

Safaricom Divestiture Under Parliamentary Scrutiny

In this week's newsletter, we cover Stakeholder Submissions on the Proposed Safaricom Divestiture, updates on Kenya's Trade Deal with China, and the Extension of AGOA

Hearings on the Government's Proposed Safaricom 15% Divestiture

About the Deal: Last week, stakeholders appeared before the Joint Committee reviewing Sessional Paper No. 3 of 2025 to interrogate the proposed partial divestiture of the Government of Kenya's stake in Safaricom. Submissions focused less on the permissibility of divestiture and more on transaction design, pricing logic, capital-market integrity, and long-term fiscal consequences. Under the proposed structure, the State would sell 15% at KES 34 per share, reducing its ownership from 35% to 20%, while retaining two board seats and embedding contractual safeguards on board composition, management nationality, supplier continuity, and employment protections. In parallel, Vodacom would acquire Vodafone's remaining 12.5% stake in Vodafone Kenya for KES 68.1B, lifting its effective Safaricom holding to 55%. When combined with the KES 40.2B upfront monetisation of future dividends, total gross inflows to the State were estimated at KES 244.5B, raising questions about whether the transaction should be assessed primarily as an equity divestiture, a securitisation of dividend cashflows, or a hybrid fiscal instrument executed outside the conventional debt framework.

More Details from Treasury: In its presentation, the National Treasury framed the transaction as a fiscal optimisation strategy in the context of constrained fiscal space and limited scope for further consolidation, positioning asset monetisation as an alternative to debt and taxation. Treasury maintained that proceeds would flow through the Consolidated Fund, be appropriated by Parliament, and deployed exclusively as seed capital for commercially viable infrastructure via the National Infrastructure Fund, not for budget support, yet stakeholders continued to probe ring-fencing, minority shareholder protection, ownership concentration, and the

long-term trade-off between immediate KES inflows and foregone dividend streams. Treasury justified a negotiated sale to Vodacom on the basis of execution certainty, hard-currency settlement, and strategic continuity, and appointed KCB Investment Bank to undertake an independent valuation using EV/EBITDA, P/E, DCF, and DDM methodologies. These approaches produced a wide valuation range (EV/EBITDA implying KES 22.3–33.5, DCF KES 18.5, and DDM KES 23.6), yet pricing ultimately anchored on the 6-month VWAP of KES 27.5, with analyst target prices averaging KES 30.82 used as negotiation guides and discounted to present value. Final negotiations settled at KES 34, implying a ~19% premium to VWAP, which Treasury characterised as consistent with strategic block transactions. Several substantive questions remained from our end:

- **Valuation anchoring:** Whether reliance on VWAP, a backward-looking metric derived from minority trades, was appropriate for pricing a control-enhancing strategic block, and whether fuller disclosure of DCF and DDM assumptions (growth, discount rates, capex, dividend policy, terminal values) was necessary to properly assess valuation robustness.
- **Economic substance and true cost of capital:** Treasury's characterisation of the KES 40.2B dividend advance as a low-cost loan was challenged, as this framing assumes a long-horizon, lump-sum repayment rather than the annuity-style surrender of dividends that actually applies. Vodacom has stated that its valuation was based on expected dividends over about three years, discounted at a 16.5% IRR (capped at 18%), with the facility expected to be fully repaid in just over two years; treating the cashflows as if they extend over a much longer horizon mechanically suppresses the implied discount rate and creates the illusion of cheap financing, whereas the correct structure indicates the State is monetising near-term Safaricom dividends at a mid-teens discount rate, not borrowing below sovereign yields.
- **Process integrity and advisory role:** Following the Treasury CS's recent statement [on CGTN](#) that no transaction adviser was appointed at the proposal stage, questions remained on what changed, when KCB Capital's valuation was prepared, under what mandate, and whether the full valuation report has been publicly disclosed.

Summary of Stakeholder Submissions: Below are some of the key issues raised by the other stakeholders that we found interesting:

- **The Institute of Certified Public Accountants of Kenya (ICPAK):** ICPAK argued that the KES 34 price lacked a clearly articulated valuation basis and appeared overly anchored on historical VWAP rather than intrinsic value and future earnings. It warned that the upfront receipt effectively monetised about KES 40.2B of future dividends, sacrificing a stable long-term revenue stream for future governments. ICPAK also raised concerns about the absence of allocations to social sectors and proposed a transparent infrastructure split while urging alignment with long-term fiscal sustainability.
- **Capital Markets Authority (CMA):** The CMA recommended defining a minimum government ownership threshold for strategic listed entities and imposing lock-in periods for incoming anchor shareholders to deter speculative exits. It cautioned against granting special privileges to buyers of former state assets, warning that such protections distort markets and create fiscal risks.
- **Kenya Bankers Association (KBA):** The banking sector did not oppose a partial sale but stressed that the rationale should prioritise long-term economic value rather than short-term fiscal relief. With public debt at about 64% of GDP, above the 55% benchmark, it warned that one-off asset sales were not a sustainable response to structural fiscal pressures. KBA proposed reserving 5% of the stake for Kenyan investors to broaden domestic ownership and ensure proceeds funded productivity-enhancing investments.
- **Kenya National Chamber of Commerce and Industry (KNCCI):** KNCCI described Safaricom as a core economic utility, citing M-Pesa transaction values above KES 25T annually, over 30M users, and tax contributions of KES 140–160B. It cautioned that a one-off inflow of KES 204–244B would be exchanged for foregone annual dividends of KES 4–6B, which could approach the sale value over 10–15 years.
- **Law Society of Kenya (LSK):** LSK opposed the divestiture model, arguing that reducing state ownership to 20% while granting Vodacom 55% control raised constitutional, sovereignty, and public-interest concerns. It criticised the pricing for lacking an independently verified and fully disclosed valuation process. LSK proposed routing at least 50% of the divested stake through the NSE to retail investors, alongside safeguards on reinvestment and local employment.
- **Nairobi Securities Exchange (NSE):** The NSE supported the transaction but insisted it should be executed through the NSE Block Trading Board to preserve transparency, price discovery, and minority protection. It warned that off-exchange execution increased information asymmetry for a stock anchoring

a large share of market capitalisation. The Exchange proposed a 10-year lock-in on the acquired stake to support long-term stability.

- **Kenya Association of Stock Brokers and Investment Banks (KASIB):** KASIB supported the partial divestiture as a pragmatic response to fiscal pressures, arguing it created fiscal space without raising debt. It preferred execution via the NSE Block Trading Board and proposed increasing the divestiture to 20%, with 15% sold to Vodacom and 5% offered publicly to deepen market participation.

Key Takeaways: Across submissions, a clear tension emerged between short-term fiscal relief and long-term value preservation, with most stakeholders supporting divestiture in principle but contesting structure, pricing transparency, and execution. There was broad consensus that process credibility mattered, with valuation disclosure, NSE-based execution, lock-ins, ownership safeguards, and partial public participation seen as critical to market confidence. Stakeholders diverged on impact, with National Treasury emphasising KES-denominated fiscal mobilisation, while others highlighted foregone dividends, ownership concentration, and strategic control risks over the medium to long term. The hearings were scheduled to continue this week through Wednesday, 21 January 2026, with Treasury appearing to prefer that the proposed sale of its 15% stake in Safaricom to Vodacom did not close before 31 March, allowing it to collect the FY26 interim dividend typically declared in mid-February and paid in March.

Kenya Secures Trade Relief from China as U.S. Moves to Extend AGOA

Kenya–China Trade Talks Yield 98.2% Zero-Duty Access: Kenya has reached a preliminary trade arrangement with China that will grant 98.2% zero-duty market access for Kenyan goods, following bilateral negotiations aimed at addressing widening trade imbalances. The deal stems from China's move to eliminate tariffs on exports from 53 African countries, a policy that primarily benefits Least Developed Countries and required middle-income economies such as Kenya to negotiate bilateral agreements for WTO compliance. As of Q3 2025, Kenya imported KES 184.3B worth of goods from China while exporting only KES 4.5B, highlighting a significant imbalance. Imports from China rose 8.6% over the period, driven largely by higher purchases of crushing and grinding machinery. The zero-duty access is expected to

support export diversification, particularly in agriculture, and improve Kenya's trade position with its largest source of imports.

Kenya - China Trade Deficit in Q3(KES)

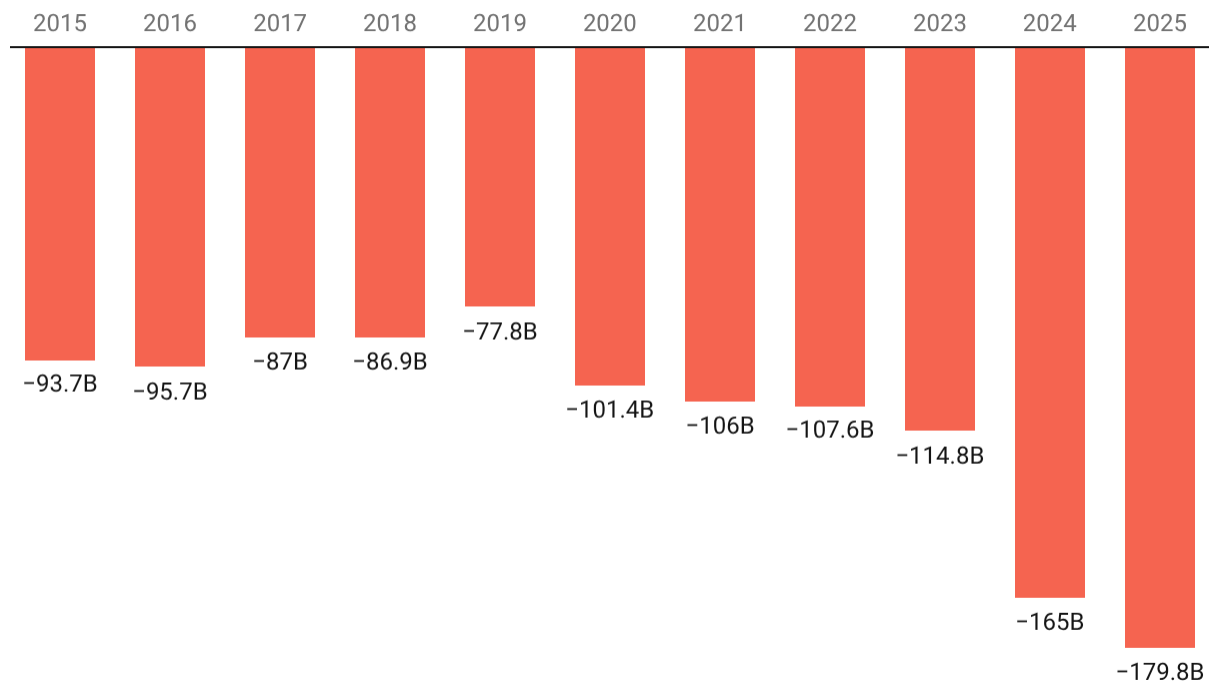


Chart: @MwangoCapital • Source: KNBS • Created with Datawrapper

U.S. House Extends AGOA: Separately, the U.S. House of Representatives has voted by a bipartisan majority to extend the African Growth and Opportunity Act (AGOA) for an additional three years to December 31, 2028, preserving duty-free access to the U.S. market for thousands of products from eligible sub-Saharan African countries. The bill also extends customs user fees and merchandise processing fees through 2031 and maintains key provisions such as duty-free apparel access and the third-country fabric rule, which allows garments assembled in countries like Kenya using imported fabrics to qualify for preferential treatment. Kenya currently benefits significantly from AGOA, with the textile and apparel sector employing over 80,000 people directly and 250,000 indirectly, mainly within Export Processing Zones. The extension reduces uncertainty for exporters and supports ongoing efforts to expand Kenya's export

basket beyond textiles into agriculture and other value-added sectors.

Kenya - US Trade Deficit in Q3(KES)

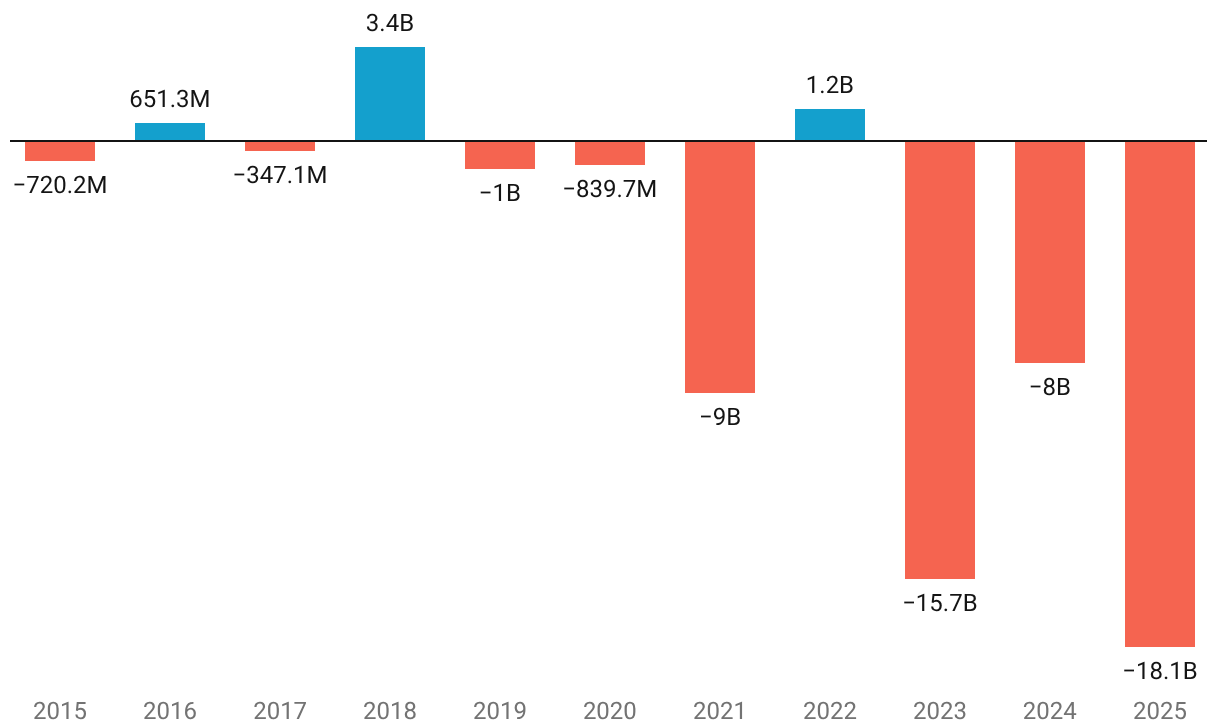


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Markets Wrap

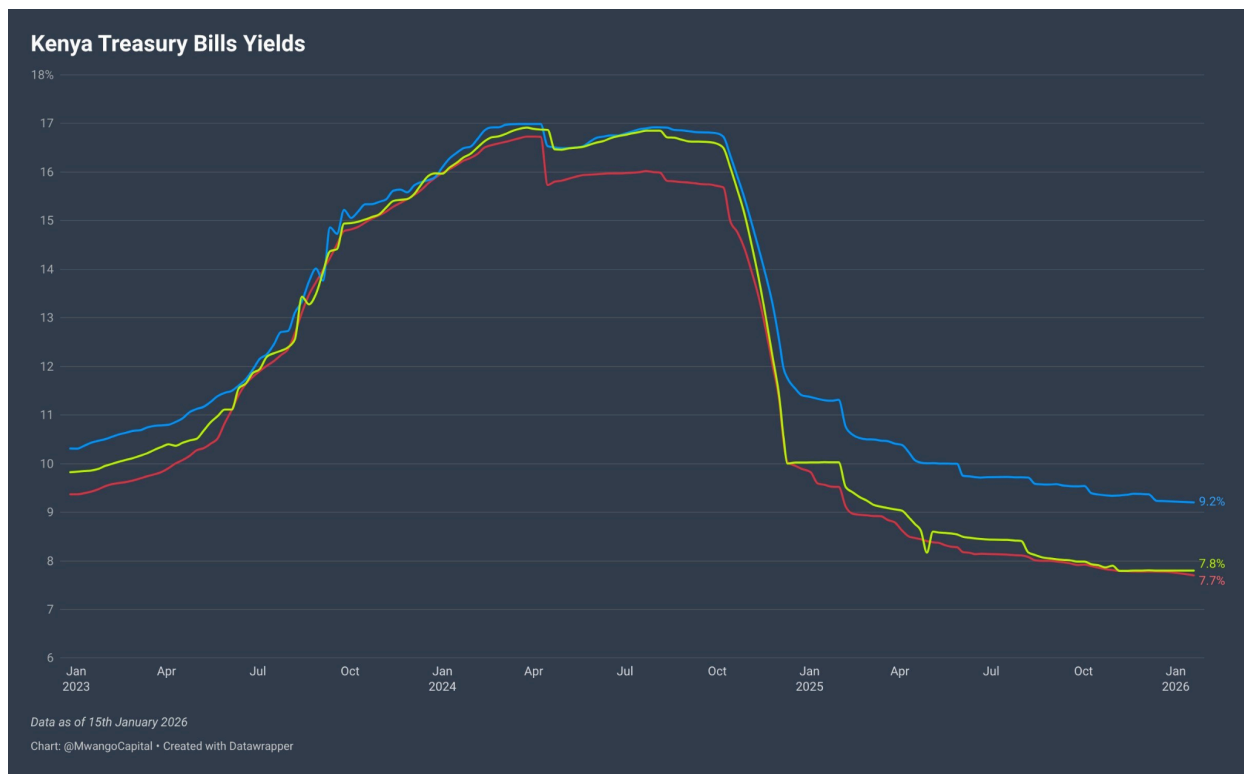
NSE Week 2 Highlights: The Nairobi Securities Exchange (NSE) had a mixed performance in Week 3, with the NSE All Share Index (NASI) gaining 1.04% to close at 193.9. However, trading volume fell significantly by 39.3% to KES 2.57B, and bond turnover saw a substantial decline of 26.7%. EA Portland Cement led the top gainers, rising 11.6% to KES 85.25, while Absa NewGold ETF recorded the most significant loss, falling 39.4% to KES 3,260.00. The banking sector showed modest growth, with the Banking Index rising by 0.9%. Foreign participation was notably high, with foreign

investors recording a net outflow of KES 1.1B due to high sales during the week.

| The Mwangi Capital Weekly Market Wrap | | | | | | |
|---------------------------------------|----------------|-----------------------------------|-----------------|------------|---------------|-------|
| Week 03 (9 to 15 January 2026) | | | | | | |
| NSE Top Gainers & Losers in Week 3 | | | | | | |
| Top Gainers | | Ticker | 9 Jan | 15 Jan | Change (%) | YTD % |
| EA Portland Cement Co. | PORT | 74.75 | 85.25 | 14.0% | 15.99% | |
| Sasini Tea and Coffee | SASN | 18.10 | 20.20 | 11.6% | 13.17% | |
| Nation Media Group | NMG | 12.00 | 12.85 | 7.1% | 11.26% | |
| Eaagads Limited | EGAD | 19.20 | 20.45 | 6.5% | -0.24% | |
| Standard Group Limited | SGL | 5.86 | 6.16 | 5.1% | 1.99% | |
| Top Losers | | Ticker | 9 Jan | 15 Jan | Change (%) | YTD % |
| Absa NewGold ETF | GLD | 5,380.00 | 3,260.00 | -39.4% | -39.57% | |
| Unga Group Limited | UNGA | 24.40 | 22.50 | -7.8% | -3.02% | |
| Home Afrika Limited | HAFR | 1.32 | 1.25 | -5.3% | -6.72% | |
| Kenya Airways Limited | KQ | 3.42 | 3.26 | -4.7% | -7.65% | |
| Jubilee Holdings Limited | JUB | 345.75 | 334.75 | -3.2% | -0.07% | |
| The NSE This Week | | | | | | |
| | | Week 02 | Week 03 | Change (%) | YTD % | |
| NSE All Share Index | NASI | 191.9 | 193.9 | 1.04% | 3.91% | |
| NSE 20 Share Index | NSE 20 | 3,233.8 | 3,256.5 | 0.70% | 3.74% | |
| NSE 10 Share Index | NSE 10 | 2,022.6 | 2,034.9 | 0.61% | 3.55% | |
| NSE 25 Share Index | NSE 25 | 5,245.7 | 5,280.5 | 0.66% | 3.61% | |
| Banking Sector Index | Banking Index | 211.72 | 213.62 | 0.90% | 4.90% | |
| Market Cap (KES B) | CAP | 3,027.9 | 3,059.5 | 1.04% | 3.90% | |
| Volume (M) | | 130.5 | 79.2 | | -39.3% | |
| Equity Turnover (Kes. Mn) | | 3,502.57 | 2,568.00 | | -26.7% | |
| Bond Turnover (Kes. Mn) | | 42,236.35 | 75,683.65 | | 79.2% | |
| Domestic Debt | | | | | | |
| 14 Jan Offering (KES B) | Offered | Bids Received | Accepted | % Accepted | % performance | |
| 91-Day | 4.00 | 0.96 | 0.95 | 98.86% | 24.03% | |
| 182-Day | 10.00 | 0.58 | 0.58 | 100.00% | 5.80% | |
| 364-Day | 10.00 | 29.30 | 26.99 | 92.12% | 293.00% | |
| T-Bill Yield (%) | 9 Jan | 14 Jan | Change (bps) | | | |
| 91-Day | 7.73 | 7.70 | -2.7 | | | |
| 182-Day | 7.80 | 7.80 | 0.0 | | | |
| 364-Day | 9.20 | 9.20 | -0.1 | | | |
| NSE Upcoming Corporate Actions | | | | | | |
| Date | Corporate | Corporate Action | | | | |
| 30 January 2026 | KPLC | Final Dividend Payment (KES 0.80) | | | | |
| 30 January 2026 | EABL | HY'26 Results | | | | |
| 11 February 2026 | Kenya Re | SGM | | | | |
| 12 February 2026 | KenGen | Final Dividend Payment (KES 0.90) | | | | |
| 11 March 2026 | KCB | FY 2025 Results | | | | |
| 17 March 2026 | Equity | FY 2025 Results | | | | |
| 20 March 2026 | Co-op | FY 2025 Results | | | | |
| NSE Foreign Participation in Week 3 | | | | | | |
| KES (M) | Buys | Sales | Net | | | |
| Mon, 12 Jan 2026 | 62.2 | 132.3 | -70.1 | | | |
| Tue, 13 Jan 2026 | 41.8 | 80.9 | -39.1 | | | |
| Wed, 14 Jan 2026 | 48.7 | 92.4 | -43.7 | | | |
| Thu, 15 Jan 2026 | 75.9 | 192.2 | -116.3 | | | |
| Fri, 16 Jan 2026 | 26.0 | 37.5 | -11.5 | | | |
| Totals | 254.6 | 1,365.3 | -1,110.7 | | | |
| Week 03 | AMOUNT (KES M) | | % | | | |
| Total Foreign Turnover | 809.99 | | 31.54% | | | |
| Total Local Turnover | 1,758.02 | | 68.46% | | | |
| Eurobond Yields | | | | | | |
| KES (M) | 9-Jan | 15-Jan | 7D Change (bps) | | | |
| 10-Year 2028 | 6.23% | 6.15% | -8.0 | | | |
| 6-Year 2031 | 7.19% | 7.01% | -18.0 | | | |
| 12-Year 2032 | 7.36% | 7.22% | -14.0 | | | |
| 13-Year 2034 | 8.05% | 7.91% | -14.0 | | | |
| 30-Year 2048 | 8.98% | 8.91% | -7.0 | | | |
| Sources: NSE, Central Bank of Kenya | | | | | | |

Treasury Bills: Treasury bills were oversubscribed last week, with a subscription rate of 128.2%, down from 130.3% the previous week. Investors submitted bids totaling KES 31.3B, and the Central Bank of Kenya (CBK) accepted KES 28.5B out of the KES 24B on offer. Yields on the 91-day and 364-day T-bills fell by 2.66 and 0.1 bps to 7.7011% and 9.2%, respectively. At the same time, the 182-day t-bill remained

unchanged at 7.8%.




Eurobonds: Kenya's Eurobond curve recorded an average week-on-week decline of 5.30 bps in the week ending 16 January 2026. The largest fall was seen in KENINT 2032, down 10.0 bps to 7.237%, followed by KENINT 2034, which decreased 9.3 bps to 7.804%. Other notable moves included KENINT 2036, down 7.6 bps to 8.569%, and KENINT 2033, down 7.1 bps to 7.896%.

Market Gleanings

📰 | **EABL CFO Transition & Asahi-Diageo Deal Update** | Almost a month after Diageo agreed to sell its 65% stake in East African Breweries Limited (EABL) to Asahi Group Holdings, EABL has announced that its Chief Financial Officer and Executive Director, Risper Ohaga, will step down effective 30 June 2026 to pursue interests outside the company. The upcoming EABL H1 FY 2025/26 results, due later this month, will be the final set reported under her tenure, while the Asahi-Diageo transaction is expected to close in the second half of calendar year 2026, subject to regulatory and shareholder approvals.

Separately, the High Court, which had earlier postponed the hearing on the opposition filed by Bia Tosha Distributors against Diageo's proposed \$2.3 billion sale of its 65% stake in EABL to Asahi, is now set to hear the matter this Tuesday, January 20. In the interim, the court had issued a limited preservation order restraining only the final completion steps of the transaction, while allowing the parties to continue pursuing regulatory approvals amid the ongoing litigation involving Diageo, EABL, and UDV Kenya.

 | **Sasini Returns to Profit in FY25 on Coffee Gains** | Sasini PLC posted a return to profitability in FY25, with revenue rising 22.4% YoY to KES 8.44B while cost of sales increased at a slower 17.9% to KES 7.43B, supporting positive operating leverage. The group recorded an operating profit of KES 344M, reversing a KES 674.4M loss in FY24, and reported a net profit of KES 177.3M compared with a KES 562.9M loss previously, though no dividend was declared. Performance was heavily driven by a non-cash fair value gain of KES 558.8M on biological assets, reflecting higher global coffee prices and favourable discount rates, alongside strong coffee price realisations of USD 6.19 per kg, up from USD 4.65, which offset weather-related volume declines. Avocado and tea weighed on results due to the Suez Canal disruption and global oversupply respectively. Total assets grew 54.5% to KES 25.18B, supported by a balance sheet restructuring that included KES 3.7B of assets reclassified as held for sale ahead of a planned coffee division disposal, even as operating cash flow turned negative at KES

-696.8M, underscoring weak cash conversion.

Sasini PLC Profit After Tax (KES)

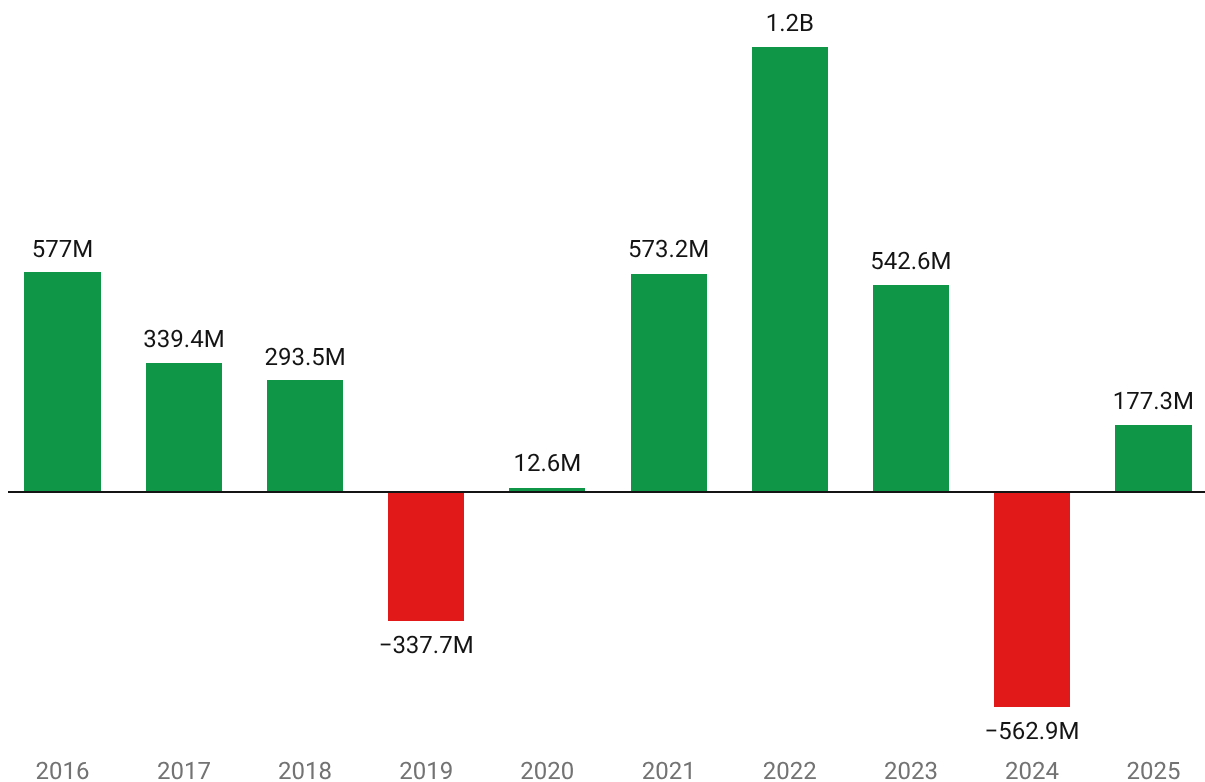



Chart: @MwangoCapital • Source: Company Financials • Created with Datawrapper

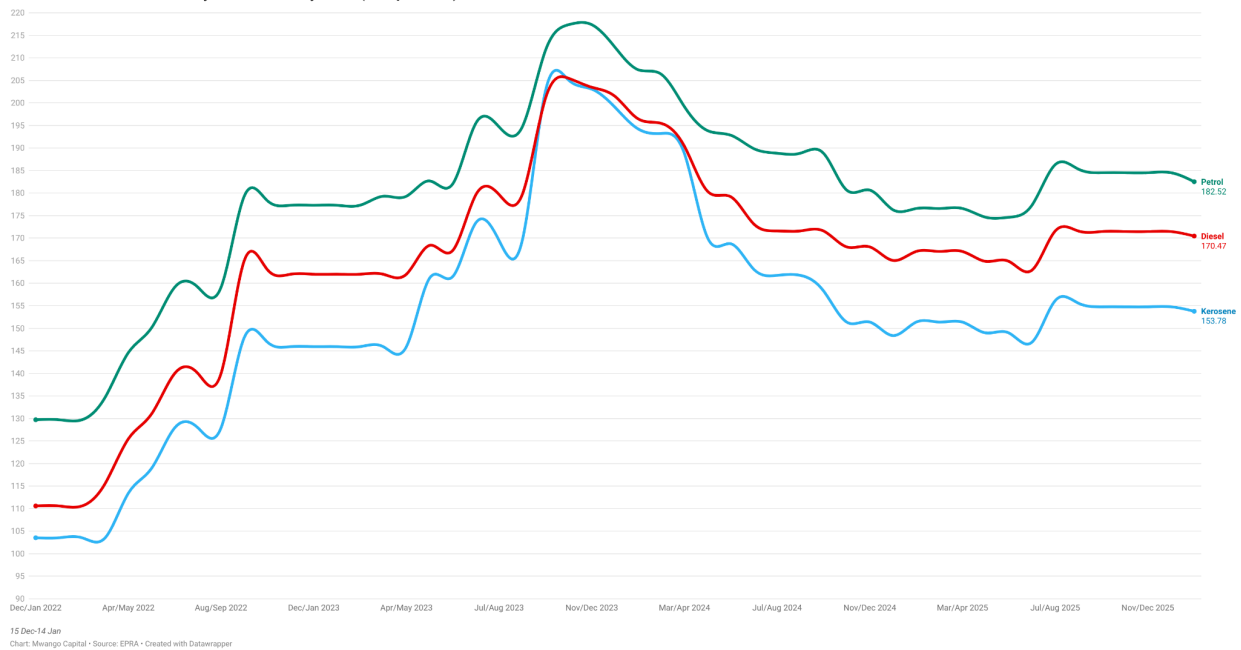
 **Kenya Re's Governance Reset via SGM** Kenya Reinsurance Corporation has [convened](#) a Special General Meeting (SGM) for 11th February 2026 (virtual) to approve wide-ranging amendments to its Articles of Association aimed at strengthening board governance and shareholder representation. The proposals introduce a two-class share structure—Class A (ordinary shareholders) and Class B (held by the Government through the Cabinet Secretary to the National Treasury)—with equal economic rights but differentiated powers on director nomination and election, under which Class A shareholders would elect three directors and Class B shareholders five. The board size would also be reduced from 11 to 9 members, with at least one-third independent non-executive directors, alongside clear tenure limits of two three-year terms, tighter independence and eligibility criteria for independent directors (including cooling-off periods, restrictions on political affiliation, consultancy, prior employment or audit relationships, and Chapter Six compliance), and strengthened provisions on director disqualification, retirement, nomination, and the

appointment and powers of the Managing Director. The governance overhaul comes against a backdrop of strong market performance, with the share price up ~95.1% year-on-year

I&M Group Raises Stake in Tanzania | I&M Group has [completed the](#) acquisition of additional shares in I&M Bank Tanzania, lifting its effective stake from 84.9% to 95.5% following the exit of long-standing private equity shareholders Proparco and Microfinance East Africa Ltd (MEAL), after receiving all regulatory approvals. The transaction, concluded in December 2025, marks the end of an investment cycle of nearly 15 years for the exiting investors and further consolidates I&M Group's control of its Tanzanian subsidiary, which is among the country's better-performing Tier II banks with assets exceeding TZS 800B. The increased ownership underscores I&M Group's confidence in Tanzania's financial sector and aligns with its broader regional strategy to deepen cross-border banking, support trade and capital flows, and selectively pursue growth opportunities across East Africa.

Jan/Feb Fuel Cycle | The Energy and Petroleum Regulatory Authority (EPRA) has announced a reduction in fuel prices for the period from 15 January to 14 February 2026. Super Petrol will drop by KES 2 to KES 182.52 per litre, Diesel will fall by KES 1 to KES 170.47 per litre, and Kerosene will decrease by KES 1 to KES 153.78 per litre. Energy is a key component of the inflation dynamics in Kenya.

Maximum Fuel Prices in Kenya since January 2022 (KES per Litre)





Policyholders Compensation Cap Raised to KES 500,000 | The Policyholders Compensation Fund has set the maximum compensation payable on any single

insurance claim at [KES 500,000](#) across all classes of insurance, doubling the previous limit. The cap applies to policyholders and claimants of insurers placed under statutory management or whose licences have been cancelled under the Insurance Act, and takes effect from 1 January 2026.

 | **Italian Guala Closures Set to Acquire Metal Crowns Kenya** | Italian bottle-cap and closures manufacturer Guala Closures S.p.A is set to [acquire](#) 100% of Metal Crowns Limited (Kenya), the company behind metal crown caps and plastic bottle closures used by beverage producers. The transaction will be implemented through Mantiax Investments Limited, which owns all of Metal Crowns Kenya. Guala Closures supplies caps and seals for wine, spirits, beer, and bottled water and has operations in several African markets, while Metal Crowns Kenya manufactures and sells closures across East and Southern Africa. The deal has been notified to the COMESA Competition Commission and will undergo the required regulatory review to assess any competition or public-interest concerns.

 | **MyCredit Microfinance Raises \$3M to Expand Lending** | Noblestride Capital has announced the closing of a [\\$3M](#) capital raise for MyCredit Microfinance, bringing the institution's total capital raised to approximately \$13.6M. The non-deposit-taking microfinance institution, which serves SMEs, private schools, salaried individuals, and entrepreneurs across Kenya, will use the funds to expand its lending capacity and increase access to credit for micro, small, and medium enterprises (MSMEs).

 | **Standard Chartered Explores Sale of Full Botswana Franchise** | Standard Chartered PLC has announced plans to explore the potential [sale](#) of its entire Botswana franchise, combining its Corporate & Institutional Banking (CIB) and Wealth & Retail Banking (WRB) businesses. The move is part of a broader strategy to significantly reduce the Group's retail and wealth management footprint in Africa, while focusing on corporate, commercial, and institutional banking (CCIB) in key markets such as Kenya and Nigeria. Last year, Absa Bank Uganda acquired Standard Chartered Uganda's wealth and retail business, and the Group has already sold subsidiaries in Angola, Cameroon, Gambia, and Sierra Leone to Access Bank. The Botswana sale process is expected to take 12–15 months and is subject to regulatory and other approvals.

 | **Kenyan Start-Ups Lead Africa with Nearly \$1B Raised in 2025** | Kenyan start-ups raised \$984M in 2025, the highest on the continent, accounting for almost a third of total African start-up funding. Debt financing of \$582M made up 60% of the

total, while equity nearly doubled to \$383M, driven by large energy and tech ventures such as d.light, Sun King, M-Kopa, Burn, and PowerGen. Egypt followed with \$614M raised, split roughly evenly between debt and equity, and South Africa secured \$600M, over 90% in equity, becoming the largest market for equity funding. Nigeria underperformed with \$343M, a 17% decline from 2024 and its lowest share of continental funding since 2019, though it still led in the number of ventures raising \$100K or more.

[Source](#)

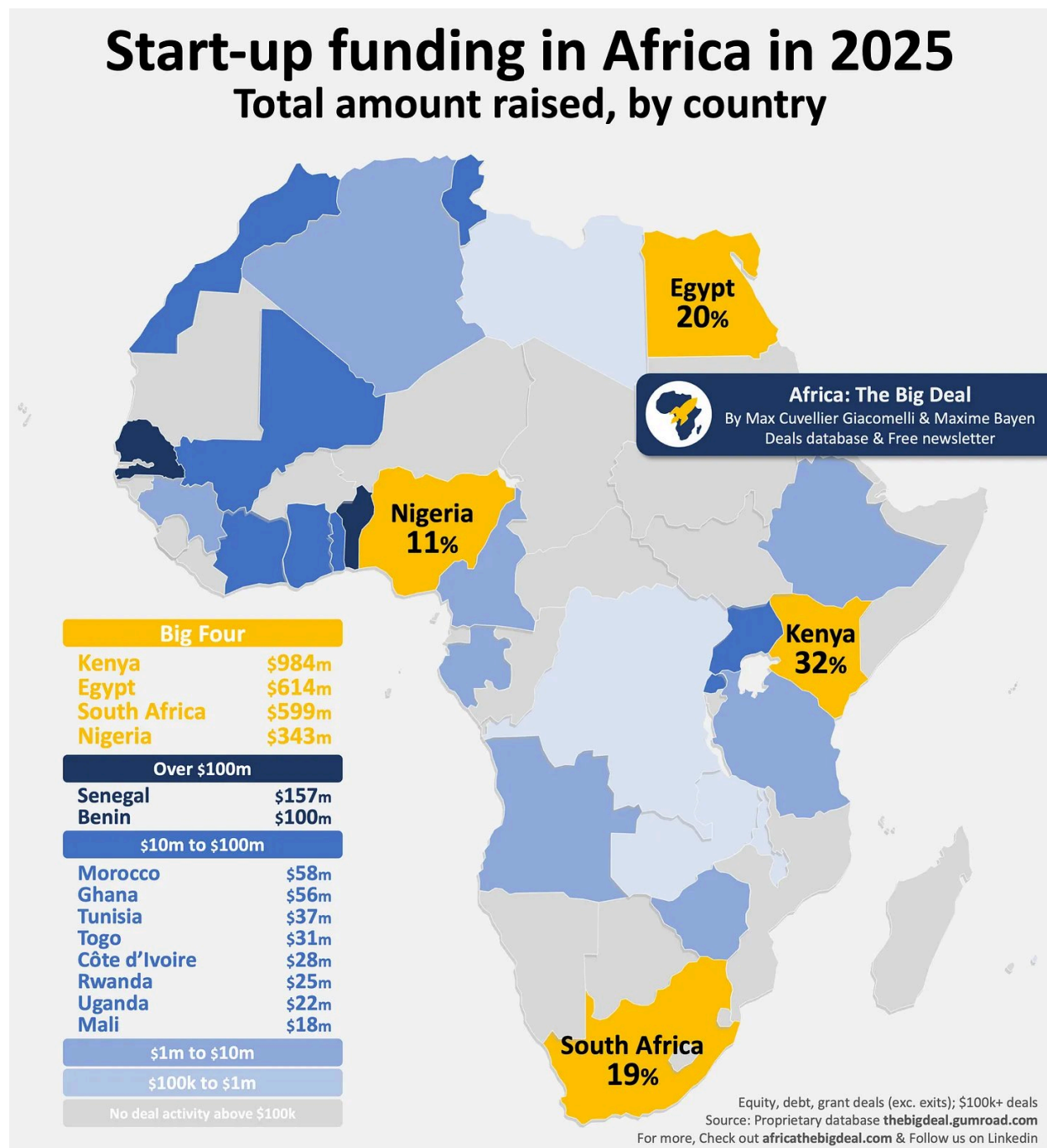


Chart of the Week

Domestic Production of Sugar [MT]

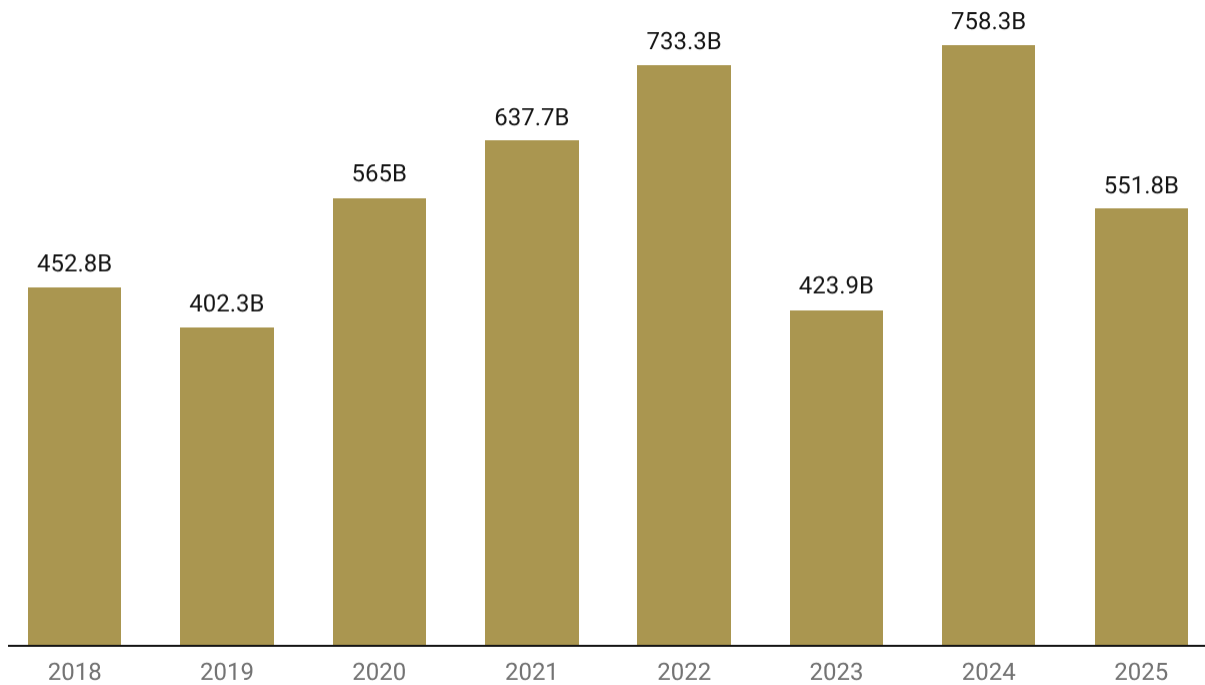


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