

CENTUM AUDITED FINANCIAL RESULTS FOR THE 12-MONTH PERIOD ENDED 31 MARCH 2019 RESULTS COMMENTARY

KEY PERFORMANCE HIGHLIGHTS

Group Performance:

- Total Assets in the 12-month period have increased by 8% to KES 71.6 billion.
- Net Asset Value per share grew by 8% to KES. 79.0 on the back of fair gains from both our private equity and real estate businesses.
- Consolidated Profit after Tax grew by 48% to KES 4.1 billion during the period.
- Real Estate Portfolio had a fair value gain of KES 7.5 billion through significant activation and sales on our current sites.
- Exit realization of KES. 1.2 billion in the Private Equity Portfolio from the sale of GenAfrica with a holding period IRR of 29%.

Company Performance:

- Flat performance in Company Total Return with a 1% increase to KES. 4.7 billion.
- Shareholder funds increased by 8% to KES. 52.6 billion.
- Growth in Total Assets by 8% to KES. 71.6 billion.

James Mworira, Group CEO Centum Investment Co. Plc commented

Centum 3.0 Review

In the strategic period ended 31st March 2019, dubbed 'Centum 3.0', we set out a plan that anchored Centum as a master developer of investment-grade opportunities of scale. This was within a backdrop of economic headwinds who's impact cut across all sectors and industries. I am pleased to report that during this strategic period Centum grew its assets from KES. 28.8 billion to KES 71.6 billion; a compounded growth rate of 20%. Our NAV per share also recorded a remarkable growth of 18% in the period closing at KES. 79 from KES 34.5 at the start of the strategic period.

This strong asset growth was funded by internally generated funds and debt without any equity raise from our shareholders. We realised KES 36.3 billion in exit proceeds from our investment portfolio and gains of KES. 24.3 billion over the strategic period. In addition, we raised KES. 10.2 billion through two corporate bonds and a KES. 7.5 billion bank term loan. Of the bond raises, the first bond of KES 4.2 billion was redeemed in September 2017 using internally generated funds.

One of our key developments in Centum 3.0 was the consolidation of 3 bottlers to form Almasi Beverages Limited and the acquisition of a majority stake in 2015. During the strategy period Almasi has invested in new Returnable Glass and PET lines and optimized its operational efficiencies and distribution channels. This has resulted in a 4X growth in EBITDA over this period.

I am very pleased to announce that we have entered into an agreement to sell our shareholding in Almasi Beverages and Nairobi Bottlers Limited at a transaction price of KES 19.5 billion. The combined historical cost of the two assets is KES 3.4 billion and the achieved exit valuation speaks to the success of our investment cycle and portfolio management strategy that included consolidation of 3 bottlers into Almasi Beverages and acquisition of a majority stake in the business over the Centum 3.0 period. We expect to close the transaction in FY20. The proceeds will be applied towards settling USD obligations amounting to KES 7.5 billion, resulting in savings of KES 700 million in finance costs.

Continued activation of our RE sites and monetization events

Our Real Estate business makes up half of our portfolio and our focus continues to be the monetisation of our landbanks through launching of in-fill development as well as sale of land and development rights. We also target to enhance our existing developments through new anchor hospitality and lifestyle developments. Across our landbanks, we are gaining significant traction with recorded strong pre-sales of residential units and sale of land at valuation multiples several times higher than our recorded carrying value. Through a phased approach we are currently constructing 1,200 out of 3,000 units as a first phase; of this first phase we have attained a 51% (606 units) pre-sales in a remarkable short time of 10 months.

In Vipingo Development, our two residential projects - Awali Estate and 1255 Palm Ridge - has a total of 2,079 units in the pipeline with phase 1 comprising of 402 units. During the period we achieved pre-sales of 337 units, attracting a range of KES 1.4 - 1.5 billion in potential revenue. We have begun construction of Phase 1 of both 1255 Palm Ridge and of Awali Estate with an expected completion in 2020.

In addition to this, Vipingo has sold development rights for a retail center and industrial development (comprising of an auto service center and an oil distributor). This was at a significant multiple to carrying value, supporting our investment property valuations. Phase 1 of the water desalination plant is at testing phase and on schedule to be completed in 2019.

In Pearl Marina, we have 1,063 units in the pipeline with phase 1 made up of 279 units of which 204 have been pre-sold. We have so far pre-sold 204 units attracting KES.1.8 billion in potential revenue. Construction commenced in Q4 2018 for Mirabella Residences, a 22-unit development and Q2 2019 for Bella Vista Apartments, a 222-unit development. Construction completion for the two projects is expected in 2020 and 2021 respectively.

At Two Rivers Development, we continue to focus on sale of development rights and engaging with development partners to launch various projects within the precinct. We are

also carrying out market validation of our Riverbank Apartments and Cascadia Apartments projects. To date we have pre-sold 15 units in Riverbank Apartments and 50 units in Cascadia Apartments attracting a range of KES 1.3 - 1.4 billion in potential revenue.

Two Rivers Mall, owned by Two Rivers Lifestyle Centre in which we have an effective stake of 29%, is currently 81% let on gross lettable area and is projected to close the calendar year at 90% based on the pipeline of tenants we have in the tenant engagement and fit out process. New tenants that have signed on include Millionaires Casino (2,500sqm), Oca Decor (2,200sqm), A1 Auto Garage (300sqm) and Vita Foam (200sqm).

Increased performance of underlying assets within the PE Portfolio

Over the financial period in review, our Private Equity business' consolidated dividend income received from portfolio companies where the Group holds minority stakes increased by 60% with KES 0.89 billion recorded in consolidated operating profit on the back of the sale of GenAfrica Asset Managers earlier in the year and Sidian Bank's improved performance. The sale of GenAfrica realised a gain of KES 1.2 billion and a holding period IRR of 29% for the investment. Sidian Bank's improved performance is off its trade finance income leading to a KES 339 million increase in non-funded income and a 12% growth in gross loans in the financial period.

The Group's beverage business reported a flat performance in revenues, with a nominal decrease of 3%. This performance was largely on account of weather-related distribution channel disruptions in 2018 and depressed consumer demand in the first half of the year. This trend has however reversed in the quarter ended 31 March 2019, with revenues growing by 22% compared to a similar period last year.

The Group's banking subsidiary, Sidian Bank Limited, has seen significant improvement in its performance compared to the prior year. The bank's focus on growing its non-funded income through growth in trade finance business has seen non-funded income increase by 44% compared to 2018. Notably, non-funded income was higher than net interest income during the period while trade finance balances have grown by 77% over the last 12 months, demonstrating the successful implementation of the bank's new strategic focus. The bank has also recorded a 10% growth in total assets and 14% in customer deposits over the twelve-month period ended 31 March 2019. To support this growth, we recapitalised the bank in 2018 through a full subscription to its KES 1.2 billion rights issue. The bank also closed on a KES 1.2 billion Tier II Capital Facility from Denmark's Investment Fund for Developing Countries (IFU). The bank's strong capital base, balance sheet and trade finance book have provided it with a strong growth platform that saw it return to profitability in the quarter ended 31 March 2019.

Longhorn Publishers Limited recorded a KES. 176 million growth in profits, driven by top line growth as a result of delivery on public sector tenders.

Significant potential within the Development Portfolio

On the Development Portfolio side; our investment in the education sector through Africa Crest Education (ACE) has seen the opening of the first school in the country - SABIS® International School - Runda. The school admitted its first students in September 2018 and currently has 73 students enrolled.

In the power sector we continue working towards financial close for Amu Power and for Akiira Geothermal we are partnering with KENGEN on further drilling of our exploration wells.

Greenblade Growers our Agribusiness continues to progress well producing 200 tonnes over the 12-month period. Our focus going forward will be packhouse optimization and enhancing our production volumes & quality.

MSP returns consistently beat NSE returns

Our Marketable Securities Portfolio recorded a dollar return of -5.4% vs primary benchmarks [FTSE NSE Kenya 25 Index -18.6% and MSCI Africa ex-South Africa Index -17.6%] in a challenging capital market environment. Over the twelve months review period, the portfolio recorded a realised cash investment income of KES 400m.

Outlook - Centum 4.0

There have also been key learnings that have informed our current strategic period Centum 4.0, that commenced April 2019 and that will run to March 2024. We have streamlined our operations into 3 distinct business units namely; Real Estate, Private Equity and Marketable Securities. The target asset allocations for the three are 30-35% Real Estate, 35-45% Private Equity and 20-30% Marketable Securities. We target to grow our total returns at an annual rate of 20%, with specific targets for cash returns.

Centum 4.0 has a greater focus on return and specifically on dividend payout optimization, we target to grow our total returns at an annual rate of 20% a stronger liquidity base by maintaining a 12-month cash cover, optimizing our capital structure and repaying all long-term borrowing at Group level, a leaner cost structure with an operating cost-to-cash annuity income of 30%, restructure of the portfolio class weightings while accelerating growth, and finally organizational excellence through optimization of our operating model to ensure effective and efficient execution of our strategy.