Standard Investment Bank

Regulated by the Capital Markets Authority

OCTOBER 2025

SECTOR AND COMPANY VALUATION UPDATE

Kenya Oil & Gas: Kenya Pipeline Company Listing Set for 2026

Valuation Update: Total Energies Trading Below Fair Value

WESLEY MANAMBO
wmanambo@sib.co.ke

ERIC MUSAU
emusau@sib.co.ke

Table of Contents

Tables & Figures

Executive Summary

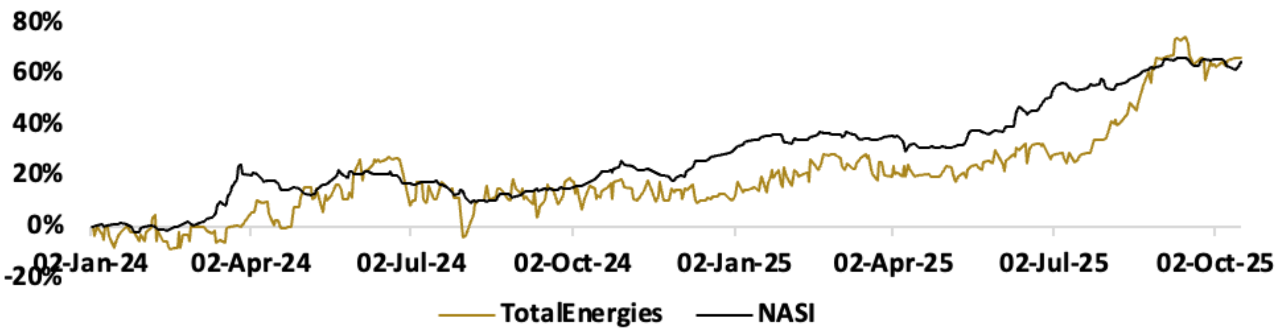
In this report, we have updated our valuation on Kenya's only listed downstream oil marketer, TotalEnergies Marketing Kenya. We reinitiate coverage and retain a BUY recommendation on TotalEnergies Marketing Kenya (TKNL KN) with a fair value estimate of **KES 56.30, a 60.4% upside.**

Intrinsic Valuation	Fair Value Est.	Weighting	Implied Value
DCF	77.43	50.0%	38.71
DDM	39.49	50.0%	19.75
Implied Value est.			**58.46**

Relative Valuation	Fair Value Est.	Weighting	Implied Value
P/E	33.59	33.3%	11.20
P/B	60.02	33.3%	20.01
EV/EBITDA	68.82	33.3%	22.94
Implied Value est.			**54.14**

Blended Valuation	Fair Value Est.	Weighting	Implied Value
Intrinsic Valuation	58.46	50.0%	29.23
relative Valuation	54.14	50.0%	27.07
Implied Value est.			**56.30**

In 2024, the counter's price function gained 11.1%, albeit underperforming the broad market, as the All-Share index returned 34.1%. That said, its YTD gains (+75.5%) have outperformed the market's (+42.8%), with the stock closing at KES 35.10 on 16th October 2025.



Looking ahead, we forecast a 20.0%y/y growth in net earnings and anticipate seeing net revenues growing marginally to KES 116.8Bn (+2.3%y/y). We estimate the full-year per share dividend to be retained at KES 1.92, representing a 67.7% payout ratio.

Income Statement (KES, '000)	2025F	2026F	2027F	2028F	2029F	2030F
Net revenue	116,782,898	119,881,866	123,430,355	127,372,787	131,672,335	136,307,119
Cost of sales	106,743,498	109,576,059	112,819,498	116,423,013	120,352,944	124,589,293
Gross profit	**10,039,400**	**10,305,807**	**10,610,857**	**10,949,774**	**11,319,390**	**11,717,826**
Other income	2,210,849	2,269,516	2,336,694	2,411,329	2,492,725	2,580,467
Administrative Expenses /Payroll	4,860,971	4,989,962	5,137,664	5,301,764	5,480,728	5,673,647
Selling & Distribution Expenses	3,981,054	4,086,696	4,207,662	4,342,057	4,488,626	4,646,623
EBITDA	**7,739,476**	**7,944,852**	**8,180,018**	**8,441,292**	**8,726,233**	**9,033,391**
Profit before tax	2,726,851	2,877,947	3,045,205	3,230,005	3,437,573	3,678,955
Profit for the year	1,784,437	1,883,313	1,992,766	2,113,698	2,249,530	2,407,489
EPS (basic)	2.83	2.99	3.17	3.36	3.57	3.82
DPS	1.92	2.03	2.14	2.27	2.42	2.59

Kenya Pipeline Company (KPC) 2026 IPO: Value in the Eyes of the Beholder

KPC IPO is poised to be the largest equity issuance in Kenya since Safaricom's listing in 2008 when government sold a 25% stake in the telecommunications firm to the public for a USD 800m (which was preceded by a sale of a 40% stake to Vodafone in 2000), leaving it with a 35% stake (which it has held to date). The issuance was 4.63 times oversubscribed, just ahead of the credit crisis, which peaked later that year. Request for Proposals for the consultancy services on the privatization has been issued with a deadline for submission slated for 21st October 2025. The government has set a deadline of 31st March 2026 for the listing of a 65% sale of KPC on the Nairobi Securities Exchange – providing a six-month window for the privatization process.

Just like Safaricom, controversy has continued to mar the listing with debates by the opposition in parliament, leading to the issuance of conditions for the listing. Court orders for the privatization were lifted in September 2025, but there is no guarantee that other suits will not emerge.

KPC core facilities include over 1,300km of pipeline network and at least 800,000 cubic metres of storage across various depots. It also holds 370 acres of prime industrial land (from the defunct KPRL), which would be critical for the proposed Liquified Petroleum (LPG) Refinery storage facility.

Gulf Energy submits a revised field development plan on the Turkana Oil Field after Tullow Oil Buyout

Tullow Oil plc successfully completed the sale of its entire working interest in Kenya to Auron Energy E&P Limited, an affiliate of Gulf Energy Ltd, following satisfaction of all conditions precedent under the Sale and Purchase Agreement (SPA) announced on 21 July 2025. Tullow has received the full proceeds of Tranche A (USD40 million) under the terms of the SPA. The transaction represents the sale of 100% of the shares in Tullow's subsidiary Tullow Kenya BV, which holds Tullow's entire working interests in Kenya, for a minimum cash consideration of USD120 million, subject to customary adjustments.

The sale of its Kenya subsidiary marks Tullow's exit from the country after 14 years. Tullow retains royalty payments, subject to certain conditions, and a no-cost back-in right for a 30% participation in potential future development phases.

Gulf Energy has been granted some time to review and submit the adjusted field development plan. The sale slightly delays the commercialization plans for the c. 560 million barrels of recoverable oil in the basin to December 31, 2025.

Total Energies Valuation Update: Downstream Oil Marketer in Kenya Still Offers Value

We obtained a blended fair value estimate of KES 56.30 with a valuation range KES 67.42 – KES 50.26 at different levels of assumption. We thus issue a BUY recommendation for Kenya's Total Energies with an upside potential of 60.4% from the current market price.

For FY25, we forecast a 20.0%y/y growth in net earnings to KES 1.8Bn from KES 1.5Bn in the prior year – largely on account of easing finance costs (-58.1% y/y). We anticipate seeing net revenues growing marginally to KES 116.8Bn (+2.3%y/y).

From a topline perspective, local sales contribution is expected to grow to 95.8% of net sales, up from 94.3% in FY24. Export and bulk sales are forecasted to soften by c. 24.2% y/y to KES 5.0Bn – primarily on account of dwindling volumes. Aviation, Network Sales, and General Trade are forecasted to grow by 14.3% y/y, 4.7% y/y, and 0.8%y/y to KES 4.5Bn, KES 73.5Bn, KES 33.8Bn, respectively.

Petroleum Industry Update

Upstream

- Tullow Oil sold its project rights to Gulf Energy – delaying the commercialization plans for the c. 560 million barrels of recoverable oil in the basin to December 31, 2025. The delay is intended to allow Gulf Energy to review the field development plan.
- The Ministry of Energy and Petroleum initiated a strategy to reconstitute Kenya's petroleum exploration blocks. This will see the reduction of the number of exploration blocks from the current 63 to 50, aiming to optimize block size for effective exploration.
- 40 petroleum exploration blocks are open for prospective investors in the oil exploration industry, and will be licensed through direct negotiations or bidding rounds by the ministry.

Midstream

- Kenya Pipeline Company acquired Kenya Petroleum Refineries Limited in October 2023, a strategic move that provided additional storage capacity, complementing its storage at Kipevu Oil Storage Facility.
- The government **has set a deadline of 31st March 2026 for the listing of KPC via an Initial Public Offering (IPO)** on the Nairobi Securities Exchange – providing a six-month window for the privatization process. This followed parliamentary approval with the following (including but not limited to) resolutions;
    - The government remains with not less than 35% shareholding; thus, listing is up to a maximum of 65%.
    - Privatization commission to set a maximum ownership limit for any single shareholder. This aims at preserving broad-based ownership, promoting market competitiveness, and protecting national and energy security interests.
    - The Privatization Commission implements a minimum level for participation by Kenyan citizens, ensuring broad local ownership from all walks of life.
    - The privatization of KPC shall be structured to limit the mandate of the company to transporting and storing petroleum products and guarantee that KPC shall not venture into the importation or sale of petroleum products without prior approval from the Competition Authority of Kenya, EPRA, and the National Assembly.
- As of 30th June 2024, KPC closed at a book value of KES 89Bn, with KES 77Bn (c. 86% of the book value) in retained earnings. The business generated net earnings of KES 6.9Bn in the period, translating to an ROE of 7.7% and closed at a cash position of KES 6.5Bn. Our back-of-the-envelope calculations, looking at the book value of similar businesses in the broader oil and gas sector, placed the fair value estimate of the businesses at c. 102Bn (that is at a P/B of 1.2x).
- Lake Gas LPG storage plant launched its 10,000 metric tons facility in Vipingo, Kilifi County, receiving its first consignment in early June 2025 ahead of full commercial operation. The facility uses a Conventional Buoy Mooring (CBM) system located about 1 km offshore of the Vipingo coast.

Downstream

- There were 146 registered Oil-Marketing Companies as of 30th June 2025.
- Despite the market concentration, the top 10 OMCs account for c. 72% of the market share, with Vivo Energies, Rubis, and TotalEnergies Marketing Kenya jointly accounting for more than half of the market.
- From a consumption vantage point, diesel has the largest demand and consequently supply in Kenya, estimated at c.43% of local petroleum needs, followed by gasoline at 29% of total domestic demand.
- Kenya's second Cost of Service Study for Petroleum by the Energy and Petroleum Regulatory Authority (EPRA) has recommended an adjustment of the prices of fuel to reflect the market realities of a regulated price environment, with the implementation done in phases, with timing done when global oil prices come down.

Industry Overview: Listing of Kenya Pipeline Company Scheduled for 2026

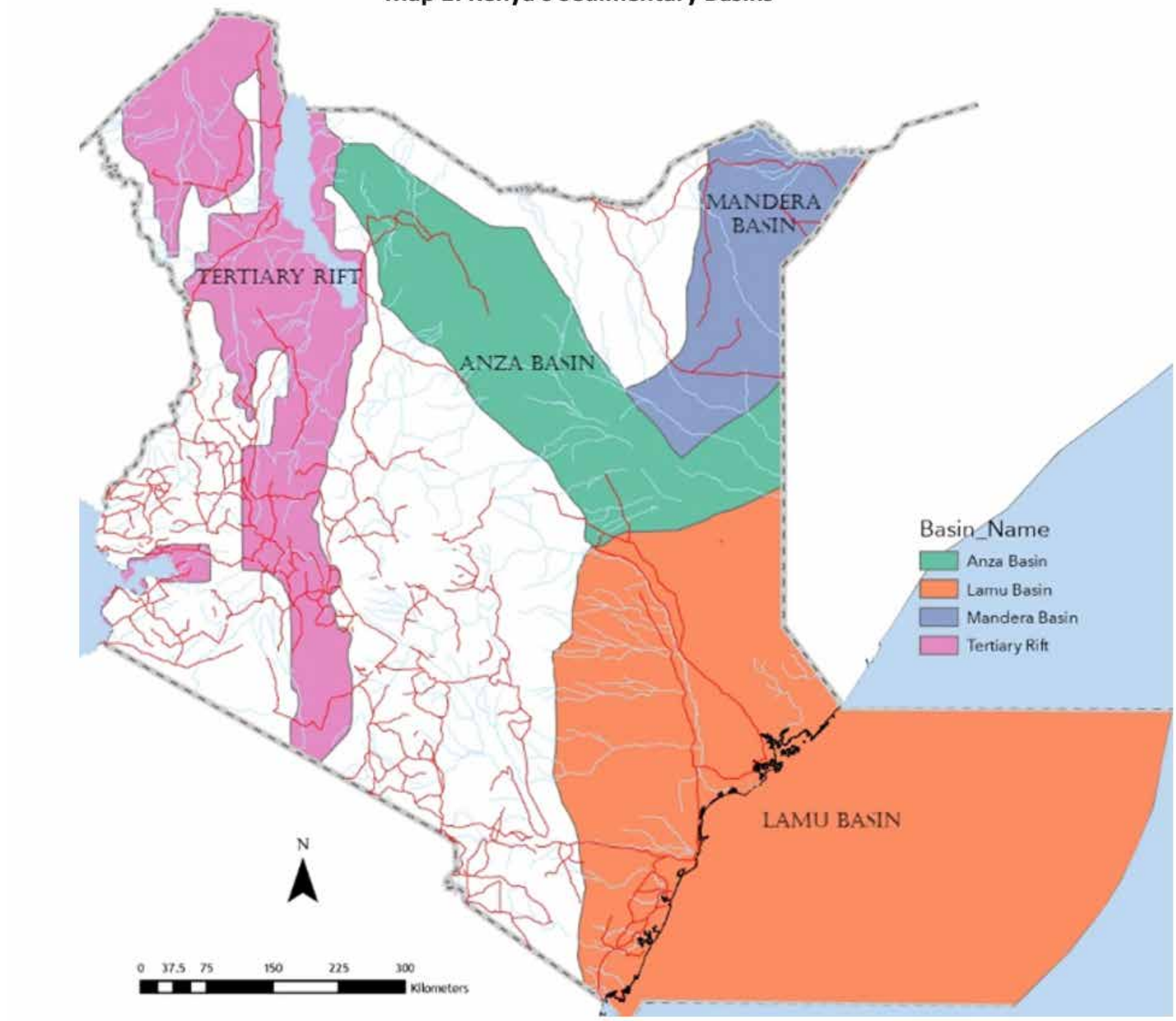
The petroleum subsector, under the energy sector, is divided into three segments: Upstream, Midstream, and Downstream.

i. Upstream petroleum operations *(exploration and production)*

The upstream segment primarily involves the processes of exploration, development, and production of crude oil and natural gas.

As of 30th June 2025, 94 exploration wells have been drilled in Kenya across four sedimentary basins – that is, Lamu Basin (261,000 km²), Anza Basin (81,000 km²), Mandera Basin (43,000 km²), and Tertiary Rift Basin (100,000 km²).

Map 1: Kenya's Sedimentary Basins



Source: EPRA

The most significant discovery in this segment is the South Lokichar Basin in Turkana County, where commercial oil reserves were confirmed in 2012 by Tullow Oil and its partners. The basin is estimated to hold c. 560 million barrels of recoverable oil. The commercialisation plan has, however, been delayed until December 31, 2025, following the sale of project rights from Tullow Oil to Gulf Energy – with the delay intended to allow Gulf Energy to review the field development plan.

Table 1: Update on Well Drilling Results

Basin	Dry Wells	Gas Only	Oil Only	Oil & Gas	Total
Anza	8	2	0	2	12
Lamu	22	1	0	1	24
Mandera	8	0	0	0	8
Tertiary Rift	14	0	32	4	50
Grand Total	52	3	32	7	94

Source: Ministry of Energy and Petroleum

The Ministry of Energy and Petroleum initiated a strategy to reconstitute Kenya's petroleum exploration blocks. A move aimed at aligning exploration with industry best practices. Its proposals included;

- Reducing the number of exploration blocks from the current 63 to 50, aiming to optimize block size for effective exploration. Low and medium prospectivity blocks were merged for a sufficient probability of success.
- Renaming the blocks to industry best practice, which includes a prefix depending on the Basin's name, appended to the block name for ease of identification.
- Enhanced geological targeting with integration of geoscientific data[1], improved block boundary definitions, and geological confidence.

The authority is developing seven regulations *(covering access to land, cost management, midstream crude oil & natural gas pipeline & storage operations, management & administration, local content & Environmental, Health & Safety)* to guide upstream operations

Worth noting, 40 petroleum exploration blocks are open for prospective investors in the oil exploration industry, and will be licensed through direct negotiations or bidding rounds by the ministry.

ii. Midstream Petroleum Operations *(storage, refining, and transportation)*

The midstream segment involves processes around the storage, refining, and transportation of crude oil into consumable oil and gas products.

Before its closure in September 2013, the Kenya Petroleum Refineries Limited (KPRL) was the only refinery in East Africa, with its output meeting 40% of the petroleum products requirements in the country. Following its closure – *in part advised by the higher-than-normal fuel losses on account of power interruptions, top recirculation*[2]*, old technology that led to the production of fewer high-value products (leading to high costs to consumers) and breakdowns* – focus shifted to alternative ways of utilising the refinery, including converting it into a storage facility.

[1] Encompasses all information gathered about the Earth's subsurface geology and physical properties to identify, evaluate, and quantify potential hydrocarbon reservoirs. This data is crucial for minimizing exploration risk and making informed drilling decisions. This includes geophysical data such as seismic surveys and well data, such as porosity, permeability, and lithology

[2] In an oil refinery, "top recirculation" refers to the process of condensing the vapor leaving the top of a distillation tower and returning some of that condensed liquid (external reflux) to the top of the tower. Excessive reflux may lead to a decrease in the purity of the overhead product. This loss of purity means the product may not meet specifications, leading to reprocessing or a need to increase the overall reflux rate to maintain purity.

In the case of KPRL refinery, there may have been overstretching of the platformer units, suffering higher than normal fuel and performance loss because of top recirculation, which suggests recirculation within the platformer unit beyond its design limits, causing inefficiency.

Map 2: Kenya Pipeline Company Network as of 2024

Source: KPC Annual Report

The midstream segment is now dominated by the Kenya Pipeline Company (KPC)[3] given that Kenya now imports all its petroleum requirements[4]. The company has at least 884,000 cubic meters of storage capacity in seven locations, 1,342km of pipeline networks transversing Kenya, five trucks & rail loading facilities, eleven pumping stations, two aviation hydrant refueling facilities *(at JKIA and Moi International Airport), and two oil and gas maritime terminals (at Mombasa and Kisumu).*

KPC receives the imported refined petroleum products in its integrated Kipevu Oil Storage Facility (KOSF) and/or Kenya Petroleum Refineries Limited (KPRL) and/or Vitol Tank Terminal International Kenya (VTTI) Terminal as required and obligated by Law under Legal Notice number 197 of 2nd December 2003.

[3] KPC – established in 1973 with its commercial operations commencing in February 1978 – it's a state corporation wholly owned by the Government of Kenya, with 99.9% shareholding by the National Treasury and a fraction less than 0.1% by the Ministry of Energy and Petroleum. The company focuses on transporting, storing, and distributing petroleum products within Kenya using a network of pipelines and depots, primarily from the Mombasa import facility to the country's hinterland and neighboring regions.

The company operates extensive tank farms with a total storage capacity of over four billion liters. Made up of depots in Mombasa (Kipevu, 326 million litres), Nairobi (233 million litres), and Changamwe (140 million litres), coupled with other facilities at major airports and regional depots in Nakuru, Eldoret, and Kisumu – which are crucial in ensuring consistent fuel supply, mitigating shortages, and stabilizing the market.

[4] From a consumption vantage point, 90% of the imports constitute Premium Motor Spirit (PMS, otherwise known as Super Petrol or Gasoline), Automotive Gas Oil (AGO, otherwise known as Diesel), and Dual-Purpose Kerosene (DPK, otherwise known as Paraffin for domestic use or Jet A-1 in aviation).

Notably, KPC acquired KPRL in October 2023, a strategic move that provides additional storage capacity, complementing the storage at KOSF, and reduces demurrage charges[5]. Further, the company is upgrading its Nairobi to Eldoret line (line 4) to cater to the surging demand (both local and export) in the area.

Additionally, to enhance efficiency, KPC has modernized its fuel loading systems from the traditional top-loading (which fills a tanker compartment at a time) to bottom-loading (which allows simultaneous loading of multiple compartments), reducing turnaround time, enhancing safety, and boosting overall operational efficiency.

From a supply perspective, imported petroleum products are primarily received through the Kipevu Oil Terminal *(currently connected to three primary receiving terminals: KOSF, VTTI, and KPRL)*. The Shimanzi Oil terminal connects to private receiving terminals (MJT, OLA, Gapco, and Vivo). See chart 1.

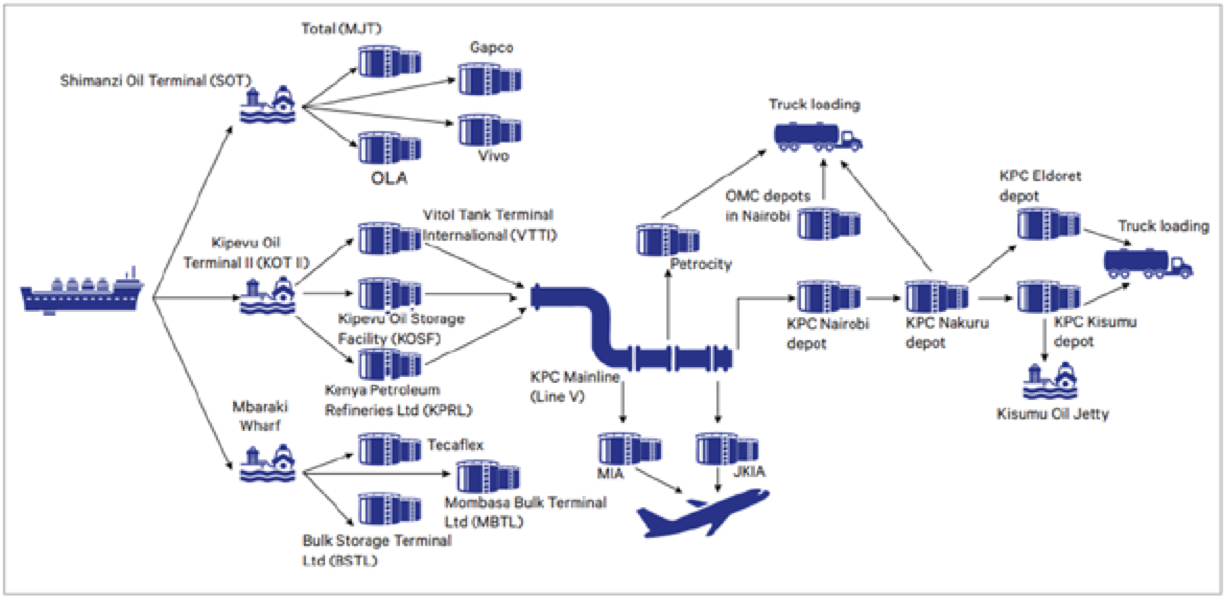
Other midstream players include Vivo Energy, Total Energies, Ola Energy, and Mbaraki Bulk Terminal Limited.

Table 2: Bulk petroleum storage facilities within the Mombasa port

Name of Facility	Capacity (Cubic meters)	Location
Kipevu Oil Storage Facility (KOSF)	326,230	Kipevu
Kenya Petroleum Refineries Limited (KPRL)	264,438	Changamwe
Vitol Tank Terminal International	111,057	Kipevu
GAPCO Kenya Limited	105,000	Shimanzi
Vivo Energy Kenya Limited	100,000	Shimanzi
KPRL (Port Reitz)	100,000	Kipevu
Total Energies Marketing PLC (MJT)	44,460	Shimanzi
Ola Energy Kenya Limited	42,200	Shimanzi
Mbaraki Bulk Terminal Limited	36,000	Mbaraki
Total	**1,129,385**	

Source: EPRA

Chart 1: Downstream petroleum bulk supply & distribution infrastructure from the point of import



Source: EPRA

[5] *These are fees incurred in the shipping and logistics industry, primarily when cargo remains at a port or terminal for longer than the agreed-upon free time.*

Privatization of KPC

The most notable development in the midstream segment is **the upcoming privatisation of KPC through an Initial Public Offering (IPO)**. Worth noting, the government has set a deadline of 31st March 2026 for the listing of KPC on the Nairobi Securities Exchange – providing a six-month window for the privatization process. This followed parliamentary approval with the following *(including but not limited to)* resolutions;

- The government remains with not less than 35% shareholding; thus, listing is up to 65% of the business.
- Valuation of the company to be contained in the IPO prospectus. Further, a citizen-friendly IPO valuation should be produced for the general public.
- The Office of the Auditor General to audit the privatization process and submit a report to the National Assembly within six months of completing the process.
- Employees of KPC to be included in an Employee Share Ownership Plan (ESOP)
- Privatization commission to set a maximum ownership limit for any single shareholder. This aims at preserving broad-based ownership, promoting market competitiveness, and protecting national and energy security interests.
- The Privatization Commission to ensure that all liabilities and risks affecting the valuation of KPC are comprehensively assessed, transparently disclosed, and factored into the transaction valuation before proceeding with the IPO.
- A clear statement should be included in the prospectus on how Kenya Petroleum Refineries Limited, a subsidiary of Kenya Pipeline Company Limited, has been financially evaluated and factored into the valuation of Kenya Pipeline Company Limited.
- Proceeds to be utilized in either development expenditure, pending bills, or liability management.
- Privatization Commission reports to the National Assembly on each stage of the implementation of the process for continuous oversight and accountability.
- The procuring and engaging of transaction advisers should be done transparently and competitively, and the cost of the transaction should not deviate from reasonable market rates, and approval from the National Treasury should be sought before any increase.
- The Privatization Commission implements a minimum level for participation by Kenyan citizens, ensuring broad local ownership from all walks of life.
- The privatization of KPC shall be structured to limit the mandate of the company to transporting and storing petroleum products and guarantee that KPC shall not venture into the importation or sale of petroleum products without prior approval from the Competition Authority of Kenya, EPRA, and the National Assembly.

More here.

As of 30th June 2024, KPC closed at **a book value of** KES 89Bn, with KES 77Bn (c. 86% of the book value) in retained earnings. The business generated net earnings of KES 6.9Bn in the period, translating to an ROE of 7.7% and closed at a cash position of KES 6.5Bn. Our back-of-the-envelope calculations, looking at the book value of similar businesses in the broader oil and gas sector, placed the **fair value estimate of the businesses at c. 102Bn** (that is at a P/B of 1.2x).

Further, looking at the business's cash position and leaning on our understanding of intrinsic valuation *(in light of better discounting metrics with easing policy rates and its ripple effects)*, we tend to believe that the value of the business based on its ability to generate cash may be significantly higher, quite similar to what we have seen with TotalEnergies (more to follow).

iii. Downstream Petroleum Operations *(supply and distribution)*

The downstream segment involves the process by which refined products are made available to consumers through supply and distribution.

There were 146 registered Oil-Marketing Companies (OMCs) as of 30th June 2025, a 4.3% y/y growth from 140 in the prior year. These companies primarily market diesel, kerosene, super petrol, lubricants, and LPG. Despite the market concentration, the top 10 OMCs account for c. 72% of the market share, with Vivo Energies, Rubis, and TotalEnergies Marketing Kenya jointly accounting for more than half of the market.

Indeed, the Herfindahl–Hirschman Index[6] (HHI) for the downstream segments as of 30th June 2025 stood at 0.0981 – a softening from 0.1079 in the prior year, but slightly below the regulator's target of 0.1. We further noted that market share outside the top 5 is highly erratic.

Table 3: Oil-Marketing Companies' market share as of June 2025

Company	Total Sales - PMS, AGO, DPK (m3)	% Share
Vivo Energy Kenya Limited	1,214,553.77	20.80%
Rubis Energy Kenya Plc.	900,478.87	15.42%
TotalEnergies Marketing Kenya Plc	866,102.80	14.83%
Ola Energy Kenya Limited	250,715.00	4.29%
Be Energy Limited	205,369.84	3.52%
Galana Energies Limited	187,095.01	3.20%
Hass Petroleum Kenya Limited	183,966.22	3.15%
Stabex International Limited	153,862.94	2.63%
Lake Oil Limited	112,301.62	1.92%
Dalbit Petroleum Limited	104,457.89	1.79%
Petro Oil Kenya Limited	101,986.00	1.75%
Tosha Petroleum (Kenya) Limited	96,541.99	1.65%
Zacosia Trading Limited	92,260.47	1.58%
Aftah Petroleum(K) Limited	90,584.00	1.55%
Towba Petroleum Company Limited	86,557.43	1.48%
Astrol Petroleum Company Limited	78,174.55	1.34%
Gapco Kenya Limited	67,134.00	1.15%
Vitalac International Limited	65,974.81	1.13%
Oryx Energies Kenya Limited	65,665.29	1.12%
Others	915,682.26	15.68%

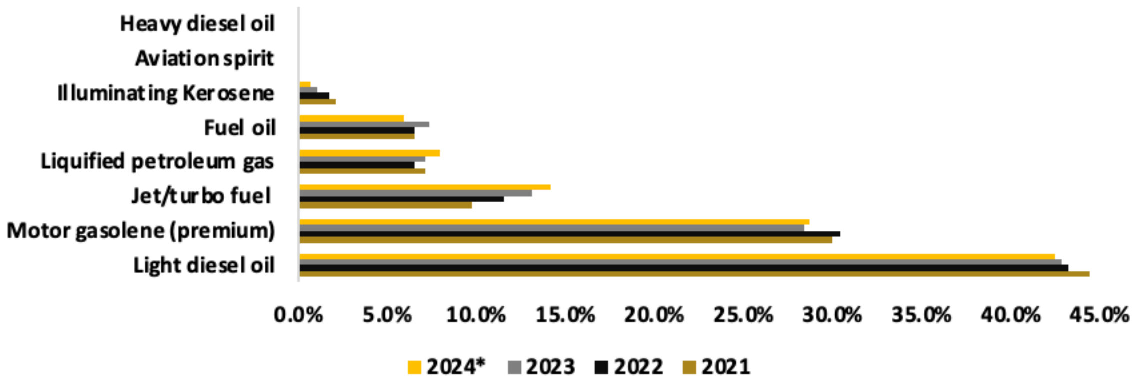
Source: EPRA

From a consumption vantage point, diesel has the largest demand and consequently supply in Kenya, estimated at c.43% of local petroleum needs, likely on the back of logistical commercial operations, followed by gasoline at 29% of total domestic demand. Aviation and LPG represent 14.1% and 8.0% of the demand in 2024.

More in the visual presentation in the chart below.

[6] HHI is a key measure of market concentration, giving insight into the level of competition within an industry. In essence, it helps determine whether an industry is closer to a monopoly, with a few dominant players, or perfect competition, with many small players. Governments and regulatory bodies use the HHI to monitor industries and make sure they remain competitive. Generally, a low score represents stiff competition and a high score signals little competition.

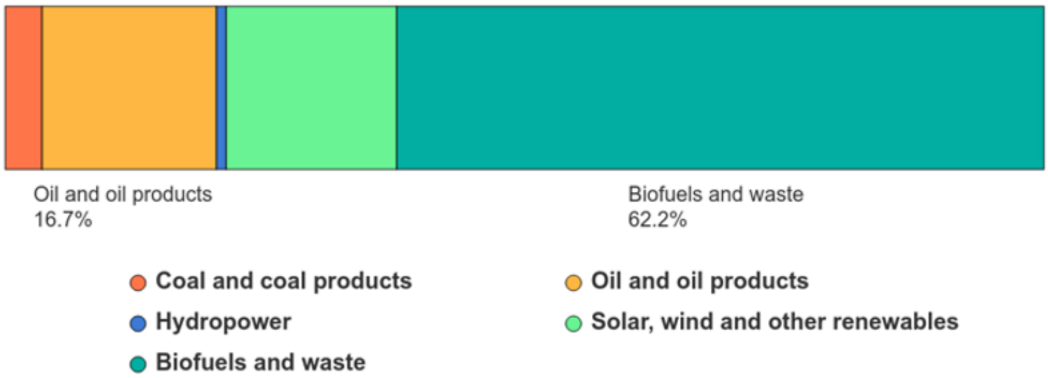
Chart 2: Kenya Petroleum demand



Source: KNBS economic survey 2025, Ministry of Energy and Petroleum & EPRA

From a bird's eye perspective, oil and oil products in Kenya account for c. 16.7% of the country's energy supply as per International Energy Agency (IEA) data, with 19.9% of the total final energy consumption in the country being on transport – where petroleum products are pivotal, in our view.

Chart 3: Total energy supply, Kenya, 2024



Source: International Energy Agency (IEA)

Chart 4: Total final energy consumption, Kenya, 2024

Source: International Energy Agency (IEA)

TotalEnergies Marketing Kenya PLC: Valuation Update

Business Overview

TotalEnergies Marketing Kenya Plc is a limited liability company incorporated and domiciled in Kenya. It is the third-largest OMC in Kenya and the only listed entity within the petroleum sector. The company has operated in Kenya since 1995, with its largest shareholder being TotalEnergies Marketing Afrique[7] at 92.26% shareholding (including redeemable preference shares).

Table 4: Top 10 Shareholding as of 31st December 2024

TOP 10 SHAREHOLDERS (Including redeemable preference shares)			
RANK	NAME	NO. OF SHARES HELD	PERCENT
1	TOTALENERGIES MARKETING AFRIQUE	580,804,822	92.26%
2	TOTALENERGIES MARKETING HOLDINGS AFRICA	10,732,950	1.70%
3	BID PLANTATIONS LTD	4,170,000	0.66%
4	LANDON,SUSAN ALEXIS	2,506,400	0.40%
5	SHAH, RAJESH DHARAMSHI D	2,138,686	0.34%
6	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004630	1,630,000	0.26%
7	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE000954	1,370,000	0.22%
8	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002670	864,400	0.14%
9	STANDARD CHARTERED KENYA NOMINEES LTD A/C 131550500013	810,100	0.13%
10	NJIHIA,WAITHAKA NGANG'A	630,000	0.10%
	TOTAL	**605,657,358**	**96.21%**

Source: TotalEnergies Marketing Kenya Plc Annual Report

As of 2024, the business operated c. 252 service stations, with 94.3% of its revenues attributable to local sales[8]. Export and bulk sales were at 5.7% of its net revenues. Worth noting, export revenue contribution has remained muted over the years, with network sales rising, bolstered by growth in service stations (which have increased by an average of c. 9 stations a year since 2017). General trade business has also grown significantly from a contribution of 17.9% of net sales in 2017 to 29.3% in 2024.

2025 Outlook

For FY25, we forecast a 20.0%y/y growth in net earnings to KES 1.8Bn from KES 1.5Bn in the prior year – largely on account of easing finance costs (-58.1% y/y). We anticipate seeing net revenues growing marginally to KES 116.8Bn (+2.3%y/y).

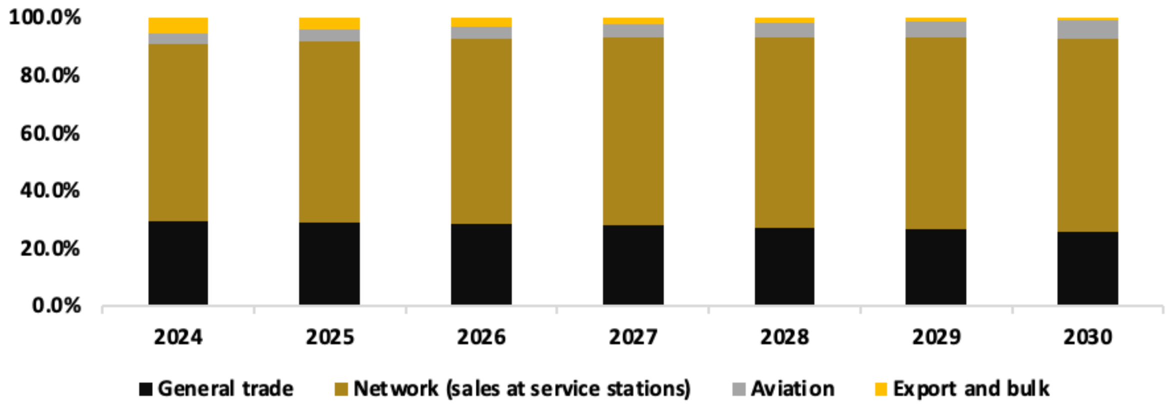
From a topline perspective, local sales contribution is expected to grow to 95.8% of net sales, up from 94.3% in FY24. Export and bulk sales are forecasted to soften by c. 24.2% y/y to KES 5.0Bn – primarily on account of dwindling volumes. Aviation, Network Sales, and General Trade are forecasted to grow by 14.3% y/y, 4.7% y/y, and 0.8%y/y to KES 4.5Bn, KES 73.5Bn, KES 33.8Bn, respectively.

We see service stations growing to a total of 261, with their average annual net revenue per station rising 1.1% y/y to c. KES 281.7m, which we believe will continue to benefit from initiatives such as solarization. We estimate the full-year per share dividend to be retained at KES 1.92, representing a 67.7% payout ratio.

[7] TotalEnergies Marketing Afrique (TotalEnergies Marketing Afrique SAS) is a 100% owned subsidiary of TotalEnergies SE incorporated in France. The company focuses on oil marketing across the African continent.

[8] Local sales in 2024 were made up of 31.1% general trade (business-to-business sales), 65.2% network sales (distribution of petroleum products through service stations located across the country), and 3.7% aviation (comprises sales of turbine kerosene and aviation gasoline to local and international air carriers).

Chart 5: Revenue Forecast 2025 - 2030



Source: TotalEnergies Marketing Kenya Plc Annual Report, SIB Estimates

Business Valuation

We valued the business based on its historical financial performance, financial forecasts, and its business plans – performing a blend of both intrinsic valuation and relative valuation.

Discounting Assumptions

For the market risk premium, we used NYU Stern's country default spreads and risk premium estimates. We applied a beta of 1.4, derived from the correlation of the movement of the stock price vis-à-vis the broad market over the last year. For the risk-free rate, we used the US 5-year bond as the implied risk-free rate. To account for the additional risk on the sovereign above the risk-free rate, we computed a sovereign risk spread between the US and Kenya from the differentials of their 10-year bonds (in US Dollars).

By a terminal growth rate of 3.55% – a function of the sustainable Return-on-Equity and the sustainable retention rate, both from historical performance – we estimated the terminal value of the business beyond the 2030 forecasted period at KES 67.9Bn. We then estimated the cost of equity from a rational investor's point of view and calculated the present value of cumulative future free cash flows and the present value of the above terminal value.

For investors who do not share the same level of assumptions on the discounting factor and the terminal growth rate, we have provided a sensitivity analysis that captures fair value estimates at different levels of assumptions. Laws of congruence should apply to data points not captured in the table.

Table 5: Discounting Assumptions

Cost of Equity Assumptions:	16-Oct-25
Risk free rate	3.67%
Beta	1.40
Market Risk Premium	14.34%
Sovereign risk spread	4.22%
Cost of Equity	**27.97%**
Terminal Assumptions:	
Terminal growth rate	3.55%
PAT - FY30F	2,407,489
Terminal Value - (Year 2030)	67,873,434

Terminal growth rate	
Historical ROE	7.34%
Retention Rate	48.34%
Terminal Growth Rate	**3.55%**

Cost of Debt	13.92%
Value of Debt	3,186,094
Value of Equity	21,845,123
Equity Weight	87.27%
Debt Weight	12.73%
WACC	**26.18%**

Source: SIB Estimates, NYU Stern's country default spreads and risk premium estimates, US Treasury

Discounted Cash Flow Approach

Using the Discounted Cash Flow approach, we obtained a value of **KES 77.43** per share of TotalEnergies, with a valuation range of **KES 100.57 – 64.55** for the company at different levels of assumption, as shown below.

Discounted Cash Flow Approach

Free Cash Flow Model (KES, '000)	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
FCFF	5,475,753	5,655,851	5,868,179	6,111,251	6,386,589	6,699,607
Terminal Value						67,873,434
Time	0.21	1.21	2.21	3.21	4.21	5.21
Discount Factor	0.95	0.76	0.60	0.47	0.38	0.30
Present value	5,216,944	4,270,533	3,511,554	2,896,418	2,398,899	22,199,164

Value of the firm	40,493,512
Value of debt	3,186,094
Plus cash	11,437,183
Book value of Equity	48,744,601
Number of shares	629,542.46
Value per share	**77.43**

Discounted Cash Flow Approach Sensitivity Analysis

		WACC				
		22.18%	24.18%	26.18%	28.18%	30.18%
Terminal Growth Rate	2.55%	100.57	95.05	90.03	85.45	81.26
	3.05%	91.89	87.08	82.70	78.69	75.03
	3.55%	85.67	81.36	**77.43**	73.84	70.55
	4.05%	80.98	77.05	73.46	70.19	67.18
	4.55%	77.32	73.69	70.37	67.34	64.55

Source: SIB Estimate

Dividend Discount Model

Using the Dividend Discount approach, we obtained a value of KES 39.49 per share of TotalEnergies, with a valuation range of **KES 60.82 – 28.19** for the company at different levels of assumption, as shown below.

Dividend Discount Model

Dividend Discount Model (KES, '000)	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
Dividends	1,208,721	1,275,696	1,349,836	1,431,752	1,523,760	1,630,756
Terminal Value						67,873,434
Time	0.21	1.21	2.21	3.21	4.21	5.21
Discount Factor	0.95	0.76	0.60	0.47	0.38	0.30
Present value	1,151,591	963,233	807,750	678,577	572,347	20,690,251

Value of equity	24,863,749
Number of Shares	629,542.46
Fair Value per share	**39.49**

Source: SIB Estimate

Dividend Discount Model Sensitivity Analysis

		WACC				
		22.18%	24.18%	26.18%	28.18%	30.18%
	2.55%	60.82	56.25	52.10	48.33	44.90
	3.05%	52.15	48.27	44.76	41.57	38.67
Terminal Growth Rate	3.55%	45.92	42.55	**39.49**	36.72	34.19
	4.05%	41.23	38.24	35.53	33.07	30.82
	4.55%	37.57	34.88	32.44	30.22	28.19

Source: SIB Estimate

Relative Valuation

Under the relative valuation approach, we used the median P/E, P/B, and EV/EBITDA from Bloomberg for the petroleum sector in Africa and the Middle East. The P/E, P/B, and EV/EBITDA multiples were 14.2x, 1.2x, and 6.8x, respectively.

P/E Valuation Approach

Sector Median P/E	14.2x
2024 Net Income (Actual)	1,487,433
Number of Shares	629,542
EPS	2.36
Implied Fair Value Per Share	**33.59**

Source: SIB Estimates, Bloomberg, Annual Report

P/B Valuation Approach

Sector Median P/B	1.2x
2024 Shareholders' Equity (Actual)	32,707,384
Number of Shares	629,542
NAV	51.95
Implied Fair Value Per Share	**60.02**

Source: SIB Estimates, Bloomberg, Annual Report

EV/EBITDA Valuation Approach

Sector Median EV/EBITDA	6.8x
2024 EBITDA (Actual)	6,416,793
Number of Shares	629,542
Implied Fair Value Per Share	**68.82**

Source: SIB Estimates, Bloomberg, Annual Report

Valuation Summary

Equal weightings were applied for the methodologies used in relative valuation as well as intrinsic valuation to obtain a blended fair value estimate of **KES 56.30** with a valuation range **KES 67.42 – KES 50.26** at different levels of assumption. We thus issue a **BUY recommendation** with an upside potential of 60.4% from the current market price.

Valuation Summary

Intrinsic Valuation	Fair Value Est.	Upside Potential
DCF	77.43	120.6%
DDM	39.49	12.5%
Relative Valuation	**Fair Value Est.**	**Upside Potential**
P/E	33.59	-4.3%
P/B	60.02	71.0%
EV/EBITDA	68.82	96.1%

-

Current Price	35.10	0.0%
NAV	51.95	48.0%
Blended Fair Value est.	**56.30**	**60.4%**

Intrinsic Valuation	Fair Value Est.	Weighting	Implied Value
DCF	77.43	50.0%	38.71
DDM	39.49	50.0%	19.75
Implied Value est.			**58.46**

Relative Valuation	Fair Value Est.	Weighting	Implied Value
P/E	33.59	33.3%	11.20
P/B	60.02	33.3%	20.01
EV/EBITDA	68.82	33.3%	22.94
Implied Value est.			**54.14**

Blended Valuation	Fair Value Est.	Weighting	Implied Value
Intrinsic Valuation	58.46	50.0%	29.23
relative Valuation	54.14	50.0%	27.07
Implied Value est.			**56.30**

		WACC				
		22.18%	**24.18%**	**26.18%**	**28.18%**	**30.18%**
Terminal Growth Rate	**2.55%**	67.42	64.90	62.60	60.52	58.61
	3.05%	63.08	60.91	58.94	57.14	55.50
	3.55%	59.97	58.05	**56.30**	54.71	53.26
	4.05%	57.62	55.89	54.32	52.88	51.57
	4.55%	55.79	54.21	52.77	51.46	50.26

Source: SIB Estimate

Earnings Model

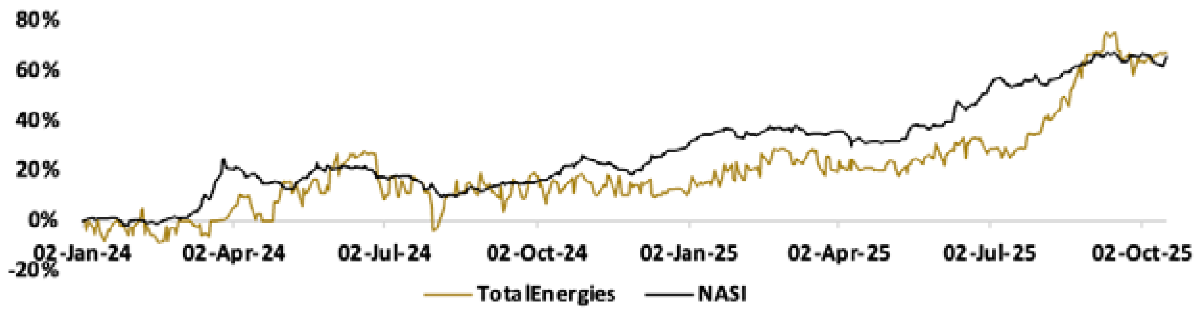
Income Statement (KES, '000)	2025F	2026F	2027F	2028F	2029F	2030F
Net revenue	116,782,898	119,881,866	123,430,355	127,372,787	131,672,335	136,307,119
Cost of sales	106,743,498	109,576,059	112,819,498	116,423,013	120,352,944	124,589,293
Gross profit	**10,039,400**	**10,305,807**	**10,610,857**	**10,949,774**	**11,319,390**	**11,717,826**
Other income	2,210,849	2,269,516	2,336,694	2,411,329	2,492,725	2,580,467
Administrative Expenses /Payroll	4,860,971	4,989,962	5,137,664	5,301,764	5,480,728	5,673,647
Selling & Distribution Expenses	3,981,054	4,086,696	4,207,662	4,342,057	4,488,626	4,646,623
EBITDA	**7,739,476**	**7,944,852**	**8,180,018**	**8,441,292**	**8,726,233**	**9,033,391**
Profit before tax	2,726,851	2,877,947	3,045,205	3,230,005	3,437,573	3,678,955
Profit for the year	1,784,437	1,883,313	1,992,766	2,113,698	2,249,530	2,407,489
EPS (basic)	2.83	2.99	3.17	3.36	3.57	3.82
DPS	1.92	2.03	2.14	2.27	2.42	2.59

Balance Sheet (KES, '000)	2025F	2026F	2027F	2028F	2029F	2030F
Total Non-Current Assets	**16,552,706**	**17,103,861**	**17,684,643**	**18,293,697**	**18,930,010**	**19,592,850**
Inventories	12,187,071	12,510,468	12,880,777	13,292,196	13,740,882	14,224,553
Trade and other receivables	20,369,359	20,909,883	21,528,813	22,216,455	22,966,385	23,774,788
Cash and bank balances	7,560,004	7,582,578	7,674,595	7,881,290	8,261,221	8,893,381
Total Current Assets	**44,152,392**	**45,188,961**	**46,426,954**	**47,896,408**	**49,645,924**	**51,748,719**
Total Assets	**60,705,098**	**62,292,822**	**64,111,597**	**66,190,105**	**68,575,934**	**71,341,570**
Total Equity	**33,283,100**	**33,890,717**	**34,533,646**	**35,215,592**	**35,941,362**	**36,718,094**
Total Non-Current Liabilities	**2,484,912**	**2,597,678**	**2,730,920**	**2,884,263**	**3,057,741**	**3,251,740**
Trade and other payables	21,309,711	21,875,188	22,522,691	23,242,078	24,026,629	24,872,352
Total Current Liabilities	**24,937,086**	**25,804,427**	**26,847,031**	**28,090,249**	**29,576,831**	**31,371,735**
Total Equity and Liabilities	**60,705,098**	**62,292,822**	**64,111,597**	**66,190,105**	**68,575,934**	**71,341,570**

Cashflow Statements (KES, '000)	2025F	2026F	2027F	2028F	2029F	2030F
Net cash from operating activities	1,104,943	5,107,413	5,272,179	5,463,726	5,682,554	5,933,730
Net Cash from Investing Activities	(4,019,921)	(4,122,688)	(4,236,408)	(4,359,433)	(4,490,599)	(4,629,115)
Net Cash from Financing Activities	(962,201)	(962,151)	(943,754)	(897,598)	(812,025)	(672,453)
Changes in cash and cash equivalents	(3,877,179)	22,574	92,017	206,695	379,930	632,161
Cash at start of period	11,437,183	7,560,004	7,582,578	7,674,595	7,881,290	8,261,221
Cash at end of period	**7,560,004**	**7,582,578**	**7,674,595**	**7,881,290**	**8,261,221**	**8,893,381**

Source: SIB Estimate

Price Chart



Source: SIB Estimates, NSE

ESG Positioning

The company is strategically positioning itself as a market leader in the low-carbon energy transition and reduction of scope 1 and scope 2 emissions[9]. Notably, by reducing its proportion of oil products while strengthening its position in gas, a transitional energy, and electricity. Indeed, through its partnerships with Ampersand, Roam, and Arc Ride – *all e-mobility players* – the business has expanded its electric motorbike battery charging and swapping stations to approximately 24 sites in the last three years, which collectively had an average capacity of 62 battery swaps per day in 2024.

Further, the business has solarised 152 of its 252 stations, opened 2 charging units for four-wheelers (totalling 4 as of 2024), and rolled out the sale of biodiesel in its product diversification drive – more in table 6.

Table 6: ESG Highlights 2024 vs 2023

ESG highlight Area	2024	2023
Net Zero Ambition by 2050	• **1.56%** decrease in Scope **1 & 2** emissions • Reduction of approximately **49 TCO_2e** through the adoption of Viscosity Index Improver technology at the Blending plant • **10 new EV** charging units for two-wheelers • **2 new EV** charging units for four-wheelers.	• **25%** decrease (2023 vs. 2024) Scope 1 & 2 emissions **(577 TCO_2e)** • **13 EV** charging units for two-wheelers • **2 EV** charging units for four-wheelers
Low carbon Products	• **93,800 liters** of Biodiesel sold • Commercial rollout of Biodiesel • Rolled out LPG to over **200,000** households annually in Kenya in partnership with M-gas	• Piloted Biodiesel
Solarization	• **152 Stations** powered by solar • **1** new Solar powered depot	• **148 Stations** solarized • **3** Depots solarized • Head office powered by solar
Waste	Collected & recycled: • **22 tons** of plastic waste • **1.75 tons** of e-waste • **45 tons** Post Consumer Recycled **(PCR)** Content in recycled lube packaging	Collected & recycled: • **35 tons** of plastic waste • **0.5 tons** of e-waste • **3.4 tons** Post Consumer Recycled **(PCR)** Content in recycled lube packaging
Water	• Rainwater harvesting in **36 stations** • Total water usage **28.6 million** Liters	• Rainwater harvesting in **27 stations** • Deployed water-savings sensor taps
Biodiversity	• Planted **30,000 trees** through Eco- Challenge Program • Over **60 employees** volunteered in tree planting initiatives	• Planted **30,220 trees** through Eco- Challenge Program • **73 employees** volunteered in the tree planting

Source: TotalEnergies Marketing Kenya Plc Annual Report

[9] *In the context of an Oil Marketing Company, which typically focuses on the storage, distribution, and sale of petroleum products, scope 1 emissions are direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the OMC, i.e., the business has direct control over the source, e.g., its fuel delivery fleet and diesel generators.*

Scope 2 emissions are indirect GHG emissions from the generation of purchased energy that is consumed by the OMC's operations, i.e., the business has indirect control over the source, e.g., the emissions created at the power plant that generates the electricity used by the OMC.

Disclosure and Disclaimer

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Shariah Compliant Disclosure: The research analyst or analysts responsible for the content of this research report certify that: The information provided in this report reflects SIB's approach to Sharia Compliant investing as at the date of this report and is subject to change without notice. We do not undertake to update any of such information in this report. Any references to Halal equities or similar terms in this report are intended as references to the internally defined criteria of the Firm or our businesses only, as applicable, and not to any jurisdiction-specific regulatory definition.

Global Disclaimer: Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication. SIB is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SIB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SIB has in place policies and procedures and physical information walls between its Research Department and differing business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SIB makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SIB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

CONTACTS

Research

Eric Musau
emusau@sib.co.ke

Wesley Manambo
wmanambo@sib.co.ke

Melodie Gatuguta
mgatuguta@sib.co.ke

Equity Trading

Tony Waweru
awaweru@sib.co.ke

Foreign Equity Sales

John Mucheru
jmucheru@sib.co.ke

Fixed Income Trading

Brian Mutunga
bmutunga@sib.co.ke

Barry Omotto
bomotto@sib.co.ke

Global Markets

Nahashon Mungai
nmungai@sib.co.ke

Nickay Wangunyu
nwangunyu@sib.co.ke

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservices@sib.co.ke

Investment Solutions

Robin Mathenge
rmathenge@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki

lgithuki@sib.co.ke

Headquarters

JKUAT Towers (Formerly ICEA Building),
16th Floor , Kenyatta Avenue, Nairobi,
Kenya.

Telephone: +254 777 333 000,
+254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke