

# The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

May 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](http://www.uqalo.com).*

## Industry

- According to a global soft drinks market analysis by the **German Engineering Federation**, Nigeria was ranked fourth globally in the consumption of soft drinks in 2016, after the US, China and Mexico. Soft drink sales in Nigeria stood at 39m litres in 2016, a number projected to grow by 33% YoY through to 2020.
- According to the 2017 **New World Wealth** survey by **AfrAsia Bank**, Kenya was ranked the second largest luxury market in Africa, after South Africa. Total revenue from the Kenyan luxury market rose 20% YoY to US\$500m in 2016, while it declined by a third in Nigeria to US\$387m.

## Private Equity

- The **IFC** has invested US\$11m in Kenyan ready-to-use therapeutic food manufacturer, **Insta Products**, enabling the latter to expand operations and supply products to an additional 350,000 people annually, especially in drought-affected zones of East Africa and beyond.
- Pan-African private equity firm, **8 Miles LLP**, has acquired a 20% stake in **Blue Skies Holdings**, a tropical fruit producer in Ghana, for an undisclosed amount.
- Venture capital fund manager, **Oasis Capital Ghana**, has invested an undisclosed amount in Ghanaian water-bottling company, **Everpure Holdings**. The capital will be used to set up the company's third purified-drinking-water factory to the west of Accra, acquire additional equipment, and support working capital needs.
- Kenyan **Catalyst Principal Partners** has acquired a minority stake in **Kensta Group**, an East African regional printing and packaging family business.
- **Catalyst Principal Partners** has further acquired the regional manufacturer of **Britania Biscuits**, **Jambo Biscuits**, for an undisclosed amount.
- Norwegian government's development finance institution, **Norfund**, has made its first Ethiopian investment in an integrated beef producer, **Verde Beef Processing**. Ethiopia has the largest population of beef livestock in Africa, and fifth in the world. The US\$7m investment will be used

for working capital and to fund the completion of an abattoir and meat processing facility.

## Retail

- American fast-food chain, **Burger King**, has expanded its footprint in Kenya by launching a third restaurant at the **NextGen Mall** in Nairobi.
- American doughnut and coffeehouse chain, **Krispy Kreme Doughnuts Corporation**, has entered into a development agreement with **Quality Foods Africa**, a quick-service restaurant business, to set up 20 **Krispy Kreme** stores across Nigeria over a period of five years.

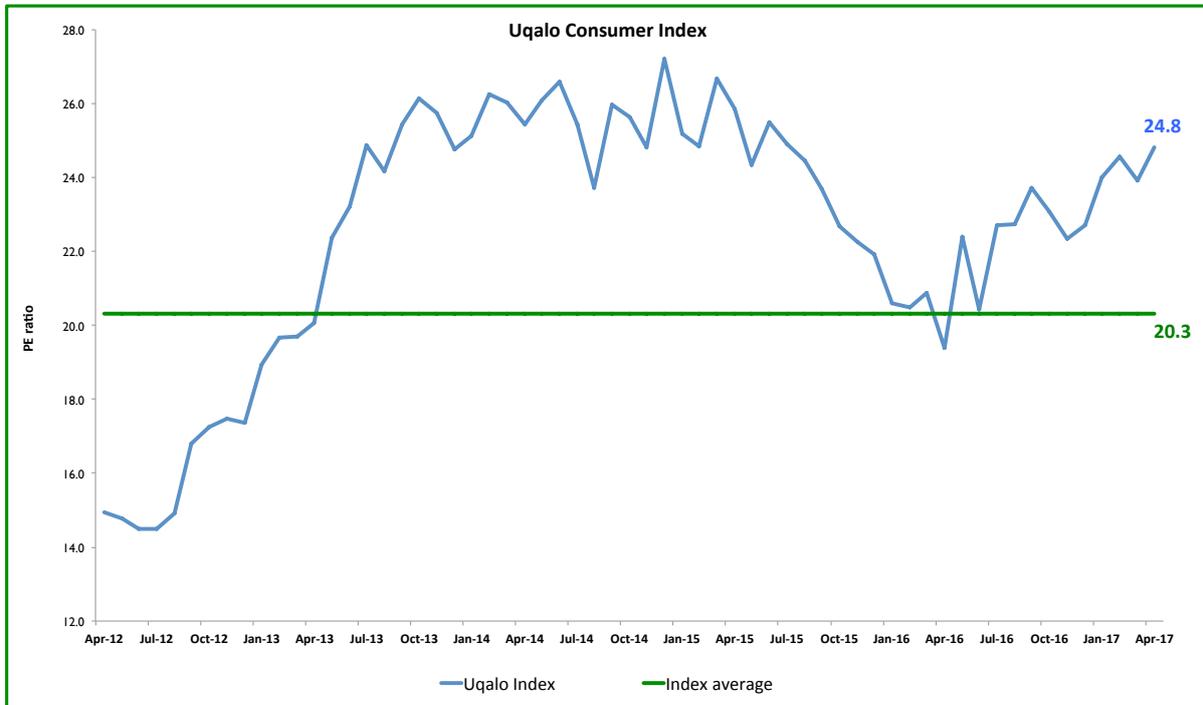
### RESEARCH FROM UQALO

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 **African Fashion Platforms**.

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

- **LG Electronics** has announced plans to invest US\$1m to set up 10 new stores across East Africa in 2017, which will increase its retail store count in the region to 122.
- Kenyan supermarket chain, **Tuskys**, has opened a 650m<sup>2</sup> store in Nansana town, Uganda, bringing its total store count in Uganda to seven.
- The **Kumasi City Mall**, located in the Ashanti region in South Ghana, opened its doors on 20 April 2017. The newly constructed US\$95m mall has a total lettable area of 18,500m<sup>2</sup> and potential for further expansion of 10,000m<sup>2</sup>.
- French sports equipment and apparel company, **Decathlon**, has opened its first outlet in Ghana at the **Junction Mall** in Accra. The company announced plans to open over 50 more **Decathlon** stores in Ghana over the coming years. The newly opened store is stocked with over 3,000 products spanning over 40 different sports disciplines.



Since January 2017, the **Uqalo Consumer Index** has maintained a fairly consistent level. We expect some portfolio flows into Nigeria on the back of improved company results and the Central Bank of Nigeria's new investor foreign exchange window which allows investors access to a floating Naira exchange rate. The UCI is 22% 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)

- US fast-food giant, **Yum Brands**, has signed a deal with Ethiopian franchisee, **Belayab Foods and Franchise**, to open **Pizza Hut** restaurants in Ethiopia.
- British online fashion and beauty store, **ASOS**, has collaborated with Kenyan clothing manufacturer, **SOKO Kenya**, to create the ASOS Made in Kenya Collection.
- Botswanan supermarket chain, **Choppies**, has announced plans to invest around US\$57m in opening more stores across sub-Saharan Africa by the end of June 2018.
- Online e-commerce platform, **Jumia**, has collaborated with various Kenyan manufacturers, including **Chandaria Industries, Alladin World of Brands, Bantu Shoe, Tropical Heat, Bata** and **Darling Hair**, to list their products on **Jumia's** network, thereby boosting the sale of made-in-Kenya goods.
- Kenyan technology firm, **KOKO Networks**, has launched a new smart e-commerce platform in Nairobi. The first **KOKO** offering will be **SmartCook**, a cooking solution with a reusable smart fuel canister that can be docked and refueled at **KOKOpoints** (physical, cloud-connected e-commerce kiosks).
- Kenyan mobile network operator, **Safaricom**, has opened its 46th retail shop in Kenya at the newly launched **Two Rivers Mall** in Nairobi.
- Nigerian online marketplace for pre-owned vehicles, **Cars45**, has received US\$5m funding from **Frontier Car Group**, for its Series A round. Founded in 2016, **Cars45** facilitates the sale of pre-owned vehicles to pre-qualified buyers.

## Distribution

- **Johnson & Johnson** has opened an operations hub in Nairobi, Kenya, in a bid to develop new products and better serve the East Africa region.
- British consumer goods company, **Reckitt Benckiser Group**, plans to open its largest Africa distribution centre in Ogun state, Nigeria.

## Manufacturing

- **GBfoods** has partnered with **Helios Investment Partners**, to extend its African footprint and create a pan-African culinary products company with presence in over 30 African countries.
- Ghanaian biscuit-maker, **Nutrifoods Ghana**, inaugurated its newly expanded US\$8m facility in Tema, Ghana, which will manufacture high-quality biscuits for the domestic and export market.

- Nigerian sportswear manufacturing company, **Haggai Sports**, inaugurated its first automated, high-speed sportswear factory in Lagos, Nigeria.
- Kenya has opened its first undergarment factory, **Hela Clothing**, at the export processing zone in Athi River. The US\$6m factory will manufacture for US clothing conglomerate, **PVH**.
- The Ugandan government announced that the US\$7m **Teso Fruit Factory** in Soroti, Uganda, will likely be operational by September 2017.
- Nigerian Technology Company, **AfriOne**, has launched the first smartphone assembly plant in Lagos, Nigeria, which covers an area of over 2,000m<sup>2</sup>. The facility will have a monthly production capacity of 300,000 mobile phones.
- Nigerian biscuits manufacturing giant, **Sona Agro Allied Foods**, plans to set up two new biscuit plants in Nigeria in order to boost its current production capacity to 200 tonnes per day.
- Nigerian conglomerate, **Dangote Group**, has announced plans to construct a US\$700m sugar factory in Nasarawa, Nigeria.
- South African brewing and beverage company, **Distell Group**, has acquired an additional 26% stake in Kenyan wine and spirits maker, **Kenya Wine Agencies**, from **Centum Investment Company**, for an undisclosed amount.
- The **Lagos State Government** has announced plans to construct the biggest rice mill in Nigeria by the end of 2017. The mill would have an hourly production capacity of 16 metric tonnes and an annual production capacity of 10,000 metric tonnes.

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