

STOCK PICKS SELECTIONS

Low inflations both globally and in the local market continues to push for low interest rates. Since August 2024, economies have witnessed progressive rate cuts in an aim to support economic growth. The low inflations are expected to see overall disposable flourish.

Locally, the Central Bank of Kenya has consistently cut down its benchmark lending rate, reducing 25.0bps for the first time in August, and a 75.0bps cut on its second and third reviews of October and December 2024 respectively, to the current rate of 11.25%. As the rate cut transmissions take effect, we expect equities returns to become more attractive as market demand and search for better returns shifts to equities from fixed income investments.

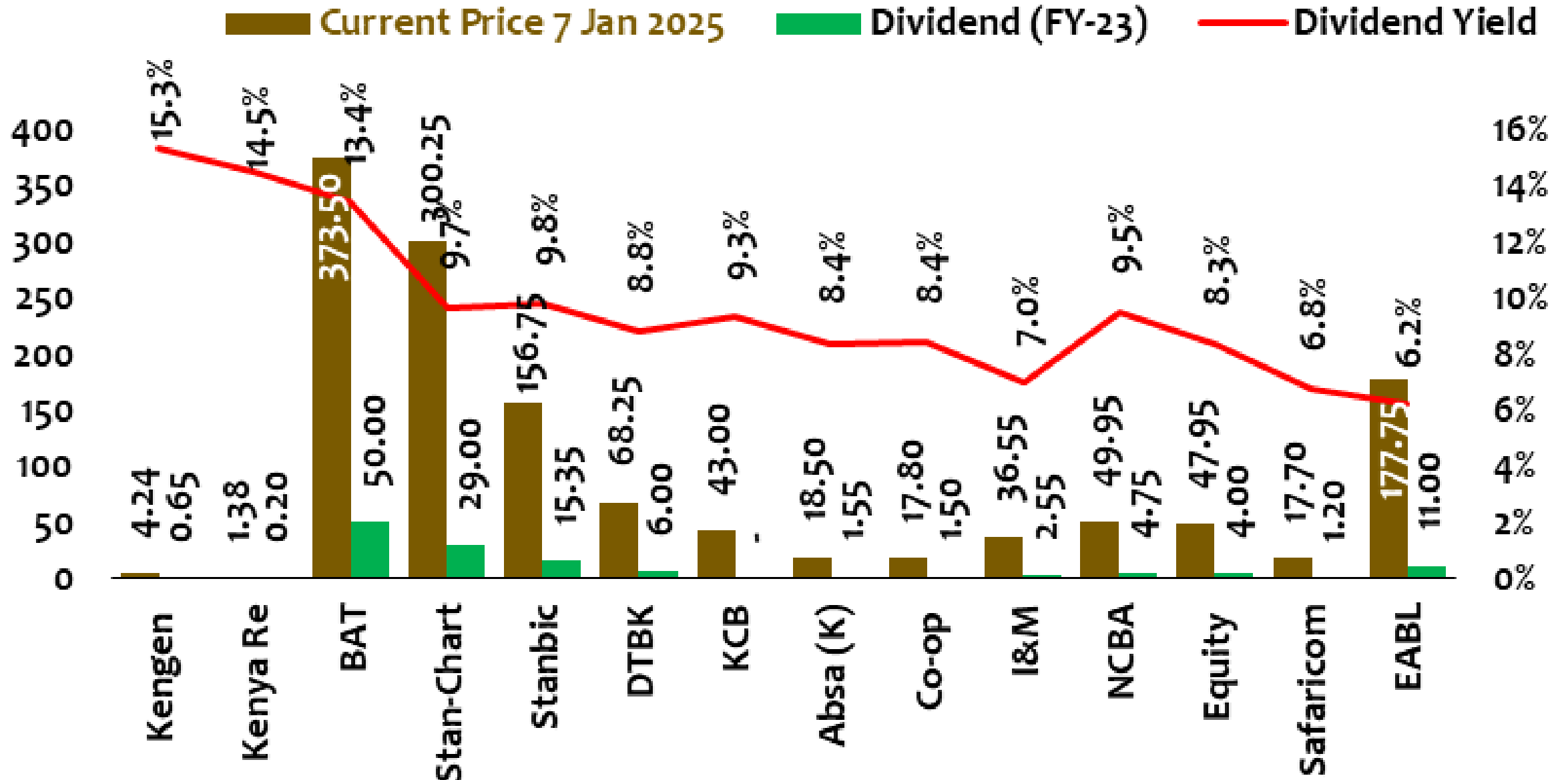
Below are some of our selected stocks for your considerations:

Stock	Current price	Fair Value Target Price	Upside/Downside	Why the Stock
KCB Group	43.00	54.00	25.6%	<p>Current EPS as of Q3-2024 - 18.99. FY24 EPS projected at 25.32</p> <p>Profits after tax (PAT) - up 49.0% to KES 45.76Bn as at Q3-24</p> <p>Profits before tax (PBT) - up 41.5% to KES 40.59Bn as at Q3-24</p> <p>12-Month High/low - KES 42.90 / KES 19.00</p> <p>Interim dividend paid - KES 1.50 per share</p> <p>Expected final dividend of above KES 4.00 per share</p> <p>EPS as of Q3-2024 - up 48.9% to 18.99</p> <p>Dividend yield (expected) - 9.3%</p>
I&M Group	36.55	41.00	12.2%	<p>Group's own revised target price - KES 48.00</p> <p>2024, 2023 & 2022 Highs - KES 36.40; 21.00; 21.50</p> <p>2024, 2023, & 2022 Lows - KES 17.15, 15.85 & 16.50 per share</p> <p>2024, 2023 & 2024 averages - KES 22.38; 17.77; 17.65</p> <p>2023 dividend paid - KES 2.55</p> <p>EPS as at Q3-2024 - up 17.9% to 5.54</p> <p>Interim Dividend paid - KES 1.30</p> <p>Expected first dividend >KES 3.00 per share.</p> <p>Dividend yield expected – 11.8%</p>
Stanbic	156.75			<p>Stanbic Bank Kenya reported 9.3% rise in profits after tax to KES 10.14Bn. PAT was up 8.4% to KES 14.06Bn as of Q3-2024.</p> <p>Stanbic Paid KES 15.35 per share dividend in 2023 from KES 12.60 in 2022</p> <p>We expect FY-2024 dividend to rise slightly to about KES 17.00 per share.</p> <p>Expectations of better dividend continue to rally this stock to hit high of KES 156.75 per share on 7th January 2024.</p>
British American Tobacco	373.50	430.00	15.1%	<p>Paid interim dividend of KES 5.00</p> <p>12-month High/Low - KES 436.75 / KES 331.75</p> <p>3-, 6- & 12-month averages - KES 353.29, 351.13 & 379.34</p> <p>2022, 2023 & 2024 Highs - KES 509.00, 479.75 & 436.75</p> <p>2022, 2023 & 2024 Lows - KES 404.00, 401.25, 331.75</p> <p>Expected Final Dividend >KES 40.00</p> <p>Dividend yield expected – 12.1%</p>

Sasini	16.00	19.50	21.9%	<p>Monitor for purchase at prices of below KES 15.00 per share</p> <p>2024, 2023 & 2022 Highest prices - KES 22.00; 31.40 & 24.00</p> <p>2024, 2023 & 2022 Lows - KES 14.40; 18.20 & 17.90 per share</p> <p>2024, 2023 and 2022 average prices - KES 18.42; 24.53 & 25.58 per share</p> <p>Projected dividend – KES 1.00</p> <p>Dividend Yield - 6.3%</p> <p>The stock has potentials for capital gains</p> <p>The counter has however a limited liquidity in the market</p>
Kenya Re	1.38	2.05	48.6%	<p>The re-insurer paid a 1:1 bonus shares to conserve funds for business expansion as well as grow its liquidity in the market</p> <p>The counter has been making some key business partnerships including with businesses in India and the newly opened businesses opportunities in Ethiopia.</p> <p>We project a payment of KES 0.20 per share dividend for FY-2025 (a 14.5% projected dividend yield)</p> <p>The counter has high potentials for capital gains</p>
Kengen	4.24	6.40	50.9%	<p>Its 12-month high & low price - KES 4.24 & KES 1.96</p> <p>Kengen continue to perform well, recording a 35.5% rise on its FY-2024 profits.</p> <p>Paid a 116.7% rise in dividends to KES 0.65 per share</p> <p>We expect retention of >0.60 per share dividend (a 14.2% projected dividend yield)</p>
Safaricom	17.70			<p>Stock remains best long-term buy of above 2-years</p> <p>Its price remains highly impacted by Safaricom Ethiopia currency devaluation losses</p> <p>In H1-2024, Safaricom Kenya recorded 15.6% rise in PAT to KES 86.12Bn to retain top revenue position in Kenya.</p> <p>However, this was eaten up by a 159.8% jump in Ethiopia losses from KES 14.44Bn to KES 37.52Bn.</p> <p>Ethiopia break-even was revised upwards to 2027 from March 2026.</p>
Nation Media	14.00	16.50	17.9%	<p>Target to buy at below KES 14.00 per share.</p> <p>Its 12-month High & Low - KES 22.00 & 11.75 per share.</p> <p>Its 2024, 2023 & 2022 Highs - KES 22.00; 21.10 & 23.20</p> <p>Its 2024, 2023 & 2022 lows - KES 11.75, 14.15 & 15.15</p> <p>2024, 2023 & 2022 average prices - KES 17.40, 18.16 & 16.19</p>

Note: Find below graphical dividend yield performance for some dividend paying stocks.

Dividend Yield Performance



Selected Stocks price Analysis															
Year Stock		Absa (K)	Co-op	Equity	DTBK	I&M	KCB	NCBA	Stanbic	Stan-Chart	BAT	EABL	Scom	Kenya Re	Kengen
2020	Lowest	8.62	10.30	28.10	59.50	43.00	30.55	20.20	73.50	143.25	309.50	135.25	24.35	2.00	4.14
2020	Highest	13.60	16.55	55.00	120.25	58.25	55.00	37.30	118.50	213.25	505.00	221.75	34.25	3.26	6.04
2021	Lowest	8.62	11.60	36.00	54.75	20.35	35.70	22.95	74.00	124.00	361.00	148.25	34.25	2.22	3.91
2021	Highest	11.85	13.95	54.25	77.50	50.00		49.90	28.15	95.25	146.75	499.75	193.75	44.95	2.70
2022	Lowest	9.70	10.70	39.00	46.00	16.50	35.00	23.00	87.00	123.75	404.00	110.00	23.10	1.74	3.18
2022	Highest	12.70	13.30	53.50	60.00	21.50	47.00	39.80	108.00	147.75	509.00	170.75	40.00	2.32	4.19
2023	Lowest	10.10	10.20	35.55	44.00	15.85	15.75	30.70	97.25	135.25	401.25	108.00	11.65	1.54	1.99
2023	Highest	12.95	13.35	50.00	55.25	21.00	39.20	41.70	129.75	171.00	479.75	187.00	24.50	2.02	3.26
2024	Lowest	11.25	11.20	34.20	44.35	17.35	19.00	36.30	101.75	157.25	331.75	100.00	13.00	1.04	1.96
2024	Highest	14.20	17.80	50.00	55.75	22.65	43.00	45.00	156.75	300.25	436.75	199.75	19.30	2.87	4.24
Current Price		18.50	17.80	47.95	68.25	36.55	43.00	49.95	156.75	300.25	373.50	177.75	17.70	1.38	4.24
FY 2023 Dividend		1.55	1.50	4.00	6.00	2.55	4.00E	4.75	15.35	29.00	50.00	11.00	1.20	0.20	0.65
Dividend Yield		8.4%	8.4%	8.3%	8.8%	7.0%	9.3%	9.5%	9.8%	9.7%	13.4%	6.2%	6.8%	10.0%	15.7%
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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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