

2016/2017

# Full Year Results



**KenGen**  
Energy for the nation

Villa Rosa Kempinski, Nairobi | Wednesday, 18 October 2017

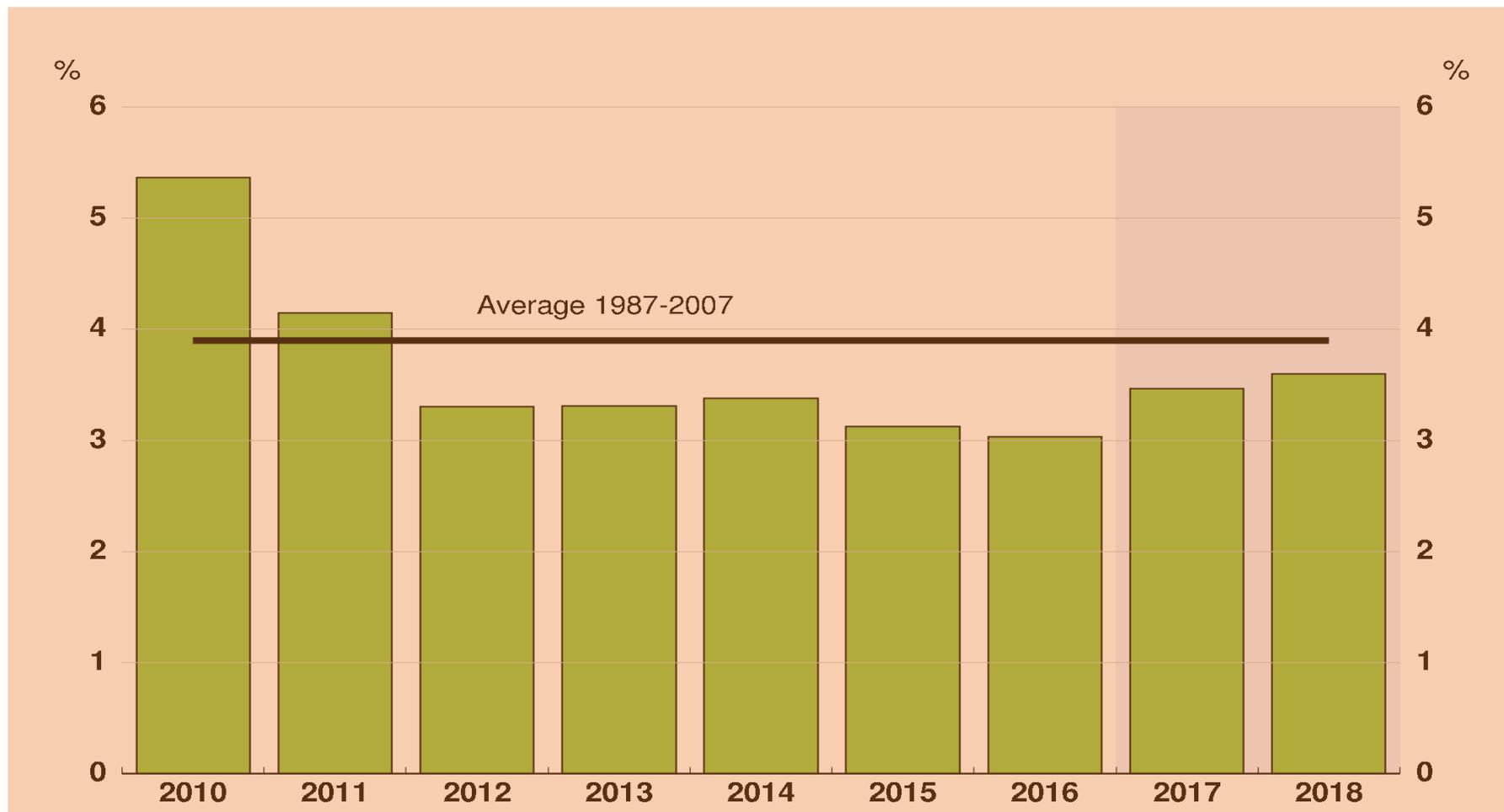


Full Year Business Review

Rebecca Miano (Mrs.), OGW

Ag. Managing Director & CEO

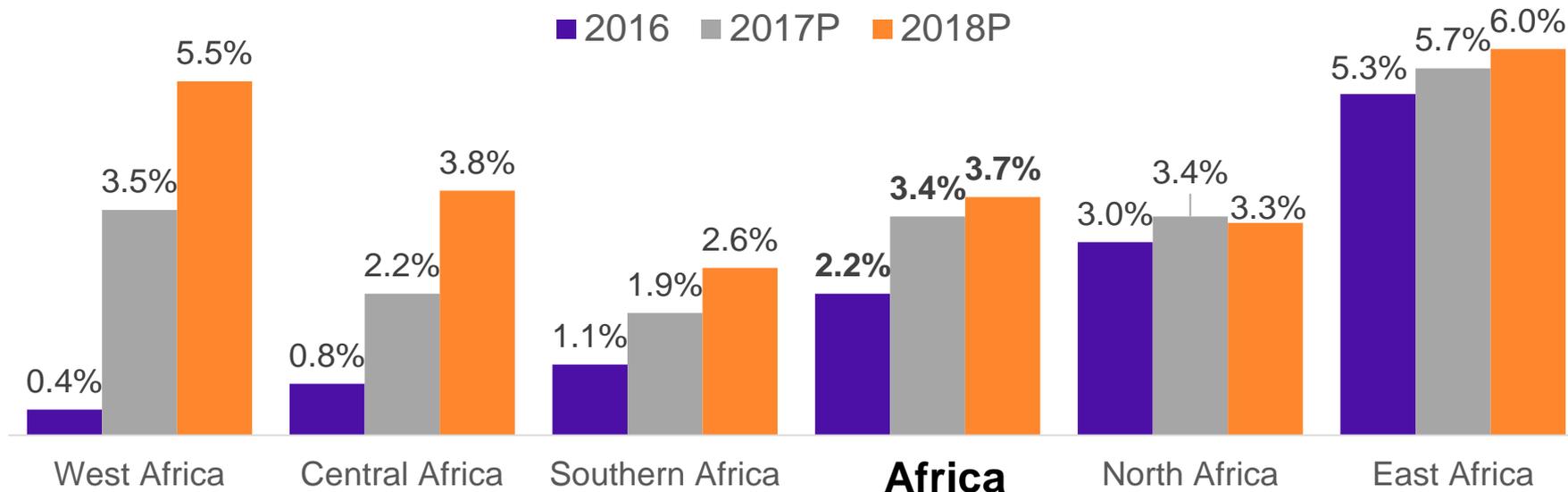
# GLOBAL GDP GROWTH EXPECTED TO PICK UP MODESTLY, but remains below historical norms



Source: OECD June 2017 Economic Outlook database.

# AFRICA'S MACROECONOMIC PROSPECTS

Positive after slow growth, East Africa maintains its lead in regional growth



**Africa's growth path is expected to remain resilient due to:**

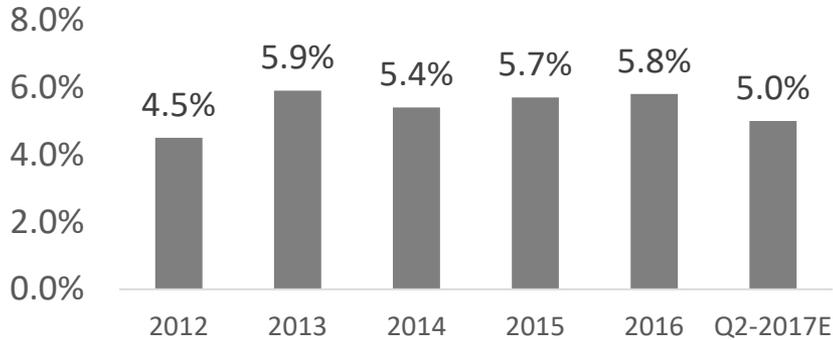
- Stronger domestic demand;
- Improved macroeconomic governance fundamentals ; and
- Friendlier business environment

Source: Africa Economic Outlook ,AfDB, OECD and UNDP (2017)

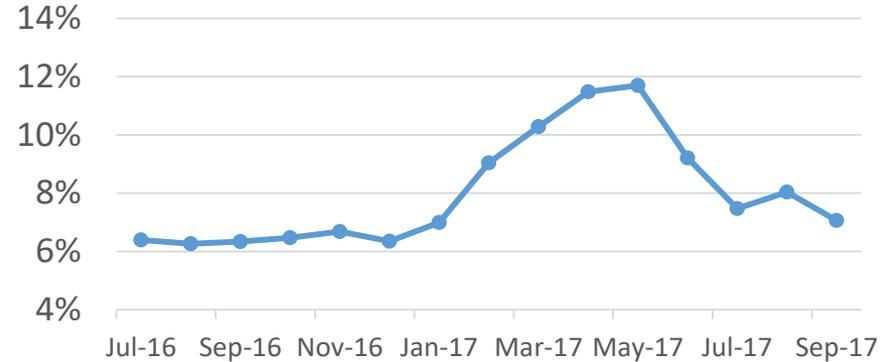
# KENYA MACROECONOMIC OVERVIEW

Kenya economy stable despite market uncertainties

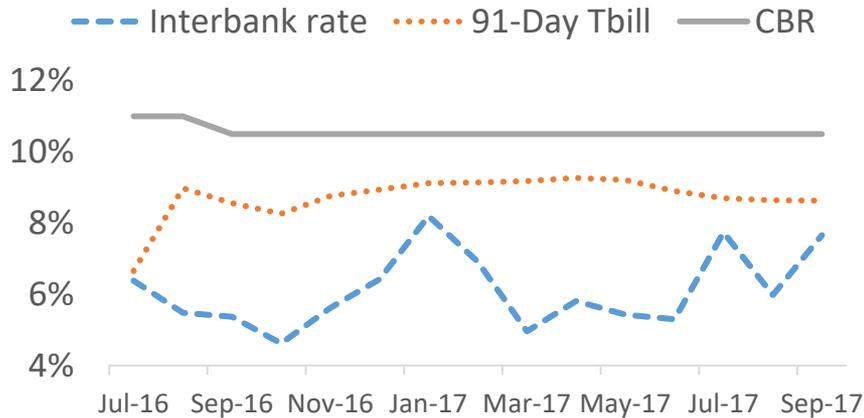
## GDP Growth



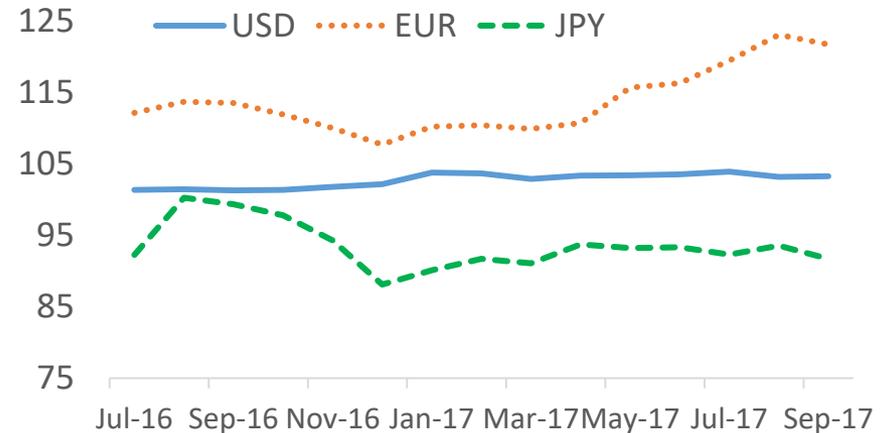
## Inflation



## Interest Rate Trend

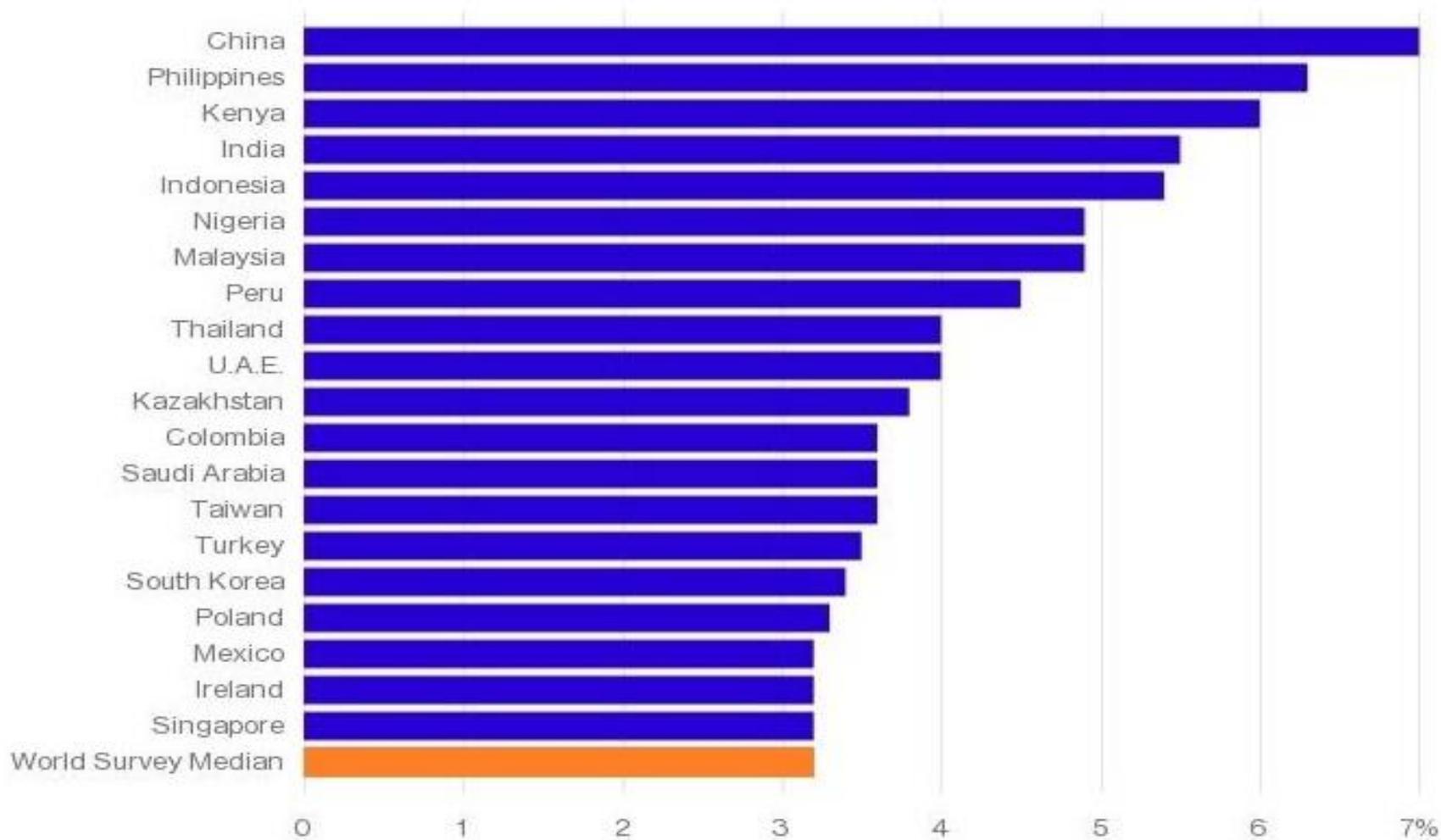


## End of month Exchange Rate of KSh



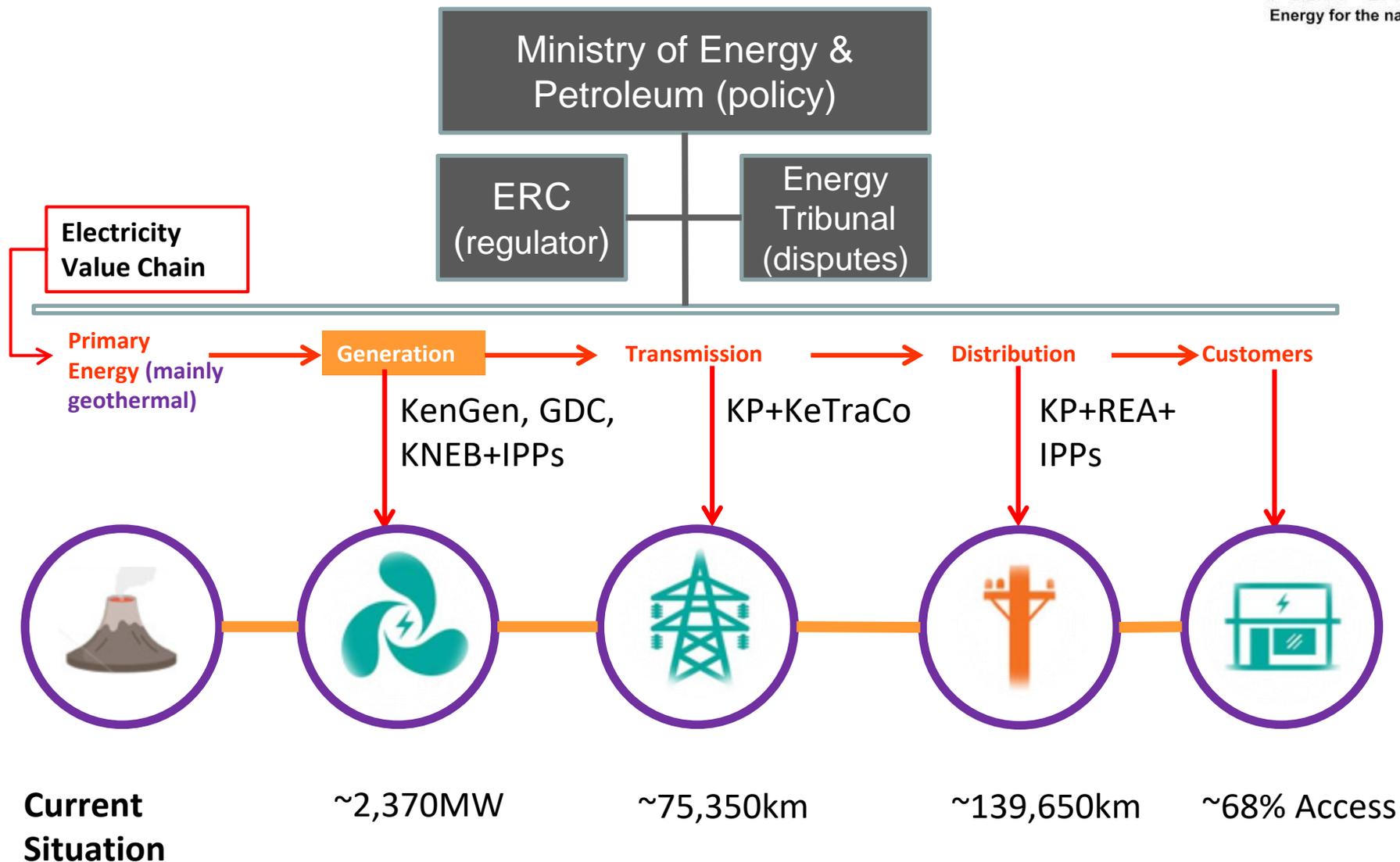
Sources : Central Bank of Kenya; KNBS

# KENYA RANKED AMONG TOP IN GLOBAL GDP GROWTH



Source: Bloomberg Survey, 2016

# KENYA'S POWER SECTOR TODAY



# NEW DEVELOPMENTS IN THE POWER SECTOR

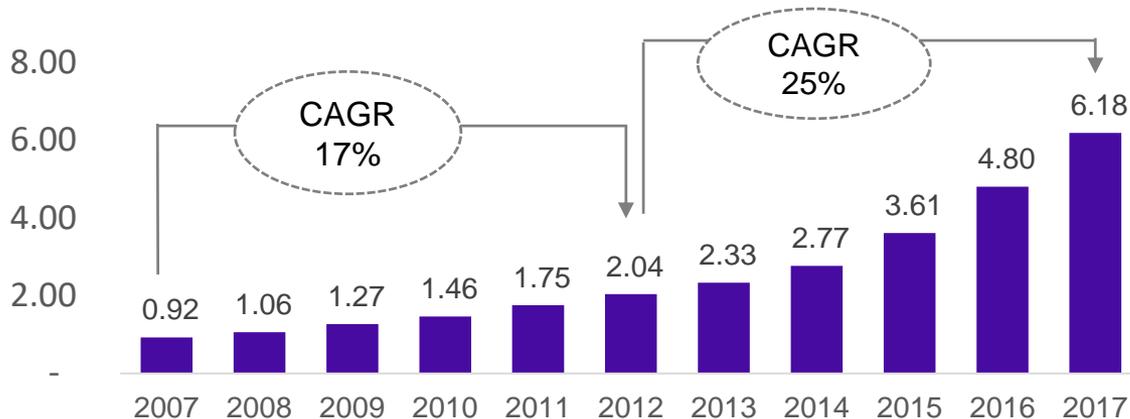
## Key Developments

- 
- I **Energy Bill 2015** – creating market for power generators (currently in Senate)
  - II **Power Infrastructure Upgrades** (improved power supply quality and reliability)
  - III **Draft National Geothermal Strategy** (to guide investments in the geothermal power generation)
  - IV **Feed-in-Tariff Policy, 2008(2012)** (currently under review)
  - V **Draft Renewable Energy Auction Policy** (improve power generation competitiveness)

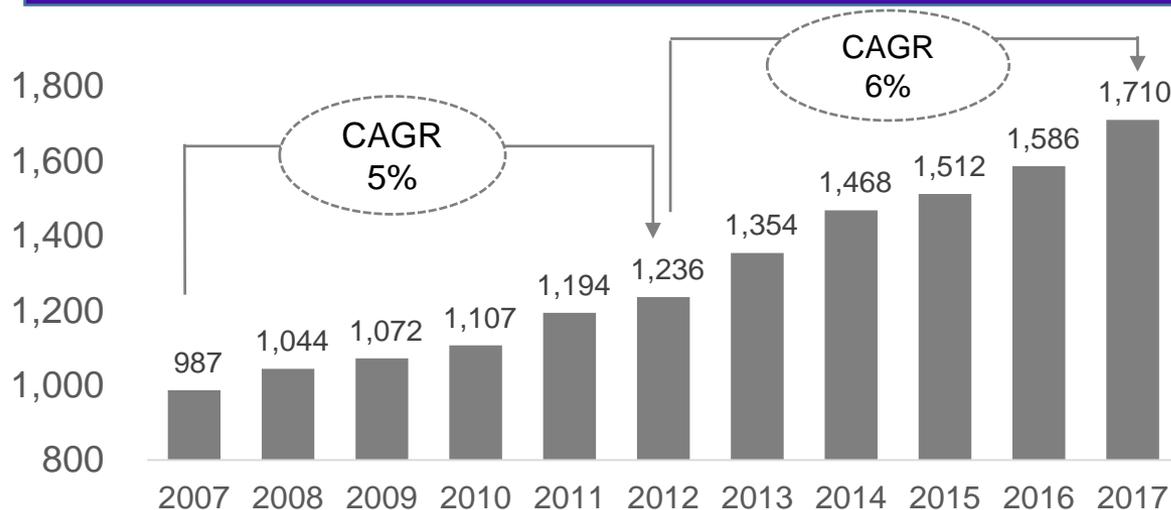
# KENYA ELECTRICITY DEMAND TREND

Electricity demand mirroring GDP growth

## Customer connections



## System Peak Demand (MW)



Power demand is projected at between 2,600-3,600 MW by 2020,

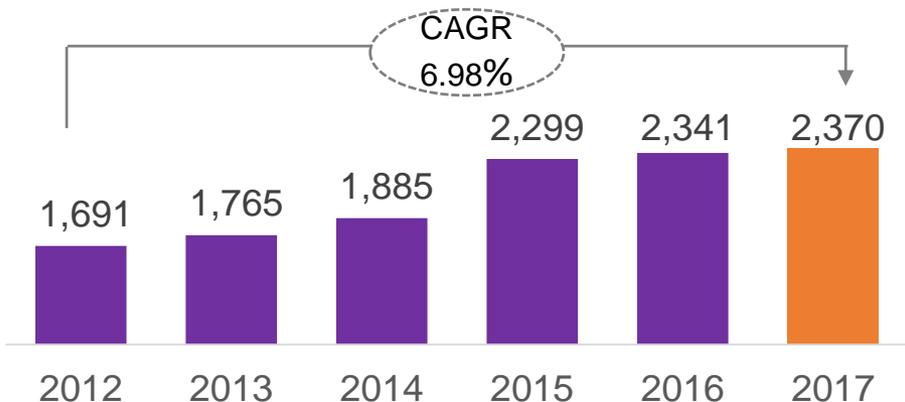
Demand to be driven by:

- 1. Anticipated growth in population and economic activity** (power consumption is expected to grow between 1.0-1.2x GDP growth)
- 2. Increased electricity access**  
Last mile Project targeting additional 3 million customers by 2020
- 3. Implementation of Vision 2030 Projects**
  - SGR and Isiolo Airport now operational

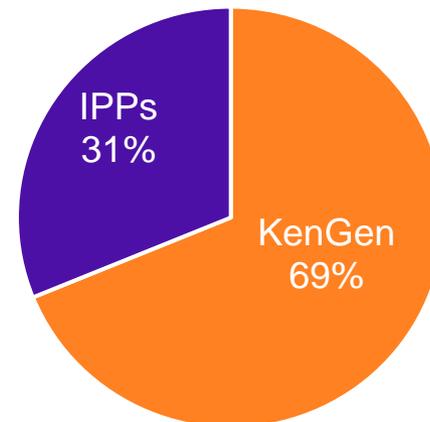
# NATIONAL PRODUCTION

KenGen produced 74% of National consumption

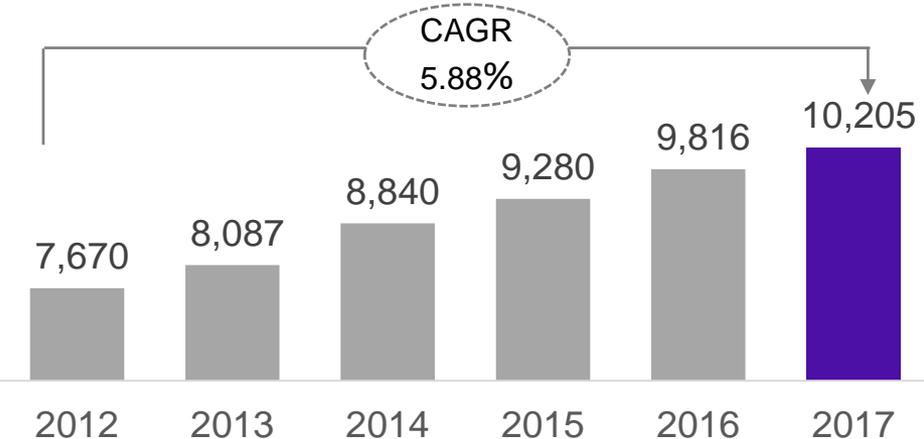
## Installed capacity (MW)



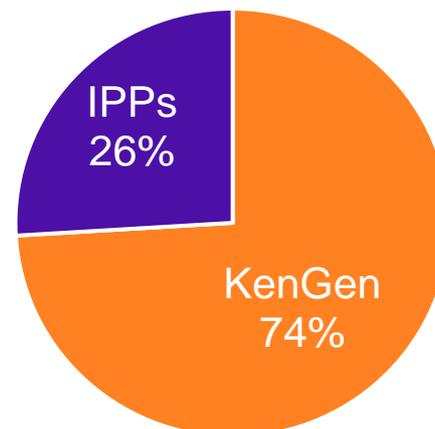
## Market share (% of MW)



## Unit sales (GWh)

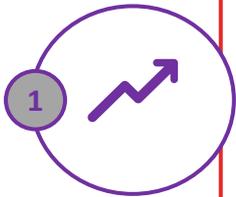


## Market share (% of Units sold)



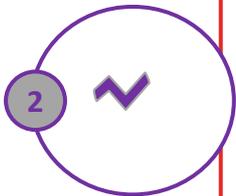
Source: Kenya Power

# OUR STRATEGIC ASPIRATIONS



## Capacity increase

- Increase our capacity by 2,500MW to **remain relevant market player** (50+% share) by 2025 focusing on geothermal
- 



## Value creation

- Provide adequate **return to shareholders** – targeting a Return On Invested Capital of 10%
- 

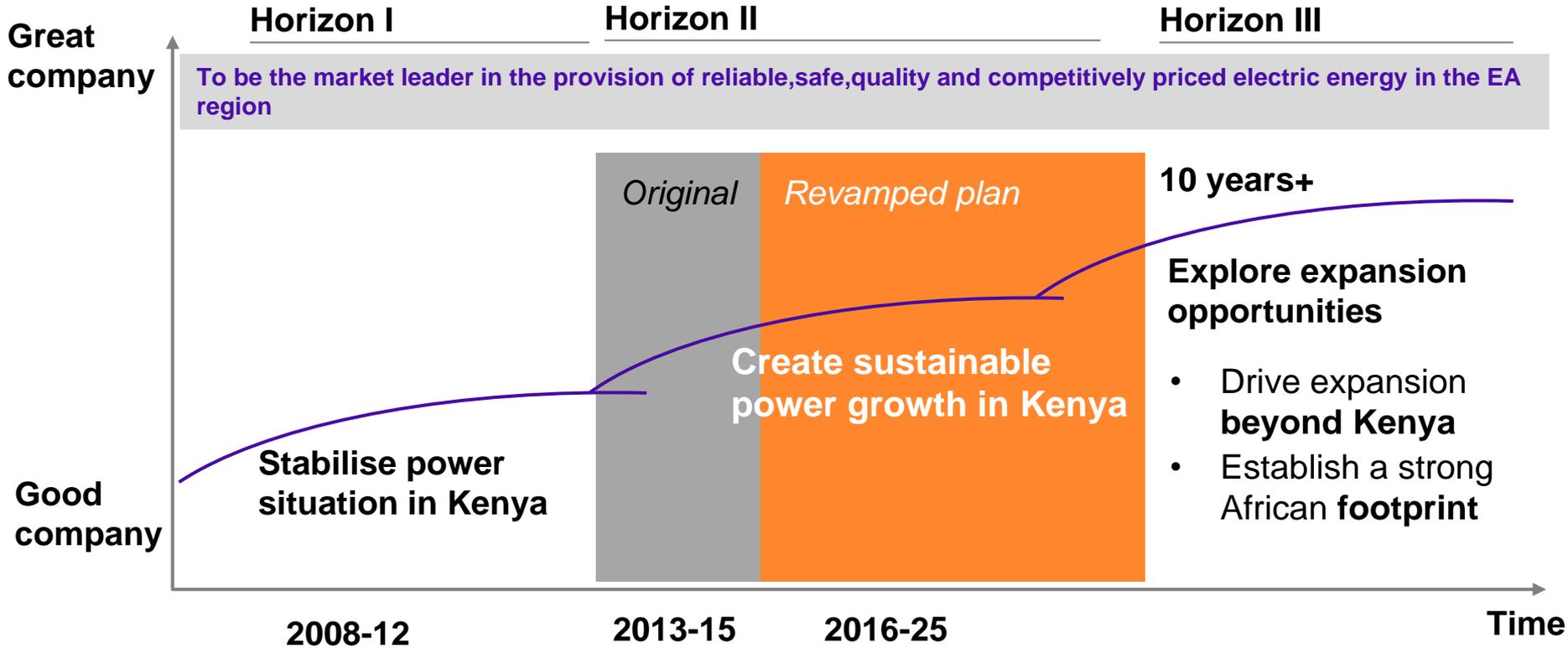


## Lower tariffs

- Profitably supply **cheaper renewable (green) electricity** to the economy

# OUR G2G STRATEGY PATH

.....well on course



- Delivered **325+MW**
- Less dependency on Hydros

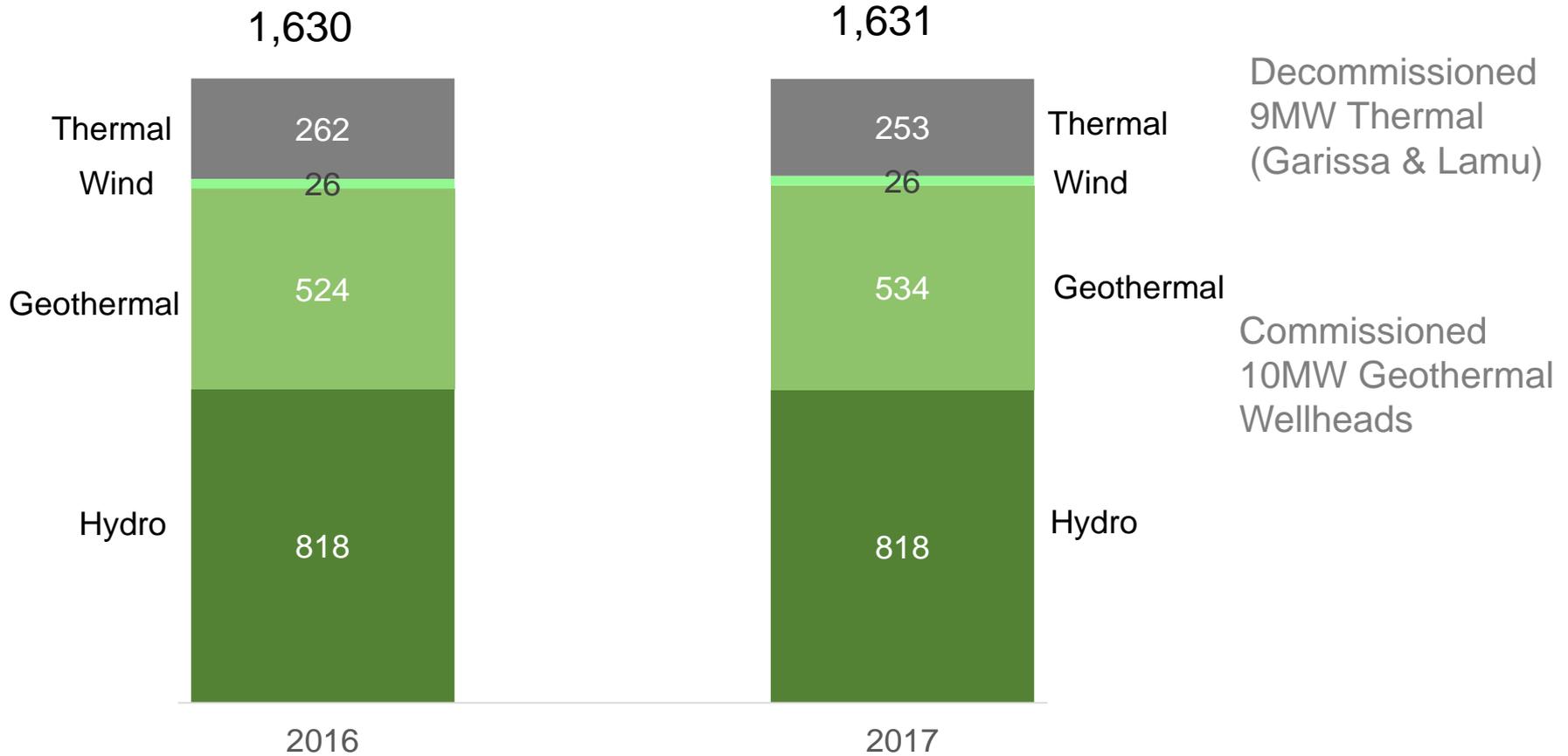


- Delivered **375+MW** in renewables

- Deliver **2,500MW** (720 MW in the short-term)
- **Shareholder** Value creation
- Lower **tariffs**
- **Diversify** business (KenGen C)

# OUR INSTALLED CAPACITY-30<sup>TH</sup> JUNE 2017

84% of our installations is Green Energy



# 2016/17 PROJECT MILESTONES

## Olkaria VI (140MW)

1



- Tender for a JV Partner under preparation

## Olkaria V (140MW)

2



- Financial close achieved
- Drilling completed, sufficient steam proven
- Broke ground in Mar'2017
- Construction ongoing

## Olkaria 1 Unit 6 (70MW)

3



- Financing committed
- Drilling completed, sufficient steam proven
- Procurement of contractor ongoing

## Olkaria I Rehab. (46MW)

4



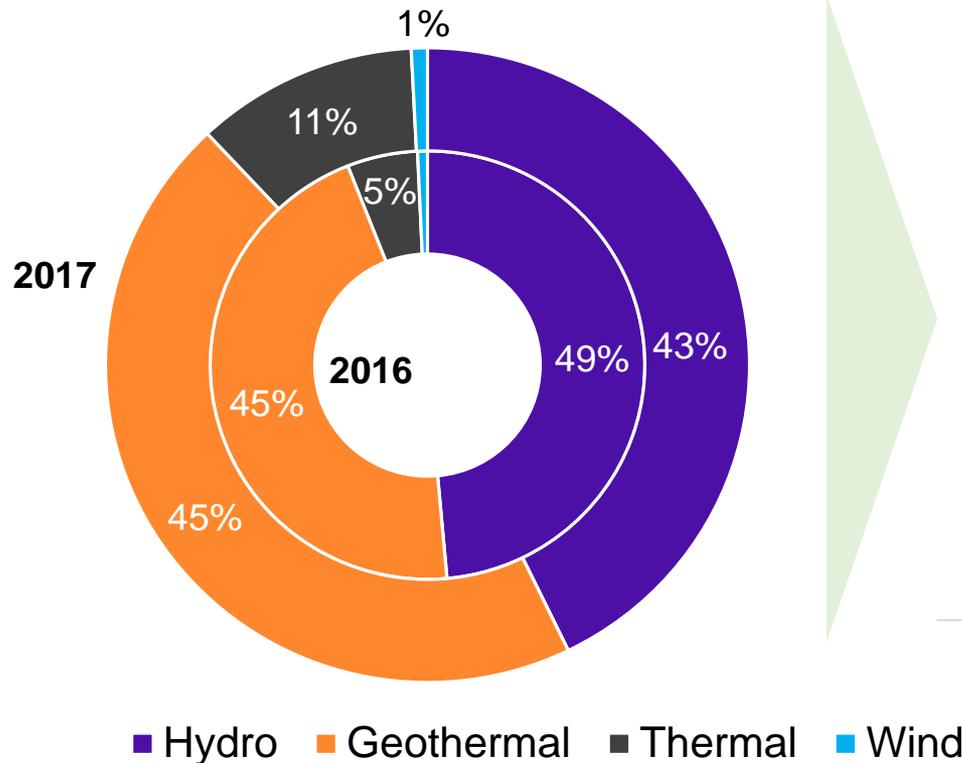
- PPA extended by 3 yrs
- Govt of Japan pledge for funding granted
- Plant to undergo rehabilitation in phased approach

# POWERING KENYA WITH GREEN ENERGY

89% of our energy is from renewables

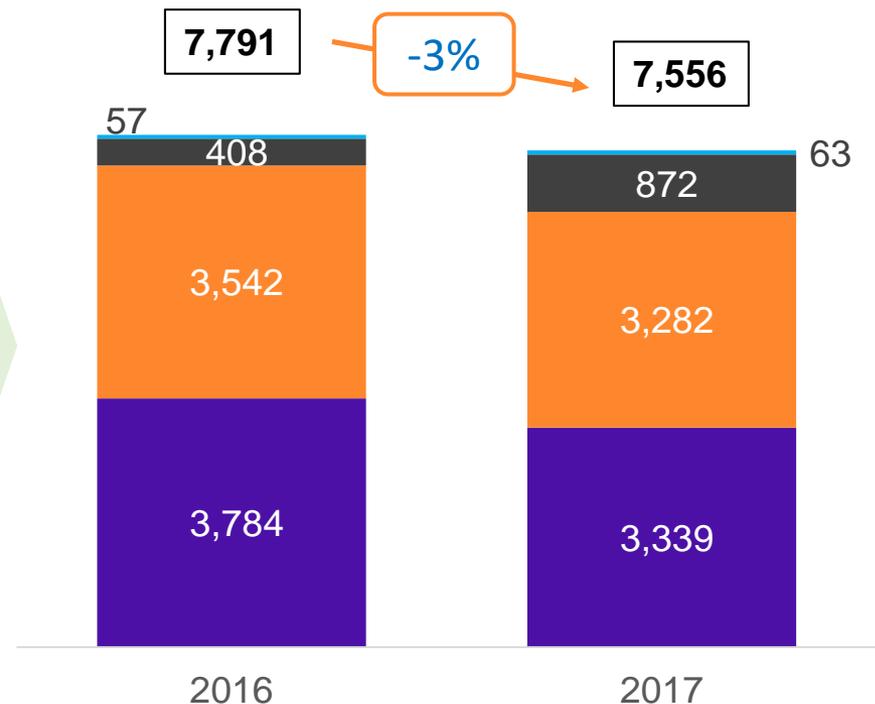
## Electricity units sales mix (%)

- Geothermal strongly complimenting Hydros



## Electricity units sales mix (GWh)

- Increased Thermal dispatch to compensate for Hydros





**FY 2016/17 FINANCIAL PERFORMANCE REVIEW**

**FCPA John Mudany**

**Finance & ICT Director**

# FINANCIAL HIGHLIGHTS

Improved profitability despite challenging environment

*KShs Millions*

	2016	2017	% Change
Revenue	38,610	35,440	-8%
Operating Profit	16,271	13,709	-16%
EBITDA	26,495	22,953	-13%
EBITDA Margin	69%	65%	-5%
Profit Before tax	11,264 <sup>(1)</sup>	11,534 ▲	2%
Profit After tax	6,743	9,057 ▲	34%

Profit After Tax  
up  
**34%**

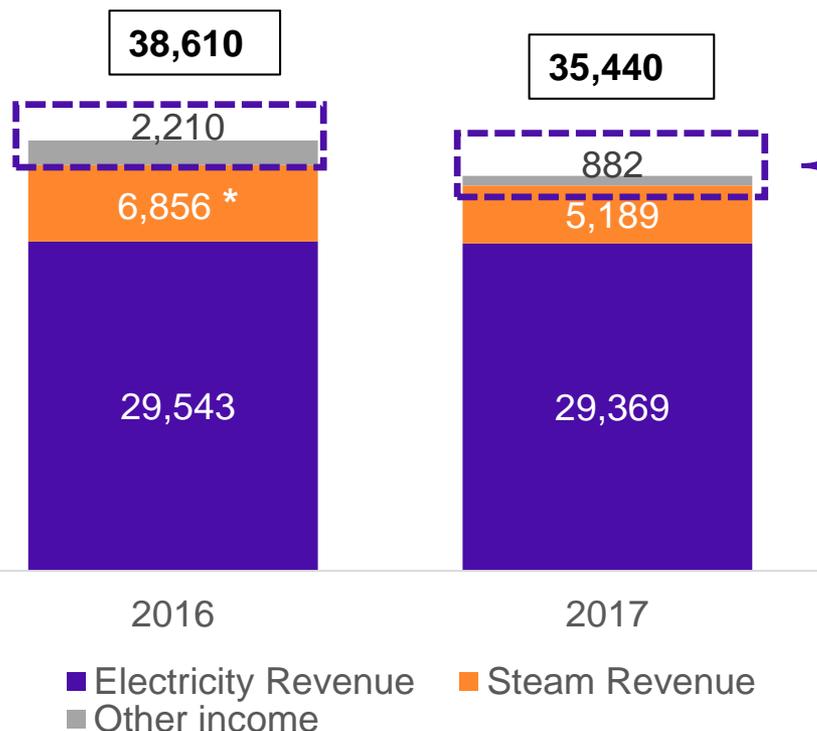
(1)PBT arrived at after adjusting the EBIT by a provision of **KShs 2,431 million** in compensating tax after payment of five year dividend arrears to the government

# REVENUE SOURCES

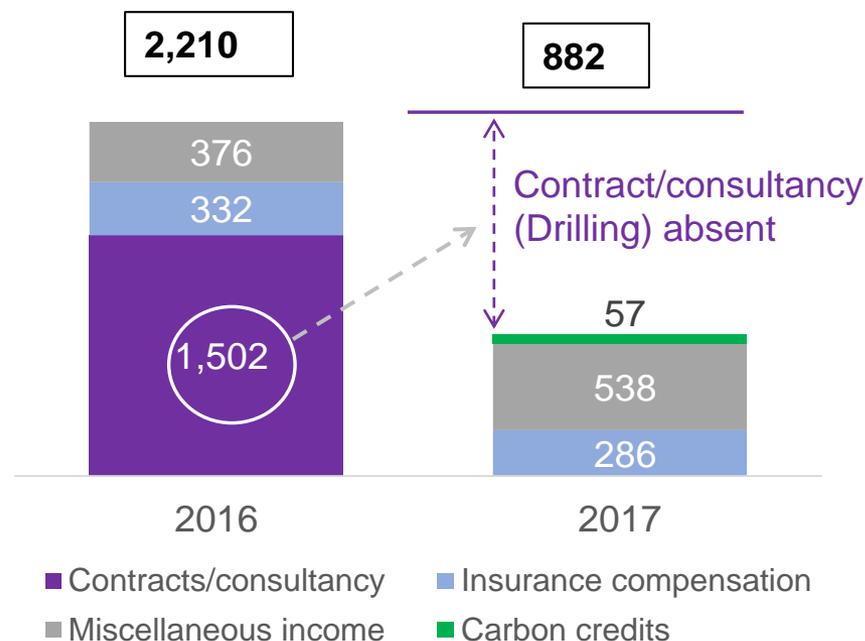
83% of revenue came from electricity sales

## Total Revenue

KShs Millions



## Other Income



\*Steam revenue included KShs 1,613 Million arrears for 2015

Note: Total Revenue excludes interest income

Note: Electricity Revenue includes FX adjustments (2016:KShs 610 Million, 2017:KShs 362 Million)

# STABLE ELECTRICITY REVENUE

75% - 25% Capacity and Energy revenue split

## Capacity Revenue

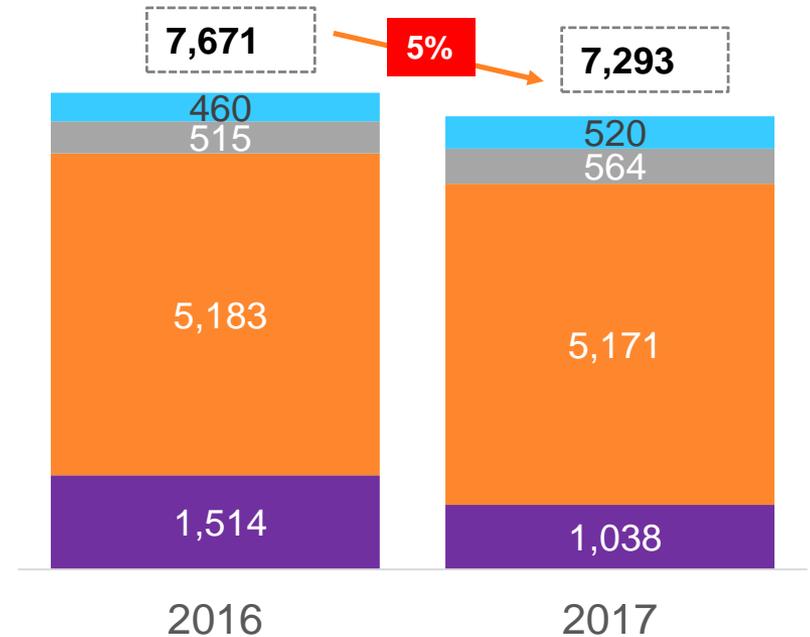
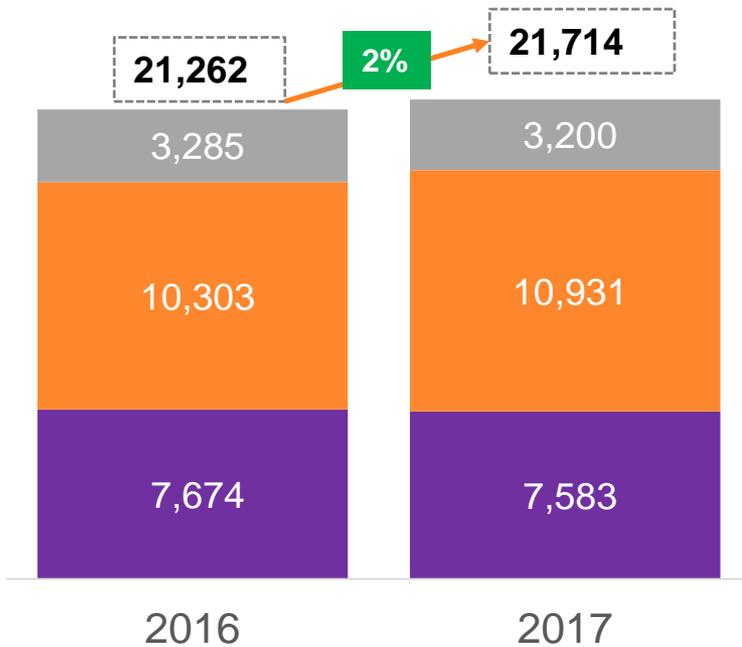
KShs Millions

Improved availability for Olkaria 280MW



## Energy Revenue

Poor hydrology (-475),  
Dispatch constraints (-173)



Geothermal

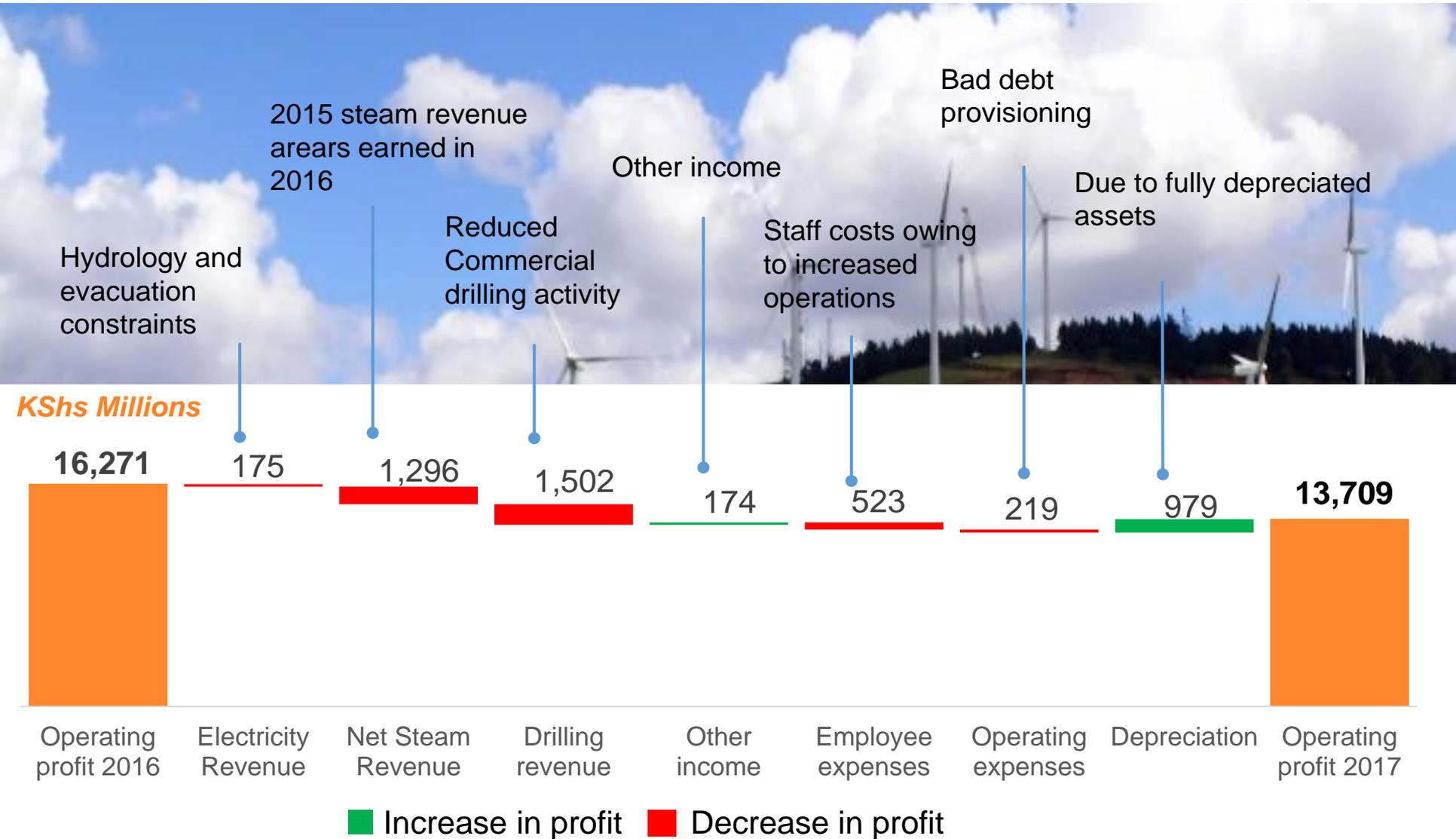
Hydro

Diesel Thermal

Wind

# BREAKDOWN OF OPERATING PROFIT CHANGES

Operating profit decreased by 16% owing to.....



# FINANCE COSTS, TAX AND NET PROFIT

## Interest income

↑ 123%

**KShs 1,242 million**

interest income on investments and interest charge on late payments

## Finance costs

↑ 9%

**KShs 3,417 million**

Effective interest rate  
**2.48%**

## Effective tax rate

**21%**

At KShs 2,477 million

Effective tax rate reduction from **46%** to **21%** mainly due to Tax Incentives after commissioning of Wellheads

## EPS

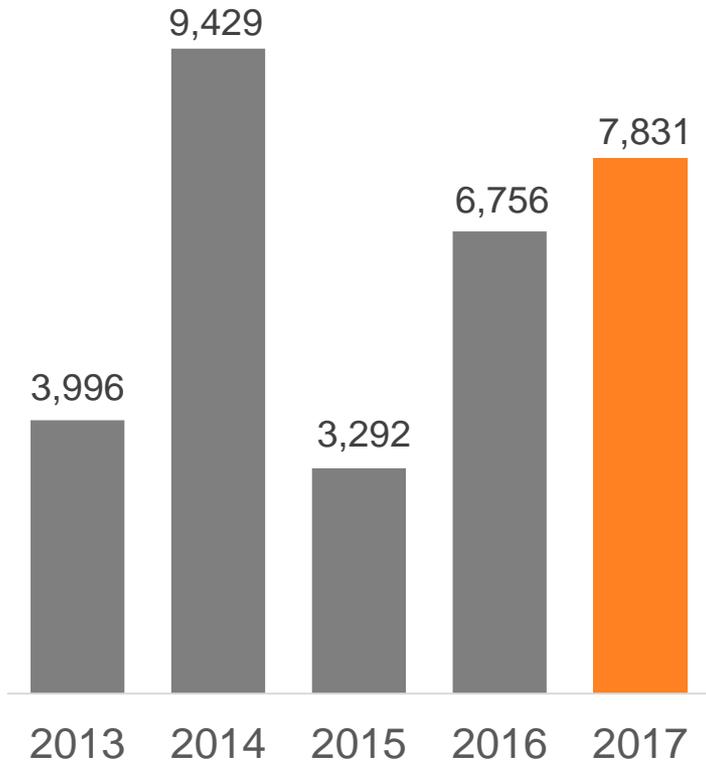
**KShs 1.37**

Closing No. of shares  
**6,594,522,339**

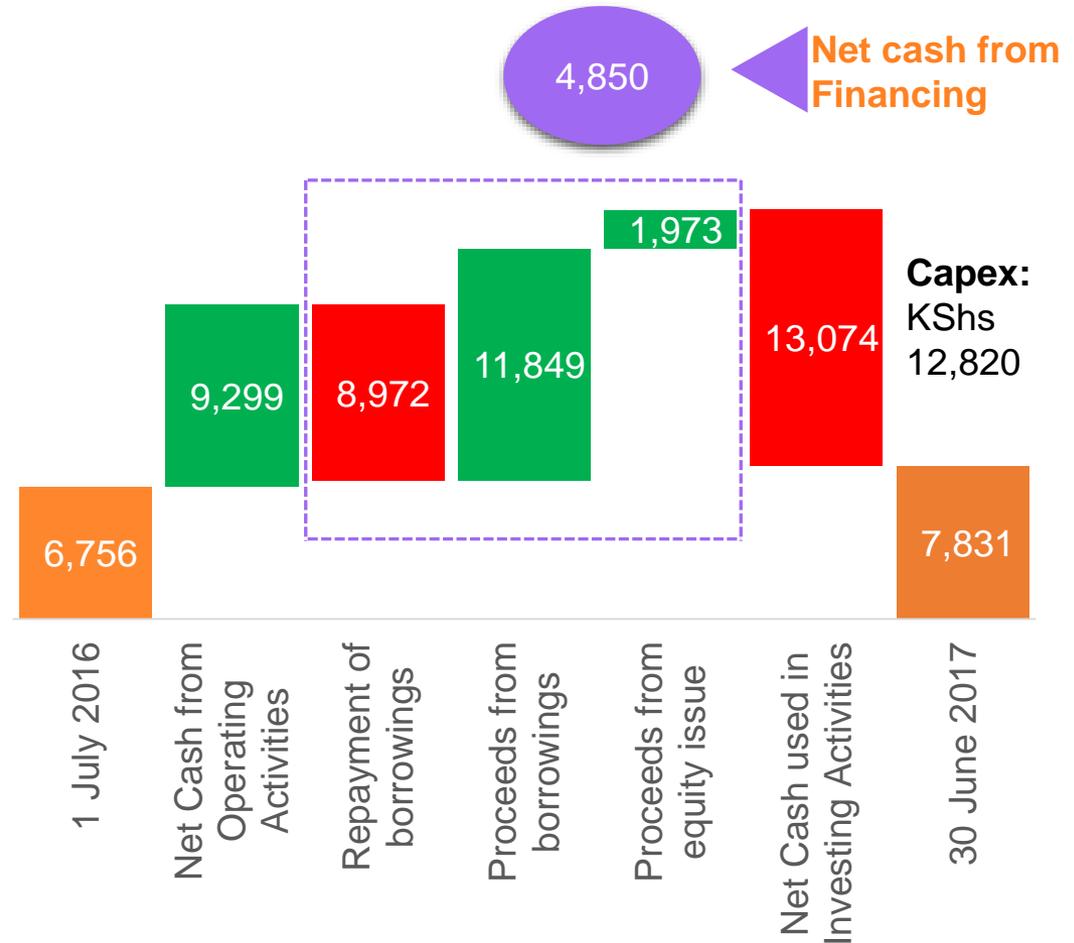
# CASH MOVEMENT

Growth in positive closing cash balances

Closing Cash Balances (KShs Millions)



Cash Flow (KShs Millions)



# BALANCE SHEET

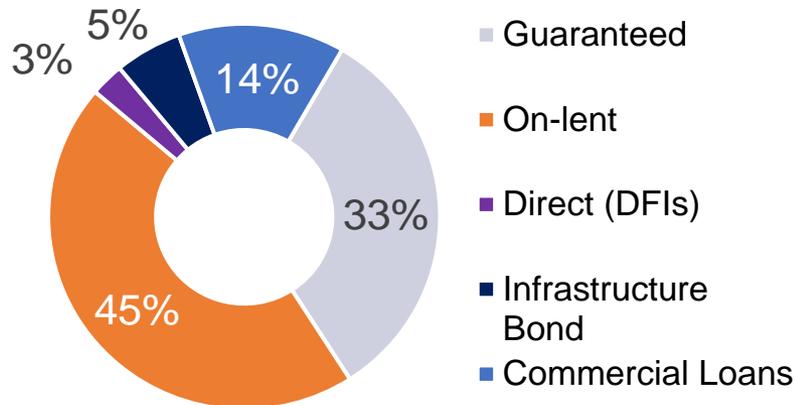
Strong Balance Sheet for project pipeline execution

	2016	2017	% Movement
<b>ASSETS</b>			
Property, Plant and Equipment	320,933	323,843	1%
Other Non-current Assets	24,400	23,715	-3%
Current Assets	21,916	29,639	35%
<b>TOTAL ASSETS</b>	<b>367,249</b>	<b>377,197</b>	<b>3%</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	15,610	16,488	6%
Share Premium	21,056	22,151	5%
Reserves and Retained Earnings	136,077	144,524	6%
Non-current Liabilities			-1%
Borrowings	126,149	127,884	1%
Deferred Income Tax	40,227	42,197	5%
Trade & other payables	9,940	3,860	-61%
Current Liabilities	18,190	20,093	10%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>367,249</b>	<b>377,197</b>	<b>3%</b>

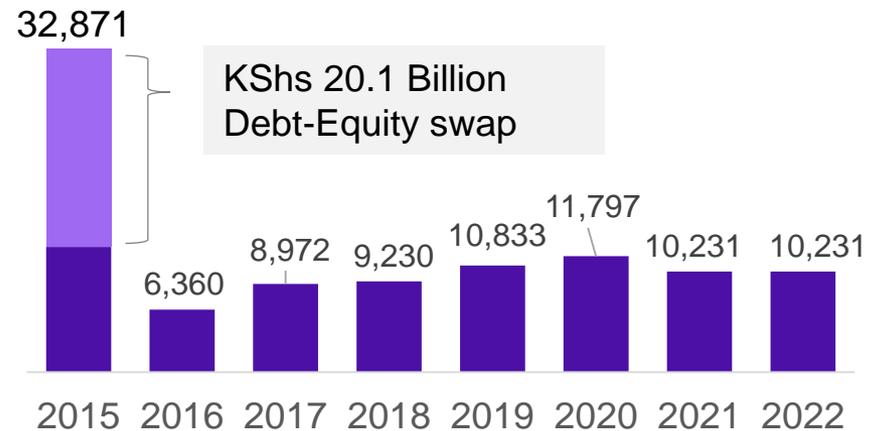
# DEBT PROFILE AS AT 30<sup>TH</sup> JUNE 2017

Closed the year with Net debt at KShs 128,124 Million (1% increment)

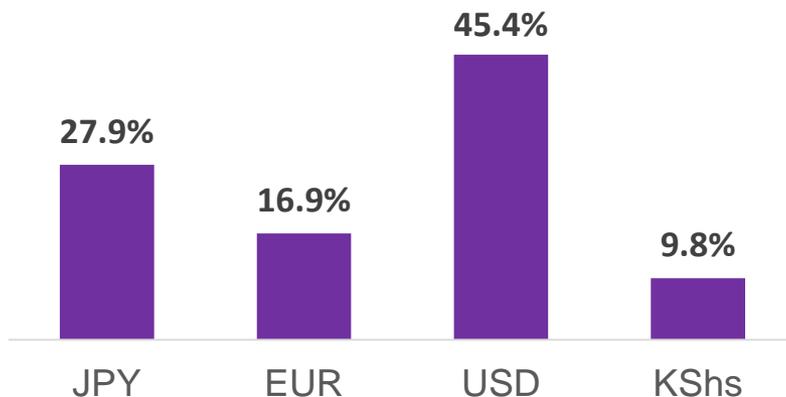
## Gross debt by source of funding



## Debt Maturity Profile (KShs Million)



## Funding currency



Weighted Average Maturity **13.8 years**

Weighted Average Cost of Debt **3.36%**

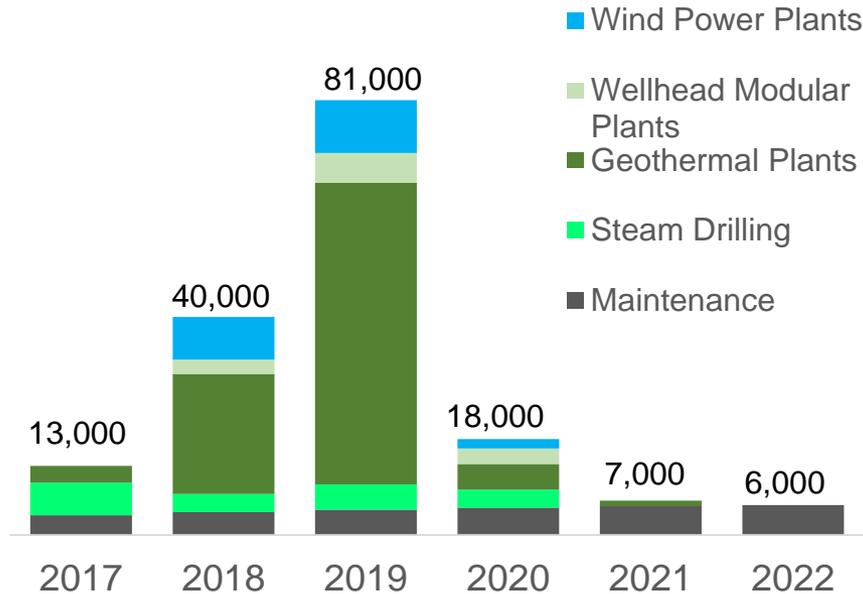
Exploring use of World Bank (IDA) Partial Risk Guarantee

# CAPEX FUNDING

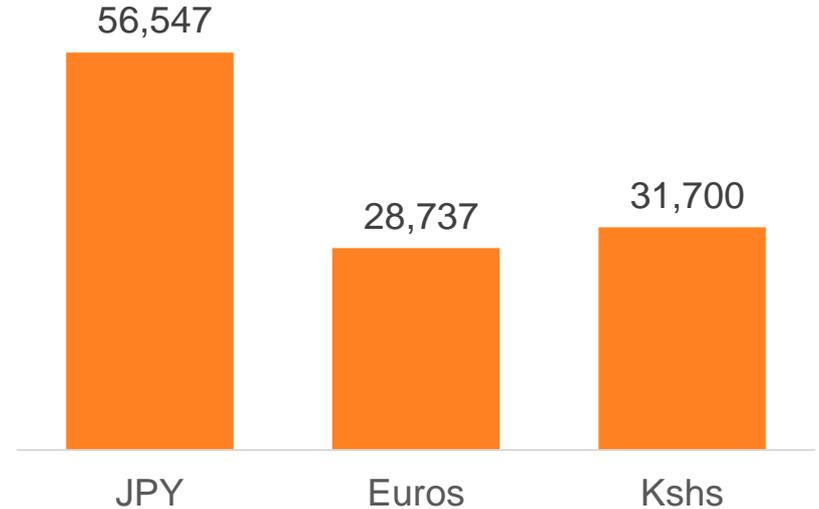
Funding for our project pipeline firmly on course

## Capex Plan (Estimates)

KShs Millions

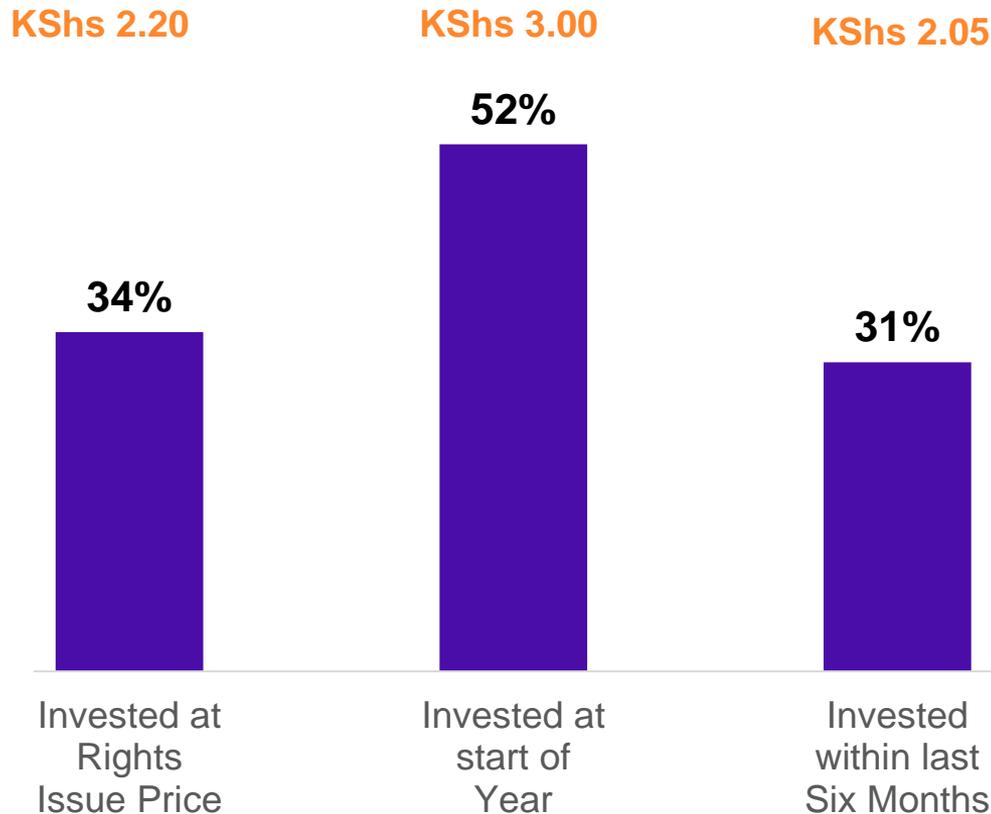


## Available multi-currency funding lines



Local Commercial Banks

# DECENT CAPITAL GAINS FOR SHAREHOLDERS



- **No dividend**
- **Cash reinvestment in capacity expansion to unlock steam revenue**
- **This represents better value for the shareholders**



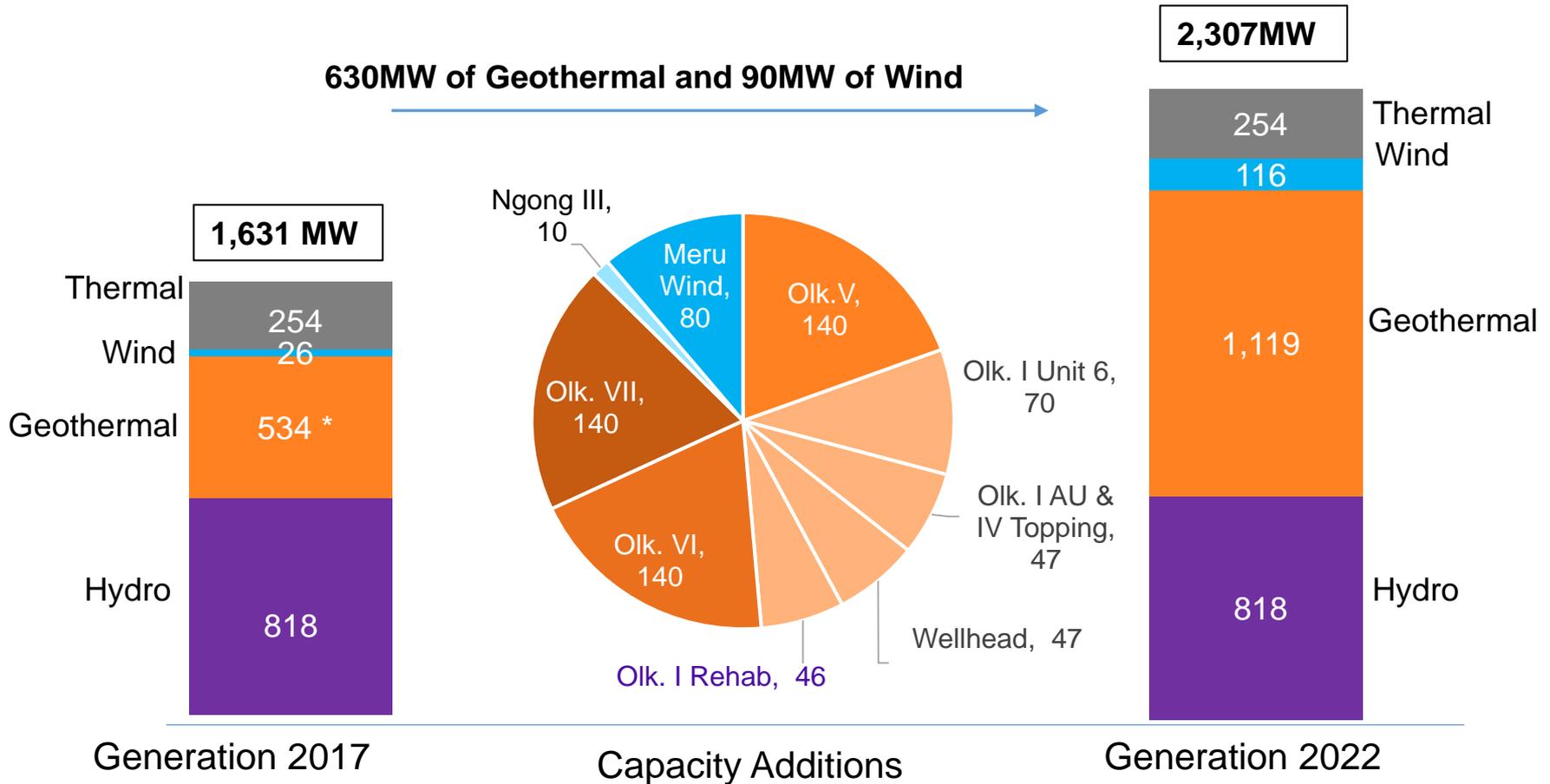
**ONGOING STRATEGY (WAY FORWARD)**

**Rebecca Miano (Mrs.),OGW**

**Ag. Managing Director & CEO**

# CAPACITY GROWTH FOCUSED ON RENEWABLES

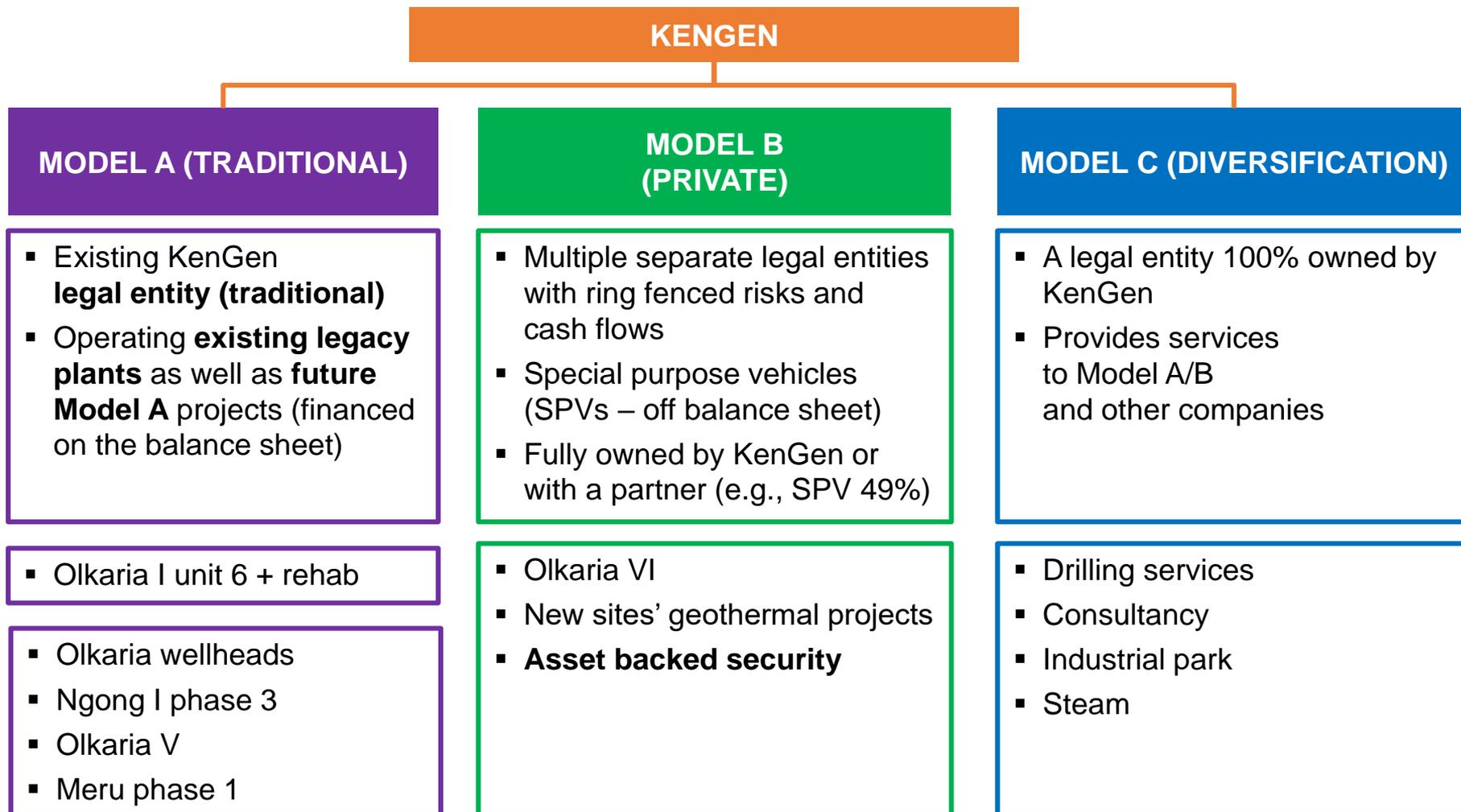
To grow supply ahead of demand and retain our market leadership



\* Includes Olkaria 1 (45MW), plant to undergo phased rehabilitation

# OUR BUSINESS MODELS

Innovative financing and business diversification plans ongoing



# STRATEGIC RISKS THAT WE ARE CONTINUOUSLY MANAGING

## Mitigation Strategies

### Competition

- New IPPs are aggressively entering the market
- Mitigating this through competitive tariffs and fast project delivery

### Community Expectation

- Community engagement through a structured process (SCC)

### Legal

- Litigious Society
- Following processes and enhancing our policies

### Climate

- Pursuing the geothermal strategy aggressively to mitigate low hydrology



**KenGen continuously positioning itself as the market leader and the preferred supplier of power in Kenya**

## KenGen Investor Relations

- 1) John Mudany, [jumdany@kengen.co.ke](mailto:jumdany@kengen.co.ke)  
Finance & ICT Director
- 2) Mary Maalu, [mmaalu@kengen.co.ke](mailto:mmaalu@kengen.co.ke)  
Corporate Finance Manager
- 3) Fredrick Opondo, [fopondo@kengen.co.ke](mailto:fopondo@kengen.co.ke)  
Assistant Manager – Investor Relations

# THANK YOU



# APPENDICES



# APPENDIX 1. TRADING UPDATE

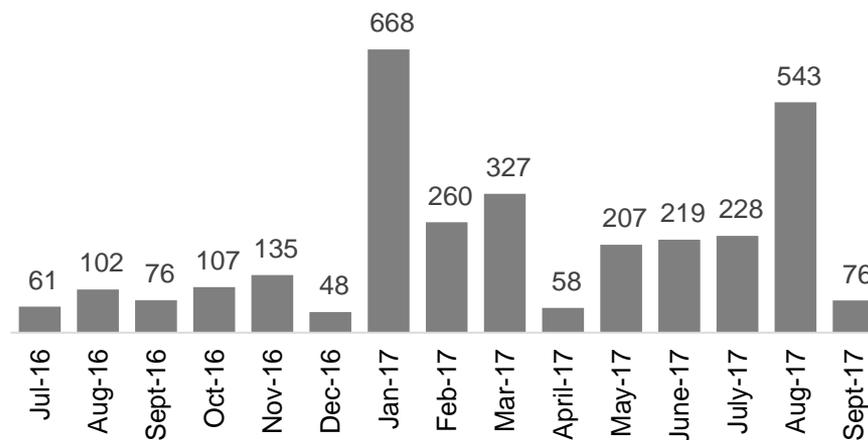
YTD one of the best performers at the NSE

## Share performance (Since January 2015)

Index	% Change		
	1WK	YTD	Since Jan -15
KenGen	-2.2%	52.2%	-13.8%
NSE 20	2.3%	13.1%	-29.1%



## Monthly Value traded (KShs Millions)



## Trading Multiples

	Multiple
P/E <sup>(1)</sup>	6.37x
EV/EBITDA <sup>(2)</sup>	8.10x
P/B <sup>(3)</sup>	0.33x

### NOTES

- (1) Using audited PAT for the period to 30 June 2017, Share Price as at 16 Oct 2017
- (2) Using EBITDA for period to 30 June 2017 and Net Debt as at 30 June 2017
- (3) Net Book value as at 30 June 2017

## Shareholding Mix

Category (Oct 2017)	Number	% Shareholding
Government of Kenya	1	70.0%
Local institutional investors	8,019	8.0%
Kenyan retail investors	182,641	8.1%
Foreign investors	992	13.1%
<b>Total</b>	<b>191,748</b>	<b>100.0%</b>

# APPENDIX 2. TAX INCENTIVE ANALYSIS

- **150% investment allowance** for plants outside the cities of Nairobi, Kisumu, Mombasa
- High tax incentives translates to **tax credits or tax charge at an effective rate of less than 30%**.
- **Tax credits** arise due to the translation of accounting profits into tax losses by the tax incentives.
- In 2017, the effective tax rate is 21% due to the investment allowance exceeding 100% of the cost of Wellheads project capitalized in 2016/17 Financial Year.

## Projects that Delivered Tax Incentives

