

WEEKLY STOCK PICKS SELECTION

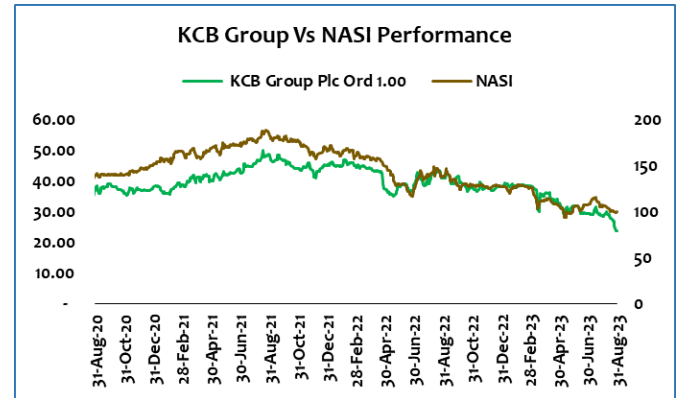
Stock prices have recorded their lowest levels occasioned by the rate hikes and the rising treasury rates that continue to see capital flights by foreigners from emerging economies even as financial performance of several listed companies remain strong. Global and local indices tracking prices have hit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

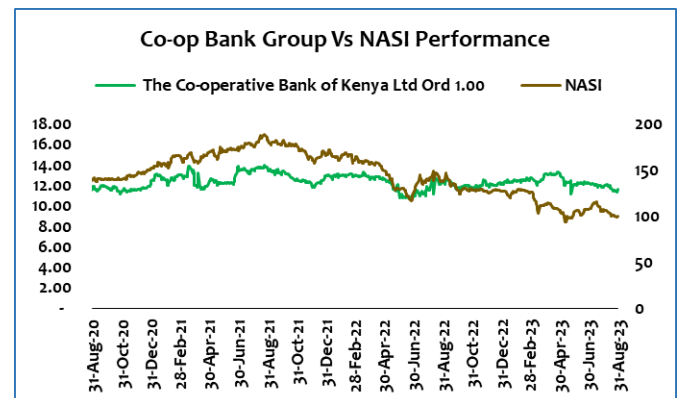
We view that the counter is heavily undervalued and retain our BUY recommendation at valuation price at KES 36.60, a 54.1% upside from the current price.



Co-op Bank Group: Trading at KES 11.60 at as of 30th 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.

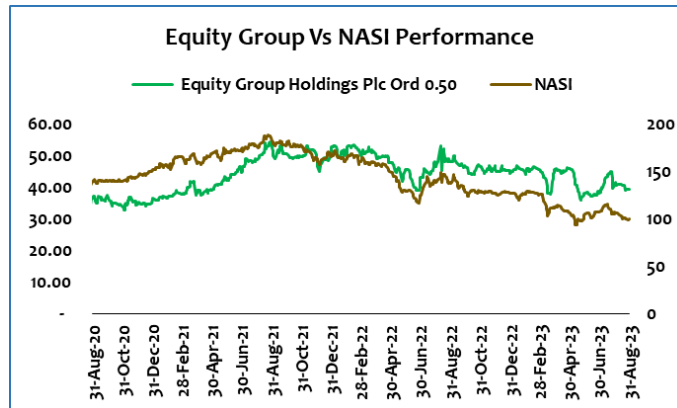


Equity Group – BUY: Equity Group continues to flourish both locally and in the global market, ranked 3 in Africa and position 291 in the world early this year. Its assets have expanded to KES 1,644.79Bn from KES 1,333.86Bn in June 2022 and KES 746.47Bn at the same time in 2020.

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% y-y up to KES 26.33Bn. Its subsidiary contribution to total in spiked to 45% from 31% in Q1-2022.

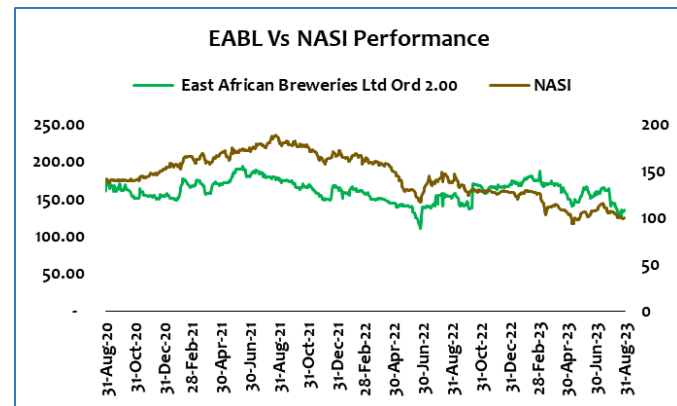
We retain our BUY recommendation on the expected better dividends for FY-2023 of about KES 4.00 and capital gains supported by the better results.



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 21st 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.

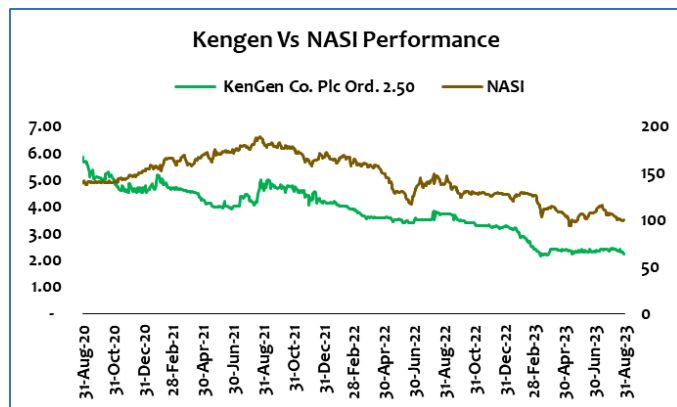
The company’s price eroded immediately after recommending KES 1.50 per share dividend FY 2023 results announced on 28th July, compared to KES 7.50 issued in FY-2022. This followed a 22.1% decline KES 18.71Bn from KES 15.57Bn FY-2022, pulling the PAT 20.9% y-y down to KES 12.32Bn

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 2023 and a high of KES 3.73 on 5th 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

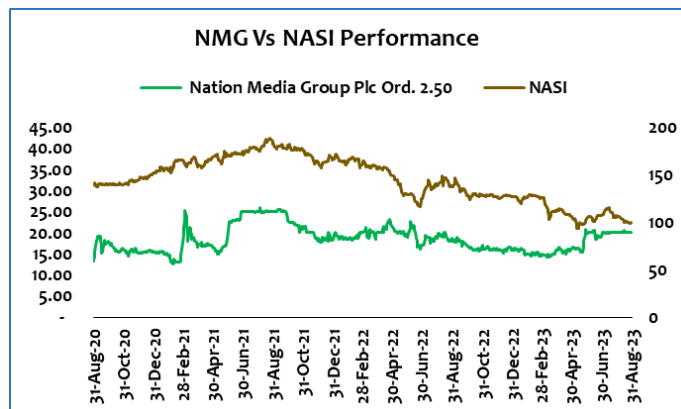


current price. This is expected to push the prices upwards to levels above KES 2.40, a 17.6% upside.

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 buy-back 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.



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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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