# Equity Stock Picks 28<sup>th</sup> September 2023

## 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 stelar 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.

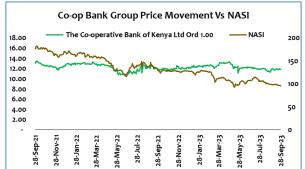
In FY-2022, co-op bank's dividend spiked 50.0% from KES 1.00 to KES 1.50 per share, a dividend yield of 12.7% on the current price of KES 11.85. With the sustained growth in revenues for the Group, we expect the KES 1.50 dividend to be maintained, which in turn will push the price upwards to levels of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

**KCB Group** - **Long-term Buy:** Trading at KES 22.05 as of 27<sup>th</sup> 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-onyear(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 lander to retain a dividend of at least KES 2.00 per share.





**Equity Group – BUY:** Currently trading at KES 36.65 on 27<sup>th</sup> 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 27<sup>th</sup> 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.

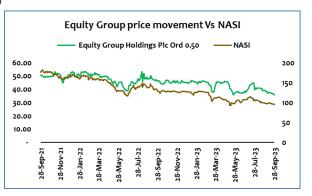
We expect the company to gain from the lowering inflation and as this will result to lower input prices as well as a rise on its sales and revenual lin general. In view of this we retain our BUY recommendation at the current price of KES 129.25 with a target price of KES 150 per share.

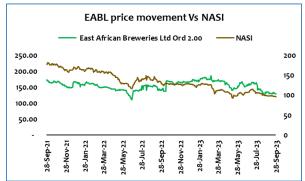
**Safaricom – Long-term BUY:** Currently trading at KES 14.60 per share, the market mover telco giant, has lost 16.0%, 22.0% and 38.9% in the last 3, 6 and 12 while averaging at KES 16.57, KES 16.49, KES 20.04 respectively. Its 52-week low and high are KES 13.00 and KES 27.05 per share respectively.

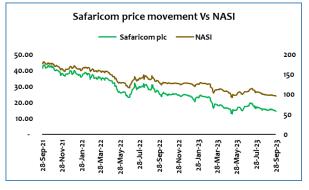
The Telco service provide reported a PBT of KES 102.21Bn, a 13.6% from in FY 2022 to KES 88.35Bn in FY 2023 on a higher operating expense that accelerated at 34.2% from KES 55.19Bn to KES 74.09Bn emanating from the Ethiopia Subsidiary set-up.

Safaricom launched its M-pesa mobile services in Ethiopia on 16<sup>th</sup> 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.

# Equity Stock Picks 28<sup>th</sup> September 2023





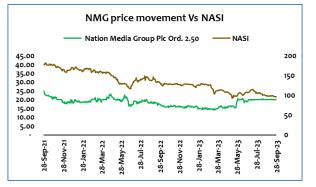


# Equity Stock Picks 28<sup>th</sup> September 2023

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.



## **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** 

28-Sept-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			