

The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

November 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

- Although the full story is not entirely clear, Kenyan supermarket giant, **Nakumatt's** costly expansion programme, has left the retailer struggling to stay afloat. **Nakumatt's** recent expansion drive, no doubt prompted in part by fears of foreign competition from the likes of **Carrefour**, **Choppies**, **GAME** and **Shoprite**, put it under significant financial strain, with debts reportedly in excess of US\$300m.

Nakumatt's acquisition of the 7.7% stake of businessman, Harun Mwau, for an undisclosed amount, will have added further pressure to its finances.

The retailer has left or been removed from at least 20 locations since the beginning of this year resulting in the very outcome that **Nakumatt** was trying to avoid in the first place.

Nakumatt's creditors are rejecting its bid to appoint an administrator to run the business, and are arguing for liquidation. If the High Court appoints an administrator, **Nakumatt** may turn to its rival, **Tuskys**, which has offered to provide US\$6m funding and issue loan guarantees of up to US\$30m.

If the company were to be liquidated, creditors would not be fully paid. The likes of **Brookside Dairy** is owed US\$4.4m and **Chandaria Industries** as much as US\$3.4m.

Private Equity

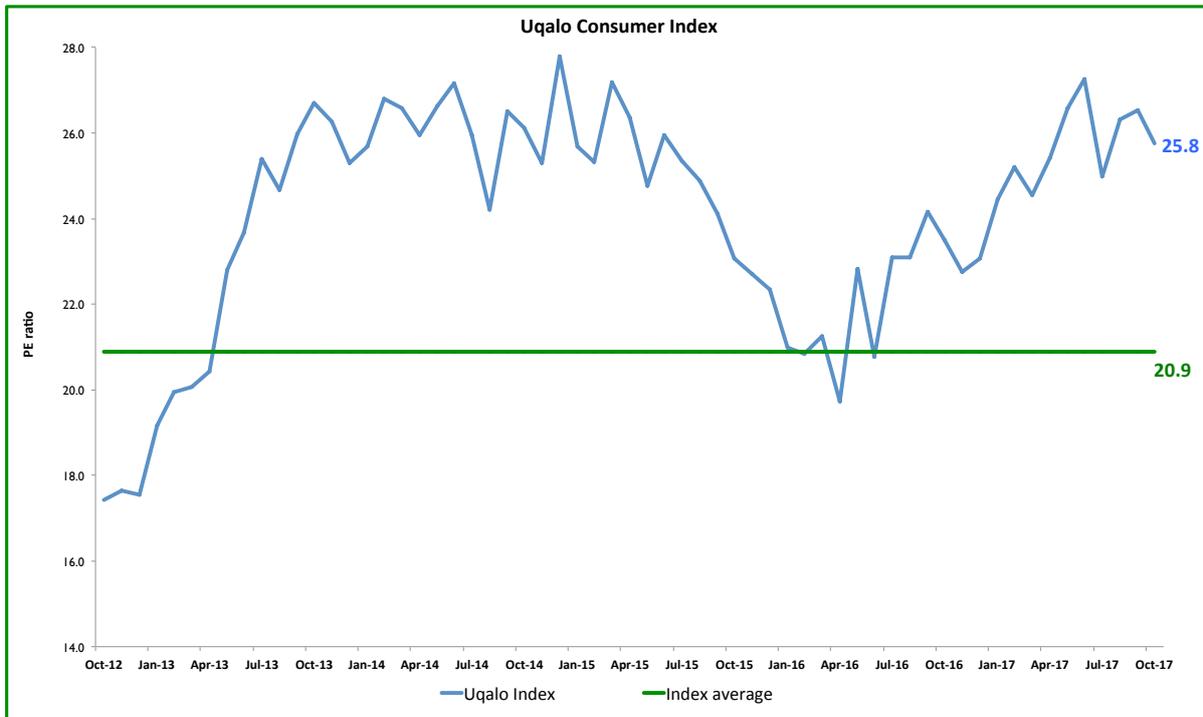
- East African investment company, **Centum Investments**, has cancelled its plans to acquire a 5.5% stake, in fashion retailer, **Deacons East Africa**, from private equity firm, **Aureos East Africa Managers**.
- **RMB Corvest**, **RMB Ventures** and **Ethos Mid Market Fund** have acquired 100% of **Kevro**, Africa's largest value-add supplier of corporate and promotional apparel, and other brandable products. **Ethos Fund VI** has been a 72% shareholder in **Kevco** since 2011.
- Social impact investor, **AgDevCo**, has provided US\$3m debt to Rwandan poultry business, **Uzima Chicken**. The capital will be used to expand capacity up to 10 million birds per year. **Uzima Chicken** produces day-old chicks, which

are sold through a network of agents, who rear the birds for four weeks before selling them on to distributors.

- **TPG Growth** has invested in Kenyan agri-tech startup, **Gro Intelligence**. **Gro Intelligence** is an agricultural analytics business, which uses artificial intelligence and machine learning to provide insights into the global food and agricultural industry.

Retail

- Botswanan retailer, **Choppies**, which operates in seven African countries, plans to open 40 more stores in the region by mid-2018, at a cost of US\$30m. Its new store in Embakasi's **South Field Mall** in Kenya, will commence operations by the end of this year.
- **Kentucky Fried Chicken** has opened a new drive-through outlet on Waiyaki Way in Nairobi. It also plans to launch more stores in Kenya before the end of the year.
- Dubai's conglomerate, **Majid Al Futtaim**, has announced plans to open its third **Carrefour** hypermarket in Kenya, at the **Thika Road Mall**, in a space previously occupied by **Nakumatt**.
- Africa's largest supermarket chain, **Shoprite Holdings**, plans to open its first shops in Kenya, by setting up stores in retail spaces left empty by **Nakumatt**.
- Arabian retailer, **Souk Bazaar**, has replaced **Nakumatt** with a 20-year lease at **NextGen Mall** in Nairobi.
- Kenyan supermarket chain, **Tuskys**, has opened the second outlet of its specialist clothing store, **Tuskys Mavazi**, at the **T-Mall** shopping complex on Nairobi's Langata Road.
- Fashion retailer, **Deacons**, has agreed to the termination of the **Mr Price** franchise in Kenya. The **Mr Price Group** will directly operate all 11 **Mr Price** stores in Kenya.
- Kenyan supermarket chain, **Uchumi**, will, with aid from the government, re-open the branches it closed in Tanzania and Uganda in 2015 following a debt crisis.
- Kenyan supermarket chain, **Naivas**, will open a new outlet at Moi Avenue in Nairobi later this month. The supermarket chain, which opened a store in October, in Utawala, also plans to launch 3 more stores soon.



The Uqalo Consumer Index declined in October despite the continued upward trajectory of global stock markets. The decline was driven by a recovery in Nigerian consumer earnings as Africa's largest economy emerged from a recession. The UCI is 23% 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

- South African retailer, **Woolworths**, which opened two stores at **Hub Karen Mall** and **Two Rivers Mall** last month, announced the closure of its store at the **Thika Road Mall** in Nairobi, Kenya.
- Nigerian e-commerce company, **Jumia**, has introduced the country's first e-commerce bot, enabling shoppers to search, order and book goods and services. The bot, powered and hosted by **Facebook Messenger**, will be directly available to the country's 18 million Facebook users.
- French energy giant, **ENGIE**, has announced the acquisition of **Fenix International**. **Fenix International** is a pioneer in Africa's Solar Home System market, and currently has products available in Uganda and Zambia.

Distribution

- **Ikea** has signed a three to five year partnership with **Kawacom**, a Ugandan coffee processor and exporter. The deal will provide **Ikea** will enough Arabica beans to supply 125,000 kgs of packaged coffee in its stores.
- **Red Star Express**, 25 year-old logistics and courier company in Nigeria, is raising new capital to diversify its operations into agro business.

Manufacturing

- Shareholders of three Nigerian subsidiaries of **AB InBev**, the world's largest brewer, have approved the plan to merge and consolidate its Nigerian businesses under a publicly quoted entity.
- **Calvin Klein** has signed a contract with **Hela Clothing**, in Kenya's **Export Processing Zone**, to manufacture its underwear range.
- Kenyan consumer goods company, **Bidco Africa**, has set up a new detergent factory in Thika, Kenya, and launched a new washing powder, **Msafi**, to disrupt the market, currently dominated by **Unilever**. The company plans to establish four new factories at the **Bidco Industrial Park** in Ruiru, to compete in other product categories.

- **Coca-Cola** plans to invest up to US\$90m in Kenya over the next three years. It has recently invested US\$27m in a new production line in Embakasi, Kenya, where the company makes **Minute Maid** juice.
- **Flame Tree Group** has brought out Thika-based petroleum jelly brand, **Sylva**, from **Shethia Industrial Chemicals**, for an undisclosed amount.
- **BlackPace Africa Group**, a Nigerian and Swiss firm, has bought **Ndiyo Business Group**, a Rwandan salted chips producer. In August, **BlackPace** signed a deal with the Rwandan government to invest in development of the local potato value chain under its **Cros Agro Allied** Rwandan subsidiary.

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