

# CENTUM INVESTMENT COMPANY PLC

FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2020

The Board of Directors of Centum Investment Company Plc is pleased to announce the unaudited interim financial results of the Group and Company for the six-month period ended 30 September 2020 as set out below:



## CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2020

KES '000	Group		Company	
	SEPT '20	SEPT '19	SEPT '20	SEPT '19
<b>Trading business:</b>				
Sales	294,869	4,775,213	-	-
Direct and other operating costs	(698,814)	(4,520,789)	-	-
Trading (Loss)/Profit	(403,945)	254,424	-	-
<b>Financial services:</b>				
Income from financial services	1,871,656	1,904,039	-	-
Funding and other costs	(1,833,909)	(1,895,577)	-	-
Operating profit from financial services	37,747	8,462	-	-
<b>Investment operations:</b>				
Investment and other income	433,464	12,402,305	728,776	3,022,232
Realised gains on disposal of investments	(78,294)	11,716	-	-
Operating and administrative costs	(502,888)	(574,665)	(298,454)	(311,791)
Finance costs	(1,331,233)	(2,037,422)	(335,285)	(1,227,810)
Share of loss of associates and joint venture	(203,770)	(61,697)	-	-
Operating Profit	(2,048,919)	10,003,123	95,037	1,482,631
Provision for impairment on assets	-	(2,286,890)	-	(2,286,890)
<b>(Loss)/Profit before tax</b>	<b>(2,048,919)</b>	<b>7,716,233</b>	<b>95,037</b>	<b>(804,259)</b>
<b>(Loss)/Profit after tax</b>	<b>(1,981,725)</b>	<b>6,790,544</b>	<b>95,037</b>	<b>(1,604,323)</b>
Other comprehensive income, net of tax	267,700	(193,602)	(1,392,055)	57,904
<b>Total comprehensive income</b>	<b>(1,714,025)</b>	<b>6,596,942</b>	<b>(1,297,018)</b>	<b>(1,546,419)</b>
Earnings Per Share-Basic	(2.09)	10.70	-	-
Attributable to:				
Owners of the parent	(1,121,740)	6,929,343	(1,297,018)	(1,546,419)
Non-controlling interest	(592,285)	(332,401)	-	-
	<b>(1,714,025)</b>	<b>6,596,942</b>	<b>(1,297,018)</b>	<b>(1,546,419)</b>

## CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

KES MILLION	Group		Company	
	SEPT '20	MAR '20	SEPT '20	MAR '20
Portfolio investments	20,425	18,202	49,159	53,167
Cash and cash equivalents	8,850	8,182	1,743	2,912
Inventory - Residential units	4,257	3,016	-	-
Other assets	74,944	72,461	604	771
<b>Total Assets</b>	<b>108,476</b>	<b>101,861</b>	<b>51,506</b>	<b>56,850</b>
Customer deposits - banking subsidiary	21,641	17,460	-	-
Borrowings	26,216	22,197	3,587	7,486
Deferred income - Real estate business	2,929	2,223	-	-
Other Liabilities	7,730	7,359	2,575	1,925
<b>Total Liabilities</b>	<b>58,516</b>	<b>49,239</b>	<b>6,162</b>	<b>9,411</b>
<b>Total Equity</b>	<b>49,960</b>	<b>52,622</b>	<b>45,344</b>	<b>47,439</b>
<b>Total Capital and Liabilities</b>	<b>108,476</b>	<b>101,861</b>	<b>51,506</b>	<b>56,850</b>
NAV per share (KES)			68.14	71.29

## CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2020

KES MILLION	Group		Company	
	SEPT '20	SEPT '19	SEPT '20	SEPT '19
Opening cash and cash equivalents	8,182	5,393	2,912	252
Net cash from operations	536	16,857	3,908	19,776
Net cash used in investing activities	(5,771)	(1,174)	(934)	(663)
Cash generated from/ (used in) financing activities	5,903	(2,560)	(4,143)	(7,420)
<b>Closing cash and cash equivalents</b>	<b>8,850</b>	<b>18,516</b>	<b>1,743</b>	<b>11,945</b>

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2020

KES MILLION	Group		Company	
	SEPT '20	MAR '20	SEPT '20	MAR '20
Share capital	333	333	333	333
Share premium	590	590	590	590
Other reserves	2,167	1,984	22,141	23,533
Retained earnings	42,184	41,747	22,280	22,185
Proposed dividends	-	798	-	798
Non-controlling interests	4,686	7,170	-	-
<b>Total</b>	<b>49,960</b>	<b>52,622</b>	<b>45,344</b>	<b>47,439</b>

### BACKGROUND

The 6-month period to 30 September 2020 was an extremely challenging one against a backdrop of Covid 19 and the economic uncertainty and disruption to business that it occasioned. Fortunately, the core focus of our Centum 4.0 strategy that began in 2019/2020 was to build business resilience by strengthening the balance sheet through a process of:

- reducing debt;
- enhancing liquidity;
- switching to more cash flow generative assets that are less susceptible to market movements; and
- value preservation.

**Debt Reduction:** During the six months period, we reduced net debt by Kshs 4.1 Bn by retiring our 5 year bond fully. In the prior period ended 30 September 2019, the company had made an early repayment of its USD denominated facility of USD 75 million. These actions of deleveraging the balance sheet have resulted in a significant reduction in finance costs from KES 1.2 billion to KES 335 million.

**Liquidity Enhancement:** In June 2020, Centum Real Estate Limited, our wholly owned Real Estate subsidiary, repaid shareholder loans worth KES 3.75 billion to Centum. This repayment is the first

significant cash contribution from our Real Estate subsidiary. Since this was a repayment of a shareholder loan, the transaction was not recognized in the income statement. We are upbeat about the strong pipeline of land sales within Centum RE and we expect further contribution in the second half of the year.

**Switching to more cash flow generative assets:** To preserve value, we closed the period with cash and marketable securities portfolio of KES 8.3 billion, the bulk of which is invested in cash flow generating fixed income securities. The switch to fixed income securities significantly enhanced our interest income, further cushioning the income statement from the decline in dividend income as portfolio companies cut dividend to preserve cash.

A summary of the trend in the gearing position is set out below:

Kes. Mn	FY '16	FY '17	FY '18	FY'19	FY'20	HY'21
Short Term Debt	-	(982)	(3,482)	(108)	(7,486)	(3,587)
Long Term Debt	(10,475)	(13,674)	(11,360)	(16,036)	-	-
Total Debt	(10,475)	(14,656)	(14,842)	(16,144)	(7,486)	(3,587)
Cash and Cash Equivalents	3,849	2,447	1,078	253	2,912	1,743
Marketable Securities	2,673	3,133	3,566	3,781	6,053	6,526
Net (Debt) / Cash Position	(3,953)	(9,076)	(10,198)	(12,110)	1,479	4,682
Equity	22,936	44,808	48,686	52,600	47,439	45,344
Net Debt to Equity	17%	20%	21%	23%	Nil	Nil
Long Term Debt to Equity	46%	31%	23%	30%	Nil	Nil

**Value Preservation:** Our objective has been to protect our balance sheet from a significant erosion of value. NAV per share reduced from KES 71.29 to KES 68.14. Of this movement, KES 1.20 is on account of the dividend paid and the balance is attributable to portfolio revaluation movements. The total return in the period adjusted for dividend was therefore -2.7%, which compares favourably with the market performance in the period under review.

### FINANCIAL PERFORMANCE

#### Group performance

The Group's consolidated comprehensive income reduced from KES 6.6 billion to a loss of KES 1.7 billion for the six-month period ended 30 September 2020, compared to a similar period in the prior year. In the period ended 30 September 2019, the Group had recorded exceptional items including an investment income of KES 12.4 billion, being realized gain from the disposal of beverage assets as well as KES 2.3 billion impairment provision on assets, primarily, Amu Power. In the current period, no gain on disposal or impairment provision on assets has been recorded. The current economic environment has also impacted the performance of several entities within the Group. The underlying performance of the Group's three business units is set out below.

#### Real Estate

Centum Investment Company Plc has reorganized its Real Estate business unit into two distinct businesses units: Centum Real Estate Limited, which is a wholly owned subsidiary and the holding company for all wholly owned real estate business; and Two Rivers Development Limited, of which the company holds a 58% stake. Centum Real Estate Limited is pursuing a sales-led development model and is currently constructing 1,482 residential units across three sites, namely Two Rivers Development in Nairobi, Vipingo Development in Kilifi and Pearl Marina Development in Uganda. Of the 1,482 units under construction, 1,086 units, with a revenue potential of KES 9.2 billion had been sold as at 30 September 2020, representing a pre-sale level of 73%. The business has collected over KES 2.6 billion in cash deposits for these presold units and has a collectible of KES 6.6 billion. In the last six months, Centum Real Estate Limited business was resilient over the impact of Covid-19 on the operating environment, recording sales of KES 1.7 billion and collecting KES 650 million within the same period. These collections reflect the quality of the collectible amounts on the presold units. During the period, Centum Real Estate Limited launched three developments of residential units, of which one has already been market validated and has now broken ground. The other two developments are under market validation.

IFRS 15: Revenue from Contracts with Customers requires that the seller recognizes revenue once the performance obligations under the contract are satisfied. Collections from presold units are treated as a deferred revenue on the balance sheet and will reflect on the income statement when the units are completed and transferred to buyers.

The underlying subsidiaries of Real Estate Limited have an asset to debt ratio of 7.9X and are therefore under-leveraged. Centum Real Estate Limited is in the process of issuing a three-year KES 4 billion bond to finance specific projects that are currently under construction. The amount collectible in the already presold units exceeds the redemption value of the bond.

Centum Real Estate Limited is in the process of completing land sales amounting to KES 3 billion, which are currently under legal documentation. These sales are expected to be reflected in the financial statements for the year ending 31 March 2021.

#### Private Equity

The Private Equity business recorded a KES 1.2 billion consolidated after-tax loss for the period ended 30

September 2020 compared to an after-tax profit of KES 8.4 billion recorded for a similar period in 2019. During the six-month period ended 30 September 2019, the Group completed the disposal of its stakes in three beverages companies, realising a net gain of KES 12 billion.

The Group has not received any dividends from portfolio companies where the Group holds minority stakes in the six-month period ending 30 September 2020 as these portfolio companies have elected to build resilience in their balance sheets by preserving cash. On a positive note, some of the companies have resumed dividend payments.

#### Marketable Securities

The Group held KES 6.5 billion in marketable securities and KES 1.7 billion in cash at 30 September 2020. At the onset of Centum 4.0, the Group elected to reallocate the marketable securities portfolio to fixed income securities. Whilst the returns in these securities would be lower, this strategy ensures capital preservation and cash optimization. As at 30 September 2020, 79% of the marketable securities portfolio was held in fixed income securities and cash.

#### Company Performance

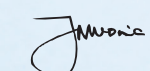
The Company after-tax profit improved from a loss of KES 1.6 billion to a profit of KES 95 million. The Company also booked revaluation losses of KES 1.4 Billion which contributed to a total loss of KES 1.3 billion. In the period ended 30 September 2020, the company did not dispose any of its assets. In the corresponding period in the prior year, the company recorded a gain on disposal of KES 2.2 billion. Total assets declined by KES 6 billion on account of the KES 4.1 billion net debt repayment and the revaluation losses. As explained earlier the book value of shareholder funds declined by KES 2.1 billion on account KES 799 Million dividend payment and revaluation losses of KES 1.4 Billion. Net cash flow from operation was KES 3.9 Billion, driven by the shareholder loan repayment of KES 3.75 billion from Centum Real Estate. This receipt was utilized primarily to retire debt, in line with our strategy.

#### Outlook

The Company has a strong balance sheet and a portfolio of quality assets with low gearing. With a resilient balance sheet, the Company is therefore well positioned to take advantage of emerging opportunities, particularly in the private equity and marketable securities.

Centum Real Estate Limited will continue to pursue a sales-led development process and monetization of the land bank. The cash returns from sale of land and residential units projected to be completed within the year will be applied by Centum RE to make further repayments of shareholder loan. The Private Equity business is evaluating new opportunities that meet our investment criteria. Our focus on marketable securities is on a capital preservation and cash generation.

#### BY ORDER OF THE BOARD.



**JAMES MWORIA, CFA, CGMA**  
GROUP CHIEF EXECUTIVE OFFICER AND  
MANAGING DIRECTOR