

A Heaven for Retail Investors

Rate hikes in Developed Countries and fear of recession has created jittery amongst investors leading to a flee to dollar haven and out of global equities markets with the FTSE Global All Cap Index dipping 22.6% y-y basis compared to NASI dip of 26.2% y-y. The local market continues to create pockets of discounted entry points especially on the large cap stocks.

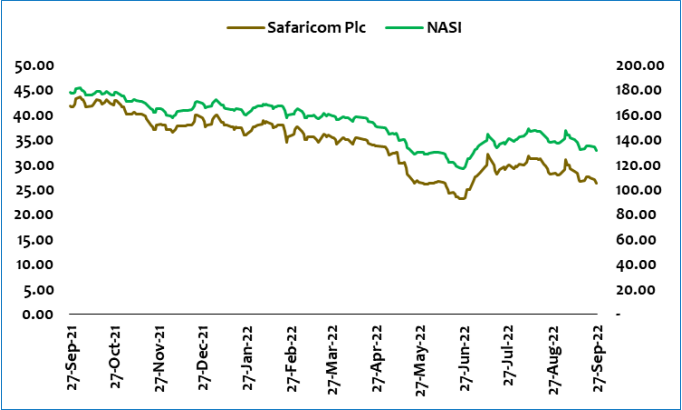
The movement has not spared the local market with foreign activities remaining under 50% for the last seven days averaging at 31.5% and a sum outflow of KES 1.10Bn. During the period, outflow made the market stable backwards with NSE 20 Share Index shedding 1.4% while the NASI losing 0.6%. This creates a perfect platform for retail clients with long term investment strategy to enter.

Safaricom Plc – Long Term Buy – The counter has seen KES 13.46Bn in net outflows as of end of August 2022. This has left the share down 37.3% y-y, 31.2% y-t-d and 2.2% lower on post rate hike by developed economies.

The company, which closes its H1-2023 at the end of this month is expected to see strong bottom-line supported by strong performance from M-Pesa with the revenue line overtaking voice revenues to contribute 39.9% compared to 34.5% of service revenues respectively.

The telecom, with its Fuliza partners, issued a 40.0% discount on Fuliza tariff. In the short run, this will not have a huge impact on the Fuliza revenues and M-Pesa revenues as Fuliza revenues are 1.25 on amounts lend and 0.01% of total M-Pesa revenues. In the long run, it will generate additional revenues as clients will tend to afford quick repayment increasing Fuliza turnover.

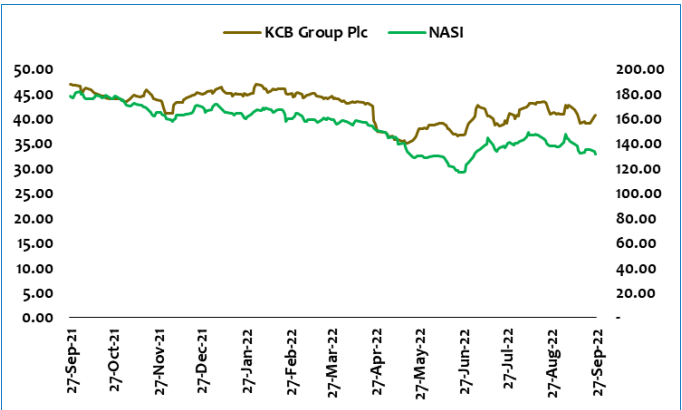
The exit of foreign investors has had a huge impact on the share price. We reckon that the long term turn of global economy and central bank rate cut will lead to an influx of foreign investors leading to an upward surge on the stock price leading to our long term BUY recommendation at the current price of KES 25.95.



KCB Group Plc – Long Term Buy – The Shareholders gave the Group a go ahead with the acquisition by the Company of Trust Merchant Bank SA (TMB). Unfortunately, the news was overshadowed by rate hike new in the US, UK and EU leading to a downward shift in share value. We maintain that the bank is on track to issue an interim dividend in Q3-22 leading to a confidence in the stock.

Foreign effect on the stock was a net outflow of KES 1.11Bn with a low activity of 30.8% on y-t-d basis.

The lenders PE and PB of 3.3x and 0.7x against industry 3.6x and 0.8x respectively.

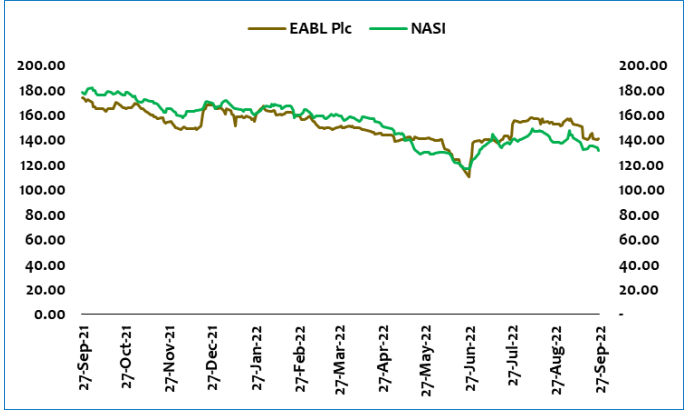


We retain a Long Term Buy a KES 41.40 as the market remains depressed by global macroeconomic environment.

EABL – BUY - The beer manufacturer continues to post strong results as the East African economy continues to open. The changes in key staff within the Diageo Group is meant to align management with the regional strategies.

The manufacture dividend payment is due on 30th October. We expect an interim dividend on its H1-23 performance as per tradition.

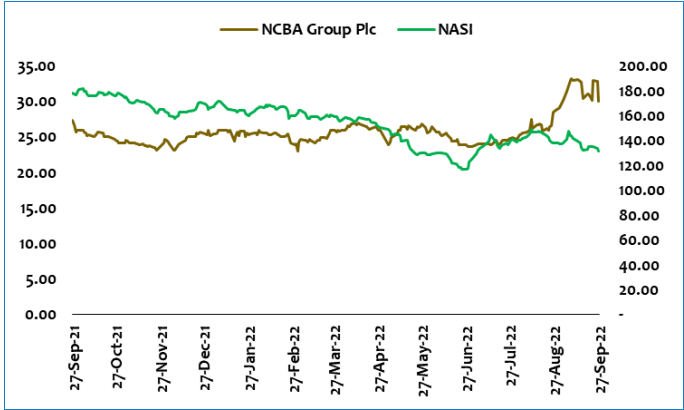
The price movement is purely pegged on the dividend announcement and result release. The counter remains affected by foreign activities with an outflow of KES 1.28Bn and 67.0% activities leaving the price at a discounted entry price of KES 143.25.



NCBA Group Plc – SELL – The counter’s interim dividend is set to be paid on 30th September after book closure a fortnight before. The interim dividend announcement was the key driver on price gain coupled with demand rush on the stock post announcement as 35.95Mn shares were transacted from August 25th to September 25th compared to 29.24Mn since the beginning of year to August 25th.

The counter PE and PB is at 3.2x and 0.6x against market figures of 3.6x and 0.8x respectively.

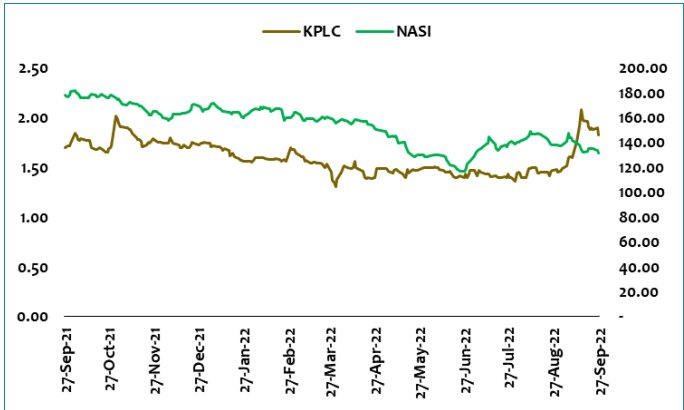
The stock shed 3.4% w-w and we view an exit price of KES 31.45 plus an interim dividend yield of 6.7% as earnings for shareholders who entered at the preannouncement price of KES 26.60 to gain 18.2% for a total return of 24.9%.



KPLC- SELL – The hype on the utility company came to an end with the counter touching a high of KES 2.08 on September 15th.

The market awaits FY-22 results with no expectation of dividend payment on the counter

The counter has shed 4.2% w-w and 12.0% since touching the 52-week high. We expect a further decline post announcement to the long-term average price of KES 1.45 (-20.8%) on lack of dividends. We recommend an exit at KES 1.89.



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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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