

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

March 2017

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 **Procter & Gamble**, Kenya's retail spending grew 13% to US\$18bn in 2016; retail spend accounts for 30% of Kenya's GDP; and Kenyans spend 60% of their total income on food and beverages and approximately 23% on personal and household care products.
- The **2016 Global Retail Development Index** from **A.T. Kearney**, ranks Nigeria 19th among the top 30 developing countries for retail investment. Despite the economic slowdown, Nigeria's retail sector generated US\$125bn in 2016, supported by a surge in the number of middle class households.

Private Equity

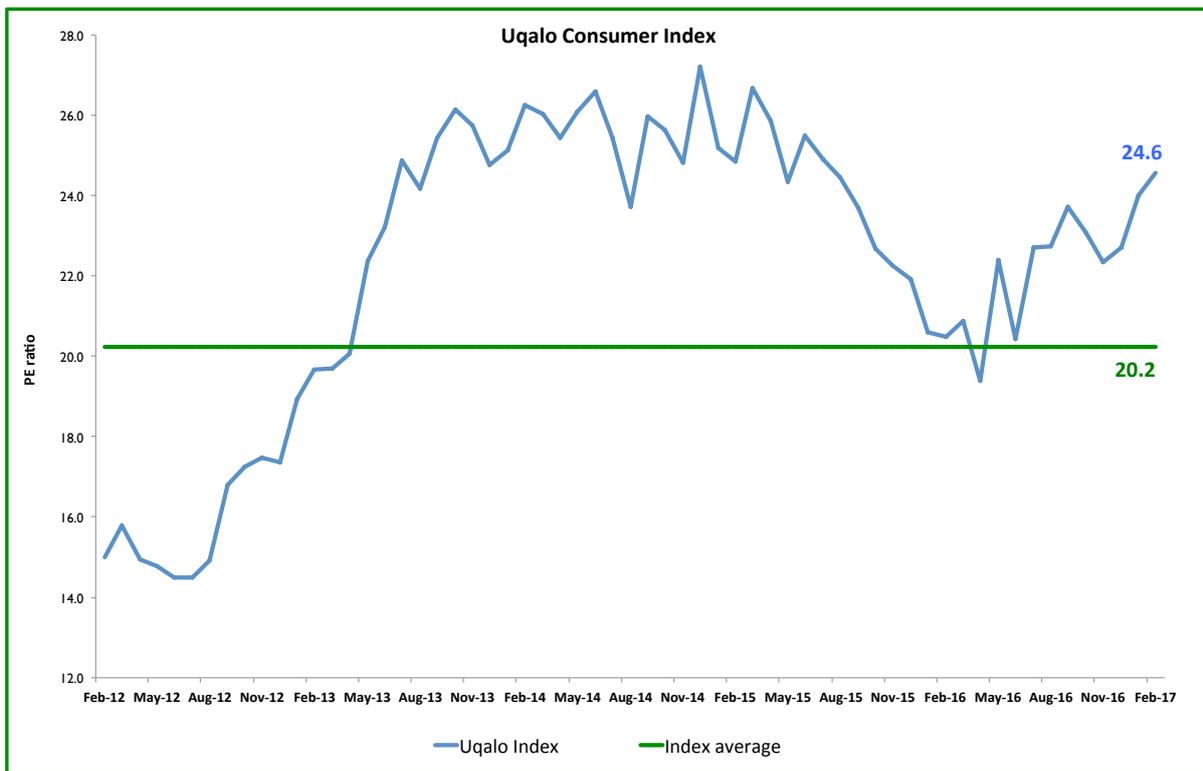
- **Amethis Finance** and **Metier** jointly acquired a 40% stake in Kenyan FMCG group, **Kenafic Industries**, for an undisclosed amount. **Kenafic Industries** is one of the largest manufacturers of Confectionery, Food, Footwear and Stationery products in Kenya.
- **Carlyle Group** and **TPG Capital**, have expressed interest in acquiring 90% of Kenyan coffee house chain, **Java House**, from its current owner, **ECP**. The transaction is estimated to be worth US\$100m.
- **Investec Bank** has signed a US\$8m term facility to fund **Mettle Solar Investments'** portfolio of commercial rooftop solar installations in sub-Saharan Africa.
- **DEG** has invested US\$8m in **Retailability**, a Southern African retail chain. **Retailability**, who recently acquired the fashion retailer **Legit**, from the **Edcon Group**, targets low to middle income customers.
- An investment consortium, made up of **CDC**, the **IFC**, **Maris Capital** and **Capital Partners**, has invested US\$48m in **Africa Logistics Properties**, a warehousing developer and manager. **Africa Logistics Properties**, based in Mauritius with operational offices in Kenya, will use the capital for the development of warehousing in Nairobi.
- **Sahel Capital** is teaming up with **CardinalStone Capital Advisors** to acquire a stake in **Crest Agro Products**, an integrated cassava processor in Nigeria. **Crest Agro Products**, with

13,000 hectares of land and an out-grower scheme involving 400 farmers, will establish a starch processing facility and expand its farming activities.

- Irish Private Equity firm, **Ion Equity**, has set up a US\$5m online medicine distribution platform in Kenya, called **Mydawa**, which will offer home delivery of medicines to customers in Nairobi.

Retail

- Kenyan supermarket chain, **Nakumatt**, has supposedly agreed to sell a 25% stake to an unnamed foreign investor, for US\$75m. The funds will be used to reduce its US\$180m debt burden.
- Kenyan businessman, **Chris Kirubi**, has bought back the 51% stake in **Haco Tiger Brands**, the Kenyan subsidiary of South African **Tiger Brands**, for an undisclosed amount.
- British toy retailer, **Hamleys**, has signed a development agreement with **Smartmark** to set up its first franchised toy shop in Lagos, Nigeria, later this year.
- Kenyan coffee chain, **Java House**, opened its first outlet in Rwanda, at Kigali's newly opened commercial complex, **Kigali Heights**, and announced plans to open more outlets across the city over the next 12 months.
- **F&F**, a fashion subsidiary of **Tesco**, has opened its second store in Kenya, at Nairobi's **Sarit Centre**, in partnership with its local franchise holder **Deacons**.
- Turkish clothing company, **LC Waikiki**, inaugurated its first outlet in sub-Saharan Africa at the newly opened **Two Rivers Mall** in Nairobi, and announced plans to open two more stores later this year.
- French multinational retailer, **Carrefour**, opened its second outlet in Kenya at the **Two Rivers Mall**. **Carrefour** has also extended its home delivery network to include areas further out of Nairobi.
- French beauty and cosmetics firm, **Yves Rocher**, launched its second outlet in Nigeria at the **Novare Mall** in Lagos.
- South African real estate developer, **Stanlib**, is collaborating with **Chestnut Uganda** to develop the **Arena Mall**, a 14,000m² shopping centre in Kampala, Uganda, at a cost of US\$50m.



The **Uqalo Consumer Index** increased sharply over January and February, touching levels last reached 20 months ago. Global stock markets followed the euphoric rise of US equities as January 2017 saw the Dow Jones closed above 20,000 for the first time in history. This was followed 11 days later by a close above 21,000. Markets reacted positively to signs that the new US administration was carrying through with a number of stimulatory measures promised. The UCI is 21% 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 supermarket chain, **Tuskys**, has partnered with Africa's largest online retailer, **Jumia**, to provide a wide range of products on **Jumia's** network. **Tuskys** now has 54 stores across Kenya.
- American skin and hair products maker, **Estée Lauder**, has entered into an agreement with **Jumia** to launch **Clinique**, **Estée Lauder** and **Aramis** in Nigeria.
- South African FMCG firm, **Bounty Brands**, which is expected to raise around US\$20m in funding from the **IFC**, wants to expand its Pan-African retail footprint. However, it recently cancelled plans to acquire a Kenyan food manufacturer, due to valuation issues.
- Dutch furniture retailer, **IKEA**, has partnered with designers from countries such as Kenya, Senegal, Egypt, Angola, Ivory Coast, Rwanda and South Africa to create its first all-African collection.
- **Shoprite** has pulled back its Nigerian store roll-out over the next 15 months, from 13 to 2, because it cannot find suitable sites in the country.
- The **Competition Authority of Kenya** will investigate customer complaints of price manipulation by supermarkets. Retailers were supposedly using different shelf and till prices.

Distribution

- The **Competition Authority of Kenya** has approved **Kenya Wine Agencies** as the exclusive importer and distributor of more than 16 brands of brandy, whiskey and wines from South African brewer **Distell** for the next five years.
- Danish jewellery maker, **Pandora**, has signed an agreement with **Scandinavian Brand House** to acquire its **Pandora** store network in South Africa, Mauritius, Namibia, Zambia, Zimbabwe and Réunion, for US\$17m.
- South African logistics group, **Imperial Holdings**, has acquired a 70% stake in **Surgipharm**, a Kenyan pharmaceutical distributor, for US\$35m.
- Tanzania **Agricultural Export Processing Zone** has signed a US\$1bn partnership agreement with China-based **Epoch Agriculture**. The agreement is aimed at setting up an industrial park for commercialising cassava in Tanzania.

Manufacturing

- **Blow Chem Industries** has inaugurated a new manufacturing facility for Ghana's first instant noodles brand, **Yum-mie Instant Noodles**. The plant has a daily production capacity of 240,000 packets of noodles.
- Croatian food company, **Podravka**, has set up a plant in Bagamoyo, Tanzania, at a cost of US\$4m, to produce its **Vegeta** condiment along with other culinary products.
- Nigerian food production company, **Elixir Global Manufacturing Food**, has acquired 100% of **Procter & Gamble's** healthcare plant in Ibadan, Nigeria. This will enable **Elixir** to manufacture and sell the Vicks Blue and Vicks Lemon Plus tablets in sub-Saharan Africa, under licence.
- Kenyan beverage manufacturer, **Kevia Kenya**, has announced a US\$10m expansion plan, following a loan granted by the **DEG**.
- **PepsiCo's** bottler, **Varun Beverages**, increased its stake in its Zambian subsidiary, **Varun Beverages**, from 60% to 90%. The bottler also announced plans to divest the 41% stake in its subsidiary in Mozambique.
- **Dangote Group** plans to start a rice mill and farm scheme in Nigeria. The country's rice demand rose to 6.3m metric tonnes in 2015, of which only 40% is produced locally. **Dangote Group** subsidiary, **Dangote Rice**, will launch a pilot project with 500 hectares of farmland, and will later expand to 25,000 hectares across three sites.
- **Jungle Nuts**, Kenyan macadamia nuts processor, has started manufacturing mattresses and pillows from plastic waste. The eco-friendly factory in Thika, Kenya, produces up to 600 mattresses and 300 pillows a day.
- **Zambeef's Zampalm** plantation has started commercial production of palm oil. The **Zampalm** project, launched in Zambia in 2009, now has some 400,000 palms planted and a crushing mill with a capacity of two to three tonnes of fresh palm fruit per hour.

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