

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).

Last week we issued BUY recommendations on KCB(38.20), EQUITY(37.05), and I&M (46.50). KCB touched a high of 38.50 on Friday last week, Equity closed the week at 37.90 while I&M remained unchanged.

BUY OPPORTUNITIES

Longhorn Publishers.

The counter is currently trading at KES 5.60. Investors had sold the counter as the company previously had working capital challenges but has since borrowed a loan of KES 0.9bn that should ease the situation. The counters had been oversold and currently presents a buying opportunity.



BAT

Currently, the counter is trading at KES 485.00 and is oversold due to low market expectations about the performance of the company. Speculators could benefit from a price recovery.



SELL OPPORTUNITIES

HF Group

The counter is currently trading at KES 5.50. The company has been auctioning houses in a bid to reduce its NPLs (Non Performing Loans). Following this news, investors have been buying the stock and it currently presents a selling opportunity.



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 35% from the closing price of KES 5.54 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 26% from the closing price of KES 510.00 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 31% from the closing price of 196.00 as at 9th August 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.
- **The Cooperative Bank of Kenya Ltd:** We restate a **BUY** recommendation on the Cooperative Bank of Kenya with a target price of KES 17.5 which is an upside of 55% from the closing price of KES 11.40 last week. The bank recorded a positive results in Q2 FY19 and registered 5% surge in the PAT to KES 7.5Bn. This was driven by 25% rise in the non funded income and the cost efficiency.
- **KCB Group Limited:** The stock remains a **BUY** with a target price of KES 50.8 which represents a 25.43 % upside from a closing of KES 40.15 last week. The bank recorded a strong performance in FY19 Q2 .The Profit after tax (PAT) was up 5% to 12.7Bn from 12.1Bn registered HY18. This was attributed to 5% rise in the interest income to 25.4Bn from 24.1Bn and 9.19% increase in non funded income to 13.1Bn from 11.5Bn. We believe the current strategies will spur the company to record positive results.

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