

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

MARCH 2016

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

Private Equity

- **Norfund** has acquired a minority stake in Kenyan logistics company **Freight-in-Time** for US\$10m. The company plans to build warehouse capacity across East Africa and invest in new delivery vehicles.
- **Old Mutual** has invested US\$62.6m in Kenyan **Two Rivers Lifestyle Centre**, the holding company of **Two Rivers Mall**. **Old Mutual** has taken a 10% stake for cash and a convertible loan that could later add an extra 40% equity ownership, subject to the Competition Authority's approval.
- **Schulze Global Investments** has acquired a 45% stake in Ethiopian dairy processor **MB Plc.** which trades under the name "**Family Milk**". The investment will be used to triple production and enhance quality.
- **Stanlib** plans to construct a US\$12m shopping mall in Athi River town, Kenya. The retail section will have 127 units covering a total area of 20 797 m² that will be constructed in two phases.
- **54 Capital** has invested up to US\$42m equity in **Addis Pharmaceutical Factory**, an Ethiopian healthcare products manufacturer, to improve production capacity and enhance its product portfolio.

Retail

- Kenya's largest supermarket chain, **Nakumatt**, will open five more stores in neighbouring countries, two in Tanzania, two in Rwanda and one in Uganda, by the end of May. This will bring its branch count outside Kenya to 20. **Nakumatt** aims to roll out 14 new branches by 2017 in a bid to increase revenue to US\$1bn in the medium term.
- **African Internet Group (AIG)**, majority owner of online retailer **Jumia**, has received more than US\$327m of funding from **Goldman Sachs**, French insurance multinational **AXA**, **Rocket Internet** and **MTN**. **AIG** is the first African tech start-up to be valued over US\$1bn.
- Kenyan supermarket group, **Tuskys**, plans to launch an ecommerce solution in the second quarter of this year, to adapt to the changing

retail landscape. The Communications Authority has recently issued new guidelines aimed at spurring the E-commerce sub-sector. The retail chain also plans to test a franchise model by initially partnering with five small, independent store operators. Competitors, **Naivas** and **Uchumi**, have already used the franchise model with some success.

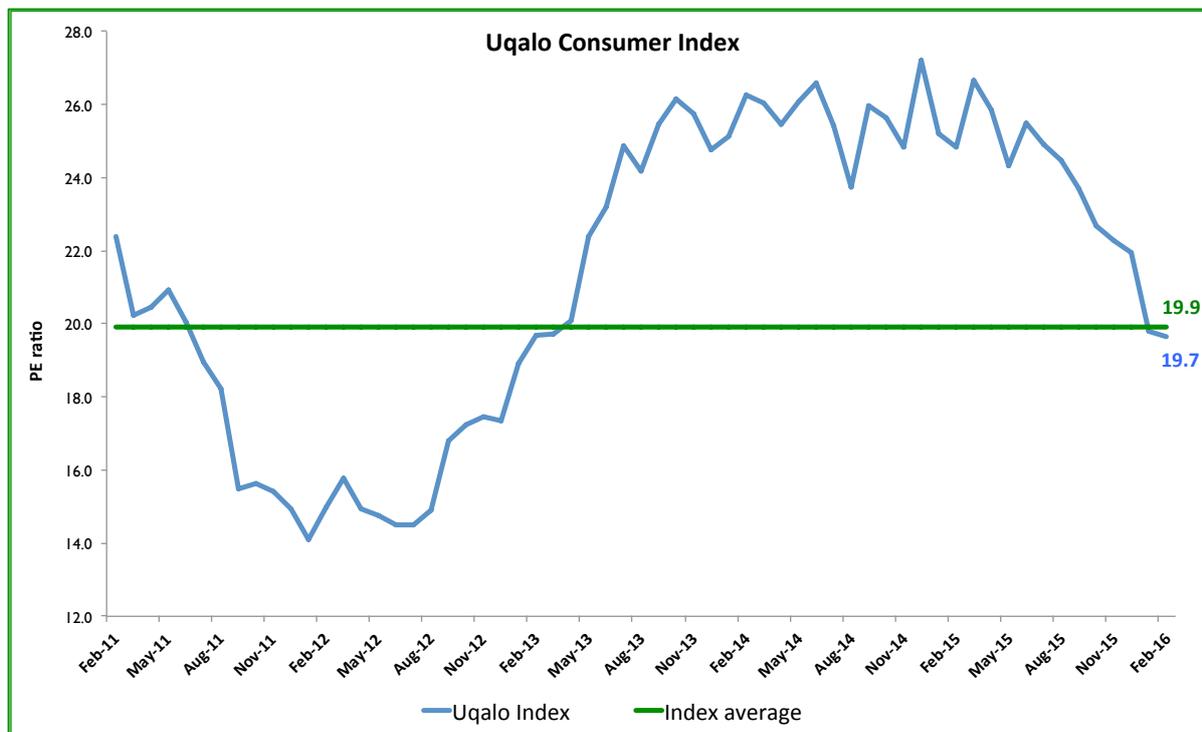
- Chinese electronics manufacturer **Konka** has opened a store in Ikeja, Nigeria, selling mobile phones. **Konka**, which has plans to expand across the continent, partnered with **Mansales Nigeria** to expand further in the country and increase the number of after-sales service centres.
- South African fashion retailer, **Truworths**, has exited Nigeria as import restrictions, limited access to foreign exchange and rising costs made it difficult for the retailer to operate.
- South African mobile technology brand, **AG Mobile**, has launched in Nigeria, independently of a retail partner.
- **Carrefour**, has applied to the Competition Authority to be the sole supermarket operator at **Two Rivers Mall** over a lease period of seven years.
- Nigerian online mall, **Konga**, has laid off 80 employees, 10% of its workforce, in a decision to restructure and align the company's focus to be more agile in the prevailing economic conditions. **Konga** wants to become a marketplace rather than an e-tailer.

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.

Uqalo will publish its latest report on **Formal Retail in sub-Saharan Africa** next week.

<http://www.uqalo.com/uqalo-research/>



The Uqalo Consumer Index fell 10% in January alone and a further 1% in February, as African stock markets followed the significant global decline. Valuations across all sectors came under pressure. For the first time since February 2013, the index is below its average, which we calculate from January 2009. Valuations expectations in private markets have reduced and we expect this trend to continue.

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

Distribution

- **Coca-Cola** has acquired a 40% stake in Nigeria's leading dairy and juice company **Chi Ltd**, marking **Coca-Cola**'s entry into Africa's dairy sector and building its beverage offering. **Coca-Cola** plans to increase ownership in **Chi Ltd** to 100% in the next 3 years, subject to regulatory approvals.
- **East African Breweries Ltd** will shift its focus to lower-taxed beer brands, due to the sharp increase in excise tax on beer, which went up by 43%.
- Kenyan pay-as-you-go energy supplier, **M-KOPA**, has launched its digital flat-screen TV offering, which is made available through M-PESA mobile money payment plans. **M-KOPA** customers who have finished paying off their solar home instalments can upgrade to the "M-KOPA + TV" package. The company plans to distribute over 10 000 sets in Kenya and penetrate Uganda and Tanzania in the near future.

- **Eveready East Africa**, which closed its cell-manufacturing factory in 2014, has partnered with **Clorex sub-Saharan Africa**, to supply and distribute products such as bleaches under the **Clorex** brand. **Eveready** aims to introduce at least five products in the household and personal care categories by 2017.

Manufacturing

- Leading agri-business, **Olam International**, has acquired Nigerian **Amber Foods Limited**, for a total enterprise value of US\$275m. The acquisition will strengthen **Olam**'s market position and make it the leading pasta player in Nigeria. **Olam**'s total wheat milling capacity in Sub-Saharan Africa will reach 7,640 tonnes per day.
- **PZ Cussons Ghana**, has expanded its **Imperial Leather** brand from its base portfolio of 'washing' products into a full skincare range. The brand has also introduced an **Imperial Leather** range of products for men.

- Listed Kenyan consumer goods manufacturer, **Flame Tree Group**, plans to acquire a local cosmetics brand **SuzieBeauty**, for an undisclosed amount, subject to Competition Authority approval.
- Japanese food and beverage manufacturer **Suntory Beverage & Food** is negotiating with **GlaxoSmithKline Consumer Nigeria** to acquire the latter's beverage business, subject to shareholder and regulatory approvals.
- After a 25 day production ban on its Prigat juice brand due to allegations by Ethiopian authorities of contamination, **Great Abyssinia** has now received permission to resume production. The company is also expanding its Sululta plant, which will increase the company's production capacity to 100 000 bottles per day.
- Nigerian food processing company **Sonia Foods Industries**, plans to invest around US\$8m in capital improvement projects in its Ogun State factory plant, to enhance the quality of its products. The company also intends to integrate vertically by building an ultra-modern factory and farm to produce tomato concentrate, expected to commence production in 3 years.
- East Africa's largest integrated poultry operation, **Kenchic Limited**, has decided to withdrawn its '**Kenchic Inn**' brand name from fast foods outlets, as it switches focus to its core business of chicken processing. In December, the company launched a US\$3.4m chicken processing plant with the daily capacity to slaughter 30 000 chickens.
- Indian conglomerate, **Godrej Consumer Products**, has bought a 75% stake in Kenyan petroleum jelly manufacturer **Canon Chemicals** for an undisclosed amount. **Godrej** will use the acquisition to scale up its product offerings in Africa.
- **Zambian Breweries** will begin local production and packaging of **Castle Lite** beer, from the second half of 2016, to avoid reliance on imports and to stimulate demand for local produce.
- Sugar manufacturer, **Mumias Sugar**, is in talks with the Kenyan government for a new US\$19.7m bailout plan to fund its turnaround programme, barely eight months after the government injected US\$9.9m of capital.

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