

MARKETS

How Kenya arrived at Shs244.6 for pipeline IPO

A closer look at how Kenya priced its biggest infrastructure IPO, and the valuation logic driving the KSh9 (Shs244.6) per share debate.

Equities.

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Kenya is selling 65 percent of the Kenya Pipeline Company (KPC) to the public at KSh9 (Shs244.6) per share, offering roughly 11.8 billion shares and valuing the company at about KSh163b (Shs4.43 trillion).

The IPO, which closes Thursday, is part of a long-running privatization process.

The headline debate has centred on the price: is KSh9 (Shs244.6) too cheap or too expensive? The government privatization team, says the figure is the result of a structured valuation process.

The valuation

Advisers began with EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), a common measure for valuing large infrastructure companies.

EBITDA reflects operating earnings before financing costs, taxes, and accounting adjustments. It allows easier comparison across capital-intensive businesses such as pipelines.

Using KPC's financial results for the year ending June 30, 2025, advisers applied a valuation multiple of 8.1 times EBITDA.

The multiple was benchmarked against comparable infrastructure and energy companies, where investors typically pay around eight times annual operating earnings.

From this enterprise value, net debt was deducted to determine equity value. Importantly, net debt was adjusted using more recent first-quarter figures rather than relying solely on the June 2025 balance sheet.

After calculating equity value, KPC implemented a 1,000:1 share split, increasing shares from 18.1 million to 18.1 billion.

The split did not change the company's total value; it simply reduced the per-share price to make the IPO affordable to retail investors.

Under the offer structure, 65 percent of shares are being sold while government retains 35 percent, described as non-dilutive, meaning the state must maintain it even in future capital raises.

Shares were allocated across different groups: employees have priority access



Key figures

65%

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Shs244.6

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Kenya prices 65 percent of KPC at KSh9 (Shs244.6) per share, valuing the pipeline giant at KSh163b (Shs4.43 trillion), as investors weigh regulated tariffs, regional transit demand, and ambitious expansion plans. PHOTO/FILE

to 5 percent of the offer pool; oil marketing companies, which are major system users, can take up to 15 percent; and the remainder is divided among local retail investors, local institutions, East African investors (excluding Kenya), and foreign investors.

Transaction advisers argue KPC should

be valued as regulated energy infrastructure, not as a simple transport business. The company owns and operates the national fuel pipeline network, earning regulated tariffs for storage and transportation. This ownership of strategic infrastructure underpins the chosen valuation multiple.

About 52 percent of KPC's revenue comes from transit exports, with Uganda accounting for roughly two-thirds of that segment.

While concerns have been raised about Uganda's future oil production and refinery plans, advisers argue production does not automatically eliminate demand for refined imports and regional transit services. KPC also serves South Sudan, Rwanda, Burundi and eastern DRC.

Asset base and operations

KPC operates about 1,342 kilometres of pipeline across five lines. The original Mombasa-Nairobi Line 1 is no longer operational. Its replacement, Line 5, was financed with a \$350m loan in 2015 and commissioned in 2018.

With a 20-inch diameter, it is the largest in the system and carries about 8.9 million cubic metres annually.

Total storage capacity stands at about 1.1 million cubic metres, including roughly 384,000 cubic metres linked to Kenya Petroleum Refineries Limited in Mombasa.

For the year ending June 2025, revenue was about KSh38.5b (Shs1.05 trillion), with throughput volumes of around 9.9 million cubic metres (9.9 billion litres).

Tariffs are regulated and can move up or down, often in response to capital expenditure, since regulators allow recovery of investment costs over time.

KPC plans about KSh110b (Shs3 trillion) in capital expenditure over five years, funded through a target mix of 70 percent debt and 30 percent equity.

Borrowings of about KSh50b (Shs1.36 trillion) are projected from the third year after listing.

A key project is Line 7, a proposed additional Mombasa-Nairobi pipeline estimated at KSh35b (Shs955.8b). It is expected to be financed through a dollar-denominated loan at an estimated all-in cost of about 7.5 percent.

KPC also aims to diversify revenue. Historically, about 95 percent of income came from core storage and transport. The plan is to reduce that to below 80 percent by expanding into fibre optic services, LPG, and crude handling.

As a result, projected revenue growth rises to about 13 percent annually, compared to historical growth of just over 8 percent.