

Press Release: Centum Real Estate to issue KSh4bn project bond

Nairobi, 27 October 2020. Centum Real Estate Limited, a subsidiary of the NSE-listed Centum Investment Company Plc, is looking to float a KSh4bn project bond to finance its ongoing housing projects.

Proceeds from the bond will be allocated exclusively to the subsidiary's ongoing affordable, middle-income and high-end housing projects in Kenya. Centum Real Estate has approved a project pipeline of 4,426 residential units, of which the first phase of 2,000 units is either under construction or pre-selling. Recently, the Company handed over 96 high end homes in its Uganda and Vipingo developments.

Investors who buy the bond will have an option of investing in an equity-linked component.

“We are keen on addressing existing gaps in the linkage between Kenya’s real estate sector and the capital markets,” said Samuel Kariuki, the Centum Real Estate Managing Director.

“Currently, all our projects are debt free and are funded using internally generated resources. Of the projects under construction, we have achieved an aggregate pre-sale level of 75% and deposit collections of over KES 2.6 billion, which validates our sales-led development model”, added Mr Kariuki.

Of these collections, over KES 700 million has been collected from April 2020 to date, demonstrating the resilience of the business, despite the COVID-19 impact.

The 3-year, zero coupon bond will be issued at a discount rate on the 3-year Treasury bond, plus a market-determined margin. The Centum subsidiary will also have a green shoe option of taking up to KSh2 billion more if the bond is oversubscribed.

The bond will be secured by the projects with deposit collections flowing into a sinking fund. “The sinking fund is an innovative solution to protect bond holders’ money and finance the bond redemption”, noted Mr Kariuki.

“We have a receivable of KES 6.8 billion from the sold units, which more than covers the bond redemption value. The bond is therefore a bridging finance solution to finance the construction of the presold units”, he added.

The bond, whose issue is planned to happen within the next few weeks will only reflect on the real estate subsidiary’s books, and not on the Nairobi Securities Exchange-listed parent company.

Centum Investment Company Plc this year paid off all its long-terms debts totaling KSh13.5 billion, in keeping with its strategy of maintaining a debt-free balance sheet.

Its subsidiaries are however allowed to borrow cash to develop their projects, but this should be entirely backed by their own assets and expected cash flows from such projects.

Global Credit Rating recently issued A2 credit rating for Centum Real Estate, with a stable outlook.

The bond is expected to be listed for trading on the NSE at a later date.

The project bond is intended to give a flexible funding option to projects that are already under construction and at various stages of completion.

Centum Real Estate Limited is the holding Company for the Group's Vipingo Development Limited in the Kenyan Coast, Pearl Marina Estates Limited in Uganda, Uhuru Heights Limited in Nairobi and Centum Development Kenya Limited.

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