Chances for companies in Africa´s packaging market

Innovation Park Packaging 2017

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What are the challenges and opportunities in Africa?

The African continent is still not in focus for packaging companies however there is a clear trend for change.

Today	2030
64 exhibitor	596 exhibitor
Total number of exhibitors being active in Africa.	Total number of exhibitors being active in Africa.
588 mio. €	1,62 bn. €
Total turnover in Sub-Saharan Africa for processing and packaging machines	Total turnover in Sub-Saharan Africa for processing and packaging machines
$ 210bn	$ 880bn
Agricultural output	Agricultural output

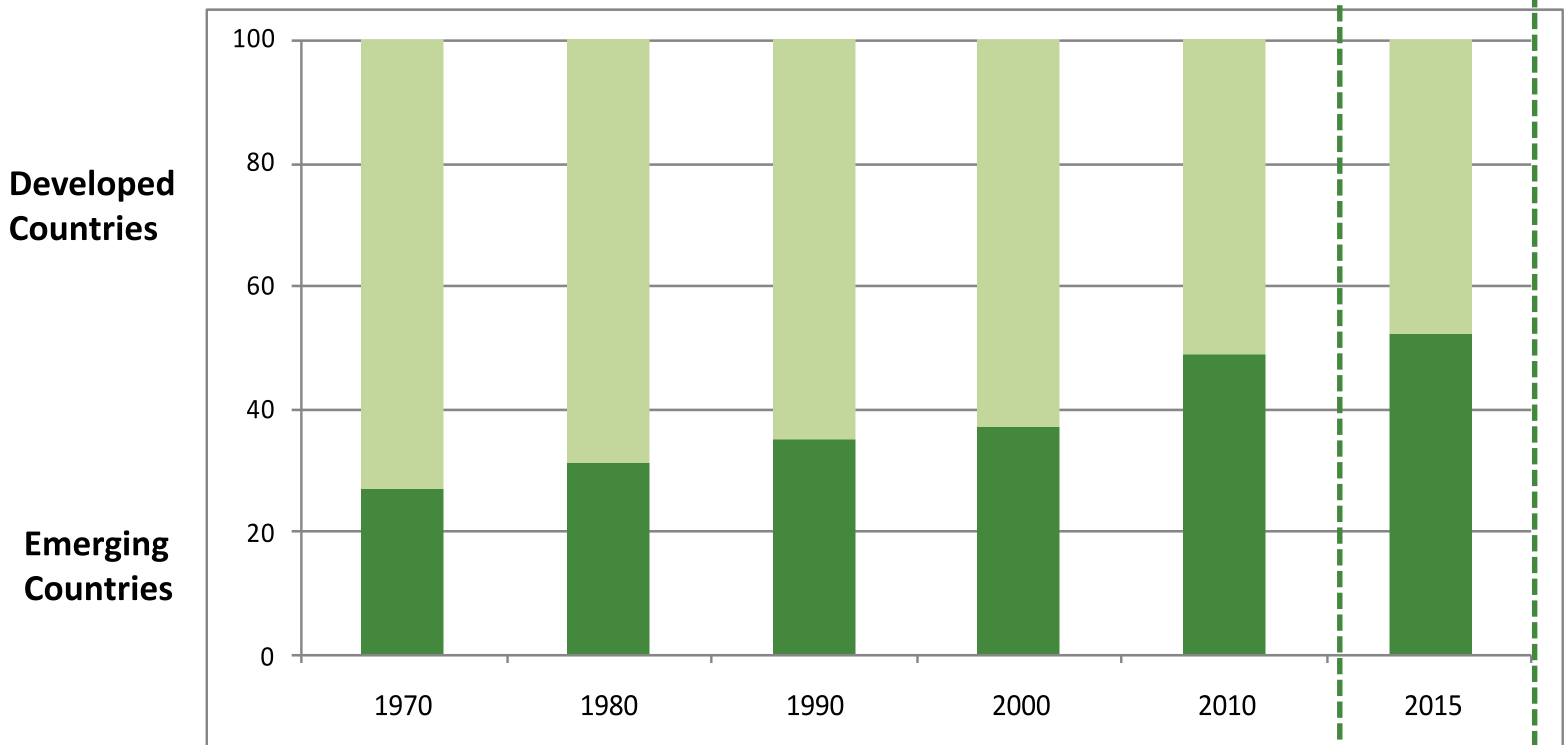
Source: VDMA (2013), www.interpack.com (2014), Woldbank (2012), africon survey

Africa has a bad reputation worldwide driven by prejudices...

Take a trip to Africa and find out what Africa is like …

In 2015, emerging countries contributed 52% to the world's GDP.

Share of GDP (%), based on purchasing power parity



Share of Emerging Countries*	27 %	31 %	35 %	37 %	49 %	52 %

Source: IWF, WEO Oct.. (2012) - 1970 internal estimates

* Emerging countries according to IWF: Central and Eastern Europe, Russia, Developing Asia, Latin America, Middle East and North Africa, SSA.

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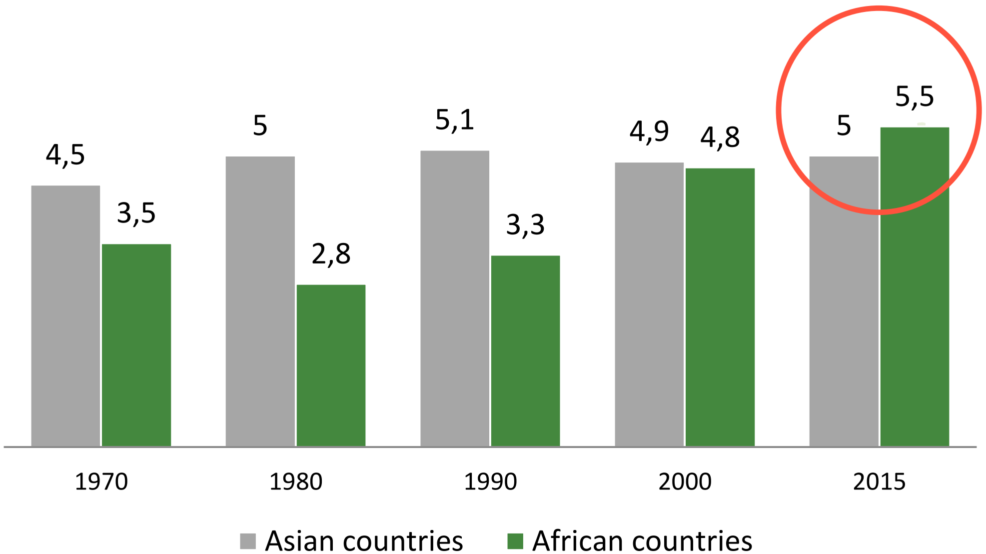
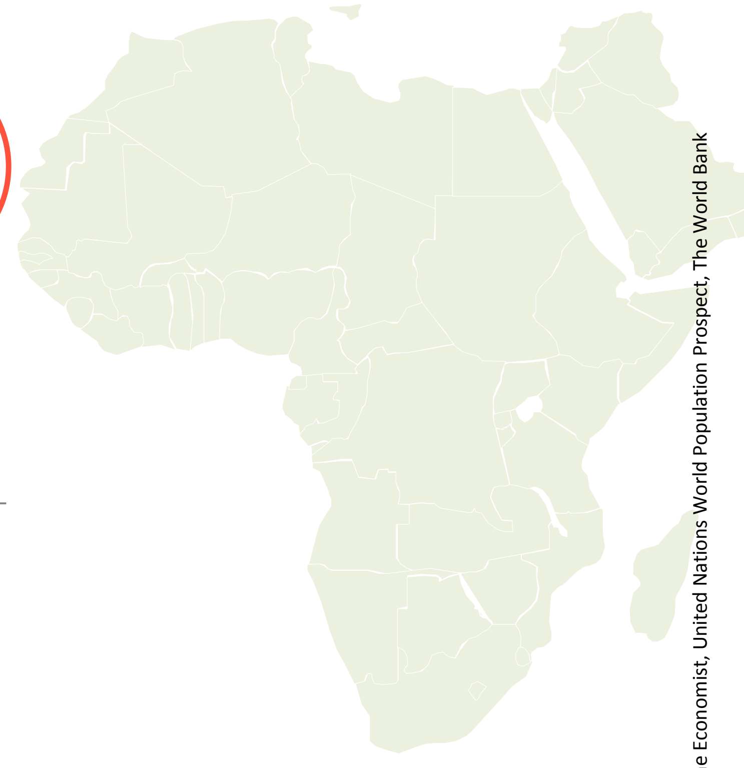
Africa did outperform world's growth engine Asia.

GDP growth (1970 - 2015, in %)



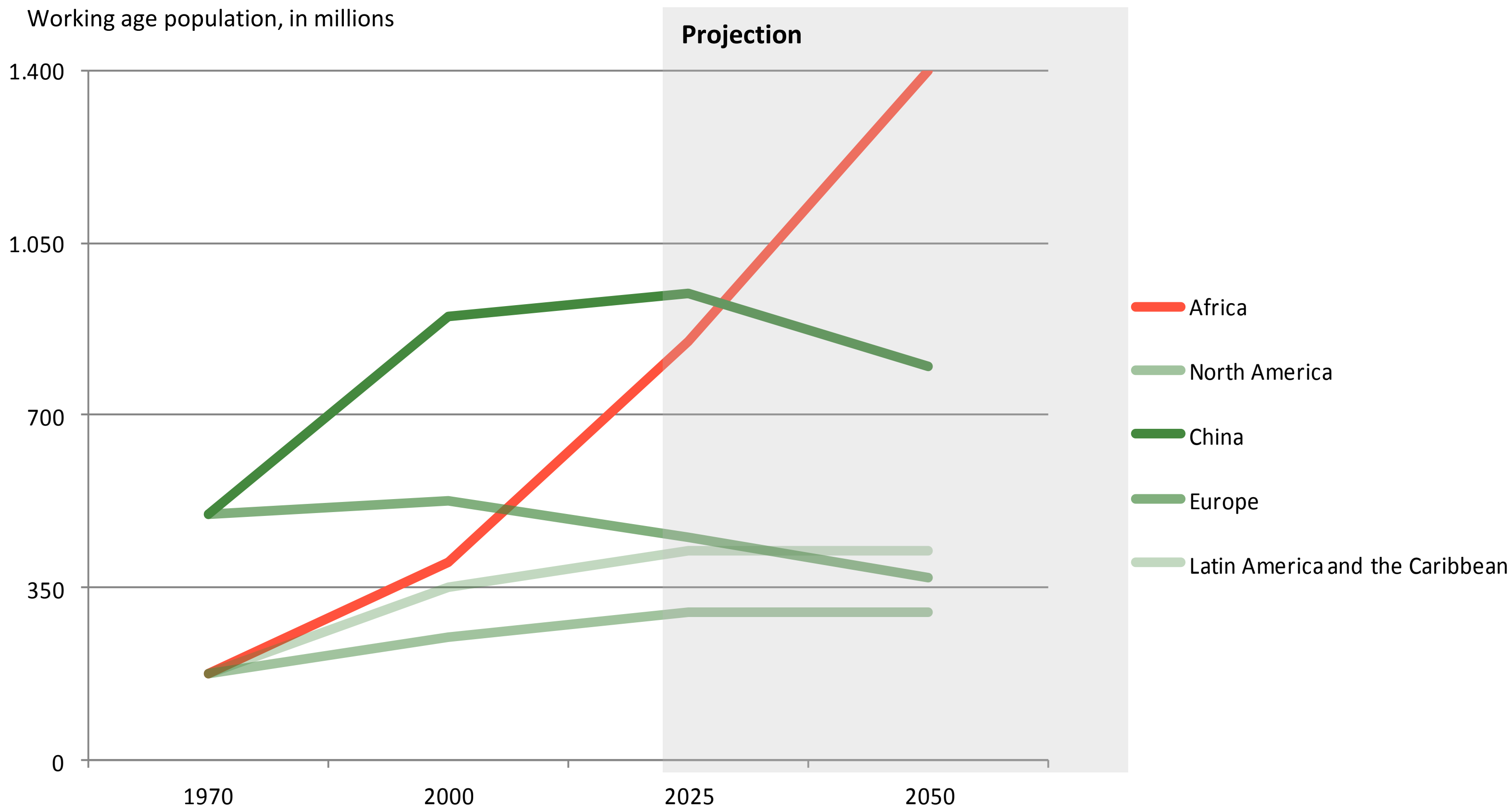


- 2010: SSA GDP - $ 954,4 billion
- 2015: African GDP > Asian GDP
- 2020: SSA GDP - $ 2,6 trillion

Source: IMF , The Economist, United Nations World Population Prospect, The World Bank

Rising middle class and health care improvement will result in a strongly increasing workforce.

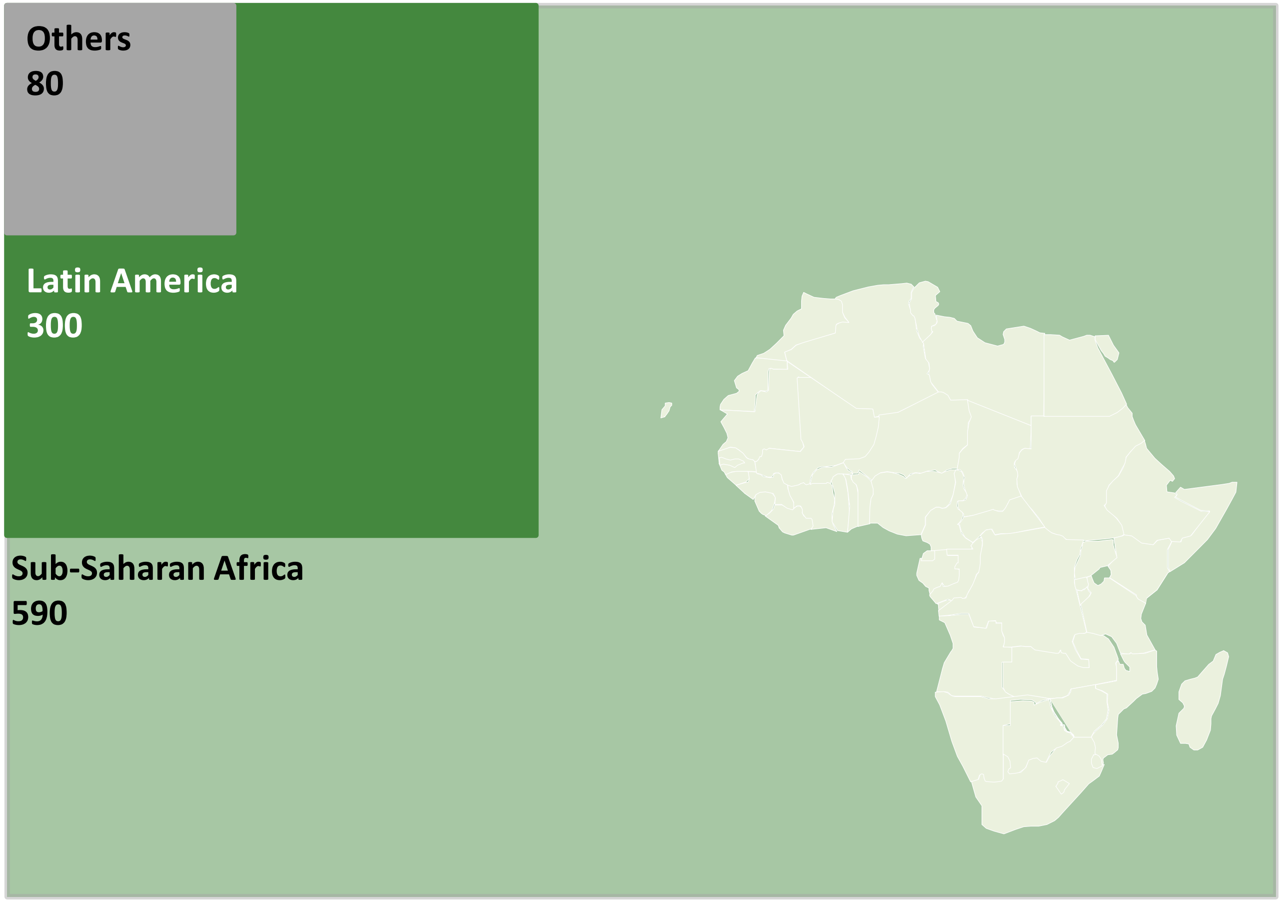
Working age population (16-64 years)



Source: Harvard Business Review (2013), africon (2013)

61% of the world's potentially available cropland is in Sub-Saharan Africa.

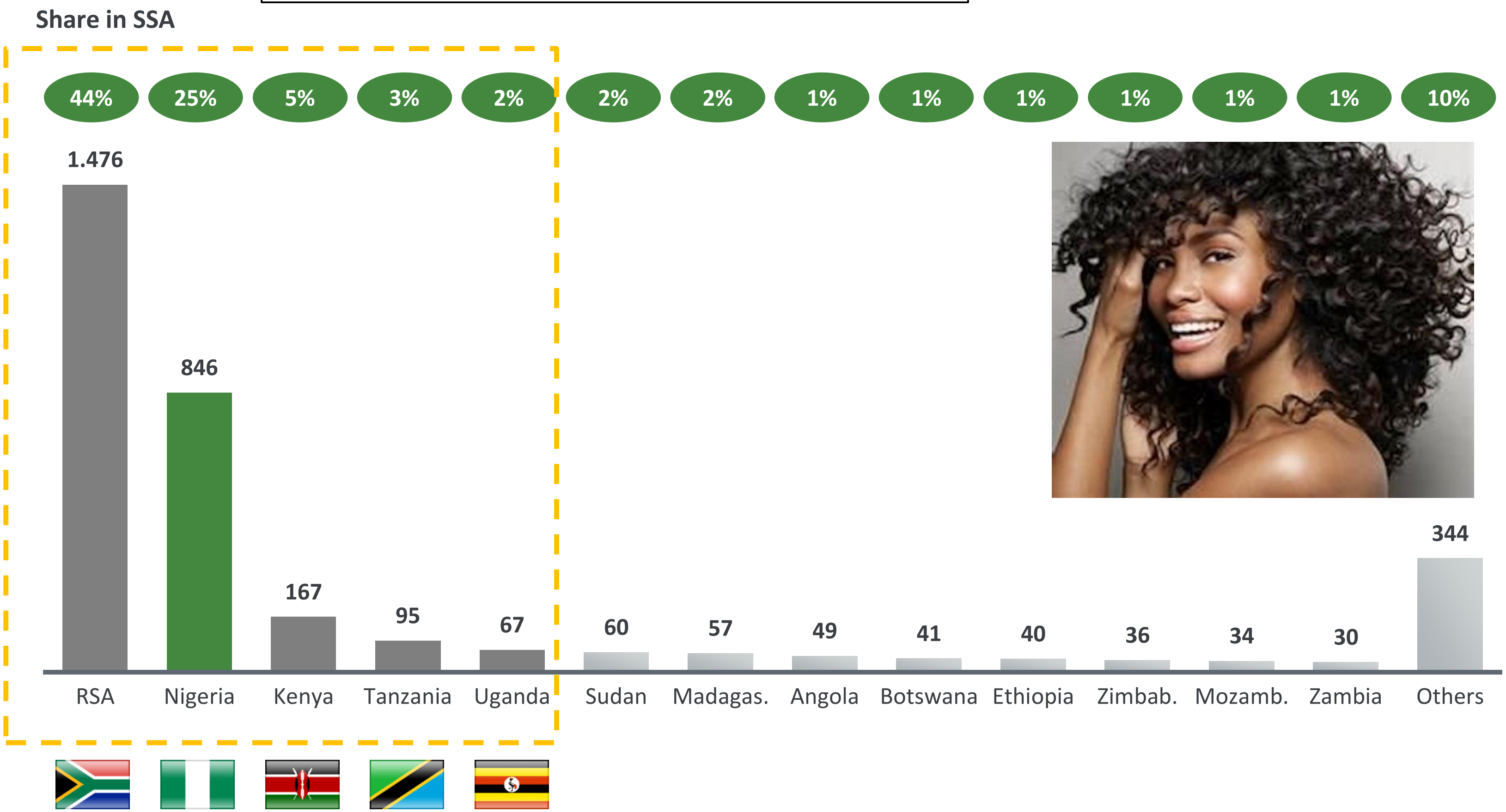
Available cropland in 2009
in millions of hectares



Source: Harvard Business Review (2013), africon (2013)

South Africa and Nigeria are the top 2 countries for beauty care in SSA.

Market share in SSA
(in €m)



Source: Euromonitor (2012) – Beauty care core categories

... Nestlé did discover the African potential generating strong growth driven by Africa.

„Der Lebensmittelkonzern Nestle hat 2013 erneut von einem starken Geschäft in Schwellenländern profitiert.
Das Wachstum kam dabei größtenteils aus Afrika, …- in Europa stagnierte das Geschäft dagegen fast“ ***(Focus online, 13.02.2014)***

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A rising middle class with demand for convenient products supplied by multinationals will drive the market.

A — An increasing middle class in Africa demanding for new products

B — African consumer demanding for new, convenient products

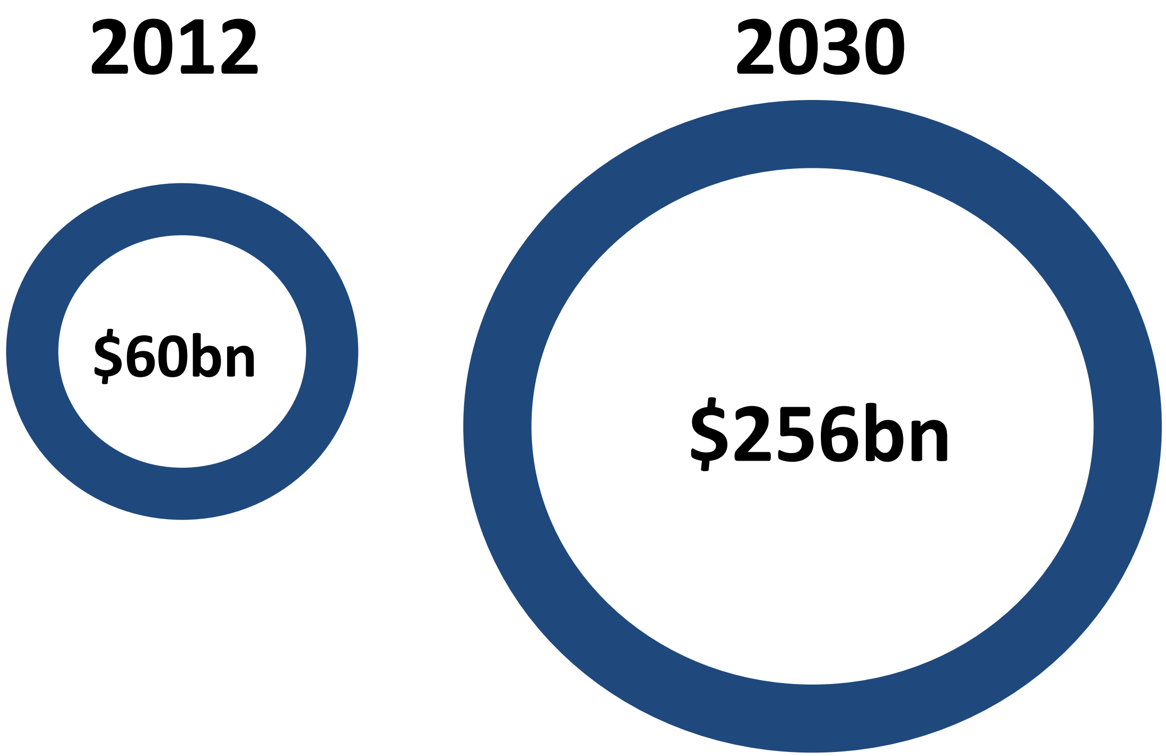
C — Growth of local brands by multinational in Africa

D — Strong urbanisation in Africa resulting in new demands

Source: africon Analysis (2013)

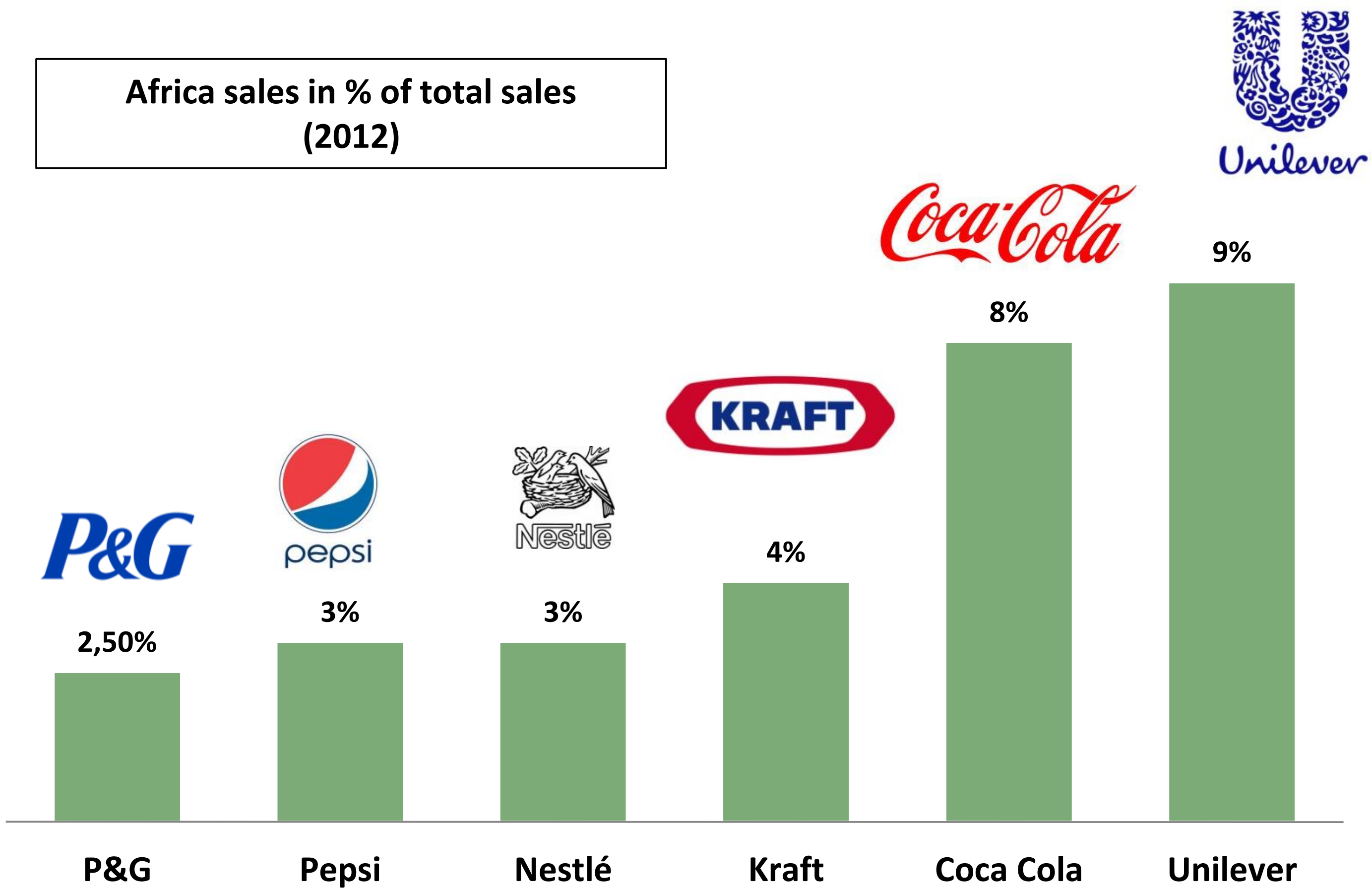
In 2030 Nigeria‘s middle class will have $256bn per capita income.

Estimated per capita income middle class Nigeria
(Estimates by IWF, African Development Bank, africon)



Source: Euromonitor (2012), African Development Bank (2013), IMF (2012)

Global organizations identified Africa as an important pillar for their current and future success.



Source: africon Analysis according to annual reports (2013)

UAC Foods is one of the largest companies in Nigeria distributing various food products.

Key facts

- Since 1879
- Over 5.000 employees
- Produced on Rondo machines - Switzerland

Idea

- Distribution on roadside
- More than 1.000 street seller
- Also present in whole of West Africa

Financials

- 300 million € turnover in 2012
- 23 % ebit margin
- Recent merger with Tiger Brands (SA)

Source: Investment Fund for Developing Countries (2012)

Maggi has a long term tradition in Africa and is one of Nestlé´s main products in Africa.

Key facts

- Over X million cubes sold per day
- 3.300 employees in Nigeria
- 20 million households use Maggi every day

Idea

- Distribution in local markets
- Cooking events with African woman
- Meeting new consumer demands

Financials

- 475 million turnover CHF in 2010
- Investment of 67 million in SA
- Profit margin in 2013 – 25,8 %

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Peak milk being the largest milk company in West Africa continuously improves packaging.

Key facts

- Since 1954
- Reaching about 60 million consumer
- Largest milk company in Westafrica

Idea

- Distribution mostly in rural markets
- Milk power and can long lasting
- Small sizes serving low income households

Financials

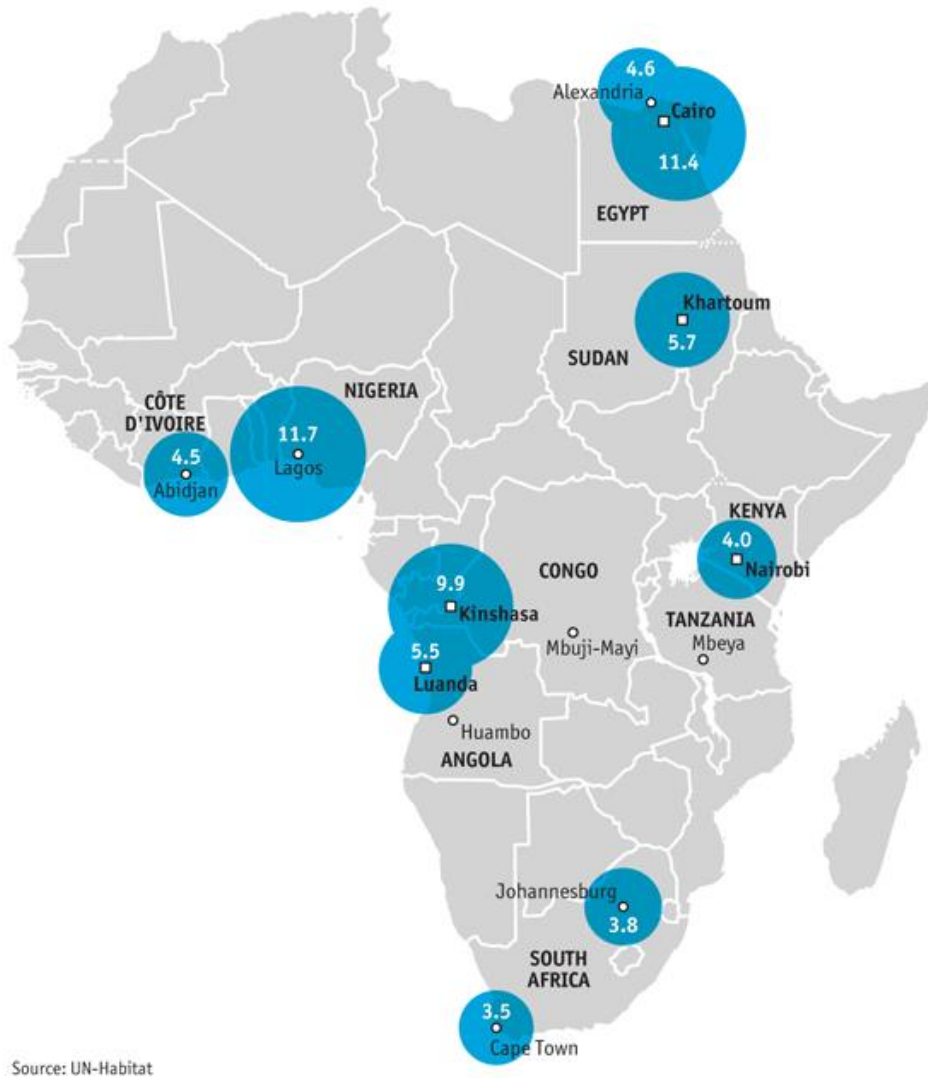
- 505 million € turnover in 2011
- 18 % ebit margin
- Profit before tax increase of 46 %

Source: Investment Fund for Developing Countries (2012)

Peak evaporated milk is packed in a new form of packaging developed by German and Dutch companies.

Source: Investment Fund for Developing Countries (2012)

African cities at a center stage. New metropolitan cities emerging with new demands for convenient products.



Source: UN-Habitat

Economist.com/graphicdetail

Market driver

- 2013 – 50 % of population below 18
- 70 % rely on informal markets
- Luanda most expensive city
- Lagos biggest city in Africa

Source: United Nations (2010), MC Kinsey (2012),africon (2013)

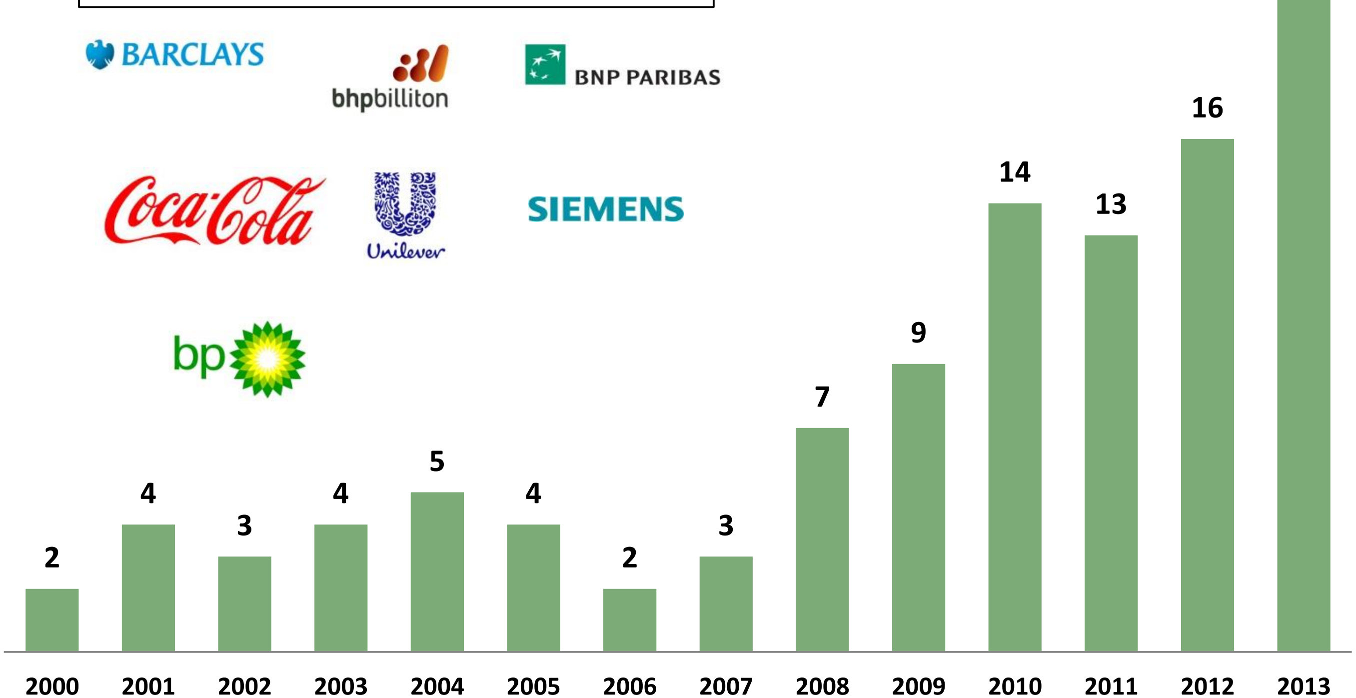
The five action points to consider when moving to Africa…

	Action points	How
#1	Bring Africa to the boardroom and give it senior sponsorship.	 Invest time for Africa on board level

The CEO interest in rising on Africa and major organisation are taking Africa to the board level.

#1

Visits to Africa by the CEO´s of 27 selected companies (2000 – 2013)



Source: Annual reports, press and news, BCG Analysis (2013)

Note: The following companies have been surveyed: Barclays, BHP Billiton, BNP Parisbas, BP, Chevron, Citigroup, Coca-Cola, Daimler, Ford, General Electric, Hewlett Packard, HSBC, Hyndai Motors, Mitsubishi, Nissan, Novartis, P/G, Pepsi, Samsung, Sanofi, Shell, Siemens, Societe General, Total and Vodafone.

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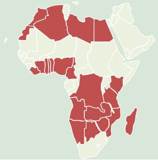
#2	Invest in market intelligence and prioritize your markets.	 Country and sector strategy

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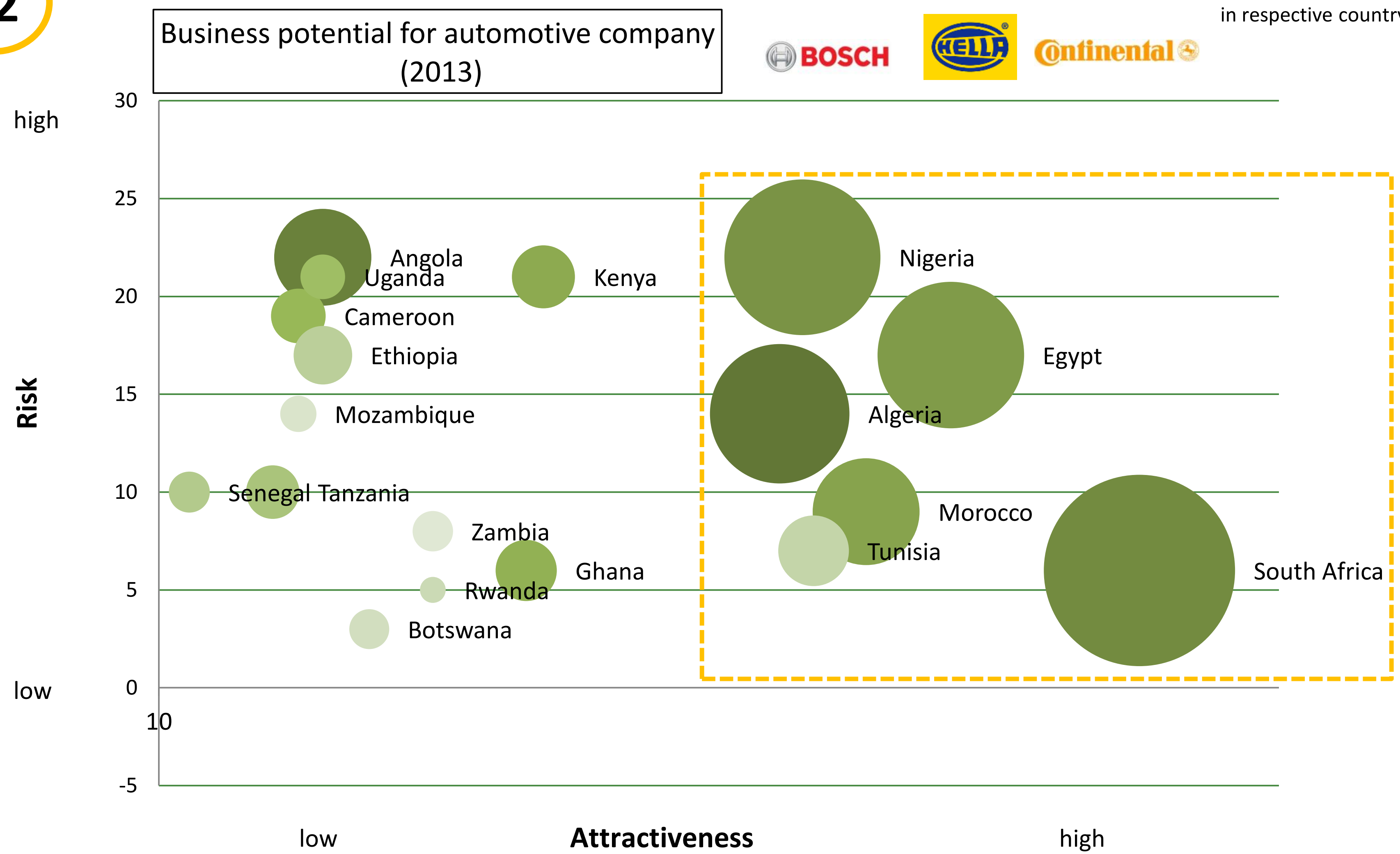
Market priorisation is key to success on the African continent compromising of 54 countries.

#2

Size of bubble indicates business potential for Bosch in respective country



Source: africon Analysis (2013)

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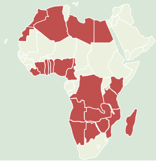
#2	Invest in market intelligence and prioritize your markets.	 Country and sector strategy
#3	Concentrate on the products and technologies which are needed.	 Develop products for Africa

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#3

There are a lot of challanges in Africa and we need to see on how we can bring European solutions to Africa.

We do not want Europeans trying to bring European solutions. We want African solutions !

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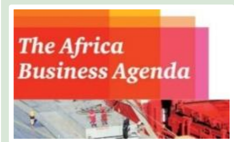
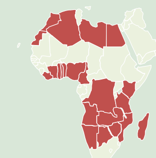
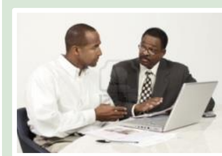
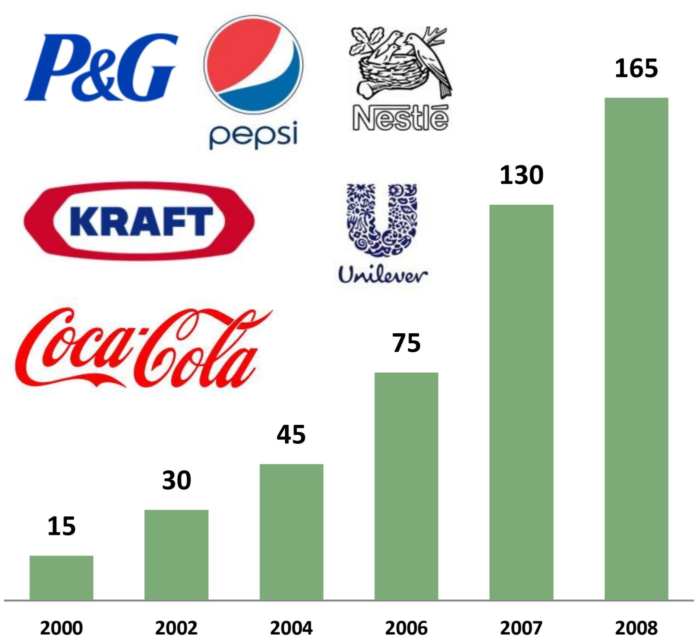
#1	Bring Africa to the boardroom and give it senior sponsorship.		Invest time for Africa on board level
#2	Invest in market intelligence and prioritize your markets.		Country and sector strategy
#3	Concentrate on the products and technologies which are needed.		Develop products for Africa
#4	Build up 2020 Africa team.		Investment in people

The CEO interest in rising on Africa and major organisation are taking Africa to the board level.

#4

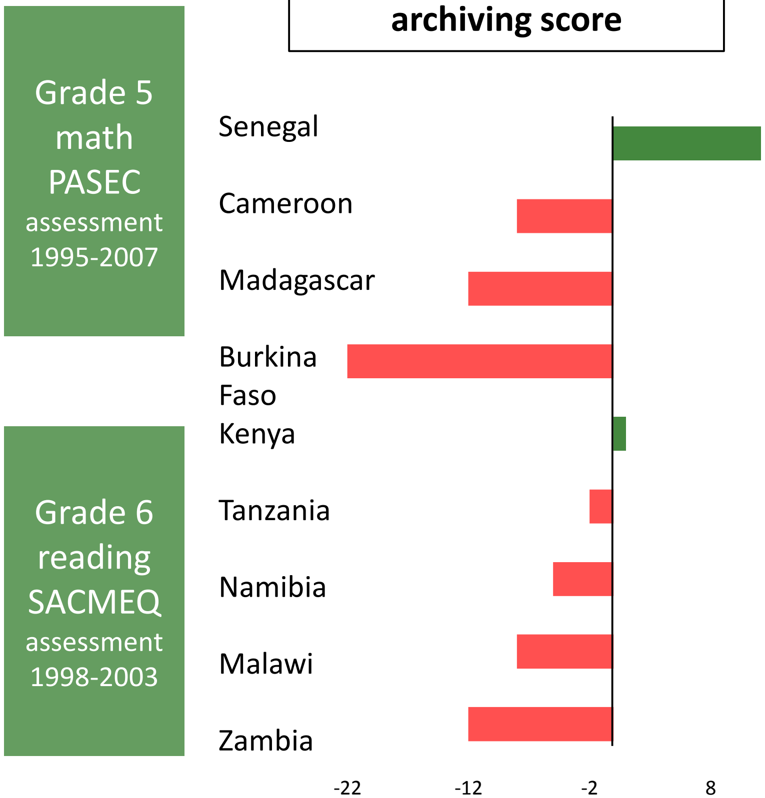
Rising interest

Number of staff related to Africa in selected multinationals (2000 – 2008)



Lack of resscources

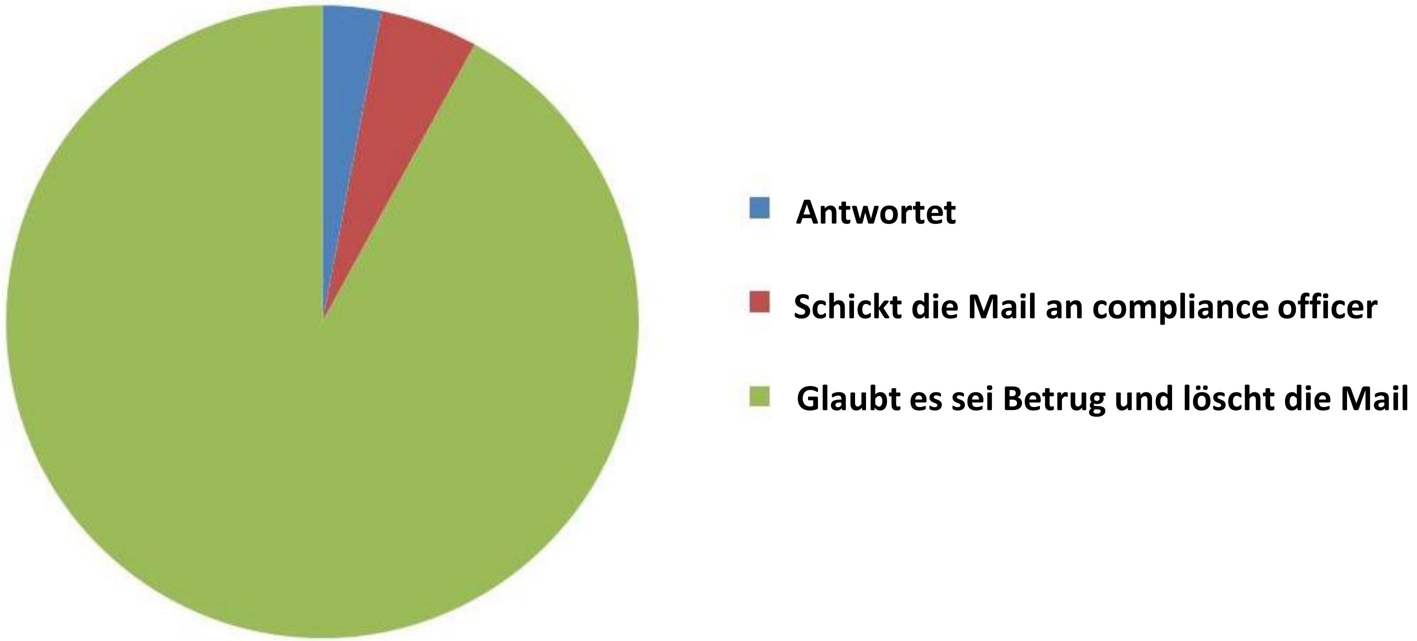
% change in average archiving score



Invest in training to bulid up skill needed when dealing with international clients and partner.

#4

Was macht der Deutsche, wenn er eine Anfrage aus Nigeria bekommt?



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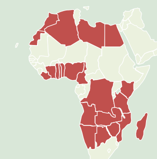
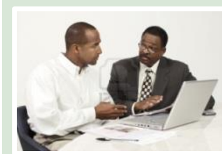
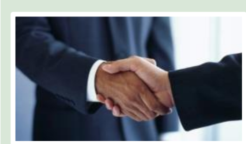
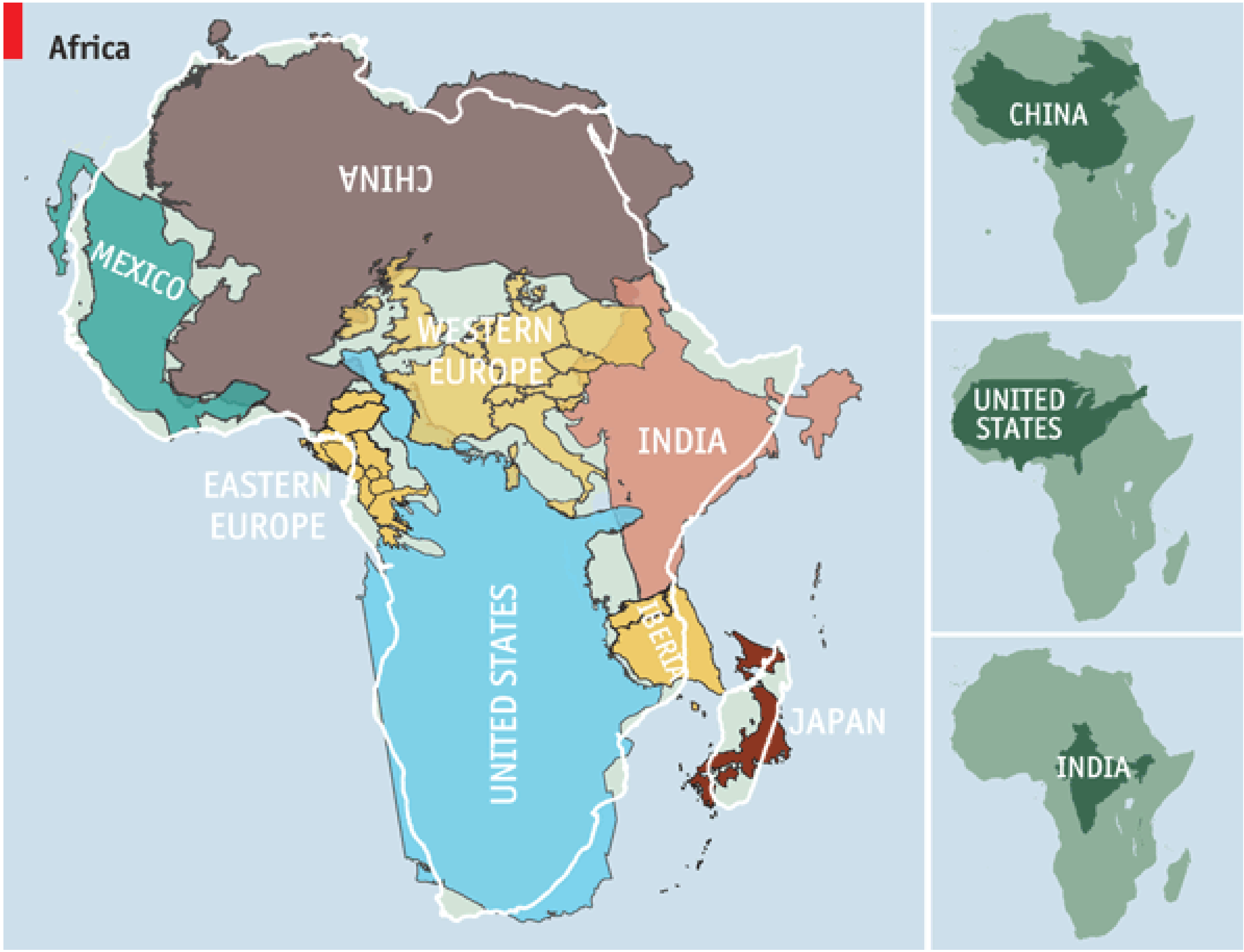
#2 Invest in market intelligence and prioritize your markets.	 Country and sector strategy
#3 Concentrate on the products and technologies which are needed.	 Develop products for Africa
#4 Build up 2020 Africa team.	 Investment in people
#5 Do it now and plan enough time.	 Observe culture when planning

Is there need for a cultural adaptation to business?

What do you know about the size of Africa?



Source: The Economist, 2012