

CENTUM INVESTMENT COMPANY PLC

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The Board of Directors of Centum Investment Company Plc is pleased to announce the audited financial results of the Company and Group for the year ended 31 March 2023 ("FY2023") as set out below:-



COMPANY AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

KES. '000	GROUP		COMPANY	
	MAR 2023	RESTATED MAR 2022	MAR 2023	MAR 2022
Trading business:				
Sales	1,961,862	2,303,649	-	-
Direct and other operating costs	(2,080,889)	(2,230,434)	-	-
Profit/(loss) from trading businesses	(119,027)	73,215	-	-
Financial services:				
Income from financial services	6,373,761	5,599,891	-	-
Funding and other costs	(6,039,399)	(4,908,234)	-	-
Profit from financial services	334,362	691,657	-	-
Real Estate				
Gross profit from residential unit sales	413,850	334,723	-	-
Fair value gains on investment property	2,129,175	513,068	-	-
Gain/(loss) on disposal of investment properties	(52,589)	111,074	-	-
Other income	88,952	99,204	-	-
Operating costs	(685,324)	(449,339)	-	-
Operating profit from Centum Real Estate	1,894,064	608,730	-	-
Funding costs	(124,394)	(481,681)	-	-
Profit from real estate investments	2,018,458	127,049	-	-
Two Rivers Development				
Sales and investment income	251,121	752,867	-	-
Funding and other costs	(2,349,887)	(2,033,984)	-	-
Share of loss from joint venture	(1,116,581)	(1,008,764)	-	-
Impairment provision on assets	(3,875,015)	-	-	-
Loss from Two Rivers Development Group	(7,090,362)	(2,289,881)	-	-
Investment operations:				
Investment and other income	235,708	1,084,518	2,131,800	1,661,922
Operating and administrative costs	(476,750)	(746,031)	(511,503)	(569,992)
Share of loss from associates	-	(150,163)	-	-
Finance costs	(458,541)	(545,143)	(458,541)	(540,466)
(Loss)/profit before provisions	(699,583)	(356,819)	1,161,756	551,464
Impairment provision on assets	(695,172)	(191,156)	(954,412)	(490,143)
(Loss)/profit from investment operations	(1,394,755)	(547,975)	207,344	61,321
(Loss)/profit before tax	(6,251,325)	(1,945,935)	207,344	61,321
(Loss)/profit for the year	(7,314,589)	(2,098,831)	(60,839)	(20,639)
Other comprehensive income/(loss), net of tax	(1,777,136)	1,481,861	(4,869,124)	(227,356)
Total comprehensive income/(loss) for the year	(9,091,725)	(616,970)	(4,929,963)	(247,995)
Attributable to:				
Owners of the parent	(5,956,745)	111,132	-	-
Non-controlling interest	(3,134,980)	(728,102)	-	-
Total comprehensive income/(loss) for the year	(9,091,725)	(616,970)	-	-
Earnings Per Share-Basic	(6.28)	(1.10)	-	-

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023

KES. MILLION	GROUP		COMPANY	
	MAR 2023	RESTATED MAR 2022	MAR 2023	MAR 2022
Investment portfolio	7,725	11,655	36,889	42,694
Loans and advances	101	-	-	-
Cash and cash equivalents	543	1,196	348	1,019
Assets held for sale	42,947	43,030	4,238	2,776
Other assets	61,705	62,649	261	472
Total Assets	113,021	118,529	41,737	46,960
Customer deposits	-	-	-	-
Borrowings	19,678	20,626	2,248	4,159
Other liabilities	18,641	13,712	3,521	1,476
Liabilities directly associated with assets classified as held for sale	37,597	37,580	-	-
Total Liabilities	75,915	71,918	5,769	5,635
Total Equity	37,106	46,610	35,968	41,326
Total Capital and Liabilities	113,021	118,529	41,737	46,960
NAV per share (KES.)	-	-	54.05	62.10

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

KES. MILLION	GROUP		COMPANY	
	MAR 2023	RESTATED MAR 2022	MAR 2023	MAR 2022
Opening cash and cash equivalents	3,264	4,843	10	(149)
Net cash from operations	3,890	6,080	2,413	1,116
Net cash used in investing activities	88	(4,620)	(269)	(305)
Cash used in financing activities	(4,334)	(3,038)	(2,554)	(653)
Closing cash and cash equivalents	2,909	3,264	(400)	10

Cash and cash equivalents in the cashflow statement is shown net of overdraft facilities

A reconciliation of the closing cash and cash equivalents is shown below:-

KES. MILLION	GROUP		COMPANY	
	MAR 2023	RESTATED MAR 2022	MAR 2023	MAR 2022
Cash and cash equivalents	261	1,196	348	1,019
Bank overdraft	(746)	(1,040)	(748)	(1,010)
Cash reclassified as held for sale	3,394	3,108	-	-
Closing cash and cash equivalents per cashflow statements	2,909	3,264	(400)	10

KES. MILLION	GROUP		COMPANY	
	MAR 2023	RESTATED MAR 2022	MAR 2023	MAR 2022
Share capital	333	333	333	333
Treasury shares	(37)	-	(37)	-
Share premium	590	590	590	590
Other reserves	(443)	1,320	14,210	19,080
Retained earnings	35,452	40,032	20,472	20,932
Proposed dividends	400	391	400	391
Non-controlling interests	811	3,944	-	-
Total	37,106	46,610	35,968	41,326

Centum's focus as an investment company is identifying compelling investment opportunities, adding value to scale them up and at an appropriate time and price, monetize the value created during the holding period. Monetization is achieved during the holding period through the receipt of annuity income in form of dividend/interest payments to Centum by portfolio companies and repayment of shareholder loans previously advanced to portfolio, and on exit/sale of our equity stake in the investments.

COMPANY PERFORMANCE

The Company statement of financial position is reflective of the fair value of our investment portfolio as at the reporting date. The statement highlights the value created in the year from our investment portfolio which includes cash returns, realised and unrealised gains adjusted for operating costs, finance costs and tax. The company recorded Kes 1.2 Bn in operating profit for the year representing 111% increase from Kes 551 Mn in the prior year.

The improved performance was attributed to sustained annuity income (dividend and interest income) generated from the portfolio, operational efficiencies as well as the reduction in finance costs following significant debt repayment in the year. Operating and administrative costs reduced by 10% following the cost rationalization efforts. The cost to annuity income ratio improved to 38% from 39% in FY2022. Finance costs declined by 15% on account of the debt repayments as well as reduction of bank guarantee following the cancellation of a significant portion of the USD 21.4Mn portion of the CCBA bank guarantee to CCBA following conclusion of the sale of the battling companies. Total return for the period stood at a loss of Kes. 5.0 Bn compared to a loss of Kes. 248Mn in the prior period. This was primarily on account of Kes 4.85Bn unrealized value movement losses. Of these value movements, Kes. 3.8Bn is in respect of the mark-down of our equity value in TRDL following its impairment provisions. TRDL is now held at nil value in the Centum company balance sheet. We also recognized a Kes 1.6Bn increase in deferred income tax liability

on fair value gains due to the change in the capital gains tax rate from 5% to 15%. The rest of our investment portfolio posted a positive value movement of Kes 600Mn.

The impairment loss of Kes 954Mn was recorded in the period compared to Kes 490Mn in the prior period. During the year the company made the final settlement of Kes 334Mn on account closure in respect to the sale of its stake in the bottling companies to CCBA. An impairment provision of Kes 353Mn was made for the balance of assets in respect to Centum Business Solutions whose business was discontinued in the last financial year. Impairment provisions were also made in respect to assets held on account of Centum Capital Partners and Investpool Ltd. The company generated Kes 3.2Bn from operations. This comprised Kes 696Mn net cash flows from recurring operations and Kes 2.6Bn from investment operations including disposal of marketable securities and receipt of proceeds from shareholder loans repayment by Centum Real Estate.

PROPOSED DIVIDEND

In line with the policy to pay out 30% of annuity income, the Board of Directors has proposed to pay out Kes 400 million in dividend with respect to the financial year ended 31 March 2023 (Kes 391 million in FY22). This represents dividend per share of Kes 0.60 up from Kes 0.59 in the last financial year. This proposal will be considered for approval by shareholders at the next annual general meeting.

The recommended dividend is courtesy of strong performance in annuity income generated from our marketable securities portfolio (MSP) as well as private equity dividend income. MSP yielded an annualized return of 15.5%, an improvement from a yield of 13.7% in the prior year. Enhanced dividend payout by our portfolio companies resulted in a year-on-year growth in dividend income by Kes 100Mn. In aggregate, the portfolio generated Kes 1.3Bn in annuity income during the year which adequately covered the company's operating costs and finance costs and the proposed dividend payment.

PROGRESS ON CENTUM 4.0 STRATEGY

KEY PILLARS	STRATEGIC OBJECTIVES	PROGRESS UPDATE
1. Returns & Dividend Payout	<ul style="list-style-type: none"> Generate 20% annualized return and grow NAV to KES 70Bn by FY2024. Distribute to shareholders a minimum of 30% annuity cash income. 	<ul style="list-style-type: none"> Kes 2.6Bn dividend distributions made, which is 67% achievement of Centum 4.0 strategy period target. Kes 37.4 Bn FY2023 closing NAV achieved; 53% of the strategy period target closing NAV. Good progress made on initiatives geared towards closing the gap in FY2024.
2. Capital Structure & Liquidity	<ul style="list-style-type: none"> Pay down KES 3.0Bn balance of debt. Generate sufficient annuity cash income to cover OPEX, Finance Cost, and Dividend Payment 	<ul style="list-style-type: none"> Total debt has been reduced by Kes 14Bn from Kes 16.1Bn in March 2019 to Kes 2.2Bn in March 2023. Contingent liabilities reduced by Kes 1.0Bn in FY2023 following the reduction of the bank guarantee that had been issued in favour of Coca Cola Beverages Africa Limited (CCBA) as part of the acquisition of our stakes in Nairobi Bottlers and Almasi Beverages.
3. Operating Costs	<ul style="list-style-type: none"> Maintain Operating Costs below 30% of annuity income earned. 	<ul style="list-style-type: none"> Operating costs reduced by 10% in FY2023 following improved cost efficiency. 38% cost-to-income ratio achieved in FY2023, down from 39% in the prior year. Focus is on the enhancement of annuity income with no major increase in operating costs.
4. Portfolio Focus	<ul style="list-style-type: none"> Allocate 75% - 80% of assets to growth portfolio (PE & RE) Scale up marketplace securities portfolio to 20% - 30% of total portfolio. 	<ul style="list-style-type: none"> Growth portfolio formed 85% of the total portfolio as at 31 March 2023 while Marketable Securities made up 15%. Marketable Securities Portfolio and cash amounted to Kes 6.5 Bn as at 31 March 2023 and generated 15.5% annualized return for the period.
5. Organizational Effectiveness	<ul style="list-style-type: none"> Fully adopt a supervisory approach to portfolio management with portfolio companies attaining operational independence and are prepared for exit. 	<ul style="list-style-type: none"> All portfolio companies currently have separate and independent operations and governance systems in line with the target supervisory parenting model targeted under Centum 4.0.

CONSOLIDATED PERFORMANCE

The Consolidated performance aggregates the performance of our subsidiaries line by line and incorporates our share of the performance of associates and joint venture entities within the group. Performance of our subsidiaries are disclosed in five distinct segments: (i) Trading Businesses (ii) Financial Services, (iii) Real Estate, (iv) Two Rivers investment operations, and (v) Investment operations.

INVESTMENT ACTIVITY & IMPACT ON FINANCIAL PERFORMANCE

The major investment activity that has had a material impact on the reported financial statements in the year was the purchase of the entire balance of the undeveloped land from Two Rivers Development Limited (TRDL), which is a 58% held subsidiary by Two Rivers International Finance and Innovation Center (TRIFIC) a 100% held subsidiary of Centum. Following the completion of this transaction the Board of TRDL took the decision to fully provide for the balance of their unsold assets. Although we don't hold a 100% of TRDL we are required to consolidate the full financial statements of TRDL. This provision and performance of TRDL in the year accounted for the loss of Kes7 Billion in the consolidated financial statements. We have also fully provided for our investment in TRDL in our company balance sheet. We previously carried this investment at Kes3.9 Billion. Of the Kes3.9 Billion provision Kes1.2 Billion reflects the investment cost and the balance of Kes2.7 Billion reflects previously recognized gains.

The Board of TRDL made a decision to impair the balance of its unsold assets, following the sale of all its development rights to Two Rivers Land Company (SEZ) Limited. These assets were in respect to TRDLs investments in joint ventures; Two Rivers Lifestyle Company and Two Rivers Theme Park. These two assets are now carrying at nil value in the balance sheet of TRDL. The sale of the development rights by TRDL on 31st May 2023 has enabled the entity to extinguish its key liabilities which include the USD 50Mn debt. These value movements are non-cash and they largely impacted the Net Asset Value per Share which declined from Kes62.10 to Kes54.

On the cash performance we recorded an improved performance with the profit before the provisions increasing by 111% from Kes551 Million to Kes1.1 Billion.

Total investment cash flows also improved from Kes1.1 Billion to Kes2.4 Billion. This enabled us to retire about 50% of our outstanding debt of Kes2 Billion in the period.

The consolidated net loss after tax for the period was Kes 7.3Bn in FY2023 compared to Kes 2.1Bn in FY2022. The performance was largely impacted by the loss from the Two River Development operations on account of Kes. 3.9Bn impairment provision in addition to a high level of finance costs.

OUTLOOK

As we progress into FY2024, which is the last year of our Centum 4.0 strategy period, we are optimistic that the key initiatives that we have set out to pursue will positively impact shareholder value and returns. Our focus remains to take the critical decisions that are necessary to continue creating value and generating enhanced cash flow in the dynamic and challenging operating environment that we are in. We are cautiously optimistic and look forward to an improved performance in the coming year.

For further information please visit the Centum website (www.centum.co.ke) and download the investor presentation.

By Order of the Board,

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