

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

SEPTEMBER 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 highlights recent research conducted by Uqalo, freely available at www.uqalo.com

Industry

- **The Nigerian government** plans to invest NGN37bn (US\$18m) over 2016–19 to help resuscitate 80 fabric mills and 23 ginneries.
- In an attempt to boost the domestic production of leather goods, the **Ugandan government** is banning the export of raw hides and skins and imposing taxes on imports.
- To encourage the expansion of domestic cotton production, the **Kenyan government** will freely distribute 750 tonnes of certified cottonseed this year.

Private Equity

- **Abraaj** recently acquired from **Actis** a majority stake in the Nigerian mattress manufacturer **Mouka Ltd.**
- A consortium of investors led by **Amethis** has invested an undisclosed sum in **Elephant Africa Holding**, the owner of Nigerian tissue paper product manufacturers **Bel Papyrus Ltd.** and **Bel Impex Ltd.**
- **Adenia Partners** has invested an undisclosed amount of growth capital in **Cresta Paints**, a Ghanaian auto refinish and industrial coatings manufacturer.
- **Takura Capital** will by September invest an estimated US\$33m to complete its acquisition of FMCG manufacturer, **Cairns Holdings**, listed on the Zimbabwe Stock Exchange. The money will be used to repay the company's US\$25m debt and to supplement working capital.
- Kenyan PE firm **Fanisi Capital** acquired 40% of Tanzanian mid-sized agro processor **Kijenge Animal Products** for US\$6m.
- **The Carlyle Group** intends to sell its minority stake in **Export Trading Group (ETG)** to the company's management. **ETG** manages a vertically integrated agriculture supply chain that connects African smallholder farmers to consumers around the world.
- Kenyan coffee shop **Café Deli** has secured US\$1m from **Grofin** to fund its plans to open four additional restaurants by 2016, bringing competition to the likes of Java house.

Retail

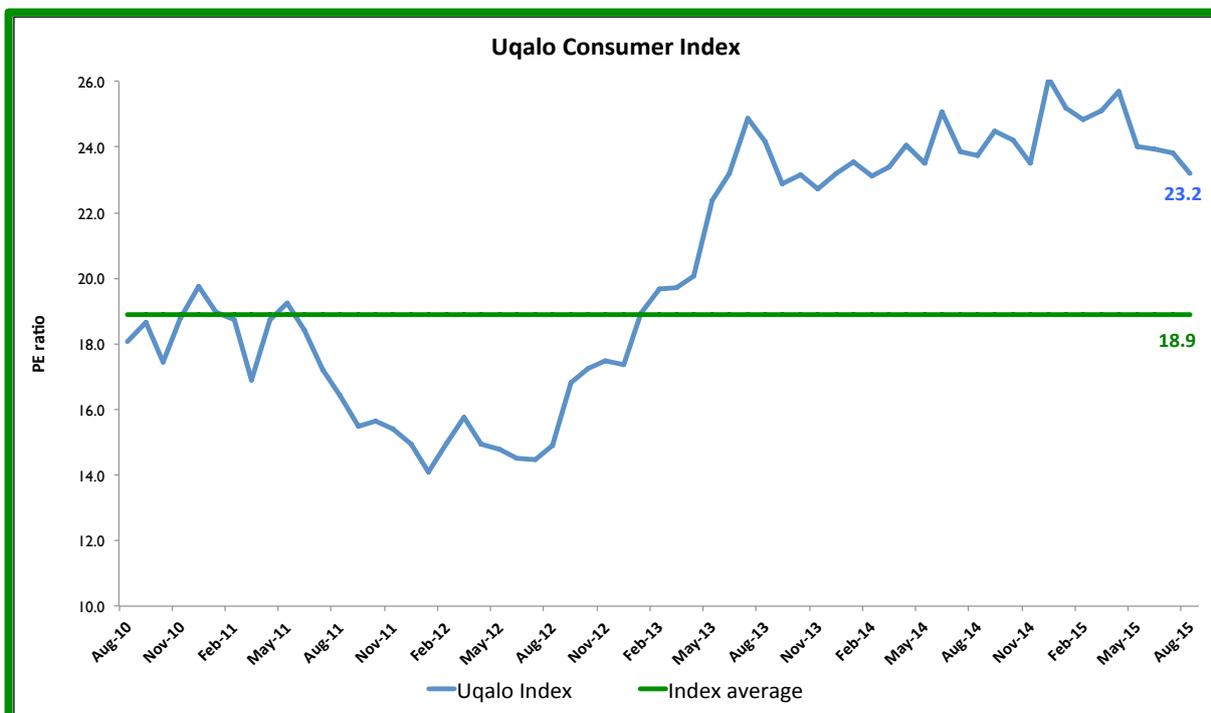
- Nigerian **Greenfield Assets Management Limited** is reported to be developing the **Aba Mega Mall** with 100,000m² of retail space in **Aba**, a strategic trading hub.
- **Cobble Hill Investment Company** has launched **The Shoppes** a two storey mall in **Lekki, Lagos**. The mall consists of 40 shops and 10 offices and has already achieved 40% occupancy.
- Kenya's **Westgate Mall** re-opened in July 2015, 22 months after the terrorist attack.
- South African retailer **The Foschini Group** will open 10 stores in Kenya by March 2016 and increase the number of stores outside South Africa from the current 160 to 375 by 2020.
- E-commerce platform **Pumoh** has launched its shopping portal in Nigeria offering local and international products.
- Nigeria's first multichannel retail chain **Yudala** has launched four stores in Lagos. It plans to open 10 additional stores across Nigeria by August 2015.

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.

Having recently completed and published a report on The African Print Fabric Market, we are currently undertaking a project on the African Formal Retail Sector, which we hope to publish before year-end.

- Contrary to previous reports, **Shoprite** is not selling its Ugandan business to **Nakumatt** but continuing to seek expansion opportunities. **Shoprite** plans to open a store in **Tete, Mozambique**, by the end of 2015.
- **Walmart** may soon establish its first flagship African store in **Lagos, Nigeria**. Currently, the company operates indirectly in Nigeria and 12 other African countries through its South African subsidiary, **Massmart**, which it acquired in 2011.



The Uqalo Consumer Index continued to decline over the past two months closing at its lowest level since March 2014. Whilst macroeconomic and growth concerns continued to weigh on global markets, the Nigerian consumer stocks were the primary drivers of the fall in our index. Unsurprisingly, Nigerian Naira depreciation and the concomitant increase in inflation resulted in a fall in disposable income. Unable to fully pass on rising costs to consumers, bellwether Nigerian consumer stocks reported poor earnings, which in turn saw share prices falling. The Uqalo Consumer Index nevertheless still stands at 23% above its 7-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

- Nigeria's first online Homeware retailer **Household Max** recently launched.
- **Carrefour** will open its first retail stores in Kenya in both the new **Two Rivers** and **The Hub** malls by the end of 2015. Its supplier terms, which include a non-refundable listing fee, a fee to stock new products and an option to return unsold products within 45 days, have caused unhappiness among suppliers. On the other hand, Carrefour will pay suppliers faster than other Kenyan supermarkets.
- **East African Breweries Limited** recorded strong sales growth in FY2014, with a 60% increase in the sales of Johnnie Walker and a double-digit rise in the sales of Guinness. Kenya accounted for 64% of sales.
- Tile and décor retailer **Italtile**, which has a single Kenyan store in Mombasa, will open a store in Nairobi by the end of 2015 and another 3–4 stores over the next 4–5 years.
- **Modan**, a multi-brand retailer, opened a concept store in Lagos, Nigeria in July 2015 stocking the likes of Giorgio Armani, Armani Collezioni, Roberto Cavalli, Casadei, La Perla and Missoni. This is in collaboration with **StorAfrica**, a Mauritian luxury retail company that is establishing partnerships to open multi-brand stores across Africa.

Distribution

- **Heineken** will acquire **Diageo's** 15% stake in **Namibia Breweries** to increase its indirect ownership to 29.9%.
- **Diageo** is undertaking a US\$37m expansion of its Sebeta plant in Ethiopia to meet the growing beer demand in that country. The project will increase annual capacity from 1.7m to 4m hectolitres.
- New Ethiopian beer manufacturer **Habesha Beer**, has commenced distribution in major urban areas. The company, in which the Dutch brewer **Bavaria** has a 40% stake, has an annual production capacity of 650,000 hectolitres. **Habesha** plans to acquire 10–20% of its malt supply locally.

Manufacturing

- Kenyan **Flame Tree Group (FTG)** has acquired four brands from **Chirag Kenya**, a manufacturer of snacks and spices.
- South African **RCL Foods** has gained entry into the East African poultry market by acquiring a

33.5% stake in Uganda's **Hudani Manji Holdings (HMH)** for US\$5m. HMH operates a feed mill, broiler farms and a processing plant.

- Rwandan brewer **Bralirwa** received a US\$25m loan from the **IFC** to expand its Kigali plant by adding a new bottling line and improving its energy efficiency. The funds will also be used to improve the quality of maize and other local raw materials, as well as for training the 5,000 maize farmers who supply Bralirwa.
- New Zealand's dairy producer **Frontera** has partnered with Ethiopian **Faffa Foods** to process and package Anchor, its powdered milk brand,

to replace **Faffa's** Abay brand. The new company, **New Zealand Milk Products Ethiopia**, with capital of US\$10m, will produce 2,000 tonnes of powdered milk in the first year and expand annual production to 6,000 tonnes by 2018.

- Kenyan bread maker **Kenblest Group** is seeking a US\$10m loan from the **IFC** to fund the US\$22m Thika mill expansion. The project would increase its daily baking capacity from 300,000 to 400,000 loaves. **Kenblest's** wheat-milling subsidiary **McNeel Millers** is also increasing its daily capacity from 150 to 300 tonnes.

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