

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

November 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

- Kenya's largest supermarket chain, **Nakumatt**, is in talks with various local and international private equity investors to sell up to 25% of the business. The proceeds will be used to reduce debt, which more than tripled from US\$42m in 2011 to US\$150m in 2015, after aggressive expansion.
- Kenyan PE firm, **Fanisi Capital**, plans to raise US\$75–100m for its second fund. This will be used to support start-ups in sectors such as retail, healthcare, agri-business and education across Kenya, Rwanda, Tanzania and Uganda.
- British PE firm, **Apis Partners**, has invested an undisclosed amount in Kenyan Internet payments processor **Direct Pay Online (DPO)**. The funding will be used to help **DPO** expand its local presence to more than 10 countries across Africa in the next year.

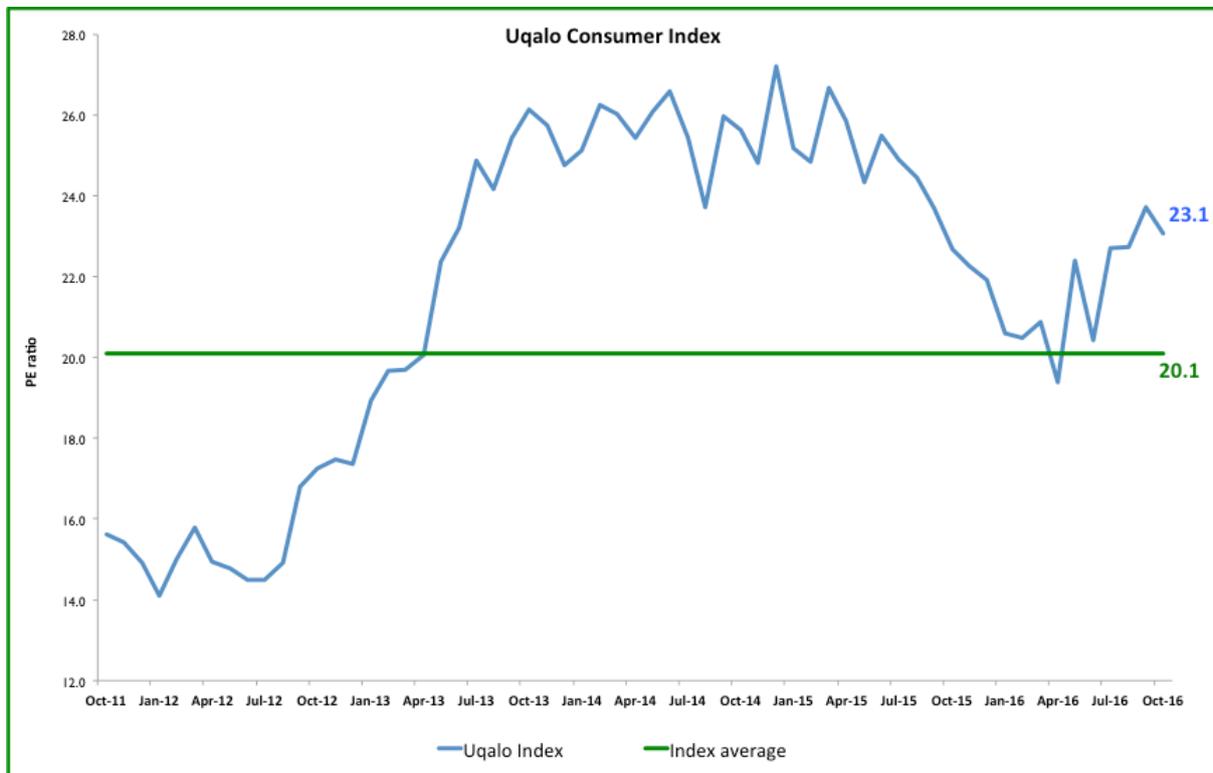
Retail

- Kenyan online retailer, **Kilimall**, has introduced a global shopping service in Kenya. **Kilimall** launched its operations in Uganda in May 2016, and recently opened an office in Nigeria. In September 2016, it also announced a partnership with **Fargo Courier** to provide door-to-door delivery to Kenyan customers.
- Kenyan coffee chain, **Java**, will open its 47th branch in Kenya at **The Cedar Mall** in Nanyuki. **Java** has recently opened four county outlets, with more planned for Eldoret and Thika.
- Botswanan retail chain, **Choppies**, plans to invest around US\$7m in loss-making **Ukwala Supermarkets**, to enhance the operational infrastructure of existing stores and open 12 more stores in Kenya over the next three years. **Choppies** owns a 75% stake in **Ukwala**, while Tanzanian **Export Trading Group**, holds the remaining 25%.
- Kenyan fashion and lifestyle retailer, **Deacons**, has entered into a franchise agreement with **F&F**, a fashion subsidiary of **Tesco**. **Deacons** will set up two **F&F** stores by the end of the year. This follows the termination of a contract with **Woolworths** in 2015.

- American fast food chain, **Burger King**, will enter the Kenyan market with a new outlet at **The Hub** mall. The chain also operates in South Africa and Ivory Coast.
- South African multi-brand restaurant franchiser, **Spur**, will open its first franchise restaurant in Ethiopia. The company also plans to open the first **Panarottis Pizza Pasta** in Ethiopia in the next year.
- South African clothing retail company, **Foschini Group**, will expand its presence in Kenya by opening three more outlets, in addition to an existing outlet at **The Junction** mall. The company will open **TFG**, **Markham** and **Sterns** shops in **The Village Market** mall by the end of the year, and open 10 more outlets in the country in 2017.
- Chinese Internet company, **Shenzhen Right Net Tech**, has launched its B2B e-commerce platform, **Amanbo**, in Nairobi. **Amanbo** will allow Kenyan traders to buy products directly from Chinese wholesale manufacturers.
- The Nigerian **Oyo State Government** has signed a memorandum of understanding with a consortium of investors, **Agbowo Mall Infrastructure Development Company**, to redevelop and remodel the **Agbowo shopping complex** in Ibadan, Nigeria, at a cost of US\$25m.

Distribution

- Polish energy drinks maker, **Mutalo Group**, has launched its flagship energy drink, **Kabisa**, in Nigeria, in line with its plans to deliver natural flavoured soft drinks to the Nigerian market.
- **Canon** opened its first West African office in Nigeria.
- **Coca-Cola's** plan to buy out brewer **AB InBev** from an African bottling joint venture, originally agreed to with **SABMiller**, may have to go through a second regulatory process just five months after the initial deal was concluded, because of the size of the two companies involved. **SABMiller** is the Africa's largest **Coca-Cola** bottler, holding 57% of **Coco-Cola Beverages Africa**, which accounts for 40% of **Coco-Cola's** African soft drink sales.



The **Uqalo Consumer Index** continues to recover post the Brexit shock with the initial impact being far shallower than investors feared. Emerging markets have rallied as fundamentals improve due to positive economic data out of China and subdued growth expectations from developed markets. The UCI is 13% ahead of the average, which we calculate from 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

- Online transport technology company, **Taxify**, has begun operations in Accra, Ghana. The **Taxify** app is similar to **Uber**, currently operates in South Africa and Kenya and plans to launch in Nigeria in the near future.
- **Ecobank**, the Pan-African banking group, has signed a memorandum of understanding with **MasterCard** to establish **Masterpass** QR mobile payments across 33 African countries. The QR service was launched in Nigeria in September, and aims to enable SME's across Africa to accept fast and secure digital payments.

Manufacturing

- Kenya's President launched the US\$70m **Infinity Industrial Park**, on 200 acres near the Nairobi Eastern Bypass. This is the first private industrial park in Kenya for SME's. It will include a shopping mall and wholesale market.
- Tanzanian conglomerate, **Bakhresa Group of Companies**, has invested US\$120m in a fruit processing plant just outside Dar es Salaam. The new plant has an annual capacity 41m litres of fruit juice per annum.
- Kenyan paper and hygiene products manufacturer, **Chandaria Industries**, plans to build one of the largest tissue paper

manufacturing plants in Africa. The plant will spread across 29 acres of the **Tatu Industrial Park**, near Nairobi, and will employ at least 1,000 people.

- **Zambian Breweries'** US\$33m malting plant in the **Lusaka South Multi-Facility Economic Zone** is expected to commence operations by the end of 2016. The new plant will process locally grown barley into malt.
- Tomato paste manufacturer, **Erisco Foods**, has threatened to shut down its plant in Nigeria, due to the lack of access to foreign exchange for the purchase of raw materials and machinery, the high factory running costs and the influx of cheap imported tomato paste.
- Singapore agri-commodities group, **Olam**, has bought **Schluter**, a 160-year old East African gourmet coffee specialist, for US\$7.5m. **Schluter** is based in Switzerland with processing facilities in the DRC and Burundi.
- American tobacco giant, **Philip Morris International (PMI)**, has entered into a strategic agreement with Nigerian tobacco firm, **International Tobacco Company (ITC)**, to manufacture some of its brands in Nigeria. **PMI** will be investing in technology and capacity building in **ITC's** factory.

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