

# The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

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

## Industry

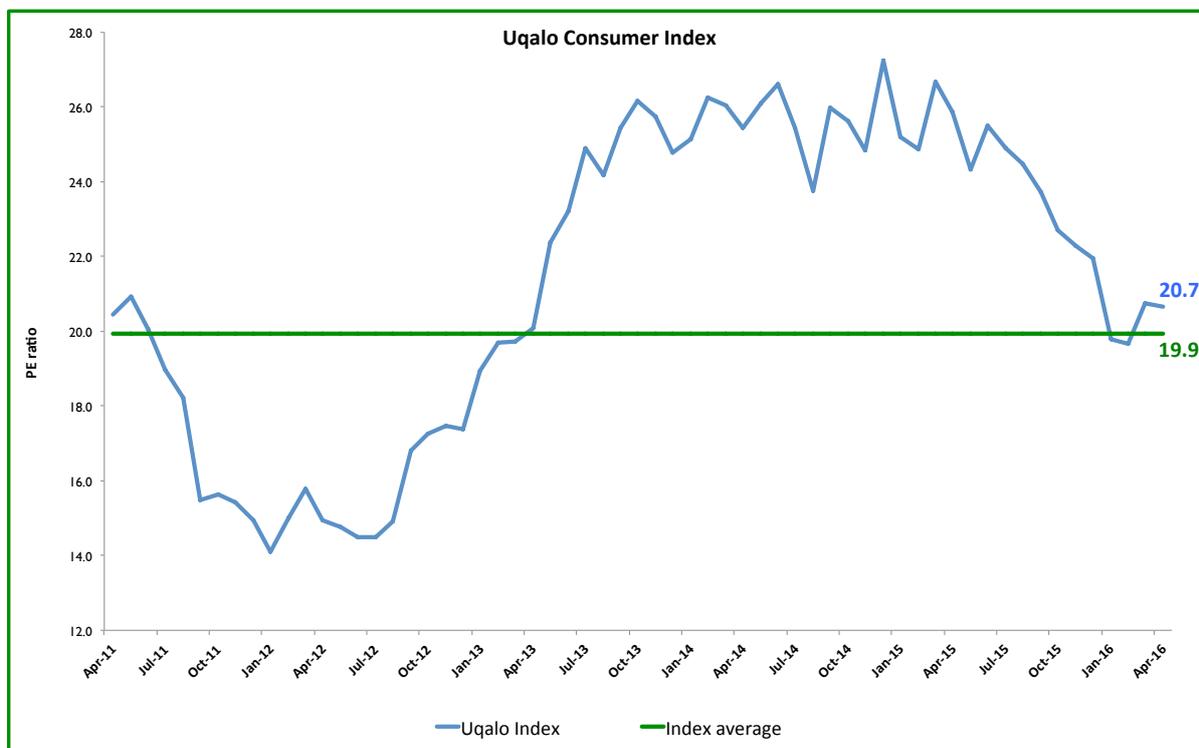
- According to the Attitude Survey by **Knight Frank**, the rise in global and local ecommerce businesses in Kenya is likely to cause a significant growth in the warehousing and logistics sector. The sector is likely to grow 41% in the next 10 years (compared to 24% in the last decade).
- According to a report by **NOIPolls**, 53% of Nigerians are aware of online shopping, 25% shop online or know someone who does, and around 61% are highly satisfied with the Nigerian online shopping platforms.

## Private Equity

- AVCA's **Annual African Private Equity Data Tracker** reveals that African deal activity remains strong, despite the unstable economic conditions. Private Equity companies raised a record of US\$4.3bn for investment in Africa in 2015, while deal value dropped seeing fewer deals above US\$250m compared to 2014.
- **Africa Internet Group (AIG)** received an additional US\$85m of funding from **Orange Digital Ventures**, soon after receiving almost US\$326m in funding in March this year. In addition to the capital, the deal forms a strategic relationship between **AIG** and **Orange Digital Ventures**, to help expand **AIG's** e-venture portfolio (including e-tailer **Jumia**) in Africa.
- **Promasidor, Tana Africa Capital's** food and beverage portfolio company, is set to receive a loan of US\$25m from the IFC as debt. This is likely to be channelled into **Promasidor Nigeria** for equipment upgrades and product diversification. **Tana** backed **Promasidor** in 2013, and currently owns 25% of the business.
- **Investisseurs & Partenaires** has invested an undisclosed amount in **Ultramaille**, a Madagascan consumer goods manufacturer. **Ultramaille** manufactures high-end knitted sweaters for the European, South African and US markets, and will use the funds for new equipment.

## Retail

- **Jumia**, Nigerian online retailer and **Rocket Internet** portfolio company, doubled its annual revenue in 2015, from approximately US\$70m to US\$147m. Its gross profit also rose 37%, but the company remains unprofitable. Management continues to focus on growth rather than profitability.
- Leading retail company, **Deacons**, will list on the Nairobi Securities Exchange, subject to regulatory approvals. **Deacons** registered an 85.3% net profit growth for the year to December 2015, with the sale of its stake in **Woolworths** boosting earnings.
- **Society Stores**, a Kenyan supermarket chain, opened its fifth outlet with the launch of a store in Kayole, Nairobi, costing US\$300k. The chain plans to open its sixth branch in Limuru in the second half of the year.
- **Shoprite** continues its expansion in Nigeria, by opening a new store in the **Onitsha Mall**, in Onitsha. This will take its store count to 18 in Nigeria.
- **Uchumi** has closed five of its loss-making outlets in Kenya and laid off about one-tenth of its workforce, as part of an on-going restructuring programme.
- **Sarit Centre**, one of the busiest malls in Nairobi, Kenya, plans to double its size by adding 23,000m<sup>2</sup> of retail space at an estimated capital cost of US\$40m.
- **Spar** has launched two more stores in Nigeria, increasing the number of outlets in the country to nine. **Spar** has also introduced a new payment scheme, the SPAR Pay Easy Scheme, offering credit over three to twelve months.
- **Shopsmart**, a multichannel retailer, has launched a discount wholesale platform in Nigeria. This offers discount pricing for bulk buyers and retail customers across FMCG brands, electronics and fashion accessories.
- Botswanan retailer **Sefalana Group**, has launched the country's first e-commerce platform to sell FMCG products. Initially available in Gaborone, it will extend to other areas over the course of the next 18 months.



The Uqalo Consumer Index rebounded in March in line with the strong emerging markets rally, experienced globally. The UCI is now 4% ahead of the average, which we calculate since January 2009. Although the Nigerian counters primarily drove the UCI's recovery, we do not anticipate this trend to spill over into private market valuations given the current tough economic conditions.

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)

- **Shop N Save**, an emerging grocery store in Ghana, has opened a new store in Adenta, Accra, its biggest outlet in the country thus far. The chain plans to open two more stores in Ghana by the end of 2016.
- The construction of the US\$29m **Freedom Park Shopping Mall** in Kitwe, Zambia, which had stalled for more than 10 years, has been revived. The mall will house over 50 tenants, with 18,000m<sup>2</sup> lettable area.
- South African property developer **Resilient Africa** has unveiled the 10,000m<sup>2</sup> **Owerri Mall**, in Owerri, Nigeria, with **Shoprite** as the anchor tenant. The total cost of the construction was US\$44m.
- **Adidas** plans to open a store in Uganda by 2017, through a franchise partnership. The company currently has outlets in Egypt, Algeria and South Africa.
- **Fayaz Bakers**, a 100-year old Mombasa-based bakery and confectionery company, has opened its first shop in Nairobi, Kenya. With a capacity of 15,000 loaves a day, the bakery will initially focus on the industrial area off Lusaka Road before expanding to other regions across Nairobi.
- French Retail giant, **Carrefour**, opened its first store in Kenya, which occupies 558m<sup>2</sup> at **The**

**Hub** shopping mall in Karen. Dubai-based **Majid Al Futtaim Retail**, are the exclusive franchise holders for **Carrefour** in the region.

- The African subsidiary of Swiss media and e-commerce company, **Ringier Africa Deals Group**, has acquired Nigerian online shopping start-up **DealDey** for an undisclosed amount. The group already has several investments in African e-commerce businesses, including **Rupu** (Kenya), **Tisu** (Ghana) and **PriceCheck** (South Africa). The group plans to position **DealDey** with big e-retailers such as **Konga** and **Jumia**.

## Distribution

- In Nigeria, the Lagos and Kebbi State Governments have signed a Memorandum of Understanding to develop commodity value chains. The States aim to work towards meeting the supply gap in food demand in Lagos, enhancing food security and creating employment. Currently, Lagos only produces 12% of its staple food (rice, maize and beef) consumption.
- To reposition itself in Ghana, **Royal Unibrew** has relaunched Power Malt, Vita Malt and Faxe

Beer. The relaunch also announced its new partnership with **Otis McAllister**, a food trading company, to reposition the brand for better distribution.

- German home appliances major **Bosch** has entered the Nigerian market through a partnership with **Pedini Nigeria**. The company has set up a 200m<sup>2</sup> showroom in Lagos and plans to open another 50-100 **Bosch**-branded stores across Nigeria in the next three years.

## Manufacturing

- Indian listed **Godrej Consumer Products** has increased its stake in Kenyan **Style Industries**, a hair product manufacturer, from 51% to 90%. The past few years have seen a growing interest in Kenyan beauty product companies, as the cosmetic market is estimated to be worth US\$230m by 2018.
- Kenyan **Rift Valley Textiles** has received a US\$30m loan from the Indian Government through the **Exim Bank**, to buy new machines to improve efficiency and increase capacity.
- Ethiopian **Almeda Textile Factory** has completed its US\$4m expansion project. This will enable the company to meet its own production requirements and look for export opportunities, thereby saving approximately US\$2m annually in imported raw materials.
- **Dangote Group** has launched a tomato-processing plant in Kano, Nigeria, to reduce dependence on Chinese tomato paste imports. The plant has a capacity of about 400,000 tonnes of paste annually.
- Multinational cheese marketer **Bel Group** has opened its first production facility in sub-Saharan Africa, in Côte d'Ivoire, which cost US\$3m. The 4,000m<sup>2</sup> facility has an annual production capacity of 20m cheese portions. The **Bel Group** currently manufactures in Morocco, Algeria and Egypt.
- **Nestle Nigeria** has inaugurated a water plant in Abaji, Nigeria. The US\$28m factory is its third factory in the country, creating 111 new jobs, and confirming **Nestlé's** belief in the longer term potential of the Nigerian economy.
- **Bidco Africa** has started the construction of its US\$40m beverage plant in Thika, Kenya, as part of its US\$200m expansion blueprint. The plant, expected to be commissioned mid-2017, includes a production and bottling facility for non-carbonated still drinks, carbonated soft drinks and water. The company aims to grow its business four-fold from the current annual turnover of US\$500m by diversifying into other manufacturing streams. **Bidco** is set to compete with large beverage manufacturers such as **Coca Cola, East African Breweries, Pepsi** and **Del Monte**.

*DISCLAIMER: This report has been prepared by Uqalo Advisory (Pty) Ltd, using publicly available information and our own research. Whilst we have used reasonable endeavors to ensure that the information provided is accurate and up to date at the time of issue, we do not warrant that it is accurate, complete or up to date. We hereby disclaim all liability to the maximum extent permitted by law in relation to this report and give no warranties, express or implied, in relation thereto. By receiving this free report, you accept this disclaimer and agree that it is reasonable in the circumstances*