



If you like it... Crown it!

Crown Paints Kenya PLC
Company Registration No.6/93
(the Company)

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6 OCTOBER 2020

ANNOUNCEMENT OF RIGHTS ISSUE

(In accordance with Regulation 4(4) of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002

Further to the meeting of the Board of Directors of the Crown Paints Kenya PLC on 6 October 2020 (the **Company**, and together with its subsidiaries, the **Group**), Kenya's leading paints manufacturer, today announces that it proposes to raise gross proceeds of approximately KES 711,810,000 by way of a rights issue (the **Rights Issue**). The Rights Issue is subject to the approval of the shareholders of the Company and the Capital Markets Authority.

RATIONALE FOR RIGHTS ISSUE

The purpose of the Rights Issue is to bring the Group's indebtedness to a more sustainable level and to position it to take advantage of its long-term growth opportunities and gain market share in the East African region.

While the Company's business outlook in Kenya is secure, its subsidiaries (Crown Paints Tanzania Limited, Regal Paints Uganda Limited and Crown Paints Rwanda Limited) performance for over the last few years has remained depressed due to the adverse competitive environment which has led to the Company supporting the subsidiaries financially. Despite the enhanced regional integration in the East African Community, there remain challenges in the respective paint markets thereby negatively impacting the financial performance of the subsidiaries.

The Company is banking on the long-term potential of the East African regions as we position our strong brands to meet our customers changing needs. We will continue to invest in our subsidiaries while maintaining prudent financial discipline with the objectives of:

- a) gaining a top 2 position in their respective markets;
- b) driving profitability from the subsidiaries;
- c) reducing their reliance on the parent Company balance sheet;
- d) building brand loyalty and thereby long-term equity value; and
- e) driving sustainability and long-term success for all our stakeholders.

The actions and objectives set out above and the Rights Issue which is expected to raise KES 711,810,000 will ensure the Group continues to deliver on its long-term strategy.

The Rights Issue will specifically enable the Company to:

- a) secure its balance sheet strength to give it a competitive advantage in a competitive market conditions;
- b) allow the Company to invest in its subsidiaries which have hitherto made losses so as to retain financial flexibility in line with its long-term strategy;
- c) diversify the Company's products to meet our customers changing needs, i.e. the production of alcohol-based sanitisers; and
- d) to provide ability to deleverage and reduce reliance on short-term debt such that the capital structure can be on a more sustainable long-term footing.

The Board unanimously believes that the Rights Issue is necessary and will put the Group in the best possible position to deliver this strategy and returns to shareholders over the long-term.

BY ORDER OF THE BOARD



C Nyukuri
Company Secretary
Date: 06 October 2020