

KINGDOM SECURITIES

STOCK PICKS



Stellar Swakei
sswakei@co-opbank.co.ke

Chrisanthus Lunani
clunani@co-opbank.co.ke

Kingdom Research
Kingdomresearch@co-opbank.co.ke

KINGDOM SECURITIES

Counter	Sentiment
Buy Recommendations	
NCBA	<ul style="list-style-type: none"> • At the current market price of Kes 90.25, NCBA presents a compelling merger-arbitrage opportunity relative to the implied offer price of Kes 105 by Nedbank, representing an upside of approximately 16% subject to successful completion. • Under the transaction terms, only 66% of an investor’s holdings will be acquired, with consideration structured as 80% in Nedbank shares and 20% in cash. Investors whose accepted 66% stake translates into fewer than 200 Nedbank shares will instead receive full cash consideration — effectively crystallizing the arbitrage spread. • Conversely, those exceeding the 200-share threshold will receive a blended outcome of cash and Nedbank shares, gaining partial liquidity alongside exposure to the South African banking market. • Importantly, the remaining 34% of NCBA shares will continue trading on the NSE, preserving ongoing participation in a proven dividend counter that has demonstrated a consistent payout growth trajectory, aside from isolated outlier periods. NCBA paid a Kes 5.50 dividend for 2024 and an interim dividend of Kes 2.50 for 2025. If historical trends persist, the final dividend is likely to go up.
EABL	<ul style="list-style-type: none"> • The company remains profitable and continues to hold a dominant position in the Kenyan alcoholic beverage market. • We anticipate improved full-year performance, underpinned by resilient consumer demand, ongoing operating efficiencies, and disciplined strategic execution.

KINGDOM SECURITIES

	<ul style="list-style-type: none"> • The counter also maintains a strong dividend track record, with potential for further upside driven by product innovation and refreshed growth strategies. • In addition, Diageo’s exit and the entry of Asahi Group enhance the company’s strategic positioning, potentially strengthening its role as a platform for broader African expansion. • That said, regulatory-related uncertainties remain a key risk and could weigh on revenue performance.
<p>Safaricom</p>	<ul style="list-style-type: none"> • Safaricom’s upside is anchored on Ethiopia’s long-term growth potential, sustained domestic market leadership, and structurally rising data usage supported by smartphone adoption and demographic trends. • The expansion of its financial services ecosystem — particularly through Ziidi Trader — alongside the planned ownership restructuring that may enhance foreign participation and operational independence, strengthens its strategic appeal. • The higher interim dividend also signals confidence in earnings momentum and supports a constructive full-year outlook. • On the downside, growth in traditional voice and SMS segments remains limited, with increasing substitution from internet-based communication platforms posing structural revenue pressures over the medium to long term.
<p>Tactical Buy</p>	
	<ul style="list-style-type: none"> • Following the broad-based rally at the NSE, we view the market as transitioning into a more tactical trading phase where momentum is likely to be catalyst-driven rather than sentiment-led.

KINGDOM SECURITIES

<p>Banking Sector</p>	<ul style="list-style-type: none"> • In this environment, we recommend positioning within the banking sector, where full-year results due in March provide a near-term and relatively defined trigger for price action. • Historically, most listed banks, except for Housing Finance, maintain consistent dividend payout records, reinforcing total return appeal. • Additionally, the sector remains among the most liquid at the bourse, offering depth on both demand and supply sides, which enhances tradability and reduces execution risk for short- to medium-term strategies. • We therefore favor sector-based allocation into banking counters as a pragmatic way to participate in anticipated earnings-driven momentum. • Our top picks are: Equity, KCB, Co-operative and Absa
<p>Sell Recommendation</p>	
<p>Kenya Power</p>	<ul style="list-style-type: none"> • The stock continues to exhibit solid underlying fundamentals; however, following the recent price appreciation, upside appears limited in the near term. We therefore advise locking in gains.
<p>CIC Insurance</p>	<ul style="list-style-type: none"> • Positive Note: The company has recently benefited from strategic asset disposals executed at a profit, boosting investor sentiment, and improving working capital management. • Cautionary Note: The firm issued a profit warning due to elevated claims and the absence of one-off revaluation gains. These factors are expected to continue exerting downside pressure. • We recommend profit-taking at current levels.

KINGDOM SECURITIES

Research Analyst Certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of Use- Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research, but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

KINGDOM SECURITIES

Research Department

Stellah Swakei	sswakei@co-opbank.co.ke	+254711049152
Chrisanthus Lunani	clunani@co-opbank.co.ke	+254711049973

Sales Team

Dennis Langat	dlangat@co-opbank.co.ke	+254 711049592
Moffat Asena	amoffat@co-opbank.co.ke	+254 711049663
Gloria Ohito	gohito@co-opbank.co.ke	+254711049993

Client Service and Operation