

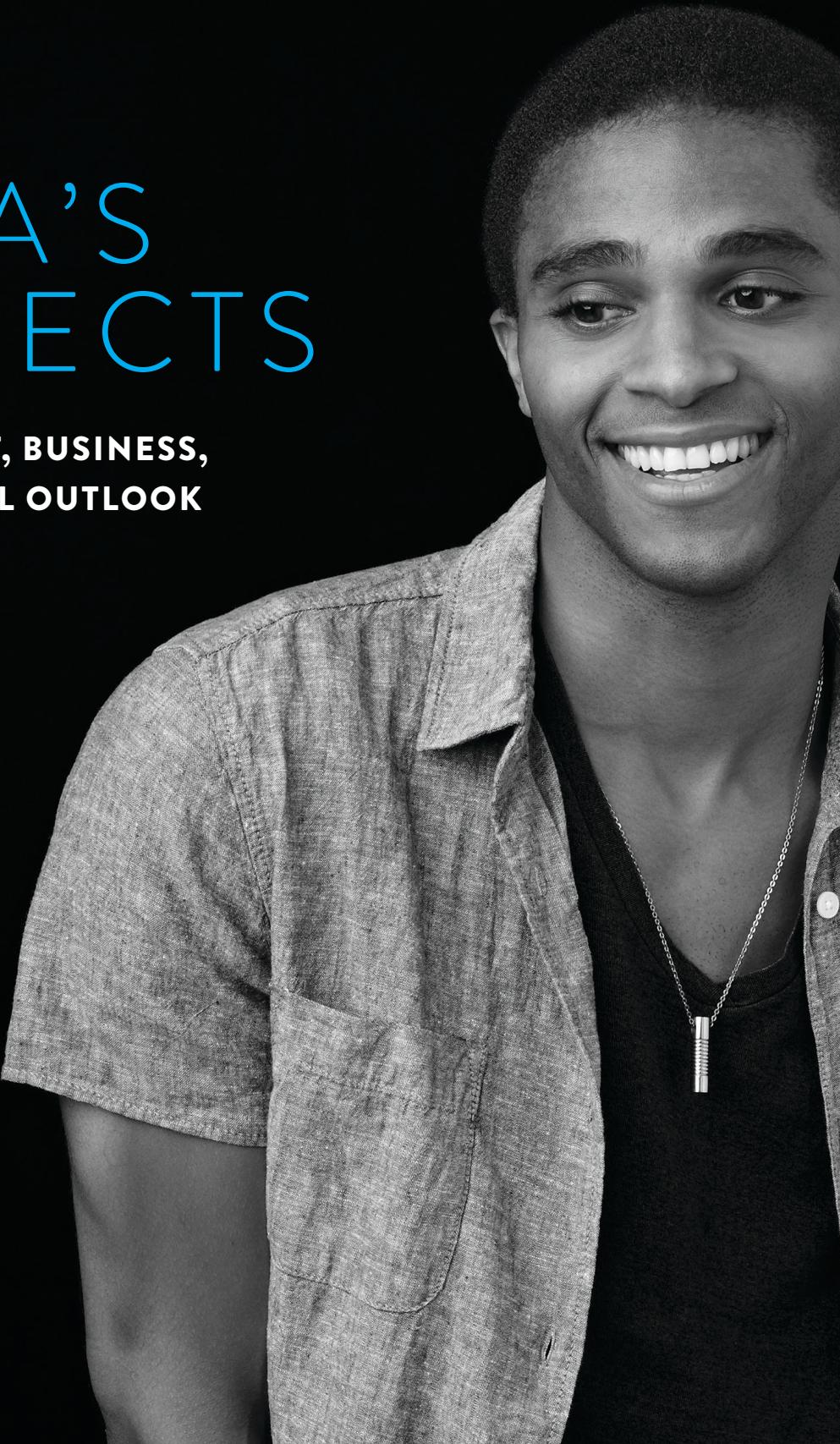
nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

AFRICA'S PROSPECTS

**MACRO ENVIRONMENT, BUSINESS,
CONSUMER AND RETAIL OUTLOOK
INDICATORS**

EDITION 3
QUARTER 3, 2016



AFRICA'S PROSPECTS RANKING

Ongoing turmoil and volatility in many of Africa's markets are reflected in the ranking indicators of Nielsen's third Africa Prospects report, with six of the top nine countries shifting in position over the past six months. The top three ranked countries, Cote d'Ivoire, Kenya and Tanzania, remain unchanged in overall position, but show some interesting changes in the dynamics determining their overall ranking.

Ghana, Cameroon and Uganda's comparative conditions – based on a combination of Macro Environment, Business, Consumer and Retail prospects – have improved moving them up the rankings, as Nigeria, Zambia and South Africa's have declined as reflected by their weaker positions.

OVERALL RANKING TREND

| COUNTRY | Q1'2016 | COUNTRY | Q3'2015 |
|---------------|---------|---------------|---------|
| COTE D'IVOIRE | 1 | COTE D'IVOIRE | 1 |
| KENYA | 2 | KENYA | 2 |
| TANZANIA | 3 | TANZANIA | 3 |
| GHANA | 4 | NIGERIA | 4 |
| CAMEROON | 5 | ZAMBIA | 5 |
| UGANDA | 6 | CAMEROON | 6 |
| NIGERIA | 7 | SOUTH AFRICA | 7 |
| SOUTH AFRICA | 8 | UGANDA | 8 |
| ZAMBIA | 9 | GHANA | 9 |

The results reported in the third edition of the Africa Prospects indicator (API) are based on multiple, weighted data as at Quarter 1, 2016. The report covers multi dimensional, comparative indicators for nine of Africa's leading markets, where common measurement information is available, and is representative of 70% of Sub Saharan Africa's GDP and 48% of the population. Macro Economic and Business Prospects are included for a further 17 countries where extended metrics are available.

Zambia's four place decline to 9th position is the outcome of worsening Consumer and Retail prospect indicators which plummeted due to sky-rocketing inflation, electricity shortages and a poorer macro-economic environment which is heavily reliant on the resources sector. The growth outlook reported by Zambian retailers declined substantially as they indicate a deterioration in the ease of doing business and a sharp fall in consumer spending versus Quarter 4, 2015 due to food inflation increasing from 7.8% in Quarter 3, 2015 to 26.4% in Quarter 1, 2016.

| RANKING | |  |  |  |  |
|---------------|--------------|---|---|---|---|
| COUNTRY | OVERALL RANK | MACRO RANK | BUSINESS RANK | CONSUMER RANK | RETAIL RANK |
| COTE D'IVOIRE | 1 | 3 | 7  | 7 | 1 |
| KENYA | 2 | 1 | 2  | 5 | 6 |
| TANZANIA | 3 | 2 | 4 | 8 | 3  |
| GHANA | 4 | 4 | 1  | 9 | 9 |
| CAMEROON | 5 | 6 | 9  | 4 | 2 |
| UGANDA | 6 | 9 | 3  | 1  | 5 |
| NIGERIA | 7 | 8  | 6  | 2 | 4 |
| SOUTH AFRICA | 8 | 7 | 8 | 3 | 7 |
| ZAMBIA | 9 | 5 | 5 | 6  | 8  |

On the other end of the scale, there is a positive shift in Ghana's performance. While the Consumer and Retailer indicators remain comparatively weak there are signs of general mood improvement as power supply, exchange rates and inflation stabilizes. This is due to retailers perceived view on improvements in the ease of doing business in Ghana, an increase in consumer spend in-store and growing consumer willingness to try new products. Ghanaian consumers also display a more positive sentiment around job prospects, but do remain price conscious in the high inflation environment, where 60% of consumers base their product choice on price and affordability. Coupled with this, are stable GDP growth outlook and business views at their most favorable levels since Quarter 2, 2014.

PROSPECT HOTSPOTS: COTE D'IVOIRE, KENYA AND TANZANIA

Cote d'Ivoire, Kenya and Tanzania maintain the first, second and third place on the latest prospects ranking and currently provide more stable investment destinations than the larger economies of Nigeria, South Africa and Angola that have lower expectations. Cote d'Ivoire's top position on the API ranking offers strong Macro and Retail development dynamics. The IMF has forecast Cote d'Ivoire to be Africa's fastest growing economy in 2016, as the country has benefitted from government policies and structural reforms, which have resulted in strong, inclusive growth. In East Africa, Kenya and Tanzania feature highly for the Business sector's focused growth opportunities.

Nigeria topped the inaugural list in Quarter 1, 2015, but has subsequently dropped to a more moderate fourth position in the second half of 2015, and currently falls a further three places to seventh position. Its Retail, Macro and Business prospects have deteriorated, with the Macro and Business indicators, ranking eighth and sixth respectively.

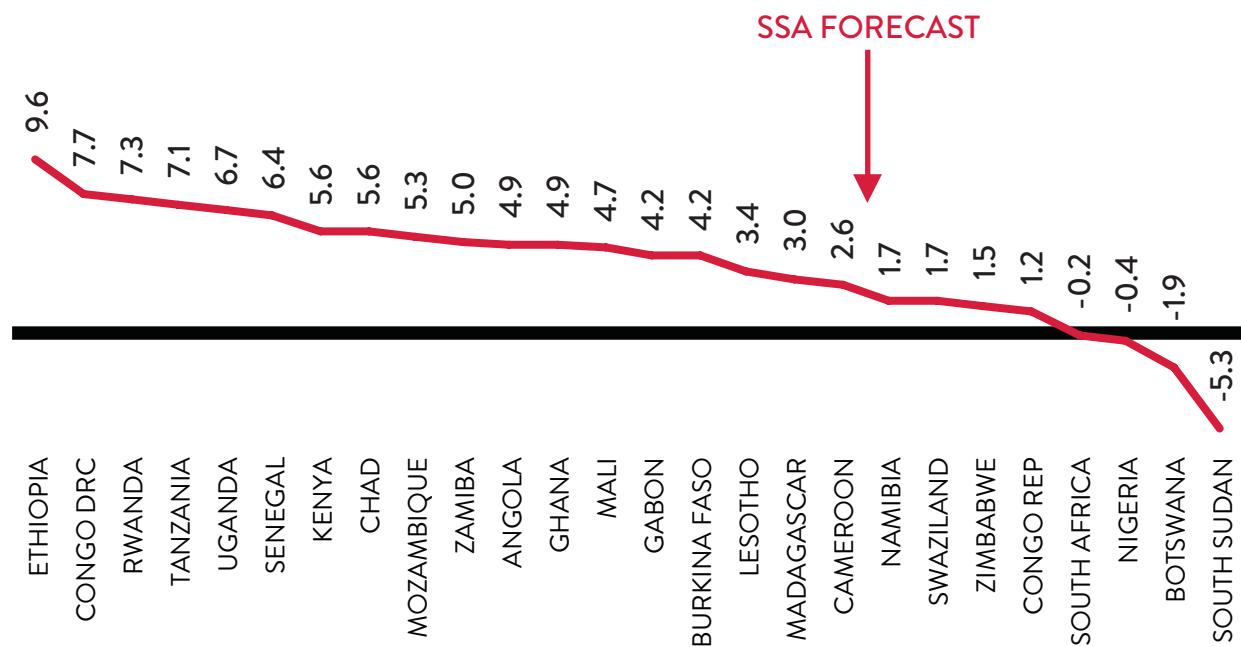
Nigerian market conditions remain extremely constrained, following the slump in commodity prices, in particular oil. Fuel and power supply issues have also plagued the economy as well as the foreign exchange crisis and the Naira's devaluation. In April this year, the IMF revised the Nigerian 2016 growth rate down from the original forecast of 3.2% to 2.3%. The five main reasons for this were: lower oil price, shortfalls in non-oil revenues, deterioration in finances of state and local governments, increased disruptions in the private sector activity due to constraints in access to foreign exchange, and a resurgence in security concerns.

Within the overall rankings, South Africa slips one place to eighth position. Economic uncertainty, political tension and lower business and consumer confidence have slowed investment in Africa's most industrialized economy. In addition, rising inflation due to severe drought, high unemployment, a weakened currency and increased lending rates have put a squeeze on disposable income. Despite this, retail spending has kept favorable momentum.

MACRO PROSPECTS

After an extended period of buoyancy, the 2016 growth expectations of 2.5% (World Bank) for Sub-Saharan Africa is at its weakest level in nearly two decades. However, growth levels are expected to recover to 4% in 2017, helped by a slight recovery in commodity prices. The slowdown is particularly pronounced for oil exporters (Nigeria and Angola) but also non-energy exporters (South Africa and Zambia). Interestingly, some oil importing countries (Ethiopia, Rwanda and Tanzania) continue to register strong growth reflecting their more diverse economic base. Unfortunately electricity shortages, the Ebola epidemic, drought, conflict and political uncertainties have also hindered economic activity in several countries.

ECONOMIC GROWTH





PART 2

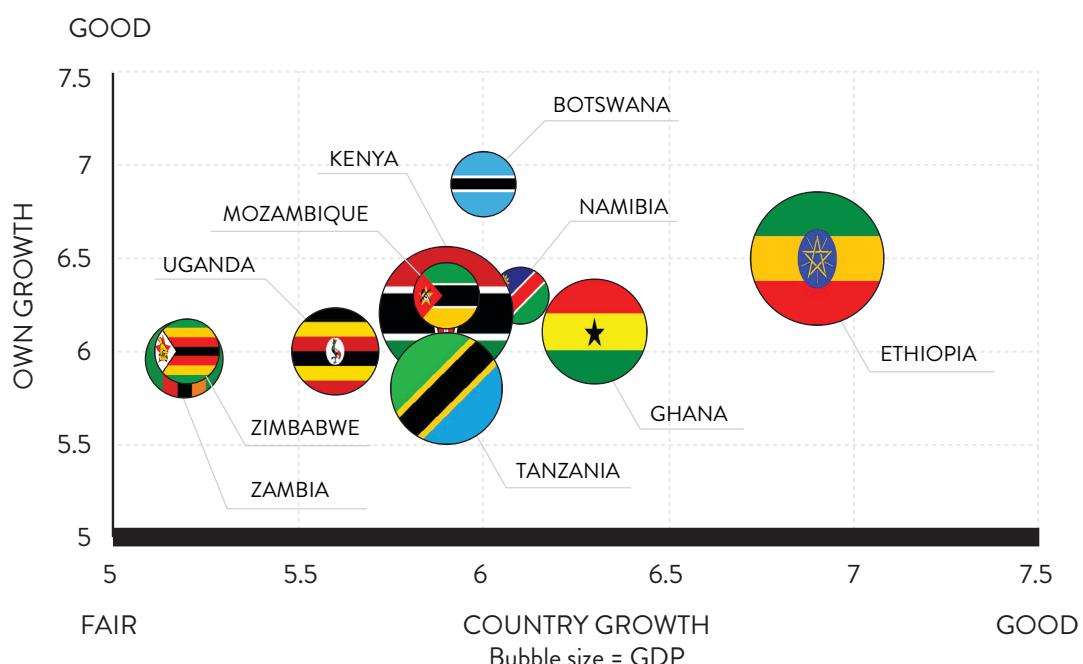
BUSINESS PROSPECTS

The markets topping the Business Prospects list in terms of overall **country growth expectations**, are: Ethiopia, Ghana and Namibia.

Ethiopia's leading position remains unchanged for the third successive survey, indicating the Business sector's acknowledgement of the country's impressive overall development. Interestingly, companies do not recognize their own growth potential quite as highly as they struggle to overcome various operational challenges to reach consumers in urban and the extensive rural areas.

Businesses rank their **own growth prospects** highest in Botswana, followed by Ethiopia and Namibia/Mozambique. This measure represents the ability to which businesses can execute in-market and achieve sustainable growth, considering the various country conditions. South Africa has the biggest divergence in country growth versus own business expectations. Own business potential is scored as Fair to Good at 5.6 (out of 10), whereas business views on the overall country growth is scored at a more moderate 4.1.

TOP 10 BUSINESS PROSPECTS



Ghana has seen one of the biggest recoveries in overall business outlook, moving up six places to fifth position with a score of 6.13, as a result of improved scores for the country's overall growth as well as the Business sector's growth potential. This positive position is in contrast to the more moderate views expressed for the combined SSA countries at 5.2, which is reflected in lower combined business prospect scores for sixteen of the twenty six countries.

The most recent scores see Ivorian businesses revising their growth outlook down mainly in terms of their own growth ability. Cote d'Ivoire is still ranked seventh for overall country growth, but only 16th for own business growth.

Angola's successive drops from 12th to 18th to current 21st place, signifies a weaker investment climate with more subdued macro economic indicators. In terms of country growth expectations, South Africa dropped eight places from 14th to 22nd position, but still ranks a more favorable 12th for own business potential.

GAINING POTENTIAL

| | | | | |
|----------|------------------|---|------------------|--------|
| NAMIBIA | 9 TH | ► | 3 RD | (6.25) |
| GHANA | 11 TH | ► | 5 TH | (6.13) |
| ZIMBABWE | 19 TH | ► | 9 TH | (5.80) |
| LESOTHO | 25 TH | ► | 12 TH | (5.41) |
| CONGO | 24 TH | ► | 17 TH | (5.04) |

BIGGEST MOVERS

DECLINING POTENTIAL

| | | | | |
|---------------|------------------|---|------------------|--------|
| NIGERIA | 5 TH | ► | 11 TH | (5.55) |
| COTE D'IVOIRE | 3 RD | ► | 13 TH | (5.30) |
| CAMEROON | 4 TH | ► | 19 TH | (4.45) |
| GABON | 15 TH | ► | 22 ND | (4.25) |
| SOUTH SUDAN | 17 TH | ► | 23 RD | (4.18) |

Countries are scored between 1 and 10, where 1 is poor and 10 is excellent.

Country Growth and Own Growth scores are combined and weighted to determine an overall score/ranking.



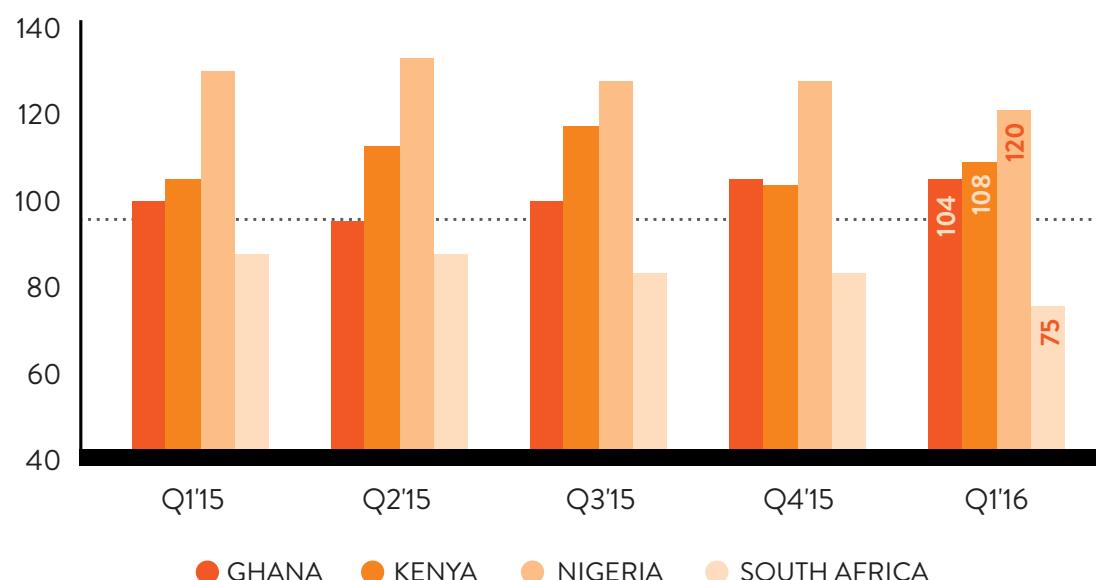
PART 3

CONSUMER PROSPECTS

Consistent with the macro environment and business trends, the Nielsen Consumer Confidence Index also reflects a fall in consumer confidence levels for both Nigeria and South Africa. In Nigeria, all three confidence indicators declined on the previous quarter (Quarter 4, 2015). The percentage seeing a positive outlook for jobs in the next twelve months dropped eight points to 65%, the share expressing favorable personal finance sentiment declined three percentage points to 79%, and the share with immediate-spending intentions declined eight percentage points to 42%. Despite this, Nigerians continue to display an openness to trying new products, although this trend has slowed in recent times.

In contrast, the South African consumer psyche is more pessimistic. All three confidence indicators dropped versus the previous quarter. Positive outlook for job prospects is at 19%, favorable personal finance sentiment at 49%, and only 22% of South African consumers currently view it as a good time to buy the things they want and need. Despite consumer sentiment, South African retail spend does not reflect a picture quite as pessimistic.

CONSUMER CONFIDENCE INDEX



SUBDUED CONSUMER SPENDING

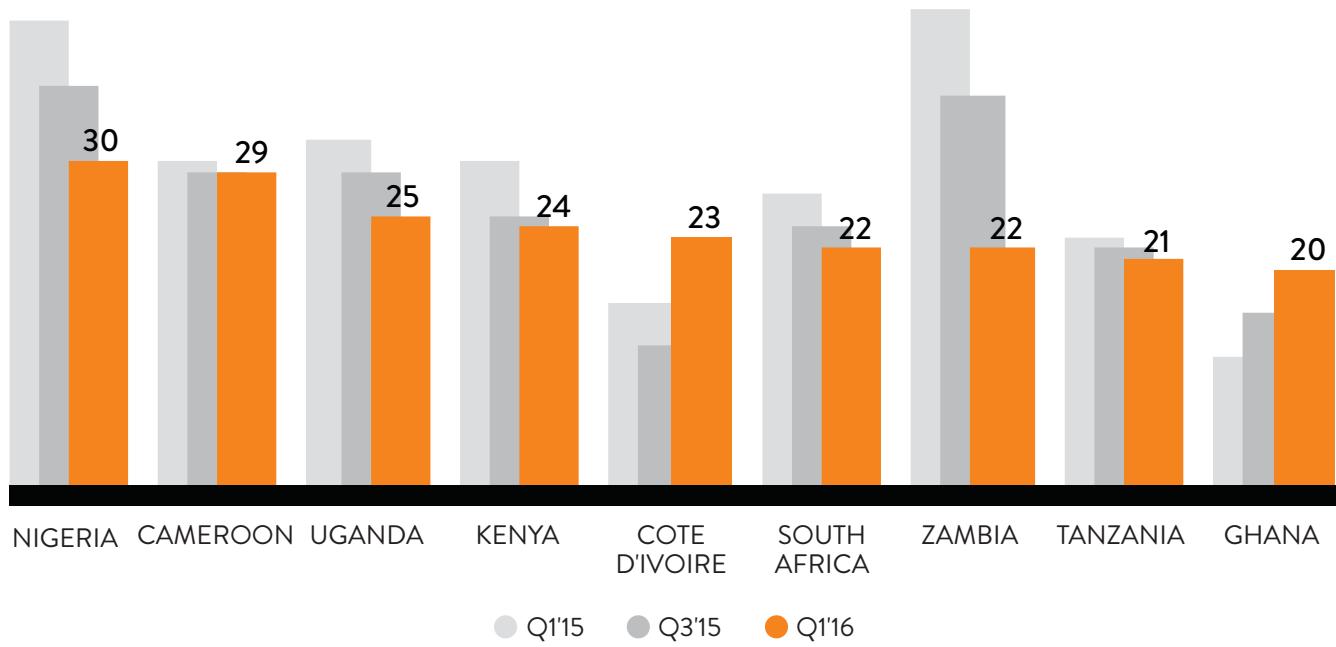
The mounting pressure on consumers' wallets has constrained consumer spending in-store. In Quarter 1,2015, on average, 29% of SSA retailers, felt that spend in their stores was increasing, by Quarter 3,2015 this had dropped to 26%, and has now fallen to less than a quarter (24%) of retailers who view spend on the increase.

Although the positive sentiment for increasing consumer spend is highest in Nigeria at 30%, the outlook has declined from 43% a year ago, as macro effects have filtered through into the consumer and retail environments. Zambia reflects the biggest drop in positive spending sentiment as compared to a year ago.

The greatest improvement in the outlook for consumer spending is in Cote d'Ivoire and Ghana where 23% (up eight percentage points) and 20% (up six percentage points) view spend as increasing.

RETAILER VIEW ON CONSUMER SPENDING

%INCREASING

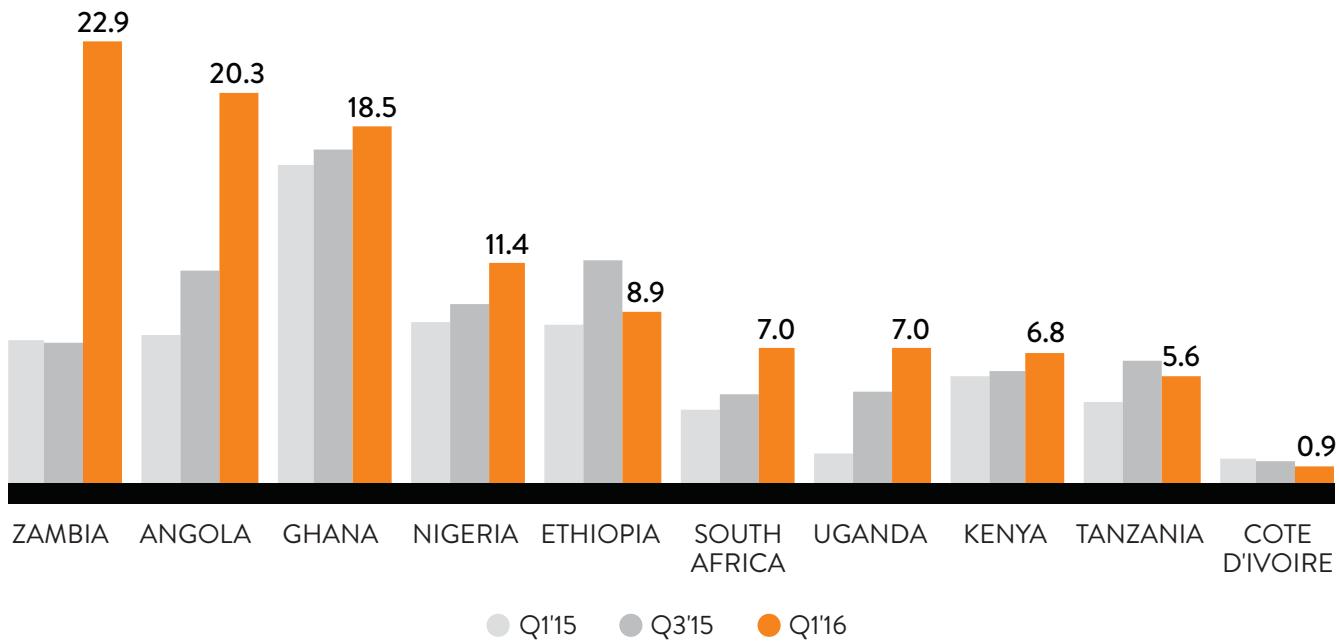


ANGOLANS & ZAMBIA'S FACE SOARING PRICES

In terms of pressure on consumers' pockets, Zambia's inflation rate reached an all-time high in Quarter 1' 2016 of 22.9%. This is due to the country being buffeted by global headwinds and domestic pressures that have strained the Zambian economy. These include its weak currency the Kwacha, a six-year low in copper prices, increasing power outages and El Nino-related poor harvests.

In Angola, inflation almost doubled to 14.3% in 2015 and rose sharply to 20.3% in the first quarter of 2016. This against the backdrop of a sharp drop in international crude oil price and a lack of growth in Angola's non-oil economy, due to delays in the execution of key electricity and industrial investments.

INFLATION TRENDS



In tougher times consumers are less likely to try out new products, 39% of retailers currently feel that consumers are increasingly willing to try new products versus 44% a year ago, and 54% two years ago. Consumers are resorting to risk averse decision making rooted in familiarity, trust and previously tried brands, outstripping choices based on affordability alone.



PART 4

RETAIL PROSPECTS

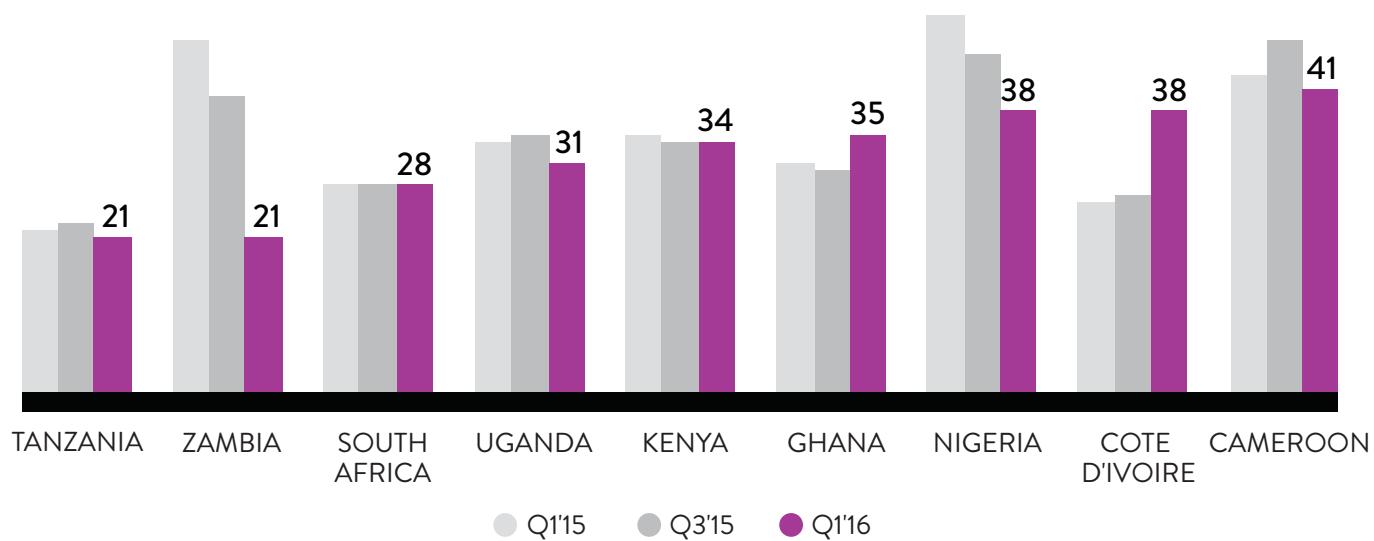


Performance in-store is the most indicative yardstick for success of brands in market. In cash strapped times, brands often rationalize investment in marketing, sales and distribution to maintain profitability. In modern, branded retail environments such as South Africa, promotional intensity increases in an effort to maintain sales velocity. Consumers implement a combination of coping mechanisms such as reduced shopping frequency, switching to cheaper brands or smaller sizes, eliminating non-essential products from their basket and delaying replenishment.

When consumers are prudent with spending, it is imperative for manufacturers to work jointly with retailers to optimize retail execution to sustain diminishing demand. The common denominators are: matching the consumer coping strategies with optimal product assortment and price/promotion in the right stores, maximizing visibility and efficient distribution networks that regulate stock supply. There is still a significant opportunity for improvement in working with retailers, particularly affected by the tough trading conditions to retain sales rates.

RETAILER VIEW ON EASE OF DOING BUSINESS

% IMPROVING

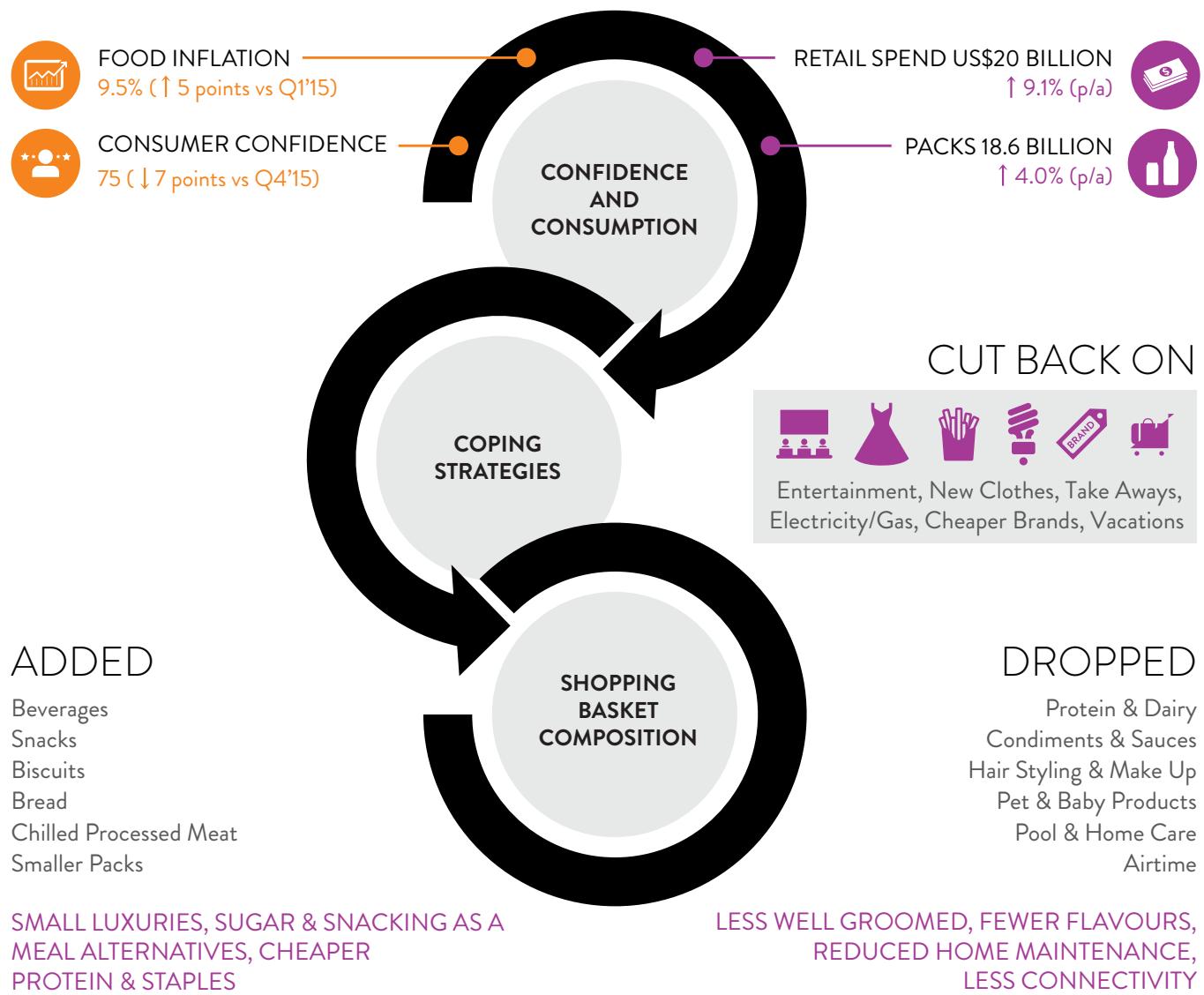


When comparing actual retail sales trends in SSA's two biggest economies there are some remarkably diverse trends. In the Nigerian market, consumers are incredibly positive, but are reprioritizing spend. With inflation spiking to double digit levels (16.5% in June 2016) overall sales of Consumer Packaged Goods (CPG) are declining, both in units and value, as consumers are forced to restrain spending.

In contrast, South African inflation is within single digits and branded modern trade retailers have endeavored to deliver value to shoppers by not passing on the full extent of inflationary pressures, especially on staple food items. Despite the more negative consumer sentiment, retail spend is more positive.

LESS SPREE, MORE SENSIBILITY - BUT NOT AS BAD AS THE PSYCHE!

SENTIMENT VS SPEND TRENDS IN SOUTH AFRICA



6 OUT OF 10 CONSUMERS BUY HOMEGROWN BRANDS TO SUPPORT LOCAL BUSINESS

In Nielsen's recent global "Brand Origin Report", it found developing market consumers are more likely to say that local brands are more attuned to their personal needs/tastes. 32% say that brand origin is more important than nine other purchase drivers, including price, selection/choice, function and quality. Brand origin is particularly important when it comes to fresh and packaged food, snacks and beverages. In contrast, global brand origin is preferred for baby, personal and beauty care, carbonated beverages, cigarettes and durable goods such as cars and electronics.

The highest number of consumers in developing markets feel that local brands have a better understanding of their needs and preferences but they are also likeliest to agree that global brands are more innovative and deliver better quality than local brands. This is most pronounced for the Africa/Middle East region, where 71% agree global brands offer the latest product offerings and innovation, and 69% agree that global brands offer higher quality than local brands, however 78% also agree that global brands tend to be more expensive than local brands.

As growth and profitability come under pressure from slower macro-economic growth and increasing costs, companies need to focus on consumers and market competitiveness. Multinationals have the added pressure of rising competition from local companies, who often have a production-cost advantage, good relationships with suppliers and tend to be more agile as they understand the local conditions.

NOTHING MORE CONSTANT THAN CHANGE

RELENTLESS ADJUSTMENT



Bigger markets have been harder hit by recent volatile growth outlooks, leading to changing prospects and a fair degree of re-forecasting, especially in the headline markets of South Africa and Nigeria.

ATTRACTION VS ACTION



Medium/smaller countries of Cote d'Ivoire and Tanzania offer more conducive, stable prospects, with easier conditions for implementation and returns, provided the products are distinct, relevant and able to endure market conditions.

20|20 STRATEGY



Plan for the short and long term and adapt to changing market cycles, by integrating all the dynamics which determine success.

- Growth without CONSUMER understanding is not sustainable
- Consumer understanding without the right PRODUCTS will never build brand equity
- Products without marketing REACH & RESONANCE will never create demand
- Products without retail EXECUTION will never get to the consumer

TEST THE WATERS



Start out in less significant, or smaller markets where risks are less. Focus on key areas, cities or urban areas, and on consumer groups who you can reach. Adapt and scale for larger or like markets where investment and risk is greater.

WEATHER THE TIMES



Plan for contingency, build in flexibility, agility and readiness to change. Meet the consumer and retail needs with superior knowledge of what is needed to generate demand with efficiency. Always remember, reaping returns on investment will take time.

SOURCING AND METHODOLOGY

Macro Prospects: Represents 26 Sub Saharan Africa countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire, Cameroon, Angola, Ethiopia, Democratic Republic of Congo (DRC), Congo (Rep.), Gabon, Mozambique, Senegal, Botswana, South Sudan, Namibia, Lesotho, Swaziland, Madagascar, Chad, Mali, Burkina Faso.

GDP size, GDP growth, Inflation, Food Inflation, Population and Consumer Spending sourced from World Bank reports and country specific Central Banks and Statistical Institutions. Common Consumer Basket sourced from Numbeo. Data is updated quarterly, where available, and quoted as per latest quarter available. Where information is published monthly the reading at mid-month of the quarter is used.

Methodology: Ranking factored on GDP growth and GDP size, updated quarterly.

Business Prospects: Nielsen survey conducted amongst business executives with management responsibility for single or multiple African countries. Edition 3 represents more than 300 country level responses from multinational, regional and local manufacturers and retailers in the Consumer Packaged Goods and Telecommunication industries. Two standard questions are fielded bi-annually, and additional issue-based questions are covered for spotlight features.

Methodology: Ranking factored on Country Growth View and Own Business Growth View.

Consumer Prospects: Nielsen Survey conducted amongst 9,500 Grocery and Kiosk Traders in nine countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire and Cameroon. Nielsen Consumer Confidence Survey conducted amongst 2,500 respondents in South Africa, Nigeria, Kenya and Ghana. An Online methodology is employed in South Africa and Mobile methodology for Nigeria, Kenya and Ghana.

Both surveys are conducted quarterly.

Methodology: Ranking factored on Consumer Spend in Store and Consumer Trend on Willingness to Try New Products.

Retail Prospects: Nielsen Survey conducted amongst 9,500 Grocery and Kiosk traders in nine countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire and Cameroon. Nielsen monthly Retail Measurement Services (RMS) data, aggregated from a basket of categories, analysed by annual rolling quarters.

Methodology: Ranking factored on Retailer View of Growth, Ease of Doing Business and Inflation.

Africa Prospects Indicator: The overall Indicator rankings are compiled from 9 common datasets and 12 weighting calculations to determine the relative indicators for each of the individual dimensions.

Methodology: Overall Ranking factored on an equal weighting combination of the 4 dimensions, available for the 9 countries where common datasets are available.

Other References:

Nielsen: Emerging Market Insight Country Reports, Brand Origin Report April 2016, From Opportunity to Execution April 2016.

Other: Agility Africa "Six reasons to invest in Africa" 2016.



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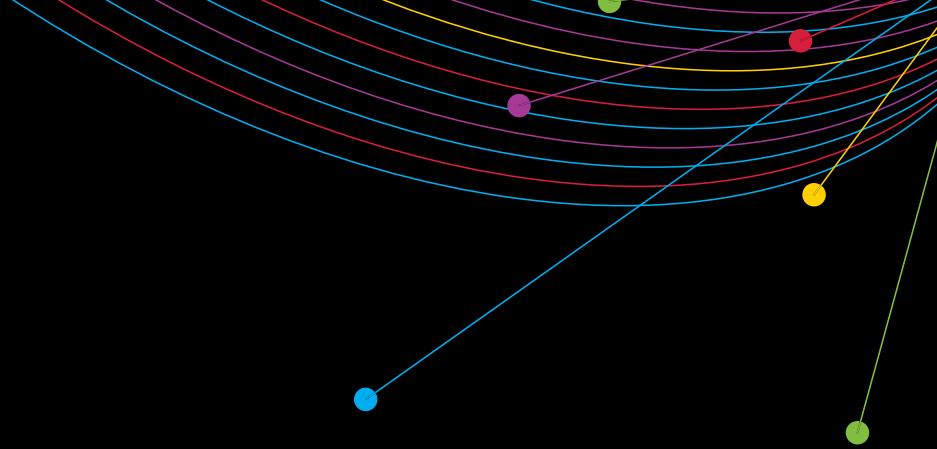
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