

WEEKLY STOCK PICKS SELECTION

Equity prices have tumbled in the recent few weeks providing appetizing investment options on some selected counters that we have identified herein for investing. The price recessions is largely attributed to interest rate hikes by central banks globally that has left the local stock market short of foreigners.

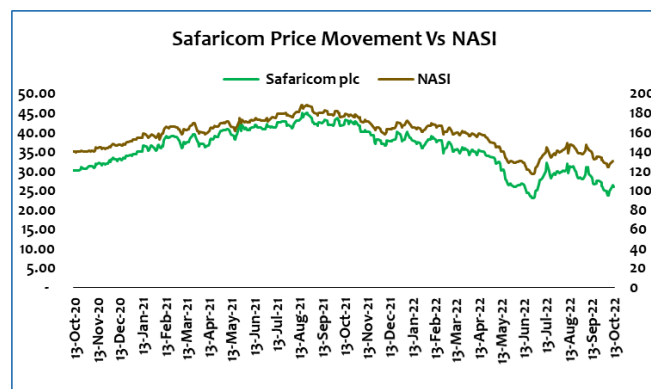
Safaricom - Long-term Buy: Trading at KES 26.35, the telecommunication giant counter has encounter reached a resistance price of KES 23.65 on Thursday 6th October 2022. The counter has largely been affected by interest rate hikes globally which has seen return on investment in developed countries appetizing and therefore resulting to foreigners' recall of cash and exit on the counter.

Also, weighing in on the new government policies, there remains a keen interest in the market by foreigners who are ready to invest in the counter once these policies are out.

The counter successfully launched its operations in Ethiopia on 6th October with the mobile money set to be rolled out in the next two to three months according to Reuters.com reporting.

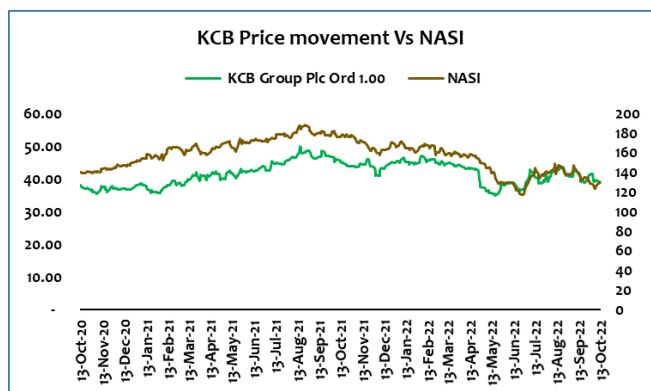
Safaricom is set to announce its H1-2023 results for the six-month period ending 30th September on 11th November 2022. We anticipate this to outperform that of H1-2022 and help rally the price upwards.

In view of all these, we forecast a price elevation on the counter to above an average of KES 33.37 witnessed in the last one year and therefore retain our BUY recommendation.



KCB Group – BUY: Trading at KES 39.10, the East African bank leader has gained 11.7% from a low of KES 35.00 on 18th May 2022 and lost 20.2% after recording a high of KES 47.00 early February 2022. The Group's average price stands at KES 42.19 but remains affected by the above foreigners' exits who normally move about 25% of the counter's turnovers.

The lending Group recorded a stellar performance of a 28.4% jump in profit after tax (PAT) to KES 19.65Bn on its H1-2022 financials. This pushed the bank's earnings per share (EPS) 27.6% y/y up to 12.15 from that of 9.52 in Jun-2022.



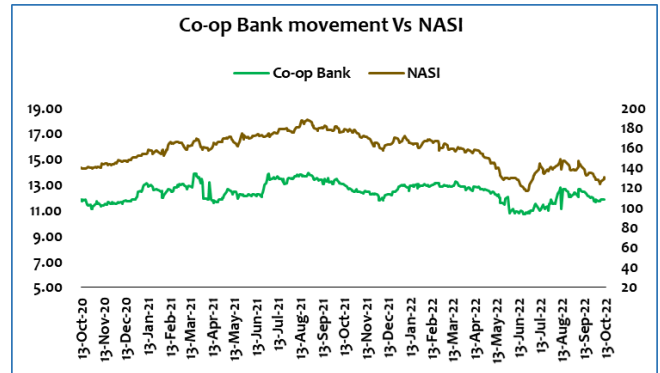
As the Group continues expanding its muscles evidenced by the recent acquisition of 85.0% of Trust Merchant Bank (TMB) of DRC, we anticipate of an expansion on its fundamentals which will see return on investment flourish. We therefore retain our BUY recommendation on the counter with a price target of above KES 47.00, a 20.2% upside.

KINGDOM SECURITIES

Equity Stock Picks 13th October 2022

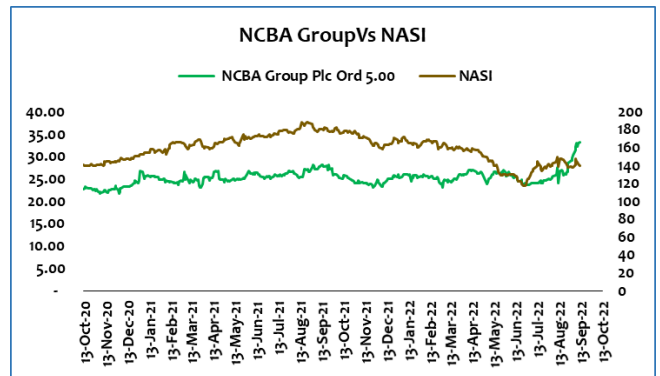
Co-op Bank Group – BUY: Trading at KES 11.85, the conservative lender has shed 3.6% from its 12-months average price of KES 12.28 after recording a low of KES 10.70 in mid-June and a high of KES 13.30 in mid-March 2022.

The lender remains resilient on its core sphere recording a 55.6% spike in its H1-2022 PAT from KES 7.37Bn to KES 11.47Bn in H1-2022 pushing the EPS 54.8% up to 1.95. The Group paid a dividend of KES 1.00 in FY-2021, an 8.4% dividend yield from the current price and a 35.1% payout ratio. On its FY-2022, we predict a > KES 1.00 dividend return and foresee a price recovery to above KES 15.00, and therefore retain our BUY recommendation.



NCBA Group – SELL: Trading at KES 32.25, the lending group has lost 2.3% from a high of KES 33.10 recorded on 12th September, just before its KES 2.00 interim dividend book closure on 15th September 2022, which saw the counter gain 43.9% from a low of KES 23.00 in early March 2022. The lender's price dropped to a low of KES 30.05, a 10.1% drop.

The Group's average price for the last 12-, 6-, and 3-months stands at KES 25.88, KES 26.85, and KES 28.24 respectively. To gain on capital gains, we advise our clients who bought at a price of below KES 29.00 for > 11.0% gain.



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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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