

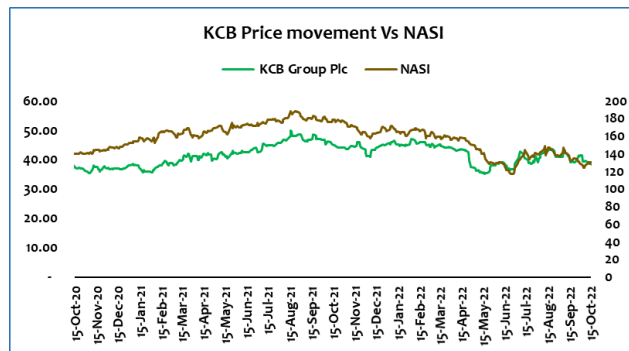
### WEEKLY STOCK PICKS SELECTION

As economies gobble with soaring inflations globally, we have selected the following stocks for your investment considerations:

**KCB Group – Buy:** Trading at KES 37.05, the lender has shed 4.5% m-m, 10.6% Q-t-d, 18.7% y-t-d and 16.7% y-y. Its highest and lowest price this year were at KES 47.00 and KES 35.00 traded in the first week of January and the third week of May 2022. Its highest price in 2021 and 2020 were KES 49.90 and KES 55.00 while trading at lows of KES 35.70 and KES 30.55 same time respectively.

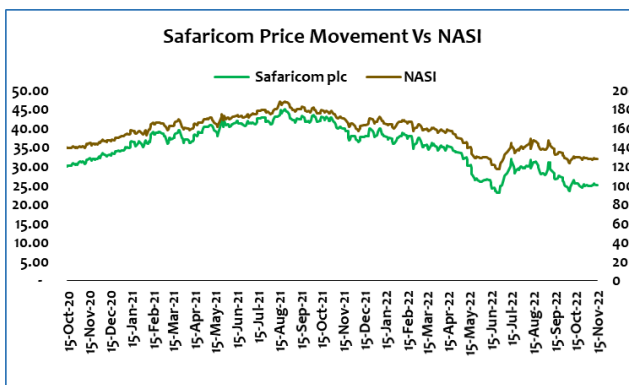
The Group has been reliable in dividend payment, issuing dividends of KES 3.00, KES 2.00, KES 3.50, KES 3.00 and KES 3.00 for the FY-2021, FY-2020, FY-2019, FY-2018 and FY-2017 respectively, an average payout of 35.8% against the Group’s policy payout of 50%. Owing to this and following a better H1-2022 performance where profits after tax (PAT) spiked 27.7% up to KES 19.52Bn, an annualized EPS of 12.15. We forecast a total FY-2023 dividend of KES 3.50 which result to a dividend yield of 9.4% on the current price of KES 37.05 and thereby push the price upwards to levels of above KES 45.00

It’s in line with this that we retain a BUY on the counter to both long-term and short-term investors.



**Safaricom Group – Long-Term Buy:** The Telecommunications giant declared an 18.4% drop to KES 30.23Bn on its H1-2023PAT on heavy cost injections to its Ethiopia subsidiary. The counter however remains strong recording a 4.6% uptick in total revenues to KES 153.53Bn on its H1-2023. Safaricom Ethiopia is project to break-even in year four at an expected 40% EBITDA margin.

Currently trading at KES 25.05, the counter’s price has sunk by 16.9% in the last 6-months, 34.2% y-t-d and 37.6% y-y. Its highest and lowest price in the last one year are KES 40.05 and KES 23.10 respectively.



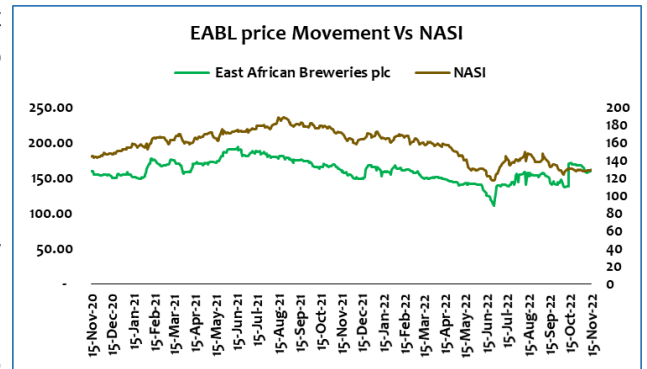
We view the counter’s price discounted, weighed down by heavy foreign outflows in search of better returns aroused by the recent/ongoing interest rate hikes. This has triggered heavy foreign capital exits of which we perceive to reverse considering that Kenya is an emerging market with great interest by many foreigners.

We value the Group’s price at KES 32.29, a 28.9% upside and therefore retain our BUY recommendation.

**East African Breweries (EABL) – BUY:** The counter continues trading at discount, a 18.9% lower at the current price of KES 161.50 compared to the proposed acquisition price of KES 192.00 announced by Diageo on 14<sup>th</sup> October 2022. Upon the declaration, EABL’s price surged 23.2% from KES 138.00 to KES 170.00 per share.

On its Information to the public, Diageo Kenya intends to acquire an additional 118.39Mn shares in two phases, starting from 30<sup>th</sup> January 2023 to 16<sup>th</sup> February and thereafter from 20<sup>th</sup> February to 10<sup>th</sup> March, 2022, if the target would not have been achieved in the first round.

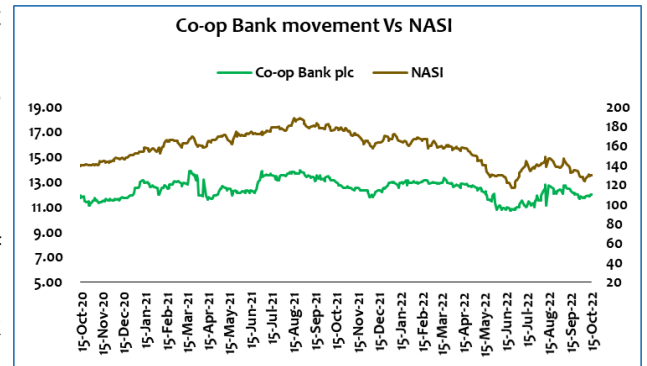
It is with this information; we advise our short-term clients to take position/**BUY** at the current price and afterwards **SELL** at the proposed price.



**Co-op Bank Group – Long-Term Buy:** Trading at KES 12.00, the largest Co-operatives Bank has dropped 3.3%, 8.8% and 5.6% in the last 6 months, y-t-d and y-y respectively. Its 12 and 6-months average price stands at KES 12.21 and 11.7% respectively while recording a high a low price of KES 13.30 and KES 10.70 respectively in the last one year.

The lender has been consistent on its dividend payment, issuing an average of KES 1.00 per share in the last four year, an average payout of 42.9%.

In its H1 financials, Co-op Bank posted a 60.6% jump in profits after tax from KES 7.37Bn to KES 11.83Bn signaling of a better FY-2023 performance. In view of this we project a superior return on investment which will push the price upwards, and therefore to gain on both dividend income and capital gains we retain our BUY recommendation on the counter.





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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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