Press Release: Centum gets A+ GCR credit rating on strong liquidity

13 October 2020. Global Credit Ratings (GCR) has affirmed Centum Investment Company Plc's long-term issuer credit rating at $A+_{(KE)}$ and short-term issuer rating at $A1_{(KE)}$ with a stable outlook, citing the Group's strong financial profile as evidenced by its solid investment track record and robust liquidity position.

GCR, in its announcement, cites Centum's low debt level relative to its investment portfolio and its large cash and liquid asset holdings as major credit rating strengths.

The South African ratings agency says the stable outlook reflects its view that the company's strong investment track record is likely to continue and that the financial profile will remain robust over the medium term, with sufficient financial resources to meet all investment requirements.

Group CEO, Dr James Mworia, termed the rating in light of the Covid-19 pandemic a validation of the Centum 4.0 strategic focus of strengthening the capital structure of the Company and enhancing its liquidity position.

As part of the Centum 4.0 strategy implementation, the company successfully completed a range of exits in September 2019 that realised Kshs19.5 billion, unlocking significant value that had been created in these assets. These proceeds were then applied towards full repayment of long-term debt, leading to savings on finance costs estimated at Kshs1.8 billion annually. The balance of proceeds is held in marketable securities portfolio which stood at Kshs8.9 billion as at March 2020, with 90% of the portfolio invested in fixed income securities. The marketable securities portfolio is expected to yield a steady stream of cash return of approximately Kshs900 million per annum.

The GCR report also notes that real estate is a key component of the group's portfolio mix and points out several measures the investment holding company has put in place to mitigate risks that are usually associated with real estate developments. Some of these measures include:

Mitigation of market risks: Centum has adopted a sales-led development approach and only breaks ground on projects that have achieved a 30%

pre-sales level. As at March 2020 there were 1,442 units under construction, 75% of which had been pre-sold by September 2020. The sales already made have Kshs7.8 billion revenue potential and the cash collection rate is at an average of 28%.

Mitigation of delivery risk: Centum has established an in-house multi-skilled team that drives project delivery. This team works closely with leading contractors and professionals to deliver projects within schedule, on budget and to the promised quality. We are proud to have completed and handed over phase one of Awali Estate (Vipingo, Kenya) and Mirabella Villas (Pear Marina, Uganda), both ahead of schedule. We believe that consistency in such excellence in project execution will strengthen market confidence and set Centum Real Estate apart in this region where it has been a challenge for many developers to deliver as promised to buyers.

Mitigation of financial risk: Having developed products that are demand-driven and won market confidence in our ability to deliver our projects as highlighted above, we have noted excellent traction in cash collections from sales and we expect that this will be sustained as we complete more projects. This has ensured sufficiency of liquidity and none of Centum Real Estate projects under development has had to utilize any debt so far.

Even with the challenges occasioned by the Covid-19 pandemic, our collections to September 2020 were approximately 89% of what we achieved in a similar period last year. This points to the resilience we have built in our real estate business that has distinguished Centum Real Estate in the market.

Having retired long term debt, any additional proceeds from the real estate segment will be reinvested into our private equity and marketable securities portfolios.

Our philosophy remains that of value creation and preservation across all our investments, realization of this value when it is optimal to do so and redeployment of the proceeds to maintain the desired strategic allocation across the three business segments namely; private equity, real estate, and marketable securities.

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