

Stock Pick Selections

Stock pick recommendations:

As lending rates rally down, equities investing is anticipated to become more attractive while benefitting from a better economic outlook and low appetite for other investments including government papers.

On its latest interest rate review of Wednesday, 5th February 2024, the Central Bank's monetary policy committee (MPC) implemented an additional 50.0bps rate cut from 11.25% to 10.75% on the official base lending rate, in an aim to support private sector liquidity and foster economic growths. This is strongly supported by low inflation levels which have remained below the mid-target range of 5.0%±2.5% for eight consecutive months. Inflation for January 2025 rose marginally to 3.3%, being the fourth month of an inflation of below 4.0%.

Further, to make loan facilities cheaper and available, the Central Bank effected a 100% reduction on the cash reserve requirement ratio from 4.25% to 3.25% by the commercial banks.

We expect these actions to positively influence equities investing and recommend the following stocks for your investing considerations:

Stock	Current price	Fair Value Target Price	Upside/ Downside	Why the Stock
KCB Group	45.10	54.00	20.0%	<p>Current EPS as of Q3-2024 - 18.99. FY24 EPS projected at 25.32 Profits after tax (PAT) was up 49.0% to KES 45.76Bn as at Q3-24 Profits before tax (PBT) was up 41.5% to KES 40.59Bn as at Q3-24 12-Month High/low - KES 45.80 / KES 19.00 Interim dividend paid - KES 1.50 per share Expected final dividend of above KES 4.00 per share EPS as of Q3-2024 - up 48.9% to 18.99 Dividend yield (expected) - 9.3% The stock has gained 4.8% from our last recommendation on 7th January 2025</p>
I&M Group	35.30	41.00	16.1%	<p>The Group's revised its valuation price KES 48.00. We retain our valuation/target price at KES 41.00 per share. Its 2024, 2023 & 2022 Highs- KES 36.40; 21.00; 21.50 Its 2024, 2023, & 2022 Lows - KES 17.15, 15.85 & 16.50 per share Its average prices for 2024, 2023 & 2024 were KES 22.38; 17.77; 17.65 In 2023, the bank paid KES 2.55 per share dividend, a 7.2% dividend yield on the current price of KES 35.30 per share. Its EPS as at Q3-2024 went 17.9% up to 5.54 Interim Dividend paid - KES 1.30 Expected total dividend >KES 3.00 per share. Dividend yield expected > 7.2% The stock has lost 3.6% since our last recommendation</p>
British American Tobacco	362.75	430.00	18.5%	<p>Paid interim dividend of KES 5.00 12-month High/Low - KES 436.75 / KES 331.75 3-, 6- & 12-month averages - KES 353.29, 351.13 & 379.34 2022, 2023 & 2024 Highs - KES 509.00, 479.75 & 436.75 2022, 2023 & 2024 Lows - KES 404.00, 401.25, 331.75 Expected Final Dividend >KES 40.00 Dividend yield expected – 12.1% The counter's FY-2024 financials are due mid this month (February 2024).</p>

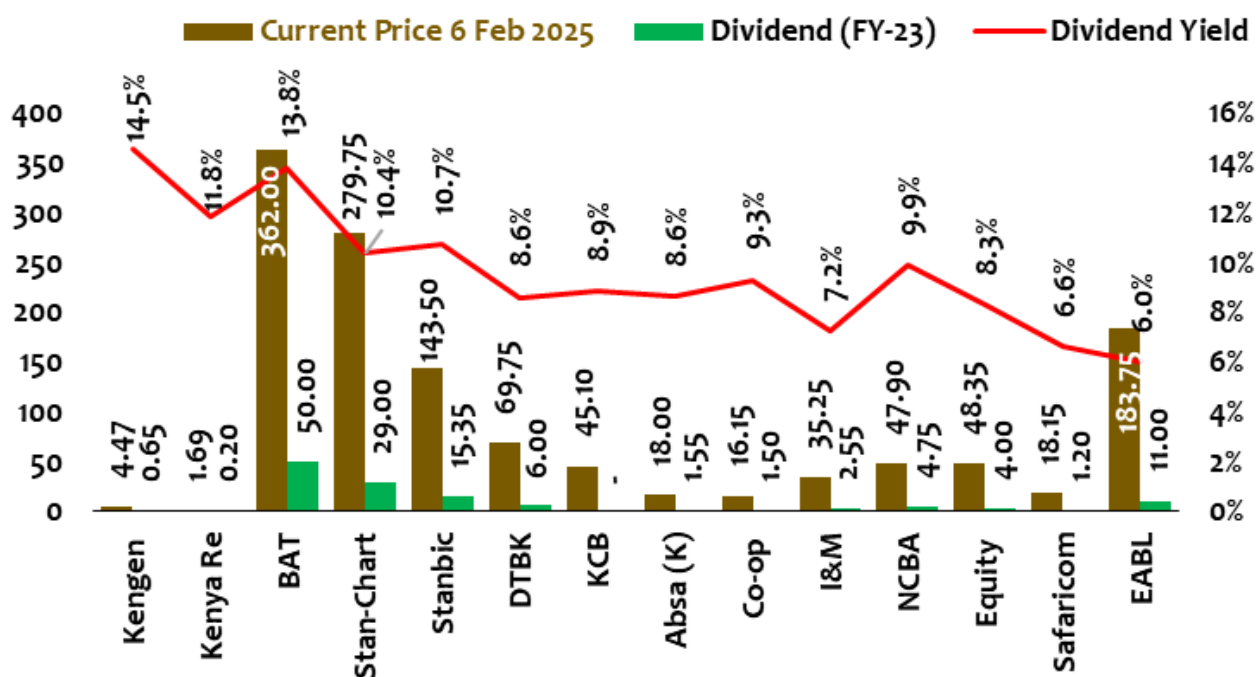
Sasini	15.25	19.50	27.9%	<p>Monitor for purchase at prices of below KES 15.00 per share 2024, 2023 & 2022 Highest prices - KES 22.00; 31.40 & 24.00 2024, 2023 & 2022 Lows - KES 14.40; 18.20 & 17.90 per share 2024, 2023 and 2022 average prices - KES 18.42; 24.53 & 25.58 per share Projected dividend – KES 1.00 Dividend Yield - 6.3% The stock has potentials for capital gains The counter has however a limited liquidity in the market</p>
Kenya Re	1.69	2.05	48.6%	<p>The re-insurer paid a 1:1 bonus share to conserve funds for business expansion as well as grow its liquidity in the market The counter has been making some key business partnerships including with businesses in India and the newly opened businesses opportunities in Ethiopia. We project a payment of KES 0.20 per share dividend for FY-2025 Expected dividend yield is a 11.8%. The counter has gained 48.9% since our last BUY recommendation when it was trading at KES 1.38 per share.</p>
Kengen	4.63	6.40	50.9%	<p>The electric generating company, Kengen reported a 64.6% jump on its half year (HY-2025) profit before tax (PBT) reported on 5th February 2025, supported by low operating expenses. Profits after tax jumped 79.1% up from KES 2.96Bn to 5.30Bn. This saw its EPS up 77.8% up from 0.45 to 0.80 Its 12-month high & low price - KES 4.73 & KES 1.99 Expected dividend for FY-2025 is retention of KES 0.60 per share Expected dividend yield – 16.3%</p>
Safaricom	17.70			<p>Stock remains best long-term buy of above 2-years Its price remains highly impacted by Safaricom Ethiopia currency devaluation losses resulting to heavy losses from the subsidiary. In H1-2024, Safaricom Kenya recorded 15.6% rise in PAT to KES 86.12Bn to retain top revenue position in Kenya. However, this was eaten up by a 159.8% jump in Ethiopia losses from KES 14.44Bn to KES 37.52Bn. Ethiopia break-even was revised upwards to 2027 from March 2026. The stock has gained 4.2% from our last recommendation</p>
Nation Media	14.00	16.50	17.9%	<p>Target to buy at KES 14.00 per share or below Its 12-month High & Low - KES 22.00 & 11.75 per share. Its 2024, 2023 & 2022 Highs - KES 22.00; 21.10 & 23.20 Its 2024, 2023 & 2022 lows - KES 11.75, 14.15 & 15.15 2024, 2023 & 2022 average prices - KES 17.40, 18.16 & 16.19</p>

Selected Stocks price Analysis

	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	5.18
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	37.20	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	0.20	36.30	108.25	157.25	331.75	100.00	13.00	1.04	1.96
2024 Highest	14.20	17.80	50.00	55.75	22.65	45.80	45.00	157.00	300.25	436.75	199.75	19.30	2.87	4.24
12-Months Low	11.30	11.20	35.55	43.25	17.15	19.00	36.30	101.75	157.25	331.75	100.00	13.00	1.04	1.96
12-Months High	19.10	17.80	50.00	70.00	36.55	43.30	51.00	157.00	300.25	430.00	199.75	19.30	2.87	4.32
5 Feb 2025	17.95	16.20	48.65	69.75	35.30	45.10	47.95	144.75	279.75	362.75	179.00	18.45	1.69	4.63
Dividend (FY2023)	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	8.6%	9.3%	8.2%	8.6%	7.2%	8.9%	9.9%	10.6%	10.4%	13.8%	6.1%	6.5%	10.0%	15.7%

Dividend Yield Performance



We also advise a keen watch for cashing out from the banking sector especially Absa (K), DTBK, Equity Group, NCBA Group and Standard Chartered bank as their financials come out in mid to end of next month, March 2025, to benefit from the gains realized.

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.

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 affiliates or 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 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

Shadrack Manyinsa

Research Department
smanyinsa@co-opbank.co.ke

Alfred Too
Asena Moffat

Equities Dealing
atoo@co-opbank.co.ke
amoffat@co-opbank.co.ke