

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

September 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.

Industry

- According to **Sagaci Research**, more than 223 new shopping malls are expected to open in Africa, particularly Nigeria, by 2018. Their total surface area (excluding South Africa) is expected to reach 10m m². A recent **Broll Property Group** report estimates that Nigeria, which has more than 100,000m² of leasable area in modern-format shopping centres, is likely to add 180,000m² of retail space by the end of this year.
- According to **Ipsos Group SA**, Nigerian consumers are becoming increasingly comfortable with shopping online from local retailers and foreign online stores. Over 72% of Nigerian consumers shop online using a smartphone compared to the global average of 47%.
- According to **Ernst & Young**, Kenya overtook South Africa to become the biggest investor in other African countries by investing in 36 projects in 2015 compared to South Africa's 33. Kenya's global ranking as a source of FDI in Africa improved to 7th position in 2015 from 13th in 2014.

Private Equity

- **CDC** has agreed to invest US\$65m to acquire a 17.5% stake in **Zambeef Products**, a Zambian agricultural company. **Zambeef** will use the investment to buy full ownership of its South African Joint Ventures, **Zamhatch** and **Zam Chick**, from **RCL Foods**, and to refinance existing debt.
- An investment consortium led by **8 Miles** and **African Capital Alliance** has invested US\$80m in Nigerian biscuit maker, **Beloxi Industries**. The investment will be used to expand **Beloxi's** existing capacity and grow its regional distribution presence.

Retail

- **JUMIA**, formerly known as **African Internet Group**, has been ranked 47th among the world's 50 smartest companies in 2016, by MIT.

The list, which features technology giants such as Amazon, Huawei, Facebook and Microsoft, ranks companies across the globe that best combine innovative technology with effective business models.

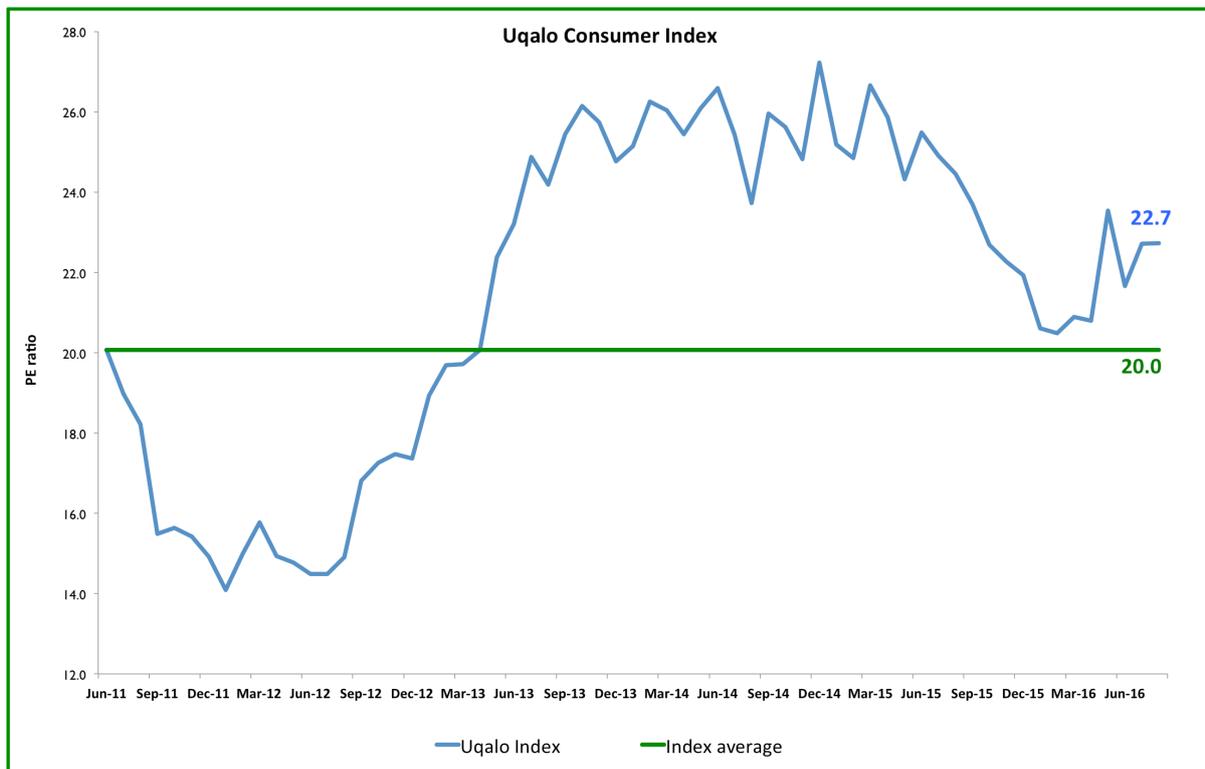
RESEARCH FROM UQALO

As a specialist investor in the sub-Saharan Africa consumer space, Uqalo conducts research and makes it freely available on its website.

Uqalo will soon publish its latest report on **Online Retail in sub-Saharan Africa**.

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

- UAE business conglomerate, **Midcom Group**, will be investing US\$50m to expand its retail operations in Africa. **Midcom Group** plans to establish 1,700 **Mstore** outlets over the next three to four years, to become the largest mobile and electronics retailer in Africa.
- **Spar** has opened its 10th store in Nigeria. The 5000m² store will offer an array of products, ranging from grocery, bakery and butchery products to wine, spirits, fast-moving consumer goods and electronics.
- Kenyan fashion and lifestyle retailer, **Deacons**, listed its shares on the **Nairobi Securities Exchange** in August 2016. The company plans to increase its current store count of 33 to 38 by the end of 2016, with new outlets in Kenya's secondary cities and more in Uganda and Rwanda.
- Polish FMCG company, **Mutalo Group**, has entered the Kenyan market with the launch of **Kabisa**, its leading energy drink product. The **Mutalo Group** will initially import the product from Poland before setting up a local manufacturing plant. The company also seeks to expand operations by introducing **Kabisa** in the Malawian market as well.
- The **Lagos State government** has awarded **Master Reality International Concept** the development contract of the US\$50m **Alade Shopping Mall** (on a public-private-partnership basis). After 20 years of intense resistance, the **Alade Market** traders have relocated to make way for the construction of the new mall.



The **Uqalo Consumer Index** recovered in July as markets digested the reality of Brexit and its global growth implications. The UCI, approaching a year-to-date peak, is 13% 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

- Kenyan coffee chain, **Java House**, plans to open its seventh **Planet Yogurt** outlet in Nairobi this month. This will be followed by another outlet at the new **Rosslyn Riviera Mall**, later this year.
- The Kenyan government has approved a US\$12m cash injection into **Uchumi Supermarkets**. This will enable the retailer to restock stores and settle some of its US\$35m debt.
- **Centum Investment's Two Rivers Mall** in Kenya, which will be the largest mall in East Africa, is expected to open in September 2016.
- **Novare Lekki Mall**, the largest mall in Nigeria, was officially commissioned in August 2016. FDI funded US\$83m.
- Indian FMCG company, **Godrej Consumer Products**, has acquired a 100% stake in **Hair Credentials Zambia** and a 51% stake in **Weave Senegal**.
- **Massmart** has plans to open five new stores across Nigeria, Ghana, Mozambique and Zambia, over the next two years. The company will maintain an optimistic but measured approach to growth in Africa outside of South Africa.

Distribution

- Japanese soft drink giant, **Suntory Beverage & Food**, has agreed to acquire two beverage brands, **Lucozade** and **Ribena**, from **GlaxoSmithKline Nigeria**. The US\$61m deal includes the brand's soft drink operations and route to market.
- Nigerian beer brand, **Star Lager**, has signed a multi-year partnership agreement with the **Nigerian Professional Football League**, to become the latter's first official beer partner. **Star Lager** has also partnered with five European football clubs - Arsenal, Juventus, Real Madrid, PSG and Manchester City - granting **Star Lager** the rights to promote the brands' association with these clubs to millions of fans across Nigeria and beyond.

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