

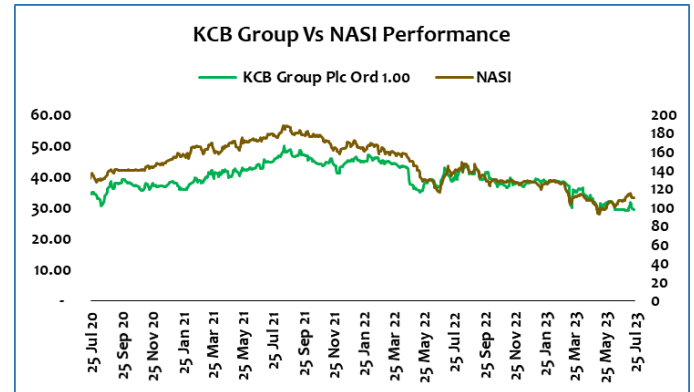
WEEKLY STOCK PICKS SELECTION

Stocks continue trading at their lows depressed by high cost of living occasioned by high inflation both locally and globally. In view of this, we have identified the following stocks for your investment considerations.

KCB Group – BUY: trading at KES 29.00 per share as of 25th July, the lending Group has lost 11.8%, 23.6% and 24.2% in the last 3, 6 and 12 months respectively. Its highest and lowest prices in the last one year are KES 43.50 and KES 28.50 recorded in August 2022 and May 2023 respectively. The Group’s 3, 6- and 12-months’ average stood at KES 30.59, KES 33.61 and KES 36.45 respectively.

The lender’s Earnings per share declined 0.3% y-y to 12.14, on higher expenses from its regional expansion with the recent being the acquisition of Trust Merchant Bank in Congo. Estimates on TMB’s market share in Congo stands at 11.0%. The Bank’s loan book remains on an uptrend growing by 31.9% year-on-year (y-y) on its Q1 2023 from KES 704.37Bn to KES 928.82Bn.

We retain our BUY recommendation on the counter as the Group remains a good investment prospective to long-term investors.

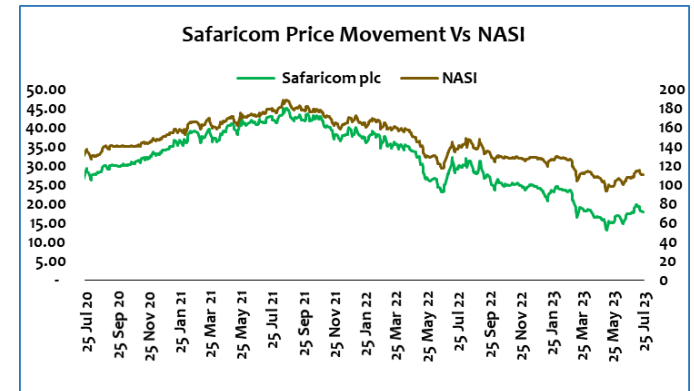


Safaricom - Long-Term Buy: The Telco giant Telco was the most affected by geopolitical risks and interest rate hikes. This saw many foreign investors exit the counter resulting to a lowest price of KES 13.00 recorded in May 2023 from a high of KES 31.80 in the last one year. Its current price is KES 16.80 (25th July 2023).

The company’s PBT declined 13.6% from KES 102.21Bn in FY 2022 to KES 88.35Bn in FY 2023 on a higher operating expense that accelerated at 34.6% from KES 55.19Bn to KES 74.09Bn upon the set-up of its subsidiary in Ethiopia. On its quarterly update, Safaricom Ethiopia recorded KES 974.7Mn as its subscribers rose to 4.5Mn customers.

Following the successful launch of business in Ethiopia, with a current network coverage of over 25% of Ethiopia’s population, we expect a surge in the counter’s revenues and shareholders’ returns.

Safaricom issued a final dividend of KES 0.62 whose book closure and payments dates are 28th July and 31st August respectively.



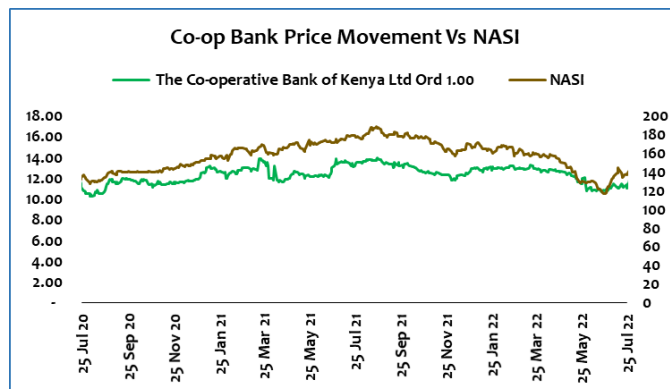
KINGDOM SECURITIES

Equity Stock Picks 25^h July 2023

Co-op Bank Group – Buy: Currently trading at KES 11.95, the Group has lost 3.1% in the last 6-months while remaining among the few stocks that have remained stable. The Lender recorded a low of KES 10.80 and a high of KES 13.35 in the last one year. In 2022 and 2021, the Group’s lowest prices were KES 10.70 and KES 11.60 and while hitting highs of KES 13.30 and KES 13.95 respectively.

The Bank’s return on investment has remained on an up-trend with its PBT for Q1-2023 rising by 5.1% from KES 7.76Bn to KES 8.06Bn of an EPS of 1.04 compared to that of 0.99 in Q1-2022.

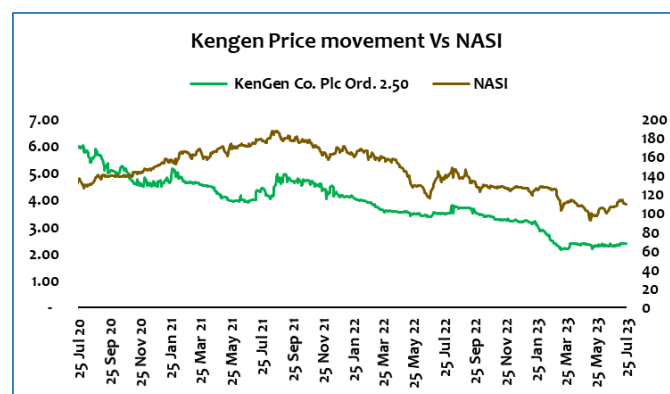
The Group paid a dividend of KES 1.50 in FY 2022 giving a dividend yield of 12.3%, representing a 50.0% spike from that of KES 1.00 in FY 2021. We therefore retain our BUY recommendation on the Bank’s share to for dividend income.



Kengen – Buy: Trading at KES 2.40, the electric generating company has lost 23.6% in the last 6 months and 31.4% year-on year while averaging at KES 2.42 and KES 2.92 in the same period.

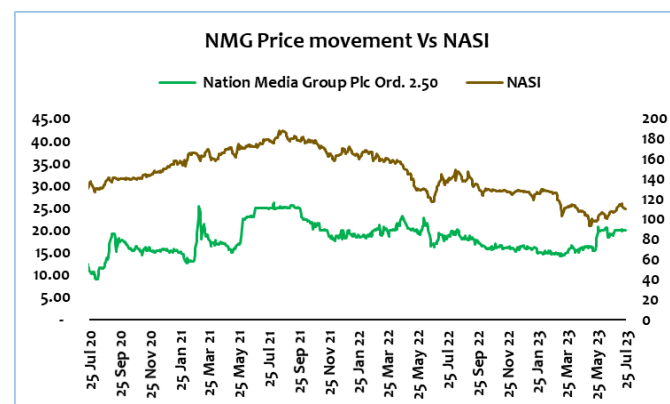
The company is expected to release its FY 2023 financials in September 2023 where we expect the company to retain its first and final dividend of KES 0.20, an 8.3% dividend yield on the current price. We expect this to push the counter’s price to levels of above KES 2.60, giving a total return of 16.7%.

On its half years performance, Kengen’s revenue went up 11.0% from KES 24.74Bn in H1 2022 to KES 27.46Bn in H1 2023. Profit before tax (PBT) however, dropped 4.5% from KES 4.97Bn to KES 4.75Bn on a higher expense during the period on effect low rainfall that affected its power production.



Nation Media Group – Sell: Trading at KES 20.05, the media Group’s price as gained 25.8%, 25.4% and 5.3% in the last 3, 6 and 12 months having recorded a low price of KES 14.15 and a high of KES 20.85 in the last one year. The Group’s price short up upon the dividend announcement of KES 1.50 whose book closure happened on 16th and payment date scheduled for 31st July 2023.

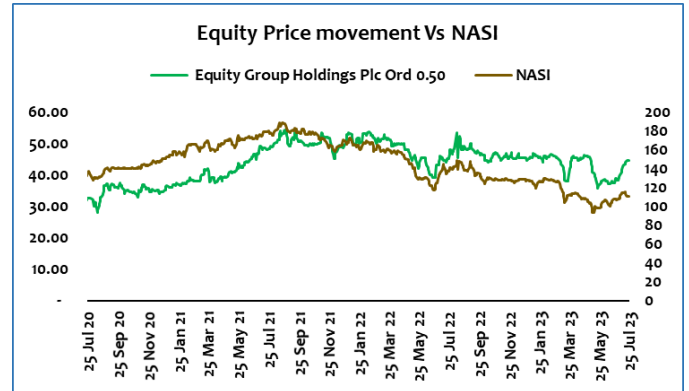
The company’s Board announced second shares buy back at a price KES 20.00 effective 3rd July 2023 to 2nd July 2024. This further elevated the counter’s share price from KES 15.60 on 24th May to the current price, having gained 26.6% year to date.



We advise retain our SELL recommendation on the Group’s share price as the company’s financial performance remain affected with the rise of social media. This has seen its revenue drop in the last 8-years.

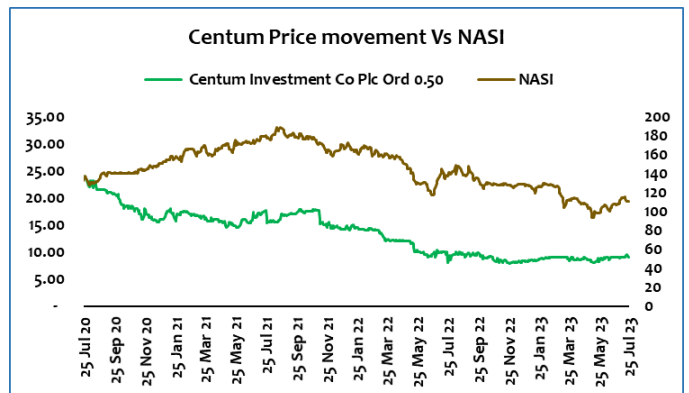
Equity Group – SELL: Trading at KES 44.50, the Group’s price has spiked 18.7% in the last one month rallied by heavy foreign inflows. We attribute the heavy foreign inflows in Group’s shares as necessitated by its recent acquisition of 91.9% stake in Compagnie Générale De Banque PLC in Rwanda.

Following this acquisition, Equity’s price has surged from a low of KES 35.80 recorded in May 2023 to the current of KES 44.50. We therefore review and change our recommendation to a SALE to the investors who purchased a price of below KES 36.00 to earn on capitals gains and wait for purchase as the price is expected to edge down.



Centum Investment – SELL: Trading at KES 9.06, the cross-listed counter’s price has gained 3.9%, 4.1% and 10.5% in the last 3, 6 and 12-months with average prices of KES 8.76, KES 8.81 and KES 8.82 per share in the same period.

On 22nd July 2023, Centum issued a profit warning projecting that its profits will decline by more than 25% in FY-2023 ending 31st March 2023, compared to a loss after tax of KES 31.96Mn reported in FY-2022. The further loss is impacted by the impairment provisions on its Two Rivers Development Limited.



Following the announcement, we expect the counter’s price to be impacted and advise our clients to SELL to avoid further losses.

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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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