

Centum Investment Company Plc
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28 November 2019

Geoffrey Odundo
Chief Executive Officer
Nairobi Securities Exchange
The Exchange
55 Westlands Road
Nairobi

Dear Geoffrey,

FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2019

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-month period ended 30 September 2019 as set out below:

Consolidated and Company Statements of Comprehensive Income for the six-month period ended 30 September 2019

KES'000	Group		Company	
	Sept '19	Sept '18	Sept '19	Sept '18
Trading business:				
Sales	4,775,213	4,818,287	-	-
Direct and other operating costs	(4,520,789)	(4,428,471)	-	-
Trading Profit	254,424	389,816	-	-
Financial services:				
Income from financial services	1,904,039	1,608,407	-	-
Funding and other costs	(1,895,577)	(1,700,240)	-	-
Operating Profit from Financial Services	8,462	(91,833)	-	-
Investment operations:				
Investment and other income	12,402,305	4,054,847	3,022,232	2,132,751
Realised gains on disposal of quoted investments	11,716	19,743	-	-
Operating and administrative costs	(574,665)	(683,689)	(311,791)	(266,618)
Finance costs	(2,037,422)	(1,230,388)	(1,227,810)	(874,073)
Share of associates (loss)/profit	(61,697)	97,254	-	-
Operating Profit	10,003,123	2,555,750	1,482,631	992,060
Impairment provision on assets	(2,286,890)	-	(2,286,890)	-
Profit before Tax	7,716,233	2,555,750	(804,259)	992,060
Profit after Tax	6,790,544	2,079,909	(1,604,323)	929,821
Other Comprehensive Income, Net of Tax	(193,602)	(555,827)	57,904	165,240
Total Comprehensive Income	6,596,942	1,524,082	(1,546,419)	1,095,061
Earnings Per Share-Basic	10.70	3.40		

Consolidated and Company Statements of Financial Position as at 30 September 2019

Group

Company

KES' million	Sep '19	Mar '19	Sep '19	Mar '19
Portfolio investments	70,885	74,153	50,872	70,538
Cash and cash equivalents	18,516	5,393	11,945	253
Other assets	14,345	22,217	645	853
Total Assets	103,746	101,764	63,462	71,644
Customer deposits	17,489	14,817	-	-
Borrowings	22,236	26,871	9,914	16,145
Other Liabilities	7,180	8,500	3,294	2,899
Total Liabilities	46,905	50,188	13,208	19,044
Total Equity	56,841	51,576	50,255	52,600
Total Capital and Liabilities	103,746	101,764	63,462	71,644
NAV per share (KES)			75.52	79.05

Consolidated Statement of Cash Flows For the six-month period ended 30 September 2019

KES' million	Sep '19	Sep '18
Opening cash and cash equivalents	5,393	3,872
Net cash from operations	16,857	2,578
Net cash used in investing activities	(1,174)	(2,871)
Cash generated from financing activities	(2,560)	3,815
Closing cash and cash equivalents	18,516	7,395

Consolidated Statement of Changes in Equity as at 30 September 2019

KES' million	Sep '19	Mar '19
Share capital	333	333
Share premium	590	590
Other reserves	989	1,182
Retained earnings	47,519	38,184
Non-controlling interests	7,410	11,286
Total	56,841	51,576

A. Financial Performance

Group performance

The Group's consolidated net profit increased from KES 2.1 billion to KES 6.8 billion for the six-month period ended 30 September 2019, compared to a similar period in the prior year, on the back of a strong investment income performance. The underlying performance of the Group's three business units is set out below.

Private Equity

The Private Equity business recorded a KES 8.4 billion consolidated operating profit for the period ended 30 September 2019 compared to KES 1.3 billion recorded for a similar period in 2018. During the period, the Group completed the disposal of its stakes in Almasi Beverages Limited, Nairobi Bottlers Limited and King Beverage Limited, realising a net gain of KES 12 billion. The disposal of Almasi Beverages Limited and Nairobi Bottlers Limited achieved a combined average IRR of 31% over the last ten years, demonstrating our track record in growing shareholder wealth through an optimal investment strategy, portfolio management and successful exits. The performance of both companies has been included in our consolidated results for the six-month period ended 30 September 2019 as the disposal was effective in September 2019.

Between 2014 and 2019, the average annual dividends from the two businesses was KES 299 million. The proceeds from the exit have been applied towards paying off our US Dollar bank debt and local currency revolving credit facilities, with the balance being invested into a cash-generating marketable securities portfolio. The combined interest income from this investment and the savings in finance costs is KES 1.9 billion per year, which compares favourably to the annual dividends of KES 299 million that would be receivable from both companies.

Consolidated dividend income received from portfolio companies where the Group holds minority stakes increased by 118% to KES 257 million for the six-month period.

Sidian Bank Limited, which falls within this business unit, has seen significant improvement in its performance compared to the prior year, with the bank returning to profitability for the first time since the introduction of interest rate capping regulations. This performance has been primarily driven by the bank's focus on growing its non-funded income through growth in trade finance business over the last three years. The success in this focus is demonstrated by the growth in non-funded income by 143% between 2016 and 2019. In the current period, non-funded income increased by 41% compared to a similar period in 2018 and was higher than net interest income during the period. The bank has also recorded a 4% and 6% growth in both total assets and customer deposits respectively over the last six months. Recently, the bank closed on a KES 2 billion facility with The Dutch Entrepreneurial Development Bank (FMO). The facility, together with the prior year's new equity injection of KES 1.2 billion through a rights issues and KES 1.2 billion Tier II Capital investment by Investment Fund for Developing Countries (IFU) will provide Sidian Bank with a strong platform for growth.

Real Estate

Within the Real Estate Business Unit, the Group is pursuing a sales-led development model and is currently constructing 1,316 residential units across its three mixed-use developments, namely Two Rivers Development in Nairobi, Vipingo Development in Kilifi and Pearl Marina Development in Uganda. Of the 1,316 units under construction, 827 units, with a revenue potential of KES 6.1 billion have been sold over the last twelve months, representing a pre-sale level of 63%. The business has collected over 22% in cash deposits for these presold units.

All the units under construction have been financed through internally generated cash flows and the projects are currently debt free. The underlying subsidiaries have an asset to debt ratio of 5.8x and are therefore under-leveraged. Both Vipingo and Pearl Marina developments are currently fully equity funded.

This Business Unit has developed a rich pipeline of residential projects which are either under or nearing market validation, consistent with the sales-led development model. Across the three mixed-use developments, we are actively pursuing a land sales pipeline of over KES 13.2 billion.

The Real Estate business is now significantly cash generative and has shown a strong performance.

Marketable Securities

The Group held KES 2.8 billion in marketable securities at 30 September 2019 as a separate portfolio from that created using the proceeds from the sale of Almasi Beverages Limited and Nairobi Bottlers Limited. This portfolio is structured to minimize risk of capital loss while generating cash and additional liquidity for the Group from income and capital gains. Over the last six months, this portfolio recorded a realised cash investment income of KES 130 million.

Company performance

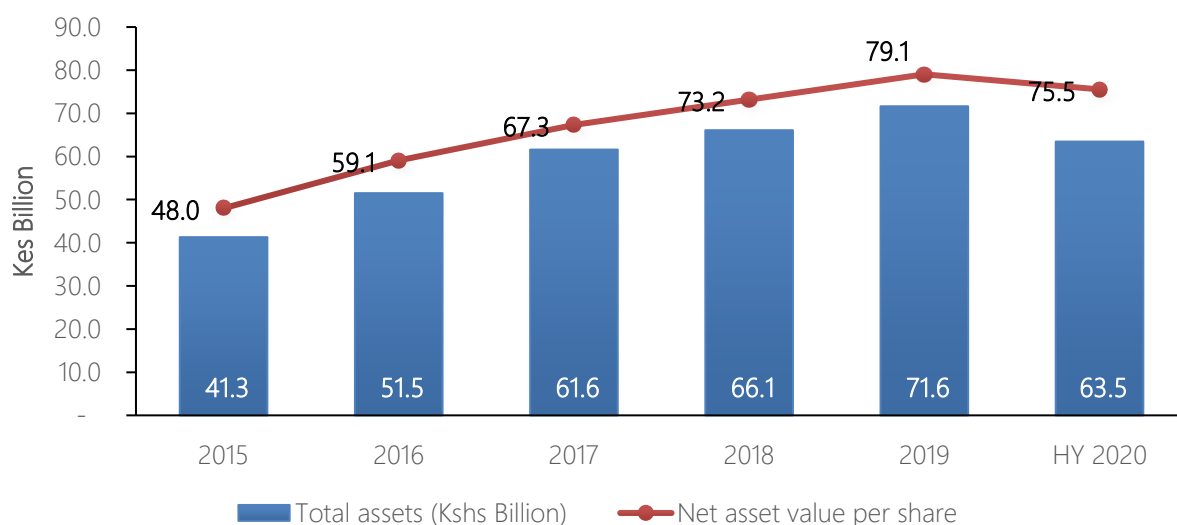
The company's operating profit increased from KES 992 million to KES 1.5 billion for the six-month period ended 30 September 2019, representing a 49% growth relative to a similar period last year. This was primarily attributable to the realised gains on disposal of Almasi Beverages Limited and Nairobi Bottlers Limited. Dividend income from the Private Equity portfolio also increased by 45% to KES 387 million.

The company has recorded a one-off impairment provision of KES 2.3 billion of which KES 2.1 billion is against the debt instrument investment in Amu Power Company Limited. As at 30 September 2019, the Company had completed negotiations for an Operations and Maintenance (O&M) and the Engineering, Procurement and Construction (EPC) contracts, secured a Power Purchase Agreement with Kenya Power Limited, negotiated a debt term sheet and obtained a Government of Kenya Letter of Support. The Company had however not yet secured a Partial Risk Guarantee, which is a requirement for financial close of funding with lenders. In addition, while the company had obtained the relevant environmental approvals, the same is currently under litigation before the High Court of Kenya following an appeal from the National Environment Tribunal. In view of the uncertainties surrounding the timing of closure of these matters and the classification of the investment as a debt instrument, a full provision has been recorded in accordance with IFRS 9, *Financial Instruments*. Contractually, however, the investment in the debt instrument continues to be outstanding.

The decrease in Net Asset Value from KES 52.6 billion as at 31 March 2019 to KES 50.3 billion as at 30 September 2019 is attributable to those provisions.

Total assets decreased from KES 71.6 billion to KES 63.5 billion between 31 March 2019 and 30 September 2019 as a result of debt repayments and the above provisions. Performance on NAV per share and total assets since 2015 is set out below.

Total Company Assets and Net Asset Value Per Share



B. Liquidity and Borrowings

Following the repayment of the Rand Merchant Bank loan in September 2019, the composition of the Company's borrowings as at 30 September 2019 is as set out below:

	31-Mar-19	30-Sep-19
Corporate Bond II (2015)	6,367	6,378
Term Loan	7,635	-
Short term facilities	2,142	3,535
Total	16,144	9,913

The analysis of the net gearing position is summarised below:

Kes. Mn	FY '15	FY '16	FY '17	FY '18	FY'19	HY'20
Short Term Debt	-	-	(982)	(3,482)	(108)	(3,535)
Long Term Debt	(7,569)	(10,475)	(13,674)	(11,360)	(16,036)	(6,378)
Total Debt	(7,569)	(10,475)	(14,656)	(14,843)	(16,145)	(9,913)
Cash and Cash Equivalents	3,673	3,849	2,447	1,078	253	11,945
Marketable Securities	1,732	2,673	3,133	3,566	3,781	2,810
Net (Debt) / Cash Position	(2,164)	(3,953)	(8,094)	(10,198)	(12,110)	4,842
Equity	31,939	22,936	44,808	48,686	52,600	50,285
Net Debt to Equity	7%	17%	18%	21%	23%	N/A
Long Term Debt to Equity	24%	46%	31%	30%	31%	18%

The company closed the half year period with a net liquidity position of KES 13.6 billion, as analysed below:

	30-Sep-19
Cash, fixed and call deposits as shown on the balance sheet	11,945
Marketable securities portfolio	2,810
Total cash and marketable securities	14,755
<i>Less:</i>	
Short term facilities as shown on the balance sheet	(3,535)
Current liabilities paid in October 2019	(1,599)

Net cash and marketable securities	9,621
Undrawn committed facilities available to Company	4,000
Total liquidity available to Company	13,621

Outlook

We are on course to fully deleverage the Company's balance sheet, having paid off all bank term loans and looking to pay off the corporate bond that is maturing in June 2020. The Company has a strong balance sheet, with an available liquidity of KES 13.6 billion and a portfolio of quality assets with low gearing. The Company is therefore well positioned to take advantage of available opportunities, particularly under the current market conditions.

The Real Estate business will continue to pursue a sales-led development process. The cash returns from sold residential units projected to be completed within the next three months and from sale of land will be partially applied towards redemption of the Corporate Bond. The Private Equity business is evaluating new opportunities that meet our investment criteria and is currently pursuing first close of Centum Capital Fund II. Our focus on marketable securities is on a cash generative portfolio, whose returns, together with the savings in finance costs post full deleveraging will positively impact cash profitability by KES 2.5 billion.

By Order of the Board,



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

cc Paul Bwiso
Chief Executive Officer
Uganda Securities Exchange
Kampala, Uganda

Mr. Paul Muthaura
Chief Executive Officer
Capital Markets Authority
Nairobi, Kenya

Mr. Keith Kalyegira,
Chief Executive Officer
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