

HY19 Investor Briefing

Results for the period to 30 September 2018

November 2018



Today's agenda

Business Review

Dr. James Mworira - Group Chief Executive Officer

Financial Review

Samuel Kariuki - Group Finance Director

Outlook

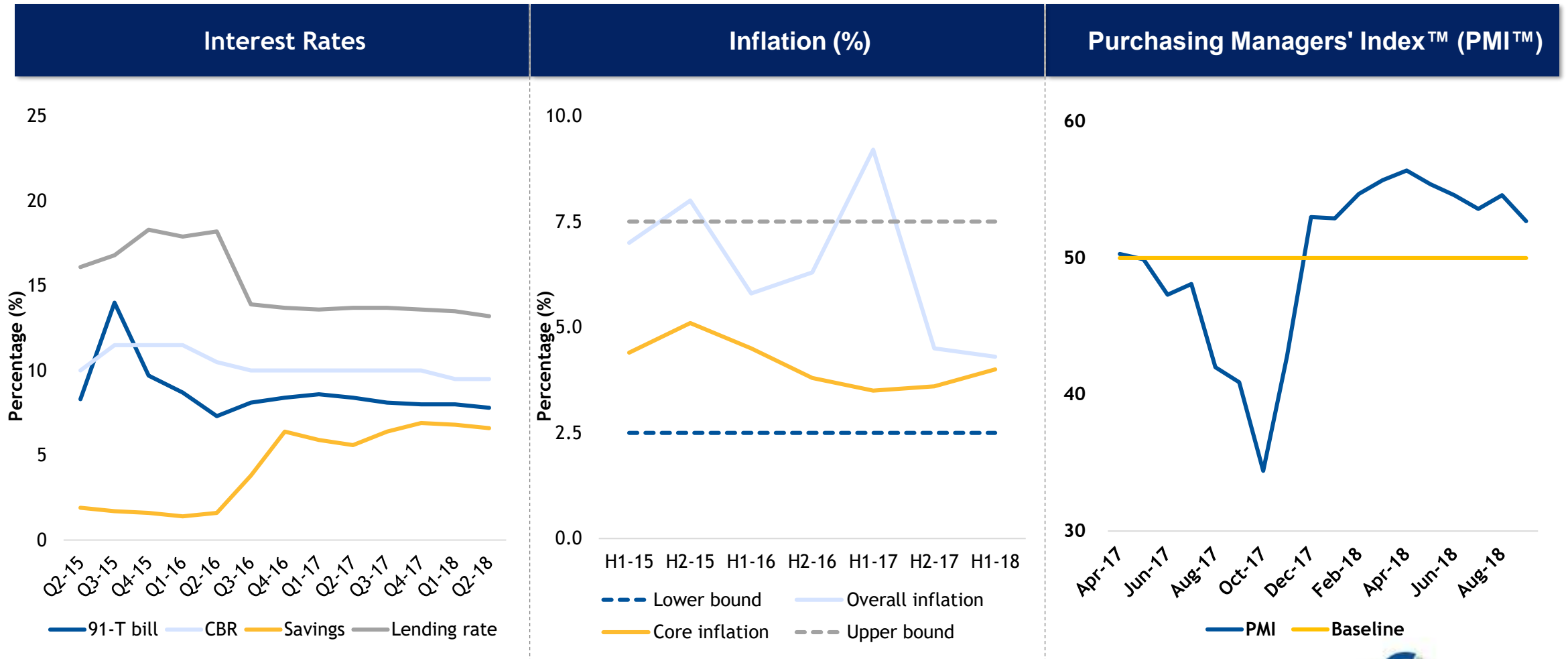
Dr. James Mworira - Group Chief Executive Officer

Q & A

Business Review



Operating Environment



Sources: Central Bank of Kenya; KNBS, Bloomberg, Stanbic

Performance Highlights

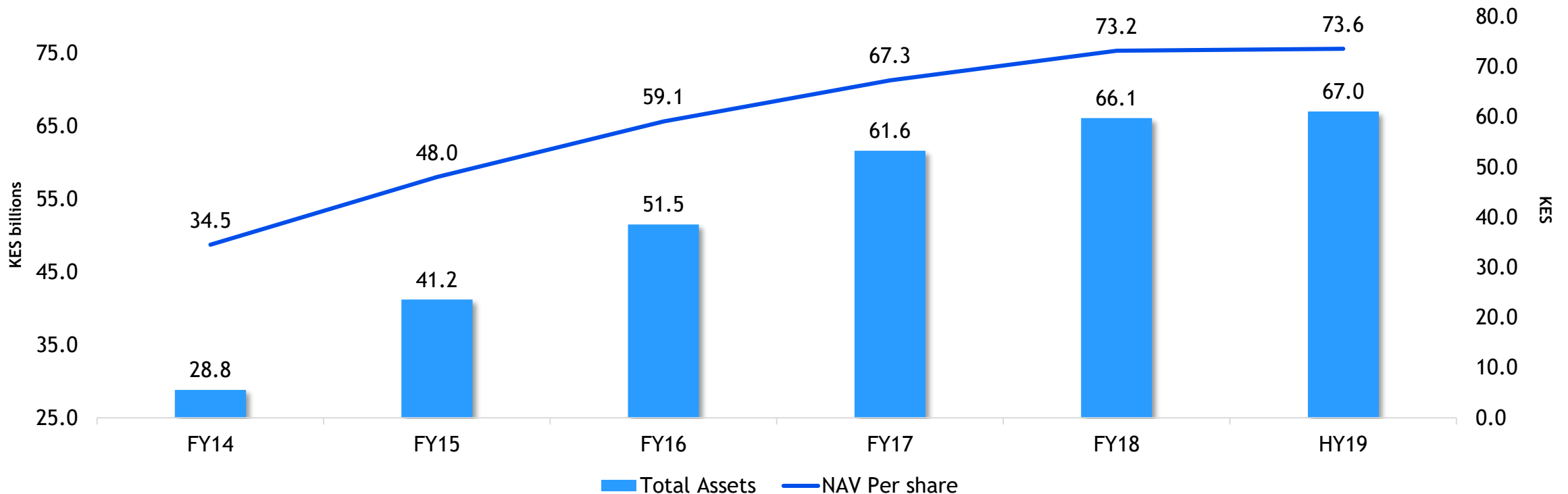
6-month period ended 30 September 2018

Group Performance Highlights	Growth in Consolidated Profit after Tax	KES 2.1 billion Net profit	 +27%
	Exit realisations from GenAfrica transaction	KES 1.2 billion Gain on disposal	
		29% Holding period IRR	
	Significant pre-sales and land development sales	KES 2.7 billion Fair valuation gains recorded in HY19	
Company Performance Highlights	Growth in Company Profit after Tax	KES 0.9 billion Net profit	 +713%
	Growth in Shareholder Funds	KES 49.0 billion Net assets	 +0.6%
	Growth in Total Assets	KES 67.0 billion Total assets	 +1.3%

Performance Highlights

Net Asset Value and Total Assets

Total Assets (KES billions) and Net Asset Value per Share (KES), FY14 - HY19



Total assets and NAV per share have grown to KES 67.0b and KES 73.6 respectively, representing a CAGR of 20.6% and 18.3% respectively since commencement of Centum 3.0

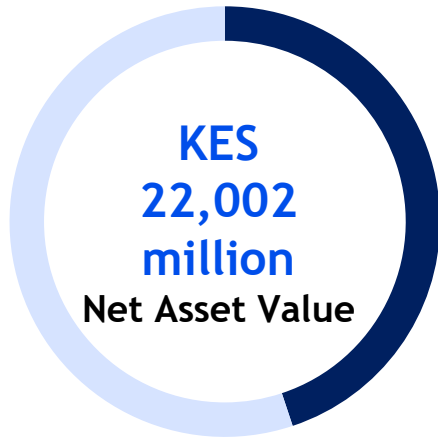
Portfolio Review



Portfolio Review

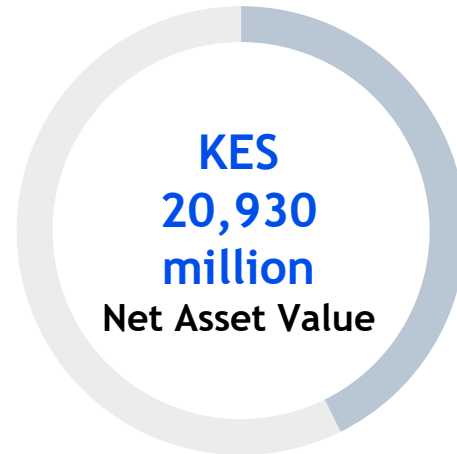
Summary of Portfolio Class as at 30th September 2018

Real Estate Portfolio



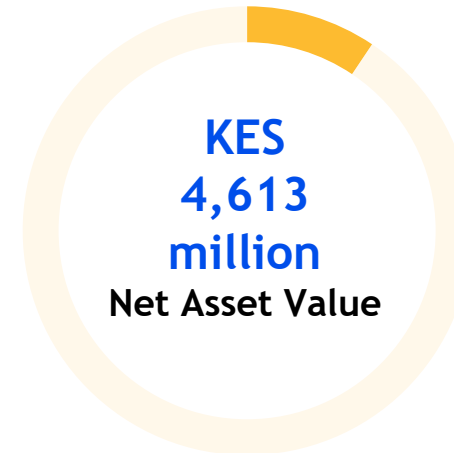
NAV/ Share
KES 33.06 | 44.9%

Private Equity Portfolio



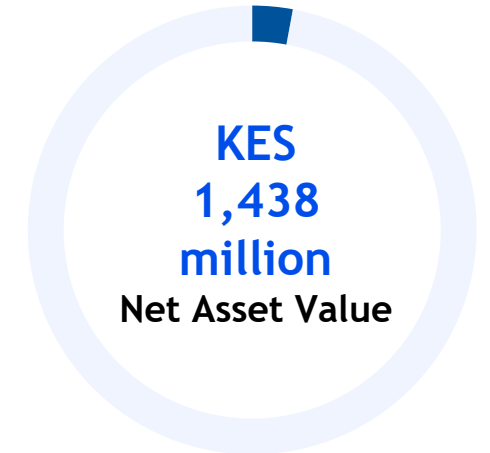
KES 31.45 | 42.7%

Marketable Securities Portfolio and Cash



KES 6.93 | 9.4%

Development Portfolio



KES 2.16 | 2.9%

Total Assets

KES 33,435 million

KES 23,493 million

KES 4,715 million

KES 5,309 million

Total Assets

KES 66,952 million ▲ +1.3%

Total Net Asset Value

KES 48,983 million ▲ +0.6%

Total Net Asset Value Per Share

KES 73.61 ▲ +0.6%

Portfolio Review

Real Estate Portfolio

Private Equity Portfolio

Marketable Securities Portfolio

Development Portfolio

Real Estate Portfolio

Key Phases of Our Development Cycle

The real estate development cycle consists of 5 main gates of value creation. Market validation is an important phase to [a] validate the business assumptions from the potential market and potential investors and [b] fundraising with a target debt to equity structure of 70% to 30%



01 ▶ Feasibility Business Case

Understand the market opportunity and size the potential profit of the venture



02 ▶ Concept Business Case

Detail the product value proposition and firm up the business case, design and all necessary approvals



03 ▶ Market Validation & Fundraising

Sense checking the assumptions of the business case and evaluating if there is potential market uptake while securing equity and debt funding

All projects are required to meet a hurdle rate of **25%** before proceeding to the pre-construction



04 ▶ Pre-Construction

Securing all the necessary resources and planning/scoping the construction costs, milestones and timelines





05 ▶ Construction

Ground breaking and actioning the project plan developed in the previous phase, while continuously tracking progress

Real Estate Portfolio

Residential Infill Projects

	Infill Project Size	Units under Development	Realised Sales	Key Dates
 <p>VIPINGO DEVELOPMENT LIMITED <small>A member of Centum Group</small></p>	1,326 units	<p>78% in market validation</p> <p>22% in pre-construction</p> <hr/> <p>249 units sold</p>	<p>KES 1.05 billion</p>	<p><u>Construction Start</u> Q4 2018</p> <p><u>Completion</u> Q3 2020</p>
 <p>PEARL MARINA</p>	266 units	<p>98% in pre-construction</p> <p>2% completed</p> <hr/> <p>84 units sold</p>	<p>KES 754 million</p>	<p><u>Construction Start</u> 22 units in Q4 2018 240 units in Q1 2019</p> <p><u>Completion</u> 22 units in 2020 240 units in 2021</p>

Real Estate Portfolio

Project Pipeline: Residential Developments in Market Validation

Vipingo Development

Awali Estate



PHASE 1
26% SOLD

✳ Starting Price from KES 13m

1255 Palm Ridge



PHASE 1 & 2
62% SOLD

✳ Starting Price from KES 2m

Two Rivers

Riverbank Apartments



7% SOLD

✳ Starting Price from KES 15m

Pearl Marina

Mirabella Residences



50% SOLD

✳ Starting Price from KES 33m

Bella Vista Apartments



30% SOLD

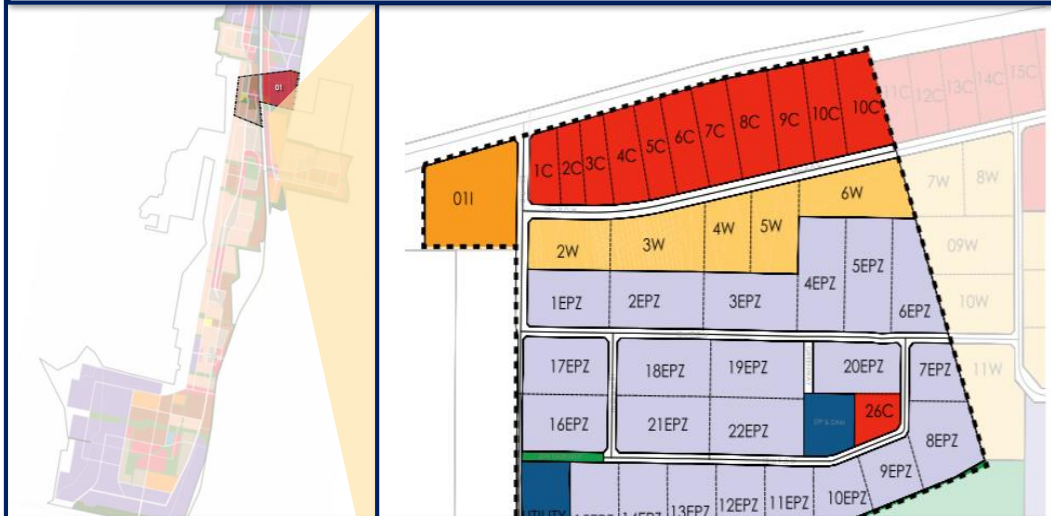
✳ Starting Price from KES 3.4m

Real Estate Portfolio

Project Pipeline: Commercial Developments in Market Validation

Vipingo Development

Vipingo Investment Park



Starting Price from KES 17m

Two Rivers

5-Star Hotel & Branded Apartments



Fundraising for 200-key and 110-branded residences

Real Estate Portfolio

Two Rivers Lifestyle Centre HY19 Performance

Key Mall Metrics as at HY18

Retail Occupancy				
Status	Units	%	Gross Lettable Area (GLA) Sqm	%
Leased Shops	136	73%	43,192	76%
Trading Shops	122	66%	35,593	63%
Negotiation	13	7%	8,525	15%
Vacant	37	20%	5,115	9%
Total	186	100%	56,832	100%

Offices Occupancy				
Status	Floors	%	Gross Lettable Area (GLA) Sqm	%
Leased Offices	3	17%	2,874	11%
Negotiation	10	55%	16,292	65%
Vacant	5	28%	6,058	24%
Total	2G*+16	100%	25,224	100%

*Ground floor

- Two Rivers Lifestyle Centre was 76% let (on gross lettable area) as at 30th September 2018
 - Increased tenant uptake on both local and international brands
- Two Rivers Office Towers, 11% of the space is currently let with 65% under negotiation
- Two Rivers Power and Two Rivers Water & Sewerage Co. recorded 90% increase in revenue to KES 314m
- Market validation of Riverbank Apartments is ongoing with the showhouse launch by Q3 FY19



Real Estate Portfolio

Vipingo Development HY19 Performance

VPINGO DEVELOPMENT LIMITED
A member of Centum Group

CENTUM
tangible wealth

WHO SAID PRIME CAN'T BE AFFORDABLE?

Anali Estate

A luxurious, exclusive residential complex within Vipingo Development. The estate consist of 60 maisonettes and 90 bungalows.

- 3 Bedroom Bungalow - KES 13m
- 3 Bedroom Maisonette - KES 17m

1255 Palm Ridge

A modern, affordable and controlled estate nestled at the Kenyan coast.

- 1 Bedroom - KES 2,3 m
- 2 Bedroom - KES 3,5 m
- 3 Bedroom - KES 4,6 m

Investment Park

Vipingo Investment Park is offering investors 1,150 acres of serviced plots for manufacturing, warehousing, logistics, commercial development and an Export Processing Zone for EPZ businesses. The developer is putting up all the prerequisite infrastructure for successful business operations,

- During the period, we have sold development rights amounting to KES 400m
- We have broken ground on Phase 1 of an 1,150-acre Investment Park. Phase 1 comprises of a net acreage of 180 acres

Plot Sales Realised as at HY19

Use	Realised Revenue (KES million)
Retail	100
Industrial	300
Total	400

Portfolio Review

Real Estate Portfolio

Private Equity Portfolio

Marketable Securities Portfolio

Development Portfolio

Private Equity Portfolio Value Drivers

1

Profit Growth

- **KES 1.5 billion** in consolidated operating profit representing a **300%** growth compared to a similar period in the prior year

2

Dividends

- **60%** increase in consolidated dividend income received from portfolio companies where the Group holds minority stakes

3

Investment Activity

- **KES 1.2 billion** realised gains from completed disposal of GenAfrica achieving an IRR of **29%**

GenAfrica	
Investment Year	2013
Initial Investment (KES mn)	1,050
Exit Proceeds (KES mn)	2,324

Private Equity Portfolio Performance Highlights

Banking Subsidiary

Trade finance business

 **+68%**

Non-funded income over 6-month period

 **+700%**

Trade finance balances over 12-month period

Total assets and customer deposits

 **+15%**

Growth over 6-month period

Strong capital base

KES 1.2 billion

Fully subscribed rights issue

Trading Subsidiaries

Strong top line performance at Longhorn

 **+168%**

Growth in profitability

Lower beverage volumes in the first half of
year

 **-17%**

Decline in revenue

Portfolio Review

Real Estate Portfolio

Private Equity Portfolio

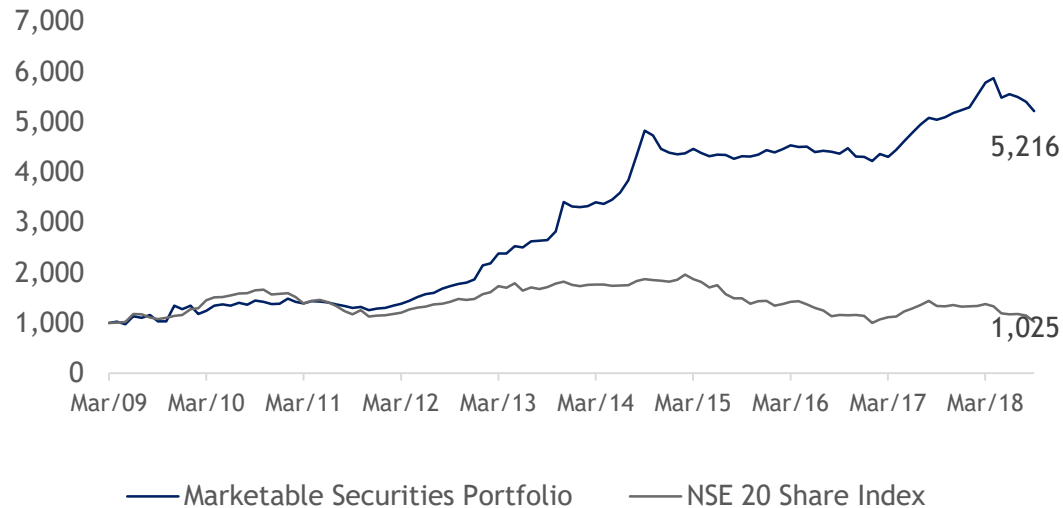
Marketable Securities Portfolio

Development Portfolio

Marketable Securities Portfolio

Quoted Private Equity Performance

MSP vs NSE 20 - Long Term Track Record

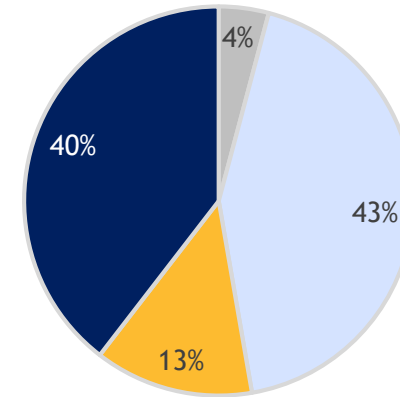


Returns:

- QPE portfolio recording a dollar return of **-9.2%** while remaining defensive against its benchmarks by outperforming the **NSE-20** by **15.7%** over the 6-month period
- Over the last six months, the portfolio recorded a **realised cash investment income of KES 130m**

Portfolio Allocation - September 2018

Total Portfolio
KES 3,587 million



■ Cash and Equiv. ■ Equity ■ Mutual Funds ■ Fixed Income

Diversification:

- Defensive allocation with higher weighting toward Fixed Income and Cash to preserve value in turbulent markets
- This portfolio is structured to minimize risk of capital loss while generating cash and additional liquidity for the Group from income and capital gains

Portfolio Review

Real Estate Portfolio

Growth Portfolio

Marketable Securities Portfolio

Development Portfolio

Development Portfolio Performance Highlights

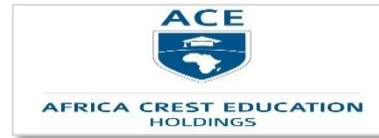
Investments Held

Power Sector



On-track to complete financial close
for the two energy projects

Education Sector



SABIS® International School - Runda
admitted its first students in
September 2018

Agribusiness Sector

**Greenblade Growers
Limited**

Greenblade on course to break even
over the next quarter

Financial Review



Financial Performance

HY19 Highlights: Key Performance Drivers

1. GenAfrica Transaction

- Sale of 73.35% stake in GenAfrica Asset Managers Ltd. to Kuramo Capital

2. Real Estate

- Investment property valuations at HY 2019 resulted in a gain of KES 2.7 billion, validated by sale transactions at several multiples to the book carrying value

3. Underlying Asset Performance

- Longhorn's revenues in the six-month period increased by 98% compared to the same period last year due to fulfilment of government tenders
- Improved performance of Banking subsidiary, driven by a 68% growth in non-funded income
- Marginal decrease in beverage business volumes

Financial Performance HY19 Highlights

KES 73.61 ▲ +0.6%
Net Asset Value Per Share

KES 4.1 billion ▲ +84.0%
Investment Income

KES 2.1b ▲ +27.5%
Consolidated Profit After
Tax

KES 0.9b ▲ +713%
Company Profit After Tax

KES 67.0 billion ▲ +1.3%
Total Assets

KES 1.1 billion ▼ -54.4%
Total Return

Financial Performance

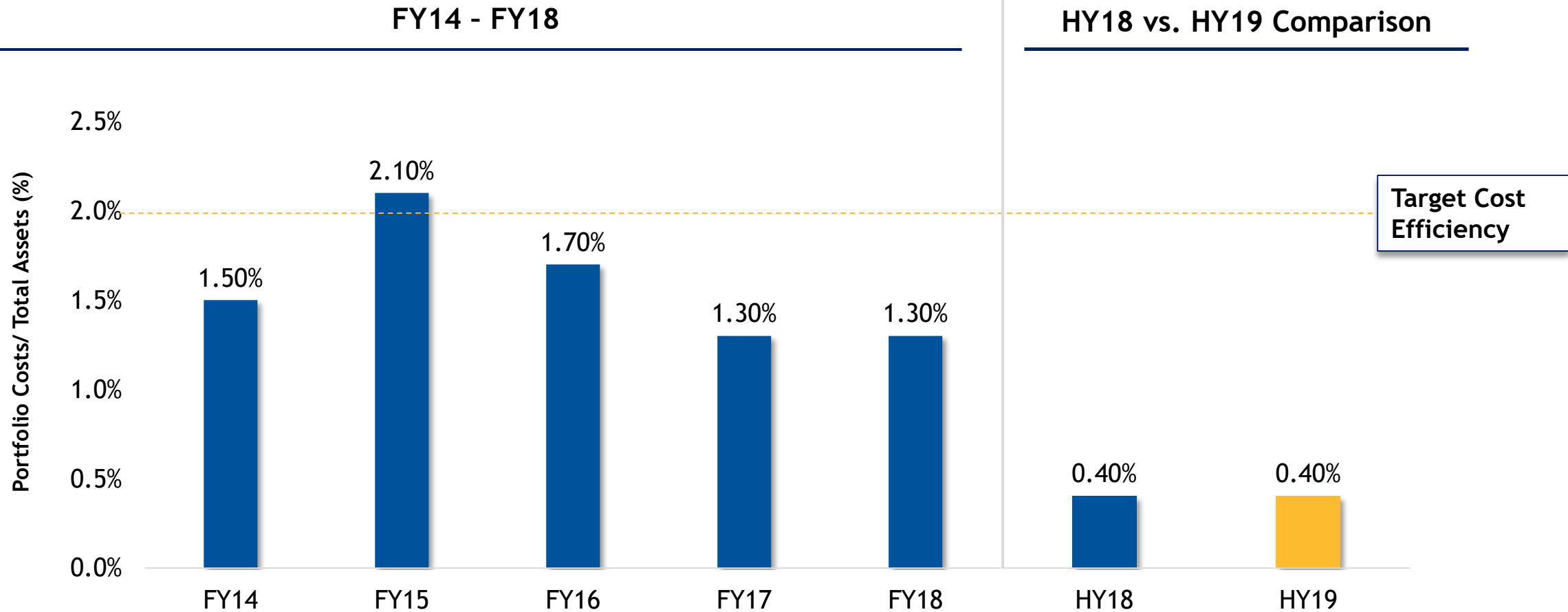
Company Total Return Statement

KES '000	Sep-18	Sep-17	Change (%)
Dividend income	266,760	301,583	-12%
Interest income	621,558	750,878	-17%
Realised gains	1,244,776	-	-
Other income	(344)	17,546	-102%
Total income	2,132,751	1,070,007	99%
Portfolio costs	(266,618)	(292,055)	9%
Finance costs	(874,073)	(929,551)	6%
Profit before tax	992,060	(151,599)	754%
Income tax	(62,239)	-	-106%
Profit for the year	929,821	(151,599)	713%
Unrealised gains	165,240	2,550,699	-21%
Total return	1,095,061	2,399,100	-54.4%
Return on op. NAV	2.2%	5.4%	

- Profitability driven by KES 1.2b realised gains from disposal of Gen Africa
- Performance also driven by a 6% decrease in finance costs
- Operating expenses at 0.4% of assets (0.8% annualised) against a ceiling of 2%. Consistent with prior years, absolute quantum of portfolio costs has been on a downward trend, with a reduction of 9% this half year

Financial Performance

Cost Efficiency FY14 - HY19



Our costs as a percentage of total assets have remained stable within the comparative six-month period

Financial Performance

Company Statement of Financial Position

Assets			Liabilities and Shareholder Funds		
KES millions	HY19	FY18	KES millions	HY19	FY18
Investments Portfolio			Borrowings	14,770	14,843
Investment in Subsidiaries	39,590	39,414	Other Liabilities	3,199	2,559
Debt investment in Subsidiaries	14,330	13,386	Total Liabilities	17,969	17,401
Investment in Associates	5,081	5,081	Shareholder Funds	48,983	48,686
Investment in Joint Ventures	2,100	2,100	Equity and Liabilities	66,952	66,087
Unquoted Investments	3,530	3,887	NAV Per Share	73.61	73.16
Quoted Investments	58	98			
Total Portfolio	64,689	63,966			
Other Assets	1,237	1,044			
Cash and Cash Equivalent	1,026	1,078			
Total Assets	66,952	66,087			

Financial Performance

Company Statement of Cash Flows

KES millions	HY19	HY18
Cash flows from operating activities		
Net cash generated from operating activities	2,165	973
Cash flows from investing activities		
Purchase of PPE	(13)	(41)
Investments in subsidiaries	(560)	(22)
Net debt investment in subsidiaries	(726)	(1,895)
Net cash used in investing activities	(1,299)	(1,958)
Cash flows from financing activities		
Net (repayments in) / proceeds from borrowings	(112)	629
Interest paid on borrowings	(806)	(835)
Net cash generated from financing activities	(918)	(206)
Net increase in cash and cash equivalents	(52)	(1,191)
At start of period	1,078	1,465
At end of period	1,026	274

- Higher cash generated from operating activities following receipt of proceeds from the GenAfrica transaction

Company Gearing & Debt Capacity

Company Level Gearing

KES millions	31-Mar-18	30-Sep-18
Corporate Bond II	6,294	6,294
Term Loan	5,087	5,105
Total	11,381	11,399

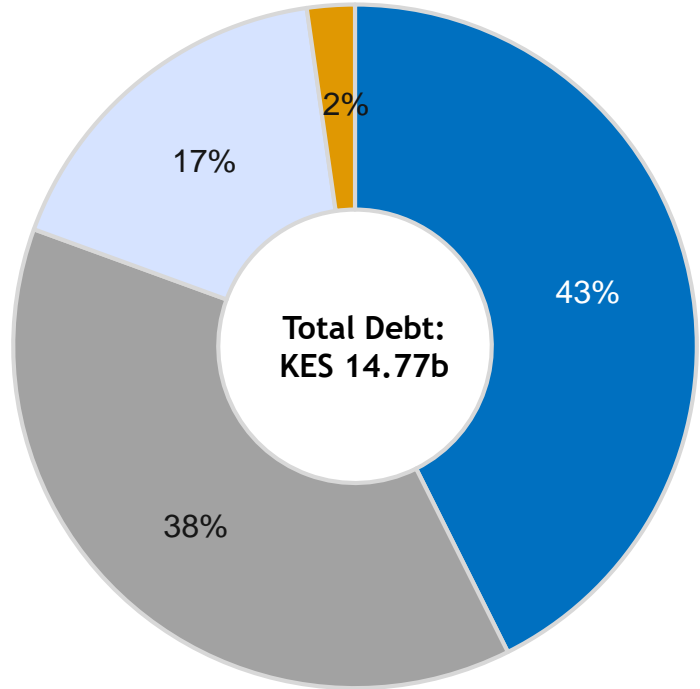
Debt Service Coverage Ratio

KES millions	FY14	FY15	FY16	FY17	FY18	HY19
Operating Inflows	4,146	8,114	7,904	5,259	6,270	3,364
Operating Outflows	(463)	(519)	(1,033)	(922)	(667)	(358)
Internally Generated Funds	3,683	7,595	6,871	4,337	5,603	3,006
Finance Costs	660	814	1,511	1,754	1,646	874
Debt Service Coverage	5.6x	9.3x	4.5x	2.5x	3.4x	3.4x

Global Credit Rating Company (GCR) accorded Centum a credit rating of A (long term) and A1 (short term) with a positive outlook

Debt Profile

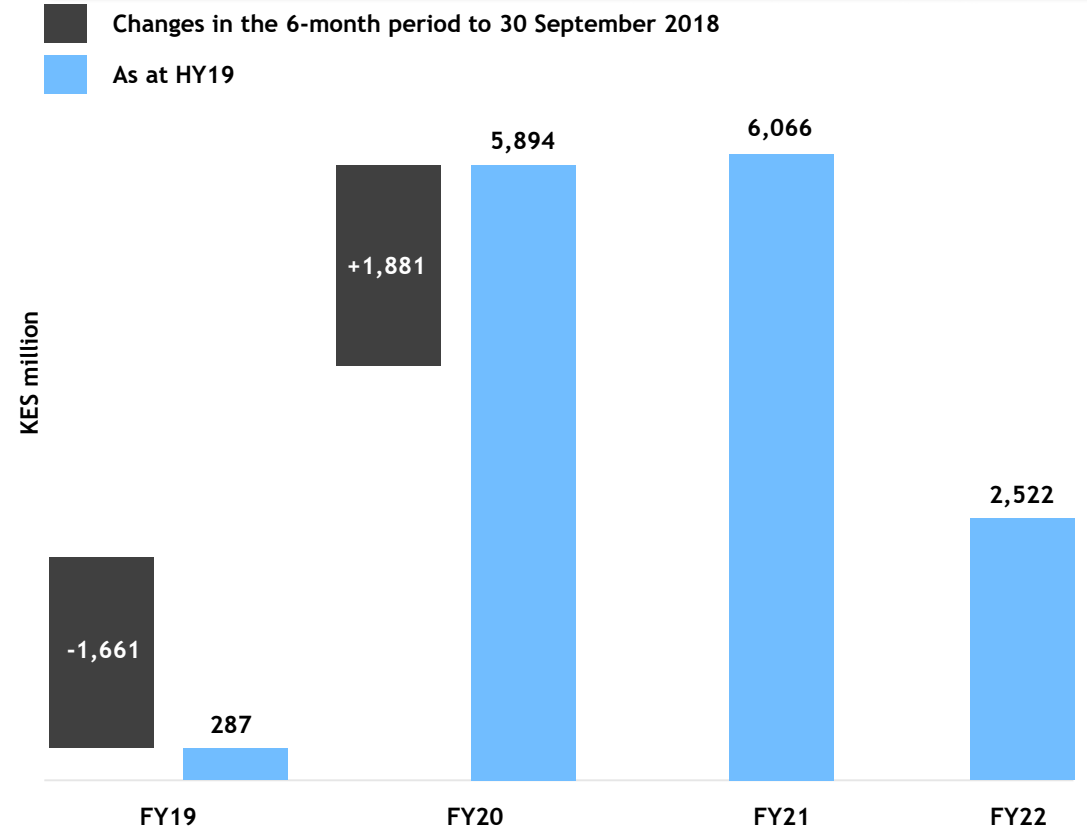
Borrowings by Nature of Debt HY19



- Bond II
- Term Loan
- Revolving Credit Facility
- Overdraft Facility

Debt levels remained relatively constant exhibiting a 1% decrease as a result of overdraft repayments

Debt Maturity Profile KES million



Consolidation of overdraft facilities extended the maturity by 1 year

Consolidated Financial Performance

Group Turnover Analysis

KES millions	Sep-18	Sept-17	Change (%)
Beverage business	3,423	4,044	-15%
Publishing business	1,058	535	98%
Agribusiness	23	28	-18%
Interest, fees and commissions income	1,608	1,586	1%
Utility sales	314	165	90%
Total revenue	6,427	6,358	1%

- Publishing revenues increased due to increased sales by Longhorn on fulfilment of government tender
- Increase in investment income through realised gains on disposal of GenAfrica
- Utility business increased activity due to onboarding of additional users within the development

Consolidated Financial Performance

Group Investment Income

KES millions	Sep-18	Sep-17	Change (%)
Dividend income	144	86	67%
Realised gains on disposal (GenAfrica)	1,155	-	
Interest income	41	61	-33%
Valuation gains	2,706	2,033	33%
Other income	10	23	-59%
Investment income	4,055	2,203	84%

- Realised gains reflect the disposal of GenAfrica
- Investment property valuations, validated by sale transactions at HY19, resulted in a gain of KES 2.7b at Vipingo

Consolidated Income Statement

KES millions	Sep-18	Sep-17	Change (%)
Sales	4,818	4,772	1%
Cost of sales	(3,114)	(3,024)	-3%
Gross profit	1,704	1,748	-3%
Operating and administrative expenses	(1,314)	(1,199)	-10%
Trading profit	390	549	-29%
Financial services:			
- Income from provision of financial services	1,608	1,586	1%
- Interest expenses	(519)	(405)	-28%
- Net impairment of loans and advances	(192)	(261)	26%
- Operating and administrative expenses	(988)	(1,030)	4%
Operating profit from financial services	(92)	(111)	18%
Investment operations:			
Investment income	4,055	2,203	84%
Realised gains on disposal of investments	20	11	72%
Project and development management fees	39	28	39%
Operating and administrative expenses	(684)	(525)	-30%
Finance costs	(1,230)	(557)	-121%
Share of profits of associates and jv after tax	(105)	568	-118%
Profit before tax	2,392	2,167	10%
Income tax expense	(312)	(535)	42%
Profit for the year	2,080	1,631	27%

Group Financial Performance

Trading Subsidiaries

KES millions	Sep-18	Sep-17	Change (%)
Sales:			
- Beverage business	3,423	4,044	-15%
- Publishing business	1,058	535	98%
- Agribusiness	23	28	-18%
- Electricity and water sales	314	165	90%
Total revenue	4,818	4,772	1%
Cost of sales:			
- Beverage business	2,274	2,619	13%
- Publishing business	539	248	-117%
- Agribusiness	30	14	-114%
- Electricity and water sales	271	143	-89%
Gross margins:			
- Beverage business	34%	35%	
- Publishing business	49%	54%	

- Robust revenue performance in publishing and Real Estate utility companies
- Lower volumes in the beverage business in the first half of the year, which experienced heavy rains

Group Financial Performance

Financial Services

KES millions	Sep-18	Sep-17	Change (%)
Sidian Bank Limited:			
- Interest income	941	924	2%
- Fees, forex and other income	514	307	68%
Total income	1,456	1,230	18%
Interest expense	(519)	(405)	-28%
Provisions	(192)	(261)	26%
Asset management business:			
- Fund management income	106	293	-64%
- Interest income	7	29	-75%
Total income	113	322	-65%
Leasing business			
- Lease rentals	40	34	19%

- Trade finance balances have grown by 700% over the last 12 months
- Growth in non-funded income speaks to the success of this strategic re-orientation of the Bank
- 15% growth in both total assets and customer deposits over the last six months
- A decrease in asset management business due to the sale of GenAfrica

Group Financial Performance

Consolidated Statement of Financial Position

Assets			Liabilities and Shareholder Funds		
KES millions	HY19	FY18	KES millions	HY19	FY18
Property, Plant and Equipment	10,869	9,665	Customer Deposits and Banking Liabilities	19,937	16,042
Investment Properties	35,524	32,719	Borrowings	21,754	21,254
Associates and Joint Ventures	12,994	12,544	Dividends Payables	953	154
Unquoted Investments	4,001	4,363	Other Liabilities	7,107	7,941
Quoted Investments	1,433	1,739	Total Liabilities	49,751	45,391
Bonds and Government Securities	4,558	4,056	Shareholder Funds	51,623	50,897
Loans and Advances	13,074	11,772	Equity and Liabilities	101,373	96,288
Other Assets	11,192	13,610			
Cash and Cash Equivalent	7,728	5,820			
Total Assets	101,373	96,288			

Outlook



Strategic Priorities

Optimise Gross Return

- Robust exit pipeline of mature assets across the Portfolio to optimize Gross Return
- Portfolio enhancements across the four business lines
- Optimise existing assets through infill projects and land sales and grow through targeted market-led investments in mid-market anchored developments

Asset Redeployment

- Invest exit proceeds with a focus on more cash generative assets than capital appreciation assets

Leverage 3rd Party Capital

- Raising third-party equity and debt capital (non-recourse to Company) at the portfolio/project level and creating value uplift at portfolio/project level

Reduce Debt at Centum Level

- Utilize part of exit proceeds to completely pay down long-term debt as it matures

Progressively increase Dividend Yield

- Returns from cash generative assets and finance costs savings to be utilized towards higher dividend pay-outs with a 3X target growth

Questions?



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Appendix



Real Estate Portfolio

Valuation as at 30 September 2019

Real Estate Portfolio



Portfolio Company	Stake	Carrying Value HY19 (KES million)	Carrying Value FY18 (KES million)	Valuation Method
Vipingo Development Limited	100%	9,999	7,646	Net Asset Value
Two Rivers Development Limited	58.30%	7,632	7,632	Net Asset Value
Centum Development Limited ¹	100%	7,505	7,464	Net Asset Value
Vipingo Estates Limited	100%	1,240	1,012	Net Asset Value
Two Rivers Lifestyle Centre	29.15%	5,149	4,909	Net Asset Value
Uhuru Heights	100%	855	855	Net Asset Value
Rasimu Limited	100%	742	737	Net Asset Value
Athena Properties Limited	100%	209	150	Net Asset Value
Broll	30%	-	37	Net Asset Value
Others		104	81	
Total		33,435	30,523	

1. Pearl Marina Estates holding company

Private Equity Portfolio

Valuation as at 30 September 2019

Private Equity Portfolio



Portfolio Company	Stake	Sector	Carrying Value HY19 (KES million)	Carrying Value FY18 (KES million)	Valuation Method	Discounted Multiple ⁴
Almasi Beverages Limited	53.88%	FMCG	8,697	8,697	FV ³ : Multiples - EV ¹ /EBITDA	6.94x
Nairobi Bottlers Limited	27.60%	FMCG	5,078	5,078	FV ³ : Multiples - EV ¹ /EBITDA	6.94x
Sidian Bank Limited	77.02%	Financial Services	3,870	3,891	FV ³ : Multiples P/B ²	1.16x
Isuzu (E.A.) Limited	17.80%	"Others"	2,026	2,470	FV ³ : Recent price	
GenAfrica Limited	73.35%	Financial Services	-	2,324	Exit Completed	
Nabo Capital Limited	100.00%	Financial Services	668	494	Net Asset Value	
NAS Servair	15.00%	"Others"	856	856	FV ³ : Multiples	4.19x
Longhorn Kenya Limited	60.20%	"Others"	812	763	Market price	
Centum Business Solutions Limited	100.00%	"Others"	632	408	Net Asset Value	
Zohari Leasing Limited	100.00%	Financial Services	220	213	Net Asset Value	
Others (PPE, Receivables)			634	119		
Total			23,493	25,313		

1. EV - Enterprise Value; 2. P/B - Price to Book; 3.FV - Fair Value 4. An illiquidity discount of 30% is applied to all multiples;

Marketable Securities Portfolio

Valuation as at 30 September 2019

Marketable Securities

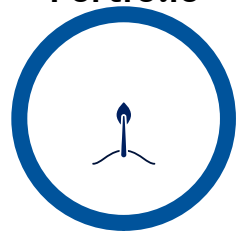


<u>Portfolio Company</u>	<u>Stake</u>	<u>Carrying Value HY19 (KES million)</u>	<u>Carrying Value FY18 (KES million)</u>	<u>Valuation Method</u>
Centum Exotics Limited	100%	3,587	3,589	Market Price
Centum QPE	100%	58	396	Market Price
Receivables	100%	450	331	Cost
Cash	100%	1,026	1,078	Cost
Total		4,715	5,393	

Development Portfolio

Valuation as at 30 September 2019

Development Portfolio



Portfolio Company	Stake	Carrying Value HY19 (KES million)	Carrying Value FY18 (KES million)	Valuation Method
Amu Power Ltd	51.00%	2,100	2,144	Cost
Akiira Geothermal Limited	37.50%	1,510	1,491	Cost
ACE Holdings Limited	16.40%	643	556	Cost
Greenblade Growers Limited	100%	212	185	Net Asset Value
King Beverage Limited	100%	513	471	Cost
Assets under development (healthcare, agribusiness and business development costs)	100%	330	241	Cost
Total		5,309	5,088	