



# Weekly Report

## Week 30

Week Ending Friday, July 30, 2021

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## Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	34,983.78	-0.2%	15.1%
S&P 500	4,403.43	-0.2%	17.9%
NASDAQ 100	14,959.12	-1.0%	16.4%
DAX	15,588.31	-0.5%	13.6%
FTSE 100	7,044.88	0.2%	9.0%
EURO STOXX 50	4,106.20	-0.1%	15.6%
Shanghai Composite	3,397.36	-4.3%	-2.2%
NIKKEI 225	27,283.59	-2.1%	-0.6%
Commodities			
Brent Oil (USD/bbl.)	76.31	3.0%	49.3%
Gold (USD/Oz)	1,821.93	1.1%	-4.0%

Source: Bloomberg, NSE; \*As at 5:40 PM EAT

Most of the equity indices fell during the week. The S&P 500 fell mainly due price declines in the consumer discretionary sector. Oil (brent crude) edged up as markets maintained a positive outlook on oil demand on the back of increased vaccination rates which may help alleviate the impact of an increase in COVID-19 infections across the globe.

## Equities Market

### Equity Market Commentary

The All Share Index (NASI) and the NSE 20 Share Index eased by 0.8% w/w and 0.4% w/w to close the week at 177.52 and 1,974.29 respectively. Market turnover fell by 7.9% to KES 1.7 billion while the number of shares traded rose by 13.5% to 55.2 million shares. We partly attribute the decline in the NASI to a price decline on Safaricom Plc (2.0% w/w to KES 41.95). EABL's share price also dropped by 2.7% w/w to KES 179.50 following the group's announcement of a 0.9% y/y decline in after tax profit to KES 7.0 billion and the absence of a dividend for the year.

Centum's share price fell by 12.0% w/w to KES 15.45. The company reported a loss of KES 606.0 million for FY2021 which was an improvement from the KES 4.4 billion loss registered in FY2019/20 ("FY2020"). The board however recommended a much lower dividend of KES 0.33 per share (FY2020: KES 1.2 per share).

In the banking sector, most of the counters recorded price gains; I&M (3.6% w/w to KES 22.95), Co-op (3.4% w/w to KES 13.55), KCB (2.6% w/w to KES 45.70), Equity (2.2% w/w to KES 48.90), NCBA (1.5% w/w to KES 26.55) and DTB (1.2% w/w to KES 65.75). We attribute this to speculative activity ahead of the 1H2021 results release. We expect activity on banking counters to remain high.

### Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	177.52	178.98	(0.8%)	16.7%
NSE 20	1,974.29	1,981.91	(0.4%)	5.6%
NSE 25	3,890.09	3,895.50	(0.1%)	13.9%

Source: NSE

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## Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,766.28	2,789.04	(0.8%)
Volume (Mn)	55.28	48.71	13.5%
Equity Turnover (KES Mn)	1,691.39	1,836.73	(7.9%)

Source: NSE

## Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. Crown Paint	23.95	21.9%	(37.0%)
2. CIC	2.96	16.1%	39.0%
3. Kakuzi	415.00	11.3%	13.7%
4. Car & General	35.20	10.0%	60.0%
5. Olympia	2.07	8.4%	(5.9%)

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Uchumi	0.23	(14.8%)	(17.9%)
2. Centum	15.45	(12.0%)	(12.0%)
3. NBV	8.28	(8.6%)	93.5%
4. BOC Kenya	62.00	(7.8%)	(1.6%)
5. Fahari I-REIT	6.74	(5.9%)	21.2%

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	41.95	846.92
2. KCB	45.70	256.47
3. EABL	179.50	242.82
4. Equity	48.90	139.78
5. Cooperative	13.55	41.67

Source: NSE and Faida Investment Bank Analysis

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## In the News

### Centum Posts 82.1% Improvement in After Tax Loss for the FY2020/21

Centum reported an 82.1% decline in the company's after tax loss to a loss of KES 606.0 million from a loss of KES 4.4 billion registered in FY2019/20 ("FY2020"). The improvement was on the primarily on the back of lower impairment provision on assets and a decrease in finance costs.

Investment and other income declined by 58.9% y/y to KES 1.5 billion. According to management this was due to lower dividend income (as portfolio companies withheld cash to preserve liquidity) as well as an unfavorable environment for exits in FY2020/21 ("FY2021") therefore no gains were realized (FY2020: booked gain worth KES 2.2 billion in the income statement from exit of Almasi Beverages and Nairobi bottlers).

Operating and administrative costs fell by 25.3% y/y to KES 669.0 million. This was attributed to cost containment measures effected by the company.

Finance costs decreased by 66.8% y/y to KES 603.0 million as the company benefited from the deleveraging initiatives such as the redemption of the KES 6.6 billion bond. According to management, this was aimed at strengthening the company against any future economic shocks.

The decline in operating and finance costs was however not enough to cushion against the decline investment and other income. As a result, total operating profit fell by 75.1% y/y to KES 245.0 million (FY2020: KES 985.0 million).

Impairment provision on assets declined by 75.1% to KES 1.1 billion. The impairment related mostly to assets in the development portfolio that were previously carried at cost. According to management, the impairment was in line with the company's conservative asset valuation policy and the prevailing economic conditions.

Income tax expense fell by 72.4% y/y KES 220.0 million due to a tax credit.

The Net Asset Value per Share (NAVPS) declined to KES 62.85 from KES 71.29 in FY2020. The decline was attributed to the KES 606.0 million loss in the period, unrealized fair value loss of KES 4.2 billion through other comprehensive income and KES 799.0 million FY2020 dividend that was paid during the year.

The board of directors has recommended the payment of a first and final dividend of KES 0.33 per share (FY2020: KES 1.2 per share). According to management, the dividend was lowered on account of economic uncertainty and the need to build resilience.

### Portfolio Performance Highlights:

#### Real Estate

The real estate business segment represented 63.5% of the Net Asset Value (NAV) and 63.5% of total assets. Units under construction are worth KES 4.5 billion with 63.0% pre-sold. Two Rivers Development Limited (TRDL) recorded a loss of KES 1.9 billion driven mainly by high finance costs attributed to the underlying capital structure. Centum currently holds 58.0% equity stake in TRDL. According to management, Centum is focused on reducing the debt costs with an aim to fund TRDL mainly through equity. This will lower the company's stake in TRDL.

#### Private Equity

Private equity represented 18.5% of NAV and 20.5% of total assets. Total private equity assets stood at KES 9.8 billion in FY2021. According to management 5 out of 9 portfolio companies were profitable in FY2021.

Sidian Bank registered an improvement in performance to a profit after tax of KES 102.0 million in 1Q2021 from a loss of KES 86.0 million in June 2020. The NPL ratio improved to 11.0% from 20.0% with the bulk of the NPLs on the old loan book. According to management, the bank shifted to short term lending (cashflow based) and focused on growing non-funded income.

Longhorn was adversely effected by the COVID-19 pandemic with recovery expected by the company in 2021.

Centum's private equity exits were paused owing to the adverse effects of the COVID-19 pandemic.

#### Marketable Securities

Marketable securities amounted to KES 7.5 billion allocated as follows; 72.1% in fixed income, 6.2% in mutual funds, 20.7% in cash and 0.9% in equities.

The company achieved annualized gross return of 12.0%, net of fees and taxes by March 2021, dampened by a gradual shift from equities which underperformed.

### **Development Portfolio**

AMU power project is still facing delays.

### **Commentary**

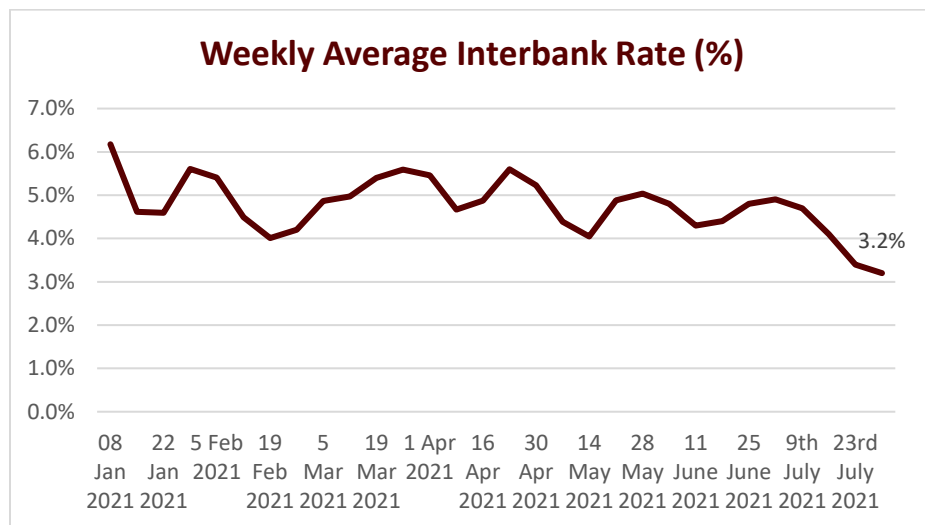
The performance was expected given the harsh operating environment.

The contribution of real estate segment to NAV is still at a level that we feel poses some concentration risk to the company. However, with creation of a separate real estate subsidiary, Centum Re - which accounts for 49.0% of company's NAV, we do see a possibility where the company could offload its stake (currently owns 100.0%) in the company to a strategic or financial buyer. This provides a much quicker path to reduce the concentration risk.

We are **NEUTRAL** on Centum.

## Fixed Income

### Interbank Rate



Source: CBK

### Treasury Bill Auction Results

	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	8.5	212.38%	8.5	6.486%	0.01%
182 day	10.0	6.5	64.98%	6.4	6.966%	0.01%
364 day	10.0	2.8	28.09%	2.8	7.426%	-0.01%
Total	24.0	17.8	74.18%	17.7		

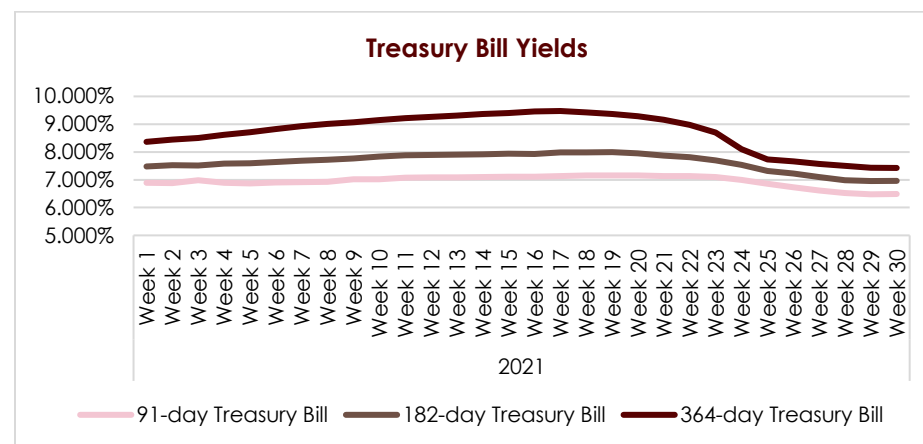
\*Change = Current Rate – Previous Rate; 1.0% = 100 bps  
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were undersubscribed in this week's auction. The total subscription rate was however up at 74.18% compared to last week's 69.58%. The 91 day bill

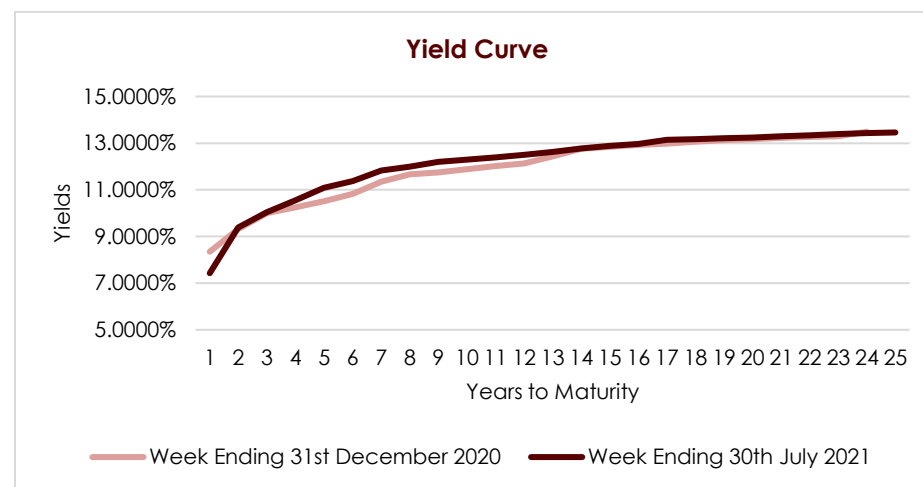
had the highest subscription rate this week, at 212.38% while the 364 day bill had the lowest subscription.

### Treasury Bill Yields



Source: CBK

### Government Securities Yield Curve



Source: NSE

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## Macroeconomic Indicators

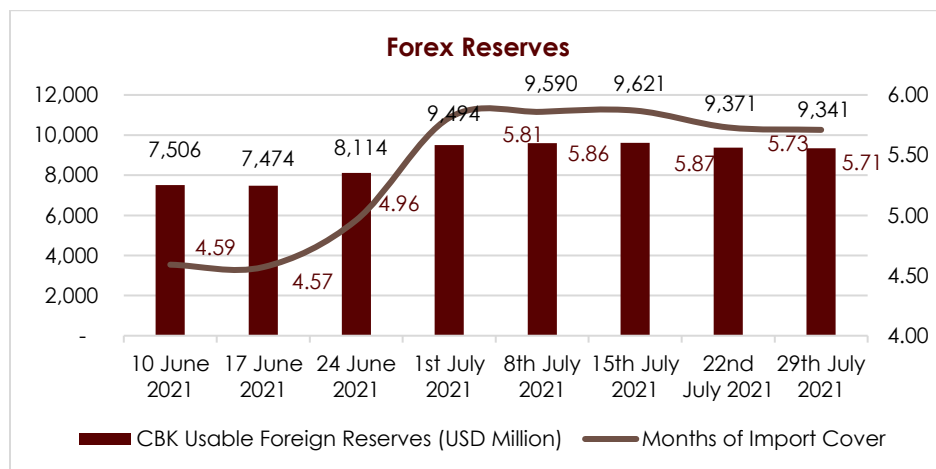
### Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	108.6088	(0.4%)	0.5%
STG Pound	151.1982	(1.6%)	(1.9%)
EURO	128.6918	(0.8%)	3.9%

Source: CBK; Negative ( ) = Depreciation, Positive = Appreciation

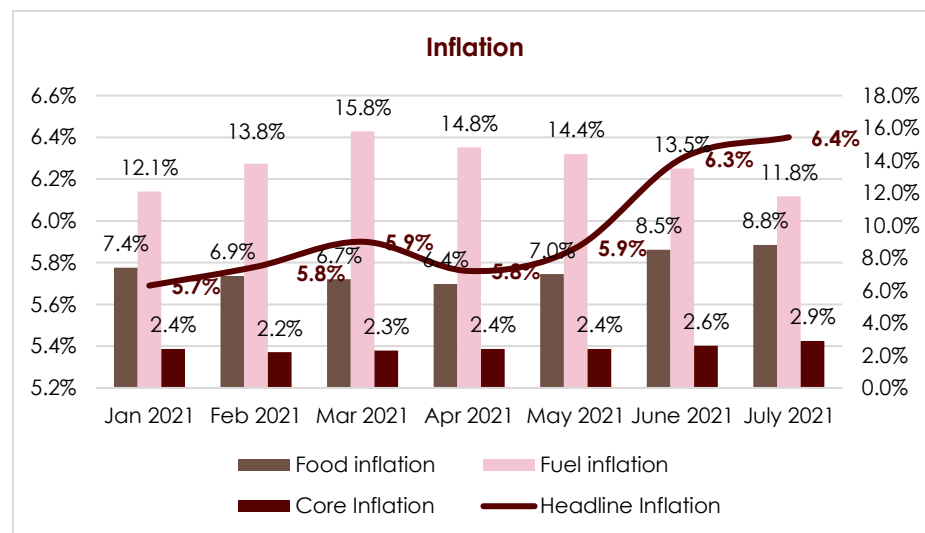
During the week, the Kenya Shilling depreciated against the US Dollar, STG pound and the Euro.

### Forex Reserves



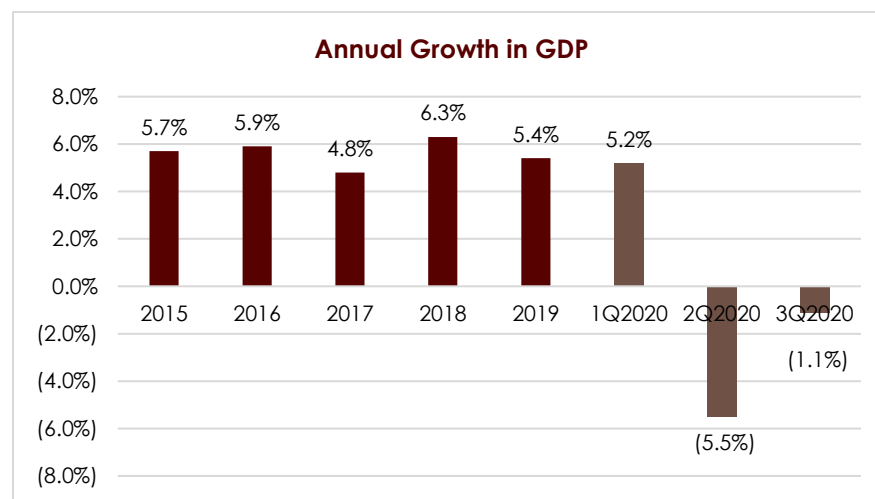
Source: CBK

## Inflation



Source: KNBS

## Gross Domestic Product (GDP)



Source: KNBS

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Kenya's economy slid into a recession in the 3Q2020 as GDP contracted for the second consecutive quarter. Kenya's Real GDP is estimated to have contracted by 1.1% in the 3Q2020, showing some improvement from the contraction of 5.5% witnessed in 2Q2020, but markedly different from the growth of 5.8% realized in 3Q2019. The improvement from the previous quarter was supported by the partial easing of COVID-19 restrictions that enhanced economic activities.

The economic performance was largely weighed down by the accommodation and food services (contracted by 57.9% compared to a growth of 9.9% in 3Q2019) and the education (contracted 41.9% compared to a growth of 6.0% in 3Q2019) sectors. These were the hardest hit sectors due to the closure of learning institutions and the implementation of travel restrictions in order to contain the spread of the virus.

Growth was however largely supported by the agricultural, construction and real estate sectors which grew by 6.3%, 16.2% and 5.3% respectively. Growth in the agricultural sector was supported by increases in tea production, fruit exports and sugarcane production. In the construction sector, cement consumption rose by 23.5% y/y to 1,952.2 thousand metrics reflecting increased construction activity which also buoyed growth in the real estate sector.

Real GDP Growth by Sector	3Q2019	3Q2020
Agriculture	5.0%	6.3%
Mining & Quarrying	3.4%	18.2%
Manufacturing	3.9%	(3.2%)
Electricity and Water Supply	6.4%	4.7%
Construction	6.6%	16.2%
Wholesale & Retail Trade	6.1%	(2.5%)
Accommodation & Food Services	9.9%	(57.9%)
Transport & Storage	7.6%	2.9%
Information & Communication	8.0%	7.3%
Financial & Insurance	8.1%	5.3%
Public Administration	8.4%	9.6%
Professional, Admin & Support Services	4.8%	(12.3%)
Real Estate	5.5%	5.3%
Education	6.0%	(41.9%)
Health	5.5%	5.6%
Other Services	5.3%	(4.5%)

Source: KNBS

## Labour Statistics

Indicator	3Q2019	1Q2020	2Q2020	3Q2020
Unemployment Rate	5.3%	5.2%	10.4%	7.2%
Labour Force Participation Rate	69.8%	69.7%	64.4%	68.8%

Source: KNBS

## Derivatives Market

### Weekly Statistics

	This Week	Previous Week
Total Volumes	103	87
Total Value	2,296,020	2,979,110
Total Open Interest	288	278

Source: NSE

## Corporate Finance

### Yoco raises \$ 83.0 million Series C Funding

Yoco, a South African fintech startup, has secured \$ 83.0 million in Series C Funding. The company was launched in 2013 and provides a platform through which users can access offline and online payments among merchants in the country. According to management, the business initially focused on the in-person payment space which had the highest demand. However, the COVID-19 pandemic had a devastating effect on many businesses that relied on in-person trade and this accelerated the need for businesses to accept payments online. The easing of lockdown measures has shifted demand back to the in-person payments. However these transactions are no longer cash-based. According to the company, this presents a huge opportunity to expand the firm's services in digital payments. Currently, Yoco is primarily a card payments provider. The funding round was backed by Dragoneer Investment Group. Other investors that participated in the round included Breyer Capital, HOF Capital, The Raba Partnership, and Velocity Capital among others. The funds will be used to scale offline and online offerings and expand to new markets (other parts of Africa and the Middle East).

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## Profit Warnings Issued

	<b>Company</b>	<b>Sector</b>
1	East African Cables	Construction and Allied
2	Kenya Orchards	Manufacturing and Allied
3	Longhorn Publishers	Commercial and Services
4	Nairobi Business Ventures	Commercial and Services
5	Unga Group	Manufacturing and Allied
6	TPS Eastern Africa	Commercial and Services
7	Centum Investment Company	Investment
8	Olympia Capital	Investment

Source: NSE

## Results Delay Notices

	<b>Company</b>	<b>Sector</b>
1	Scangroup	Commercial and Services
2	East African Cables	Construction and Allied
3	Crown Paints	Construction and Allied
4	Express Kenya	Commercial and Services

Source: NSE

## Counter Statistics

Banking Sector	Price (KES)	YTD change	% w-o-w Change	Volume Traded	C/I Ratio	P/E (X)	Dividend Yield	P/B (X)	ROE
KCB	45.70	19.9%	2.6%	5,646,300	44.8%	7.49	2.2%	1.03	14.4%
Equity Bank	48.90	33.8%	2.2%	2,863,800	51.5%	9.32	0.0%	1.33	15.8%
NCBA	26.55	-0.7%	1.5%	186,500	41.9%	3.06	6.6%	0.59	15.3%
Stanbic	85.00	0.0%	-2.9%	4,700	52.2%	6.47	4.5%	0.65	10.3%
Absa Bank Kenya Plc	9.94	2.9%	0.8%	3,064,200	48.2%	12.97	0.0%	1.16	8.9%
Housing Finance	3.78	13.9%	-1.8%	98,900	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	13.55	8.4%	3.4%	3,082,300	58.1%	7.35	7.4%	1.00	12.7%
Diamond Trust Bank	65.75	-12.3%	1.2%	90,100	48.6%	5.66	4.1%	0.30	5.4%
Standard Chartered	129.50	-10.2%	0.0%	211,600	58.8%	12.33	8.1%	0.89	11.2%
I&M	22.95	-49.0%	3.6%	110,400	39.0%	1.76	11.1%	0.33	20.4%
<b>Sector Average</b>					<b>53.7%</b>	<b>7.38</b>	<b>4.4%</b>	<b>0.74</b>	<b>9.6%</b>

### P/B (X) - FY2020

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
**Kenya Airways	3.83	0.0%	0.0%	-	N/M	0.0%	-6.22	N/M
Nation Media Group	25.00	61.8%	0.0%	718,600	125.00	0.0%	0.2	1.7%
WPP Scangroup	4.52	-24.7%	-2.4%	1,230,900	4.04	11.1%	1.12	6.0%
Uchumi Supermarket	0.23	-17.9%	-14.8%	1,226,300	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.00	-18.0%	0.5%	159,400	5.88	13.0%	0.68	17.3%
Eveready	1.00	-16.7%	2.0%	26,800	N/M	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>44.97</b>	<b>4.8%</b>		<b>3.6%</b>

\*\*Suspended \*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
Bamburi Cement	38.00	0.4%	-2.7%	28,600	15.51	7.9%	3.2%	3.8%
E.A. Portland Cement	8.20	-25.5%	-5.5%	11,800	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>15.51</b>	<b>3.9%</b>	<b>1.6%</b>	<b>1.9%</b>

\*NPM - Net Profit Margin

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	4.41	-6.4%	2.1%	1,099,700	1.58	6.8%	2.79	9.0%
Kenya Power	1.40	-18.1%	0.0%	5,669,500	N/M	0.0%	N/M	N/M
Total Kenya	25.05	4.4%	2.5%	14,000	6.22	5.2%	4.03	10.8%
<b>Sector Average</b>					<b>3.90</b>	<b>3.4%</b>		<b>9.0%</b>

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	7.86	8.3%	2.1%	2,788,600	1.00	N/M	80.6%	58.1%
Britam	379.00	33.5%	2.4%	5,900	0.84	7.22	101.3%	44.2%
Jubilee	2.57	10.8%	2.0%	3,003,900	0.05*	2.45*	67.7%*	8.9%*
Kenya Re	11.00	-15.1%	-5.2%	6,300.00	1.20	13.92	85.8%	35.5%
Sanlam Kenya	9.06	17.7%	-5.2%	33,900.00	0.58	6.92	119.6%	48.7%
Liberty					<b>0.78</b>	<b>7.63</b>	<b>87.7%</b>	<b>38.3%</b>
<b>Sector Average</b>								

\*Unadjusted for sale to Allianz

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	15.45	-12.0%	-12.0%	388,400	2.22	0.33	6.95	9.3%
Home Afrika Ltd	1.37	-4.8%	0.0%	294,800	N/M	N/M	N/M	2.6%
Trans-Century	1.37	-5.5%	-1.4%	18,400.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.33</b>		<b>5.5%</b>

\*P/B based on company Net Asset Value

Investment Services	Price (KES)	YTD Change	% w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.84	8.3%	-1.6%	53,200	29.47	3.2%	0.3	3.9%
<b>Sector Average</b>					<b>29.47</b>	<b>3.2%</b>		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
**Mumias Sugar	0.27	0.0%	0.0%	300	N/M	0.0%	-4.43	-69.4%
EABL	179.50	16.4%	-2.7%	1,320,500	34.72	1.7%	5.17	46.6%
FTG Holdings	1.30	5.7%	-3.0%	29,700	5.00	0.0%	0.26	4.8%
Carbacid	12.00	-0.8%	-4.0%	33,200	9.45	5.8%	1.27	10.0%
BAT	465.00	28.8%	1.8%	2,700	8.43	9.7%	55.18	51.2%
<b>Sector Average</b>					<b>14.40</b>	<b>3.4%</b>		

\*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	41.95	22.5%	-2.0%	20,198,400	24.53	3.3%	1.71	49.9%

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**Sector Average****24.53****3.3%**

<b>Real Estate Investment Trust</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>NAVPS*</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>
ILAM FAHARI I-REIT	6.74	21.2%	-5.9%	24,800	20.86	10.98%	0.82
<b>Sector Average</b>						<b>NA</b>	

**\*NAVPS - Net Asset Value Per Share**

Source: NSE and Faida Investment Bank Analysis

For more detailed information on the recommendations, please click [here](#):

## Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
NSE Plc	First & Final dividend	Kes. 0.53	26-Mar-21	<b>4-Jun-21</b>	30-Aug-21
Total Kenya	First & Final dividend	Kes.1.57	6-Apr-21	<b>26-Jun-21</b>	30-Jul-21
Kenya Re	First & Final dividend	Kes. 0.20	2-Jun-21	<b>30-Jun-21</b>	13-Aug-21
Kapchorua Tea	First & Final dividend	Kes. 10.00	30-Jun-21	<b>21-Jul-21</b>	(Subject to Approval)
Williamson Tea	First & Final dividend	Kes. 10.00	30-Jun-21	<b>21-Jul-21</b>	(Subject to Approval)
Safaricom PLC	Final dividend	Kes. 0.92	13-May-21	<b>30-Jul-21</b>	31-Aug-21
BAT Kenya	Interim dividend	Kes. 3.50	22-Jul-21	<b>12-Aug-21</b>	16-Sep-21

Source: NSE

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### Recommendations Guide

**LONG-TERM BUY:** The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

**BUY:** Strong fundamentals. Minimal risks to the catalysts/growth drivers

**NEUTRAL:** This is where the positives and negatives in a company almost balance out. You can accumulate for the long term

**SELL:** Deteriorating fundamentals. Risks outweigh the catalyst/growth drivers