

# The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

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*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](http://www.uqalo.com)*

## Industry

- The East African Community will introduce local content requirements for projects undertaken by foreign companies, subject to acceptance by the private sector. If approved, the new policy measures will require MNCs to source a certain percentage of raw materials and services locally. The East African Business Council is currently working on a framework that will define the guidelines for cross-border investments, particularly related to technology transfer and capital.

## Private Equity

- **Actis**, **RMB Westport** and **Paragon Holdings** have sold the **Ikeja City Mall** to South African REIT **Hyprop Investments** (75%) and real estate capital growth fund **Attacq** (25%).
- **Actis** has acquired a minority stake in South African **Food Lover's Market** for US\$54m. The company owns more than 120 stores across 11 African counties, and intends to continue growth in sub-Saharan Africa.

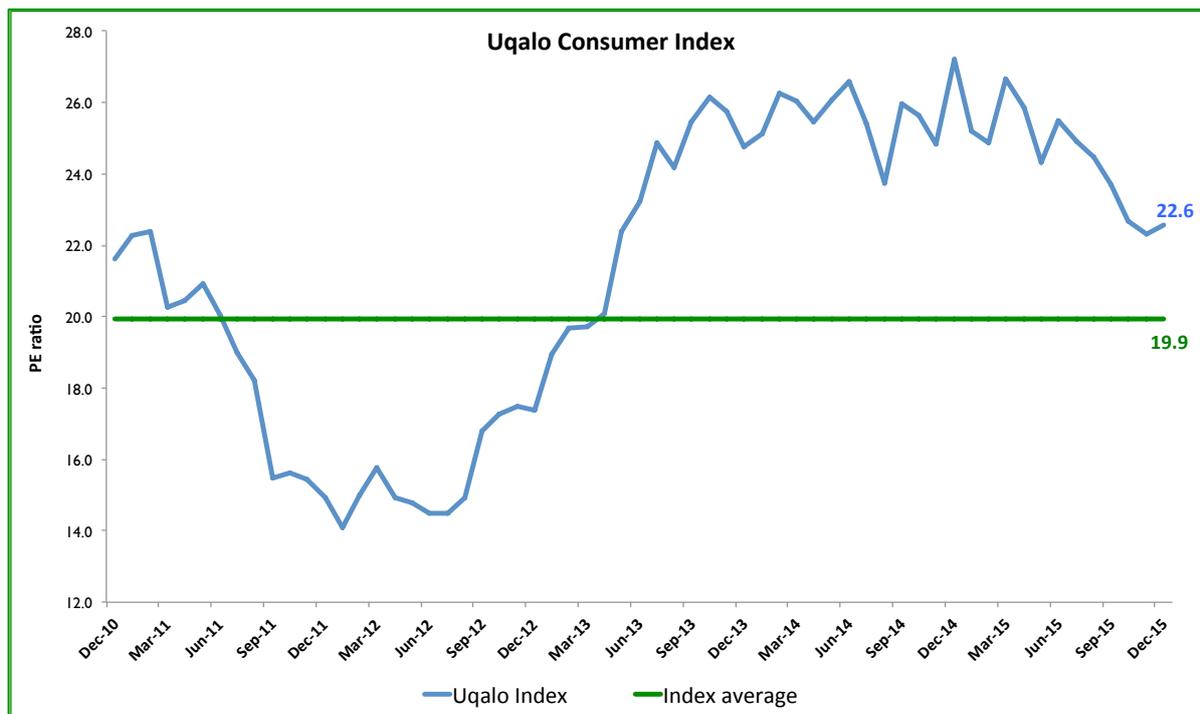
## Retail

- The **Luxury Network International (LNI)**, a marketing company for a consortium of high-end brands including **Hugo Boss**, **Little Red**, **English Point Marina**, **Bombardier**, **Georgio Armani** and **RMA Motors**, has opened an office in Nairobi. **LNI** will focus on promoting brand awareness and exploring business opportunities.
- **Jabi Lake Mall**, Abuja's largest shopping centre, has opened for business. The US\$100m mall was jointly developed by **Actis Nigeria** and **Duval Properties**. The mall's anchor tenants are **Shoprite** and **Game**.
- The US\$10m acquisition by Botswanan supermarket group, **Choppies**, of Kenyan supermarket chain **Ukwala** has been approved by the Competition Authority of Kenya, but is facing problems because of a tax dispute between Kenya Revenue Authority and **Ukwala**. **Choppies** plans to open 35 new stores in SSA during the course of 2016.

- Kenyan supermarket group, **Tuskys**, wants to list its shares on the Nairobi Securities Exchange by 2020. The company said it will continue to expand in Kenya and Uganda, and will enter the Democratic Republic of Congo, Ethiopia and Tanzania in the next five years. **Tuskys** will also open convenience stores at 75 **Shell**-branded fuel stations in Kenya.
- **GroceWheels**, a Rwandan online grocery delivery service, has started operations in Kigali. The start-up is seeking investment to expand further within Rwanda and further afield.
- Kenya's largest supermarket chain, **Nakumatt**, has opened a new branch in Uganda and two further branches in Kenya, taking its store count to 58.
- Kenyan supermarket operator, **Uchumi**, is seeking US\$49m to effect its turnaround strategy. **Uchumi** hopes to restock and reopen its Kenyan outlets by the first quarter 2016, while it has expressed intention to enter into strategic partnerships for its Ugandan and Tanzanian outlets.
- Kenyan **Java Coffee House** plans to open two branches in Nairobi's Central Business District in early 2016, taking its branch count to 45. The company is also planning to open another 10 coffee outlets across Kenya and Uganda, along with additional branches of sister brands, **Planet Yogurt** and **360 Degrees Pizza**.
- South African **Woolworths** will open its own outlets in Kenya after buying out **Deacons'** 49% stake in a joint venture they formed in 2012. **Woolworths** has ended several franchise agreements in SSA over the past few years, moving towards full ownership and control from its South African headquarters.

## Distribution

- **Neflix**, the subscription video-on-demand provider, has broadened its reach to 130 new countries including most, if not all of Africa. Although **Neflix's** offer is considered affordable, the high cost of Internet mobile data and lack of quality broadband may dampen its plans.



The **Uqalo Consumer Index** continued its decline into November as global equity markets anticipated a rate hike in the US. Following a small recovery in December, equity markets have once again continued their decline and we anticipate valuations will retreat further. The Uqalo Consumer Index is currently 13% above its long-term average but significantly lower than the peak of twelve months ago.

Note: The UCI now includes Cadbury Nigeria, which impacts the historic data series.

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](http://www.uqalo.com)

- **Apple** has partnered with a second Kenyan electronics distributor, **Netsol**, to boost sales in the region amid intensifying competition. **Netsol** has opened an exhibition shop at Lavington Mall in Nairobi, which offers **Apple** products and after-sales services.
- **Nigerian Breweries** has successfully raised US\$89m under its three-year N100bn Commercial Paper (CP) programme, to support short-term funding requirements. The CP issuance has a yield of 12.5% per annum.
- **SABMiller** has launched **Carling Blue Label** beer, a premium lager, in eight countries: South Africa, Namibia, Botswana, Zimbabwe, Zambia, Lesotho, Swaziland and Mozambique.
- Swiss chocolate group **Barry Callebaut** has acquired **Nyonkopa Cocoa Buying Company** in Ghana, enabling the chocolate supplier to source cocoa directly from Ghanaian farmers.
- value-addition facilities. The Kenyan leather sector generates US\$100m annually.
- **Dashen Brewery** has opened a second plant in Debre Birhan, Ethiopia. The US\$94.4m plant will triple the brewer's current production capacity.
- **SBG Mineral Water** has launched the US\$2.5m **Arki** mineral water bottling factory in Ethiopia.
- The International Finance Corporation (IFC) will invest US\$80.4m in Nigerian **GZ Industries'** can factory in Kenya. The factory will reduce imports.
- The Kenyan dairy sector has consolidated in the past year. Most recently, Kenyan ice cream maker **Razco** has received regulatory approval to acquire rival company **Alpha Dairy**. **Razco** produces the **Lyons Maid** brand of ice cream while **Alpha Dairy** produces **Ooh! ice cream**.
- South African packaging company **Nampak** (Africa's largest maker of beverage cans) plans to invest US\$155m in new glass bottle factories in Ethiopia (US\$90m) and Nigeria (US\$65m).
- **Brookside Dairy** has started selling powdered milk, a year after commissioning a US\$34.2m dry milk plant. **Brookside's** daily intake of locally sourced raw milk has now reached 2m litres. The company caters to bulk dried milk orders from the confectionery industry.

## Manufacturing

- The Kenyan government plans to construct a 500-hectare leather industrial park in Machakos County. The US\$70m park will host tanneries and

- Irish dairy group **Ornuu**, in partnership with **Fareast Mercantile**, has opened a dried milk packaging plant in Lagos. Products will be marketed and sold locally under the **Kerrygold** brand.
- **Dansa Tomato Processing**, a subsidiary of the **Dangote** conglomerate, will commence operations in February 2016. The factory will have an installed capacity of 1,200 metric tonnes.
- Danish supermarket chain **Coop Danmark** is setting up a coffee-roasting factory in Nairobi to supply its 1,200 outlets in Denmark. The factory will have an installed capacity of 4,000 tonnes per annum.
- South African food producer **Tiger Brands** has agreed to sell a 65.7% stake in its unprofitable Nigerian business to **Dangote Industries** for US\$1. **Dangote** will invest US\$50m in the business, while **Tiger** will write off US\$46m in loans.
- Ugandan **Pearl Dairy Farms** is setting up a US\$1m production and repackaging plant in Nairobi. The plant will commence operations in March 2016, to then service the local market without importation costs.
- **Fallways Timbers** will process tomatoes at its US\$3m Livingstone unit in Zambia, which is expected to be commissioned in 2016.

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