

Valuation Summary

- We recommend a BUY for the Centum with a target price of Kshs. 57, representing an upside of 24.5% from the current price of Kshs. 46.8 as at 10th June 2016, inclusive of a dividend yield of 2.1%
- Centum is currently trading at a P/B of 0.72x and a P/E of 3.92x

During the quarter

- Centum exited minority position in AON via sale of 21% stake to AON PLC
- Old Mutual invested USD 63 mn for 50% stake in Two Rivers Mall

Income Statement:

- Core EPS recorded a growth of 12.4% to Kshs. 11.75 to from Kshs. 10.45 per share driven by driven by 5.4 bn realized gain from the exit of AON and disposal of quoted and unquoted investments. Key highlights include;
- Total income grew by 104.3% to Kshs. 24.2 bn from Kshs. 11.8 bn in FY 2015, driven by Kshs. 8.1bn bn from the sale of beverages from Kshs. 37mn FY 2015
- Total expenses grew by 341.7% to Kshs. 13.3 bn from Kshs. 3.0 bn in FY 2015, driven by a 23,226.1% surge in cost of Sales of beverages to Kshs. 5.4bn from Kshs. 23mn FY 2015
- The surge in expenses can be attributed to business acquisitions during the year pushing their ownership to a level that requires consolidation for financial reporting purposes
- Profit after tax increased by 25.3% to stand at Kshs. 9.9 bn from Kshs. 7.9 bn in FY 2015

Balance Sheet:

- Total Assets grew by 7.9% to Kshs. 78.1 bn from Kshs. 72.3 bn in FY 2015 supported by a 132.4% rise in levels of investment in subsidiaries to Kshs. 13.0 bn as the company continued to increase investments across its focus sectors
- Shareholders' funds grew by 12.2% to Kshs. 43.3 bn from Kshs. 38.6 bn in FY 2015, leading to an improvement in Net Asset Value per share by 23.1% to Kshs. 59.1 from Kshs. 48.0 in FY 2015
- For the first time since listing, Centum has declared a dividend of Kshs. 1.0 per share, translating into a dividend yield of 2.1%

Going forward, we expect Centum to register faster growth underpinned by;

- Realization of gains across its real estate portfolio, including Two Rivers Development whose valuations currently are conservative
- Tactical reallocation of portfolio to cash and fixed income securities as the company exhibits a dynamic portfolio approach; Cash accounts to 53% of the portfolio in 2016, compared to 10% in 2015, while equities account for 23% in 2016 from 70% in 2015

Below is a summary of the key line items in the balance sheet and income statement.

Figures in Kshs. billions unless otherwise stated

Balance Sheet (Kshs. bn)	FY'2016	FY'2015	y/y change
Investment Property	16.5	17.8	-7.1%
Associates and JVs	13.0	5.6	132.4%
Other Assets	48.5	49.0	-0.9%
Total assets	78.1	72.3	7.9%
Customer Deposits	12.0	12.4	-2.9%
Borrowings	16.4	10.0	63.8%
Other Liabilities	6.4	11.4	-43.9%
Total Liabilities	34.8	33.8	3.0%
Shareholders' funds	43.3	38.6	12.2%
Total Liabilities & Shareholders' funds	78.1	72.3	7.9%

Income Statement	FY'2016	FY'2015	y/y change
Sale of beverages	8.1	0.0	21902.7%
Realized gain on Sale of Investments	5.4	6.3	-13.8%
Unrealized gains on valuation of investment properties	5.1	1.7	194.7%
Other income	5.5	3.8	45.8%
Total Operating income	24.2	11.8	104.3%
Cost of Sales - Beverages	(5.4)	(0.0)	23226.1%
Administration & Operating Expenses	(5.9)	(2.4)	143.2%
Finance Cost	(3.1)	(1.0)	208.2%
Other Costs	1.1	0.4	139.7%
Total Operating Expenses	(13.3)	(3.0)	341.7%
Profit before tax	10.9	8.8	23.3%
Tax	(0.9)	(0.9)	5.7%
Profit after tax	9.9	7.9	25.3%
Core EPS	11.8	10.5	12.4%