Kenya Pipeline Company IPO Note

Executive Summary: Kenya Pipeline Company Plc (KPC) launched an Initial Public Offer (IPO) through an Offer for Sale at the Nairobi Securities Exchange (NSE), offering 65% of its stake to the public. The transaction represents one of the largest capital markets listings in East Africa and marks a major milestone in Kenya's privatization agenda. The IPO provides investors with access to a strategic national infrastructure asset characterized by stable cash flows, strong margins and a dividend-oriented investment profile. Prior to the IPO, KPC was 100% owned by the Government of Kenya. The KPC IPO is anchored on the government's broader divestment and privatization agenda, aimed at reducing its direct involvement in commercial enterprises while unlocking value from mature state-owned assets.

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Kenya's IPO market has been a key pillar in the evolution of the country's capital markets, supporting both government divestment and private sector capital formation. IPO activity gained traction during the 1990s and early 2000s under the privatization programme, which facilitated the listing of several state-owned enterprises, including Safaricom, Mumias Sugar, and KenGen. These transactions expanded public ownership, enhanced market liquidity, and strengthened retail investor participation. IPO issuance moderated in subsequent years amid periods of market volatility and weaker macroeconomic conditions; however, landmark transactions such as Safaricom's 2008 IPO, the largest in East Africa, underscored the depth and strategic relevance of the Nairobi Securities Exchange. More recently, renewed emphasis on privatization, fiscal consolidation, and capital market deepening has repositioned IPOs as a critical financing and divestment channel, with potential to drive long-term market growth and broaden institutional investor participation. The table below shows previous IPOs at the NSE:

Cytonn Report: Previous IPOs at the NSE

No.	Company	Year	Sector	Offer Price (Kshs)	Shares Offered	Approx. Amount Raised (Kshs)
1	Stanlib Fahari I-REIT	2015	Real Estate	20.0	625.0 million units	12.5 bn
2	Britam Holdings Plc	2011	Insurance	9.0	650.0 million	5.9 bn
3	Co-operative Bank of Kenya	2008	Banking	9.50	4.5 billion	43.0 bn
4	Safaricom Plc	2008	Telecommunications	5.0	10.0 billion	50.0 bn
5	AccessKenya Group	2007	ICT	5.0	800.0 million	4.0 bn
6	Kenya Reinsurance Corp.	2007	Insurance	9.5	240.0 million	2.3 bn
7	Mumias Sugar Co.	2006	Manufacturing	7.0	100.0 million	0.7 bn
8	ScanGroup Ltd	2006	Media & Advertising	10.45	69.0 million	0.7 bn
9	KenGen Plc	2006	Energy	11.90	659.5 million	7.9 bn

Source: NSE

Apart from the sale of KPC's stake, the Government of Kenya also recently announced its intention to divest from Safaricom Plc, selling 15.0% of its shareholding, 6,009,814,200 shares, at Kshs 34.0 per share. The buyer is Vodacom Group Ltd, through its subsidiary Vodacom/Vodafone Kenya, in a transaction valued at about Kshs 204.3 bn for the share sale, with total proceeds projected at around Kshs 244.5 bn once an upfront dividend monetization component is included. After the deal, the government's ownership will drop from approximately 35.0% to 20.0%, while Vodacom's stake rises to about 55.0%, and the remaining 25% stays with public investors.

I. KPC IPO Offer Structure

The offer is structured as an Offer for Sale, with a total of 11,812,644,350 shares representing 65.0% of the company's issued share capital being made available to investors at an offer price of Kshs 9.00 per share with a par value of Kshs 0.02 each. The transaction is expected to raise gross proceeds of Kshs 106.3 bn, implying an estimated market capitalisation of about Kshs 163.6 bn upon listing if fully subscribed. The shares will be listed on the Nairobi Securities Exchange (NSE) Main Investment Market Segment, with the offer running from 19th January 2026 to 19th February 2026, and trading scheduled to commence on 9th March 2026 as shown in the table below:

Cytonn Report: Summary of Key Details of the KPC IPO	
Item	**Details**
Offer Type	Offer for Sale
Shares on Offer	11,812,644,350
Percentage Offered	65.0%
Offer Price per share	Kshs 9.00
Expected Gross Proceeds	Kshs 106.3 bn
Implied Market Capitalisation	Kshs 163.6 bn
Listing Segment	NSE Main Investment Market Segment
Offer period	19th January 2026 – 19th February 2026
Commencement of trading at NSE	9th March 2026

Source: KPC IPO Information Memorandum

II. Kenya Pipeline Company Shareholding Structure

The Kenyan government owns 100% of Kenya Pipeline Company with 18.2 bn shares. Upon successful completion of the IPO, KPC's ownership structure will shift from full state ownership to a mixed public–private model. The Government of Kenya will remain a significant shareholder with a 35.0% stake with 6.4 bn shares, ensuring continuity in strategic oversight while allowing market discipline to shape governance and performance. The retained government stake will be locked in for a period of two years, reducing near-term supply risk and supporting post-listing price stability.

In the KPC IPO, 65.0% of the company's shares are being offered to the public, with 13.0% each allocated to Kenyan institutional investors, Kenyan retail investors, EAC investors, and foreign investors, 9.8% to Oil Marketing Companies, and 3.2% reserved for KPC employees. This broad allocation is intended to ensure wide participation across local, regional, and international investors, promote employee ownership, and strengthen market liquidity. Below is a table showing the shareholding structure before and after the IPO (if fully subscribed)

Cytonn Report: KPC shareholding Before and After Successful IPO					
Before IPO			After IPO		
Owner	Shares	%	Owner	Shares	Percentage

Government of Kenya	18,173,299,000	100%	Government of Kenya	6,360,654,650	35.0%
			Kenyan Investors Pool - Retail	2,362,528,870	13.0%
			Kenyan Investors Pool - Institutional	2,362,528,870	13.0%
			Investors from the EAC	2,362,528,870	13.0%
			Foreign Investors	2,362,528,870	13.0%
			OMCs	1,771,896,653	9.8%
			KPC employees	590,632,217	3.2%
Total	**18,173,299,000**	**100%**	**Total**	**18,173,299,000**	**100%**

Source: KPC financials, Cytonn Research

III. Proceeds of the Sale

The Government of Kenya's partial divestment from Kenya Pipeline Company is guided by its ongoing divestiture policy, which seeks to support its broader fiscal strategy, raise resources for infrastructure development, promote the development of capital markets, and advance the national reform agenda for State-Owned Enterprises. The divestment forms part of a broader effort to align public assets with strategic economic and governance objectives. All proceeds from the IPO will accrue to the Government of Kenya, not to KPC. The transaction therefore does not directly raise capital for company operations or expansion. The funds raised are expected to be applied toward the government's approved financing plan for FY'2025/26 with allocations targeted at commercially viable infrastructure projects, including energy, roads, water and irrigation, and airport development.

IV. Financial Performance Overview

Below is a summary of the balance sheet for the period between FY'2021 and FY'2025:

Cytonn Report: Summary of KPC's Balance Sheet (FY'2021-FY'2025) in Kshs bn						
	2021	**2022**	**2023**	**2024**	**2025**	**y/y change (2024-2025)**
Assets						
Non-current assets	97.2	86.0	84.1	83.3	91.3	9.6%
Current assets	32.6	32.1	35.0	49.7	47.7	(4.1%)
Total Assets	**129.8**	**118.0**	**119.0**	**133.1**	**139.0**	**4.5%**
Liabilities						
Non-current liabilities	19.8	20.1	20.2	19.2	24.5	28.0%
Current liabilities	22.2	18.0	17.8	21.9	16.1	(26.5%)
Total Liabilities	**42.0**	**38.1**	**38.0**	**41.1**	**40.6**	(1.1%)
Shareholders' Funds	**87.8**	**80.0**	**81.0**	**92.0**	**98.4**	7.0%
Total Shareholders' & Liabilities	**129.8**	**118.0**	**119.0**	**133.1**	**139.0**	**4.5%**

Key takeouts from the table include:

a. Total assets increased by 4.5% to Kshs 139.0 bn in FY'2025 from the Kshs 133.1 bn recorded in FY'2024. This was attributable to the 9.6% increase in non-current assets to Kshs 91.3 bn from Kshs 83.3 bn recorded in FY 2024. The performance was however weighed down by the 4.1% decline in current assets to Kshs 47.7 bn in FY'2025 from the Kshs 49.7 bn recorded in FY'2024. KPC' s total assets have averaged Kshs 127.8 bn over the last 5 years, recording a 5-year CAGR of 1.4%.
b. Total Liabilities decreased by 1.1% to Kshs 40.6 bn from the Kshs 41.1 bn recorded in FY'2024. This is attributable to the 26.5%% decrease in current liabilities to Kshs 16.1 bn from Kshs 21.9 bn recorded in FY'2024.

c. The shareholders' funds increased by 7.0% in FY'2025 to Kshs 98.4 bn from the Kshs 92.0 bn recorded in FY'2024. KPC' s total shareholder funds' have average Kshs 87.8 bn over the last 5 years, recording a 5-year CAGR of 2.3%.

Below is a summary of the Income statement for the period between FY'2021 and FY'2025:

Cytonn Report: Summary of KPC's Income Statement (FY'2021-FY'2025) in Kshs bn						
INCOME STATEMENT:	**2021**	**2022**	**2023**	**2024**	**2025**	**y/y change (2024-2025)**
Revenue	28.0	26.2	30.9	35.4	38.6	9.1%
Cost of services	(13.6)	(13.5)	(13.2)	(14.5)	(14.7)	1.5%
Gross profit	**14.4**	**12.7**	**17.6**	**20.9**	**23.9**	**14.4%**
Administrative Expenses	(10.1)	(6.0)	(9.9)	(8.5)	(14.1)	66.1%
Impairment losses on financial assets	(0.6)	(1.1)	(0.7)	(0.8)	(0.2)	-72.0%
Impairment losses on nonfinancial assets	0.0	0.0	(3.6)	(0.1)	0.0	-100.0%
Fair Value losses on unquoted investments	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-30.2%
Other Income	0.5	0.6	1.0	0.8	2.5	197.0%
Other Gains/(Losses) - Net	(0.7)	0.4	1.1	(2.2)	(0.1)	-95.9%
Operating Profit	**3.5**	**6.6**	**5.5**	**10.1**	**11.9**	**17.8%**
Finance Income	0.3	0.8	0.9	0.9	0.5	-46.2%
Finance Costs	(1.2)	(0.8)	(1.0)	(0.5)	(0.4)	-18.4%
Finance Income/(Costs) – Net	**(0.9)**	**(0.0)**	**(0.1)**	**0.4**	**0.1**	**-78.7%**
Profit Before/(Loss) Tax	**2.6**	**6.6**	**5.4**	**10.5**	**12.0**	**14.0%**
Income Tax Expense	(4.3)	(2.4)	(2.1)	(3.1)	(4.5)	44.5%
Profit/(loss) After Tax	**(1.7)**	**4.2**	**3.3**	**7.4**	**7.5**	**1.2%**
Earnings per Share (Kshs)	**-0.1**	**0.2**	**0.2**	**0.4**	**0.4**	**1.2%**
Dividends paid (Kshs bn)	**2.7**	**8.0**	**-**	**7.0**	**5.9**	**(15.7%)**
Dividend per share (DPS) (Kshs)	**0.1**	**0.4**	**-**	**0.4**	**0.3**	**(15.7%)**
Dividend yield	**1.7%**	**4.9%**	**-**	**4.3%**	**3.6%**	**(15.7%)**

Key takeouts from the Income statement include:

i. Total Revenue increased by 9.1% to Kshs. 38.6 bn in FY'2025 from the Kshs 35.4 bn recorded in FY' 2024. The revenue also grew over the five-year period at a CAGR of 6.6%.
ii. KPC's Profit After Tax increased by 1.2% to Kshs 7.5 bn in FY'2025 from Kshs. 7.4 bn recorded in FY'2024. The profit after tax has also grown at a CAGR of 233.9% over the five-year period.

Below is a summary of Key ratios from KPC's FY'2025 results:

Cytonn Report: Summary of KPC's Key Ratios from the FY'2025 Results	
Return on Equity (ROE)	7.6%
Return on Assets (ROA)	5.4%
Debt to Equity	41.3%
Debt to Assets	29.2%
Current Ratio	296.4%
P/E	21.8x

P/B	1.7x

Key takeouts from the table include:

a. Return on Equity (ROE) – KPC generated a 7.6% return on shareholders' funds. While positive, it is relatively modest and suggests moderate profitability, especially when compared to listed infrastructure and energy peers that may target double-digit ROEs.
b. Return on Assets (ROA) – A 5.4% ROA is fairly strong for a capital-intensive pipeline business, implying efficient asset utilisation despite the heavy infrastructure footprint.
c. Debt to Equity – The debt to equity of 41.3% means that for every shilling of equity, KPC has about 41 cents of debt. The ratio reflects a conservative capital structure, indicating limited financial leverage and lower balance sheet risk.
d. Debt to Assets – A 29.2% debt to assets implies that less than a third of KPC's assets are financed through debt. It signals strong solvency and financial stability, providing comfort to investors on the company's long-term debt sustainability.
e. Price to Earnings (P/E) – The 21.8x P/E ratio suggests investors are paying 21.8 times KPC's earnings for each share. The multiple implies relatively high growth and stability expectations, and could indicate valuation premium if earnings growth remains moderate.
f. Price to Book (P/B) – This means the stock is priced at 1.7 times its net asset value. For an infrastructure-heavy company like KPC, this implies the market is assigning value beyond physical assets.

In summary, KPC's financial performance ahead of the IPO reflects a stable and resilient infrastructure business underpinned by consistent revenue growth, strong asset backing, robust liquidity and a conservative balance sheet. The company has demonstrated steady top-line expansion, improving operating profitability and sustained dividend payments, reinforcing its profile as a mature, cash-generative utility. However, profitability metrics such as ROE remain moderate, suggesting limited organic upside without significant efficiency gains or volume-led growth post-listing.

V. Dividend Policy and Income Appeal

The dividends paid decreased by 15.7% to Kshs 5.9 bn in FY'2025 from the Kshs 7.0 bn recorded in FY'2024 despite in the 1.2% increase in profit after tax. Subsequently, the dividend per share also decreased to Kshs 0.3 in FY'2025 from the Kshs 0.4 recorded in FY' 2024. The dividend yield decreased by 0.7% points to 3.6% in FY' 2025 from the 4.3% recorded in FY' 2024 which is attributable to the 15.7% decline in dividends paid. The dividend payout ratio declined by 15.8% to 78.8% in FY' 2025 from the 94.5% recorded in FY'2024. The company has adopted a progressive dividend policy, targeting the distribution of up to 50.0% of net earnings, subject to liquidity, capital expenditure requirements and regulatory considerations.

VI. Conclusion and Recommendation

KPC is trading at a Price-to-Book (P/B) ratio of 1.7x and a Price-to-Earnings (P/E) ratio of 21.8x. This compares unfavorably with sector peers such as KenGen, which has a P/B of 0.2x and a P/E of 6.1x, and Kenya Power (KPLC), which has a P/B of 0.3x and a P/E of 1.2x. KPC's implied EV/EBITDA currently stands at 8.1x. On this basis, KPC appears overvalued relative to its listed peers as shown in the table below:

Cytonn Report: Comparison between KPC, Kengen and KPLC			
	KPC	KENGEN	KPLC
Share Price (19th Jan 2026)	9.00	9.62	14.70
Market Capitalization	163.6	61.1	28.7

Return on Equity	7.6%	3.7%	24.9%
P/B	1.7	0.2	0.3
P/E	21.8	6.1	1.2
Dividend yield	3.9%	9.4%	6.8%

Overall, KPC's higher Price-to-Book (P/B) and Price-to-Earnings (P/E) ratios are difficult to justify relative to its modest dividend yield and profitability metrics. For a mature utility business, this valuation implies limited upside and increases the risk of downside normalization toward sector averages. Therefore, while the IPO provides exposure to a defensive, dividend-paying company, from a risk-adjusted perspective, there are more attractively priced investment opportunities in the market, making this a cautious hold for value-focused investors.

Going forward, the outlook for the KPC IPO is expected to be shaped by a combination of market sentiment, execution of post-listing strategy, and broader macroeconomic conditions. In the near term, trading activity is likely to be volatile as investors digest the valuation, adjust portfolios, and test price following listing. Over the medium to long term, performance will largely depend on KPC's ability to sustain stable throughput volumes, manage operating costs, and successfully implement its expansion plans across storage, pipeline upgrades, LPG handling, and non-fuel revenues such as fibre-optic leasing.