

KINGDOM SECURITIES

Stock Picks



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The market closed May on a positive note overall, supported by gains in select large-cap counters that helped offset weakness in parts of the market. While sentiment remained mixed across sectors, the broader market continued to edge higher, with many stocks trading near or around their historical highs. That notwithstanding, we provide our recommendations for some of the stocks that we see pockets of opportunity:

Long – term Buy:

Safaricom

- We recommend a long term buy on Safaricom with a fair value estimate of Kes **40.25** in the medium term supported by the following:
 - Market leadership remains intact for Safaricom Plc, anchoring resilient revenues and stable cash flow generation.
 - The Ethiopian expansion is gradually de-risking, with expectations that the business could break even by 2027, unlocking a new growth and profitability frontier as mobile penetration deepens.
 - Over the medium term, Ethiopia presents a significant upside lever, given its large, underpenetrated telecoms market.
 - However, mobile money adoption in Ethiopia may be slower than expected, as the economy remains largely cash-driven and financial transactions are still heavily concentrated within the banking system.
 - As a result, M-PESA-led monetization may take longer to scale, potentially delaying the full realization of returns from the Ethiopian venture.

Speculative Buy:

Equity Group

- Our long-term fair value for the stock is Kes **96.58**.
 - In the near term, however, we maintain a Speculative Buy given recent price action and signs of valuation fatigue at current levels. The stock remains volatile, which still leaves room for short-term trading opportunities.
 - Over the long term, Equity Group’s expansion strategy across Africa remains supportive of growth. Near-term dividend growth may moderate as the bank retains more capital to fund this strategy, but this is expected to strengthen earnings potential over time by opening up new revenue streams in underpenetrated markets.

Co-op Bank

- Our medium-term fair value estimate for Co-operative Bank is KES **34.33**. In the near term, we recommend a speculative positioning, supported by:

- Continued strong domestic market participation, which is sustaining healthy liquidity and volatility in the counter.
 - The bank's steady profitability performance and gradually improving valuation multiples, which continue to underpin short-term trading interest.
 - Over the long term, the outlook remains anchored on dividend growth and the group's ongoing efforts to strengthen non-funded income streams as part of its broader business restructuring and diversification strategy.
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- Our medium-term fair value estimate for Kenya Power is **KES 22.18**. We, however, maintain a Speculative Buy for active traders seeking to capitalize on near-term price movements, with the option to re-enter when market activity eases.
 - The long-term view remains supported by ongoing structural reforms in the electricity sector and the embedded value within the company's transmission and distribution network. However, operational inefficiencies remain elevated, particularly system losses and receivables but the broader fundamentals continue to point to a potential mispricing of the underlying asset base.

KPLC

Merger Arbitrage Lite:

The Nedbank–NCBA transaction continues to present an opportunity for investors with a higher risk appetite. The caution around risk stems from the fact that Nedbank Group is targeting a 66% stake in NCBA, which could leave existing shareholders with 34% of the shares at the NSE. There is also a possibility that the stock could drift back in line with broader market levels once the initial transaction-driven momentum fades. Our view is based on the following considerations:

NCBA

- NCBA presents a compelling merger-arbitrage opportunity relative to the implied offer price of Kes 105 by Nedbank, representing an upside of approximately 18.6% subject to successful completion. New entrants must ensure that they sign the acceptance form to participate in the offer.

However,

- Investors whose accepted 66% stake translates into fewer than 200 Nedbank shares will instead receive full cash consideration, effectively crystallizing the arbitrage spread. By our calculations, a minimum of 5,000 NCBA shares will translate to 200 or more Nedbank shares.

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- 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 7.10 dividend for 2025.
- If historical trends persist, the final dividend is likely to go up.

Find below the dividend schedule:

| Counter | Dividend Type | Dividend per Share | Book Closure | Payment Date |
|--------------------------|---------------|--------------------|--------------|------------------|
| BAT | | 60.00 | 08-May-26 | 12-Jun-26 |
| Kakuzi | | 16.00 | 29-May-26 | 15-Jun-26 |
| BK Group | | 3.73 | 15-May-26 | 19-Jun-26 |
| DTB-K | | 9.00 | 22-May-26 | 26-Jun-26 |
| Car & General | | 3.12 | | 30-Jun-26 |
| Equity | | 5.75 | 22-May-26 | 30-Jun-26 |
| BOC | | 10.35 | 31-May-26 | 21-Jul-26 |
| Jubilee | | 13.00 | 11-Jun-26 | 24-Jul-26 |
| TPS Serena | | 0.35 | 26-Jun-26 | 30-Jul-26 |
| NSE | | 1.00 | 21-May-26 | 31-Jul-26 |
| Kenya Re | | 0.15 | 19-Jun-26 | 31-Jul-26 |
| Total Energies | | 3.45 | 24-Jun-26 | 31-Jul-26 |
| Liberty | | 0.50 | 15-Jun-26 | 30-Aug-26 |
| Crown Paints | | 3.00 | 26-Jun-26 | 31-Aug-26 |
| Safaricom | | 1.15 | 04-Aug-26 | 04-Sep-26 |
| Stanbic | | 18.55 | 15-May-26 | Pending Approval |
| KCB | | 3.00 | 02-Apr-26 | 04-Sep-26 |
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