

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

September 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 the **Economist Intelligence Unit**, Nigeria's e-commerce sector is expected to reach US\$50bn over the next 10 years. Industry giants such as **Jumia**, **Konga** and **Jiji** are likely to play a significant role in the growth of e-commerce in Africa. **Euromonitor International** is forecasting that Nigeria's online apparel market will expand to around US\$1bn in 2019 from US\$104m in 2014.

Private Equity

- Kenya's fresh food supply platform, **Twiga Foods**, has successfully raised US\$6.3m in a series A round. Twiga Foods will increase the number of vendors it serves in Nairobi, diversify its product portfolio and introduce advanced supplier services.
- South African Private Equity firms, **Investec Asset Management** and **RMB Ventures**, plan to acquire a combined 72% stake in **Kamoso Distribution**, owned by **Standard Chartered PE** and **Development Capital Partners**. **Kamoso Distribution** owns 10 Botswanan companies that supply **Choppies**.
- **Aureos East Africa Fund** has agreed to sell a 6% stake in Kenyan retailer, **Deacons** to **Centum Investments** for an undisclosed amount.
- **XSML** has announced a US\$50m investment in Congo-Kinshasa's leading supermarket, **Monishop**. The investment will be used to construct a large, new supermarket in a prime area in Kinshasa, Congo.

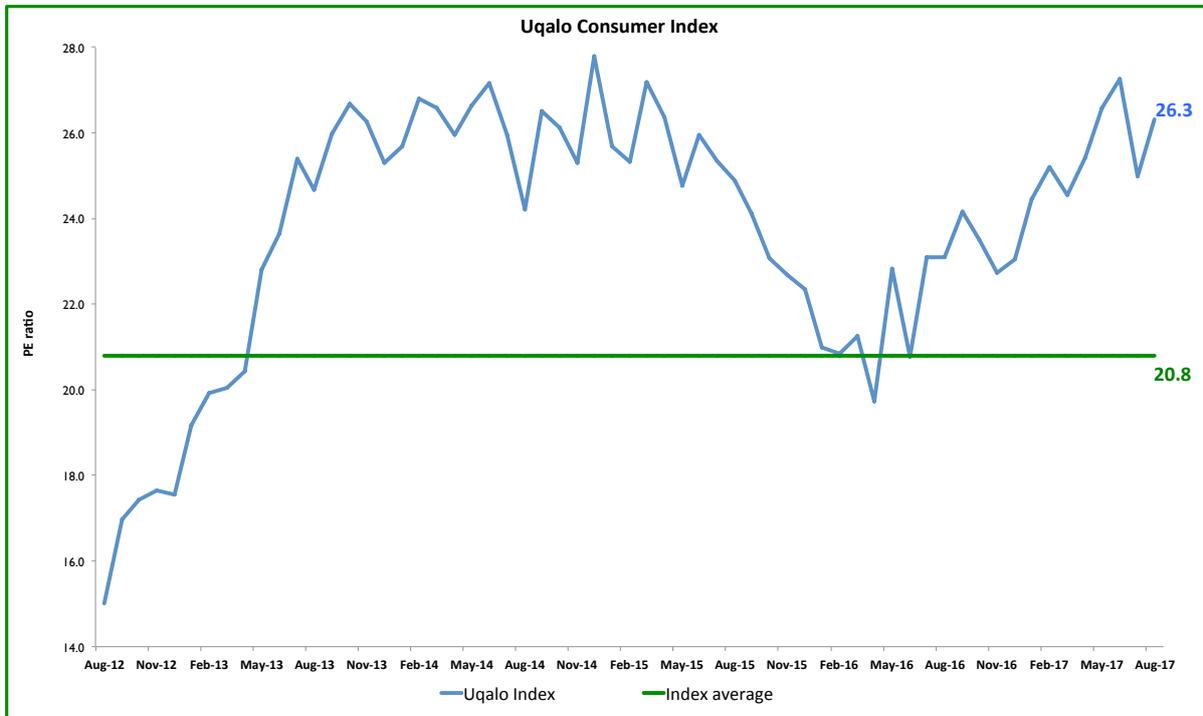
Retail

- Turkish fashion clothing company, **LC Waikiki**, and South African retail group, **Woolworths**, have announced plans to open new stores at **The Hub Karen Mall** in Kenya before the end of the year.
- Danish organic dairy product manufacturer, **Arla Foods**, has established a new outlet in Accra, Ghana, which will sell products from its **Dano** range, which is also sold in Nigeria.

- South African property developer, **Atterbury**, has announced the completion of the first-phase of the US\$20m **Pemba Shopping Mall** in Pemba, Mozambique.
- Zimbabwe's quick-service restaurant group, **Simbisa Brands**, which operates 432 outlets in 11 African countries, hopes to list on **London Stock Exchange Alternative Investment Market**, once it has received the necessary approvals.
- Kenyan supermarket chain, **Naivas Supermarket**, has announced plans to launch a new mobile shopping application by October 2017. Additionally, the chain plans to launch seven new outlets across Kenya by the end of 2017.
- The **Uganda Revenue Authority (URA)** has ordered Kenya's leading supermarket, **Nakumatt**, to close operations at three outlets in Uganda on account of unpaid taxes. The **URA** is demanding at least US\$86,000 against approval to reopen the stores. Additionally, more than 11 suits have been filed against the retailer demanding the payment of outstanding debt.
- American pharmaceutical company, **L.E.A.F. Pharmaceuticals**, has established its first outlet in Kigali, Rwanda, under the name **L.E.A.F. Rwanda**. The company aims to make Rwanda the hub of biotechnology R&D and pharmaceutical manufacturing in Africa.

Distribution

- Africa's largest Coca-Cola bottler, **Coca-Cola Beverages Africa Proprietary**, has announced the acquisition of Kenya's third largest bottling company, **Equator Bottlers**, for an undisclosed amount.
- **East African Breweries** plans to open a new plant in Kisumu, Kenya, at a cost of US\$150m. The plant will produce **Senator** beer and is expected to commence operations within 2 years.
- South African payments start-up, **Yoco**, has announced plans to expand its presence across East and West Africa by the end of 2018. The company sells card readers to businesses, and charges them a percentage of transactions processed.



The **Uqalo Consumer Index** declined sharply in July as Nigerian consumer earnings increased ahead of share prices. Throughout August, we continued to see portfolio flows into Nigeria on the back of improved company results with increased valuations reflecting resumed confidence in Africa's largest economy. The UCI is 27% ahead of the average which we calculate since January 2009 and just 5% off the all time high in December 2014.

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

Manufacturing

- **Volkswagen** has completed a feasibility study to build an assembly plant in Rwanda, which will produce at least 5,000 electric vehicles annually, by the end of 2017.
- Nigerian instant noodles maker, **Dufil Prima Foods**, is raising US\$131m from the local debt market.
- The **Dangote Group** has announced plans to invest US\$4bn in Nigeria farming, to increase its annual sugar and rice production to 2m tonnes and 1m tonnes respectively, and another US\$800m to produce 500m litres of milk a year by 2019.
- **Northern Nigeria Flour Mills** has commissioned a sorghum flour production plant, in Kano, Nigeria, which cost over US\$6m. The plant is currently the largest sorghum processing plant in sub-Saharan Africa.

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