

# CENTUM INVESTMENT COMPANY PLC

## FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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 2022 as set out below:-



### COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2022

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2022

KES '000	SEP '22	SEP '21	KES '000	SEP '22	SEP '21
Investment and other income	713,424	986,994	(Loss)/Profit from Trading Businesses	(22,593)	183,724
Operating and administrative costs	(254,715)	(328,170)	Loss from Real Estate Operations	(267,992)	(141,807)
Finance costs	(214,671)	(233,384)	Loss from Two Rivers Investment Operations	(984,472)	(342,371)
<b>Operating profit</b>	<b>244,038</b>	<b>425,440</b>	Profit from Financial Services	385,244	210,460
Impairment provision on assets	-	(412,986)	Loss from investment operations	(344,746)	(606,612)
<b>Profit before Income tax</b>	<b>244,038</b>	<b>12,454</b>	<b>Loss before tax</b>	<b>(1,234,559)</b>	<b>(696,606)</b>
Income tax expense	-	-	Income tax (expense)/credit	(56,175)	34,499
<b>Profit after tax</b>	<b>244,038</b>	<b>12,454</b>	<b>Loss after tax</b>	<b>(1,290,734)</b>	<b>(662,107)</b>
Other comprehensive income	(1,402,413)	(295,759)	Other comprehensive (loss)/income	(260,550)	418,486
<b>Total return for the period</b>	<b>(1,158,375)</b>	<b>(283,305)</b>	<b>Total Comprehensive Income</b>	<b>(1,551,284)</b>	<b>(243,621)</b>
			<b>Attributable to:</b>		
			Owners of the parent	(1,042,447)	(176,642)
			Non-controlling interest	(508,837)	(66,979)
			<b>Total comprehensive loss</b>	<b>(1,551,284)</b>	<b>(243,621)</b>
			Earnings Per Share-Basic	(1.18)	(0.89)

### CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

KES MILLION	GROUP		COMPANY	
	SEP '22	MAR '22	SEP '22	MAR '22
Investment portfolio	11,185	11,655	42,204	42,694
Assets held for sale	43,977	43,030	2,776	2,776
Cash and cash equivalents	761	1,196	303	1,019
Other assets	62,260	62,952	639	471
<b>Total Assets</b>	<b>118,183</b>	<b>118,833</b>	<b>45,922</b>	<b>46,960</b>
Borrowings	20,190	20,626	4,279	4,159
Other liabilities	13,956	13,257	1,867	1,476
Liabilities directly associated with assets held for sale	38,637	37,580	-	-
<b>Total Liabilities</b>	<b>72,783</b>	<b>71,463</b>	<b>6,146</b>	<b>5,635</b>
<b>Total Equity</b>	<b>45,400</b>	<b>47,370</b>	<b>39,776</b>	<b>41,325</b>
<b>Total Capital and Liabilities</b>	<b>118,183</b>	<b>118,833</b>	<b>45,922</b>	<b>46,960</b>
<b>NAV per share (KES.)</b>			<b>59.77</b>	<b>62.10</b>

### CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2022

KES MILLION	GROUP		COMPANY	
	SEP '22	SEP '21	SEP '22	SEP '21
<b>Opening cash and cash equivalents</b>	<b>3,264</b>	<b>4,843</b>	<b>10</b>	<b>(149)</b>
Net cash from operations	1,882	1,985	161	776
Net cash used in investing activities	(616)	(4,918)	(720)	(1,007)
Net cash (used in)/generated from financing activities	(2,291)	1,542	(219)	(255)
<b>Closing cash and cash equivalents</b>	<b>2,239</b>	<b>3,452</b>	<b>(768)</b>	<b>(635)</b>
Made up of:-				
Cash and cash equivalents	3,314	4,385	303	(149)
Overdraft	(1,075)	(933)	(1,071)	(486)
<b>Closing cash and cash equivalents</b>	<b>2,239</b>	<b>3,452</b>	<b>(768)</b>	<b>(635)</b>

Cash and cash equivalents in the cashflow statement is shown net of overdraft facilities

### CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2022

KES MILLION	GROUP		COMPANY	
	SEP '22	MAR '22	SEP '22	MAR '22
Share capital	333	333	333	333
Share premium	590	590	590	590
Other reserves	1,059	1,320	17,677	19,079
Retained earnings	39,882	40,664	21,176	20,932
Proposed dividends	-	391	-	391
Non-controlling interests	3,536	4,072	-	-
<b>Total</b>	<b>45,400</b>	<b>47,370</b>	<b>39,776</b>	<b>41,325</b>

As an investment holding company, Centum focuses on identifying great opportunities, adding value/scaling up the opportunities and monetizing the value created during the holding period through exits to lock in superior returns for shareholders.

Our Company statement of comprehensive income enumerates the value created in the year from our investment portfolio and includes cash returns, realised and unrealised gains adjusted for operating costs, finance costs and tax. The Company statement of financial position is reflective of the fair value of our investment portfolio as at the reporting date.

Our Consolidated financials aggregate the financial performance of the underlying portfolio companies and the proportion of associate company and joint venture performance that is attributable to our shareholders.

#### OPERATING ENVIRONMENT

The performance for the six months period ended 30 September 2022 was achieved against a backdrop of domestic and global macroeconomic headwind characterised by erratic weather conditions, elevated inflationary pressures, and sustained supply chain disruptions. This was further aggravated by the ongoing conflict in Russian and Ukraine, as well as weakening of the Kenya Shilling against the USD by 6% and UGX by 2%. Many Central Banks adopted a quantitative tightening stance by increasing interest rates. The Central Bank of Kenya adjusted the key lending rate (CBR) by 150bps between May 2022 and November 2022. The Fed hiked rates leading to the rise in LIBOR and SOFR benchmarks as well as volatility in the emerging markets Eurobonds.

The weakening shilling resulted in unrealized forex

and currency translation losses being recognised by the Group during the period to 30 September 2022. The rising interest rates led to an increase in borrowing costs and slower economic activity that in turn resulted in a reduction in turnover of some of our portfolio companies.

#### COMPANY PERFORMANCE

The company recorded Kes. 244Mn in profit after tax for the period representing a 20 times improvement from Kes. 12m reported for the period ended September 2021.

The improved performance was attributed to increased operational efficiencies, nil impairment provisions and a reduction in finance costs. Dividend income increased by 45% during the period.

A 33% decline in interest income was recorded following the restructure of one of the shareholder loans in the 2nd half of FY2022. Operating and administrative costs reduced by 22% on the back of the cost rationalization program that was implemented in the 2nd half of FY2022. Cost efficiency improved to 37% from 39% as at 31st March 2022. Finance costs declined by 8% following cancellation of USD 21.4Mn portion of bank guarantee issued in favour of Coca Cola Beverages Africa.

Total Return for the period stood at a loss of Kes. 1.2Bn compared to a loss of Kes. 283Mn in the prior period. This was driven by a Kes 1.1Bn increase in unrealized revaluation losses on the back of:- (a) unrealized foreign exchange translation losses owing to the depreciation of the Kenya Shillings against both US Dollar and Uganda Shilling. This was in respect to assets & liabilities held by our subsidiaries in these currencies. (b) Increased finance costs at subsidiary level following the upward adjustment of lending rates in line with the rising interest rates.

In line with the company valuation policy, the private equity portfolio was not revalued as at 30th September 2022 and hence no valuation movements were recognised.

#### DEBT, CREDIT PROFILE AND LIQUIDITY

The company did not take up additional debt during the period, and maintained a positive cash position net of debt, cash and the marketable securities portfolio. Total debt stood at Kes 4.2bn and the gearing ratio at 10% as at 30th September 2022. The slight increase in debt as recorded in the statement of financial position was a result of translation of our USD 15Mn debt. As the Company unlocks liquidity, part of the capital allocation focus will be further debt reduction.

In October 2022, Global Credit Ratings (GCR) affirmed Centum's National Scale Long and Short-term credit rating at A+(KE) and A1(KE) respectively on account of a strong financial profile. The strong credit rating considered the Company's concerted efforts towards deleveraging, liquidity and annuity income build up and an excellent track record of growing the value of portfolio assets and monetization of the same through exits at a premium to carrying valuations.

The Company closed the period at a net overdraft position of Kes 769Mn as compared to Kes. 635Mn in the prior period. The reduction in cash from operations recorded was driven by timing differences in receipt of dividend income from portfolio companies as well as repayment of shareholder loans by subsidiary companies.

#### NET ASSET VALUE PER SHARE

The Net Asset Value per share declined slightly from Kes 62.1 as at 31 March 2022 to Kes 59.8 as at 30 September 2022 due to the impact of the unrealised fair value loss movements of Kes 1.4 billion in the period. Management views these as temporary value movements reflective of the macroeconomic environment which is expected to unwind as economic stability resumes. The intrinsic value of the portfolio remains strong, with management focus on execution of value creation plans and recovery in performance of majority of the portfolio assets.

#### CONSOLIDATED PERFORMANCE

The Consolidated performance aggregates the performance of our subsidiaries line for line and incorporates the performance of our associates and joint ventures investments in the period. Performance of our subsidiaries are disclosed in five distinct segments: (i) Trading Businesses (ii) Financial Services, (iii) Real Estate, (iv) Two Rivers investment operations, and (v) Investment operations.

The table below disaggregates the FX impact on Group Performance in the half year ended 30th September 2022.

Kshs Mn	SEP '22	SEP '21	%
Operating profit from trading subsidiaries	43	255	(83%)
Operating (loss)/profit from Centum real Estate	(5)	82	(106%)
Operating (loss)/profit from Two Rivers Development	(3)	69	(104%)
Operating profit from financial services subsidiaries	385	210	83%
Operating loss from investment operations	11	(351)	103%
<b>Total Consolidated operating profit</b>	<b>431</b>	<b>266</b>	<b>62%</b>
Interest expenses	(1,149)	(1,322)	13%
Unrealized forex revaluation losses	(517)	(48)	(967)
Gain on disposal of subsidiary with retention of joint control	-	407	(100%)
<b>Total Consolidated loss before Tax</b>	<b>(1,235)</b>	<b>(697)</b>	<b>(77%)</b>
Income tax (expense)/credit	(56)	34	(263)
<b>Total Consolidated Loss after tax</b>	<b>(1,291)</b>	<b>(662)</b>	<b>(95%)</b>
Other comprehensive (loss)/income	(261)	418	(162%)
<b>Total comprehensive loss</b>	<b>(1,551)</b>	<b>(244)</b>	<b>(537%)</b>

The Group recorded a 62% improvement in operating profit of Kes 431Mn from Kes 266Mn in the prior period.

The consolidated loss after tax increased by 95% from Kes. 662Mn to Kes. 1.3Bn. This was on account of (a) Unrealised Fx losses of Kes 517M on account of the impact of depreciation of the Kes. against the USD in the period in respect to USD denominated liabilities in the group. This unrealised value movement accounted for 96% of the decline in after tax performance. (b) A prior year exceptional item amounting to Kes 407Mn relating to gains recognized on disposal of a subsidiary (c) Interest expenses declined during the period in line with the pay-down of debt.

The consolidated comprehensive loss increased to Kes. 1.5Bn from Kes. 244Mn driven by recognition of an unrealized translation loss of Kes 261Mn on account of the depreciation of the Kes. against the UGX in the period in respect to our UGX denominated assets.

#### GROUP DEBT

Borrowings across our portfolio companies remain within the limits of the respective companies' debt capacity as shown below:

Centum & Subsidiaries Debt Borrowing Entity (Kes Mn)	SEP '22		MAR '22	
	Borrowings	Total Assets	Borrowings	Total Assets
Centum Investment Co. Plc	4,279	45,922	4,159	46,960
Longhorn Publishers	978	2,461	1,003	2,824
Centum Real Estate	4,470	40,278	5,253	40,867
Two Rivers Development	10,242	20,565	10,211	20,860
	<b>19,969</b>	<b>109,226</b>	<b>20,626</b>	<b>111,511</b>

Centum & Subsidiaries Debt Coverage	SEP '22	MAR '22
Centum Investment Co. Plc	10.73x	11.3x
Longhorn Publishers	2.5x	2.8x
Centum Real Estate	9.0x	7.8x
Two Rivers Development	2.0x	2.0x

The enhanced liquidity expected from the sale of development rights by Two Rivers Development Company to Centum Re will be applied towards repayment of its debt.

#### SHARE BUYBACK ANNOUNCEMENT

Pursuant to regulation 19 (2) of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2022, the Centum Investment PLC Board of Directors has resolved to propose to its shareholders the purchase of up to ten percent (10%) of the issued and paid-up share capital of the Company through a Buyback Programme, in accordance with Part XVI, Section 447 of the Companies Act, 2015 of the Laws of Kenya and with the Capital Markets Guidelines on Share Buybacks for Listed Companies.

More details on this proposal can be found in the announcement on 29 November 2022 and the investor relations section of the Company website.

#### OUTLOOK

In line with objectives of the Centum 4.0 strategy period, our focus is on enhancement the return from our portfolio after a season of capital preservation. We believe that we are on course to deliver on our objectives through execution of the various value creation plans across our portfolio assets which our focus is on:

1. Sale of non-cashflow generative assets and reallocation of the capital to cash generative assets; and
2. Building balance sheet resilience through debt reductions.

We have made progress towards this end.

1. Exit of non-cash generative assets. In June 2022, Centum entered into a share purchase agreement to sell its entire 83% stake in Sidian Bank to Access Bank Nigeria for Kes 4.3Bn. We have since made significant steps towards the completion of this transaction by obtaining most of the critical regulatory approvals and fulfilling other conditions precedent. We expect completion and receipt of funds within the second half of the current financial year. Upon conclusion of the transaction, Centum will recognize the gain on disposal achieved above the Kes 2.7Bn carrying value of the asset.

We have invested Kes 7.5 billion in Centum Re by 30 September 2022, the company had paid back to Centum Kes 5.2 billion on the back of sales that they have completed over the period. In the six months to September, they signed contracts of Kes 3.2 billion which will be paid in due course. They have a further cash return potential of Kes 4 billion on account of residential developments that are 85% sold.

2. Building balance sheet resilience through debt reduction.

An improvement in the liquidity position is expected from the various cash generation plans. As a result, we are on course to pay off the dollar denominated debt both at Centum and Centum Re in the short term. This will reduce our exposure to the current currency volatility. We also look to scale up the marketable securities portfolio to 20% - 30% of the total portfolio. At the expected higher rate of return, this will further boost our liquidity and annuity income.

By Order of the Board,

Dr. James Mworira, CFA, CGMA  
Group Chief Executive Officer and Managing Director