

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

July 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

- **Schulze Global Investments** has acquired a 43% stake in Ethiopian water bottling company **Origin Water**, for an undisclosed sum.
- **Injaro Investments** has agreed to invest in **Gold Coast Fruits**, a Ghanaian pineapple exporter. The investment will be used to rehabilitate ageing infrastructure, strengthen the management team, develop cost-efficient farming methods and expand geographic reach.
- **CDC** has invested approximately US\$56m in **Africa Internet Group**, the parent company of **Jumia**, Africa's leading ecommerce firm. The company is currently present in 23 African countries, and will use the capital for further expansion plans.

Retail

- American fast-food chain, **Hardee's Food Systems**, will enter sub-Saharan Africa by opening an outlet at Nairobi's **Jomo Kenyatta International Airport** later this month. **Hardee's** parent company, **CKE Restaurants Holdings**, also revealed that it is currently in talks with an investor to open more stores in Ethiopia.
- **Nairobi Business Ventures**, a leather products retail chain, operating under the brand name **Kshoe**, received final approval from the **Nairobi Securities Exchange** to list its shares on the exchange's **Growth and Enterprise Market Segment**. The company will list with a market capitalisation of US\$1.2m.
- French supermarket chain, **Carrefour**, has opened its first outlet at Nairobi's **Hub Karen Mall**. This brings to 57 the local and international brands in the mall. **Carrefour's** entry is expected to intensify competition, especially for local market leader **Nakumatt**. **Carrefour** is also the anchor tenant at Nairobi's **Two Rivers Mall**.
- Nigerian supermarket chain **Citydia** opened its sixth outlet in Lagos. The chain started operations in Nigeria in 2015 and is believed to be one of the fastest growing supermarket chains in the country.

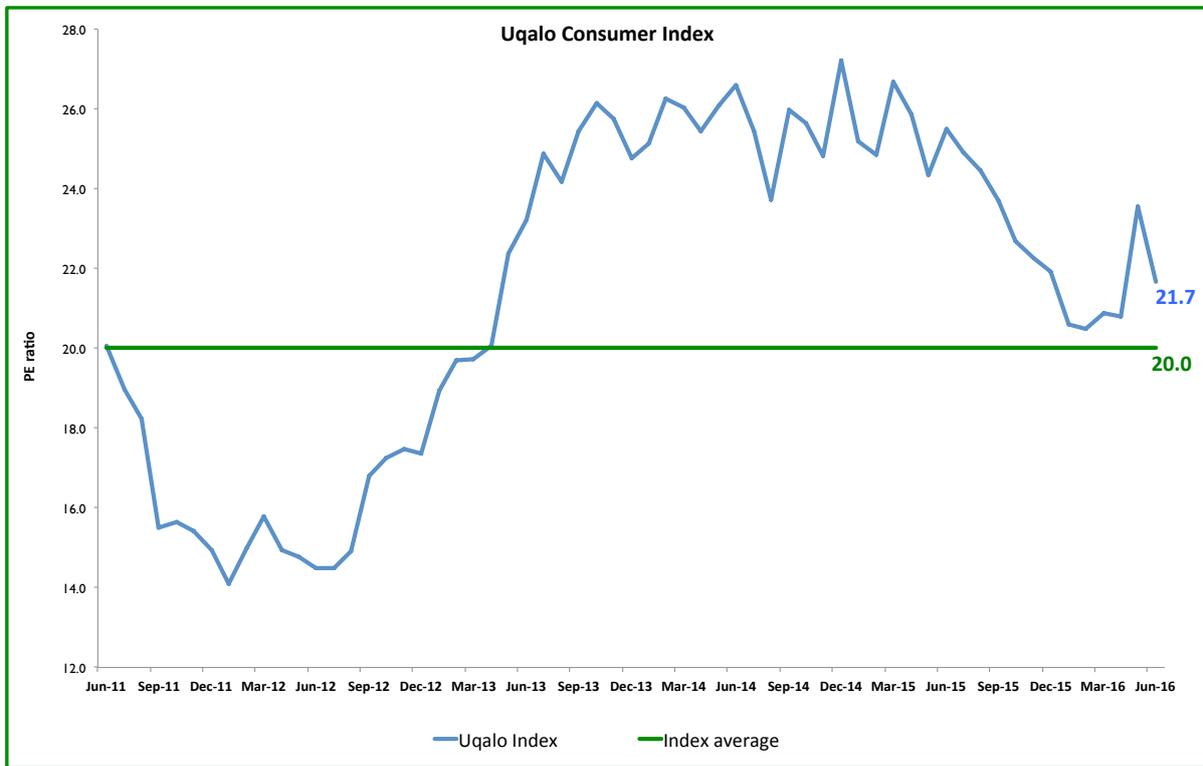
- **Zambeef Products** opened a new macro-outlet, housing its full range of products, in the Lusaka Industrial Area, Zambia. **Zambeef Products** intends to open more outlets and macro-outlets across Zambia, Nigeria and Ghana.
- Kenya's largest supermarket chain, **Nakumatt**, has opened its 24th branch in Nairobi, its 61st in total, at the new **Kitisuru Place** shopping complex. The new outlet is expected to boost retail services in the Nairobi West sub-county.
- **KFC** plans to invest around US\$3.5m in 2016 to expand in Kenya. The fast-food chain will likely open three more branches in Kisumu, Nakuru and Nanyuk and a drive-through outlet along Thika Road in Nairobi by the end of 2016.
- **Naked Pizza** has announced its exit from Kenya, after operating for three and a half years through their Westlands and Mombasa Road outlets. **Pizza Hut** is believed to be taking over and re-branding **Naked Pizza's** local operations. **Pizza Hut** has 15 000 restaurants globally and has recently opened a new outlet in Uganda at the upscale **Village Mall**.
- Botswanan supermarket group, **Choppies**, continues its expansion into Kenya's retail market by acquiring eight **Ukwala Supermarket** outlets, including three stores in Nairobi, four in Kisumu and one in Bungoma.
- **eBay** has signed a partnership with Nigerian online shopping platform **MallforAfrica.com**, which will enable buyers to purchase products from all **eBay** US sellers, through **Ebay.MallforAfrica.com**.
- **Shoprite** has opened its 19th store in Nigeria at the **Maryland Mall** in Ikeja. The new outlet will introduce **Shoprite's Usave** brand, which offers top brands at affordable prices.

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 **Online Retail in sub-Saharan Africa** within the coming months.

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



The **Uqalo Consumer Index** rebounded sharply in May as emerging markets responded to speculation that the FED was unlikely to raise interest rates in 2016. This recovery was short lived, as Brexit became a reality in June and global markets sold off. The sharp swings over the two month period left the UCI 8% ahead of the average which we calculate since January 2009.

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

- **URBAN Africa Group** has begun construction of the **Ndola Square Mall** in Zambia, at a cost of US\$3.5m. The mall, expected to be complete by March 2017, will house office space, food outlets and a supermarket.
- The opening of East Africa's largest mall, the **Two Rivers Mall**, being developed by the Kenyan investment company **Centum Investments** and Chinese firm **AVIC International**, has been postponed to the fourth quarter of 2016. The mall was meant to open in June 2016 but has experienced several challenges especially in sourcing building materials.
- Kenya's oldest supermarket chain, **Uchumi**, is facing closure forced by creditors after it lost the first round of litigation. **Uchumi** has appealed against the ruling that allowed its liquidation case to proceed to full hearing. **Uchumi** owes close to US\$40m to suppliers and creditors in Kenya, Uganda and Tanzania.
- **Carrefour** has signed an agreement with Kenyan communications company **Safaricom** to fully integrate the latter's payments service, "Lipa Na M-Pesa", which will enable **Carrefour** customers to pay for goods and services over their phones.

Distribution

- **Tanzania Breweries**, a subsidiary of **SABMiller**, is expanding the market for its traditional liquors, **Chibuku** and **Nzagamba**, by integrating with traditional beer makers in Tanzania and using their outlets to sell its products.
- Dutch brewer, **United Dutch Breweries (UDB)**, has entered the Kenyan market, partnering with a local Distributor, **Jovet Kenya**. **UDB** will launch with its key beer brands, including **Dutch Posthorn**, **Atlas** and **Trio Stout**, through **Jovet's** countrywide distribution network.
- **Uber Technologies** has launched its online transport network service in Kampala, Uganda, the tenth city in Africa where Uber operates. The company, which has a presence in over 400 cities across 70 countries, plans to expand to other African cities, including Dar es Salaam and Accra, over the next few months.

Manufacturing

- Indian consumer products manufacturer, **Aroma International**, will enter the Rwandan

market by investing US\$1m to set up a manufacturing unit in the country. **Aroma**, which has been exporting its products to East Africa for the last 30 years, plans to produce laundry and detergent products for local consumption and possible export.

- Danish dairy company, **Arla Foods**, has opened a new milk powder production facility in Dakar, Senegal. The 14,000m² plant has an annual capacity of 5,000 tonnes of milk powder.
- **Nestlé Waters** has entered into a joint venture with Ethiopian bottled water brand, **Abyssinia Springs**, to set up a bottled water factory in Sululta, near the Ethiopian capital, Addis Ababa.
- **Tanzania Breweries** has announced plans to construct a US\$50m malting plant in Iringa Region, Tanzania, to cater to the increasing demand for malt from local breweries.
- **Bakhresa Group**, a Tanzanian conglomerate, will invest US\$30m to acquire a controlling stake in **Blue Ribbon Industries**, a flour milling company in Zimbabwe. The funding will be used to rehabilitate machinery and equipment, reduce debt and provide working capital.
- **Tiger Brands**, is selling a 51% stake of its Ethiopian business **East African Tiger Brands**, to its partner **East Africa Group**, for an undisclosed amount. The agreement, subject to regulatory approvals, is expected to close by November 2016.

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