

KINGDOM SECURITIES

Stock Picks



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The Kenyan equities market maintained its strong upward momentum during Q2 2026, with all major benchmark indices closing higher quarter-on-quarter, supported by broad-based investor confidence and a 16.44% increase in market capitalization to Kes. 3.76 trillion. There was a broad-based rally in June and therefore stock prices remain elevated and in favor of speculative investors. Below are our recommendations for the month of July:

Long – term Buy:

Safaricom

- We recommend a long-term Buy on Safaricom Plc, with a medium-term fair value estimate of **KES 40.25**, supported by the company’s strong market position and long-term growth prospects. Safaricom’s market leadership remains intact, anchoring resilient revenue growth and stable cash flow generation. The Ethiopian expansion is gradually de-risking, with expectations of break-even by 2027 from an EBITDA perspective meaning that the business can sustain its operating activities without relying on continuous funding to cover its day-to-day losses.
- However, monetization in Ethiopia remains a key risk, particularly for M-PESA adoption, given the economy’s continued reliance on cash transactions. This may delay the full realization of returns from the venture and the achievement of the desirable free cash flow.
- The partial divestment of the Government of Kenya’s stake could also enhance Safaricom’s strategic flexibility, allowing faster execution of business initiatives with reduced government involvement. Overall, Ethiopia presents a significant upside opportunity, while the company’s strong domestic franchise continues to provide earnings stability.

Speculative Buy:

KenGen

- Our fair value estimate for the stock is Kes **11.96** supported by the company’s strategic position as East Africa’s leading clean energy producer and its defensive utility business model. The company is well positioned to benefit from Kenya’s long-term energy transition, with geothermal and future nuclear capacity expected to provide stable baseload power as hydropower increasingly serves as a peaking source.

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- The planned expansion of its generation capacity, including the proposed 2,000MW nuclear project and 700MW hydropower development, provides significant long-term growth potential while supporting Kenya's industrialization agenda.

KPLC

- Our medium-term fair value estimate for Kenya Power is **KES 22.18**, supported by its strategic transformation within a liberalizing electricity market and its potential to unlock value through improved operational efficiency. The shift from a traditional electricity retailer to a broader infrastructure provider creates a new growth opportunity, with Kenya Power positioned to earn revenues from grid access and wheeling services as private sector participation increases. Further upside exists from reducing system losses, which remain a significant drag on profitability, with improvements in grid efficiency directly translating into stronger margins.

Kenya Re

- Our fair value estimate for the stock is **Kes 3.96**.
- Kenya Re stands out as both a long-term and speculative buy, supported by favorable regulatory reforms and strong fundamentals. The move to increase the portion of reinsurance ceded to Kenya Re to 25% from 20% is expected to significantly boost the company's premium income and reinforce its leadership in the reinsurance sector.
- The firm maintains a solid balance sheet, stable profitability, and a consistent dividend payout, making it one of the most attractive income stocks at the NSE for volume-oriented investors. With both policy support and consistent performance, Kenya Re offers investors a compelling blend of yield stability and potential for further capital appreciation.

Hold:

BAT

- We recommend a hold on BAT Kenya, with a fair value estimate of **KES 600.39** per share. The investment case remains supported by the company's strong dividend profile, with its attractive and reliable dividend yield providing potential support for share price appreciation towards the fair value estimate. Additionally, earnings remain resilient, supported by the resumption of Velo sales, which should provide a boost to revenue growth going forward.

Sell:

Kapchorua

- Kapchorua Tea recorded an 8.7% increase in profit after tax (PAT) and a 20% growth in dividend per share, despite the bonus issue that doubled the company's share count. Our previous Buy recommendation,

which was anchored on expectations of strong dividend returns, has materialized. Given the realization of the dividend catalyst and price appreciation, we recommend that investors sell progressively ahead of the book closure date scheduled for 31 July 2026.

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