

CENTUM INVESTMENT COMPANY PLC



FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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 months period ended 30 September 2021 as set out below:

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

KES '000	Group		Company	
	SEPT '21	SEPT '20	SEPT '21	SEPT '20
Trading business:				
Sales	1,237,652	136,274	-	-
Direct and other operating costs	(982,322)	(453,067)	-	-
Trading Profit/(Loss)	255,330	(316,793)	-	-
Financial services:				
Income from financial services	2,570,133	1,871,656	-	-
Funding and other costs	(2,359,673)	(1,833,909)	-	-
Profit from financial services	210,460	37,747	-	-
Real Estate:				
Real Estate sales and investment income	300,332	26,075	-	-
Funding and other costs	(442,139)	(305,850)	-	-
Loss from Real Estate investments	(141,807)	(279,775)	-	-
Two Rivers Development				
Sales and Investment income	474,474	(32,509)	-	-
Funding and other costs	(816,845)	(978,347)	-	-
Loss from Two Rivers Development Group	(342,371)	(1,010,856)	-	-
Investment operations:				
Investment and other income	771,172	329,095	1,008,968	728,776
Operating and Administrative costs	(401,019)	(354,561)	(328,170)	(298,454)
Finance costs	(326,964)	(453,776)	(255,358)	(335,285)
Profit/(loss) from investment operations	43,189	(479,242)	425,440	95,037
Operating profit/(loss) before impairment provisions	24,801	(2,048,919)	425,440	95,037
Impairment provision on assets	(721,407)	-	(412,986)	-
(Loss)/profit before tax	(696,606)	(2,048,919)	12,454	95,037
Loss after tax	(662,107)	(1,981,725)	12,454	95,037
Other comprehensive income, net of tax	418,486	267,700	(295,759)	(1,392,055)
Total comprehensive loss	(243,621)	(1,714,025)	(283,305)	(1,297,018)
Attributable to:				
Owners of the parent	(176,642)	(1,121,740)	-	-
Non-controlling interest	(66,979)	(592,285)	-	-
Total comprehensive loss	(243,621)	(1,714,025)	-	-
Earnings Per Share-Basic	(0.89)	(2.09)	-	-

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

KES MILLION	Group		Company	
	SEPT '21	MAR '21	SEPT '21	MAR '21
Investment portfolio	22,667	20,173	46,365	46,039
Cash and cash equivalents	4,385	5,877	298	867
Other assets	86,234	83,382	647	609
Total Assets	113,286	109,432	47,310	47,515
Customer deposits	24,517	23,070	-	-
Borrowings	26,312	25,501	4,040	4,122
Other Liabilities	16,080	13,813	1,951	1,571
Total Liabilities	66,909	62,384	5,991	5,693
Total Equity	46,377	47,048	41,319	41,822
Total Capital and Liabilities	113,286	109,432	47,310	47,515
NAV per share (KES.)			62.09	62.85

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2021

KES MILLION	Group		Company	
	SEPT '21	SEPT '20	SEPT '21	SEPT '20
Opening cash and cash equivalents	4,843	8,182	(149)	1,875
Net cash from operations	1,985	536	776	3,908
Net cash used in investing activities	(4,918)	(5,772)	(1,008)	(934)
Cash generated from/(used in) financing activities	1,542	5,377	(255)	(3,611)
Closing cash and cash equivalents	3,452	8,323	(636)	1,238
Made up of:-				
Cash and cash equivalents	4,385	8,850	298	1,743
Overdraft	(933)	(527)	(934)	(505)
Closing cash and cash equivalents	3,452	8,323	(636)	1,238

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2021

KES MILLION	Group		Company	
	SEPT '21	MAR '21	SEPT '21	MAR '21
Share capital	333	333	333	333
Share premium	590	590	590	590
Other reserves	643	224	19,026	19,321
Retained earnings	40,350	41,752	21,370	21,359
Proposed dividends	-	219	-	219
Non-controlling interests	4,461	3,930	-	-
Total	46,377	47,048	41,319	41,822

FINANCIAL PERFORMANCE

As an investment holding company that acquires, creates value during the holding period and exits investments once they mature, the company's income statement is useful in evaluating the performance of the investment portfolio. The company's income statement sets out the return generated by the company in the period and how this return is applied to cover operating costs, finance costs, and dividends.

Consolidated performance gives the financial performance of the underlying portfolio companies and the proportion of that performance that is attributable to our shareholders. The company, as a majority shareholder in the subsidiaries, has control in the subsidiaries and is hence able to influence the timing of dividend payments, as well as the strategic direction of the investee companies. Earnings at the subsidiary are relevant to the company only to the extent that dividends from these earnings are made to the company. However, cumulative retained earnings are available for distribution in the future.

Company Performance

The Company's operating profit for the six-month period ended 30 September 2021 increased to KES 425 million from KES 95 million reported in the corresponding prior year period, driven mainly by the 38% increase in investment income. This increase in operating profitability is attributable to higher investment income as the

company continued rebalancing its portfolio in line with its capital preservation and liquidity enhancement objectives. The profit after-tax declined to KES 12 million from KES 95 million driven by a non-cash impairment provision of KES 413 million following a conservative assessment of the realizable value of some of the assets on the Company's balance sheet. The benefits of the strategic decision to pay down debt, has resulted in the reduction in finance costs by 24%.

During the six-month period ended 30 September 2021, the company booked revaluation losses of KES 296 million, lower than prior period of KES 1.4 billion, in line with our conservative asset valuation policy.

Debt Reduction: During the year, the company did not take up any long-term debt, in line with its strategic objective of fully deleveraging the balance sheet at Centum level. Long term debt may be used to finance projects and investments at investee company level, depending on the debt capacity of the specific projects and investments undertaken by the different investee companies.

The positive impact of deleveraging on the balance sheet is a 24% reduction in the company's finance costs in the six-month period ended 30 September 2021, compared to the corresponding period in the prior year.

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

Kes. Mn	FY '17	FY '18	FY '19	FY'20	FY'21	HY'22
Short Term debt	(982)	(3,482)	(108)	(7,486)	(4,122)	(4,040)
Long Term debt	(13,674)	(11,360)	(16,036)	-	-	-
Total debt	(14,656)	(14,842)	(16,144)	(7,486)	(4,122)	(4,040)
Cash and Cash Equivalents	2,447	1,078	253	2,912	867	298
Marketable Securities	3,133	3,566	3,781	6,053	6,668	7,592
Net (debt) / Cash Position	(9,076)	(10,198)	(12,110)	1,479	3,413	3,850
Equity	44,808	48,686	52,600	47,439	41,822	41,319
Net debt to Equity	20%	21%	23%	Nil	Nil	Nil
Long Term debt to Equity	31%	23%	30%	Nil	Nil	Nil

Net Asset Value Per Share

The Net Asset Value per share declined slightly from KES 62.85 to KES 62.09. The decline was on account of KES 283 million comprehensive loss for the six-month period, which resulted from the impact of the impairment of KES 413 million and unrealised fair value loss of KES 296 million through other comprehensive income and KES 219 million; being FY 2021 dividend declared during the period.

Consolidated Performance

For the purposes of understanding the Group's performance, we have distilled the business into four distinct segments.

- Private Equity: Growth Portfolio including Trading Businesses and Financial Services entities
- Private Equity: Real Estate Portfolio
- Private Equity: Two Rivers Development Portfolio
- CICP's Investment operations, including returns from the High Yield Portfolio

The Group's consolidated Operating Profit improved to KES 25m from a prior year loss of KES 2 billion excluding impairment provisions. The after-tax loss for the six-month period narrowed to KES 662 million from a prior year loss of KES 1.9 billion. The key performance drivers are analysed in the segment highlights below:

Trading businesses: Trading businesses recorded improved performance in the six-month period compared to last year with a profit of KES 255 million compared to a prior year loss of KES 317 million. This improved performance is attributable to Longhorn Publishers which recorded bottom-line growth by regional expansion and a recovery in the education sector following the re-opening of schools. In 2020, Longhorn was adversely impacted by the schools closures that were necessitated by Covid 19 pandemic containment measures. The trading businesses have also paid down their debt to KES 805 million as at September 2021 from KES 1.3 billion in March 2021.

Financial Services: Financial Services recorded a five-fold growth in profitability in the six-month period compared to last year with a profit of KES 210 million from a prior year profit of KES 38 million. The improvement is attributable to the strong performance by Sidian Bank which improved its profitability in the six-month period ending September 2021 to KES 255 million from KES 15 million over a similar period prior year. Other subsidiaries included in the Financial Services segment including Nabo Capital and Zohari Leasing also recorded improved performance as the impact of Covid 19 on businesses continues to wane.

Real Estate: Centum RE, the Real Estate business, halved its six-month period loss to KES 142 million from a loss of KES 280 million recorded in the six-month period ended 30 September 2020. The key drivers for the improved performance included profit from sale of residential units of KES 144m and gain on disposal of development rights of KES 63 million. Finance costs increased by KES 67 million, given that one of the Real Estate subsidiaries took new borrowing within FY20 and hence the finance costs in the six months period ended 30 September 2021 relate to a longer period.

The receivable from development rights sales and the available inventory and receivables from residential projects financed by the borrowings is KES 10.2 billion, net of costs-to-completion. This gives a cover of 2.1x over the debt. Centum RE's cash holding at 30 September 2021 was

KES 1.4 billion. At a net debt position of KES 4.98 billion, Centum RE has an asset cover of 8x over the debt and a gearing ratio of 21%. All the project finance debt, including the corporate bond, is fully covered by the escrowed cash and the projects' inventories and receivables.

Two Rivers Development Limited: Though the bulk of the loss in the consolidated statement of comprehensive income is attributable to the performance of Two Rivers Development Limited (TRDL), the business recorded significant improvement, posting a loss of KES 342 million in the six-month period ended 30 September 2021 compared to the KES 1 billion posted in the corresponding prior-year period. Though Centum Investment holds a 58% equity stake in TRDL, we have recognized TRDL's performance in our consolidated financial statements as if we own a 100%. Excluding TRDL, the consolidated Operating Profit would have been KES 367 million. The loss at TRDL is driven by high finance costs. The boards of TRDL and Two Rivers Lifestyle Centre ("TRLC") have respectively initiated steps to restructure the balance sheets to reduce the interest paying debt and significant progress towards this objective has been made.

Investment Operations:

At a consolidated level, the investment operations of the group had an operating profit of KES 43 million (excluding impairment provision) compared to a prior year loss of KES 479 million. The current six-month period consolidated net loss after tax was KES 662 million compared to a prior year loss of KES 2 billion. The after-tax loss was mainly driven by an impairment provision of KES 721 million on some of the assets following a prudent assessment. The impairment loss was however mitigated by (a) a 134% increase in investment income mainly driven by the positive performance in the Marketable Securities Portfolio as well as dividend income, (b) a 28% reduction in Finance Costs in line with the reduction of debt at company level as well as across the group. Though operating costs increased marginally by 13%, concrete steps have been taken after the half year to re-organize the company and save up to Kes.150 million in operational costs annually going forward. The full benefit of the re-organization will accrue in the next financial year.

Outlook

We have seen improved performance in the first half from the various business segments as they recover and the economy rebounds from the impact of the Covid pandemic. We are optimistic about the second half of the year as we continue to execute on the recovery plans across the various businesses.

For further information please visit the Centum website (www.centum.co.ke) and download the investor presentation.

BY ORDER OF THE BOARD.

DR. JAMES MWORIRA, CFA, CGMA
CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR