

WEEKLY STOCK PICKS SELECTION

The year 2024 has begun with several stocks trading at heavily discounted prices on impact from interest rate hikes that has seen a shift from equities. Higher rates in government papers have left low demand in the topmost liquid counters, worsened by heavy foreign exits in search of better coupons while evading losses poised by a weakening local currency.

In view of these, we have identified the following stocks for your investing considerations:

Equity Group – BUY: Currently trading at KES 36.50 per share as of 23rd January 2024, the group remains among the most stable counters on high foreign investments especially on its regional presence. Its price has lost 1.5%, 3.8% and 20.8% 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.

In its Q3 2023 financials, Equity's profit before tax (PBT) was 3.6% up year-on-year to KES 45.91Bn being elevated by a 32.0% jump in interest income from KES 84.16Bn in Q3-2022 to KES 111.23Bn, that in turn pushed the counter's total operating income 17.8% up y-y. Its profits were up 5.3% to KES 36.20Bn. Earnings Per Share (EPS) rose 3.7% from 8.84 to 9.17, which gives good room for expansion even after dividend payment.

Considering the expected better FY-2023, due in March 2024, we expect the lender to retain a dividend of KES 4.0 per share based on the Q3-2023

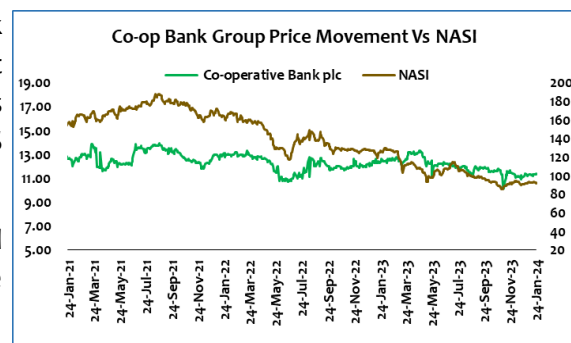
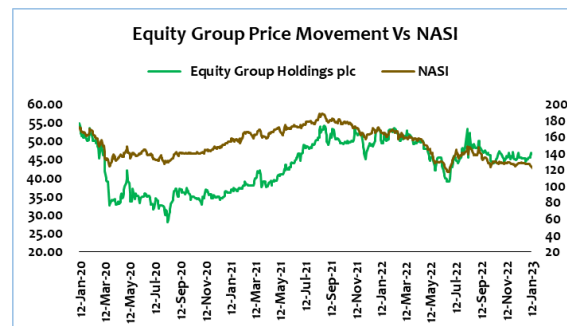
performance. This will in turn rally its price upwards to levels above KES 40.00 per share, a total return of above 15%. We therefore retain our BUY recommendation to gain on both capital gains and dividends for both short-term and long-term investors.

Co-op Bank Group – BUY: Trading at KES 11.30, on 23rd January 2024, the Bank remains among the most lucrative stocks on its consistent dividend payout which improved by 50% to KES 1.5 in FY 2023. The lending Group's price has shed 2.6%, 6.6% and 8.9% in the last 3, 6- and 12-months while averaging KES 11.28, KES 11.53, and KES 11.99 per share in the same period respectively.

The Group had its highest price of KES 13.35 in the last one year on April 26th, 2023, immediately after its book closure for the above dividend, while recording a lowest price of KES 10.20 on 9th November 2023.

Its Q3-2023 PBT grew 8.6% y-y from KES 22.73Bn in Q3-2022 to KES 24.69Bn in Q3 2023, giving an indication of the Group surpassing KES 30 billion mark in FY-2023. The performance remained strongly supported by a 12.9% rise in interest income to KES 49.35Bn. PAT for Q-2023 was up 7.6% y-y to KES 18.39Bn.

We therefore retain our BUY recommendation on the Lender's share with a price target of above KES 12.45 and an expected dividend of KES 1.50 for Full year 2023, resulting to total return of 23.5%.



KINGDOM SECURITIES

Equity Stock Picks 25 January 2024

I&M Holdings - BUY: Trading at KES 17.45 per share (23rd Jan 2023), the lending Group's price has averaged below 18.00 per share in the last one year. Its highest and lowest price for the same period is KES 21.00 and KES 15.85 per share respectively.

The Group reported a 9.0% rise in PBT for Q3-2023 from that of KES 10.43Bn same time 2022, strongly supported by a 27.5% revenue spike in its core business. This was after the bank intensified its focus on retail clients through more branch network coverage in the local market. PAT grew 14.1% pushing its EPS 14.1% up from 4.12 to 4.70, cementing the confidence of its Board maintain a KES 2.25 per share for FY-2023, a dividend yield of 12.9%.

To earn from the expected dividend and targeting a price of at least KES 17.90 per share, we issue a BUY recommendation on the counters price to earn a total return of at least 14%.

EABL – BUY: The beer producing company has seen its price decline since March 2023, immediately after closure of the 2nd phase EABL by Diageo when it hit a high of KES 187.00, to the current price of KES 117.00 per share as of 24th January 2024. The counter recorded the lowest price of KES 108.00 while averaging at KES 145.26 in the last twelve months. share`

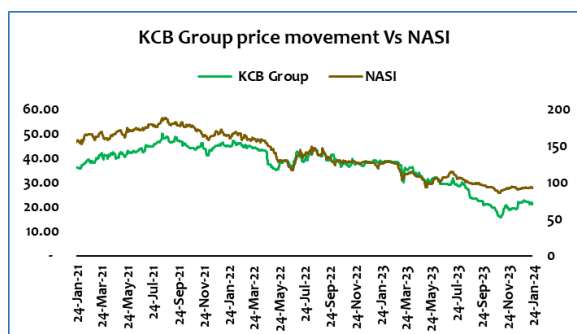
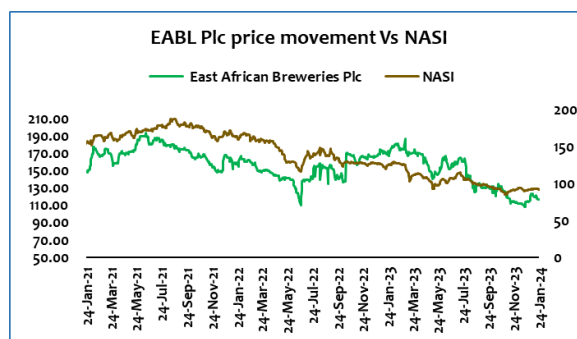
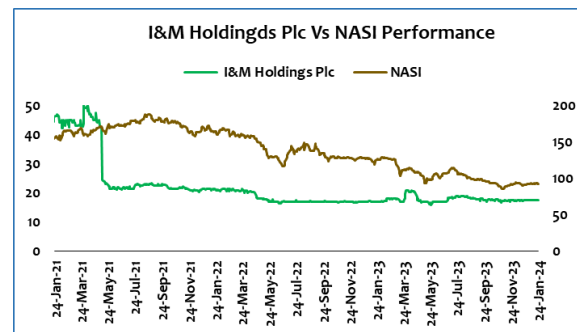
The price performance was further negatively impacted by a 26.4% dip in net profits for FY 2023 from KES 15.57Bn to KES 12.32Bn, that informed a sharp decline in price dipping immediately after declaring the final dividend of KES 1.50 per share dividend the FY 2023, resulting to a 50% drop in dividends from KES 11.00 in 2022 to KE 5.5.0 per share in FY 2023.

The onset of rains in around the third quarter of 2023 has seen food prices drop drastically pulling overall food inflation down. This is expected to reduce EABL's cost of goods while growing its sales through better pricing. We expect the company's revenues to go upwards and in turn improve the return on investments to shareholders.

The company will be announcing its half year financials on 26th January 2024, watch out for our earnings update.

KCB Group – BUY: Trading at KES 20.95 per share as of 24th January 2024, the group's share price has been impacted by a number of factors, including heavy foreign outflow on a weak local currency and geopolitical tensions, government to government oil deal partial financing and decline on its H1-2023 financials that resulted to non-payment of interim dividend as per norm, which all which elicited different sentimental reactions on its share price. Strained liquidity on its fast regional expansion also had a negative impact. Currently the Group is present in seven countries.

The Group's share price has gained 5.3% in the last 3 months while easing 28.6% and 45.4% in the past 6 and 12 months. In 2020, 2021, 2022 and 2023, KCB



recorded the highest price of KES 55.00, KES 49.90, KES 47.00 while hitting lows of KES 30.55, KES 35.70, KES 35.00 and 15.55 per share respectively.

In Q3-2023, the largest Kenyan Bank by assets, KCB Group, reported a 6.3% y-y decline in PBT from KES 43.30Bn to KES 40.59Bn on a higher loan loss provision that doubled at 118.0% y-y from KES 7.27Bn to KES 15.85Bn. Its PAT, however, grew marginally at 0.4% to KES 30.73Bn on a lower effective tax rate.

Overall, the Group, however, remains resilient supported strong interest income as evidenced in Q3-2023. Staff costs surge was a one-off transaction with the provisions expected to slow down on its aggressive recoveries started in June-2023. We therefore retain our BUY recommendation as the company remains strong on its core business.

Nation Media Group – Sell: The Listed Media Group’s share price has been and is trading at a price of KES 20.00 per since Jun-2023 when it announces a buyback program intending to acquire an additional 10% of the issued shares from the market. Before the announcement, the share price was trading below 17.00 per share.

Year-on-year NMG’s price has gained 23.5% while averaging at KES 18.43 per share in the last one year.

The Group’s price remains held up by the ongoing share buy-back program which runs from 3rd July 2023 to 2nd July 2024. This has seen the media company’s price average at KES 20.00 from the first trading day of July 2023. The shares purchase program might close earlier of acquiring the required 10%.

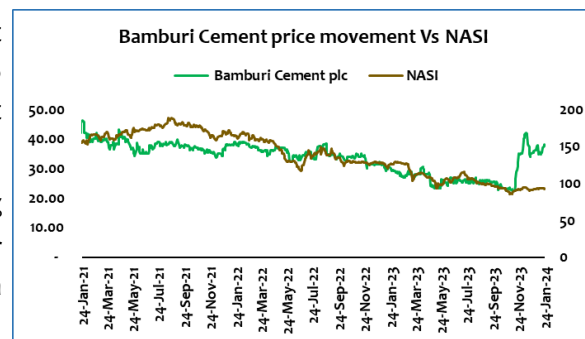
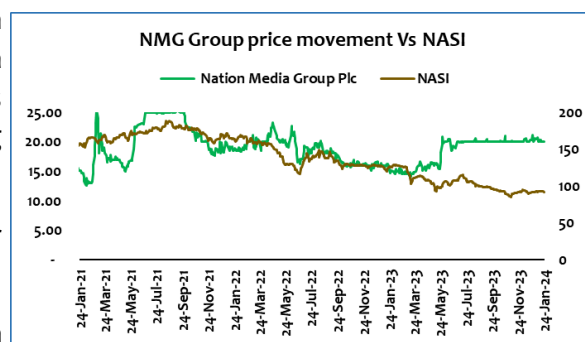
Regarding this, we retain our SELL recommendation and advise exiting the counter as the price is expected to decline immediately after the buyback period.

Bamburi Cement – Sell: Trading at KES 38.00 per share, the Cement producing company’s price has gained 6.1%, 46.4% and 25.0% in the last 3, 6 and 12 months respectively. Its average price for the same period stands at KES 33.39, KES 28.75 and KES 27.83 per share respectively.

On its Half year financials for 2023 (H1-2023), the company reported a 400.8% jump in PBT from KES 124Mn to KES 621Mn. The improvement was however cut down by tax obligations which had been standing in Kenya and its Uganda subsidiary which saw PAT drop 7.4% from KES 95Mn to KES 88Mn in H1 2023.

Despite the company’s top line remaining strong, we advise our clients who purchased stock at a price below KES 30.00 to exit the stock to gain a return of not less than 26.0% as per our earlier advise.

Further, Bamburi plans to sell its Uganda subsidiary which we view will affect its overall performance.



	52 wk high	52 wk low	Vwap 24/01/2024	Vwap 30/12/2022	Performance YTD (%)	Trailing EPS	DPS	BVPS	P/E	P/B	Div Yield (%)	Div Payout (%)	ROE	ROA
AGRICULTURE														
Eaagads Ltd	10.00	14.40	0.00	10.50	-100.0%	0.26	-	31.40	0.00	0.00	-	-	17.61%	15.93%
Kakuzi Plc	240.00	430.00	364.00	385.00	-5.5%	43.15	24.00	259.37	8.44	1.40	6.59%	55.62%	12.24%	9.36%
Kapchorua Tea Kenya Plc Ord 5.00	100.00	240.00	0.00	113.25	-100.0%	40.20	25.00	202.45	0.00	0.00	#DIV/0!	62.19%	2.80%	1.96%
The Limuru Tea Co. Plc	380.00	430.00	0.00	420.00	-100.0%	4.73	2.50	79.18	0.00	0.00	#DIV/0!	52.85%	-0.63%	-0.58%
Sasini Plc	18.20	31.40	21.00	22.45	-6.5%	2.49	0.50	58.95	8.43	0.36	2.38%	20.08%	4.26%	3.79%
Williamson Tea Kenya Plc	150.00	270.75	234.00	160.00	46.3%	29.42	30.00	338.08	7.95	0.69	12.82%	101.97%	-3.17%	-2.29%
Industry Average									7.08	0.59			4.5%	3.7%
AUTOMOBILES & ACCESSORIES														
Car & General (K) Ltd	0.00	47.00	0.00	47.45	-100.0%	8.55	0.80	60.52	0.00	0.00	#DIV/0!	9.36%	18.28%	12.53%
Industry Average									0.00	0.00			18.3%	12.5%
BANKING														
ABSA Bank Kenya Plc	10.10	12.95	11.55	12.30	-6.1%	2.55	1.35	12.02	4.53	0.96	11.69%	52.94%	25.12%	3.25%
BK Group Plc	28.45	37.00	36.80	31.50	16.8%	7.47	3.74	28.45	4.93	1.29	10.16%	50.07%	16.90%	3.66%
Diamond Trust Bank Kenya Ltd	44.00	55.25	44.75	50.00	-10.5%	16.16	5.00	295.01	2.77	0.15	11.17%	30.94%	10.68%	1.47%
Equity Group Holdings Plc	33.65	46.45	36.90	44.50	-17.1%	11.90	4.00	51.20	3.10	0.72	10.84%	33.61%	24.98%	2.85%
HF Group Plc	3.10	5.10	3.64	3.19	14.1%	0.92	-	22.80	3.96	0.16	-	-	3.03%	0.47%
I&M Holdings Plc	15.85	21.00	17.50	17.00	2.9%	6.77	2.25	47.83	2.58	0.37	12.86%	33.23%	19.17%	2.79%
KCB Group Plc Ord 1.00	15.75	39.05	20.95	38.10	-45.0%	12.71	2.00	68.09	1.65	0.31	9.55%	15.74%	18.72%	1.95%
NCBA Group Plc	30.70	41.70	37.55	39.35	-4.6%	2.77	1.50	53.73	13.56	0.70	3.99%	54.15%	22.06%	2.88%
Stanbic Holdings Plc	97.25	129.75	107.00	102.00	4.9%	22.92	12.60	140.77	4.67	0.76	11.78%	54.97%	22.26%	2.99%
Standard Chartered Bank Kenya Ltd	135.25	171.00	161.00	142.75	12.8%	31.47	22.00	158.03	5.12	1.02	13.66%	69.91%	21.74%	3.51%
The Co-operative Bank of Kenya Ltd	10.20	13.35	11.40	12.30	-7.3%	3.35	1.50	18.42	3.40	0.62	13.16%	44.78%	22.69%	3.17%
Industry Average									3.25	0.59			20.7%	2.6%
COMMERCIAL AND SERVICES														
Deacons (East Africa) Plc	0.45	0.45	0.00	0.45	-100.0%	-6.82	-	2.67	-	0.00	-	-	-254.96%	-54.19%
Eveready East Africa Ltd	0.61	1.85	1.03	0.69	49.3%	-0.24	-	0.03	-	34.33	-	-	-550.65%	-495.80%
Express Kenya Plc	3.25	5.40	3.54	4.71	-24.8%	-1.97	-	-3.87	-	-1.23	-	-	50.92%	-21.71%
Homeboyz Entertainment Plc	4.66	4.66	0.00	4.66	-100.0%	0.24	-	0.46	0.00	0.00	-	-	-77.47%	-24.29%
Kenya Airways Ltd	3.83	3.83	0.00	3.83	-100.0%	-6.57	-	-13.00	-	0.00	-	-	15.55%	-7.49%
Longhorn Publishers Plc	2.01	3.25	2.30	3.00	-23.3%	0.68	-	2.75	3.38	0.84	-	-	4.03%	1.39%
Nairobi Business Ventures Ltd	2.16	4.76	2.43	3.77	-35.5%	-3.20	-	0.11	-	22.09	-	-	22.12%	18.52%
Nation Media Group Plc	14.15	21.10	20.00	15.95	25.4%	1.70	1.50	43.48	11.76	0.46	7.50%	88.24%	3.85%	3.69%
Sameer Africa Plc	1.84	2.79	2.03	2.10	-3.3%	0.36	-	1.38	5.64	1.48	-	-	66.97%	21.33%
Standard Group Plc	5.54	10.60	0.00	10.45	-100.0%	-10.05	-	13.00	-	0.00	-	-	-5.34%	-1.41%
TPS Eastern Africa Ltd	11.00	16.45	15.10	13.35	13.1%	1.45	-	39.35	10.41	0.38	-	-	-15.71%	-8.16%
Uchumi Supermarket Plc	0.17	0.27	0.19	0.23	-17.4%	-4.60	-	-5.75	-	-0.03	-	-	135.25%	-56.71%
WPP Scangroup Plc	1.99	3.18	2.50	3.01	-16.9%	0.14	-	12.19	17.86	0.21	-	-	-32.89%	-19.82%
Industry Average									(0.29)	-0.24			33.4%	-8.8%
CONSTRUCTION & ALLIED														
ARM Cement Plc	5.55	5.55	0.00	5.55	-100.0%	-6.83	-	28.95	-	0.00	-	-	-10.08%	-5.48%
Bamburi Cement Ltd	22.50	42.00	38.00	31.50	20.6%	0.56	0.75	93.81	67.86	0.41	1.97%	133.93%	3.47%	2.39%
Crown Paints Kenya Plc	32.30	44.80	0.00	41.85	-100.0%	5.79	4.00	17.22	0.00	0.00	#DIV/0!	69.08%	27.98%	10.25%
E.A.Cables Ltd	0.73	1.03	1.00	0.84	19.0%	-1.02	-	10.10	-	0.10	-	-	-22.79%	-7.72%
E.A.Portland Cement Co. Ltd	5.32	9.34	0.00	6.80	-100.0%	6.02	-	187.68	0.00	0.00	-	-	-8.71%	-5.38%
Average									-2.68	0.17			-3.6%	-2.1%
ENERGY & PETROLEUM														
KenGen Co. Plc	1.96	3.21	1.98	3.22	-38.5%	0.76	0.30	32.04	2.61	0.06	15.15%	39.47%	8.70%	4.45%
Kenya Power & Lighting Co Plc	1.35	1.70	1.39	1.56	-10.9%	1.80	-	28.81	0.77	0.05	-	-	0.47%	0.08%
Total Kenya Ltd	15.80	23.85	17.65	23.85	-26.0%	3.88	1.31	129.47	4.55	0.14	7.42%	33.76%	10.20%	5.89%
Umeme Ltd	7.54	17.75	15.35	7.42	106.9%	3.18	2.23	14.19	4.83	1.08	14.53%	70.13%	16.69%	5.47%
Industry Average									3.05	0.14			7.9%	2.9%
INSURANCE														
Britam Holdings Plc	4.05	5.68	4.99	5.20	-4.0%	0.63	-	6.76	7.92	0.74	-	-	53.39%	7.28%
CIC Insurance Group Ltd	1.68	2.52	2.00	1.95	2.6%	0.40	0.13	3.05	5.00	0.66	6.50%	32.50%	8.37%	1.61%
Jubilee Holdings Ltd	148.25	200.00	181.00	198.75	-8.9%	88.13	11.00	490.33	2.05	0.37	6.08%	12.48%	11.50%	2.80%
Kenya Re Insurance Corporation Ltd	1.54	2.02	1.91	1.83	4.4%	1.08	0.20	11.41	1.77	0.17	10.47%	18.52%	12.41%	7.88%
Liberty Kenya Holdings Ltd	3.45	5.50	5.20	5.60	-7.1%	0.15	-	16.45	34.67	0.32	-	-	0.93%	0.20%
Sanlam Kenya Plc	5.60	9.14	0.00	9.58	-100.0%	-0.08	-	12.05	-	0.00	-	-	6.59%	0.39%
Sector PE								11.8361464	3.23	0.38			17.5%	4.2%
INVESTMENT														
Centum Investment Co Plc	8.00	9.50	8.44	8.36	1.0%	-6.28	0.60	79.08	-	0.11	7.11%	-	8.80%	4.54%
Home Afrika Ltd	0.27	0.40	0.37	0.32	15.6%	-0.15	-	-4.79	-	-0.08	-	-	-45.79%	-20.44%
Kurwitu Ventures Ltd	1500.00	1500.00	0.00	1500.00	-100.0%	-36.00	-	592.46	-	0.00	-	-	-8.90%	-3.90%
Olympia Capital Holdings Ltd	2.40	5.36	0.00	2.96	-100.0%	0.28	-	31.63	0.00	0.00	-	-	1.38%	1.18%
Trans-Century Plc	0.43	1.29	0.49	0.93	-47.3%	-7.95	-	3.14	-	0.16	-	-	-56.07%	-9.11%
Industry Average									-0.48	0.11			3.2%	1.4%
INVESTMENT SERVICES														
Nairobi Securities Exchange Plc	5.52	6.98	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									120.00	0.75			3.8%	3.6%
MANUFACTURING & ALLIED														
B.O.C Kenya Plc	65.50	90.25	0.00	70.75	-100.0%	7.58	4.45	78.03	0.00	0.00	#DIV/0!	58.71%	4.57%	3.24%
British American Tobacco Kenya Plc	401.25	479.75	425.00	460.00	-7.6%	68.92	57.00	118.56	6.17	3.58	13.41%	82.70%	46.54%	25.42%
Carbacid Investments Plc	12.00	17.55	15.55	12.00	29.6%	3.20	1.70	8.38	4.86	1.86	10.93%	53.13%	12.39%	7.93%
East African Breweries Ltd	108.00	187.00	116.50	167.50	-30.4%	12.47	5.50	17.70	9.34	6.58	4.72%	44.11%	50.17%	5.84%
Flame Tree Group Holdings Ltd	0.92	1.43	1.14	1.08	5.6%	-1.21	-	4.57	-	0.25	-	-	4.16%	1.84%
Kenya Orchards Ltd	10.40	19.50	19.50	10.40	87.5%	0.17	-	1.88	114.71	10.35	-	-	36.65%	7.76%
Mumias Sugar Co. Ltd	0.27	0.27	0.00	0.27	-100.0%	-9.90	-	-9.40	-	0.00	-	-	105.26%	-96.22%
Unga Group Ltd	14.00	31.00	17.10	32.00	-46.6%	-8.41	-	74.09	-	0.23	-	-	1.18%	0.55%
Industry Average									81.61	6.51			-10.0%	-1.2%
TELECOMMUNICATION & TECHNOLOGY														
Safaricom Plc	11.65	24.50	13.60	24.15	-43.7%	1.55	1.20	4.66	8.77	2.92	8.8%	77.4%	32.5%	16.0%
Industry Average									8.77	2.92			32.5%	16.0%
REAL ESTATE INVESTMENT TRUST														
STANLIB FAHARI I-REIT	5.54	9.58	6.26	6.52	-4.0%	-0.16	0.78	20.86	-	0.30	12.5%	-	3.9%	3.8%
LAPTRUST IMARA I-REIT Ord.20.00	0.00	20.00	0.00	0.00	-	0.00	-	-	-	-	-	-	-	-
Industry Average									#DIV/0!	0.30			-	-

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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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