

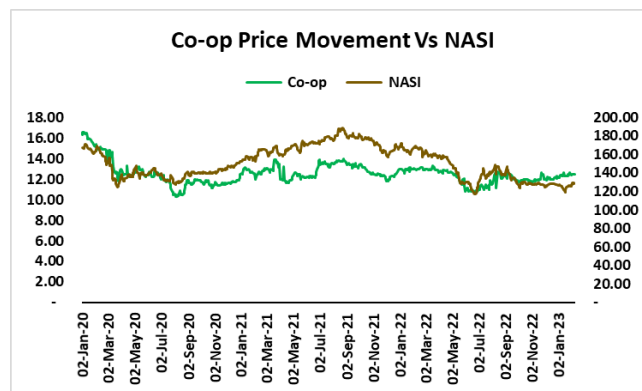
WEEKLY STOCK PICKS SELECTION

The gradual easing of inflation pressures to 9.0% in January signals price recoveries in the stock market as the earning season for several counters draws near. Its further reinforced by the retention of central bank rates both locally and in the global market. In line with this, we have identified the following stocks for your investment considerations:

Co-op Bank –BUY: Trading at KES 12.50 as of 8th February 2023, the counter has gained 4.6%, 1.2% and 3.3% in the last 3 and 6 months and year to date (y-t-d). Its highest prices in 2020, 2021 and 2022 were KES 16.55, KES 13.95 and KES 13.30 with lows of KES 10.30, KES 11.60 and 10.70 same period respectively.

The Lender's profits after tax (PAT) expanded by 37.3% Y/Y from KES 11.623Bn in Q3-2021 to KES 17.10Bn in Q3-2022 signaling of a better and return on investment performance on its FY-2022.

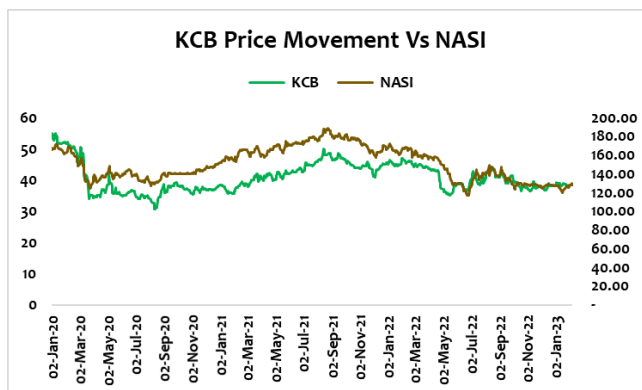
The Group has been consistent in rewarding its investors, paying dividends of KES 1.00 in the last 4-years. In view of this, we anticipate the Group to issue a final dividend of KES 1.00 on the low in FY-2022 which we expect will rally its price upwards. In view of this and the Bank having withstood the winds of Covid and economic distress, we strongly retain our BUY recommendation on the counter to benefit in both dividends and capital gains.



KCB Group – BUY: Trading at KES 38.50 on 8th February 2023, the lender has gained 0.4 and 4.8% y-t-d and in the last 3 months while shedding 8.8% and 17.1% in the last six months and year respectively. Its lowest price in 2020, 2021 and 2022 were KES 30.55, KES 35.70 and 35.00 while hitting highs of KES 55.00, KES 49.90 and 47.00 respectively.

The Group posted a stellar financial performance in the first three quarters of 2022. Its profits after tax (PAT) spiked 21.4% Y/Y to KES 30.59Bn in Q3-2022. The Bank issued a KES 1.00 interim dividend, paid on 13th January 2022.

Following an expected better performance for FY-2022, we expect the Lender to retain a final dividend of KES 2.00 on its FY-2022 results to give a total of KES 3.00 that was paid in 2021. This will rally the price upwards to levels of above KES 45.00, and therefore retain our BUY recommendation on the counter.



Equity – BUY: Currently trading at KES 45.00 (08-Feb-2022), the lender's price went up 1.1% in the last three months while shrinking by 12.6% and 14.7% in the last 6- and 12-months. Its last 3, 6- and 12-months average prices are KES 45.51, KES 46.37 and 46.87 respectively. Its highest in 2020, 2021 and 2022 were KES 55.00, KES 54.25 and KES 53.50 with lows of KES 28.10, KES 36.00 and KES 39.00 respectively.

KINGDOM SECURITIES

Equity Stock Picks 8th February 2023

The Group's Q3-2022 PAT jumped 27.9% to KES 34.38Bn from that of KES 26.87Bn of Q3-2021. This remained boosted by the Bank's growing interest and non-funded incomes which saw the company's earnings per share 26.6% Y/Y up from 6.98 to 8.84.

The lender resumed dividend payment in 2021, issuing a final dividend of KES 3.00, which we expect the lender to retain in its FY-2022 results. We expect this to help in the counter's price recovery to the pre-covid levels and therefore retain our BUY recommendation.

Safaricom – BUY: Trading at KES 24.00 (08-Feb-2023), the giant Telco's price has shed 4.0%, 20.0% and 38.3% in the last 3, 6 and 12 months respectively. The counter was the most hit by the global interest rate hikes and geopolitical tension sentiments. These saw recall of cash from emerging economies and thereby affecting foreign dominated stocks, especially Safaricom.

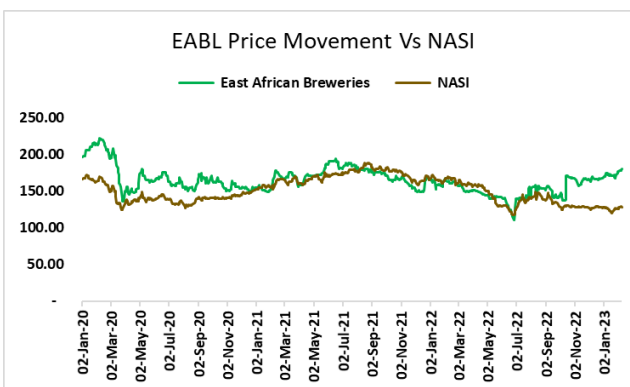
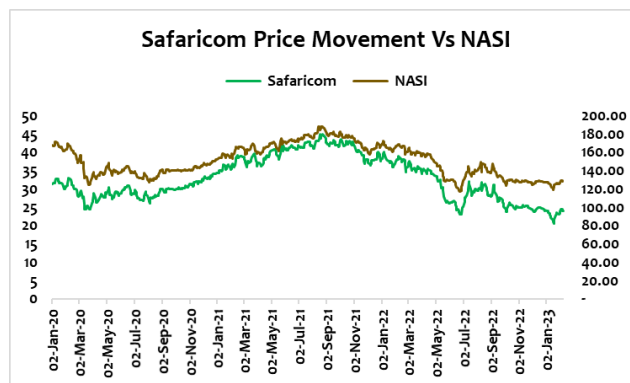
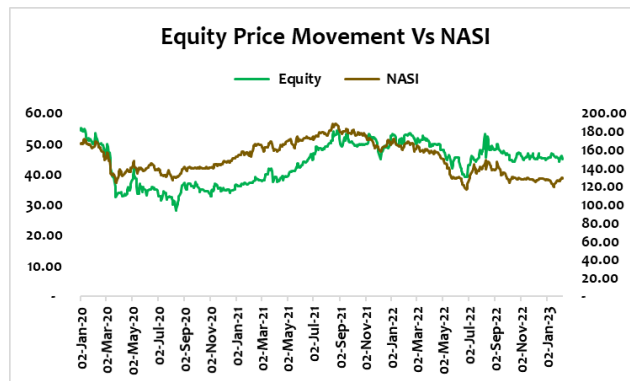
Fundamentally, Safaricom remains strong posting a PAT of KES 30.23Bn, an 18.4% Y/Y drop on effect of the infrastructure and operational cost towards its Ethiopia subsidiary, that went live in August 2022.

With the easing of global inflations witnessed in January 2023, we expect the central bank rate hikes to recede globally and thereby impact stock prices. This will see the Telco's price recover furthered by the Ethiopia Subsidiary incomes and therefore retain a LONG-TERM BUY on the counter.

EABL – SELL: Currently trading at KES 179.75, the manufacturing company's price has spiked 13.1%, 15.8% and 10.3% in the last 3, 6, and 12-months being necessitated by the Deageo offer of acquiring 118.39Mn shares from the market at a price of KES 192.00 per share. Before the Deageo offer announcement, EABL was trading at KES 138.00 on 13th October 2022, which jumped to KES 170.00 on 14th October after the declaration.

The proposed offer started on 6th Feb 2023 to close on 24th Feb 2024. If the proposed target won't be attained, the second phase will reopen on after the result announcement on 6th March and close on 17th March 2023.

In our opinion, we advise our clients to SELL their EABL holdings by way of an over the counter transaction through selected agents, KSL, with an expectation of repurchasing them on price stabilization thereafter.



KINGDOM SECURITIES

Equity Stock Picks
8th February 2023

Shareholders who tender their shares retain the right to receive the declared interim dividend of KES 3.75 for HY-2023 by EABL's Board of Directors, since the dividend book closure is prior to the tender's settlement date. The book closure and payment date for the dividend are scheduled for 16th February and 28th April 2023 respectively.

Note: See below the stock the market prices, ratios and market summary table.

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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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