

WEEKLY STOCK PICKS SELECTION

The global economic performance has seen many stocks trade at heavily discounted prices weighed down by high treasury rates brought about by high inflations. This has seen many foreigners in emerging markets recall cash resulting to price devaluations. In view of this, we have identified the following stocks for your investment considerations.

Co-op Bank Group: Currently trading at KES 11.85, the Group has gained 3.5% in the last one month, having lost 2.1% and 4.0% in the last 3 and 6 months respectively. The Bank remains among the few stocks that have remained stable in the last 2 years supported by heavy local holdings.

On its H1-2023, the Group reported a stellar performance of KES 16.41Bn profits before tax (PBT), a 7.1% rise year-on-year(y-y) growth from that of KES 15.28Bn reaping off from a strong growing loan book. Profits after tax (PAT) was 5.8% y-y up to KES 12.14Bn.

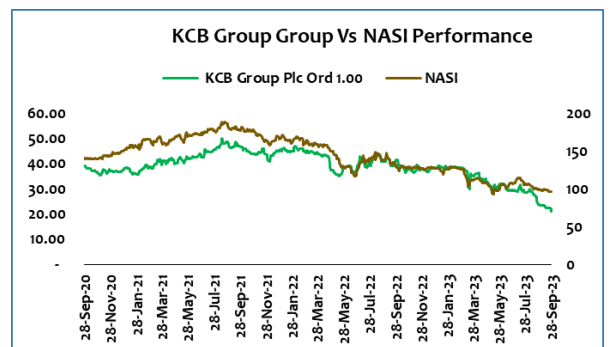
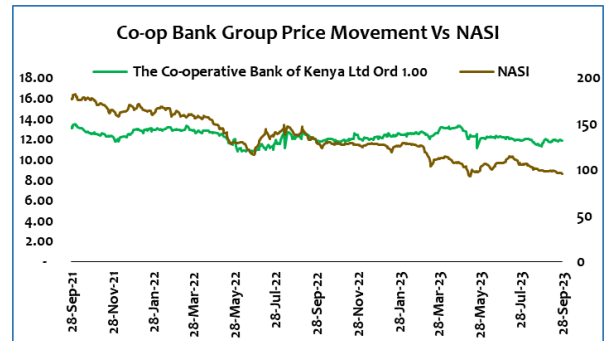
In FY-2022, co-op bank's dividend spiked 50.0% from KES 1.00 to KES 1.50 per share, a dividend yield of 12.7% on the current price of KES 11.85. With the sustained growth in revenues for the Group, we expect the KES 1.50 dividend to be maintained, which in turn will push the price upwards to levels of above KES 13.00.

KCB Group - Long-term Buy: Trading at KES 22.05 as of 27th September, the largest asset base lender has shed 24.7%, 37.9% and 45.6% in the last 3, 6 and 12 months, being heavily impacted by high foreign exits, reduction of its full year 2022 (FY-2022) dividend and drop in net profits for Half year 2023 (HY-2023) following heavy loan loss provisions.

We attribute the reduction of dividend in FY2022 towards the capital liquidity strengthening on acquisition of Trust Merchant Bank (TMB) of DRC Congo.

On its H1-2023 financials, KCB's overall revenue was 22.2% up from KES 59.81Bn to KES 73.07Bn as it operating costs spiked 48.0% year-on-year(y-y) from 27.31Bn to KES 40.42Bn on what the lender attributed to staff restructuring expenses TMB acquisition and legal claims.

We remain confident in the Group's overall performance and retain our BUY recommendation with a price target of above KES 30.00 per share, even as we expect the lender to retain a dividend of at least KES 2.00 per share.



KINGDOM SECURITIES

Equity Stock Picks 28th September 2023

Equity Group – BUY: Currently trading at KES 36.65 on 27th September 2023, the largest customer base Kenyan Bank, has lost 2.3%, 12.6% and 18.6% in the last 3, 6 and 12 months while averaging at KES 40.01, KES 40.69 and KES 42.86 per shares, same period respectively.

In H1-2023, the lender's PBT for jumped 13.7% y-y from KES 30.92Bn to KES 35.16Bn, benefiting from strong growths in both interest income and non-funded income. This pushed its PAT 7.8% up y-y up to KES 26.33Bn. Subsidiaries' contribution to total revenue climbed from 31% to 45% signaling of better penetrations in the Easter African market.

With the Group's performance, we expect a retention of KES 4.00 dividend which will in turn push the price upwards, we retain our BUY recommendation.

EABL – BUY: The manufacturing company has been trading on its lows for the past one and a half months to close 27th September at KES 129.50, a 15.6%, 23.9% and 23.5% declines in the last 3, 6 and 12 months respectively. Its lowest and highest prices for the last one year are KES 125.00 and 187.00 per share.

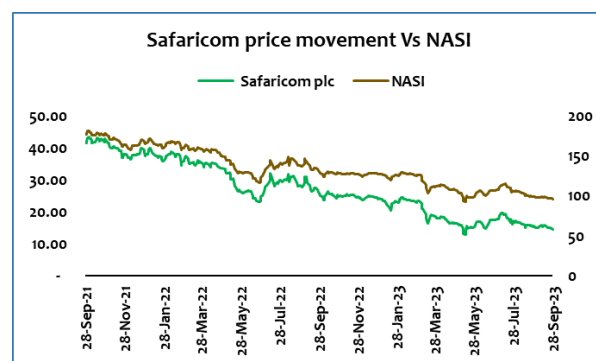
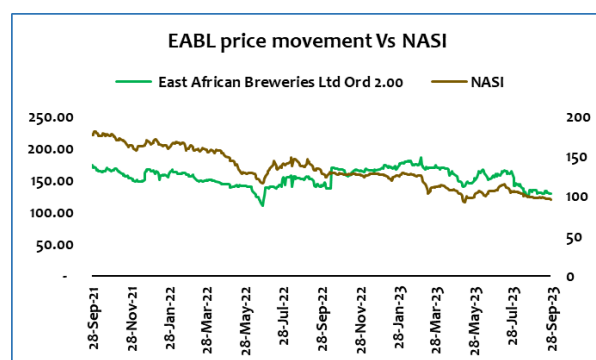
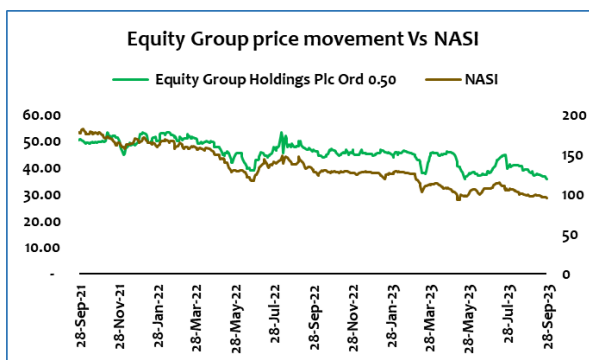
The company's price dipped immediately after declaring the final dividend of KES 1.50 per share dividend the FY 2023, resulting to a total dividend of KES 5.50 per share compared to a total of KES 7.25 issued in 2022.

We expect the company to gain from the lowering inflation and as this will result to lower input prices as well as a rise on its sales and revenue in general. In view of this we retain our BUY recommendation at the current price of KES 129.25 with a target price of KES 150 per share.

Safaricom – Long-term BUY: Currently trading at KES 14.60 per share, the market mover telco giant, has lost 16.0%, 22.0% and 38.9% in the last 3, 6 and 12 while averaging at KES 16.57, KES 16.49, KES 20.04 respectively. Its 52-week low and high are KES 13.00 and KES 27.05 per share respectively.

The Telco service provide reported a PBT of KES 102.21Bn, a 13.6% from in FY 2022 to KES 88.35Bn in FY 2023 on a higher operating expense that accelerated at 34.2% from KES 55.19Bn to KES 74.09Bn emanating from the Ethiopia Subsidiary set-up.

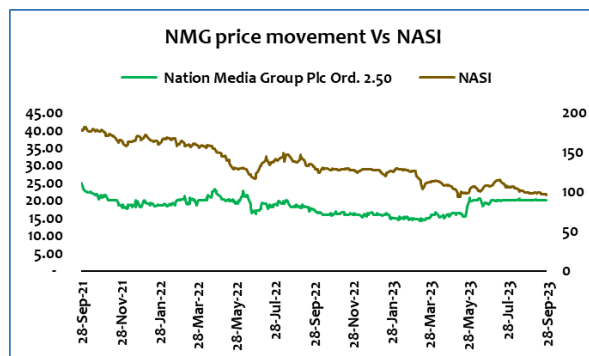
Safaricom launched its M-pesa mobile services in Ethiopia on 16th August which is perceived to be the game changer for revenues. We expect the Ethiopia revenues to greatly support the counter's financials and return on investment in the long-run and therefore issue a Buy recommendation.



Nation Media Group – Sell: Trading at KES 20.00, 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 held up by the ongoing share buy-back program that has seen the price average at KES 20.00 from the first trading day of July 2023. The shares purchase program will close earlier of the company acquiring an additional 10% or 19.02Mn shares from the market on Tuesday, July 2, 2024.

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.

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

Research Department

Shadrack Manyinsa

smanyinsa@co-opbank.co.ke

Equities Dealing

Alfred Too

atoo@co-opbank.co.ke

Ashley Odundo

aodundo@co-opbank.co.ke