural supplies globally. Rising inflations globally has also necessitated central banks to hike interest rates, resulting to a ripple and sentimental effect on equities investment prices both locally and globally as bond yields soar up.

Price performance has resisted despite the strong result performance projected by the banking industry and telecommunication giant Safaricom figures. It's in the wake of this that we issue the following recommendations:

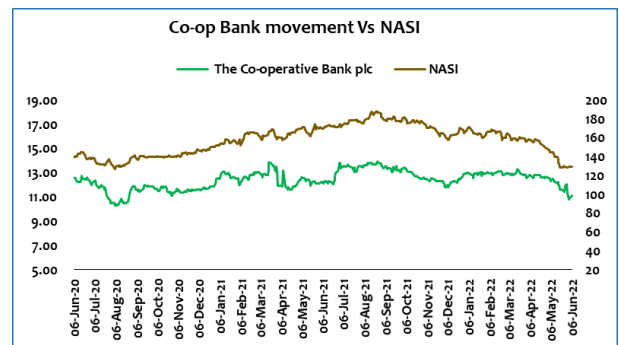
Safaricom – Long-Term Buy: Currently trading at KES 26.40, the telecom counter has shed 35.0% Y/Y, 30.9% YTD and 28.7% in the last six months. Recording a low of KES 26.00 in the last 12 months, the telcom giant has signaled signs of price recovery to its current price while repelling any further decline.

Fundamentally, Safaricom remained strong recording a 22.2% growth on its profits before tax for the year ending March 2022. This was boosted by a 45.8% increase in M-pesa revenue from KES 35.89Bn to KES 45.80Bn after return of transaction charges on reopened and improved economy.

In line with this and as we expect return of foreigners to rally prices upwards, reinforced by the counter's dividend policy of 80% payout, we recommend a BUY on the counter for long-term investors.



Co-op Bank Group – Long-Term BUY: The conservative bank remained least affected on its price compared to its peers on effect of capital exit from the market by foreigners. Immediately after its dividend book closure of KES 1.00 on 30th May, the counter dropped to record a low of KES 10.80 on Thursday, 2nd June. Later, on signs of recovery, the counter recovered reverted to the current price of KES 11.10 as at the closure of Monday, 6th June. The Group lost 8.6% Y/Y, 14.6% YTD and 7.5% and 14.3% in the last six and three months respectively.



The Bank reported a 56.3% spike in profits before tax (PBT) from KES 4.98Bn to KES 7.79Bn in Q1-2022 supported by strong growths in nonfunded income and interest income at 41.7% and 19.5% Y/Y respectively.

With the expected price recovery on the growing revenues and as we foresee a steady dividend payment and retain a BUY on the group's shares to gain both on capital gains and dividends.

KINGDOM SECURITIES

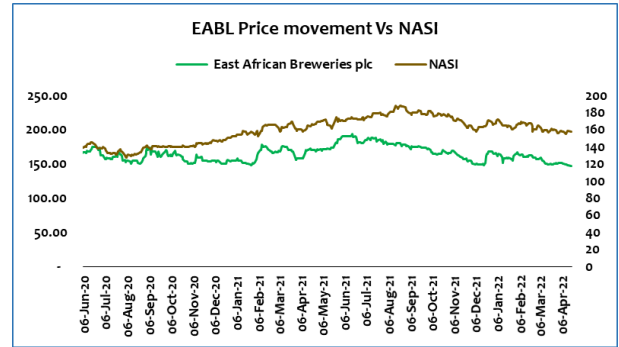
Equity Stock Picks

7th June 2022

East African Breweries (EABL) – Buy: Trading at KES 140, a 26.4% Y/Y and 15.6% YTD drops in comparison to that of above KES of KES 160.00 of the period before Russia-Ukraine war.

EABL recorded a lowest price of KES 139.00 on 6th May and has stabilized at an average of KES 140.75 in the last one month on a price recovery mode to its current price of KES 139.75

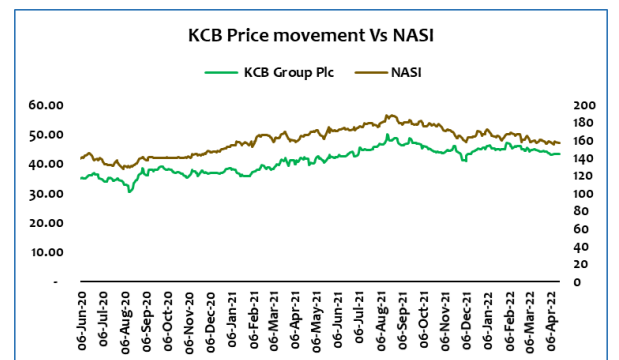
We anticipate a better financial performance for FY-2022 as evidenced by a 120.7% y/y jump in PBT for H1-2022 from KES 5.36Bn to KES 12.88Bn largely on improved economic environment. Factoring in the expected final dividend payment in addition to the KES 3.75 interim dividend for H1-2022, we forecast a further rise on its price and therefore issue a BUY recommendation.



KCB Group – Long-term Buy: Trading at KES 38.65, the counter has lost 8.4% Y/Y, 15.0% YTD and 13.8% in the last three months while recording a low of KES 35.00 on 18th May 2022. On signs of recovery, the Group has in the last two weeks recovered 10.6% from KES 35.00 to the current price of KES 38.79. Its highest price stood at KES 49.90 in the last 12-months.

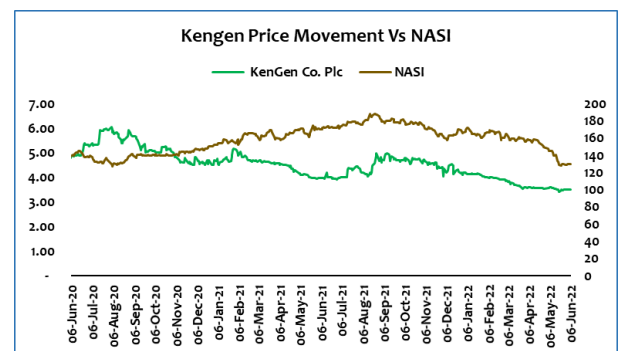
The lender remains resilient and expansionary both locally and regionally to report a 53.9% Y/Y rise in its PBT from KES 9.12Bn to KES 14.03Bn in Q1-2022. This was supported a 26.0% rise in total income. We expect returns on investment to investors to improve as we forecast a KES 3.0 dividend payment for long-term investors.

In addition, we anticipate a further price recovery upon return of foreigners and therefore issue a BUY recommendation to both short-term and long-term investors.



Kengen – Short-Term Buy: Currently trading at KES 3.49 after striking a high of KES 4.98 on 10th September 2021 and a low of KES 3.42 on 19th May 2022, the counter has lost 11.8% Y/Y and 16.5% YTD. In the last six and three months the electric generating company has lost 16.9% and 8.4% and further reduced its losses to 2.5% M/M on what seems to be price recovery from its bottom price.

The energy listed counter's last 3, 6 and 12-months averages are KES 3.52, KES 3.77, and KES 4.15 respectively. In comparison to 2021 and 2020, the company's 12-months average were KES 4.47 and KES 5.17 respectively.



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

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