

The Investor



Amethis is a France-based investment fund manager focused on mid- and small-cap growth opportunities in Africa, with an investment capacity of EUR850m (~USD850m), three-quarters of which comes from private institutional and family investors. Established in 2012, Amethis is a partnership between its two founders, Luc Rigouzzo and Laurent Demey, and Edmond de Rothschild Private Equity. With about 40 employees in Paris, Casablanca, Abidjan, Nairobi, Cairo and Luxembourg, Amethis has invested in over 30 companies and achieved 12 exits to date.

FUND NAME
Amethis Fund II

FUND SIZE
USD390m

TOTAL AUM
USD850m

The Company



Naivas is a supermarket chain in Kenya owned by the Mukuha family. The company has 84 stores in 22 cities and towns and more than 7,800 employees across a network of supermarkets, hypermarkets and express formats. The company sells more than 40,000 different products, including food, clothing and household appliances.

LOCATION
Kenya

SECTOR
Retail

WEBSITE
www.naivas.co.ke

DATE(S) OF INVESTMENT

FEB '20

AMOUNT

~USD60M

INCLUDING CO-INVESTMENTS

STAKE

~32%

DATE OF EXIT

AUG '22



Founded in 1990 by Peter Mukuha Kago and his four children, Naivas began as a small family-run market serving the rural village of Rongai in eastern Kenya. Under the management of the second generation of the Mukuha family, the small shop rapidly expanded its retail network to become the fourth-largest supermarket chain in Kenya, with 50 locations by 2018. As international competitors began to enter the Kenyan market, the family sought an external partner to help grow and professionalize the business.

Amethis saw an attractive opportunity in the food retail sector in East Africa, observing that communities outside of major cities were often underserved by major supermarket chains. Given its previous investments in Côte d'Ivoire-based oil and gas retailer Pétro Ivoire, cash-and-carry retailer CDCI and food manufacturers in Côte d'Ivoire, Kenya and Mozambique, food retail represented a natural evolution of Amethis' investment thesis to back essential goods and services for the African consumer. Amethis interviewed four retailers before identifying Naivas as a potential regional champion, given its local brand recognition and the willingness of the Mukuha family to stay on to lend its expertise.

The Deal

After working with the company to develop a strategic growth plan, Amethis, along with its co-investors DEG, MCB Equity and IFC, invested in Naivas in February 2020. Given its deep knowledge of the local market, the Mukuha family led the company's real estate and product strategies. Amethis, on the other hand, spearheaded initiatives to strengthen governance and back-end operations, improving efficiency and profitability by building out the company's IT, e-commerce, category management and procurement departments.

In addition, Amethis supported store renovations to shift public perception of Naivas from a local market to a national supermarket chain competitive with international brands. The firm also helped Naivas to introduce new products and expand strategic product categories. Naivas introduced an in-house meat product line through the construction of a centralized meat distribution facility in Nairobi where the company could hire and train butchers and ensure meat quality and safety. The company also expanded its indoor produce sections to improve quality control and reduce spoilage rates. These initiatives expanded the availability of inexpensive, high-quality fruits and vegetables while reducing food waste.

"During a time of transformation in the sector, we partnered with a family-owned, iconic Kenyan brand. We helped advance a true national champion against global players."

—Frank-Astère Ndiyo-Butoyi, Investment Director, Amethis

Through its partnership with Amethis, Naivas expanded from 50 stores to 84, adding five new cities to its portfolio, including underserved areas such as Maasailand. Amethis helped drive revenue growth from about EUR400m (~USD448m) in fiscal year 2019 to EUR650m (~USD653m) in 2022, a 15% CAGR. In parallel, EBITDA grew at a 39% CAGR over the same period.

Inclusive & Sustainable Growth

During Amethis' investment, Naivas grew rapidly, hiring about 1,700 new employees and creating additional new jobs through partnerships with its increasing number of suppliers. Amethis implemented a nondiscrimination policy in the hiring process to benefit women, who now represent 25% of the workforce, up from 20.5% at the time of the investment. The firm also helped Naivas join IFC's 'Sourcing2Equal' initiative, a three-year project to advance gender-inclusive sourcing in Kenya. As the workforce expanded, Naivas developed transferable skills amongst its junior-level employees, providing extensive in-house managerial training through its Naivas Academy program.

With Amethis' support, Naivas introduced highly subsidized health insurance, offering coverage to the family members of its employees as well. About half of Naivas' employees have now purchased the new insurance, and the company expects to reach 100% participation by the end of 2022.

During the COVID-19 pandemic, Amethis supported Naivas in guaranteeing employment for its workers and providing them with cost-mitigating vouchers and personal protective equipment (PPE) like masks and sanitizer. This support translated into employee retention, with turnover below 5%, reflecting the morale of its workforce at a time of volatility in the supermarket sector.



In June 2020, at the height of the pandemic, Amethis and its co-investors funded a program in which Naivas distributed over 4,000 food parcels to Kenya's most vulnerable communities in Nairobi, Narok County and the coastal region. Naivas has also supported several community empowerment initiatives, including the payment of school fees and hiring youth from foster homes, as well as sponsorship of its local youth football team and women's sports programs. It also launched a Kenyan writer's project to promote local authors and reading across the country.

Amethis helped Naivas appoint independent directors to the board, as well as establish board subcommittees focused on human resources, strategy and audit/risk. The investor also hired ESG professionals to execute quality control and food safety, labor safety and fire safety initiatives in conjunction with outside experts. The company carried out its first exhaustive energy audit with an external consulting firm to evaluate energy consumption, prompting the company to roll out an energy savings plan that includes close monitoring of energy consumption data, staff training on energy efficiency and the establishment of an energy committee to periodically review the sustainability of its operations.

Outcome/Outlook

The company achieved its growth objectives and operational changes faster than anticipated, accelerated by the COVID-19 pandemic and the bankruptcy of Naivas' main competitors Nakumatt and Tuskys. Naivas and its investors sought a strategic partner for the business that would help expand its supply chain operations, improve logistics and continue operational upgrades. Mauritius-based conglomerate IBL Group acquired a 40% stake in Naivas for about USD140m in August 2022, providing a full exit for Amethis and a partial exit for the founding family. The buyer was another African family-owned company with ambitions to expand on the continent, with holdings in complementary businesses like logistics and energy management that would support Naivas' growth. Amethis exited with a roughly 2x MOIC, representing a 30%+ net IRR in EUR terms. •