



Investment View: Entry Recommended on Post-Listing Correction

The proposed IPO pricing of Kenya Pipeline Company (KPC) at KSh 9.00 per share implies a full equity valuation of KSh 163.56 billion, which we view as a premium to fundamental value. Based on our intrinsic valuation, using a combination of Discounted Cash Flow analysis and relative market comparables, we estimate a fair value of **KSh 4.61 per share** which implies a 49% downside to the IPO price of KSh 9.00.

KPC is a structurally attractive, regulated national infrastructure monopoly with a 91% market share, strong EBITDA margins averaging 45%, a net cash balance sheet, and a 50% dividend payout policy. It offers investors defensive, predictable infrastructure cash flows and a unique position within the growing East African logistics corridor.

However, the current IPO pricing embeds a valuation premium that may constrain near-term upside for public market investors. We anticipate a post-listing repricing as investor expectations normalize and improved trading liquidity enables clearer price discovery more closely aligned with intrinsic value.

Company Overview

Kenya Pipeline Company (KPC) is a midstream infrastructure operator and the sole transporter of refined petroleum products across Kenya. Established in 1973, KPC owns and operates a strategic 1,342 km pipeline network, eight storage depots, road tank loading facilities, fibre optic cables and key aviation fueling infrastructure.

Its pipeline system connects the Port of Mombasa to Nairobi and inland markets, serving as the primary fuel artery for Kenya and neighbouring landlocked countries including Uganda, Rwanda, South Sudan, and parts of northern Tanzania, positioning KPC as a critical enabler of regional energy security and trade.

IPO Structure and Use of Proceeds

The IPO is structured as an Offer for Sale, where the Government of Kenya (GoK) is divesting a 65% stake (11.8 billion shares) to private investors. No new capital is being raised for the company, and proceeds will go to the exchequer. Post-IPO, the government will retain a 35% minority interest.

The IPO is open to both institutional and retail investors, with a 40% institutional allocation cap.

IPO Details	
Company Name	Kenya Pipeline Company PLC
IPO Type	Offer for Sale (Privatization via IPO)
Seller	Government of Kenya (through the National Treasury)
Number of Offer Shares	11,812,644,350 shares
Total Shares Outstanding (Post-IPO)	18,173,299,000 shares
Offer Size (% of Company)	65%
Par Value per Share	KSh 0.02
Offer Price per Share	KSh 9.00
Use of Proceeds	Raise funds for the Government's budget / divestiture, not for KPC
Offer Open Date	19-Jan-26
Offer Close Date	19-Feb-26
Listing & Trading Start Date	09-Mar-26

COMPANY

KPC

IPO PRICE

KSh 9.00

OFFER SHARES

11.82 Bn

OFFER SIZE

65% of the Company

SELLER

GOV'T OF KENYA

FAIR VALUE ESTIMATE

KSh 4.61

DOWNSIDE TO IPO PRICE

-49%



Financial Highlights

KPC's financial performance from 2021–2025 reflects a notable turnaround and scaling phase. Revenues grew at a CAGR of 8.4%, reaching KSh 38.6Bn in 2025, supported by volume recovery and tariff stability. EBITDA margins expanded materially from 12.5% in 2021 to 47.7% in 2025. Net profit swung from a KSh 1.7Bn loss in 2021 to KSh 8.5Bn in 2025, with improving cost discipline and lower finance charges contributing to margin expansion. ROE improved from negative territory to 9.6% by 2025.

Management's 2026–2030 forecast implies a capex-led growth phase. Over this period, KPC plans to deploy KSh 110Bn in capex. This underpins a doubling of the asset base from KSh 116Bn in 2025 to KSh 220Bn by 2030, with PPE rising 2x to KSh 169.6Bn. Revenue is projected to grow at 11.7% CAGR over the same horizon, reaching KSh 68Bn by 2030, while EBITDA reaches KSh 27Bn.

In summary, the core business is fundamentally sound, supported by strong cash generation, low gearing, and defensive earnings. However, the planned step-up in capital expenditure introduces execution and funding risks in the outer years, raising concerns around the company's ability to take on additional debt on its balance sheet and whether such obligations can be sustainably serviced outside the Exchequer.

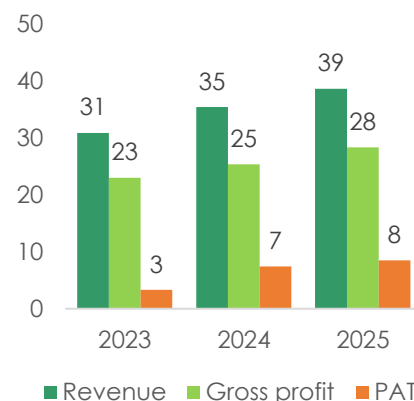
Valuation

Our fair value estimate of **KSh 4.61 per share** for KPC is **49%** below the IPO price of KSh 9.00. We apply two standard valuation approaches:

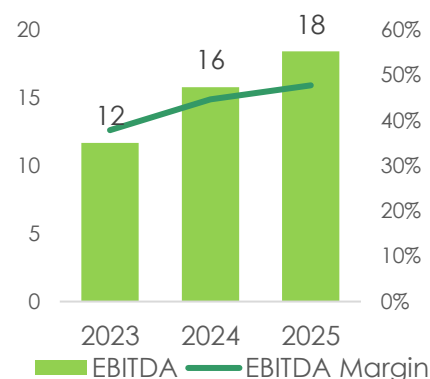
- **Discounted Cash Flow:** Using a WACC of 16.04% and a terminal growth rate of 3.0%, the DCF model implies an equity value of **KSh 77.4 billion, or KSh 4.26 per share.**
- **Relative valuation:** Benchmarked against a blended peer group comprising regional utilities (KenGen, KPLC), oil and gas integrators (Seplat, Aradel), and midstream operators, KPC screens at a premium on both EV/EBITDA and P/E multiples. The weighted outcome from these multiples implies a value of **KSh 5.27 per share.**

Applying a blended weighting across both methodologies results in a fair value of **KSh 4.61 per share**, with a reasonable accumulation band of ± 1 around the fair value.

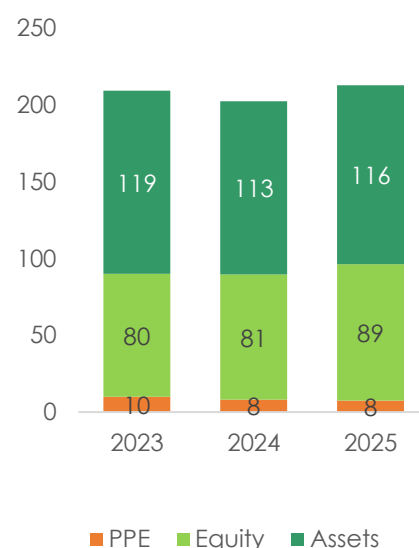
Income Statement (KSh Bn)



EBITDA Trends (KSh Bn)



Balance Sheet (KSh Bn)





Financial Statement and Ratio Analysis

Income Statement (KSh Bn)	2021	2022	2023	2024	2025	5-Year CAGR	YoY change
Revenue	27.99	26.21	30.86	35.37	38.59	8.36%	9.12%
Cost of sales	13.56	7.97	7.88	10.03	10.26	-6.73%	2.37%
Gross profit	14.42	18.24	22.97	25.34	28.33	18.38%	11.78%
Operating costs	11.41	5.31	12.27	10.40	10.71	-1.57%	3.00%
EBITDA	3.48	13.57	11.68	15.78	18.43	51.65%	16.79%
EBIT	3.48	6.64	5.51	10.13	12.67	38.10%	25.09%
Profit before tax	2.60	6.63	5.43	10.54	12.95	49.40%	22.88%
Profit after tax	-1.74	4.24	3.30	7.41	8.48	26.01%	14.49%
Balance Sheet (KSh Bn)							
Trade and other receivables	9.16	8.28	10.07	8.09	7.50	-4.86%	-7.25%
Property Plant & Equip	97.09	86.07	82.73	82.00	82.34	-4.04%	0.42%
Total Assets	129.77	118.05	119.01	112.76	116.42	-2.68%	3.25%
Trade and other liabilities	4.73	3.80	11.00	10.06	4.37	-1.95%	-56.57%
Net Debt	8.94	4.75	4.89	4.00	7.33	-4.84%	83.38%
Total Liabilities	41.98	38.06	38.03	31.38	27.65	-9.92%	-11.90%
Retained Earnings	71.49	67.73	72.23	72.63	74.68	1.10%	2.82%
Total Equity	87.79	79.98	80.98	81.38	88.78	0.28%	9.09%
Cash flows (KSh Bn)							
Cash from operations	9.84	13.12	15.88	16.57	17.97	16.24%	8.45%
Net cash from operating activities	8.96	12.86	11.81	10.98	12.84	9.42%	16.89%
Net cash used in investing activities	-0.42	-0.69	-2.69	-4.32	-3.47	69.37%	-19.62%
Net cash used in financing activities	-7.39	-11.38	-7.83	-11.87	-8.51	3.58%	-28.32%
At end of year	9.55	10.40	11.73	6.52	7.37	-6.25%	13.15%
Key ratios							
Gross profit Margin	51.54%	69.60%	74.45%	71.66%	73.41%	9.24%	2.45%
EBITDA Margin	12.45%	51.77%	37.85%	44.61%	47.75%	39.94%	7.03%
EBIT Margin	12.45%	25.35%	17.87%	28.64%	32.83%	27.44%	14.64%
Net Profit Margin	-6.21%	16.16%	10.69%	20.94%	21.97%	7.97%	4.92%
ROaA	-1.34%	3.59%	2.77%	6.57%	7.28%	19.35%	10.89%
ROaE	-1.98%	5.30%	4.07%	9.10%	9.55%	15.87%	4.95%
Net debt/EBITDA	2.57x	0.35x	0.42x	0.25x	0.40x	3.26%	57.03%
Key valuation metrics							
Earnings Per share (KSh)	-0.10	0.23	0.18	0.41	0.47	18.94%	14.49%
Dividend per share (KSh)	0.15	0.44	-	0.39	0.32	21.58%	-15.71%
Dividend Yield	-	-	-	-	-	-	-
Dividend Payout Ratio	155.35%	188.80%	0.00%	94.52%	69.59%	-22.08%	-26.38%
Net Asset Value per share (KSh)	4.83	4.40	4.46	4.48	4.88	0.28%	9.09%
Price to Earnings (P/E)	0.00x	0.00x	0.00x	0.00x	19.29x	-	-
Price to Book Value (P/B)	0.00x	0.00x	0.00x	0.00x	1.84x	-	-



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