

Stock Recommendations

13th May 2025

Stock Recommendations

Equities are expected to start reaping off from the downing interest rates occasioned by low inflations globally. Emergence of trade tariffs however, appear to constrain the global supply chain while elevating inflation levels to counter the efforts of many Central Banks. It's at the wake of this that we recommends the following stocks for your investing consideration.

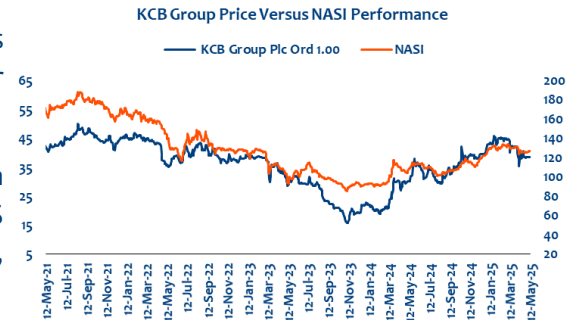
KCB Group – BUY: Trading at KES 38.45 per share ex-dividend, the counter has lost 14.9%, 0.1% and 9.4% in the last 3-, 6- and 12-months respectively. Its average price for the same period is KES 41.19, KES 41.50 and KES 37.50 per shares respectively.

The lender's 12-month high and low prices are KES 45.80 and KES 29.30. In 2022, 2023 and 2024, the Group hit highs of KES 47.00, KES 39.20 and KES 45.80 while recording lows of KES 35.00, KES 15.75 and KES 19.00 per share, respectively.

The Group's financial performance remains steady, with the profits after tax for 2024 expanding by 64.9% from KES 37.46Bn in FY2023 to KES 61.77Bn in FY2024 supported by faster growths on its key revenue lines. This saw KCB Group's earnings per share (EPS) jump 60.4% up from 11.66 to 18.70 and thereby improving shareholders' return.

The counter however paid a total dividend of KES 3.00 per share, representing a 16.0% dividend citing liquidity conservation to support some of its liquidity strained subsidiaries.

We issue a BUY recommendation on the counter with expectation of a better dividend payout in 2025 and consequently improve its dividend yield to above 14% from the current level of 7.8%. We further price the Group's price at a fair value of KES 54.00, a 40.3% upside from the current price.

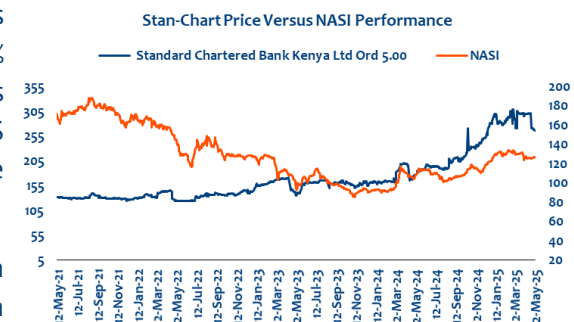


Stan-Chart – BUY: Trading at KES 266.50 per share, the Lender's price has thinned 8.1% and 6.6% in the last three months while gaining 13.8% and 49.9% to average at KES 279.31 and KES 238.74 in the last 6 and 12-months. Its highest prices for 2022, 2023 and 2024 were KES 147.75, KES 171.00 and KES 309.50 with lows of KES 123.75, KES 135.25 and KES 157.25 per share respectively.

The counter has remained consistent being among the few counters with a high dividend payout which has grown substantially as revenues grow. In 2024, the bank paid KES 45.00 dividend per share, an 85.5% payout ration from an EPS of KES 52.65 per share. In 2023 and 2022 Stan-Chart issues dividends of KES 29.00 and KES 22.00 per share, representing 80.2% and 69.9% payout rations, respectively.

This is after reporting a 45.0% jump on its PAT from KES 13.84Bn to KES 20.06Bn. While the growth might not be sustainable, the company's valuation has improved over considerably.

We therefore issue a BUY recommendation on Stan-Chart with a price target of KES 300.00 per share, a 12.6% upside and 16.9% dividend yield.

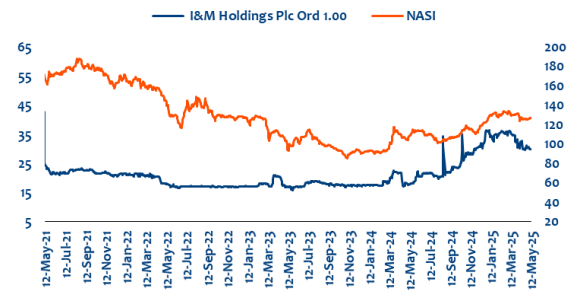


I&M Group – BUY: Trading at KES 30.00 per share as at KES 30.60 per share, the Group has lost 16.8% in 3-months and 16.7% y-t-d while attracting 5.4% in the last 6-months and 67.1% year on year. It hit highs of KES 21.00 and KES 36.55 in 2023 and 2024 while hitting lows of KES 15.85 and KES 17.15 per share respectively.

In a bid to accelerate its retail expansion strategy dubbed “Imara Strategy (2024-2026),” I&M issued 86.5Mn shares in November 2024 where it raised KES 4.19Bn at a pricing of KES 48.42 per ordinary share.

In FY2024 financials, the Bank reported a 24.7% climb in PAT from KES 13.35Bn to KES 15.38Bn marginally pointing to its potentials in the retail space. This pushed its EPS from 7.63 to 9.30 resulting to a 17.6% rise in dividend per share from KES 2.55 in 2023 to KES 3.00 per share. While I&M Group plc priced its share at KES 48.42, we value the stock’s price at KES 36.28 per share, an 18.6% upside from the current price and therefore issue a BUY recommendation. The Bank is set to reap more from its retail strategy even as they planned to unveil nine branched by Q1-2025.

I&M Group Price Versus NASI Performance



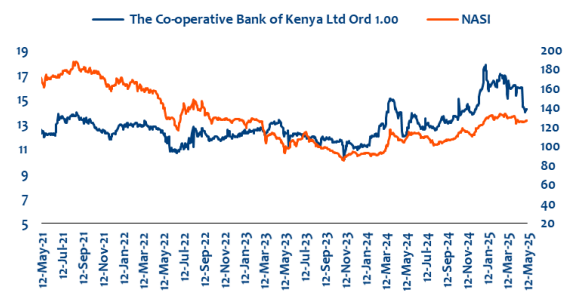
Co-op Bank Group – BUY: Trading at KES 14.20 per share ex-dividend, the counter has lost 13.9% in the last 3-months and 18.6% year to date (y-t-d). Its average price stands at 15.17, KES 15.73 and KES 14.45 per share in the last 3, 6 and 12-months, respectively. Year to date the Group’s average price is KES 16.25 per share. The price is largely attributed to its KES 1.50 final dividend book closure that happened on 28th April for a payment on 10th June 2025.

In 2022, 2023 and 2024, the Bank’s average high prices were KES 13.30, KES 13.35 and KES 17.80 per with lows of KES 10.70, KES 10.20 and KES 11.20 per share, respectively.

Co-op Bank’s profits after tax (PAT) for FY2024 enlarged 9.8% year on year (y-y) from KES 23.19Bn in 2023 to KES 25.46Bn in 2024 supported by rises on its interest income. This saw its EPS expand 10.5% from KES 3.92 to 4.33 while retaining a dividend per share (DPS) of KES 1.50 per share, representing 34.6% dividend payout ratio and a 10.5% dividend yield.

We issue a BUY recommendation on the stock a target price of KES 16.50 fueled by expectations of upward reviews of the dividend payout while overall revenues improve.

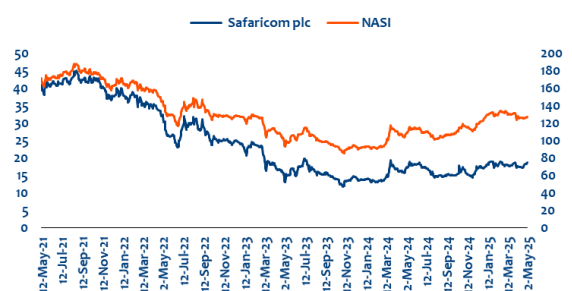
Co-op Bank Group Price Versus NASI Performance



Safaricom – LONG-TERM BUY: Trading at KES at KES 18.60 as of 13th May 2025, the telco’s price remains greatly impacted by Safaricom losses. Its 3, 6 and 12-months average price stands at KES 17.98, KES 17.50 and KES 16.86 per share. In 2022 2023 and 2024 the counter’s highest price hit 40.00, KES 24.50 and KES 19.30 while hitting lows of KES 23.10, KES 11.65 and KES 13.00 per share respectively.

On its financials for the year ending 31st March 2025, Safaricom plc reported a 10.1% rise in profits before tax from KES 84.69BN in FY2024 to KES 93.21BN in FY2025, supported by an 11.2% rise in total revenues from KES 349.45BN to KES 388.69BN. Profits after tax went up 7.3% to KES 45.76BN being impacted

Safaricom Versus NASI Performance



by Safaricom Ethiopia loss. Safaricom Kenya, however, reported a stellar growth of 11.6% in PBT to KES 142.95Bn and a 10.9% rise in PAT to KES 95.50Bn.

In announcing the results, Safaricom Ethiopia breakeven projections were retained for March 2027 even as the subsidiary doubled customer subscription to over 8.8Mn with a 50% population coverage in the reporting period. Thereafter, we expect returns to drive Safaricom prices up and consequently investor returns. We also expect the management to review upwards its dividend payout from the current 69% to its policy requirement of 80% of its earnings per share. Its KES 0.65 per share final dividend book closure will happen on 31st July for a payment on 31st August 2025 (total dividend – KES 1.20 per share both 2024 & 2025)

We therefore issue a BUY recommendation with fair price value of KES 24.72, a 28.4%v upside from the current rice of KES 18.60 as of 13th May 2025.

Nation Media Group – SHORT-TERM BUY: Trading at KES 10.75 per share from a high of KES 10.70 as of 12th May 2025, the counter has lost 25.2%, 25.7% and 46.5% in the last 3, 6 and 12-months. Its highest prices for 2022, 2023 and 2024 were KES 23.20, KES 21.10 and KES 22.00 with lows of KES 15.15, KES 14.15 and KES 11.75 per share, respectively. In the last 12-months, the counter hit a high of KES 22.00 on 17th May 2024 and a 12-month low of KES 10.25 per share on 9th May 2025.

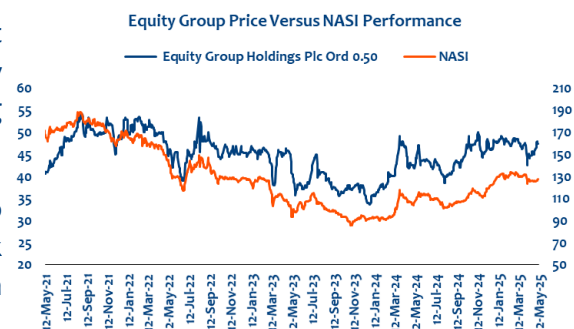
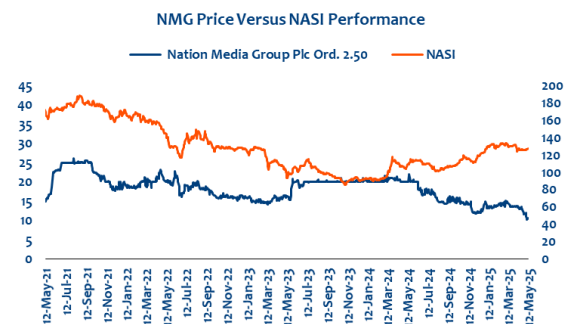
We issue a BUY recommendation at the current price with a target price of at-least 12.10 per share for a return of at least 13.0% to short-term and speculative investors.

However, with the new top management in the counter, we expect the counter to diversify its revenue lines apart from print media and advertising revenue sources to support investor returns and support its price.

In its last share buy-back, NMG repurchased its shares at a pricing of KES 20.00 per share between 3rd July and 12th June 2024.

Equity Group – SELL: We recommend a SELL on Equity Group's share price at the current price for investors who purchased the stock at prices of below KES 42.00, above 13.0% return. This is purely for short-term investors taking advantage dividend book closure in search of other investment options.

However, we advise our long-term investors wishing to enter the stock to take positions after the 23rd may 2025, when the KES 4.25 final dividend book closure will have happened. This is as we expect the price to stabilize down after investors lock in the dividends.



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