



## Canada's Biggest IPO Ever Could Be on the Horizon

### Description

After years of delay, Canada is finally getting closer to breaking ground on additional pipeline capacity to move oil from Alberta to export markets. However, given the financial costs and remaining risks, **Kinder Morgan Inc.** ([NYSE:KMI](#)), one of the companies working on a new pipeline, is searching for partners to help take some of that burden.

That search is taking Kinder Morgan down several different paths, including a potential IPO of the project. If it goes that route, it would be one of the biggest IPOs in Canadian history, which certainly makes it worth watching.

### Drilling down into what's at stake

Kinder Morgan was one of two pipeline companies that received approval to build expansion projects in the country last year. If everything goes according to plan, Kinder Morgan expects to start construction on its \$6.8 billion Trans Mountain Pipeline expansion later this year, which would put it on pace for completion in 2019. However, given that few things have gone according to plan thus far, the company isn't leaving anything to chance.

That's why it's looking to offload some of the risks of constructing the project by bringing on some partners. Ideally, the company would like to find financial partners such as pension and private equity funds to join it in a 50% joint venture to help finance half the project. According to reports, it has already had discussions with Canada's three largest pension plans and intends to do the same with sovereign wealth funds from the Middle East. However, if it can't find the right partner or partners to join it in the project, the company could go the IPO route.

### Not your average IPO

If Kinder Morgan went that route, the entity would take a much different form. Instead of selling half of the expansion project, Kinder Morgan would likely sell a smaller stake in its entire Canadian infrastructure portfolio. In other words, it could carve out its terminal assets in western Canada and combine them with its existing Trans Mountain Pipeline to give public investors direct access to the growth of its Canadian asset base.

The company would then target to raise 20-40% of its total budget in an IPO, or between \$1.4 billion and \$2.7 billion. While that represents less money than the company had hoped to raise from private investors, it would represent one of the largest IPOs in the country's history. Further, the company would then have the option to raise more money at a later date via secondary offerings.

The other advantage of an IPO is that it would give Kinder Morgan the currency not only to finance its Trans Mountain Pipeline expansion project but also to fund other future projects in Canada. As mentioned, the company has an expanding terminals business in the country, which includes the Base Line Terminal project which is scheduled to go into service later this year.

Kinder Morgan and its partner **Keyera Corp.** have room to expand that terminal in the future as well as their Alberta Crude Terminal in Alberta, depending on demand.

In addition to this internal growth potential, a standalone Kinder Morgan Canada could have more flexibility to consider acquisitions or invest in other growth projects in the country. As such, this entity would appeal to investors seeking to make a directional bet on infrastructure expansion in western Canada.

### Investor takeaway

Kinder Morgan is proceeding with caution as it takes steps towards finally breaking ground on its long-awaited Trans Mountain expansion project. Those actions include the search for the right financing path for the project. It will be interesting to see if it ultimately chooses to proceed with an IPO because that option could provide the company with more flexibility in the future, including giving it a dedicated vehicle to grow its operations in Canada.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:KMI (Kinder Morgan Inc.)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

### Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

**Date**

2025/07/03

**Date Created**

2017/02/28

**Author**

mdilallo

default watermark

default watermark