



Weekly Report

Week 44

Week Ending Friday, November 5, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	36,327.95	1.8%	19.5%
S&P 500	4,697.53	2.5%	25.8%
NASDAQ 100	16,359.38	4.3%	27.3%
DAX	16,054.36	2.7%	17.0%
FTSE 100	7,303.96	1.1%	13.1%
EURO STOXX 50	4,363.04	3.2%	22.8%
Shanghai Composite	3,491.57	-1.6%	0.5%
NIKKEI 225	29,611.57	2.5%	7.9%
Commodities			
Brent Oil (USD/bbl.)	83.74	-0.5%	63.4%
Gold (USD/Oz)	1,818.36	2.3%	-4.2%

Source: Bloomberg, NSE; *As at 5:20 PM EAT

Most of the equity indices rose during the week. The S&P 500 edged up buoyed by strong US jobs growth report as well as positive results on Pfizer's COVID-19 pill, Paxlovid, which is stated to lower the risk of hospitalization or death by 89.0% when administered within 5 days of the onset of COVID-19 symptoms. Oil (brent crude) remained relatively flat supported by the OPEC+ decision to decline US president Biden's request to accelerate oil output increases. On Thursday, the

OPEC+ maintained the decision to only raise oil output by 400,000 barrels a day from December.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 eased by 3.9% and 0.6% w-o-w to close the week at 170.94 and 1,948.87 respectively. We attribute the dip in the all-share index to a decline in Safaricom's price by 6.1% w/w to KES 40.20. Equity turnover fell by 5.5% to KES 1.8 billion while the volume traded rose by 23.9% to 63.1 million. Notable price declines in the week included; BK (8.6% w/w to KES 26.50), Stanbic (7.4% w/w to KES 87.00), CIC (6.3% w/w to KES 2.40), Liberty (6.3% w/w to KES 7.50), Jubilee (4.5% w/w to KES 343.75) and Kenya Re (4.1% w/w to KES 2.32). We expect focus to be on banks and Safaricom this week as they release third quarter and half year results respectively

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	170.94	177.96	(3.9%)	12.4%
NSE 20	1,948.87	1,961.33	(0.6%)	4.3%
NSE 25	3,757.80	3,851.67	(2.4%)	10.0%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,667.32	2,777.07	(4.0%)
Volume (Mn)	63.19	51.01	23.9%
Equity Turnover (KES Mn)	1,842.56	1,950.12	(5.5%)

Source: NSE

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Equities Performance

	Top Gainers	Price (KES)	Weekly Change %	YTD Change
1.	Carbacid	13.05	13.5%	7.9%
2.	KPLC	1.91	11.0%	11.7%
3.	E.A Cables	1.41	10.2%	2.2%
4.	Eaagads	13.00	8.3%	4.0%
5.	Sanlam	12.40	7.8%	(4.2%)

	Top Losers	Price (KES)	Weekly Change	YTD Change %
1.	Limuru Tea	1.28	(9.1%)	(7.2%)
2.	BK Group	26.50	(8.6%)	29.3%
3.	Stanbic	87.00	(7.4%)	2.4%
4.	Jubilee	343.75	(6.3%)	12.%
5.	Liberty	7.50	(6.3%)	2.6%

	Movers	Price (KES)	Turnover (KES Mn)
1.	Safaricom	40.20	932.90
2.	Equity	49.90	417.76
3.	KCB	43.50	103.28
4.	EABL	169.00	100.69
5.	BAT	430.00	89.85

Source: NSE and Faida Investment Bank Analysis

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In the News

Kenya Power Rebounds to Profitability in After Tax Profits for FY2021

- Kenya Power rebounded to profitability in FY2021 with after tax profits of KES 787.0 million from an after tax loss of KES 396.0 million reported in FY2020. The improvement in profitability was primarily owing to higher revenue from contracts with customers, lower transmission and distribution costs as well as a dip in finance costs.
- Revenue edged up marginally by 8.2% y/y to KES 144.1 billion. This was attributed to an increase in electricity revenue predominantly driven by a 4.9% y/y in unit sales to 8,571 GWh. According to management, this was due to an expanded customer base and increased economic activity. Non-fuel power purchase costs on the other hand remained relatively flat at KES.11.2 billion (FY2020: KES 11.1 billion).
- Cost of sales grew by 7.7% y/y to KES 94.2 billion. As a result the gross profit margin rose by 9.0% y/y to KES 49.9 billion.
- Other income declined by 4.6% y/y to KES 7.1 billion. Transmissions and distribution costs dipped by 16.7% y/y to KES 39.9 billion. According to management, this was due to lower provisions as a result of enhanced revenue collection, prudent cost management and resource optimization initiatives implemented during the year.
- Interest income edged up by 32.5% y/y to KES 163.0 million. Finance costs decreased by 27.5% y/y to KES 9.1 billion. According to the company, this was owing to:
 - partial conversion of overdrafts
 - continued repayment of commercial loans
 - prudent planning of foreign exchange transactions
 - Management did not recommend the payment of a dividend.

Commentary

- The improvement in bottom-line performance sees the company buck the downward trend in profitability from FY2017 to FY2020.
- We note that the growth in revenue is an improvement from the first half of the year where revenues had dipped (-0.9% y/y to KES 69.0 billion) due to slow recovery of electricity demand. We opine that with the easing of pandemic restrictions demand should improve further.
 - We also note positively the improvement in transmissions and distribution costs during the year (1H2021: -18.7% y/y to KES 18.7 billion). We note that higher finance costs and higher distribution and transmission costs

had previously been among the main reasons for the dip in profitability over the years. We expect KPLC's partnership with Safaricom on smart electricity meters to lower the transmission losses further. The company was in October 2021 declared by the government to be a "Special Project" with an inter-ministerial team set up carry out forensic audit and oversight the company with an aim to reduce system losses including the theft of power. This should also help reduce the system losses.

- In as much as the company's current liabilities improved by 1.2% y/y and current assets grew by 16.4% y/y, the negative working capital position remains an area of concern. The current assets are significantly lower than current liabilities by KES 66.5 billion, which affects the company's ability to meet short-term obligations. The recommendation is under review.

KenGen Posts a 93.5% Decline in After Tax Profits for FY2021

- KenGen reported a 93.5% y/y decrease in after tax profits for FY2021 to KES 1.2 billion (FY2020: KES 18.4 billion). The dip in profitability was mainly due an increase in taxation. This was attributed to the reversal of COVID-19 mitigation tax measures by the government.
- The company's profit before tax showed improvement, growing by 7.0% y/y to KES 14.8 billion.
- Revenue edged up by 4.1% y/y to KES 45.9 billion. According to management, this was primarily driven by revenues from geothermal, hydro generation and diversification venture at Tulu Moyo in Ethiopia - with the contribution of the ongoing geothermal drilling services in Tulu growing by 305.5% y/y to KES 1.8 billion.
- Reimbursable expenses eased by 3.0% y/y to KES 4.2 billion. This was attributed to reduced dispatch from the thermal power plant due to enhanced hydro generation.
- Revenue less reimbursable expenses edged up by 4.8% y/y to KES 41.7 billion
- Other income rose by 4.7% y/y to KES 495.0 million. This was attributed to insurance compensation for various eligible claims.
- Other (losses) gains- net forex and fair valuation of financial assets eased by 82.4% y/y to KES 1.1 billion. According to management, this was due to fair value gain on financial asset through profit or loss as a result of stability of the Kenyan shilling against other major currencies.

- Depreciation and amortization fell by 4.2% y/y to KES 11.5 billion. This was attributed to the impact of the 45MW Olkaria I geothermal power plant that is now fully depreciated.
- Operating expenses increased by 18.3% y/y to KES 12.9 billion. According to the company, this was driven by cost of drilling operations in Ethiopia, power plants' operation and maintenance and Corporate Social Investments (CSI) e.g. the Naivasha Level 5 County Referral Hospital
- Steam costs grew by 4.2% y/y to KES 3.0 billion. KenGen attributed this to lower dispatch from the power plants utilizing steam from the third party owned wells.
- Consequently, operating profit declined by 22.7% y/y to KES 15.9 billion (FY2020: KES 20.6 billion).
- Finance income edged up by 31.4% y/y to KES 1.9 billion due to interest from delayed payment of receivables and interest earned from investing funds arising from deferred payment of on-lent loans under moratorium and Debt Service Suspension Initiative (DSSI).
- Finance costs eased significantly by 63.0% y/y to KES 3.1 billion (FY2020: KES 8.2 billion). According to the company, this was owing to the stable Kenyan shilling which resulted in lower foreign exchange loss on foreign currency denominated borrowing (-88.2% y/y to KES 702.0 million).
- Cash and cash equivalents rose significantly by 157.9% y/y to KES 13.9 billion mainly buoyed by a 53.7% y/y rise in cash generated from operations to KES 27.4 billion.
- Management recommended a first and final dividend of KES 0.30 (FY2020: KES 0.30).

Commentary

- The company noted that it is set to deliver Olkaria I Unit 6 geothermal plant which will add 83.3 MW to the national grid. We opine that this should support electricity revenues.
- We note the continued improvement in cash flow (1H2021: +106.4% y/y to KES 10.8 billion). We also note that the company remains focused on revenue diversification through revenue streams such as drilling services and consultancies. The recommendation is under review.

CBK Invites Bids for newly issued FXD1/2021/5 and Re-opened FXD1/2019/20 Treasury Bonds

- The Central Bank of Kenya (CBK) has invited bids for the newly issued FXD1/2021/5 and re-opened FXD1/2019/20 with the intention of raising KES 50.0 billion for budgetary support.
- The features of the bonds are shown in the table below:

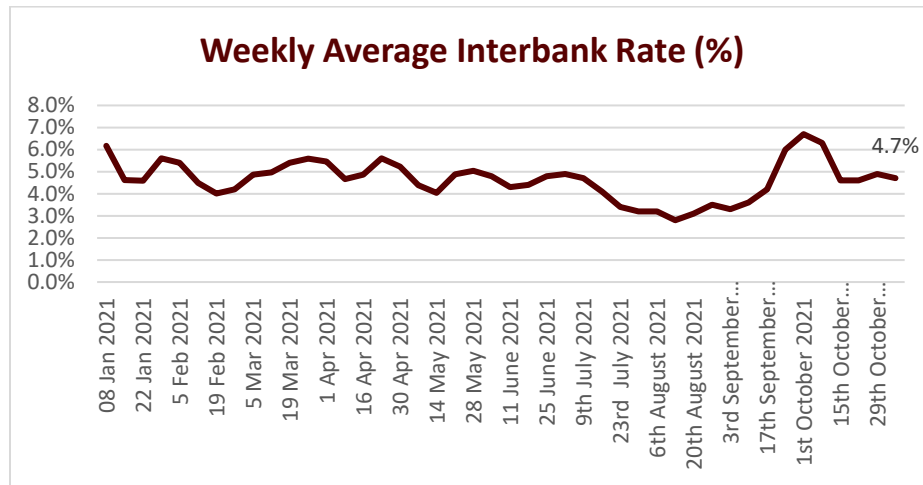
	FXD1/2021/5	FXD1/2019/20
Amount	KES 50.0 billion	
Tenor	5.0 years	17.5 years
Coupon rate	Market determined	12.873%
Taxation	15.0%	10.0%
Period of sale	25/10/2021 to 09/11/2021	
Redemption date	09/11/2026	21/03/2039

Source: CBK

- We recommend bidding as follows:
 - FXD1/2021/5**
 - Aggressive bids – 11.15% - 11.25%
 - Non-aggressive – 10.95% - 11.10%
 - FXD1/2019/20**
 - Aggressive bids – 13.26% - 13.39%
 - Non-aggressive – 13.10% - 13.25%

Fixed Income

Interbank Rate



Source: CBK

Treasury Bill Auction Results

	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	3.4	85.89%	3.4	7.097%	0.06%
182 day	10.0	8.8	87.95%	8.8	7.554%	0.07%
364 day	10.0	19.2	192.44%	19.2	8.624%	0.14%
Total	24.0	31.5	131.14%	31.5		

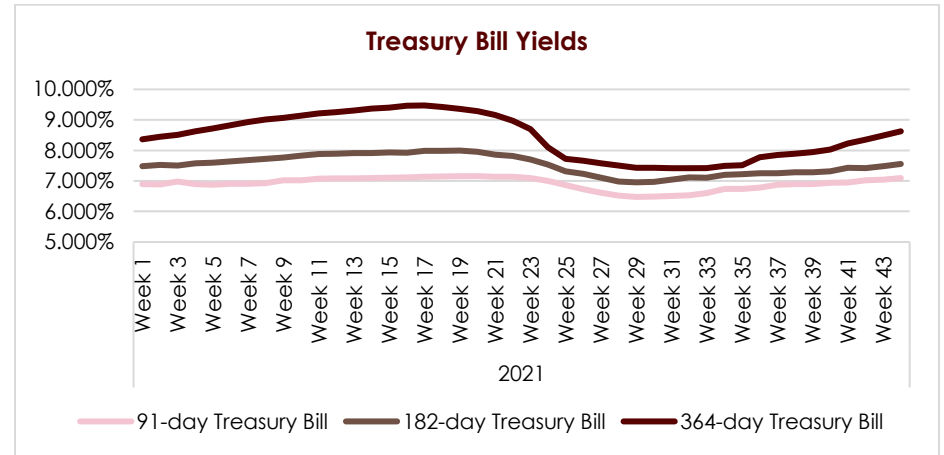
*Change = Current Rate – Previous Rate; 1.0% = 100 bps
Amount Offered, Bids Received and Bids Accepted are in KES Billions

Source: CBK

Treasury bills were oversubscribed in this week's auction. The total subscription rate was marginally higher at 131.14% compared to last week's 65.97%. The 364-

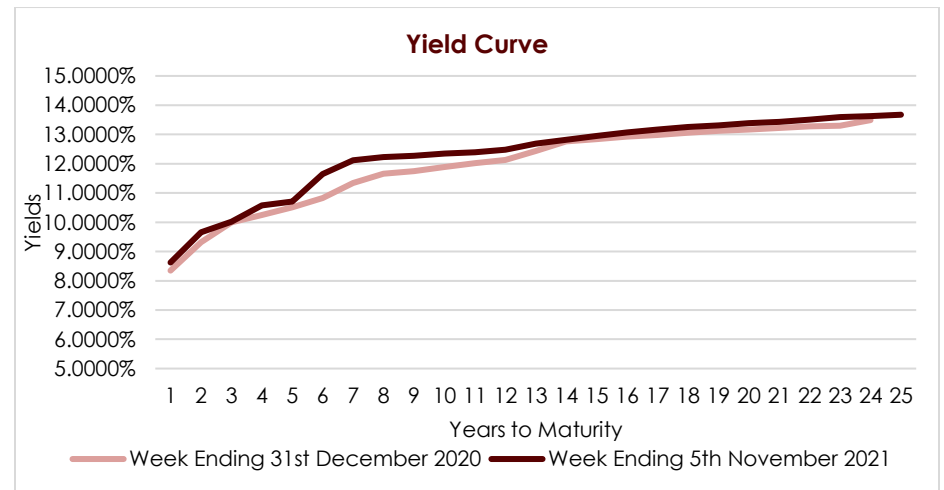
day bill had the highest subscription rate this week, at 192.44% while the 91 day bill had the lowest subscription at 85.89%.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

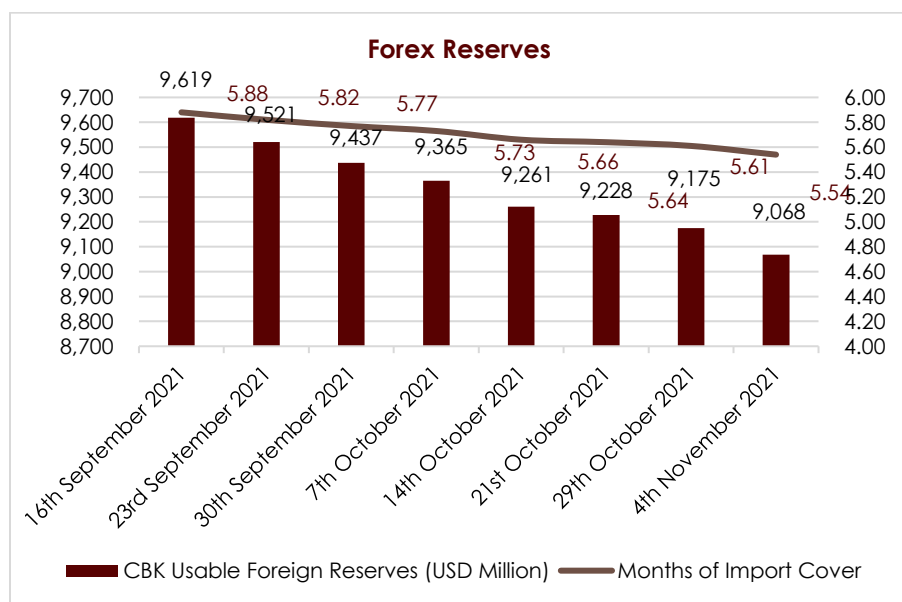
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	111.5471	(0.3%)	(2.2%)
STG Pound	151.8309	0.7%	(2.3%)
EURO	128.8635	0.2%	3.8%

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

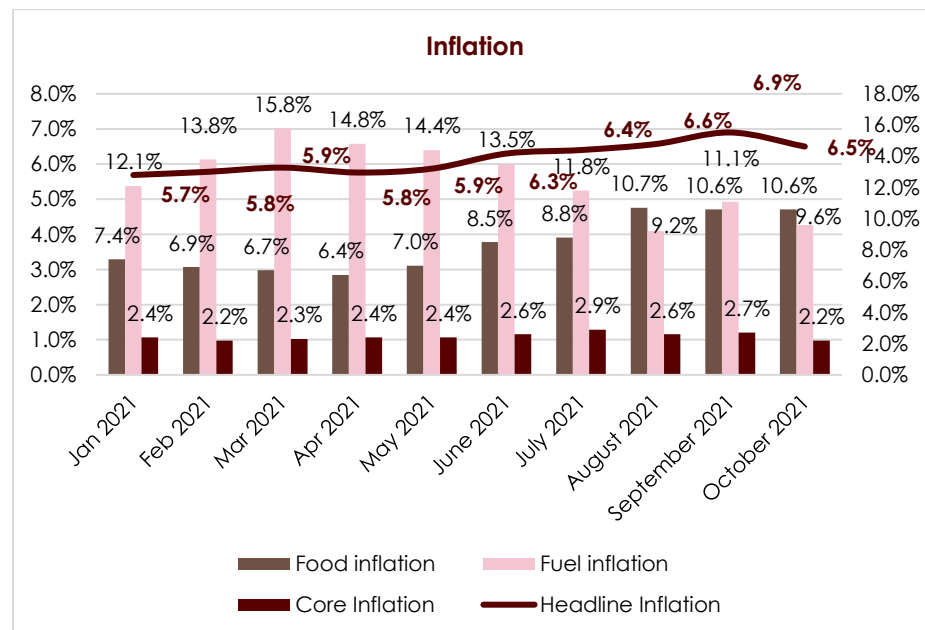
During the week, the Kenya Shilling depreciated against the US Dollar and appreciated against the STG pound and the Euro.

Forex Reserves



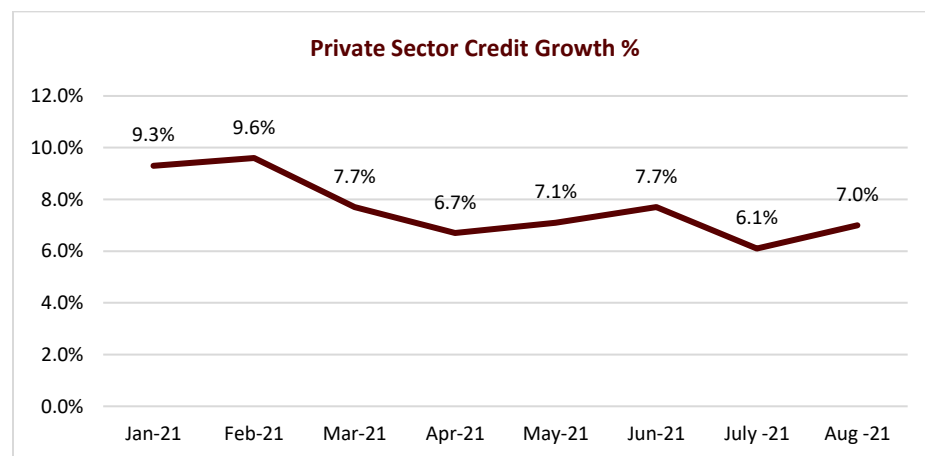
Source: CBK

Inflation



Source: KNBS

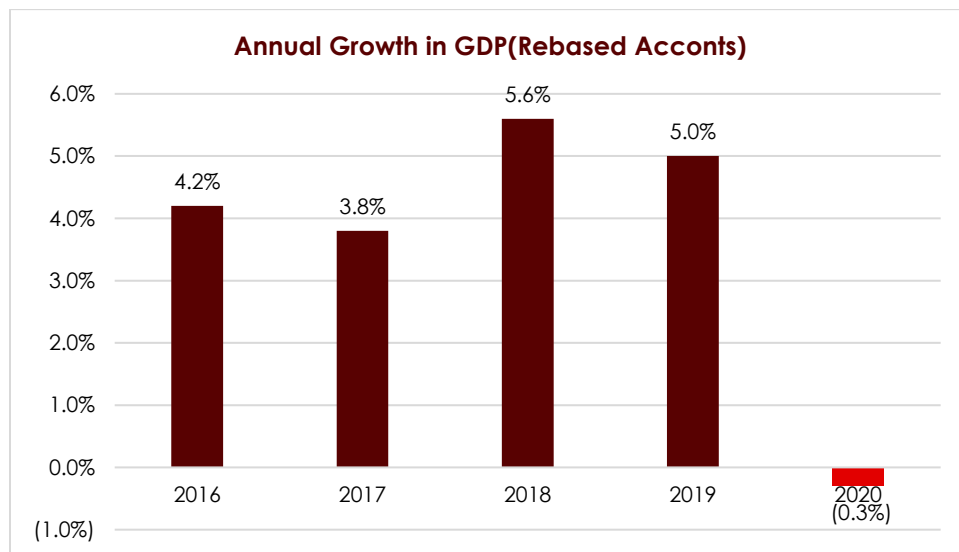
Credit Growth



Source: CBK

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Gross Domestic Product (GDP)



Source: KNBS

Kenya's Real GDP is estimated to have contracted by 0.3% in 2020, a decline from a growth of 5.0% in 2019. The contraction was due to disruptions caused by measures implemented to curb the spread of COVID-19. The Accommodation and food services (-47.7%) sector recorded the highest contraction due to COVID-19 movement restrictions (both international and domestic) and social distancing restrictions as the sector's operations depend on close contact between persons. The transportation and storage sector contracted by 7.8% due to restrictions in movement aimed at curbing the spread of the COVID-19 pandemic. The manufacturing sector contracted by 0.1% mitigated by sugar and cement production. Growth in agricultural production, construction activities, financial and insurance activities and health services activities buoyed the economy, having grown by 4.8%, 11.8%, 5.6% and 6.7% respectively. The agricultural sector accounted for 23.0% of nominal GDP. Growth in the agricultural sector was supported by increases in tea production (+24.1% y/y to 569.5 thousand tonnes) and sugarcane production (+36.4% y/y to 6.0 million tonnes). In the construction sector, cement consumption rose by 21.3% y/y to 7.4 million tonnes reflecting increased construction activity.

Real GDP Growth by Sector	2019	2020
Agriculture	2.6%	4.8%
Mining & Quarrying	4.3%	6.7%
Manufacturing	2.5%	(0.1%)
Electricity and Water Supply	1.7%	(0.5%)
Construction	5.6%	11.8%
Wholesale & Retail Trade	5.3%	(0.4%)
Accommodation & Food Services	14.3%	(47.7%)
Transport & Storage	6.3%	(7.8%)
Information & Communication	7.5%	4.8%
Financial & Insurance	6.9%	5.6%
Public Administration	9.9%	5.3%
Professional, Admin & Support Services	7.0%	(13.5%)
Real Estate	6.7%	4.1%
Education	4.7%	(10.8%)
Health	6.2%	6.7%
Other Services	4.9%	(19.5%)

Source: KNBS

Labour Statistics

Indicator	1Q2020	2Q2020	3Q2020	4Q2020
Unemployment Rate	5.2%	10.4%	7.2%	6.5%
Labour Force Participation Rate	69.7%	64.4%	68.8%	58.7%

Source: KNBS

Derivatives Market

Weekly Statistics

	This Week	Previous Week
Total Volumes	105	61
Total Value	4,167,180	2,162,470
Total Open Interest	917	934

Source: NSE

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Corporate Finance

Breadfast raises \$26.0 Million in Series A Funding

Breadfast, an Egyptian grocery delivery startup, has raised \$26.0 million in Series A funding. The startup was launched in 2017 and delivers supermarket items to customers from orders made on a mobile app. The funding round was co-led by Vostok New Ventures and Endure Capital. Other participants in the round included JAM Fund, 4DX Ventures and Flexport. The funding will be used to scale technology and expand into Sub-Saharan African markets.

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	43.50	14.2%	-1.0%	2,357,700	44.3%	6.38	2.3%	1.06	15.4%
Equity Bank	49.90	36.5%	0.4%	8,361,900	48.5%	10.73	0.0%	1.27	13.0%
NCBA	24.10	-9.9%	0.0%	344,300	43.1%	2.77	7.3%	0.52	6.5%
Stanbic	87.00	2.4%	-7.4%	253,300	48.9%	9.82	4.4%	0.70	6.8%
Absa Bank Kenya Plc	10.25	6.1%	0.5%	528,800	44.6%	9.99	0.0%	1.07	11.7%
Housing Finance	3.82	15.1%	0.3%	59,000	120.9%	N/M	0.0%	0.16	-3.8%
Co-operative Bank	12.50	0.0%	0.0%	4,648,300	49.9%	9.96	8.0%	0.92	8.5%
Diamond Trust Bank	57.00	-24.0%	-3.0%	261,000	38.2%	5.50	4.7%	0.24	4.6%
Standard Chartered	129.75	-10.1%	-0.2%	94,900	47.3%	12.36	8.1%	0.86	9.4%
I&M	21.75	-51.7%	1.4%	15,200	48.1%	4.46	11.7%	0.31	6.5%
Sector Average					53.4%	8.00	4.6%	0.71	7.9%

P/B (X) – 1H2021

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	21.55	39.5%	4.1%	500,400	107.75	0.0%	0.2	1.7%
WPP Scangroup	4.85	-19.2%	1.3%	411,800	4.33	10.3%	1.12	6.0%
Uchumi Supermarket	0.22	-21.4%	-4.3%	53,600	N/M	0.0%	-4.6	N/M
Longhorn Publishers	3.80	-22.1%	-2.8%	66,300	5.59	13.7%	0.68	17.3%
Eveready	0.96	-20.0%	-4.0%	45,600	N/M	0.0%	-1.45	-10.8%
Sector Average					39.22	4.8%		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	36.45	-3.7%	-0.5%	44,700	14.88	8.2%	3.2%	3.8%
E.A. Portland Cement	8.00	-27.3%	2.6%	30,500	N/M	0.0%	0.0%	0.0%
Sector Average					14.88	4.1%	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	4.68	-0.6%	-0.2%	2,006,100	1.68	6.4%	2.79	9.0%
Kenya Power	1.91	11.7%	11.0%	16,262,400	N/M	0.0%	N/M	N/M
Total Kenya	24.25	1.0%	-1.8%	11,900	6.02	5.4%	4.03	10.8%
Sector Average					3.85	3.2%		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	2.40	12.7%	-6.3%	653,200	0.82	N/M	71.4%	34.6%
Britam	7.82	7.7%	-1.8%	164,700	1.00	N/M	80.6%	58.1%
Jubilee	343.75	21.0%	-4.5%	22,200	*0.76	6.55	101.3%	44.2%
Kenya Re	2.32	0.0%	-4.1%	743,500	0.05	2.21	67.7%	8.9%
Sanlam Kenya	12.40	-4.2%	7.8%	1,600.00	1.35	15.70	85.8%	35.5%
Liberty	7.50	-2.6%	-6.3%	40,400.00	0.48	5.73	119.6%	48.7%
Sector Average					0.74	7.54	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	17.65	-0.6%	-0.6%	50,700	2.54	0.37	6.95	9.3%
Home Afrika Ltd	1.30	-2.4%	2.5%	493,400	N/M	N/M	N/M	2.6%
Trans-Century	1.30	-10.3%	-3.7%	11,100.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.37		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	8.32	2.0%	-5.5%	37,700	27.73	3.4%	0.3	3.9%
Sector Average					27.73	3.4%		

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	169.00	9.6%	1.8%	599,500	32.69	1.8%	5.17	46.6%
FTG Holdings	1.35	9.8%	0.0%	8,100	5.19	0.0%	0.26	4.8%
Carbacid	13.05	7.9%	13.5%	503,600	10.28	5.4%	1.27	10.0%
BAT	430.00	19.1%	0.0%	208,900	7.79	10.5%	55.18	51.2%
Sector Average					13.99	3.5%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	40.20	17.4%	-6.1%	22,594,900	23.51	3.4%	1.71	49.9%
Sector Average					23.51	3.4%		

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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	7.06	27.0%	5.1%	77,500	20.86	10.48%	0.82
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

Source: NSE and Faida Investment Bank Analysis

Recommendations

Counter	Recommendation	52-Week High	52-Week Low	Price	Target Price	Upside/(Downside)	Expected DPS	YTD Change
KCB	Neutral	KES 49.90	KES 35.54	KES 43.50	KES 47.54	9.3%	KES 2.0	15.4%

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
Carbacid	Special dividend	Kes. 0.90	2-Nov-21	26-Nov-21	17-Dec-21
Carbacid	Final dividend	Kes. 0.70	2-Nov-21	26-Nov-21	17-Dec-21
KenGen	First & Final dividend	Kes. 0.30	1-Nov-21	16-Dec-21	10-Feb-22

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