

Earnings Update - Centum Investment Company Plc HY22

- Centum Investment Company Plc reported an **After-tax loss** of KES.662.1Mn, a significant reduction from the after-tax loss of KES.2Bn announced in HY 21.
- **Loss Per Share** consequently declined to KES.0.89 from KES.0.2.09 over the same period in 2020.
- The investment firm's trading profit grew from a loss of KES.316.8Mn to a profit of KES.255.3Mn owing to an improvement in its **trading business** as sales increased from KES.136.3Mn in HY21 to KES.1.2Bn in HY22.
- The company's management attributes the improved trading business performance to bottom-line growth in Longhorn Publishers due to regional expansion and a recovery of the education sector following the re-opening of schools.
- **Profit from financial services** grew by 457.6% to KES.210.5Mn (KES.37.7Mn HY 21) due to a 37.3% growth in income from financial services from KES.1.9Bn to KES.2.6Bn.
- This growth is directly linked to the strong performance of Sidian Bank which saw its profitability improve from KES.15Mn to KES.255Mn on a year-on-year (YoY) basis.
- Notably, **real estate sales and investment income** grew from KES.26.1Mn to KES.300.3Mn year-over-year, however, Centum still announced a loss from real estate investments amounting to KES.141.8Mn (KES.297.8Mn HY 21) owing to high funding costs of KES.442.1Mn.
- Centum's management attributed the improved performance to profits associated with the sale of residential units amounting to KES.144Mn and the disposal of development rights amounting to KES.63Mn.
- **Two Rivers Development** saw an improvement in sales and investment income which grew from a loss of KES.32.5Mn in HY 21 to a profit of KES.474.5Mn.
- However, similar to real estate investment income, high funding costs of KES.816.8Mn resulted in a loss for the unit amounting to KES.342.5Mn (KES.1Bn HY 21).
- Centum announced a profit from **investment operations** amounting to KES.43.2Mn as a result of increased investment and other income (KES.771.2Mn) and a reduction in finance costs from KES.453.8Mn to KES.327Mn.
- This brought **operating profit before impairment provisions** to KES.24.8Mn compared to a loss of KES.2Bn in the previous year.
- In line with its strategic objective of deleveraging the balance sheet at the company level, the group reduced its debt profile from KES.4.1Bn as at FY21 to KES.4Bn as at HY22.
- The Group saw its Net Asset Value (NAV) per share decline slightly from KES.62.85 to KES.62.09 owing to the KES.283Mn comprehensive loss for the six-month period.
- No interim dividend was declared.

FY2022 Outlook

- Centum has begun recovering from the weight of the pandemic which took a heavy toll on all its business lines.
- We expect the recovery to continue into the full year with its trading business and financial service lines bringing in the bulk of growth.
- We expect Longhorn Publishers and Sidian Bank to continue announcing robust numbers which will bolster up the Group's performance.
- With regard to Two Rivers Development Limited (TRDL), we expect sustained recovery as the Group takes up restructuring efforts to reduce interest expenses which weigh heavy on the bottom line.
- Centum Real Estate (RE) enjoys a healthy cash position and a low net debt position relative to its asset cover (Assets cover debt 8x) which brings the subsidiary's gearing ratio to 21%.
- The foregoing coupled with the fact that all project finance debt, including the corporate bond, is covered by escrowed cash means that there is reduced credit risk for investors and significant upside potential as the real estate unit continues its sales efforts.

- All these factors combined are likely to result in a net profit come the full year.

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