

53RD ANNUAL GENERAL MEETING OF CENTUM INVESTMENT PLC HELD VIRTUALLY ON 18 SEP 2020

QUESTIONS AND MANAGEMENT RESPONSES

#	Questions	Management Responses																																																		
1	There is a wide perception the reason the company is trading at discount price to book value is because the public does not trust your financial reports please clarify.	<p>All our financial reports are prepared in accordance with prevailing accounting standards, laws and regulations. The financial statements are audited every year and for the year ended 31 March 2020, Pricewaterhouse Coopers (PwC) provided an unqualified audit opinion on the financial reports <i>(pg 113 -118 of the FY2020 annual report)</i>. The FY2020 annual report which has been published on our website also transparently provides additional information in extensive detail in the business updates sections <i>(pg 90 - 105 of the FY2020 report)</i>.</p> <p>Almost all the exits we have made in the recent five years have been at prices exceeding their carrying values in our books which underscores our conservative approach to the valuation of our assets as shown below:</p> <table border="1" data-bbox="743 834 1906 1338"> <thead> <tr> <th>Financial Year Ending</th> <th>Investment sold</th> <th>Carrying Value in the year before sale (Kes '000')</th> <th>Proceeds on sale received (Kes '000')</th> <th>Multiple on carrying value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>UAP Insurance</td> <td>2,267,509</td> <td>5,233,445</td> <td>2.31</td> </tr> <tr> <td>2016</td> <td>AON</td> <td>966,436</td> <td>1,027,837</td> <td>1.06</td> </tr> <tr> <td>2017</td> <td>KWAL</td> <td>738,000</td> <td>1,080,000</td> <td>1.46</td> </tr> <tr> <td>2018</td> <td>Platcorp (8% partial sale)</td> <td>761,135</td> <td>813,432</td> <td>1.07</td> </tr> <tr> <td>2018</td> <td>Platcorp (sale of remaining 25%)</td> <td>2,321,358</td> <td>1,909,584</td> <td>0.82</td> </tr> <tr> <td>2019</td> <td>GenAfrica</td> <td>1,404,183</td> <td>2,324,230</td> <td>1.66</td> </tr> <tr> <td>2020</td> <td>Almasi Bottlers</td> <td>5,565,078</td> <td>10,843,201</td> <td>1.95</td> </tr> <tr> <td>2020</td> <td>Nairobi Bottlers</td> <td>6,912,212</td> <td>8,579,696</td> <td>1.24</td> </tr> <tr> <td>Total</td> <td></td> <td>20,935,911</td> <td>31,811,425</td> <td>1.52</td> </tr> </tbody> </table> <p>Centum's share price trend has been in line with the overall stock market performance over the past years.</p>	Financial Year Ending	Investment sold	Carrying Value in the year before sale (Kes '000')	Proceeds on sale received (Kes '000')	Multiple on carrying value	2015	UAP Insurance	2,267,509	5,233,445	2.31	2016	AON	966,436	1,027,837	1.06	2017	KWAL	738,000	1,080,000	1.46	2018	Platcorp (8% partial sale)	761,135	813,432	1.07	2018	Platcorp (sale of remaining 25%)	2,321,358	1,909,584	0.82	2019	GenAfrica	1,404,183	2,324,230	1.66	2020	Almasi Bottlers	5,565,078	10,843,201	1.95	2020	Nairobi Bottlers	6,912,212	8,579,696	1.24	Total		20,935,911	31,811,425	1.52
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2	Why is the company paying unproportionate dividend as compared to the massive profits reported?	<p>Due to the nature of our business, profits are made up of two key elements:</p> <ul style="list-style-type: none"> i. Capital gains (once off profits booked upon sale of our investments); ii. Annuity cash income, that is, dividends and interest earned periodically from our investments. <p>In the current strategy, the management seeks to pay shareholders dividends only from annuity cash income and preserve any capital gains for purposes of making future investments. This will ensure that the company grows its asset base without having to borrow heavily to finance new investments. <i>(see the CEO's statement on pg 62 of FY2020 report, regarding the dividend policy under Centum 4.0 strategy)</i></p>
3	How is the uptake of the new real estate projects announced this year (265 Elmer One and 365 Pavilion Place)? Is it better than expected or has the uptake been slower?	<p>The two projects have only been launched recently and it is quite premature to conclusively assess their performance yet. However, similar projects at our sites in Vipingo and Entebbe have sold excellently well, underscoring the unmet demand for this market segment. We shall provide a comprehensive update regarding all our ongoing projects at the next results announcement.</p>
4	Is there dividend payable this year ending 31/12/2020?	<p>The directors recommended the payment of Kshs 1.2 per share for the year ended 31 March 2020 and the payment will be made in the coming months subject to approval by shareholders. <i>(see the Chairman's statement on pg 35 of FY2020 report, regarding the dividend declaration).</i></p>
5	What is the status of the Lamu Coal fired energy project? Do you have plans to abandon the coal option and generate environment friendly energy in Lamu?	<p>The project company has appealed the decision of the National Environmental Tribunal to withdraw its EIA license earlier issued. Owing to the uncertainties, Centum took a prudent view and decided to fully impair the value of its investment in the project. <i>(CEO's statement on pg 61 of FY2020 report).</i></p> <p>The project was initiated by the government of Kenya to be executed under a Public Private Partnership (PPP). Thus, only the government has the prerogative to make any fundamental changes to the project.</p>

6	<p>What is your strategy/policy on payment of dividends? Is it based on a predetermined percentage of the earnings per share? What plans do you have to improve the dividend payments?</p>	<p>The current dividend policy is to pay the <u>higher</u> of 30% of annuity income or prior year dividends. (Pg 62 of FY2020 report).</p> <p>To increase future dividends, management decided to fully repay all its long-term debts and save approximately Ksh 1.8 Bn in annual finance costs. We anticipate that going forward, these savings will be partly used to gradually increase dividend payments to shareholders. (CEO's statement on pg 63 of FY2020 report).</p>
7	<p>How is Centum managing the slow down in Real Estate / middle class housing considering the current circumstances as well as possible decrease in disposable incomes amongst target groups</p>	<p>Our real estate business has adopted a sales-led approach to ensure that we are developing products that are market validated and whose demand exists. As such, we only proceed to break ground on projects that have achieved 30% presales level. (Real Estate business update on pg 94 of the FY2020 report).</p> <p>This strategy has worked well as we have seen higher sales and collections in the current period as compared to last year, despite the impact of Covid-19.</p>
8	<p>Are we getting our gift vouchers?</p>	<p>Due to the current circumstances occasioned by covid-19, the AGM was held virtually, and we were not able to issue any vouchers to attending shareholders. However, we believe being able to maintain a dividend payment despite the tough times is a great gift to all our shareholders.</p>
9	<p>What is the company doing to ensure that the share will go from 21 to 35 ksh for the few month</p>	<p>Please see our response to question 6 above.</p>
10	<p>I always hear that Centum's share price is undervalued, kindly explain the reasoning in this?</p>	<p>The Company's net asset value per share as at 31 March 2020 was Kshs 71.30 whereas the price per share has ranged between Kshs 20 - 31 over the last 12 months. Perhaps this gap between the market price and the underlying value of the company is what leads to the conclusion that Centum is undervalued by the market.</p>
11	<p>Do you have an immediate plan for the share buyback considering that the stock is trading at a huge discount to the Net Asset Value?</p>	<p>The regulations governing share buybacks in Kenya have not been finalized yet by the market regulators, thus this option is not available to us yet.</p>

13	How can one buy shares online	Kindly contact any of your nearest stock market broker to assist with trading.
14	Business Daily published an article on Sept 4, 2020 saying that Centum plc had agreed to pay CCBA about Ksh3.7bn in compensation for tax liabilities arising from a tax case lost by the bottlers Centum sold to CCBA. Please confirm/elaborate on what transpired in the recent supreme court case between CCBA and KRA and the arising compensation(s) due as well as the timelines on when they are to be paid? Kindly share a copy of the supreme court case in question if possible.	The reporter got the facts wrong on this matter. The tax case is still in the supreme court awaiting determination and as such, no requirement for compensation by Centum has arisen.
15	If Centum had not been able to close the sale of the bottlers at the time it did, what options had the Board discussed for settlement of the outstanding bond that was due this year?	At the commencement of Centum 4.0 strategy in April 2019, management was already focused on retiring all its long-term debts using internally generated cash flows. In June 2019, management announced the signing of the share purchase agreement (SPA) with respect to the transaction and therefore had no doubts about completing the sale of the bottlers in good time. <i>(CEO's statement on pg 70 of the FY2019 report)</i> We subsequently completed the sale in September 2019 - nine months ahead of the scheduled bond retirement.
16	How much has Gulf Energy invested in Amu Power to date and have they also impaired the value of this asset/project in their own books?	Gulf Energy is an independent privately owned entity. Centum is not privy to the financial statements of Gulf Energy and cannot therefore comment on the value at which they carry their investment and how the same has been accounted for in their books.
17	Kindly explain why some property assets registered FV gains while others FV losses in FY20. Specifically, TR Development Ltd and Pearl Marina had FV losses while Vipingo registered a FV gain.	Centum acquired its real estate assets in different periods and at different cost levels. The assets are revalued periodically, and various factors drive their carrying values. Some of such factors include: the level of infrastructure development around the property e.g access roads, the stages of development process e.g master planning and change of use from agriculture to mixed use, and the general performance of the property market which may vary from one location to another.

18	FY20 report mentions bulk land sales of Ksh2.8bn. How much has been received in cash so far and from which land banks were these sales made? Who are the typical buyers of such bulk land?	<p>In aggregate, more than Kshs 300 million has been collected on the land sales and the balances are expected to be received upon completion of the transfer of property to the purchasers.</p> <p>The sales were achieved across all our sites with the bulk of it coming from Vipingo. <i>(Real Estate business update on pg 95 of FY2020 report)</i></p> <p>The buyers are typically third-party developers who are seeking to put up complementary developments such retail and entertainment centers, petrol stations, logistics infrastructure such as warehouses and light manufacturing hubs.</p>
19	When you report 7.8bn in pre-sold units, does this mean units worth 7.8bn have been booked for purchase with deposits or that sales worth 7.8bn have been made/recorded. What amounts do you require to book a unit?	<p>That means units worth Ksh 7.8 billion have been sold and deposits collected on booking with the balance of purchase price progressively collected during the construction period. To book a unit, a buyer is typically required to pay 10% deposit on signing a letter of offer and another 10% upon signing the sale agreement. <i>(Real Estate business update on pg 95 of FY2020 report)</i></p>
20	How much cash is needed to fully complete the 1,442 units under construction across the projects and where will the funding come from?	<p>These are funded by debt, equity and deposits collection during construction in suitable combinations for each project. So far, all our advanced projects have not had to utilize debt as deposits collected and our equity funding have been sufficient to finance their development. <i>(Real Estate business update on pg 95 of FY2020 report)</i></p>
21	What are the possibilities of exit or value addition for the stakes you have minority interest in like Isuzu and NasAir? How does management feel about these investments?	<p>The two assets have been performing well and management's view is that their future prospects are very good. <i>(Private Equity business update on pg 102 of FY2020 report)</i></p>

22	When did Centum buy 25% interest in UAP financial services Uganda and what is the expected strategy around this?	The company was set up in FY2012 to serve as a special purpose investment vehicle. As of 31 March 2020, the entity did not hold any investments and the carrying value related to capitalized set costs. These have been fully expensed during FY2020 and the entity now has zero carrying value.
23	What is the Co's currently liquidity available for deployment?	As of 31 March 2020, the company held cash and marketable securities worth Kshs 8.9 billion. <i>(CEO's statement on pg 62 of FY2020 report)</i>
24	What exactly is annuity income as described in your dividend policy and how is it computed?	Annuity income is the more regular stream of income made up of dividends and interest received from the portfolio as opposed to capital gains which are lumpy and realized only upon conclusion of an exit.
25	What are Mgt's thoughts on share buybacks versus special dividends as a way of increasing return to shareholders (please answer this in terms of the current practicability for centum stock/situation)	As there is no existing framework by the market regulators on share buybacks, the alternative of enhanced future dividend payment is the viable option management has to consider. The enhancement may be gradual to ensure that the dividend pay out remains at a sustainable level. <i>(CEO's statement on pg 63 of FY2020 report)</i>
27	If the Co bought a private business with very high returns on invested capital that required little capex for growth, would Mgt exit such a business even if it meant getting multiples of cost/price paid?	In addition to the fundamentals of a portfolio company, several other factors come into play in Centum's decision to hold or exit a company. Generally, we would be looking to exit any company where we feel we have maximized the opportunity for value creation as a financial investor.
28	Kindly elaborate on the bonus payment structure/scheme that's currently in place.	The staff performance bonus is earned if the company's cash return on the opening value shareholder for a given period exceeds the set minimum return called the hurdle rate (15%). For private equity and marketable securities, the bonus is computed as 20% of the excess return achieved. <i>(for additional details, please refer to note 2.3.2 on pg 164 of FY2020 report)</i>