

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

MAY 2015

Uqalo is a specialist investor targeting opportunities related to the Consumer in sub-Saharan Africa. The Uqalo Report provides the investment and business communities with a regular and concise update on activity in the sub-Saharan consumer products sub-sectors of most interest to Uqalo, namely Fabric & Clothing, Food & Beverage, Home & Personal Care and General Merchandise. It also contains the Uqalo Consumer Index and a précis of recent research conducted by Uqalo, freely available at www.uqalo.com

Fabric & Clothing

- **Kanoria Africa Textiles**, promoted by **Kanoria Chemicals** of India, and with backing from **Uqalo**, the African investment initiative of the **Fung family of Hong Kong**, plans to commence yarn and denim fabric manufacturing at its Bishoftu (Debre Zeit) plant by July 2015.
- **Awassa Textile** of Ethiopia has concluded a US\$8m loan from the **Development Bank of Ethiopia** to double its daily textile production capacity to 8 tonnes thereby increasing monthly revenues to around US\$2.2m. It will begin exporting to Europe and the US.
- **McKinsey & Co.** says that a poll of 40% of US and European Chief Purchasing Officers (CPOs) indicates that SSA will be more important to the apparel industry in the next five years. CPOs of leading international apparel brands, responsible for annual sourcing volume of around USD70bn, plan to increase sourcing from SSA from 0.3% to 2.8% by 2020.

LATEST RESEARCH FROM UQALO

As a specialist investor in the sub-Saharan Africa consumer space, Uqalo conducts research and makes it freely available on its website.

This month we publish our report on the **African Print Fabric Market**. Apart from describing the industry, from manufacturing through to consumption, we also attempt to put specific numbers to an industry for which none have previously been publicly available. The full report can be accessed at www.uqalo.com

- **Nigerian Textile manufacturers** urged president-elect Buhari to implement the new policy road map formulated in January 2015. This mandates the creation of integrated textile and garment parks and tax incentives to make domestic manufacturing more competitive.
- **Nike** has entered into a three-year partnership with the Nigerian Football Federation to sponsor the national team kits from 1 April 2015.

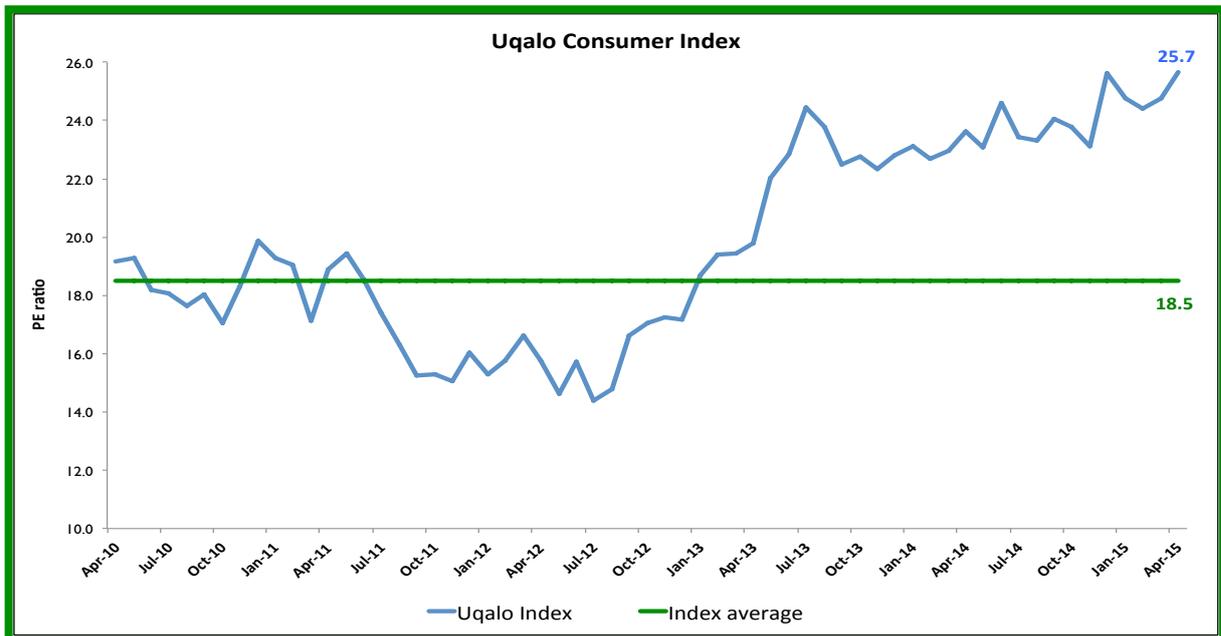
- **C&H**, a company controlled by Chinese industrialist **Candy Ma**, is establishing an apparel factory for export production in Kigali's recently established SEZ. With an initial workforce of 200 Rwandans, Ms Ma anticipates turnover of US\$10m in the first year of operation and an eventual workforce of 2,000.
- The South African clothing and footwear retailer, **Pep**, which will have 31 stores in Nigeria by the middle of 2015, plans to double its Nigerian store numbers by adding 10 new stores each year until 2018.
- **My Shoes**, a Turkish shoes & leather goods manufacturer, will commence construction of a US\$35m plant in Ethiopia in May 2015. The plant will produce 30,000 pairs annually and source 40% of raw materials locally. The capital outlay is expected to increase to US\$60m by 2018.

Food & Beverage

- **East African Bottling**, the **Coca-Cola** franchisee, has begun construction of a US\$20m plant in Ethiopia under a US\$500m investment programme launched in April 2012. The plant in Bahir Dar will be completed within 18 months and will have one production line with an annual capacity of 15m units.
- At the launch of its Creambell ice cream brand, **Sameer Agriculture Livestock Limited (SALL)** investor, Naushad Merali, revealed plans to construct a US\$29m milk factory in Nakuru, Kenya, to expand the unit's daily milk production capacity from 180,000 litres. **SALL** is Uganda's largest processor of dairy products.
- At an EGM held on 10 April 2015, cash-strapped **Mumias Sugar Company**, Kenya's largest sugar manufacturer, approved a rights issue to raise US\$41m. The board appealed to the government to support the bailout.
- **Sameer Agriculture and Livestock** has sold its Ugandan dairy operations to **Brookside Dairy**, Kenya's largest milk processor, for US\$36m. The deal led to public protests that public assets were being sold to a foreign firm at a below-market price.
- Private Equity company **Fanisi Capital** has invested US\$2m of growth capital in Nairobi-based **European Foods** which distributes cold

and frozen foods such as pizzas, berries and fresh juice.

- **Ahadukes Food Products**, a joint investment between UK-based FMCG company, **Vasari Global**, and **Ahadu** of Ethiopia, inaugurated a



The Uqalo Consumer Index at all time high. Following a post-election stock market rally in Nigeria, the Uqalo Consumer Index rose to an all time high at the end of April. The index is now at a 39% premium to the 6-year average.

The Uqalo Consumer Index is a valuation index based on the historical Price-Earnings Ratios of listed consumer businesses in sub-Saharan Africa excluding South Africa. The index is intended to give investors and businesses an indication of current valuation expectations in a historical context. The construction of the index is described in detail at www.uqalo.com

- **PZ Cussons** has gained full control of Nigeria-based **Nutricima** by acquiring the 50% stake of its JV partner, **Glanbia**, for US\$32m. **Nutricima** has entered into a long term contract to purchase milk-based products from **Glanbia**.
- **Zambeef**, one of Zambia's largest agri-businesses, has agreed to sell its soybean crushing and refining subsidiary, **Zamanita**, to Cargill for US\$26m. The deal is yet to be approved by the relevant competition authorities.
- **Wrigley** will build a new US\$63m chewing gum plant in Kenya on a 20 acre site in Machakos County near Nairobi.
- **East Africa Brewery** will sell its bottle making subsidiary, **Central Glass Industries**, to South Africa's **Consol Glass** for an undisclosed amount. **Consol Glass** currently exports to 17 markets in Africa, including Kenya.
- **Keroche Breweries**, a Kenyan beer-maker, opened its new US\$57m brewery in Naivasha, Kenya, to support a planned increase in market share from 3% to 20%. The 1m hectolitre plant has a capacity of 600,000 beer bottles.

US\$36m factory to produce biscuit products. The total investment will grow to US\$150m over the next few years as production of pasta and other flour-based goods is added.

- **Bidco Africa**, the largest manufacturer of edible oils in Eastern and Central Africa, is targeting fourfold growth in sales by 2020.
- **The International Finance Corporation** will invest US\$1m in **Marina Market**, a leading supermarket chain in Burkina Faso, to support the company's operations and domestic expansion of its supermarkets and warehouses.
- **Nakumatt**, Kenya's largest supermarket chain, has an optimistic outlook despite international retailers **Massmart** and **Carrefour's** plans to open stores in May and September 2015, respectively. **Nakumatt** believes there is ample space for new entrants to the market.

Home & Personal Care

- **L'Oreal** has partnered with online retailer **Jumia**, which will sell **L'Oreal** products including Maybelline and Dark and Lovely in Kenya.

- **Godrej Consumer Products**, an Indian FMCG company, aims to increase its turnover in Africa six fold by 2020 from US\$190m, through the acquisition of local brands, primarily in household insecticides and hair care segments.
- **Marico**, an Indian FMCG giant, will enter Kenya, Tanzania and Uganda with hair and male grooming products.
- **Unilever** offered to increase its equity stake in Lagos-listed **Unilever Nigeria** from 50.1% to 75.0%. The total value of the transaction is estimated at US\$215m.
- Chinese electronic manufacturer **OPPO** plans to unveil N3 and R5 smartphones series in the Kenyan market by end April, through 20 select outlets in Kenya. **OPPO** aims to expand further in the Eastern and Southern African markets.
- Online retailer **Jumia** witnessed a 13% YOY increase in mobile traffic in Kenya.
- **Phonekings**, an e-tailer of electronics, recently launched its online platform and is targeting a 30% share of the highly competitive Nigerian e-commerce space. It aims to expand to South Africa, Ghana, Kenya, Namibia and Botswana.

General Merchandise

- In partnership with local distribution company **Solid Visions Technologies**, **Nikon Corporation** has launched in Zimbabwe. Nikon plans to explore the possibility of constructing a plant in Zimbabwe.

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