

# The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

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*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 **Knight Frank**, Nairobi has overtaken other sub-Saharan African cities, to become the most preferred regional destination for mall developers. Nairobi has 391,000m<sup>2</sup> of mall space with an additional 470,000m<sup>2</sup> in the pipeline. By comparison, Lagos has 121,000m<sup>2</sup> with 240,000m<sup>2</sup> under development.

## Private Equity

- African Private Equity company, **LeapFrog Investments**, has acquired a majority stake in Kenyan beauty and drugstore chain, **Goodlife Pharmacy**, from **Catalyst Capital Partners** for US\$22m.
- Dutch family fund, **DOB Equity**, has invested in Kenyan dairy processor, **Countryside Dairy**, for an undisclosed amount. The investment will allow **Countryside Dairy** to broaden its penetration across Kenya's lower income market.
- **Centum** has invested US\$10m into Kenya's **Almasi Beverages**, through a rights issue, raising its stake in the bottling company to 54%. **Almasi** is the holding company of three **Coca-Cola** bottling companies.
- American impact investment firm, **Grassroots Business Fund**, has agreed to provide a US\$700k credit facility to Kenyan artisanal jewellery manufacturer and distributor, **Soko**.
- The **IFC** and **FMO** have invested US\$16m in **Mobisol**, a pay-as-you-go solar energy service company delivering renewable energy solutions to East Africa. The investment brings them into partnership with existing investors, **Investec Asset Management** and **DEG**.

## Retail

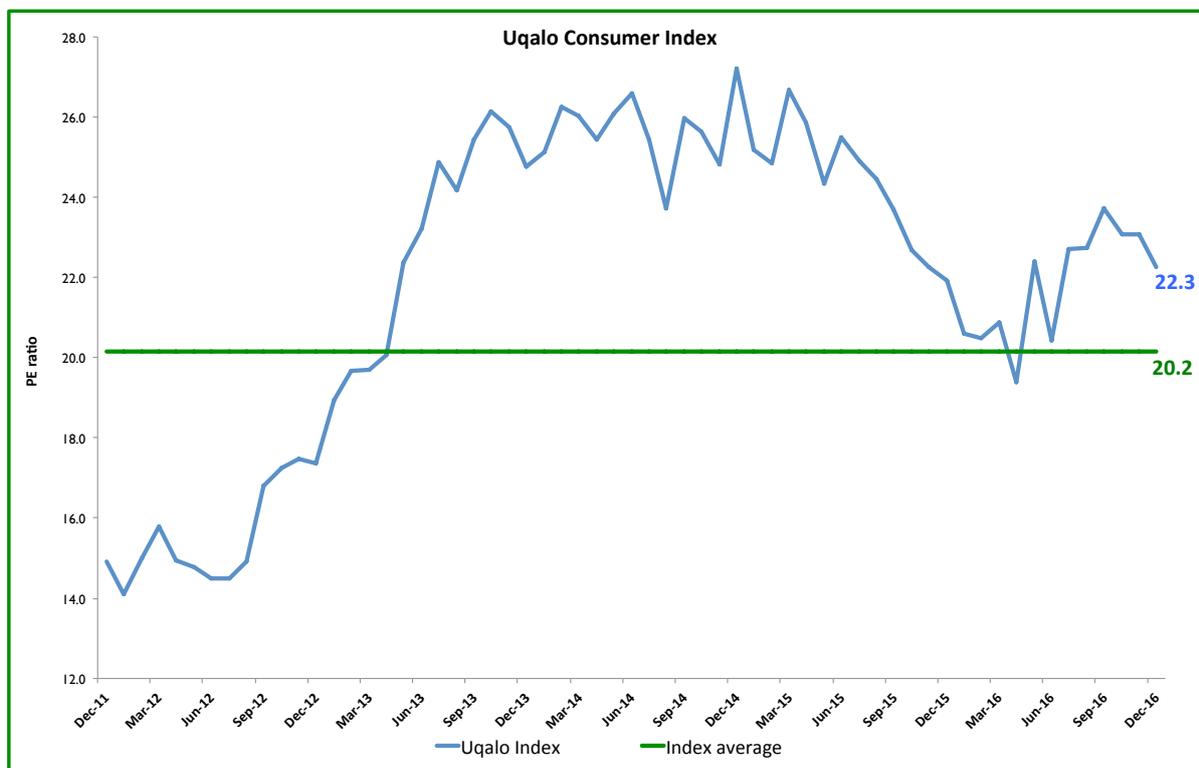
- Botswanan retailer, **Choppies**, reported that the seven **Ukwala Supermarkets** stores it acquired in March 2016 are technically insolvent, with a combined year-end loss of US\$1m. The retailer plans to invest US\$7m to open 12 more stores over the next three years. Kenya's Treasury has

agreed to provide US\$5m to cash-strapped supermarket chain, **Uchumi Supermarkets**, in yet another government-backed rescue plan. The **Government of Kenya** is the second largest shareholder in the company after **Jamii Bora Bank**.

- The **Two Rivers Mall** in Nairobi, Kenya, said to be the largest in East and Central Africa, will open for business in February 2017. The mall has 66,000m<sup>2</sup> of retail and 22,000m<sup>2</sup> of office space.
- Having bought **Rihab Supermarket**, Kenyan supermarket chain, **Naivas**, is investing US\$4m to further expand its store network.
- **Deacons**, who has a franchise agreement with **F&F**, a fashion subsidiary of **Tesco**, has opened the first **F&F** outlet in Kenya, at **The Hub Karen Mall**. A second store is scheduled to open at the **Sarit Centre** later this year.
- Kenya's largest supermarket chain, **Nakumatt**, has reportedly agreed to sell a 25% stake to a foreign private equity fund, for US\$75m. The **South African Global Credit Ratings** recently downgraded **Nakumatt's** credit rating to BB- from BB.
- **KFC** in Kenya has opened the first outlet outside Nairobi, at the **Westside Mall** in Nakuru. This takes **KFC** to 12 stores in Kenya.
- Property management firm, **Knight Frank**, has launched the **Imperial Mall** as it seeks tenants for the facility in Entebbe, Uganda. The mall, spread over 10,000m<sup>2</sup>, is designed to offer a mix of shopping, food, service, home, fitness, fashion and entertainment to the Ugandan market.
- Real estate developer, **Mr Ahmed Abdullahi Yare**, inaugurated a new 300-store shopping mall, **Yare Business Park**, in Nairobi.
- **YANDI**, an online retail platform, has launched in Nigeria.
- Nigerian Delta State Governor, **Mr Ifeanyi Okowa**, inaugurated the **Asaba Mall** which has 7,000m<sup>2</sup> gross lettable area, and was developed by the **Resilient Africa Group**, Nigeria-based **Baysol Development Company**, and the **Delta State Government**.

## Distribution

- Having failed to find a new investor, 20-year old Kenyan beverage company, **Softa Bottling Company**, has put its assets up for sale.



The **Uqalo Consumer Index** declined marginally over November and December as investors withdrew funds from emerging markets in favour of US market investments which have experienced a post-election "Trump Rally". Donald Trump, has proposed a raft of fiscal stimulus measures. The UCI is 11% 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](http://www.uqalo.com)*

- Global logistics and transport company, **Aramex**, has re-launched in Nigeria, having failed a few years ago.
- **Nova Lumos**, a Netherlands off-grid solar provider, has raised US\$90m to roll out small scale, pay-as-you-go solar power systems in Nigeria.

## Manufacturing

- Kenyan businessman, **Mr Dhiren Chandaria**, has acquired an 80% stake in Kenyan food manufacturer, **Insta Products**, for an undisclosed amount.
- South African packaged goods company, **Pioneer Foods**, has acquired a 50% stake in Kenyan breakfast cereal maker, **Weetabix East Africa**, for an undisclosed amount. **Weetabix** has a 76% share of the breakfast cereal market in the region.
- **Coca Cola** has agreed to buy a 55% stake in Africa's largest Coke bottler, **Coca-Cola Beverages Africa**, from **Anheuser-Busch InBev SA**, for US\$3bn.
- **Volkswagen** has inaugurated a production facility in the industrial town of Thika, Kenya. This will produce cars for Kenya and other East African countries by the end of 2017. The

company also plans to set up another production facility in Kigali, Rwanda, and introduce a ride-sharing service for young, tech-savvy Rwandans.

- **Peugeot** plans to set up a new production facility in Kenya, to facilitate local assembly of its cars from 2017.
- Nigerian flour milling giant, **Honeywell Flour Mills**, will invest up to US\$200m in an integrated food processing facility in Nigeria.
- **Kigali Farms** opened a new mushroom production facility in Musanze District, Rwanda, with an annual production capacity of 250 metric tonnes of button mushrooms.
- Mombasa-based businessman, **Mr David Lagat**, is setting up a US\$2m tea processing facility in Nandi, Kenya. The tea sector has traditionally been dominated by the **Kenya Tea Development Agency** and other multinational companies.
- **Godrej Consumer Products**, an Indian FMCG conglomerate, has bought Kenyan company, **Charm Industries**, makers of the **Aliyana** brand of haircare products. This is the third Kenyan acquisition by **Godrej**.

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