

# The Uqalo Report

NEWS FROM THE CONSUMER SECTOR IN SUB-SAHARAN AFRICA

January 2018

*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 recent report by **Cyntonn Investments**, the supply of retail space in Nairobi increased an average of 42% in each of the last three years. This has attracted international players and increased the expectations of a strong 2018 for Nairobi's retail sector.

## Private Equity

- **Investec Private Equity** has sold its minority stake in **Ashwah Holdings**, the parent company of **Daraju Industries**, back to the company. **Daraju Industries** is a leading Nigerian manufacturer of personal and household care products.
- **Kibo Capital Partners** has acquired an undisclosed stake in Mozambique's leading food distribution company, **Tropigalia S.A.**
- **Argentil Capital Partners** has acquired a 49% stake in Nigerian Restaurant and Lounge Company, **Chocolate City Lounge**, for an undisclosed amount.
- **Novare Fund Manager** opened 34,000m<sup>2</sup> of prime retail space in Africa during the month of December 2017. This included the **Novare Gateway** in Abuja, Nigeria, and the **Novare Matols Mall** in Maputo, Mozambique.
- **TPG Growth** will buy a majority stake in **TRACE**, the market leader in afro-urban music and entertainment. **TPG Growth** will invest alongside **Evolution Media** and **Satya Capital**.

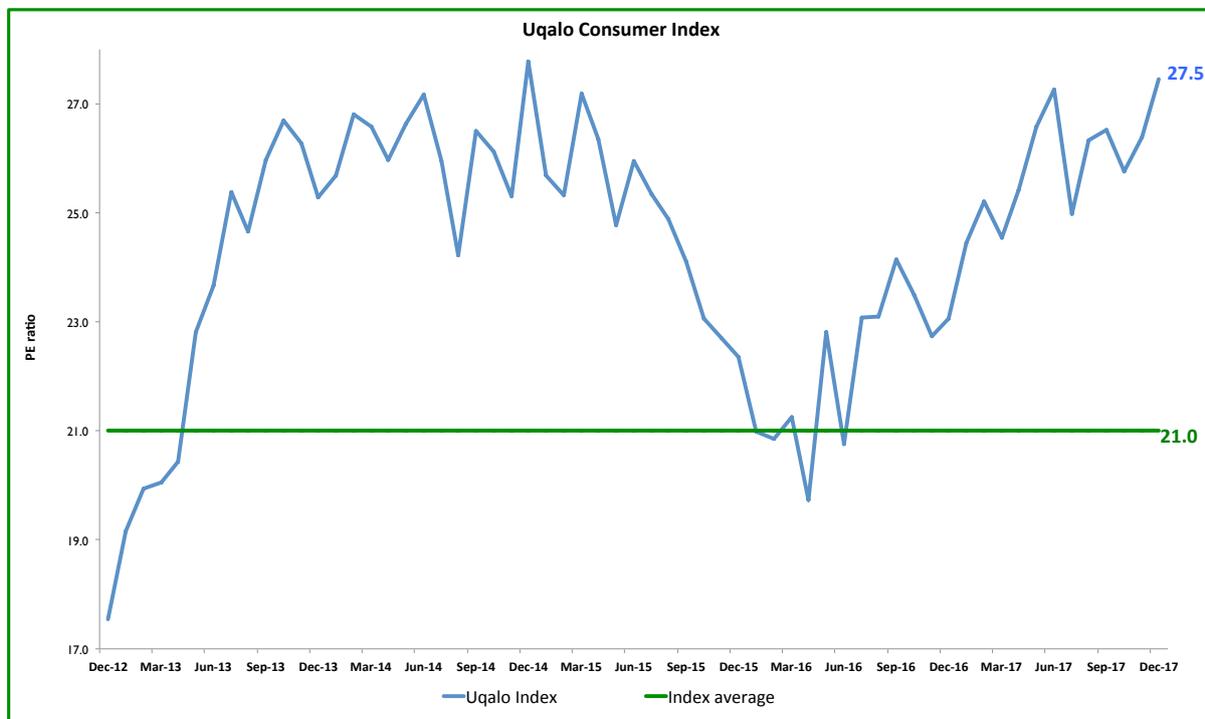
## Retail

- Kenyan supermarket chain, **Uchumi**, has failed to secure financing from **Kuramo Capital** and has commenced talks with another investor. **Uchumi** received a US\$7m loan from the Kenyan government in early December to buy stock ahead of the festive season. It plans to settle all overdue creditor debts by the end of March 2018 and will also shut down under-performing stores.
- Premium American ice-cream brand, **Häagen-Dazs**, has opened a shop in Nairobi, in a deal with Kenyan distributor, **Kalon Kapital**.

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- Botswanan retailer, **Choppies**, is reportedly in talks with the owners of **Nanyuki Mall**, in Kenya, to occupy the space vacated by **Nakumatt** by May 2018. **Choppies** has 11 stores across Kenya and is planning to open 25 more stores over the next three years.
- Kenya's family-owned retail chain, **Quick Mart Supermarkets**, has opened two new outlets in Waitthaka and Eastern Bypass in Nairobi, taking its total outlets to eight.
- French sports retailer, **Decathlon**, has announced plans to open its first store in East Africa at **The Hub Karen Mall** in Nairobi.
- Africa's biggest supermarket chain, **Shoprite**, has opened a new outlet in Uganda, at the **Arena Mall**. **Shoprite** will serve as the anchor tenant in this 14,000m<sup>2</sup> mall.
- Online and offline retailer of domestic appliances, **Hotpoint Appliances**, has opened a store at **Village Market's** new wing in Nairobi, marking its fifth store in the country.
- French retailer, **Carrefour**, has confirmed the opening of its fourth outlet in Kenya at the **Junction Mall**, in the space earlier occupied by struggling Kenyan retailer, **Nakumatt**.

## Distribution

- **Jumia Foods** has partnered with Kenyan fast food restaurants, **Pizza Mojo** and **Big Square**, to do home deliveries. **Jumia Foods** has also partnered with French beverage company, **Pernod Ricard**, to introduce into Ghana, **Jumia Party**, that delivers alcohol within an hour.
- Kenyan **Chloride Exide** has signed a dealership agreement with Chinese **Ritar Batteries**, to become the East African distributor of their eco-friendly sealed lead acid batteries that are used in solar systems.



The Uqalo Consumer Index rose rapidly in November and December in line with the continued upward trajectory of global stock markets. A growth boom in emerging markets, benign monetary policy in developed markets and the planned US corporate tax rate cuts were largely responsible. African nations are also benefitting from a recovery in commodity prices. The UCI is 31% ahead of the average which we calculate since January 2009 and 1% lower than the all time high which was achieved in Dec 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](http://www.uqalo.com)

- Danish solar firm **M-PAYG** has acquired office space in Nairobi to launch operations there. **M-PAYG** sells pay-as-you-go solar kits and already has operations in neighbouring Tanzania.
- **Beiqi Foton Motor**, Chinese automaker, has re-entered the Kenyan market, by appointing four new distributors after its first distributor **Foton East Africa** went bankrupt. The dealers will distribute the company's light and heavy vehicles on an exclusive regional basis.
- **Heineken**, has begun constructing its first brewery in Maputo, Mozambique, with an investment of around US\$100m. The brewery, with a production capacity of 0.8m hectolitres, is expected to start production in the first half of 2019.
- **Nestlé**, has announced plans to shut down its factory in Kinshasa, in the Democratic Republic of Congo, a market of 80 million people which remains troubled by poverty and political instability.
- **Volkswagen** will invest US\$20m to assemble vehicles and develop a ride-sharing business in Rwanda, in May this year.
- Nigerian **Seven-Up Bottling Company's** shareholders have approved the scheme of arrangement whereby majority shareholder, **Affelka S.A**, will acquire the outstanding 27% shares of the company. **Seven-Up Bottling Company** is an independent manufacturer and distributor of soft drinks in Nigeria, whose brands include **Pepsi**, **7-Up**, **Mirinda**, **Teem**, **Mountain Dew** and **Aquafina** premium water.

## Manufacturing

- A unit of Nigeria's **Dangote Flour Mills**, **Dangote Noodles**, has sold two production lines, at the Ikorodu and Calabar factories, to rival **De United Foods Industries**, manufacturer of **Indomie Noodles**, for US\$12m and stock worth US\$1m.
- Chinese luxury vehicle maker, **Hawtai Motors**, has plans to open an assembly line in Kenya.
- **Walt Disney** has signed deals enabling dairy products supplier, **Brookside**, and other Kenyan

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