## Equity Stock Picks 30<sup>th</sup> August 2023

## WEEKLY STOCK PICKS SELECTION

Stock prices have recorded their lowest levels occasioned by the rate hikes and the rising treasury rates that continue to see capital flights by foreigners from emerging economies even as financial performance of several listed companies remain strong. Global and local indices tracking prices have hit their lowest levels, positioning local investors at good entry points.

**KCB Group – BUY:** Trading at KES 23.75 per share, the lender has hit a seven-year low, with a high price of KES 42.70 in the last one year. Before the covid pandemic, the Group traded above KES 50.00, recording a high of KES 55.00 on 3rd January 2020.

The Group's price remains affected by investors' sentiment emanating from a drop in net profits affected by higher expenses elevated by its recent acquisitions and provisions for the fastgrowing loan book. The price also remains affected by heavy foreign exits on account of a weakening local currency.

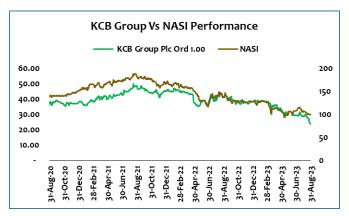
On its H1-2023 financials, KCB recorded KES 22.46Bn profit before tax (PBT), a 20.3% year-on-year(y-y) drop from that of KES 28.18Bn of H1-2022. Its profits After tax were 18.3% y-y down to KES 19.65Bn. This gives an annualized earnings per share (EPS) of 9.71 of book value per share (BVPS) of 65.7.

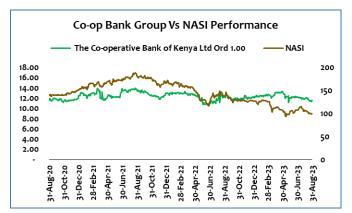
We view that the counter is heavily undervalued and retain our BUY recommendation at valuation price at KES 36.60, a 54.1% upside from the current price.

**Co-op Bank Group:** Trading at KES 11.60 at as of 30<sup>th</sup> August, the largest Co-operatives Group has lost 4.1%, 8.3% and 6.5% in the last 3-, 6- and 12 -months respectively. Its price averaged at are KES 11.97, KES 12.29, and KES 12.23 per share in the last 3, 76 and 12 months respectively.

The Bank reported a KES 16.41Bn in profits before tax (PBT) in H1-2023, a 7.4% y-y rise compared to KES 15.28Bn of H1-2022. Its PAT went 5.9% y-y up to KES 12.14Bn from KES 11.48Bn over the same period, pushing its EPS 6.7% up as book value stood at 18.5 with PB of 0.7x compared to industry PE of 3.61x.

In FY-2023, the group increased its dividend per share by 50% from KES 1.00 to KES 1.50 of a dividend yield of 12.9%. To earn on dividend income, we retain our BUY recommendation as the Group continues to maintain a strong financial performance.





**Equity Group – BUY:** Equity Group continues to flourish both locally and in the global market, ranked 3 in Africa and position 291 in the world early this year. Its assets have expanded to KES 1,644.79Bn from KES 1,333.86Bn in June 2022 and KES 746.47Bn at the same time in 2020.

Trading at KES 39.50 per share, the Group's price has gained 4.2% in the last 3 months while shedding 13.2% and 17.7% in the last 6 and 12 months. Its average price for 3, 6 and 12 months are KES 40.13, KES 41.33 and KES 43.60.

Its PBT for H1-2023 jumped 13.7% y-y from KES 30.92Bn to KES 35.16Bn benefitting from strong growths in both interest income and non-funded income. This saw the PAT move 7.8%c y-y up to KES 26.33Bn. Its subsidiary contribution to total in spiked to 45% from 31% in Q1-2022.

We retain our BUY recommendation on the expected better dividends for FY-2023 of about KES 4.00 and capital gains supported by the better results.

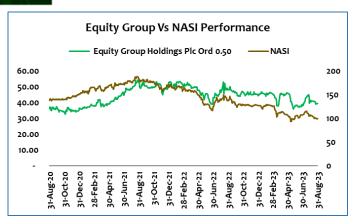
**EABL – BUY:** The brewing manufacture has gained 7.8% in the last one week after recording a 12-month low of KES 125.00 on 21<sup>st</sup> August 2023. Its highest price in the last one year is KES 187.00. The average prices for the last 3, 6 and 12 months are KES 151.38, KES 156.53, and KES 159.96 respectively.

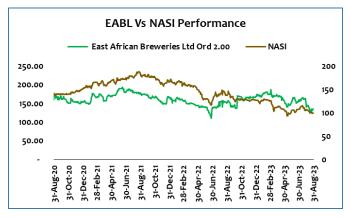
The company's price eroded immediately after recommending KES 1.50 per share dividend FY 2023 results announced on 28<sup>th</sup> July, compared to KES 7.50 issued in FY-2022. This followed a 22.1% decline KES 18.71Bn from KES 15.57Bn FY-2022, pulling the PAT 20.9% y-y down to KES 12.32Bn

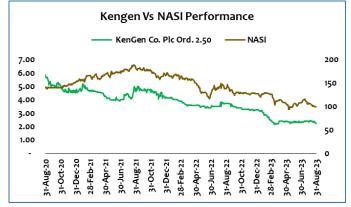
We anticipate the company's profits to recover following falling inflation and therefore recommend a BUY at the current price of KES 134.75 with a target price of KES 150 per share.

**Kengen – Short-term BUY:** The electric generating company recorded a lowest price of KES 2.15 in mid-March 2023and a high of KES 3.73 on 5<sup>th</sup> September 2022, immediately after the release of the FY-2022 results where its Board recommended a 0.20 per share dividend.

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, a 9.0% dividend yield on the







## Equity Stock Picks 30<sup>th</sup> August 2023

Kingdom Securities Ltd - a subsidiary of The Co-operative Bank of Kenya Ltd

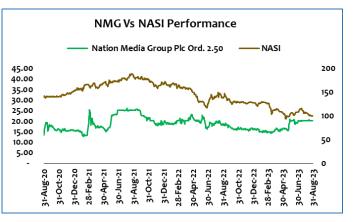
# current price. This is expected to push the prices upwards to levels above KES 2.40, a 17.6% upside.

**KINGDOM SECURITIES** 

# **Nation Media Group – Sell:** Trading at KES 20.10, the media Group's price has gained 1.5, 36.3 and 6.9 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 remains elevated by the ongoing share buyback program announced in June 2023. The buyback will close the earlier of the company acquiring an additional 10% or 19.02Mn shares from the market.

We retain our SELL recommendation and advise exiting the counter as the price is expected to decline immediately after the buyback period.



## Equity Stock Picks 30<sup>th</sup> August 2023

## **KSL Stock Meter**

			Vwap											
AGRICULTURE	52 wk high		30/Aug/2023 V		Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	iv Payout (%)	ROE	ROA
Eaagads Ltd	14.40	10.00	13.40	10.50	27.6%	0.26	-	31.40	51.54	0.43	-	-	17.61%	15.93%
Kakuzi Plc Kapchorua Tea Kenya Plc Ord 5.00	430.00 238.75	240.00 100.00	400.00 205.00	385.00 113.25	3.9% 81.0%	43.15 27.35	24.00 10.00	259.37 202.45	9.27 7.50	1.54 1.01	6.00% 4.88%	55.62% 36.56%	12.24% 2.80%	9.36% 1.96%
The Limuru Tea Co. Plc	510.00	400.00	430.00	420.00	2.4%	4.73	2.50	79.18	90.91	5.43	0.58%	52.85%	-0.63%	-0.58%
Sasini Plc	31.40	20.00	23.25	22.45	3.6%	2.49	0.50	58.95	9.34	0.39	2.15%	20.08%	4.26%	3.79%
Williamson Tea Kenya Plc	270.75	137.00	205.75	160.00	28.6%	29.73	20.00	338.08	6.92	0.61	9.72%	67.27%	-3.17%	-2.29%
Industry Average			Mulan						9.14	0.73			4.5%	3.7%
AUTOMOBILES & ACCESSORIES	52 wk high	52 wk low	Vwap 30/Aug/2023 V	wan 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	iv Payout (%)	ROE	ROA
Car & General (K) Ltd	49.00	0.00	41.50	47.45	-12.5%	8.55	0.80	60.52	4.85	0.69	1.93%	9.36%	18.28%	12.53%
Industry Average									4.85	0.69			18.3%	12.5%
			Vwap											
BANKING ABSA Bank Kenya Plc	52 wk high 12.95	52 wk low 10.10	30/Aug/2023 V 11.50	wap 30/12/2022 12.30	Performance YTD (%) -6.5%	Trailing EPS 2.55	DPS 1.35	BVPS 11.71	P/E 4.51	P/B 0.98	Div Yield (%) D 11.74%	iv Payout (%) 52.94%	ROE 22.93%	ROA 3.06%
BK Group Pic	37.00	27.00	33.00	31.50	-0.5%	2.33	3.74	28.45	4.51	1.16	11.74%	52.94%	16.90%	3.66%
Diamond Trust Bank Kenya Ltd	55.25	44.00	47.70	50.00	-4.6%	16.16	5.00	240.68	2.95	0.20	10.48%	30.94%	6.56%	0.97%
Equity Group Holdings Plc	50.00	35.80	39.50	44.50	-11.2%	11.90	4.00	48.28	3.32	0.82	10.13%	33.61%	24.64%	3.10%
HF Group Plc	5.10	2.86	4.71	3.19	47.6%	0.92	-	22.80	5.12	0.21		-	3.03%	0.47%
I&M Holdings Plc	21.00	15.85	18.15	17.00	6.8%	6.77	2.25	46.27	2.68	0.39	12.40%	33.23%	15.14%	2.65%
KCB Group Plc NCBA Group Plc	42.70 41.70	23.75 30.05	23.75 39.05	38.10 39.35	-37.7% -0.8%	12.71 2.77	2.00 1.50	62.30 47.34	1.87 14.10	0.38 0.82	8.42% 3.84%	15.74% 54.15%	20.40% 13.11%	2.63% 1.73%
Stanbic Holdings Plc	129.75	92.00	114.00	102.00	11.8%	22.92	12.60	157.34	4.97	0.72	11.05%	54.97%	14.57%	2.27%
Standard Chartered Bank Kenya Ltd	171.00	134.75	160.00	142.75	12.1%	31.47	22.00	148.56	5.08	1.08	13.75%	69.91%	30.47%	4.49%
The Co-operative Bank of Kenya Ltd	13.35	11.15	11.60	12.30	-5.7%	3.35	1.50	18.35	3.46	0.63	12.93%	44.78%	20.47%	3.63%
Industry Average									3.41	0.65			19.3%	2.7%
COMMERCIAL AND SERVICES	52 wk high	52 wk low	Vwap 30/Aug/2023 V	wan 20/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%) D	in Dougut (%)	ROE	ROA
Deacons (East Africa) Plc	52 WK High 0.45	0.45	0.45	0.45	0.0%	-6.82	- DP3	2.67	P/E -	0.17	Div Held (%)		-254.96%	-54.19%
Eveready East Africa Ltd	1.85	0.43	1.40	0.43	102.9%	-0.33	-	0.03		46.67	-	-	-254.96%	-34.19%
Express Kenya Plc	5.40	2.70	4.16	4.71	-11.7%	-1.97		-2.87		-1.45	-	-	50.92%	-21.71%
Homeboyz Entertainment Plc	4.66	4.66	4.66	4.66	0.0%	-0.51	-	0.46	-	10.15	-	-	-77.47%	-24.29%
Kenya Airways Ltd	3.83	3.83	3.83	3.83	0.0%	-6.57	-	-13.00	-	-0.29	-	-	15.55%	-7.49%
Longhorn Publishers Plc Nairobi Business Ventures Ltd	4.07 4.77	2.01 2.51	2.90 3.20	3.00 3.77	-3.3% -15.1%	0.68 -3.20	-	2.75 0.11	4.26	1.05 29.09	-	-	4.03% 22.12%	1.39% 18.52%
Nation Media Group Plc	20.85	14.15	3.20 20.10	3.77	-15.1%	-3.20	1.50	43.48	- 11.82	29.09	7.46%	88.24%	3.85%	3.69%
Sameer Africa Plc	3.51	1.84	2.58	2.10	22.9%	0.16	-	1.38	16.13	1.88	-	-	66.97%	21.33%
Standard Group Plc	14.30	7.96	8.30	10.45	-20.6%	-3.79	-	13.00	-	0.64	-	-	-5.34%	-1.41%
TPS Eastern Africa Ltd	16.45	10.85	11.55	13.35	-13.5%	-3.40	-	39.35	-	0.29	-	-	-15.71%	-8.16%
Uchumi Supermarket Plc	0.28	0.17	0.19	0.23	-17.4%	-4.60	-	-5.75	-	-0.03	-	-	135.25%	-56.71%
WPP Scangroup Plc Industry Average	3.77	2.57	2.76	3.01	-8.3%	-0.04	-	12.19	(0.81)	0.23 -0.69	-	-	-32.89% 33.4%	-19.82% -8.8%
Industry Average			Vwap						(0.81)	-0.03			33.470	-0.076
CONSTRUCTION & ALLIED	52 wk high	52 wk low		wap 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	viv Payout (%)	ROE	ROA
ARM Cement Plc	5.55	5.55	5.55	5.55	0.0%	-6.83	-	28.95	-	0.19	-	-	-10.08%	-5.48%
Bamburi Cement Ltd	35.45	23.25	26.00	31.50	-17.5%	3.58	3.58	93.81	7.26	0.28	13.77%	100.00%	3.47%	2.39%
Crown Paints Kenya Plc E.A.Cables Ltd	44.80 1.24	32.30 0.73	38.55 0.86	41.85 0.84	-7.9% 2.4%	6.85 -2.15	4.00	17.22 10.10	5.63	2.24 0.09	10.38%	58.39%	27.98% -22.79%	10.25% -7.72%
E.A.Portland Cement Co. Ltd	8.40	5.32	6.22	6.80	-8.5%	-2.13	-	187.68	1.03	0.09	-	-	-22.79%	-7.72%
Average	0.10								-4.91	0.25			-3.6%	-2.1%
			Vwap											
ENERGY & PETROLEUM	52 wk high		30/Aug/2023 V		Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)		ROE	ROA
KenGen Co. Plc	3.73 2.08	2.15 1.38	2.21 1.56	3.22 1.56	-31.4% 0.0%	0.72 1.80	0.20	32.04 28.81	3.07 0.87	0.07 0.05	9.05%	27.78%	8.70% 0.47%	4.45% 0.08%
Kenya Power & Lighting Co Plc Total Kenya Ltd	2.08	1.38	20.35	23.85	-14.7%	4.35	- 1.31	129.47	4.68	0.05	6.44%	30.11%	10.20%	0.08% 5.89%
Umeme Ltd	17.75	6.62	13.50	7.42	81.9%	3.18	2.23	14.19	4.25	0.95	16.52%	70.13%	16.69%	5.47%
Industry Average									3.04	0.14			7.9%	2.9%
			Vwap											
INSURANCE	52 wk high		30/Aug/2023 V		Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	viv Payout (%)	ROE	ROA
Britam Holdings Plc CIC Insurance Group Ltd	6.94 2.21	4.05 1.68	5.18 2.09	5.20 1.95	-0.4% 7.2%	0.63 0.40	0.13	6.76 3.05	8.22 5.23	0.77 0.68	6.22%	32.50%	53.39% 8.37%	7.28% 1.61%
Jubilee Holdings Ltd	250.75	148.25	172.25	198.75	-13.3%	89.88	13.00	490.33	1.92	0.35	7.55%	14.46%	11.50%	2.80%
Kenya Re Insurance Corporation Ltd	2.17	1.54	1.80	1.83	-1.6%	1.08	0.20	11.41	1.67	0.16	11.11%	18.52%	12.41%	7.88%
Liberty Kenya Holdings Ltd	7.48	3.60	4.00	5.60	-28.6%	0.15	-	16.45	26.67	0.24	-	-	0.93%	0.20%
Sanlam Kenya Pic	11.70	7.02	7.90	9.58	-17.5%	-2.79		12.05	-	0.66		-	6.59%	0.39%
			Vwap			Se	ctor PE	11.18361464	3.32	0.38			17.5%	4.2%
INVESTMENT	52 wk high	52 wk low		wap 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	iv Payout (%)	ROE	ROA
Centum Investment Co Plc	9.82	7.90	9.00	8.36	7.7%	-0.93	0.33	79.08		0.11	3.67%	-	8.80%	4.54%
Home Afrika Ltd	0.39	0.28	0.33	0.32	3.1%	-0.72		-4.79		-0.07	-	-	-45.79%	-20.44%
Kurwitu Ventures Ltd	1500.00	1500.00	1500.00	1500.00	0.0%	-36.00	-	592.46	-	2.53	-	-	-8.90%	-3.90%
Olympia Capital Holdings Ltd Trans-Century Plc	5.36 1.30	2.25 0.49	3.11 0.49	2.96 0.93	5.1% -47.3%	0.28 -7.95	•	31.63 9.45	11.11	0.10 0.05	-	-	1.38% -56.07%	1.18% -9.11%
Industry Average	1.30	0.49	0.49	0.93	-47.5%	-7.95		5.45	-1.69	0.05		-	-56.07%	-9.11% 1.4%
			Vwap										SHE 70	1.476
INVESTMENT SERVICES	52 wk high		30/Aug/2023 V	wap 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)		ROE	ROA
Nairobi Securities Exchange Plc	8.02	5.62	6.00	6.78	-11.5%	0.05	0.20	8.04	120.00	0.75	3.3%	400.0%	3.8%	3.6%
Industry Average			Muse						120.00	0.75			3.8%	3.6%
MANUFACTURING & ALLIED	52 wk high	52 wk low	Vwap 30/Aug/2023 Vi	wan 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	iv Payout (%)	ROE	ROA
B.O.C Kenya Plc	90.25	65.00	50/ Aug/ 2025 V 73.50	70.75	3.9%	5.55	4.40	78.03	13.24	0.94	5.99%	79.28%	4.57%	3.24%
British American Tobacco Kenya Plc	479.75	401.50	419.50	460.00	-8.8%	68.92	57.00	118.56	6.09	3.54	13.59%	82.70%	46.54%	25.42%
Carbacid Investments Plc	17.00	11.40	15.90	12.00	32.5%	2.78	1.70	8.38	5.72	1.90	10.69%	61.15%	12.39%	7.93%
East African Breweries Ltd	187.00	125.00	134.75	167.50	-19.6%	15.00	11.00	17.70	8.98	7.61	8.16%	73.33%	50.17%	5.84%
Flame Tree Group Holdings Ltd	1.43	0.92	1.30	1.08	20.4%	0.58	-	4.57	2.24	0.28	-	-	4.16%	1.84%
Kenya Orchards Ltd Mumias Sugar Co. Ltd	16.45 0.27	10.40 0.27	16.45 0.27	10.40 0.27	58.2% 0.0%	0.17 -9.90	-	1.88 -9.40	96.76	8.73 -0.03	-	-	36.65% 105.26%	7.76% -96.22%
Unga Group Ltd	34.75	15.00	17.00	32.00	-46.9%	-9.90		-9.40 74.09	6.85	-0.03	-	-	105.26%	-96.22%
Industry Average									33.10	7.24			-10.0%	-1.2%
			Vwap											
TELECOMMUNICATION & TECHNOLOGY	52 wk high			wap 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)		ROE	ROA
Safaricom Plc Industry Average	31.05	13.00	15.50	24.15	-35.8%	1.74	1.39	4.66	8.91 8.91	3.32 3.32	9.0%	79.9%	32.5% 32.5%	16.0% 16.0%
			Vwap						0.91	5.52			32.3%	10.0%
REAL ESTATE INVESTMENT TRUST	52 wk high	52 wk low		wap 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	Р/В	Div Yield (%)	viv Payout (%)	ROE	ROA
STANLIB FAHARI I-REIT	9.58	5.54	9.08	6.52	39.3%	-0.16	0.78	20.86	-	0.44	8.6%	-	3.9%	3.8%
LAPTRUST IMARA I-REIT Ord.20.00	20.00	0.00	20.00	0.00	·	0.00		-	-			-	-	-
Industry Average									#DIV/0!	0.44				

Kingdom Securities Ltd – a subsidiary of The Co-operative Bank of Kenya Ltd

### Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

**Equity Stock Picks** 

30 August 2023

#### Terms of use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliatesor employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

### **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 fallsbetween 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 substantiallyhigher 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.

#### Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited.Co-operative Bank House- 5th Floor, P.O Box 48231-00100 Nairobi, Kenya Office: 0711049540

#### Email: kingdomresearch@co-opbank.co.ke

Re	esearch Department	Equities Dealing				
Shadrack Manyinsa	smanyinsa@co-opbank.co.ke	Alfred Too	atoo@co-opbank.co.ke			
		Ashley Odundo	aodundo@co-opbank.co.ke			