

A defensive infrastructure play

We view KPC as a defensive play, offering infrastructure moat and revenue stability from regulated throughput tariffs. However, we believe the IPO valuation is disconnected from its medium-term FCF outlook. The capex ramp-up from FY28e suggests a period of restricted cash flow growth. Thus, near-term upside is limited until valuation aligns with the underlying capex cycle, in our view.

Stable revenue growth and high margins

Kenya Pipeline Company (KPC) is a government-owned midstream operator, generating 97% of revenues from the transport and storage of refined petroleum products. We forecast its revenues to grow at 12% CAGR over FY26-30e from 8% CAGR (FY21-25), driven by capacity expansion, growth in domestic and regional petroleum volume and a regulated tariff framework that supports predictable pricing and revenue visibility. Combined with its dominant market share of 91%, KPC has generated EBITDA margins ranging from 48%-55% (FY21-25) and we forecast an average of 53% (FY26-30e).

Planned capacity expansion to weigh on free cash flow

KPC's management is guiding for significant capacity expansion. Based on the company's pro-forma projections, about KES 93bn is expected to be allocated to new capex, with bulk of the investment scheduled from FY28e. This is a sharp contrast to the KES9bn capex spend between FY21-25. Some of the key projects include a new 450 km pipeline from Mombasa to Nairobi and an LPG storage facility in Nairobi. While these investments should support long-term volume growth, the upcoming capex cycle weighs on free cash flow over our forecast horizon.

IPO priced at a premium to our Fair Value

We derive KPC's fair value using a standard discounted cash flow (DCF) model. We believe this method captures the upcoming capex cycle, which will be a key driver for free cash flow and dividend growth. Based on this, we arrive at a fair value of KES 6.35 per share which implies a 29% downside to the IPO offer price of KES 9.00.

Kenya Pipeline Company (KPC) - IPO

Country: Kenya
Sector: Oil & Gas (Midstream)

28 January 2026

Kenya Pipeline IPO

IPO share price (KES)	9.00
Fair value (KES)	6.35
Upside (Downside)	-29.4%
Rating	Underperform
No. of offer shares (m)	11,183
No. of shares (m)	18,173
Target free float:	65%

IPO allocation policy % of total shares

Kenya – Retail	20%
Kenya – Institutional	20%
EAC investors	20%
Foreign investors	20%
OMCs	15%
KPC Employees	5%
Total	100%

IPO Timetable

Offer opens	19 January 2026
Offer closes	19 February 2026
Allocation results	4 March 2026
Trading on NSE	9 March 2026

Analyst:

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Investment story

Kenya Pipeline (KPC) is a government-owned midstream company, transporting petroleum products from Mombasa to domestic and regional markets through a 1,342 km pipeline network. Its pipeline network is also supported by storage and loading facilities spread across the country. The company holds a dominant 91% market share in petroleum distribution with minimal competition from rail and road. Throughput revenues (transport and storage) account for 98% of KPC's revenues.

We view KPC as a defensive play, benefitting from infrastructure moat and revenue stability from regulated throughput tariffs. KPC's revenue is driven by throughput volumes which are linked to domestic and regional petroleum demand. Furthermore, the regulated pipeline and storage tariffs (reviewed every three years), provides a revenue floor. Combined with dominant market share of 91%, KPC has generated high EBITDA margins ranging from 48%-55% between FY21-25 and we forecast an average of 53% (FY26-30e).

With that said, management is guiding for significant capacity expansion. Based on the company's pro-forma projections, about KES 93bn is expected to be allocated to new capex, with bulk of the investment scheduled from FY28e. This is a sharp contrast to the KES9bn capex spend between FY21-25. Some of the key projects include a new 450 km pipeline from Mombasa to Nairobi and an LPG storage facility in Nairobi. While these investments should support long-term volume growth, the upcoming capex cycle weighs on free cash flow over our forecast horizon.

As such, we think the IPO valuation appears disconnected from the medium-term FCF outlook. The capex ramp-up from FY28e suggests a period of restricted cash flow and dividend growth. Thus, near-term upside is limited until valuation aligns with the underlying capex cycle, in our view.

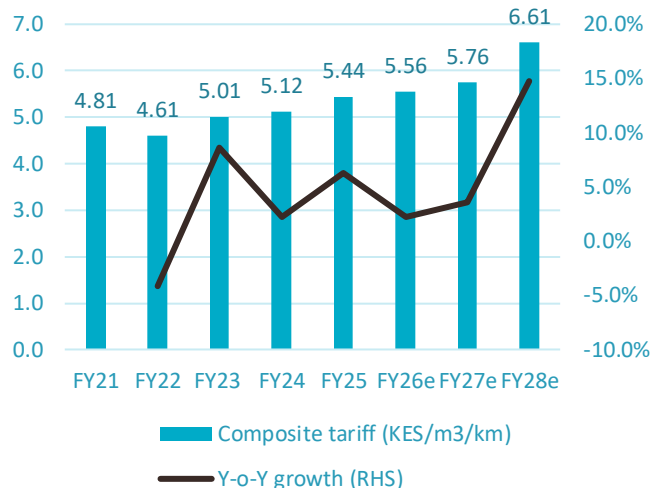
The growth and margin story

KPC's revenues grew at an 8% CAGR between FY21-25 supported by throughput volume growth coupled with pipeline and storage tariff adjustments. Pipeline and storage tariffs are reviewed by the regulator (EPRA) on a 3-year cycle based on forecasted petroleum demand and KPC's capex needs to fund capacity expansion. The current review cycle is expected to conclude by end-January 2026. KPC's tariff proposals for the next pricing cycle are highlighted below (see Figure 2).

On volumes, export market sales have outpaced domestic sales growing at 7.4% CAGR (FY21-24) vs 3.1% CAGR, respectively. Uganda accounts for 65% of the export volumes followed by Eastern DRC (19%), South Sudan 15% and Rwanda (1%).

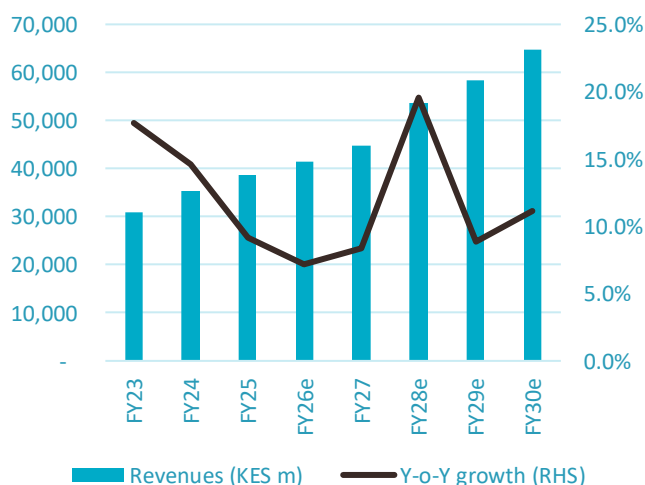
Figure 1: KPC - Throughput volume ('000 m³)


Source: Company financials, NCBA IB Research
*m³ (cubic meters)

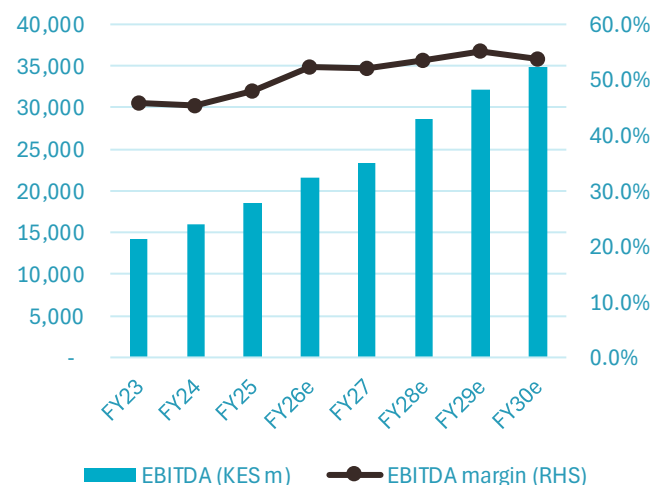
Figure 2: KPC – Regulated pipeline tariffs


Source: EPRA, KPC, NCBA IB Research
*Composite: Pipeline local and transit tariffs

Going forward, we forecast KPC's revenues to grow at 12.4% CAGR over FY26-30e driven by both volume growth and tariff adjustments. We expect throughput volumes to grow in-line with domestic and regional GDP growth reaching 12.9m m³ in FY30e from 9.9m m³ in FY25 (5.6% CAGR). Our revenue forecasts are also linked to KPC's tariffs proposals, with the highest tariff hike (+14.8% Y-o-Y) expected in 2028.

Figure 3: KPC – Revenues, Y-o-Y growth (FY23-30e)


Source: Company financials, NCBA IB Research

Figure 4: KPC – EBITDA and EBITDA margin (FY23-30e)


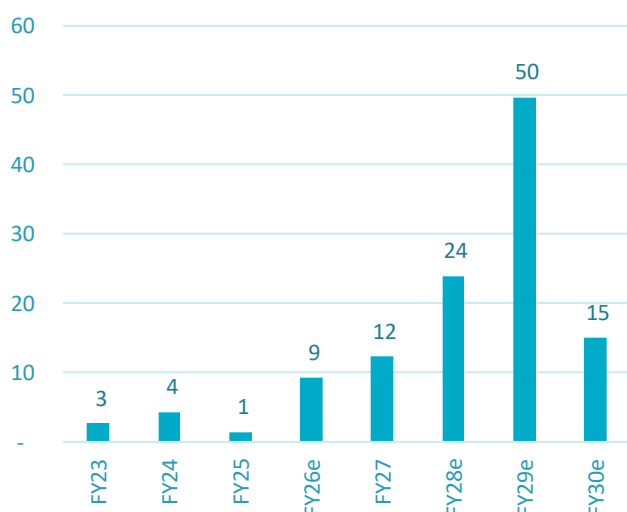
Source: Company financials, NCBA IB Research

With regards to margins, we forecast EBITDA margins to trend in-line with historical levels of 50-53% over FY26-30, primarily driven by operating leverage rather than significant cost reductions. With its large-fixed cost base, KPC incurs low incremental operating costs per additional cubic meter of throughput. Thus, as throughput volumes and tariffs increase, we expect most of the additional revenue flows through to EBITDA.

The capex story

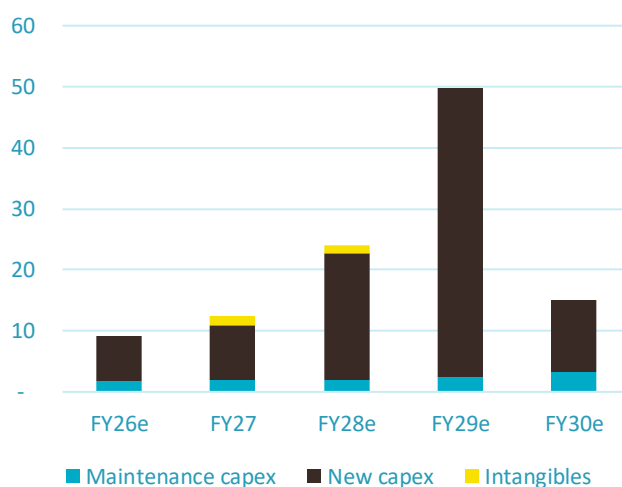
KPC is in a capital-intensive phase with cumulative capex of KES93bn planned over FY26-30e compared to KES9bn capex spend between FY21-30e. The bulk of this investment will be directed toward capacity expansion projects, including a new 450km pipeline (Mombasa-Nairobi) and an LPG storage facility in Nairobi, among others. While we think these projects could enhance KPC's long-term volume growth, the scale of capex weighs on our free cash flow forecasts. Management intends to partially fund this capex cycle by raising its leverage, targeting a 30% debt-to-equity ratio from FY28e.

Figure 5: KPC – Capex (KES Bn), FY23-30e



Source: Company financials, NCBA IB Research

Figure 6: KPC – Capex split (KES Bn), FY26-30e



Source: Company financials, NCBA IB Research

Below we highlight some of KPC's projects expected from 2028.

Figure 7: KPC – Project pipeline (KES Bn)

New projects	Target completion date	Capex spend (KES bn)
Eldoret-Malaba pipeline	2029	24
Eastern line (Mombasa – Nairobi)	N/A*	35
LPG Storage facility - Nairobi	2029	12
Kipevu storage facility upgrade	2027	N/A

*Start date expected in 2028

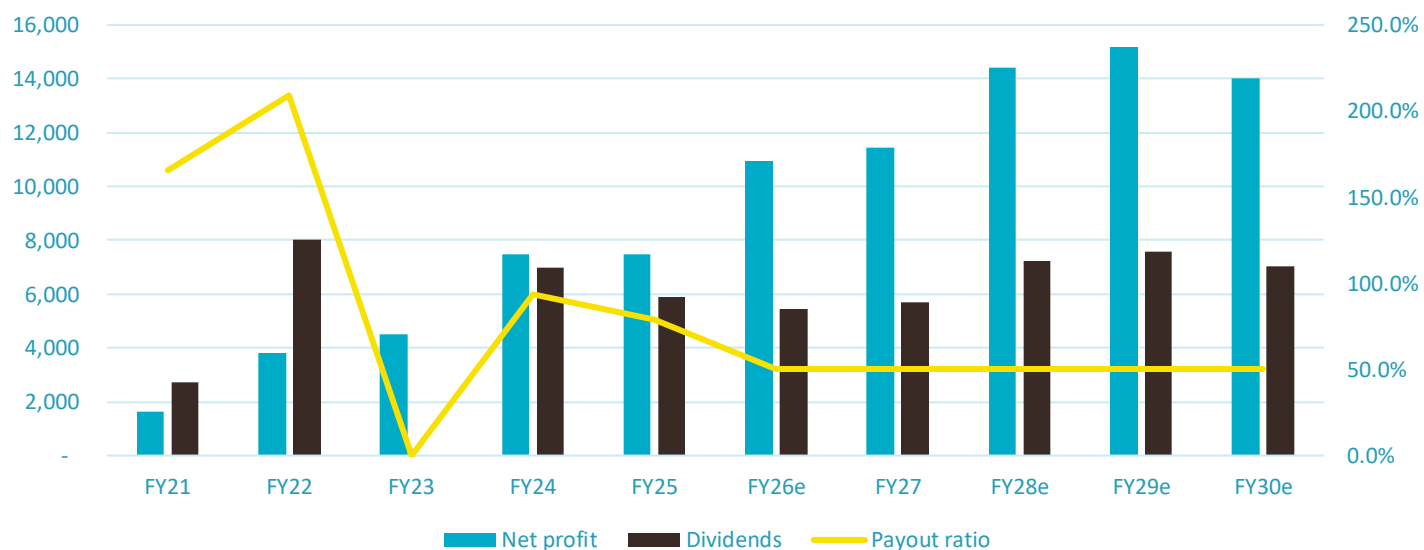
Source: KPC Information Memorandum, NCBA IB Research

The dividend story

Historically, KPC has been a fiscal anchor for the National Treasury, given its aggressive dividend payout profile that averaged 109% of earnings between FY21-25. While this highlights the company's cash-generative capacity, it was also dictated by the government's 80% remittance mandate for State-Owned Enterprises (SOEs) to the consolidated fund.

Post IPO, management is guiding towards a normalized 50% dividend payout ratio. Based on our earnings forecasts, this implies dividend growth of 6.4% CAGR over our forecast horizon (FY26-30e). At the IPO price (KES9.00/share), the implied FY26e dividend yield is 3.3% which is far below the current 1-yr T-bill rate of 9.2%.

Figure 8: KPC – Net profit, dividends (KES m) and dividend payout ratio (%)



Source: NCBA IB Research, company financials

Valuation and risks

We derive KPC's fair value using a standard discounted cash flow (DCF) model. We believe this method captures the upcoming capex cycle, which will be a key driver for free cash flow and dividend growth. Based on this, we arrive at a fair value of KES 6.35 per share which implies a 29% downside to the IPO share price of KES 9.00.

Discounted cash flow model (DCF): We use a weighted average cost of capital (WACC) of 15.8%. We estimate a cost of equity of 16% (risk-free rate of 11.1% and equity risk premium of 5.0%). We assume an after-tax cost of debt of 6% and KPC current debt/equity ratio 3%.

The table below summarises our key estimates on the DCF valuation.

Figure 9: Kenya Pipeline DCF Valuation Model, FY26-30e

KES m (unless noted)	FY26e	FY27e	FY28e	FY29e	FY30e
Revenue	41,363	44,832	53,600	58,343	64,825
Direct costs	(16,026)	(17,159)	(20,381)	(22,700)	(26,159)
Depreciation (PPE)	(4,622)	(5,111)	(6,102)	(8,273)	(8,932)
OpEx	(9,128)	(10,298)	(11,625)	(12,787)	(13,841)
EBITDA	20,830	22,485	27,697	31,129	33,757
Other D&A expenses	5,684	6,749	7,664	10,016	10,582
EBIT	15,147	15,737	20,033	21,113	23,175
NOPAT	10,603	11,016	14,023	14,779	16,223
Add: D&A expenses	5,684	6,749	7,664	10,016	10,582
Less: Capex	(7,434)	(10,440)	(21,907)	(47,391)	(11,861)
Change in Net working capital	(544)	(40)	(1,080)	2,141	(3,537)
FCFF	9,397	7,364	859	(24,737)	18,480
PV (Present value) factor	92.9%	80.2%	69.3%	59.8%	51.6%
PV	8,732	5,908	595	(14,797)	9,544
Total PV of FCFF	9,983				
Terminal value					
WACC					15.8%
Terminal growth rate					5.0%
Terminal value					179,405
PV of terminal value	92,658				
Total PV	102,641				
Add: net debt (1Q26)	12,700				
Implied Equity value	115,341				
No. of shares (m)	18,173				
Fair value per share	6.35				
IPO share price	9.00				
Upside/(downside)	-29.4%				

As the terminal value contributes 80% of our total fair value, our valuation is sensitive to our WACC and terminal growth rate. The sensitivity table below highlights changes to our WACC and terminal growth assumptions on KPC's fair value per share.

Figure 10: Kenya Pipeline DCF valuation - Sensitivity analysis

		WACC				
Terminal growth rate		13.8%	14.8%	15.8%	16.8%	17.8%
	3.0%	6.66	6.01	5.47	5.01	4.62
	4.0%	7.27	6.50	5.87	5.35	4.90
	5.0%	8.02	7.09	6.35	5.74	5.23
	6.0%	8.96	7.82	6.92	6.20	5.61
	7.0%	10.17	8.73	7.62	6.75	6.05

The table below highlights selected global oil and gas peer comparables and of note, there are limited pure-play listed midstream operators in SSA (Sub-Saharan Africa). The peer comps EV/EBITDA multiple average is 8.4x, compared to an implied trailing EV/EBITDA of 7.1x under our valuation. While KPC is coming to market at an implied EV/EBITDA of 8.1x, our fair value reflects a more cautious outlook on near term free cash flow growth, given the upcoming capex cycle.

Figure 11: Global peer comparables - O&G sector

Company	BBG code	Country	Type	EBITDA margin	Net profit margin	ROE	Net Debt/EBITDA (x)	Trailing EV/EBITDA (x)	Trailing P/E (x)
Aradel Holdings	ARADEL NL	Nigeria	Integrated*	62.4%	44.4%	20.7%	(0.9)	6.6	7.5
Seplat Energy	SEPLAT NL	Nigeria	Upstream	51.7%	10.2%	6.3%	1.7	2.1	11.0
Asyad Shipping	ASCO OM	Oman	Midstream	58.9%	12.9%	10.7%	2.0	6.3	18.1
OQ Gas Network	OQGN OM	Oman	Midstream	55.0%	24.5%	7.5%	4.3	12.9	16.4
Indian Oil Corporation	IOCL IN	India	Integrated	5.1%	1.8%	7.4%	3.6	8.4	12.9
Bharat Petroleum	BPCL IN	India	Integrated	5.9%	3.0%	7.4%	1.8	6.5	3.0
Enterprise Partners	EPD US	USA	Midstream	16.6%	10.6%	21.1%	3.4	11.1	11.8
Energy Transfer LP	ET US	USA	Midstream	17.4%	6.7%	16.7%	4.2	9.1	13.7
Kinder Morgan	KMI US	USA	Midstream	42.2%	17.3%	9.5%	4.5	13.2	21.2
Peer Median				42.2%	10.6%	9.5%	3.4	8.4	12.9
Kenya Pipeline				48%	19%	8%	(0.5)		

*Integrated: Upstream, midstream, and downstream

Source: Bloomberg, NCBA IB Research

Investment risks

- **Tariff risks:** Our revenue growth forecasts assume expected price hikes in the upcoming regulatory tariff cycle (2026-2029). Any tariff outcomes below our assumptions presents a downside risk to our revenue and earnings forecasts.
- **Uganda refinery presents medium-term downside risk:** Uganda's long-delayed refinery project is gaining renewed momentum following the entry of a UAE-backed investor. Construction is expected to start in mid-2026 with operations targeted for late 2029 to early 2030. Should this project materialise as planned, it would pose a significant downside risk to KPC's revenues given Uganda accounts for approximately 65% of KPC's total export volumes.

Based on our estimates, the commissioning of the refinery could reduce KPC's revenues by about 30% Y-o-Y from FY30e.

- **Corporate governance risk:** While the IPO is expected to reduce gov't shareholding to 35%, the government will retain a significant minority stake in KPC. As such, corporate governance considerations remain a key watchpoint particularly around board composition. Appointments and independence of the Board Chair and CEO are key areas to monitor post-listing.
- **Funding capacity expansion:** KPC is guiding for a higher capex spend from FY28e, with management targeting a 30%/70% debt-to-equity capital structure to finance the expansion. The company's ability to secure funding will be key in sustaining dividend capacity. Any constraints on funding, or higher-than-expected funding costs, could weigh on free cash flow and dividend distributions.

Kenya Pipeline – Financial summary and forecasts

Figure 12: Kenya Pipeline, financial summary 2024-28e (Year end-June)

KES m (unless noted)	2024	%chg	2025	%chg	2026e	%chg	2027e	%chg	2028e	%chg
Throughput volume ('000 m3)	9,115	6.0%	9,885	8.4%	10,393	5.1%	10,912	5.0%	11,485	5.3%
Local market	4,658	12.3%	5,060	8.6%	5,303	4.8%	5,541	4.5%	5,819	5.0%
Export market	4,457	0.1%	4,825	8.3%	5,091	5.5%	5,371	5.5%	5,666	5.5%
Income statement										
Revenue	35,369	14.6%	38,594	9.1%	41,363	7.2%	44,832	8.4%	53,600	19.6%
Direct costs	(14,518)	9.8%	(14,732)	1.5%	(16,026)	8.8%	(17,159)	7.1%	(20,381)	18.8%
Depreciation (PPE)	(4,493)	0.5%	(4,728)	5.3%	(4,622)	-2.3%	(5,100)	10.3%	(6,091)	19.4%
Gross profit	20,852	18.2%	23,862	14.4%	25,336	6.2%	27,673	9.2%	33,220	20.0%
Other income	(1,399)	167.0%	2,379	-270.0%	772	-67.6%	873	13.1%	967	10.8%
Operating expenses	(7,890)	-21.4%	(12,487)	58.3%	(9,128)	-26.9%	(10,298)	12.8%	(11,625)	12.9%
EBITDA	16,054	13.3%	18,483	15.1%	21,603	16.9%	23,348	8.1%	28,653	22.7%
EBIT	10,963	30.4%	12,143	10.8%	15,919	31.1%	16,610	4.3%	21,000	26.4%
Net finance costs	409	570.1%	87	-78.7%	540	518.7%	605	11.9%	666	10.2%
Pre-tax earnings	10,615	39.5%	12,019	13.2%	15,632	30.1%	16,318	4.4%	20,619	26.4%
Income tax expense	(3,141)	1.1%	(4,527)	44.1%	(4,690)	3.6%	(4,895)	4.4%	(6,186)	26.4%
Net profit	7,474	66.1%	7,492	0.2%	10,943	46.1%	11,422	4.4%	14,433	26.4%
Statement of financial position										
Total non-current assets	112,968	8.0%	115,571	2.3%	118,883	2.9%	124,487	4.7%	140,743	13.1%
Total current assets	20,092	-17.1%	23,437	16.6%	29,413	25.5%	31,113	5.8%	37,302	19.9%
Total assets	133,060	3.2%	139,008	4.5%	148,296	6.7%	155,600	4.9%	178,045	14.4%
Total current liabilities	16,419	2.6%	16,069	-2.1%	18,252	13.6%	19,844	8.7%	22,072	11.2%
Total non-current liabilities	24,651	4.3%	24,545	-0.4%	24,545	0.0%	24,545	0.0%	37,545	53.0%
Shareholders' equity	91,989	-28.6%	98,394	7.0%	105,500	7.2%	111,211	5.4%	118,428	6.5%
Total liabilities and SH equity	133,060	3.2%	139,008	4.5%	148,296	6.7%	155,600	4.9%	178,045	14.4%
Statement of cash flows										
Cash from operations	11,300		14,262		16,639		18,740		21,686	
Cash (used) in investing activity	(4,320)		(509)		(9,260)		(12,342)		(23,909)	
Cash (from) financing	(12,133)		(8,537)		(3,836)		(5,711)		5,783	
Net increase/ (decrease in cash)	(5,153)		5,217		3,543		686		3,561	
Per share figures										
EPS	0.41	66.1%	0.41	0.2%	0.60	46.1%	0.63	4.4%	0.79	26.4%
DPS	0.39		0.32	-15.7%	0.30	-7.3%	0.31	4.4%	0.40	26.4%
FCF	0.71	-11.5%	0.51	-27.9%	0.49	-4.5%	0.41	-15.3%	0.13	-69.0%
Key ratios										
Gross profit margin	59.0%		61.8%		61.3%		61.7%		62.0%	
EBITDA margin	45.4%		47.9%		52.2%		52.1%		53.5%	
EBIT margin	31.0%		31.5%		38.5%		37.0%		39.2%	
Net income margin	21.1%		19.4%		26.5%		25.5%		26.9%	
Net debt (cash)/EBITDA (x)	-0.04		-0.46		-0.56		-0.54		-0.11	
Capex intensity	36%		9%		22%		24%		42%	
ROIC	7.6%		7.4%		10.1%		10.0%		10.7%	
ROAA	5.7%		5.5%		7.6%		7.5%		8.7%	
RoAE	8.2%		7.9%		10.7%		10.5%		12.6%	

Source: NCBA IB Research, company financials

Kenya Pipeline - Business description

Kenya Pipeline Company (KPC) was established in 1978 and is a state-owned midstream operator, with 99.9% ownership held by the National Treasury and the residual stake by the Ministry of Energy and Petroleum. KPC transports and stores refined petroleum products from the port of Mombasa to the domestic market and regional markets across the Northern Corridor.

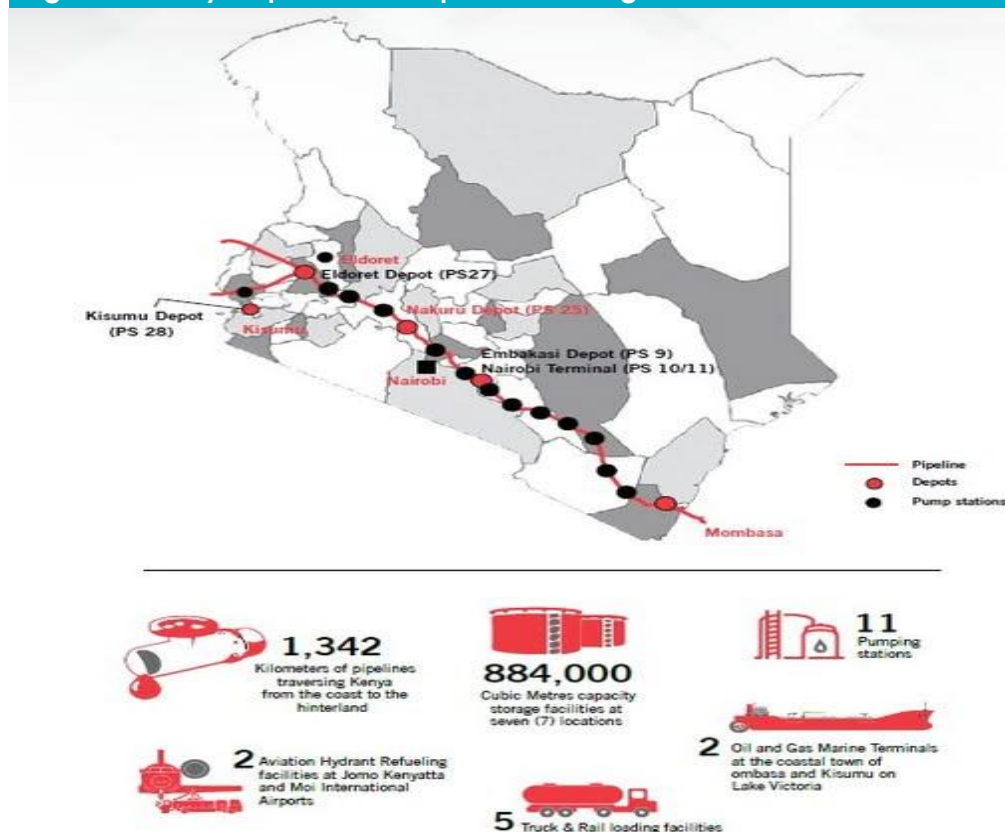
In addition to its core petroleum transportation and storage, KPC has partially diversified its revenues by leveraging its infrastructure footprint, including the launch of a fibre optic cable business in 2022 and the establishment of the Morendat Institute of Oil and Gas, a subsidiary providing training, research and consultancy services for regional energy and infrastructure projects.

Furthermore, in 2023 KPC acquired 100% ownership of Kenya Petroleum Refineries Limited (KPRL) through a government share transfer. The refinery was non-operational since 2013 due to aging infrastructure. The primary strategic advantage of the KPRL acquisition is its 253-acre land bank with 70% designated for future oil and gas infrastructure.

Pipeline and storage distribution network

KPC operates a 1,342km pipeline network with capacity of 14bn litres per annum. The company holds a dominant 91% market share in petroleum distribution with minimal competition from rail and road. Throughput revenues (transport and storage) account for 98% of KPC's revenues.

Figure 13: Kenya Pipeline – Transport and storage network



Source: Kenya Pipeline

Between 2015 and 2025, two major pipelines were commissioned: (i) Sinendat-Kisumu Pipeline (Line 6) and (ii) the Mombasa-Nairobi Pipeline (Line 5). Furthermore, throughput capacity for Nairobi-Eldoret Pipeline (Line 4) was enhanced from 350m³/hr to 510m³/hr in 2024. The table below highlights KPC's existing pipeline network.

Figure 14: KPC – Pipeline network

	Year commissioned	Pipeline diameter (Inches)	Length (Km)	Flow rate (m ³ /hour)
Nairobi -Sinendat - Eldoret Pipeline (Line 2)	1994	8	325	220
Sinendat - Kisumu Pipeline (Line 3)	1994	6	121	110
Nairobi - Eldoret Pipeline (Line 4)	2011	14	325	510
Sinendat - Kisumu Pipeline (Line 6)	2016	10	121	280
Mombasa - Nairobi Pipeline (Line 5)	2018	20	450	1,300
Total			1,342	

Source: Company financials

Aside from its pipeline network, KPC operates storage facilities in Mombasa and across major towns in Kenya with a combined storage capacity of approximately 884,000m³. Part of KPC's upcoming projects involves upgrading KPRL's legacy refinery infrastructure into storage and logistics hubs – ideally converting former crude oil tanks to accommodate refined petroleum products. This is expected to add 264,000m³ to KPC's existing storage capacity, supporting throughput volume in the long-term.

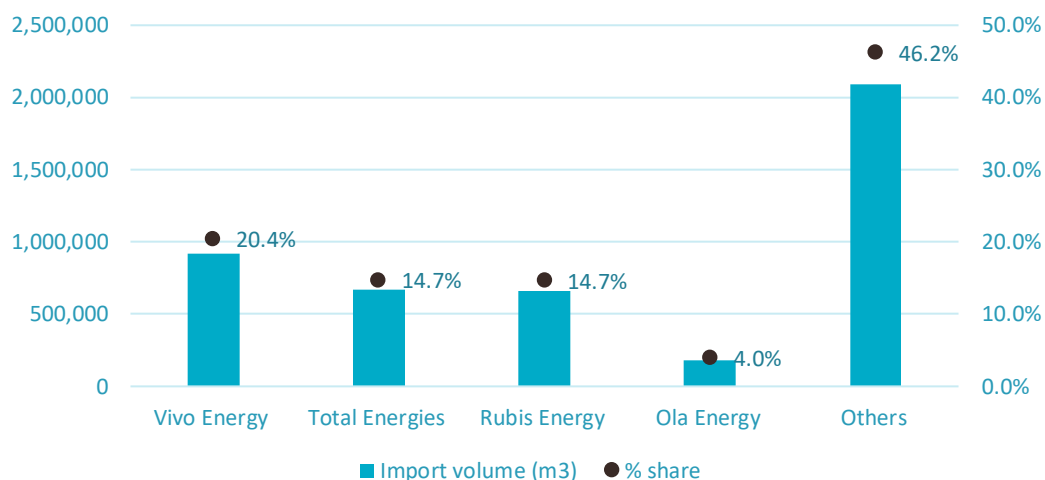
Figure 15: KPC – Storage facilities and capacity (m³)

Depot	MSP (Super petrol)	AGO (Diesel)	DPK (Kerosene)	Jet A-1 (Aviation fuel)	Total
Moi Airport	-	-	-	7,349	7,349
JKIA	-	-	-	54,141	54,141
Nairobi	71,726	66,551	57,187	37,116	232,580
Nakuru	12,163	15,702	2,668	-	30,533
Kisumu	14,371	29,388	5,013	6,516	55,288
Eldoret	15,471	21,922	4,413	6,283	48,089
Kipevu oil storage facility (KOSF)	108,577	92,683	124,973	-	326,233
Kenya petroleum refineries limited (KPRL)	105,989	127,820	30,629	-	264,438
Total	328,297	354,066	224,883	111,405	1,018,651

Source: KPC IPO Information Memorandum

Oil Marketing Companies - core customer base

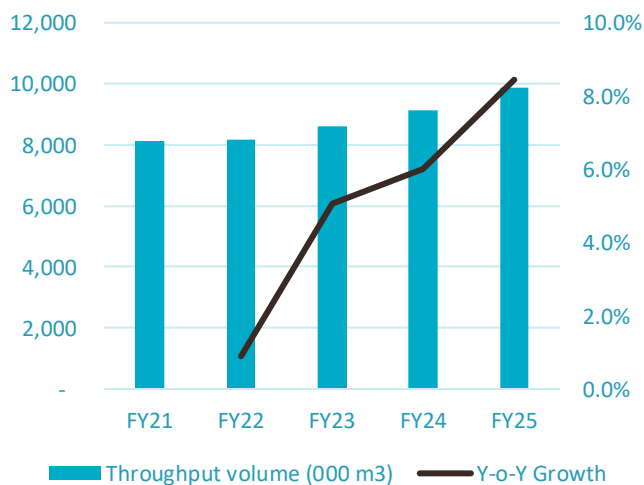
Oil Marketing Companies (OMCs) are KPC's core customers. Imported products are injected into KPC's pipeline network at the port of Mombasa, with OMCs paying regulated tariffs for storage and transportation to inland depots. Throughout this value chain, KPC does not take ownership or trade petroleum products. The top four OMCs account for c54% of Kenya's annual petroleum import volume. Among the OMCs in Kenya, Vivo Energy and Total Energy contributed 13% and 11% of KPC's FY25 revenues, respectively.

Figure 16: OMCs (Kenya) – Annual import volume (m³) and market share


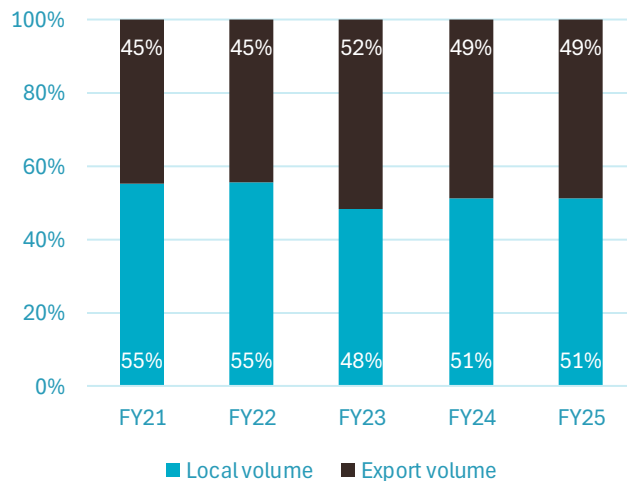
Source: NCBA IB Research, KPC IM

Financial performance review

KPC's throughput volumes grew at 5.4% CAGR over FY21-25, driven by growth in export (or transit) volumes at 7.4% CAGR compared to domestic volumes at 3.4% CAGR. Uganda is the company's largest export market accounting for 65% of transit volumes followed by Eastern DRC (19%), South Sudan 15% and Rwanda (1%).

Figure 17: KPC – Throughput volume sales, FY21-25


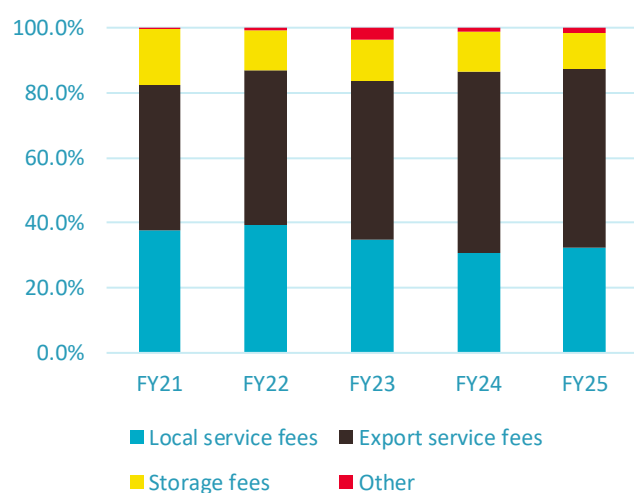
Source: Company financials, NCBA IB Research

Figure 18: KPC – Local vs export volume split, FY21-25


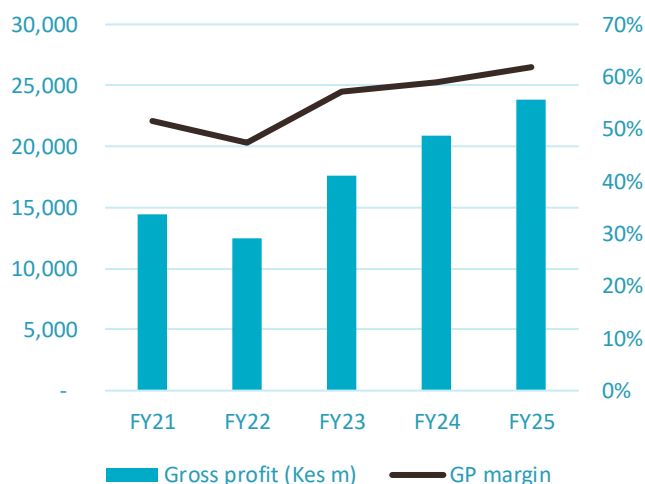
Source: Company financials, NCBA IB Research

With regards to revenue mix, transport revenues (domestic and export) increased from 82% of total revenue in FY21 to 87% in FY25. The export market contribution rose from 45% in FY21 to 55% in FY25 and we attribute this to favourable FX translation effects as export customers are invoiced in USD.

KPC's gross margins grew from 52% in FY21 to 62% in FY24 driven by operating leverage, with direct costs growing at 2% CAGR, below the 8.4% revenue CAGR over the same period.

Figure 19: KPC – Revenue contribution, FY21-25


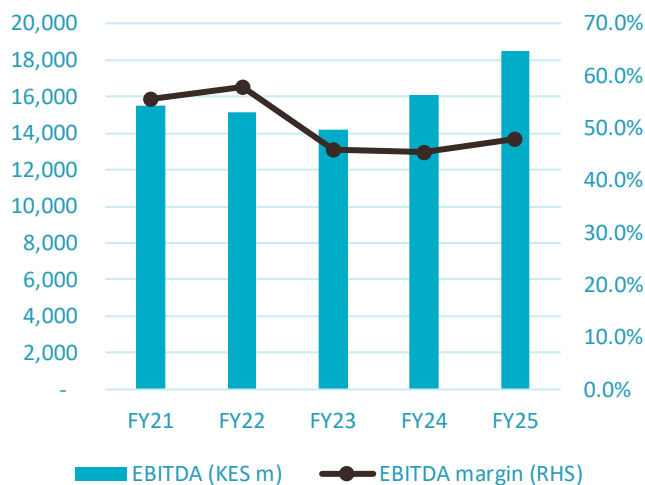
Source: Company financials, NCBA IB Research

Figure 20: KPC – Local vs export volume split, FY21-25


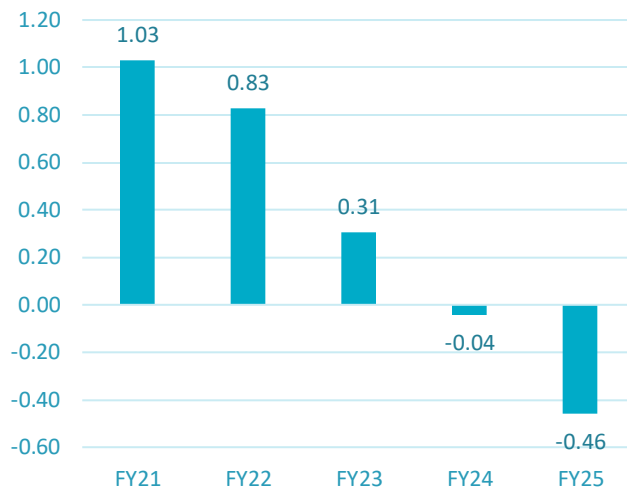
Source: Company financials, NCBA IB Research

On the other hand, EBITDA margins moderated from 56% in FY21 to 48% in FY25. We attribute this decline to OpEx growth at 24% CAGR, driven by one-off items including restatements on certain PPE costs that were previously capitalized but subsequently expensed in FY23 and FY25.

With regards to its balance sheet strength, KPC's net debt/EBITDA improved from 1.03x in FY20 to a net cash position of -0.46x in FY25 following the repayment of a USD350m syndicated loan by FY24. Looking ahead, management intends to increase leverage from FY28e to fund capex, targeting a 30%/70% debt-to-equity capital structure.

Figure 21: KPC – EBITDA and EBITDA margin, FY21-25


Source: Company financials, NCBA IB Research

Figure 22: KPC – Net Debt/EBITDA (x)


Source: Company financials, NCBA IB Research

Corporate governance

KPC's Board currently comprises of 10 members, including: (i) Non-Executive Chairman; (ii) the Cabinet Secretary of the National Treasury & Economic Planning; (iii) the Principal Secretary of the State Department of Petroleum; (iv) the Attorney General; (v) the Managing Director and (vi) five Independent Non-Executive directors.

Post-IPO, KPC will transition from a State Corporation to a Public Liability Company (PLC) prompting changes to its board composition and governance framework. Some of the key anticipated changes include:

- **Appointment of Directors and Board Chair:** Following the IPO, board appointments will change from government designation to shareholders. Directors and the Board Chair will be nominated and elected at the AGM, replacing the previous system where directors were appointed by the Cabinet Secretary and Chairman by the President.
- **Minority interests:** Post IPO, independent directors will be nominated to the board and voted in at the next AGM. This ensures that minority shareholder interests are considered in board decisions.
- **Board committees:** KPC's board committees will be expanded and reconstituted to align with the governance framework of a public liability company. The revised structure will incorporate dedicated oversight for investor relations, compliance with capital markets regulations, corporate communications, and engagement with the NSE and Central Depository System (CDS).

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