



Weekly Report

Week 33

Week Ending Friday, August 20, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	35,062.96	-1.3%	15.4%
S&P 500	4,462.211	-0.8%	18.5%
NASDAQ 100	15,052.95	-0.5%	17.1%
DAX	15,785.79	-1.1%	15.1%
FTSE 100	7,085.82	-1.7%	9.7%
EURO STOXX 50	4,146.49	-1.8%	16.7%
Shanghai Composite	3,427.33	-2.5%	-1.3%
NIKKEI 225	27,013.25	-3.4%	-1.6%
Commodities			
Brent Oil (USD/bbl.)	66.06	-7.0%	29.2%
Gold (USD/Oz)	1,778.86	0.3%	-6.3%

Source: Bloomberg, NSE; *As at 6:00 PM EAT

Most of the equity indices fell during the week. The FTSE fell weighed down by mining stocks such as BHP Group (due to investor concerns over the miner's sale of its petroleum arm) and concerns over economic growth amid fears of a quicker withdrawal of global monetary stimulus. Oil (brent crude) declined by 7.0% w/w as new lockdown measures implemented in countries facing surging

cases of the COVID-19 Delta variant dampened the outlook for global oil demand.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 edged up by 2.8% w/w and 2.8% w/w to close the week at 186.30 and 2,015.77 respectively. Market turnover edged up by 86.0% to KES 4.6 billion and number of shares traded fell by 12.8% to 88.5 million shares. We attribute the gains on the indices partly due to gains on banking stocks and Safaricom.

Safaricom rose by 3.4% w/w to KES 44.45.

Most of the banking counters recorded price gains on the back of increased demand ahead of the 1H2021 results. Equity Group (+2.9% w/w to KES 52.50), KCB group (+1.7% w/w to KES 47.95) and Co-operative (Co-op) bank (-0.7% w/w to KES 13.70) all announced their 1H2021 results in the week.

Equity Group's after tax profits grew by 94.5% y/y to KES 17.6 billion while KCB Group's after profits grew by 101.9% y/y to KES 15.3 billion (read more on KCB's performance in the "In the News" segment). There was increased supply on KCB Group after the announcement. We opine that this is partly due the group not declaring an interim dividend for the period. Coop bank after tax profits by 2.3% y/y rise in after tax profit to KES 7.4 billion for 1H2021, the slowest among the three banks.

There were notable price gains on other banking stocks; Stanbic (9.3% w/w to KES 94.00), HF (7.0% w/w to KES 3.98), NCBA (6.7% w/w to KES 27.10), Absa (3.8% w/w to KES 10.15), Standard Chartered (3.1% w/w to KES 134.75) and I&M (1.1% w/w to KES 23.00).

In the coming week, we could see more sell side activity on some of these counters that had rallied as investors look to book the gains.

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Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	186.33	181.18	2.8%	11.2%
NSE 20	2,015.77	1,961.07	2.8%	7.7%
NSE 25	4,056.31	3,950.14	2.7%	18.8%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,903.81	2,823.40	2.9%
Volume (Mn)	89.51	110.51	(19.0%)
Equity Turnover (KES Mn)	4,566.23	2,451.74	86.2%

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. Eaagads	14.40	18.1%	15.2%
2. NSE	9.78	9.4%	19.9%
3. Unga	32.75	7.8%	3.0%
4. Olympia	2.20	6.9%	0.0%
5. Car & General	35.00	5.5%	59.1%

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. NBV	5.22	(11.8%)	22.0%
2. CIC	2.78	(11.8%)	30.5%
3. TransCentury	1.24	(8.2%)	(4.4%)
4. Kakuzi	382.00	(7.8)	4.7%

5. Scangroup	4.03	(7.6%)	(1.3%)
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	Movers	Price (KES)	Turnover (KES Mn)
1.	Safaricom	44.45	2,322.45
2.	EABL	180.00	1,278.59
3.	Equity	52.50	451.87
4.	KCB	47.95	241.31
5.	Standard Chartered	134.75	67.36

Source: NSE and Faida Investment Bank Analysis

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In the News

KCB Group Posts a 101.9% y/y Increase in After Tax Profits for 1H2021

KCB Group's after tax profits increased by 101.9% y/y to KES 15.3 billion in 1H2021 from KES 7.6 billion in 1H2020. The higher profitability was buoyed by higher interest income, lower loan loss provisions and lower effective taxation.

Total interest income rose by 13.9% y/y to KES 47.1 billion. The growth was mainly owing to a 15.0% y/y rise in interest income from net loans and advances as loans advanced to customers grew by 8.4% y/y to KES 607.0 billion. Gross loans edged up by 10.0% y/y to KES 670.0 billion driven by personal and manufacturing sectors. The annualized yield on loans grew by 50 bps to 11.5%.

Interest income from government securities grew by 11.6% y/y to KES 12.1 billion as the group's holding of government securities edged up by 2.2% y/y to KES 213.0 billion. The yield on government securities was relatively flat at 11.5%.

Total interest expenses rose by 3.8% y/y to KES 10.7 billion. This was driven by a 54.7% y/y growth in interest expenses from deposits and placement from banks to KES 1.5 billion. Interest expenses from deposits fell by 1.7% y/y to KES 9.2 billion as cost of funds dropped to 2.6% from 2.7% in 1H2020. Customer deposits grew by 3.7% y/y to KES 786.0 billion.

Net interest income rose by 17.2% y/y to KES 36.4 billion.

Net interest margin (NIM) grew by 10 bps to 7.9% due to a faster rise in net interest income (+17.2% y/y to KES 36.4 billion) than in total interest earning assets (6.2% y/y to KES 872.6 billion).

Non-interest income grew by 5.9% y/y to KES 14.8 billion as other income grew by 35.3% y/y to KES 2.9 billion and other fees and commissions income rose by 16.2% y/y to KES 5.2 billion. Fees and commissions on loans and advances decreased by 18.9% y/y to KES 4.0 billion which management attributed to deliberate actions to reduce mobile lending (particularly on KCB MPESA and Vooma) in order to mitigate against higher NPLs.

Total operating expenses (excluding provisions) rose by 7.2% y/y to KES 22.7 billion due to higher staff costs (+21.4% y/y to KES 12.3 billion) which offset the decline (-12.7% y/y to KES 29.3 billion) in "other expenses". The cost-to-income ratio

(excluding provisions) however dipped to 44.3% (1H2020: 47.0%) owing to the faster rise in operating income (+13.7% y/y to KES 51.2 billion).

Loan loss provisions eased by 40.3% y/y to KES 6.6 billion as the COVID-19 related impairments had been recognized in FY2020 and the facilities restructured. Management also intimated that 89.3% of the loans that had been restructured were performing as normal. Cost of risk improved to 2.2% from 4.0% in 1H2020 driven by reduced impairment charge on corporate and digital lending facilities largely from KCB Kenya.

Gross non-performing loans edged up by 14.1% y/y to KES 95.7 billion. The NPL ratio (gross NPLs/gross loans) rose to 14.3% (1H2020: 13.1%). The highest NPL ratio was recorded in the corporate segment (17.9% up from 12.0% in the 1H2020. The mortgage segment registered an increase in NPL ratio to 10.5% from 10.3%. The SME & micro and check off segments registered an improvement in NPL ratio to 11.8% (1H2020: 14.9%) and 2.8% (1H2020: 2.9%) respectively.

The group's effective tax rate decline to 30.2% from 40.9% in the 1H2020.

Commentary

In our [KCB Group 1Q2021 results note](#), we highlighted some concerns in the group's performance for that period namely (i) the weak non-funded income particularly from fees and commissions from loans and advances (ii) the rise in NPLs particularly in the corporate loan book.

Although the performance for this period is weaker in these two areas compared to the 1H2020, we do see some positive developments compared to the previous quarter:

- Improvement in NPL Ratio: Group NPL declined to 14.1% from 14.8% in the 1Q2021. Most of the segments registered an improvement with the exception of the mortgage segment (rose from 9.6% in the 1Q2021 to 10.5% in the 2Q2021). In particular, the corporate loan book's NPL ratio declined to 17.9% from 19.3%.
- Higher mobile lending: Value of mobile loans increased by 7% q/q.

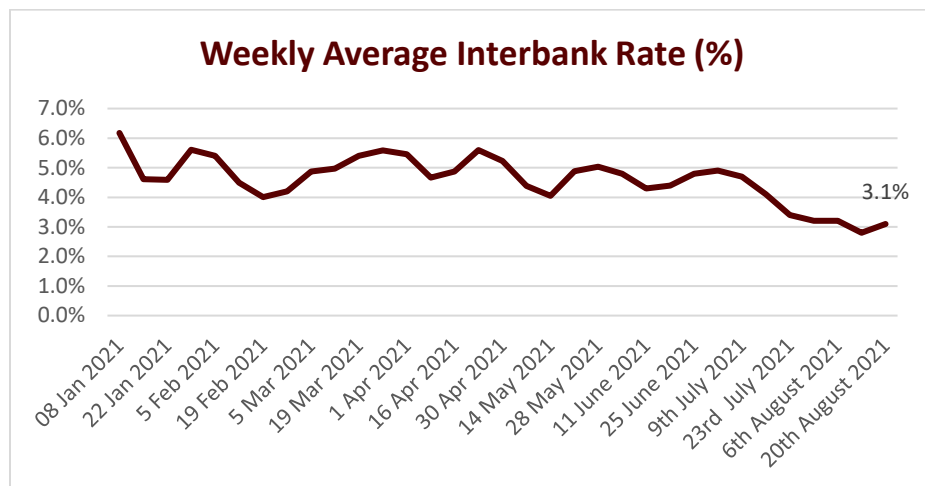
The question is whether these trends can be sustained.

Management generally expects better economic prospects in the second half of the year. We will be seeking more information from management

(management will have a call on 23rd August 2021) on how they intend to capitalize on the better economic prospects to further improve performance. We will issue our recommendation thereafter.

Fixed Income

Interbank Rate



Source: CBK

Treasury Bill Auction Results

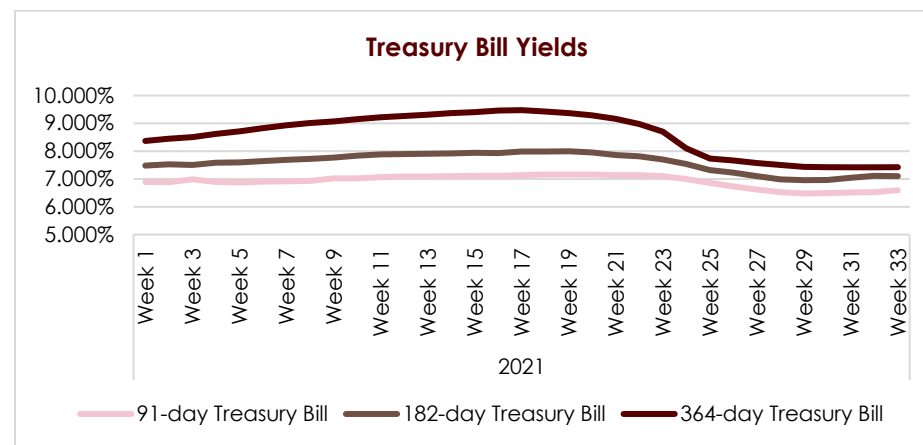
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	12.2	303.64%	12.1	6.599%	0.07%
182 day	10.0	15.2	152.33%	15.2	7.104%	0.01%
364 day	10.0	1.0	10.00%	1.0	7.420%	0.00%
Total	24.0	28.4	118.24%	28.4		

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

Source: CBK

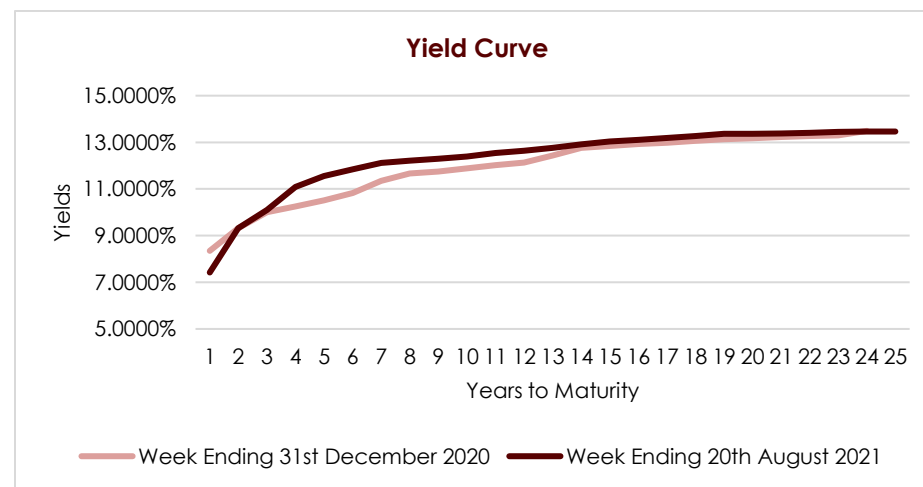
Treasury bills were oversubscribed in this week's auction. The total subscription rate was higher at 118.24% compared to last week's 29.32%. The 91 day bill had the highest subscription rate this week, at 303.64% while the 364 day bill had the lowest subscription at 10.00%.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

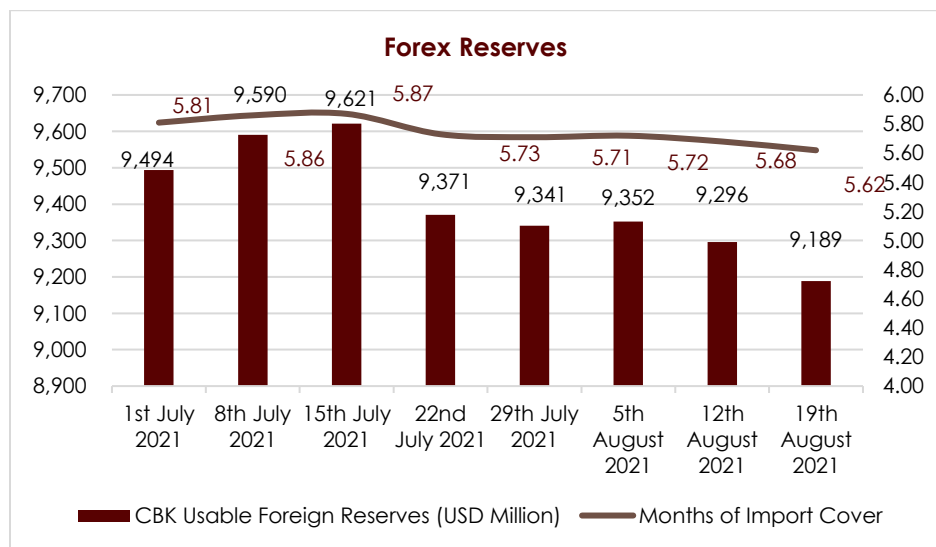
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	109.5324	(0.3%)	(0.3%)
STG Pound	150.0015	0.8%	(1.1%)
EURO	128.0912	0.0%	4.3%

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

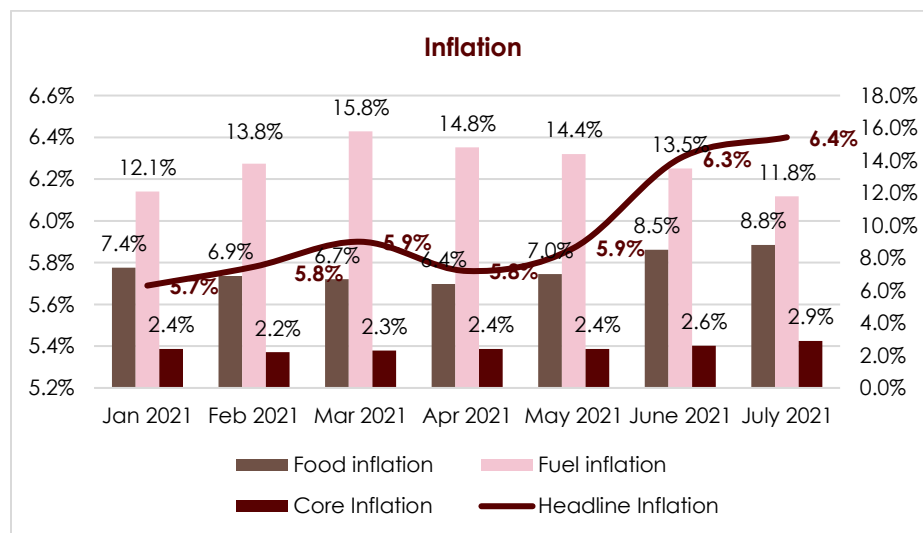
During the week, the Kenya Shilling depreciated against the US Dollar and appreciated against the STG pound and the Euro.

Forex Reserves



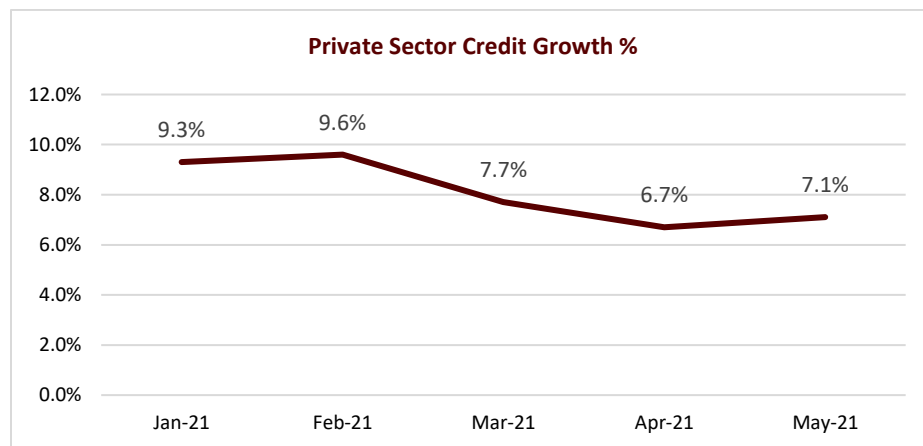
Source: CBK

Inflation



Source: KNBS

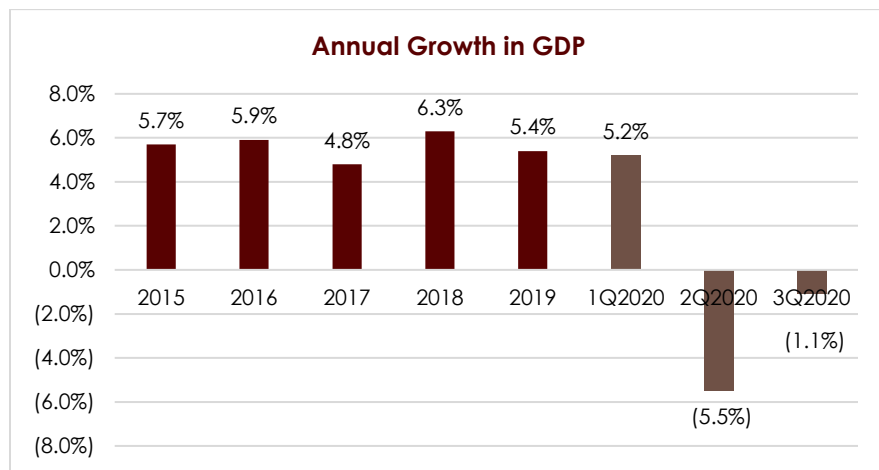
Credit Growth



Source: CBK

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Gross Domestic Product (GDP)



Source: KNBS

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	141	71
Total Value	5,280,965	3,001,325
Total Open Interest	317	316

Source: NSE

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Corporate Finance

CashBackApp raises \$ 475,000 in Pre-Seed Funding

CashBackApp, a Kenyan customer loyalty startup, has raised \$ 475,000 in pre-seed funding. The funding was raised through Lofty Inc, Sherpa Ventures and Loyal VC as well as angel investors from the US, UK, Nigeria and Kenya. The app helps fast-moving consumer goods (FMCG) companies and retailers to build customer loyalty by allowing them to earn cashback via MPESA on every day shopping. The startup was formed in 2018 and began operations in 2019. CashBackApp has signed international FMCG clients such as CocaCola, Colgate and Ajab and a retailer network made up of large multi-chain retailers such as Eastmatt, Khetias, Mulleys and Jamaa. The funding will be used to scale up the service in Kenya and prepare for expansion to neighbouring countries.

3	Crown Paints	Construction and Allied
4	Express Kenya	Commercial and Services
5	Nairobi Business Ventures	Commercial and Services

Source: NSE

Profit Warnings Issued

	Company	Sector
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

	Company	Sector
1	Scangroup	Commercial and Services
2	East African Cables	Construction and Allied

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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	47.95	25.9%	1.7%	4,961,800	44.8%	7.86	2.1%	1.08	14.4%
Equity Bank	52.50	43.6%	2.9%	8,504,400	51.5%	10.01	0.0%	1.43	15.8%
NCBA	27.10	1.3%	6.7%	616,700	41.9%	3.12	6.5%	0.60	15.3%
Stanbic	94.00	10.6%	9.3%	6,900	52.2%	7.16	4.0%	0.72	10.3%
Absa Bank Kenya Plc	10.15	5.1%	3.8%	1,089,100	48.2%	13.25	0.0%	1.19	8.9%
Housing Finance	3.98	19.9%	46.3%	135,300	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	13.70	9.6%	-0.7%	2,139,000	58.1%	7.43	7.3%	1.01	12.7%
Diamond Trust Bank	65.00	-13.3%	0.8%	705,600	48.6%	5.60	4.2%	0.29	5.4%
Standard Chartered	134.75	-6.6%	3.1%	515,000	58.8%	12.83	7.8%	0.92	11.2%
I&M	23.00	-48.9%	1.1%	809,700	39.0%	1.77	11.1%	0.33	20.4%
Sector Average					53.7%	7.67	4.3%	0.77	9.6%

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	24.95	61.5%	-0.2%	52,300	124.75	0.0%	0.2	1.7%
WPP Scangroup	4.03	-32.8%	-7.6%	1,128,500	3.60	12.4%	1.12	6.0%
Uchumi Supermarket	0.25	-10.7%	0.0%	346,300	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.00	-18.0%	0.0%	90,000	5.88	13.0%	0.68	17.3%
Eveready	0.98	-18.3%	-2.0%	13,200	N/M	0.0%	-1.45	-10.8%
Sector Average					44.74	5.1%		3.6%

**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	38.75	2.4%	1.6%	213,700	15.82	7.7%	3.2%	3.8%
E.A. Portland Cement	8.66	-21.3%	0.0%	2,400	N/M	0.0%	0.0%	0.0%
Sector Average					15.82	3.9%	1.6%	1.9%

*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	4.49	-4.7%	10.9%	2,235,800	1.61	6.7%	2.79	9.0%
Kenya Power	1.39	-18.7%	2.2%	832,200	N/M	0.0%	N/M	N/M
Total Kenya	25.20	5.0%	2.9%	15,000	6.25	5.2%	4.03	10.8%
Sector Average					3.93	3.3%		9.0%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.78	30.5%	-11.7%	488,400	0.95	N/M	71.4%	34.6%
Britam	8.28	14.0%	-0.2%	136,000	1.06	N/M	80.6%	58.1%
Jubilee	360.00	26.8%	0.3%	8,700	0.80	6.86	101.3%	44.2%
Kenya Re	2.47	6.5%	-1.2%	1,198,000	0.05	2.35	67.7%	8.9%
Sanlam Kenya	11.90	-8.1%	3.0%	10,900.00	1.29	15.06	85.8%	35.5%
Liberty	9.00	16.9%	7.1%	19,300.00	0.57	6.87	119.6%	48.7%
Sector Average					0.79	7.79	87.7%	38.3%

*Unadjusted for the 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	15.75	1.9%	1.9%	256,200	2.27	0.33	6.95	9.3%
Home Afrika Ltd	1.24	-11.9%	2.8%	544,600	N/M	N/M	N/M	2.6%
Trans-Century	1.24	-14.5%	-8.1%	33,500.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.33		5.5%

*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	9.78	19.9%	15.6%	83,800	32.60	2.9%	0.3	3.9%
Sector Average					32.60	2.9%		

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%	0	N/M	0.0%	-4.43	-69.4%
EABL	180.00	16.7%	0.6%	7,116,200	34.82	1.7%	5.17	46.6%
FTG Holdings	1.32	7.3%	0.0%	23,700	5.08	0.0%	0.26	4.8%
Carbacid	11.70	-3.3%	-6.0%	134,600	9.21	6.0%	1.27	10.0%
BAT	469.00	29.9%	3.5%	51,100	8.50	9.6%	55.18	51.2%
Sector Average					14.40	3.4%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	44.45	29.8%	3.4%	52,591,000	25.99	3.1%	1.71	49.9%
Sector Average					25.99	3.1%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% W-o-W Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	7.00	25.9%	0.3%	1,046,400	20.86	10.57%	0.82
Sector Average						NA	

*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	4-Jun-21	30-Aug-21
Kapchorua Tea	First & Final dividend	Kes. 10.00	30-Jun-21	21-Jul-21	(Subject to Approval)
Williamson Tea	First & Final dividend	Kes. 10.00	30-Jun-21	21-Jul-21	(Subject to Approval)
Safaricom PLC	Final dividend	Kes. 0.92	13-May-21	30-Jul-21	31-Aug-21
Centum	Final dividend	Kes. 0.33	27-Jul-21	(Subject to Approval)	(Subject to Approval)
BAT Kenya	Interim dividend	Kes. 3.50	22-Jul-21	12-Aug-21	16-Sep-21
Stanbic Holdings	Interim dividend	Kes. 1.70	13-Aug-21	6-Sep-21	27-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