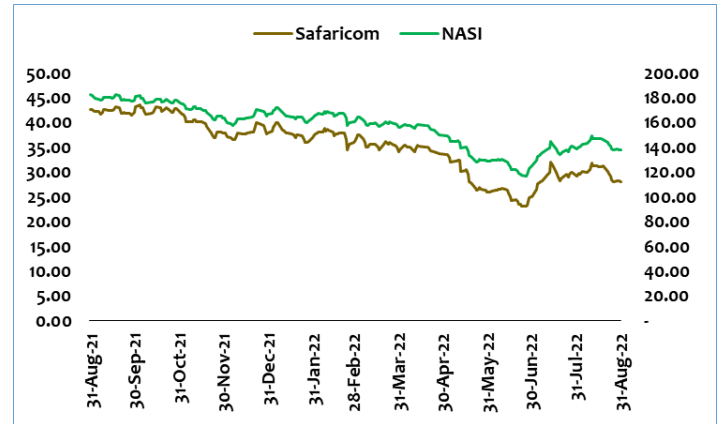


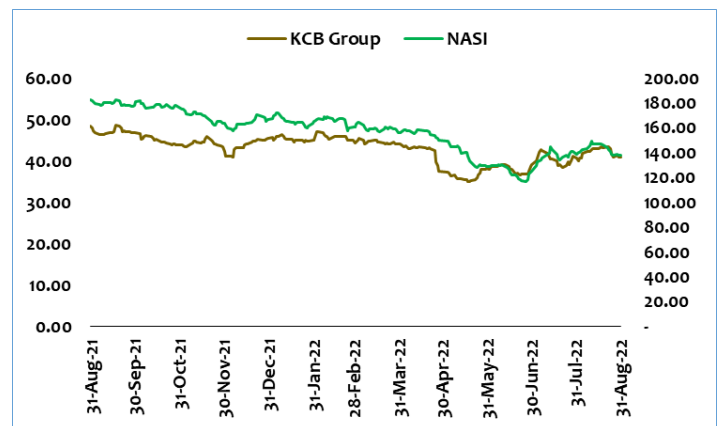
#### A petitioned Market

The ongoing presidential election petition has depressed the market with the NSE 20 Share index dipping 0.4% w-w driven by value loss on large cap stocks. Strong H1-22 results did not offer reprieve as foreign investors opted to sit on the side resulting to foreign activity plunging to 56.5% with a net outflow of KES 17.23Bn as at end of August compared to 57.4% and a net outflow of KES 1.14Bn same period in 2021.

**Safaricom Plc- BUY** – The telecom company is trading 4.0% w-w low closing August at KES 27.95 with trades as low as 27.50. The stock will continue to have a large impact on the market. For those who entered post-election value of KES 31.25, we advise them to bear the wave. Those who entered at low levels of KES 23.10 in mid-June, we advise a SALE to enjoy the 21.0% return plus the final dividend after book closure on July 29<sup>th</sup>, 2022. They can re-enter on the next upswing which will mostly happen after Supreme Court ruling on the ongoing presidential petition.



**KCB Group Plc- BUY** – Regional expansion is set to make the lender one of the largest financial group in east and central Africa. The bank posted a 28.4% y-y upward jump in PAT supported by a growing asset base and a 20.3% expansion of loan book.



The lender has seen negative publicity on its NPL at 21.5% in H1-22 from 14.3% in H-21 and 680.obps above Kenyan industry NPLs of 14.7% in H1-22. Management has committed to reduce the NPLs to 15.0% - 17.0% range which is expected to remain above Kenyan industry levels.

The Group PE and PB stands at 3.3x and 0.7x respectively compared to sector PE and PB of 3.6x and 0.8x respectively.

On interim dividend, the company did not pay traditional interim per share dividend of KES 1.00. However, management did not rule out payment of the interim in Q3-22.

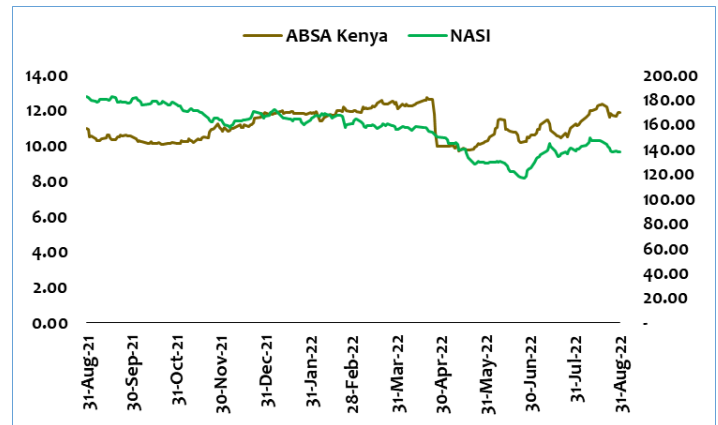
# KINGDOM SECURITIES

## Equity Stock Picks

September 1, 2022

**ABSA Bank Kenya – BUY** – One of the two banks that issued an interim dividend paying KES 0.20. This is a resumption of interim payment after failing to pay in 2020 and 2021. The dividend issued will support the price as we well expect a full year dividend. The stock share trades at a PE and PB of 5.2x and 1.1x against sector PE and PB of 3.6x and 0.8x respectively.

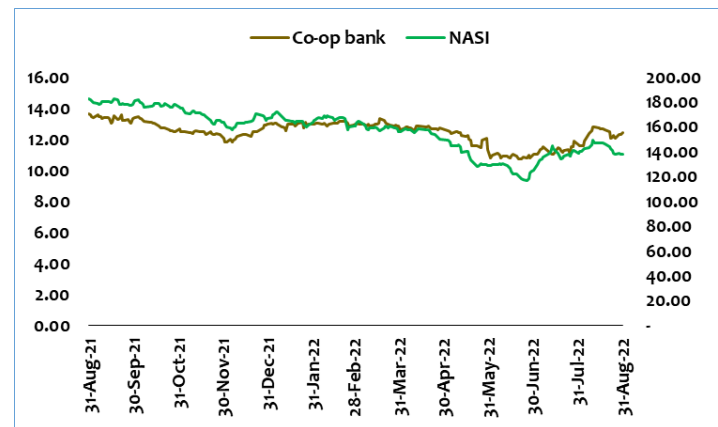
The sustainability of the share price, +2.2% w-w, is pegged on high dividend yield of 9.3% with a forecast of a total dividend of KES 1.10 for FY-22. Investors looking to enter the stock should focus on the annual income as it trades 6.7% lower than 12-months high of KES 12.70.



**The Co-operative Bank of Kenya – BUY** – The lender has seen a drive by e-credit to support NFI. Co-op continues to work on taming NPLs with H1-22 NPLs at 13.7% compared to 14.6% in H1-21 and lower than industry NPL of 14.7% in H1-22.

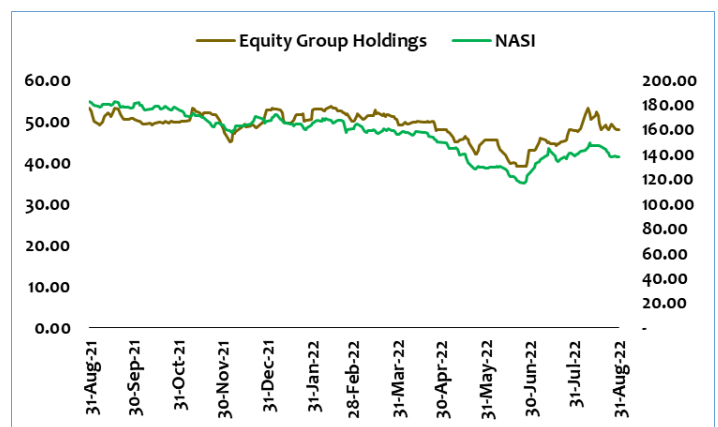
We expect traditional dividend payment Bank for a dividend yield of 8.9% or a potential 10% upside to the 12-month high price of KES 13.65 seen around book closure period.

The lender trades 3.1x and 0.8x on PE and PB against sector PE and PB of 3.6x and 0.8x respectively and strong fundamentals.



**Equity Group Holdings – HOLD** - The tier one bank is currently trading at KES 48.00, flat levels week on week despite announcing KES 23.75Bn, a 35.3% y-y rise in H1-22 profits. The stock is currently trading with a PE and PB of 3.8x and 1.2x respectively compared to sector PE and PB of 3.6x and 0.8x respectively.

Heavy foreign exits after positive foreign inflow pre-announcement left the counter 10.3% lower than KES 53.50 share value pre-announcement. The current price remains 12.6% lower than our valuation price of KES 54.04.



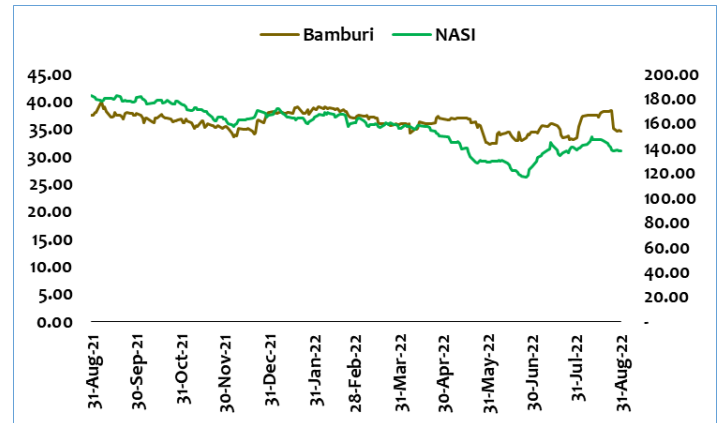
# KINGDOM SECURITIES

## Equity Stock Picks

September 1, 2022

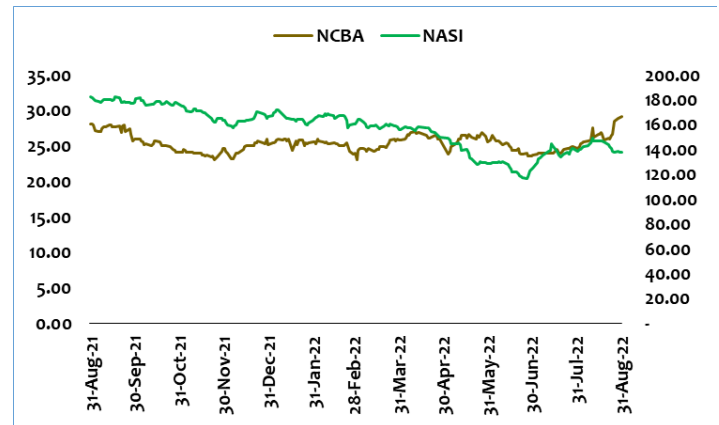
**Bamburi – SELL** – Recovery of the cement industry has not sat well with the largest cement manufacturer with the company posting a 2.6% y-y growth in turnover compared to 22.0% growth in industry consumption level. We expect a weak H2-22 due to the effects of general election in Kenya, which contributes c.60.0% in turnover and being a net importer of clinker, the ongoing global conflict and weakening shilling will affect logistics impacting cost of sales and bottom-line.

The share has lost 9.6% w-w and is expected to trend downward further towards the 12-months low of KES 32.00. We expect a dividend payment as the cement manufacturer retains a strong cash levels.



**NCBA Group – SELL** – The lender issued an interim of KES 2.00 per share, a 166.7% increase from KES 0.25 in H1-21. The group saw a 56.7% y-y rise in profit after tax to trade at a PE of 3.1 and 0.6x against sector PE and PB of 3.6x and 0.8x respectively.

The share currently is trading at a 12-month high of KES 29.10, heavily buoyed by the interim dividend of KES 2.00, book closure of September 15<sup>th</sup> and a payment on September 30<sup>th</sup>. We advise the client to reap the gain of 18.1% and let off the dividend as we expect the stock to reverse back towards its 3-month average of KES 25.40.



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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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