

WEEKLY STOCK PICKS SELECTION

Stock market prices continue trading at heavily discounted prices occasioned by higher treasury rates that has seen many investors shift focus to government securities. The earnings season of Q3-2023 is expected to rally prices upwards and solidify prospects of better returns for FY 2023 especially in the banking sector. In view of this we have identified the following stocks invest and watch.

Co-op Bank Group – BUY: Trading at KES 11.60 as of 17th November 2023, the lending Group has lost 0.9%, 5.7% and 2.1% in the last 3-, 6- and 12-months while averaging at KES 11.56, KES 11.82, and KES 12.14 per share in the same period respectively. Its 12-month low and high daily average prices are KES 10.20 per share recorded on November 08, 2023, and KES 13.35 per share recorded on 26TH April 2023, following a book closer of a KES 1.50 dividend for FY2022.

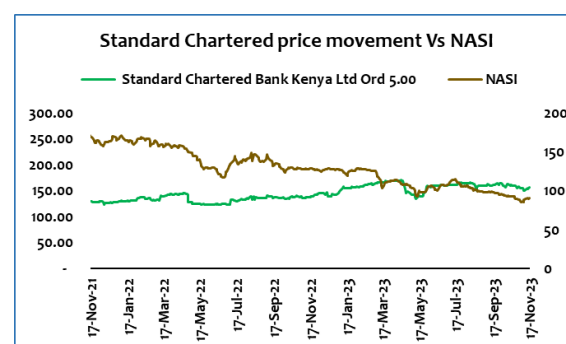
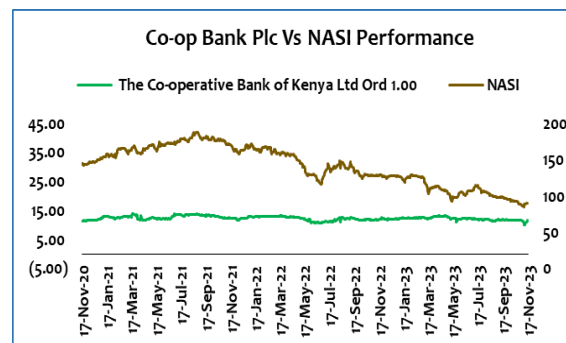
The continued strong financial performance has seen Co-op Bank Group shares become the most stable counter to buy in the market. On its Q3 2023 results, the Bank posted stellar profits before tax of KES 24.69Bn, an 8.6% year-on-year (y-y) from that of KES 22.73Bn. This in turn pushed the Group's Earning per share 8.2% higher from 2.91 to 3.15, implying of strong buffers for both dividend payout and strong capital ratios.

In view of this, we retain a BUY recommendation on the Lender's share with a price target of KES 12.45 and an expected dividend of KES 1.50 for Full year 2023, giving a total return of 24.4% from the current price of KES 11.25 as of 16th November 2023.

Stan-Chart – BUY: Trading at KES 156.50 as of 17th November 2023, the lending listed counter has lost 4.3% in the last 3-months while gaining 11.0% and 14.0% in the last 6-, and 12-months. Its average prices for the last 3, 6 and 12 months are KES 14.36, KES 15.55 and KES 18.44 per share respectively.

The company's H1-2023 financial performance posted a 27.3% jump in PBT from KES 7.57Bn in H1-2023 to KES 9.64Bn in H1-2023. Its profits after tax (PAT) were 27.7% higher at KES 6.91Bn, elevating EPS 30.3% y-y up to 18.07, implying a better H2-2023 performance.

In 2022, the bank issued a dividend per share of KES 22 from an Earning per share of KES 31.47, representing 69.9% dividend payout ratio. With the above expected better financial performance in FY 2023, we anticipate the lender to retain its dividend per share at KES 22.00 representing a dividend yield of 14.2%. This will in turn rally Stan-Chart's price upwards to levels of above KES 160. Therefore, to benefit from the expected capital gains and dividends, we issue a BUY recommendation on the counter's share price.



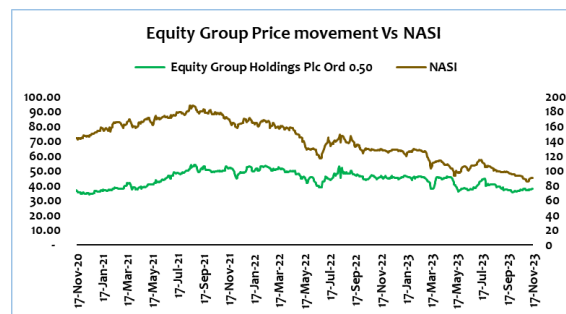
KINGDOM SECURITIES

Equity Stock Picks
17th November 2023

Equity Group – BUY: Currently trading at KES 38.00 per share as of 17th November 2023, the group remains among the most stable counters on high foreign investments especially on its regional presence. Its price has lost 6.8%, 4.9% and 17.2% in the last 3, 6 and 12 months while averaging at KES 37.66, KES 38.69, and KES 41.65 per share in the same period respectively.

The Group is scheduled to announce its Q3 2023 financials on Monday, 20th and we expect a better performance in relation to Q3 2022. In H1 2023, the listed Group's PBT surged 13.7% y-y from KES 30.92Bn to KES 35.16Bn pushing the PAT 16.7% y-y up to KES 26.33Bn.

In the light of the expected stronger Q3-2023, we expect the lender to perform even better in FY 2023 to inform a retention of KES 4.0 per share dividend which will rally its price upwards to levels above KES 40.00 per share, a total return of above 15%. We therefore retain our BUY recommendation to gain on both capital gains and dividends.

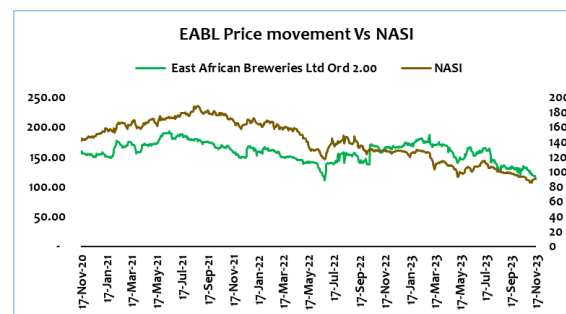


EABL – BUY: The manufacturing company recorded its lowest price of KES 112.50 on Thursday, 16th November 2023. Its highest price in 12-months is KES 187.00 recorded on 6th March 2023 immediately before a closure of Diageo's share tender offer at a price of KES 192.00 per share.

In 2020, 2021 and 2022, the company's highest prices were KES 221.75, KES 193.75, and KES 170.75 with lows of KES 135.25, KES 148.25 and KES 110.00 in the same periods respectively.

The company's price started dipping 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.

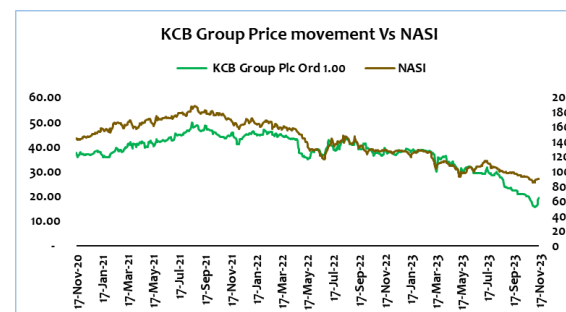
With improvements in agriculture and drastic drops in the counter's manufacturing inputs, we expect its cost of inputs to decline drastically. Inflation declines will further contribute to its sales as overall disposable income improves. We expect this to drive its revenues upwards return on investment land thereby push the price upwards.



KCB Group – BUY: Trading at KES 19.35 per shares, Friday, November 17, 2023, the group's price has gained 12.5% month-to-date while losing 31.1%, 38.0% and 47.8% in the 3-, 6- 1ne 12-months. Its average price in 1, 3, 6 and 12 months are KES 17.81, KES 21.44, KES 25.62, and KES 30.94 per share respectively.

The Group's price erosion started immediately after a 33.3% reduction on its FY-2022 dividend from KES 3.00 to KES 2.00, on what we attributed to conservation of funds towards its fast-growing loan book.

In H1-2023, KCB's PBT fell 20.3% down from KES 28.18Bn to KES p22.46Bn on higher loan loss 'provisions that expanded 135.9% y-y from KES 4.32Bn to KES



KINGDOM SECURITIES

Equity Stock Picks
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10.19Bn in H1-2023. This was further held down by higher staff costs of on consolidation DRC subsidiary and NBK staff court settlement.

The company however remains strong supported by a strong interest income. We view the staff costs as a one-time transaction with the provisions expected to slow down on its aggressive recoveries started in June-2023. In line with this we maintain a BUY recommendation to benefit from expected dividends and capital gains as the counter remains heavily undervalued.

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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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