

P/E Ratio Expanded Rerating – When?



ICIFA Registered Boutique Firm {Privatizations & Small Business Advisory}

comments to wolfnairobi@gmail.com; please donate to M-Pesa 0726004813

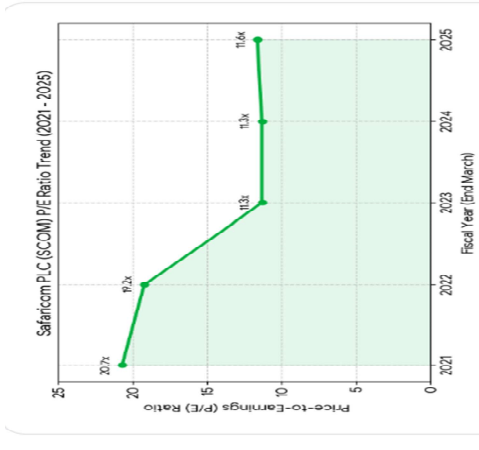
Read AGCAPKEWRNSD document on the website first and foremost and abide by the Disclaimer

AG Capital Ltd of Kenya (AGCAPKE), NOR any of its or their directors, officers, employees or agents accept any responsibility or liability or claims or harassment or charges or bad editing by unknowns; whatsoever for any loss, however arising from any use of this document or its contents or otherwise arising in connection therewith. Withdrawal, Corrections can be made without notice. Releases are done outside of trading hours.



In FY27 we expect Group EBIT of KShS 180–187 billion and Group Capex of KShS 64–70 billion. Kenya EBIT is expected to be KShS 195–199 billion, with Ethiopia delivering an EBIT loss of KShS 12–15 billion as we continue to reduce startup losses. Kenya Capex is expected to be KShS 58–61 billion, with KShS 6–9 billion in Ethiopia. FY27 guidance numbers exclude IAS 29 impact. We remain confident in our ability to deliver on our strategic priorities, navigate near-term volatility and continue building a resilient, future-ready organisation well positioned to capture long-term opportunities.

Safaricom's P/E ratio is currently **14.42** (as of May 2026), which is approximately 18% below its 10-year median of 17.53. Over the last five fiscal years, the ratio has trended downward from a peak of **20.7x** in 2021. [GuruFocus](#) 2



In 2025, foreign investors remained net sellers on the Nairobi Securities Exchange (NSE) for the **sixth consecutive year**, recording a total net outflow of **KES 11.6 billion**. This occurred despite a robust market rally, with the Nairobi All-Share Index (NASI) gaining **51.1%**, its best performance since 2008. [Tradingroom.co.ke](#) 1

Summary of 2025 Foreign Trading Statistics

- Net Flow:** KES 11.6 billion net outflow (compared to KES 16.5 billion in 2024 and KES 21.3 billion in 2023).
- Participation Rate:** Averaged roughly **38%–42.7%** for the year, a significant decline from the **57%–70%+** levels seen in previous years.

Why does a market classification matter?

A market classification is a key input in index construction. By grouping markets according to common characteristics, we are helping investors better understand and compare different markets.

In addition, MSCI's Market Classification includes a Market Accessibility review which seeks to reflect investors' real-life experience in accessing and transacting in each market, in addition to a detailed and thorough analysis of existing regulatory frameworks.

- Recent Safaricom's Results 2025/2026, dividend announcement, caution in No 13 below, Ethiopian Birr, share pricing on Frontier Markets refers.
- "P/E Rerating occurs when the market changes the valuation multiple (the "Price") it is willing to pay for a company's earnings (the "E"). It signifies a shift in investor sentiment rather than just a change in profits. If a stock price rises while its earnings stay the same, it is being rerated upward (expanded); if the price falls while earnings remain stable, it is being rerated downward (compressed)". Safaricom has witnessed expanded and compressed P/E Rerating over years past, but was it based on sentiment or profits or both?
- GuruFocus:** <https://www.gurufocus.com/term/penri/NAI:SCOM> has a special perspective on P/E Ratio without Non-Recurring Items of 16.50x. After dropping from 2021, P/E Ratio picked up again in 2026.
- "Nairobi Securities Exchange (NSE) is primarily classified by Morgan Stanley Capital International [MSCI] within its Frontier Markets Indices. The classification is crucial, as it dictates the investment decisions of many foreign institutional investors specializing in frontier markets". "MSCI classifies global equity markets into four main categories based on their Economic Development, Size and Liquidity, and Market Accessibility". It is assumed Frontier Markets probably aspire to be Advanced Frontier Markets, then Emerging Markets and then Developed Markets. <https://www.msci.com/indexes/index-resources/market-classification>. The MSCI World Index and the MSCI Emerging Markets Index have metrics/trends.
- "As of early 2026, Kenya remains on the Financial Action Task Force (FATF) "grey list" (jurisdictions under increased monitoring) due to strategic deficiencies in countering money laundering (AML) and terrorism financing (CFT). Kenya is working under an action plan to address these gaps, with a goal to exit the list by June 2026". This may or may not be directly or indirectly having an impact on lower P/E Ratios.
- "Airtel Africa is a leading provider of telecommunications and mobile money services, with operations in 14 countries in sub-Saharan Africa. We provide an integrated offer to our subscribers, including mobile voice and data services as well as mobile money services both nationally and internationally. Airtel Africa's ordinary shares have a premium listing on the London Stock Exchange's main market for listed securities and are listed under the symbol AAF". Market Capitalization of GBX13.47 billion is Kshs 2.35 trillion.
- In comparison, Safaricom Market Capitalization is Kshs 1.2+ trillion [USD9.2 billion] with an attractively-high Dividend Yield.
- Foreign Investors Participation Rate at the NSE dropped again in 2025 [see extract] and may have been the driver of Rerating. Local Investors Participation Rate picked up the trading activity.
- How possible is it that Local Investors may lead the drive of P/E Expanded Rerating to the higher levels that Safaricom deserves, and in which year? Local Investors comprise Local Institutional Investors/Funds [LIIs] and Local Retail Investors. It is assumed that the few LIIs may play a key role – a few are foreign-owned, an interesting dynamic.

Profit for the year	73,676.0
Basic and diluted earnings per share (EPS)*	2.40

- May 8, 2026, the share price was Kshs 32.20 cum-dividend [Final dividend of Kshs 1.15 on 07-May-2026]; 32.20/2.40 => 13.42 P/E Ratio.
- For Regional Investors, the Exchange Rate Dynamics will continue to play a key role in overall returns. Between 01 April 2025 and 01 April 2026, the rates for RWF, UGX, and TSHS have moved marginally.
 - Ethiopian Birr [ETB] Dynamics: Graphs {xe.com} show Kshs (2 yrs) and USD (5 yrs), requires monitoring closely, including forex availability. "However, the Birr depreciated by 23.7% against the US Dollar in FY26 to 154.96 as at 31 March 2026 while it weakened by 39.6% to 180.96 against the Euro in the same period. This FX impact has been reflected in our consolidated financial statements".
 - Caution: GOK is implementing a transaction to sell Safaricom shares to an existing strategic investor at a certain price. This note takes no view on the price and is issued as there is no embargo on research. Other views in the public domain on the target price show a minor narrow range uplift.