

New Analysis Calls for Rethinking Valuation of Concession and PPP Businesses Amid Regulatory and Market Shifts

By Kailash Sadangi: Rethinking How Long-Term Concession Assets Are Valued in Volatile Markets

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/EINPresswire.com/ -- A new thought leadership article highlights the need for investors, boards, and policymakers to rethink how concession and public-private partnership (PPP) businesses are valued, as traditional corporate valuation models increasingly fail to capture the distinctive risk, return, and regulatory dynamics of long-dated infrastructure assets.



Illustrative infrastructure assets—including energy processing facilities, renewable power, storage terminals, and airport systems—typical of long-dated concession and PPP investments.

Concession businesses — including power and water utilities, transport infrastructure, and regulated public service assets — operate under fundamentally different economic and governance frameworks compared to conventional corporates. Their revenues are often shaped by regulatory regimes, concession agreements, and long-term tariff structures, while capital recovery and returns are tied to regulatory asset bases (RABs), availability payments, or demand-linked mechanisms. Despite these differences, valuation approaches frequently default to standard corporate discounted cash flow (DCF) models, which can materially misstate value and risk.

The analysis underscores that concession valuation requires a bespoke framework that integrates regulatory economics with corporate finance tools. Key drivers include concession tenure, residual value assumptions, regulatory resets, allowed returns on capital, inflation indexation, and political or regulatory intervention risk. In regulated sectors, RAB-based valuation multiples remain a central anchor for transactions and public market pricing, reflecting the quasi-sovereign risk profile of these assets.

Recent infrastructure transactions and IPOs continue to reference RAB multiples as a primary valuation benchmark, with pricing reflecting investor confidence in regulatory stability and the



Valuing long-term concession assets requires blending regulatory economics with corporate finance, not relying on DCF alone.

- Kailash Sadangi, Group CFO with over 30 years of leadership in PPP space"

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predictability of long-term cash flows. However, the current macroeconomic environment — characterised by higher interest rates, elevated cost of capital, and increased scrutiny of infrastructure affordability — is placing renewed pressure on valuation assumptions. Changes in WACC, regulatory methodologies, and indexation mechanisms can have a disproportionate impact on equity value in long-duration concession assets.

The article further highlights the growing relevance of hybrid valuation approaches that triangulate enterprise value using DCF, internal rate of return (IRR) targets, and regulatory asset base metrics. This multi-lens framework

enables investors and boards to better understand downside protection, upside optionality, and sensitivity to regulatory and macroeconomic variables. It also provides a more robust basis for investment committee decision-making, particularly in competitive auction processes for infrastructure concessions and PPP portfolios.

Beyond financial modelling, governance and regulatory design are identified as increasingly material valuation drivers. Transparent regulatory frameworks, predictable tariff-setting mechanisms, and credible dispute resolution processes are critical to sustaining investor confidence in long-term concession models. Conversely, regulatory uncertainty, retrospective interventions, or political interference can rapidly erode asset value, regardless of underlying asset quality.

The analysis also points to a broader strategic implication for governments and sponsors structuring future concessions and PPP programs. Well-designed concession frameworks that balance investor returns with affordability and service quality can materially lower the cost of capital for public infrastructure delivery. In contrast, poorly structured concessions risk embedding value leakage, higher financing costs, and long-term fiscal inefficiencies.

As infrastructure demand accelerates globally — driven by energy transition, urbanization, and digital connectivity — the need for capital-efficient and investable concession frameworks is becoming more pronounced. Institutional investors, sovereign wealth funds, and pension funds continue to seek long-duration, inflation-linked assets to match long-term liabilities. The credibility of valuation methodologies and regulatory frameworks will therefore play a decisive role in mobilizing private capital into essential public infrastructure.

The release concludes that concession valuation is no longer a niche technical exercise confined to project finance specialists. It has become a strategic competency for boards, CFOs, investment committees, and policymakers navigating the intersection of infrastructure development, regulation, and capital markets. A more nuanced, regulation-aware valuation framework is

essential to ensure that long-term infrastructure assets are priced appropriately, risks are transparently allocated, and capital is deployed efficiently.

The full article, "Concessional Business Valuation," is available on Medium.

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