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CENTUM
tangible wealth

11 June 2019

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

Dear Geoffrey,

1. **RE: AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019**

The Board of Directors of Centum Investment Company Plc is pleased to announce the audited financial results of the Group and Company for the year ended 31 March 2019 as set out below: -

Consolidated and Company Statements of Comprehensive Income for the year ended 31 March 2019

KES. '000	Group		Company	
	Mar '19	Mar '18	Mar '19	Mar '18
Trading business:				
Sales	10,864,087	10,171,132	-	-
Direct and other operating costs	(9,746,717)	(9,102,223)	-	-
Trading Profit	1,117,370	1,068,909	-	-
Financial services:				
Income from financial services	3,502,548	2,844,698	-	-
Funding and other costs	(3,963,785)	(3,385,289)	-	-
Operating loss from financial services	(461,237)	(540,591)	-	-
Investment operations:				
Investment and other income	9,852,606	5,712,840	3,167,358	3,528,853
Operating and administrative costs	(2,128,453)	(2,028,205)	(630,932)	(852,713)
Finance costs	(2,517,605)	(1,761,201)	(1,709,677)	(1,646,400)
Share of profits from associates and joint ventures	(1,423,835)	694,898	-	-
Profit before tax	4,438,846	3,146,650	826,749	1,029,740
Profit from continuing operations	4,120,246	2,656,298	742,866	1,041,253
Profit from discontinued operation, net of tax	-	135,600	-	-
Profit for the year	4,120,246	2,791,898	742,866	1,041,253
Other comprehensive income, net of tax	(1,207,414)	(413,942)	3,969,752	3,635,730
Total comprehensive income	2,912,832	2,377,956	4,712,618	4,676,983
Earnings Per Share-Basic	6.68	3.96		

Consolidated and Company Statements of Financial Position as at 31 March 2019

KES million	Group		Company	
	Mar '19	Mar '18	Mar '19	Mar '18
Investment portfolio	19,163	22,702	70,538	63,966
Cash and cash equivalents	5,393	5,820	253	1,078
Other assets	77,208	67,766	853	1,044
Total Assets	**101,764**	**96,288**	**71,644**	**66,088**
Customer deposits	14,817	12,832	-	-
Borrowings	26,871	24,464	16,145	14,843
Other Liabilities	8,500	8,095	2,899	2,559
Total Liabilities	50,188	45,391	19,044	17,402
Total Equity	**51,576**	**50,897**	**52,600**	**48,686**
Total Capital and Liabilities	101,764	96,288	71,644	66,088
NAV per share (KES.)			79.05	73.16

Consolidated Statement of Cash Flows
For the year ended 31 March 2019

KES million	Mar '19	Mar' 18
Opening cash and cash equivalents	**4,074**	**4,657**
Net cash from operations	3,640	2,701
Net cash used in investing activities	(2,397)	(1,492)
Cash generated from financing activities	(33)	(1,792)
Closing cash and cash equivalents*	**5,284**	**4,074**

*(*Net of overdraft of KES 109 million (2018: 1,746 million)*

Consolidated Changes in Equity
For the year ended 31 March 2019

KES million	Mar '19	Mar '18
Share capital	333	333
Share premium	590	590
Other reserves	1,182	2,390
Retained earnings	37,387	34,359
Proposed dividends	798	798
Non-controlling interests	11,286	12,427
Total	**51,576**	**50,897**

The financial data presented above are selected extracts of the audited financial results. For an in-depth analysis of performance, please visit www.centum.co.ke.

Dividend Declaration

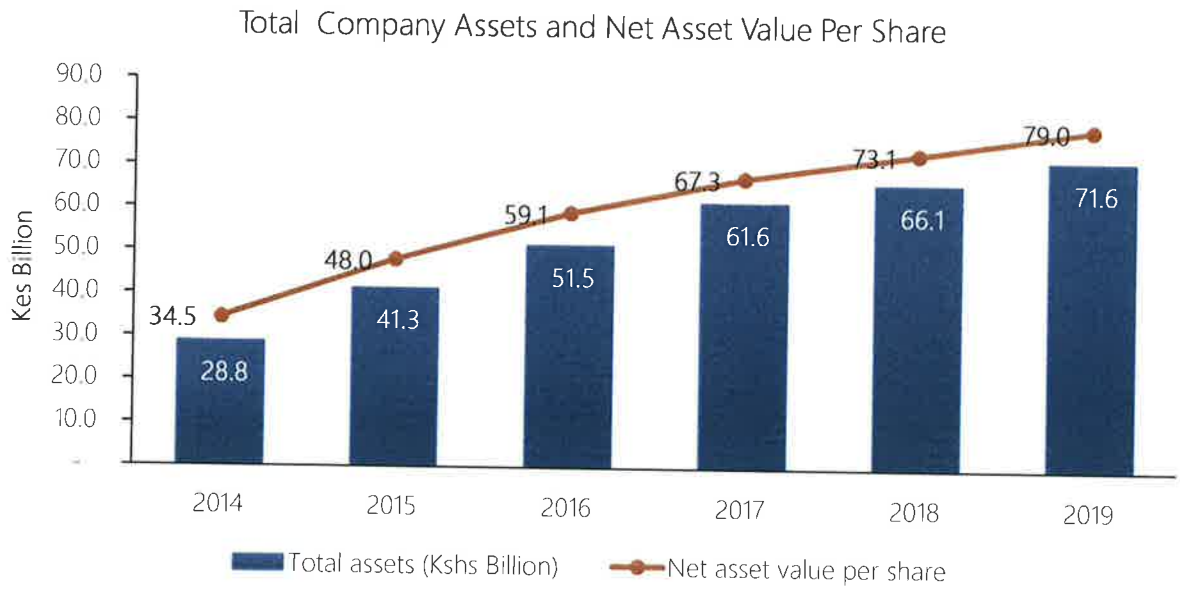
The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2019 (2018: KES 1.20 per share).

A. Financial Performance

The year ended 31 March 2019 marked the end of our five-year strategy period dubbed 'Centum 3.0'. Over that five-year period, the Company's assets grew by 249% from KES 28.8 billion to close at KES 71.6 billion as at 31 March 2019. Net Asset Value (NAV) per share on the hand grew by 229% from KES 34.5 to KES 79 as at 31 March 2019. The NAV per share has grown at a compounded annual growth rate of 18% since the commencement of our current strategy period in 2014, underscoring the Group's commitment to sustained value creation for its shareholders.

This growth was primarily funded by internally generated funds and borrowings as the Company elected not to raise new equity. Through either full or partial exits in our investment portfolio over the strategy period, we raised KES 36.3 billion in exit proceeds, which resulted in realised capital gains of KES 24.3 billion.

The asset and NAV per share performance over the strategy period is summarised below:



Group performance

The Group recorded a consolidated profit growth of 48% from KES 2.7 billion in 2018 to KES 4.1 billion for the financial year ended 31 March 2019. The primary performance drivers under our respective three business units are set out below.

i. *Private Equity*

During the year, the Group completed the disposal of GenAfrica Asset Managers Limited, realising a gain of KES 1.2 billion. Through this transaction, the Group achieved a holding period IRR of 29% for the investment, demonstrating our track record in growing shareholder wealth through an optimal investment strategy, portfolio management and successful exits.

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 is on growing its non-funded income through growth in trade finance business that has seen the 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.

Within the trading subsidiaries segment, Longhorn Publishers Limited recorded a 141% growth in profitability over the twelve-month period to 31 March 2019, driven by a strong top line performance, on account of both geographical and product diversification.

ii. *Real Estate*

Our focus in the real estate portfolio is monetisation of our land banks through in-fill projects development or sale of development rights. During the year, we closed a number of development rights sales in our land banks at valuation multiples that are several times our book carrying value. In addition, residential projects across our three land banks have recorded strong pre-sale performance over the year. We are currently developing 3,000 residential units, of which the first phase of 1,200 units is under construction. Over a ten-month period, we have attained a 51% (606 units) pre-sale level on the units under construction, with a sales value of KES 5.2 billion . We also broke ground at our Vipingo Industrial Park, where some of the referenced development rights were sold. The underlying activity and sales in the real estate portfolio saw a growth of KES 3.3 billion in fair value gains across the portfolio.

iii. *Marketable securities*

The Group held a marketable securities portfolio of KES 3.1 billion as at 31 March 2019 (2018: KES 3.4 billion). During the period, the portfolio recorded a realised cash investment income of KES 400 million. Consistent with the overall performance of markets, particularly the NSE, the portfolio valuation decreased by KES 533 million during the year.

Company performance

a. Total returns

The Company's total return grew nominally by 1% year on year, to KES 4.7 billion. Total investment income decreased from KES 3.5 billion to KES 3.2 billion, representing a 10% year on year decline. This was on account of lower interest income and reduced dividends from GenAfrica Asset Managers Limited, following conclusion of the exit. The total investment income includes KES 1.2 billion realised gains from the exit. The Company also recorded a 26% decrease in operating expenses. Stripping one-off costs in both years, recurrent expenses decreased by 20%, reflecting the Company's continued focus on operational efficiency. This expense level reflects an efficiency ratio of 0.9% to total assets, against a ceiling of 2%.

b. Investment activity

In the financial year, Centum deployed KES 1.8 billion as equity and debt investment in its portfolio. The segmental analysis of the investment activity is set out below:

	KES Mn
Private Equity	1,040
Real Estate	512
Development portfolio	283
	1,835

The major investment in Private Equity relates to a tranche of KES 857 million subscription to Sidian Bank Limited's rights issue. The first tranche of KES 285 million was settled in the prior financial year.

c. Borrowings

A summary of Centum's borrowings is set out below.

Borrowings (KES Mn)	31-Mar-18	31-Mar-19
Short term borrowings	3,462	2,258
Bond II (2015)	6,294	6,367
US Dollar Denominated Term Loan	5,087	7,520
Total	**14,843**	**16,145**

The Company is on-course to settling the term loans in 2019 and the bond upon maturity in 2020.

The Company's debt service capacity remains strong with Debt Service Coverage Ratio (DSCR) consistently above the minimum level set under its various debt covenants, as summarised below:

KES Mn	FY15	FY16	FY17	FY18	FY19
Operating Inflows	8,114	7,904	5,259	6,270	3,706
Operating Outflows	(519)	(1,033)	(922)	(667)	(769)
Internally Generated Funds	7,595	6,871	4,336	5,603	2,937
Finance Costs	814	1,511	1,754	1,768	1,790
Debt Service Coverage	**9.3x**	**4.5x**	**2.5x**	**3.2x**	**1.7x**

The overall gearing level was at 30% against the covenant ceiling of 50%, as summarised below:

KES Mn	FY15	FY16	FY17	FY18	FY19
Net Debt (Total debt less cash)	3,896	6,559	12,209	13,765	15,892
Equity (Net Asset Value)	31,939	39,314	44,808	49,923	52,600
Net Debt to Equity	12%	17%	27%	28%	30%
Long Term Debt to Equity	24%	27%	31%	26%	30%

In our last credit rating, Global Credit Rating affirmed Centum's credit rating of A (long term) and A1 (short term) with a positive outlook, primarily citing the Group's substantial value enhancement as evidenced by growth in Net Asset Value under the current strategy period.

B. <u>Outlook</u>

We have commenced implementation of our new 5-year strategy dubbed 'Centum 4.0' that covers the period April 2019 to March 2024. Under the new strategic plan, our business has been simplified into 3 business units, namely Private Equity, Real Estate and Marketable Securities. Across the three business units, we are targeting to grow our total returns at an annual rate of 20%, with specific targets for cash returns. We believe that the momentum and scale achieved over Centum 3.0 provides us with a strong growth platform for both the Private Equity and Real Estate businesses.

Specifically for Private Equity, Centum will be investing between KES 10 billion and 15 billion over the next 5 years in a fund to be managed by its wholly-owned subsidiary, Centum Capital Partners Limited. Within Real Estate, our focus over the next five years will be continued activation of our development sites and land bank monetisation through infill projects and sale of development rights. Our current development pipeline comprises of 3,000 residential units across our existing development sites. A further 2,000 are at the concept stage. In addition to our existing sites, we are actively pursuing opportunities in affordable mid-market housing where we look to develop over 5,000 units over the next five years. We have received committed funding for this development pipeline. On land development rights sales, some transactions were closed during the year while we have a rich pipeline of sales under negotiation.

On 10 June 2019, we signed an agreement to sell our total combined shareholding in Almasi Beverages Limited and Nairobi Bottlers Limited to Coca-Cola Beverages Africa Limited at a combined valuation of KES 19.5 billion. This is an event subsequent to the balance sheet date and the realised gains are therefore not reflected in the results for the year ended 31 March 2019. The two investments are carried at KES 16.8 billion on the balance sheet as at 31 March 2019 and have a carrying cost of KES 3.4 billion. We expect to complete the transaction in the financial year ending 31 March 2020. The proceeds from these transactions will be applied towards repaying our current US Dollar denominated bank term loan of KES 7.5 billion, which will result in finance cost savings of KES 700 million. The balance of the proceeds will be invested in our Private Equity and Marketable Securities portfolios.

By Order of the Board,

James Mworia, 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
Capital Markets Authority,
Kampala, Uganda