

## Weekly Stock Recommendations

### Are you a high risk investor who would like to benefit from movement in share prices?

Our recommendations are directed by technical analysis and are suitable for investors who want to profit from market movements.

We apply technical analysis to evaluate the short term as well as the long term trends of the market and the exit and entry points for particular stocks. We use relative strength index (RSI) to evaluate if the stock is either overbought (an opportunity to sell) or oversold (an opportunity to buy)

#### BUY OPPORTUNITIES

##### ➤ **Nairobi Securities Exchange PLC**

The counter is currently at KES 11.05 and is oversold due to negative market sentiments about the stock and therefore speculators should buy the stock



➤ **Kenya Airways PLC**

Currently the counter is trading at KES 3.15 and is oversold due to low market expectations about the stock and therefore speculators should buy the stock. The national assembly also approved a proposal to nationalize the airline and this could see the treasury buy out all the shares from the minority share holders holding the stock at the NSE.



➤ **Sanlam Kenya PLC**

Currently the counter is trading at KES 17.55 and is oversold due to negative market sentiments about the stock and therefore speculators should buy the stock



## Are you a value investor who is patient enough to wait to realize your returns?

In this category, our recommendations are driven by the fair value estimate and returns the investor is likely to get as a result of holding the stock. The return is likely to be in the form of capital gains or dividend returns. We consider the growth prospects of the company which informs the expected return an investor could receive from holding the counter.

### BUY OPPORTUNITIES

- **Ken Gen:** We issue a **BUY** recommendation on Ken Gen with a target price of KES 7.61 representing an upside of 28% from the closing price of KES 6.00 last week. Our positivity is driven by the company's plans of adding new capacity 165.5MW in the incoming financial year and additional 83MW in FY21. This is expected to improve the electricity sales and the profit after tax of the company. The anticipated resumption of dividend payments is also a key driver of our opinion.
- **British American Tobacco:** We issue a **BUY** recommendation on BAT Kenya with a target price of KES 643.36 representing an upside of 25% from the closing price of KES 514.00 last week. In FY18, they declared a final dividend of KSH 31.50 net of withholding tax to a total of KSH 35.00. For the last four years, BAT has had an average of 91% dividend pay out ratio. In addition, the average dividend per share has been KSH 38.25 which is attractive for their shareholders. These attractive and consistent dividend payments keep the company on a top radar with investors.
- **East African Breweries Ltd:** We maintain a **BUY** recommendation on EABL with a revised target price of 256.60 representing an upside of 26% from the closing price of 204.00 as at 26<sup>th</sup> July 2019. We have revised the cost of debt upwards to 12.5% and the capital structure to 50% debt and 50% equity. Our opinion is driven by 12% growth in the group's net sales and improved efficiency in cost management which saw the cost of sales as a % of revenue reduce to 53.8% in FY19 from 55.9% in FY18.
- **KCB Group Limited:** The stock remains a **BUY** with a target price of KES 50.8 which represents a 27% upside from a closing of KES 40.00 last week. The bank recorded a strong performance in FY19 Q1. The Profit after tax (PAT) was up 11.39% to 5.8Bn from 5.2Bn registered previously. This was attributed to 11.22% rise in the interest income to 13Bn from 11Bn and 9.19% increase in non funded income to 6.1Bn from 6Bn. We believe the current strategies will spur the company to record positive results.
- **The Cooperative Bank of Kenya Ltd:** We restate a **BUY** recommendation on the Cooperative Bank of Kenya with a target price of KES 16.64 which is an upside of 39% from the closing price of 11.95 last week. The bank recorded a positive results in Q1 FY19 and registered 4.37% surge in the PAT to KES 3.6Bn. This was driven by 19% rise in the non funded income and 34% dp in the loan loss provision.

## CONTACTS:

### Research Desk

**Sarah Wang**

[wangas@aibcapital.com](mailto:wangas@aibcapital.com)

(+254) 711047105

Victor Koech

[koechv@aibcapital.com](mailto:koechv@aibcapital.com)

(+254) 711047133

### Equities Dealing

**Bernard Kung'u**

[kungub@aibcapital.com](mailto:kungub@aibcapital.com)

(+254) 711047108

**Benard Gichuru**

[gichurub@aibcapital.com](mailto:gichurub@aibcapital.com)

(+254) 711047111

**Brian Tanui**

[tanuib@aibcapital.com](mailto:tanuib@aibcapital.com)

(+254) 711047124

### Bond Dealing

**Crispus Otieno**

[otienoc@aibcapital.com](mailto:otienoc@aibcapital.com)

(+254) 711047113

**Titus Marenye**

[marenyet@aibcapital.com](mailto:marenyet@aibcapital.com)

(+254) 711047118

---

### Disclaimer:

Though utmost care has been taken in the preparation of this report, we do not guarantee the accuracy or completeness of the information contained herein nor will AIB Capital Ltd be held liable for the information contained herein. The views expressed in this report are solely those of the Research Department and are subject to change without notice.

LXM USA LLP assumes responsibility for the research report's content in regards to Research distributed in the US. US recipients of this research who wish to effect transactions in any security covered by this report must do so with or through LXM USA LLP. Transactions in such securities by recipients of the report are to be effected only through LXM US

LLP in accordance with Rule 15a-6.1. The research analysts preparing the research report are resident outside the United States and are not associated persons of any US regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

---