



---

a n i n t r o d u c t i o n t o

# Melana

---

Information, data and drawings embodied in this presentation are strictly confidential and are supplied on the understanding that they will be held confidentially and not disclosed to third parties without the prior written consent of Melana Developments (Pty) Ltd.



3 - 2 - 1  
STRATEGIC POSITIONING

ABOUT  
**INTEGRATED BUSINESS MODEL**



developer of **integrated, impact driven convenience** retail centers for the emerging consumer

**develops** commercial **property** for the emerging consumer



**supports** the establishment of locally owned **franchises** within its developments

ABOUT  
**VISION STATEMENT**

**Melana** aims at becoming the **leading change agent** in the **African retail market** by **developing pedestrian friendly, convenience centers** to act as a platform for **local economic growth**.

ABOUT  
**WHO IS MELANA**



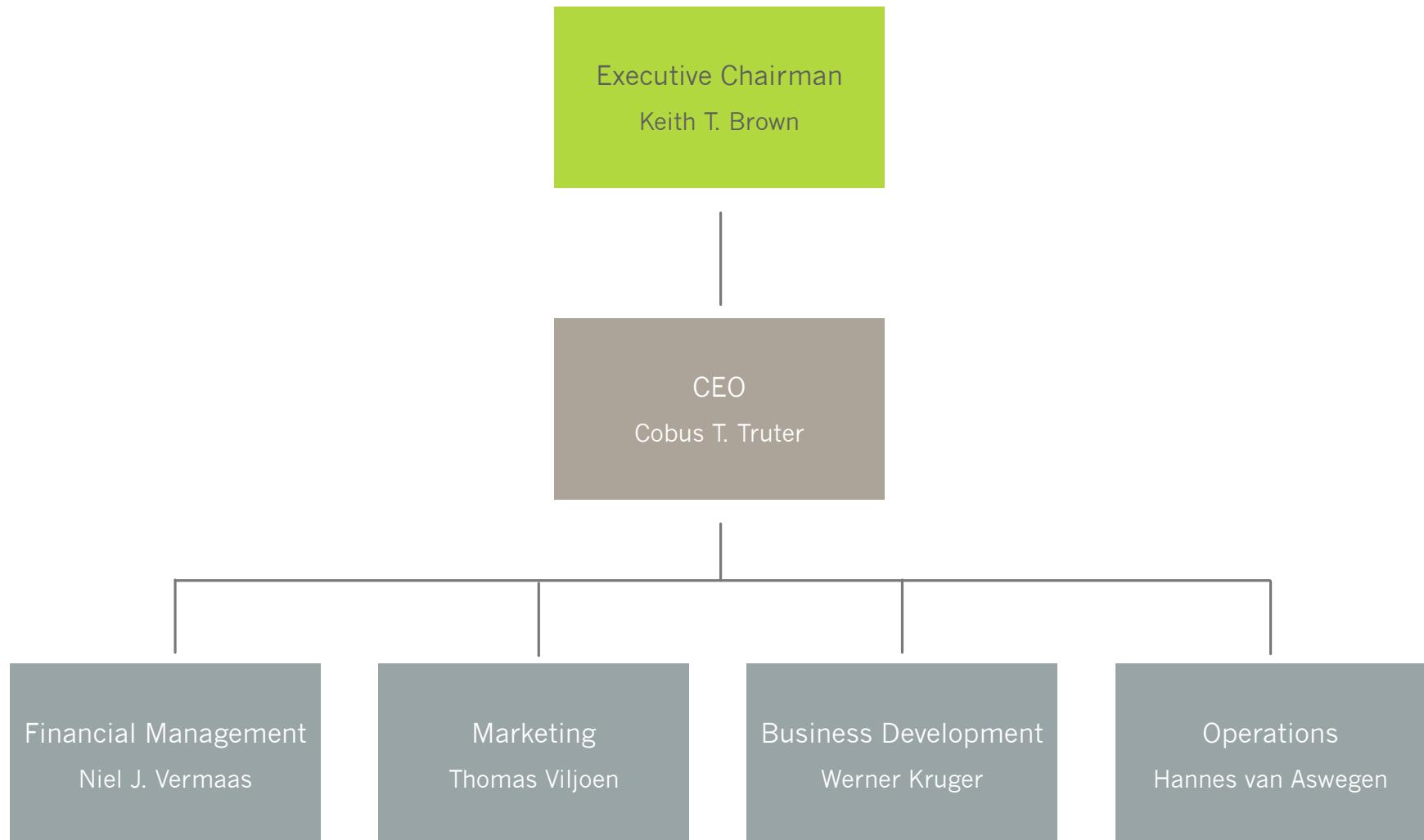
## EmpiriQ Holdings

Research and development of  
market driven economic  
development solutions focused  
on the emerging consumer  
market

## Sun Forest Systems

Process driven systems  
development in the  
property development and  
construction sector

# ABOUT ORGANOGRAM



# M A R K E T TARGET MARKET DEFINITION

**Melana's target market** – Living Standard Measures (**LSM**) 4-7.

This market is generally referred to as the **modern emerging consumer**\* and accounts for roughly **63% of the adult population**, or **21 million people**\*\*

The **emerging consumer class** is the fastest growing class in Africa.

\* ACNielsen, 2005

\*\* SAARF AMPS, 2011

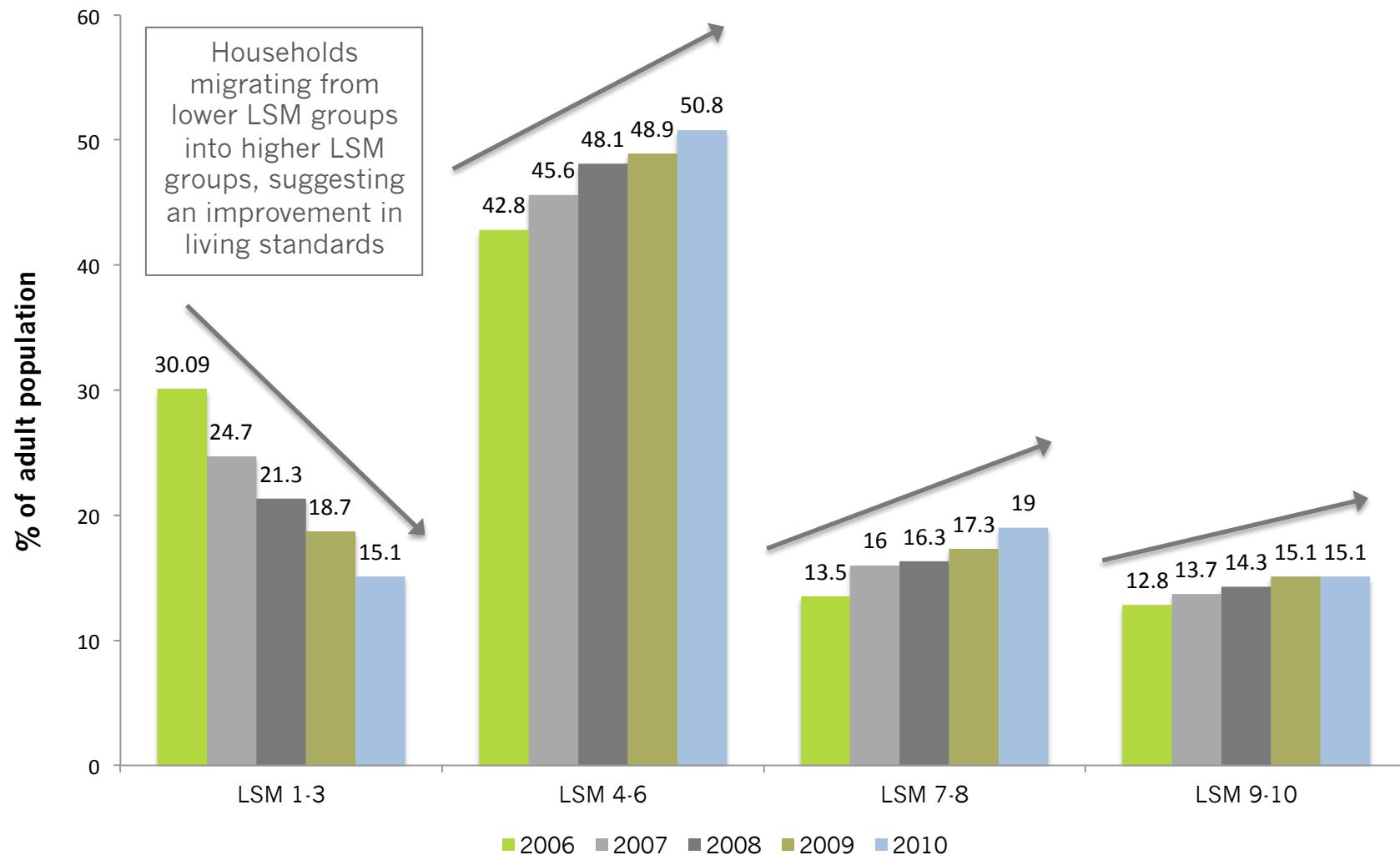
# MARKET LSM CLASSIFICATION

<b>Share of SA population<sup>2</sup></b>	21.50%	<b>48.00%</b>	30.50%			
<b>SU-LSM classification<sup>2</sup></b>	LSM 1-3	<b>LSM 4-6</b>	LSM 7-10			
<b>Average monthly household income<sup>2</sup></b>	LSM 1: R1071 LSM 2: R1414 LSM 3: R1783	<b>LSM 4: R2540</b> <b>LSM 5: R3085</b> <b>LSM 6: R5396</b>	<b>LSM 7: R8719</b> LSM 8: R12291 LSM 9: R16326 LSM 10: R23102			
<b>Main provincial location<sup>2</sup></b>	KZE, E Cape, Limpopo	<b>Gauteng, W Cape, KZN</b>	Gauteng, W Cape			
<b>Convenience grocery shopping store market<sup>2</sup></b>	Spaza Shops Local Supermarkets Shoprite (all brands) Other Outlets Township Supermarkets	43.7% 20.5% 11% 9.7% 9.7%	Spaza Shops <b>Shoprite (all brands)</b> <b>Spar</b> Local Supermarkets Township Supermarkets	31.3% <b>26.8%</b> <b>13.9%</b> 13.1% 8.9%	<b>Spar</b> <b>Pick n Pay</b> <b>Shoprite (all brands)</b> Local Supermarkets Spaza Shops	<b>31.4%</b> <b>27.9%</b> <b>25.2%</b> 8.9% 5.3%

\*\*\* ACNielsen, 2005

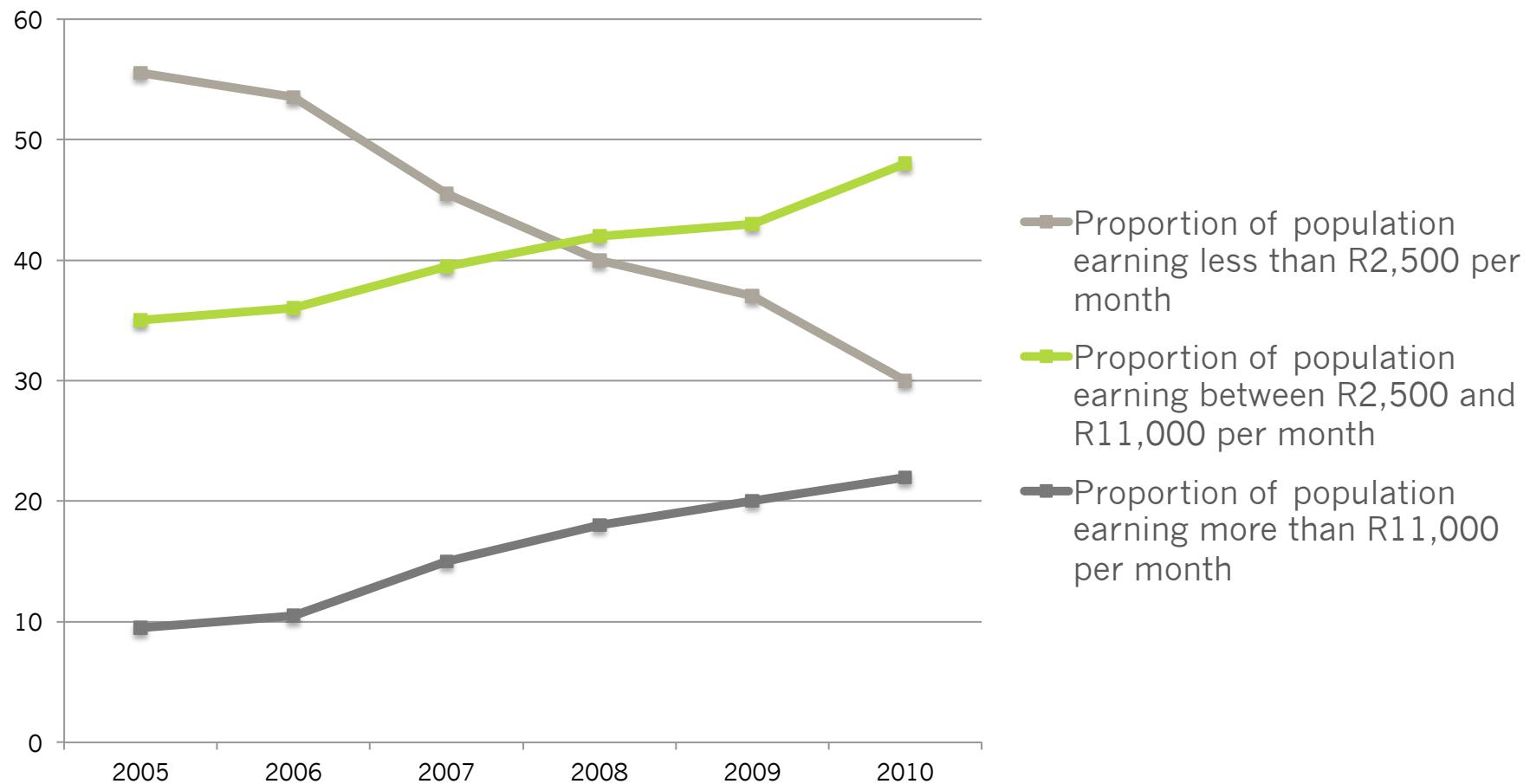
<sup>2</sup> SAARF AMPS (South African Audience Research Foundation), 2008/2009

# MARKET POPULATION GROWTH



source: AMPS and BER

# MARKET POPULATION EARNINGS



source: AMPS and BER

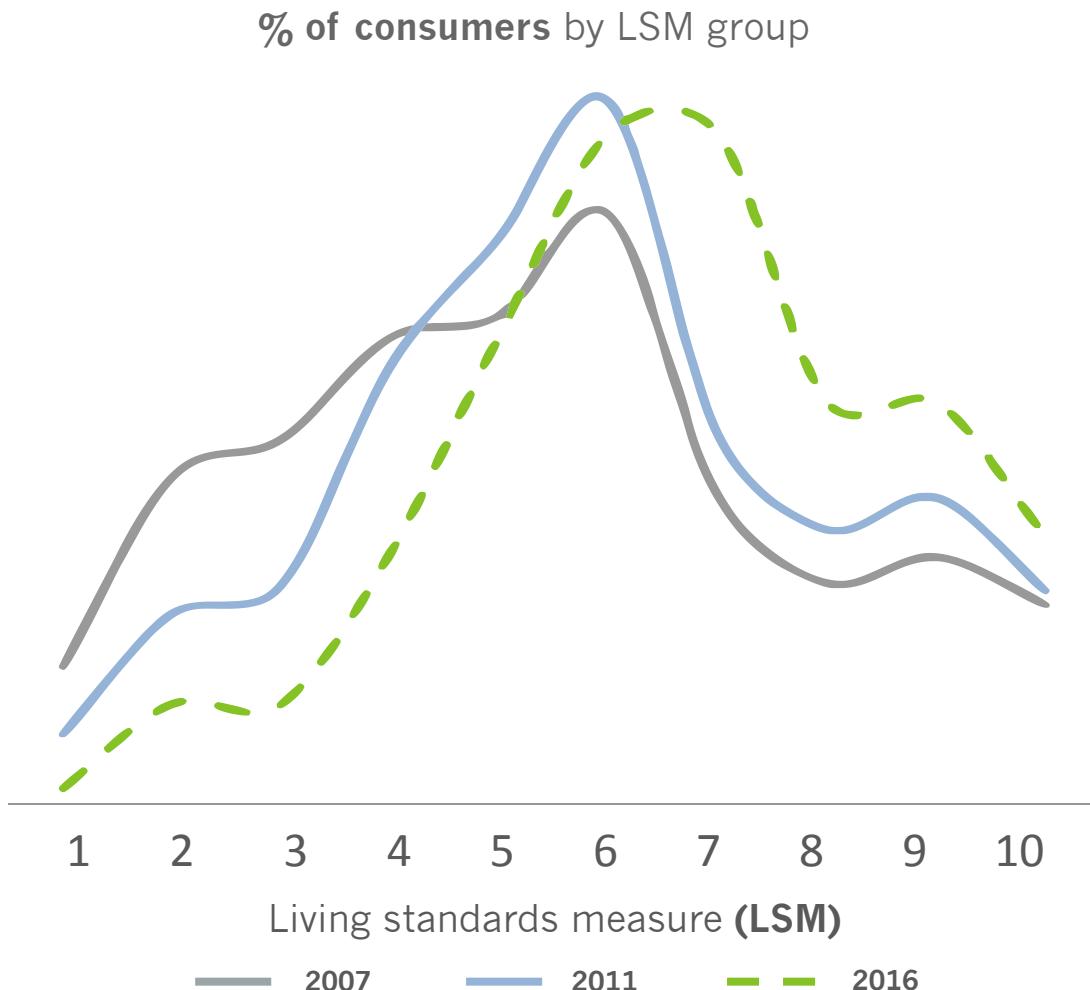
M A R K E T

# ASPIRING LIFESTYLE AND BEHAVIOUR

“More than **4-million people** in the **LSM 5-7** market definitely agree that a **designer label** improves a person’s image.”

“Although they are from previously disadvantaged communities, they are studying to improve their lives, or working in various job sectors including holding high profile jobs. They have an **urban mindset**, meaning they may wake up in Tembisa or Soweto, come to work in Hyde Park, and hang out in Rosebank over the weekend.”

# MARKET PICK N PAY MARKET OPINION

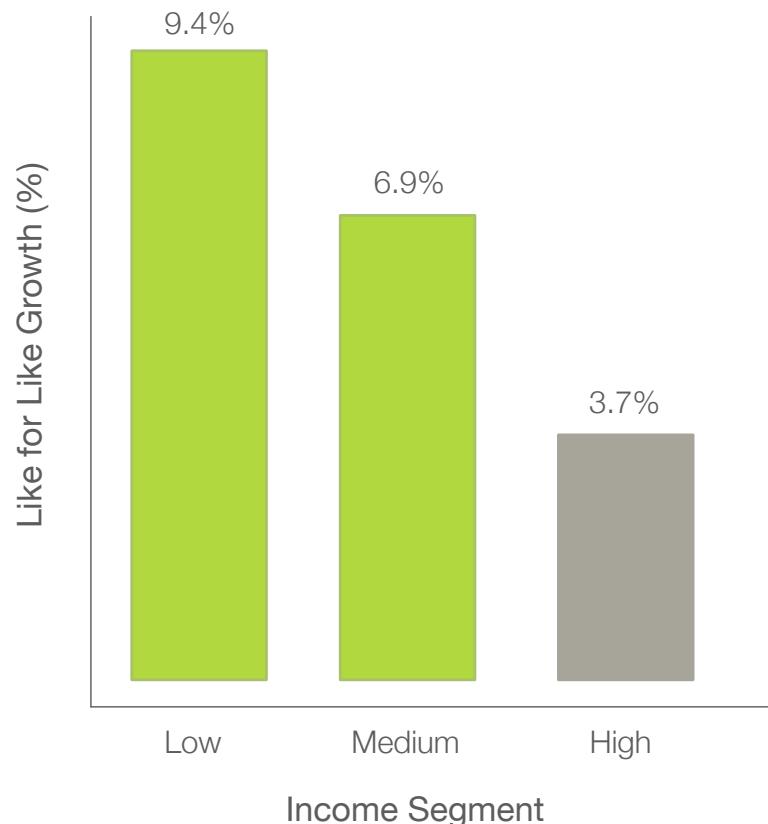


- Growth has far benefitted retailers positioned in LSM 4-6
- Consumers are **migrating to higher LSM groups** and increasing their living standards.

MARKET

# PICK N PAY MARKET OPINION

SA Supermarkets Like for Like Growth per LSM Group - FY 2012



- The graph illustrates Pick and Pay's like for like growth by income segment in 2012.
- Pick and Pay had the strongest sales performance growth in their lower income stores

# MARKET SHOPRITE MARKET OPINION

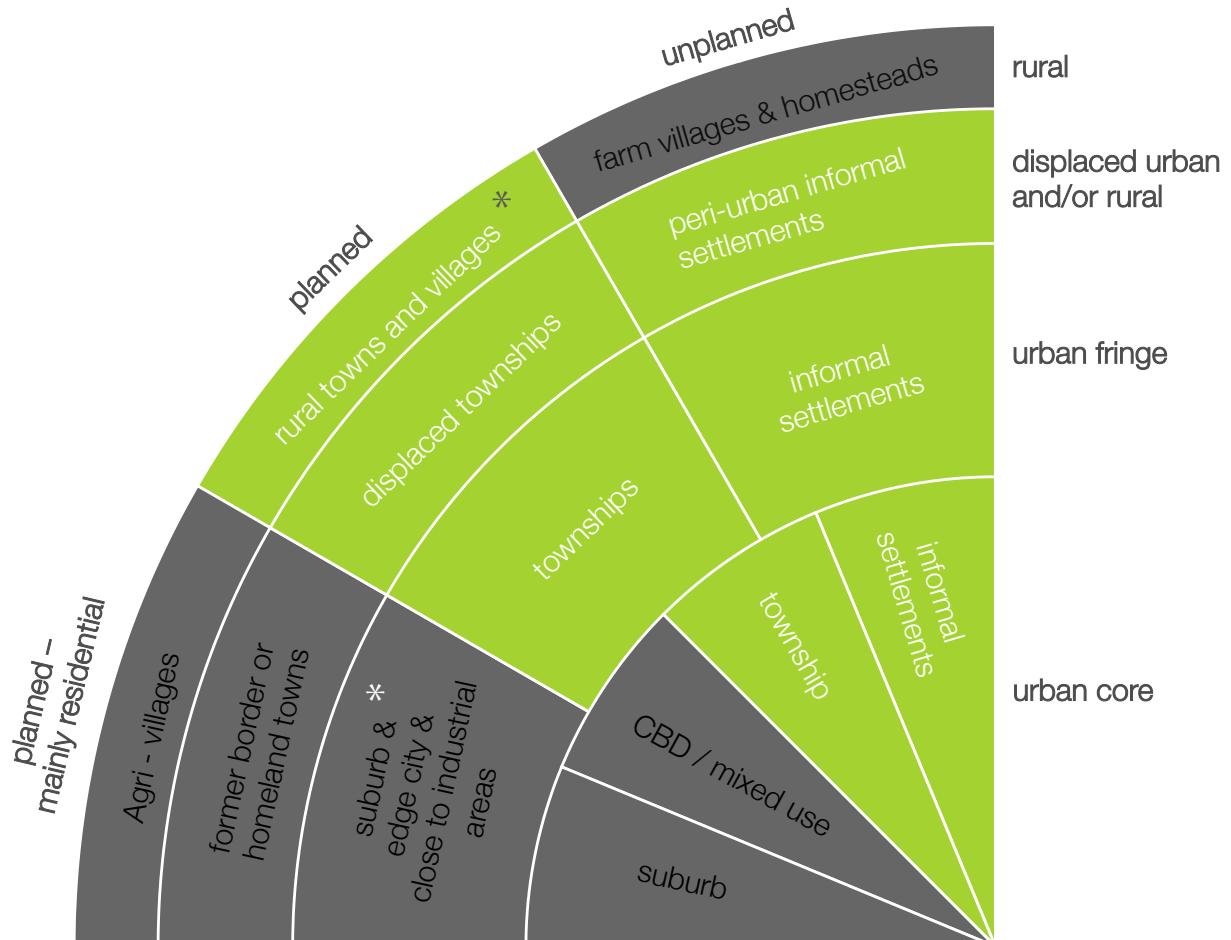


- Shoprite, Africa's largest fast moving consumer goods retailer's core target market is LSM 4-7.
- The graph illustrates that the amount of Shoprite customers in the LSM 4-7 segment grew from 67% to 76.5% in 5 years, the **most significant growth of any LSM segment.**

# MARKET URBAN ENVIRONMENT

The urban environment of the target market can usually be characterized by the following:

- **High population densities**  
(2,000 -11,000 people/km<sup>2</sup>)
- **Previously disadvantaged**  
communities
- **Historically unplanned** and/or  
informal growth



\*Can also be unplanned  
Source: Sustainability Analysis of Human Settlements in South Africa, du Plessis, 2002

# M A R K E T TARGET MARKET SUMMARY

- **LSM 4-7**
- Average **income** of between **R2,500** and **R12,000**
- **Aspiring consumer** mentality.

**consumer** summarized

- **High density** areas driven by urbanisation
- Priority infrastructure **development zones**
- On the **periphery of big cities**
- Near **economic drivers**

**urban environment**  
summarized

MARKET

# FACTORS TO SUSTAIN DEVELOPMENT

Size of Center	Number of Households	LSM Group	Average Radius (km)
$\pm 1,000\text{m}^2 - \pm 5,000\text{m}^2$	700 – 3,600	LSM 4 - 10	1.5km
$\pm 5,000\text{m}^2 - \pm 12,000\text{m}^2$	2400 – 5700	LSM 4 - 10	2km
$\pm 12,000\text{m}^2 - \pm 25,000\text{m}^2$	8500 – 17,800	LSM 4 - 10	3km

\* A household contains an average of 4 people

## Example for 5,000m<sup>2</sup> center:

$\pm 2,500$  households within a 2km radius or density of  $\pm 200$  households/km<sup>2</sup>.

# IMPORTANCE OF THE SHOPPING EXPERIENCE

The “emerging consumer is “looking for a ‘**shopping experience**’ rather than visiting stores to buy only basic essentials.”\*

Melana aims to capitalize on the **aspiring consumer trend** present in the market by providing:

- Quality design and finishes
- Correct tenant mix
- Focussed marketing
- Appropriate public space and features to enhance the shopping experience

# MARKET OPPORTUNITY FROM A **GLOBAL PERSPECTIVE**

Africa now has the **fastest growing middle class** in the world and is expected to grow from 355million in 2010 to **1.1billion** by **2060**.

African Development Bank Group,  
September\_2011

# MARKET OPPORTUNITY FROM AN **AFRICA** PERSPECTIVE

Africa is home to **7 of the 10 fastest growing economies** in the world. It is also urbanizing at astonishing speed, with rapidly rising education rates and a burgeoning middle class

International Monetary Fund\_2011



3 – 2 – 1  
**DEVELOPMENT MODEL**

# OPPORTUNITY OPPORTUNITIES IN THE MARKET

**1.**

Addressing **inaccessibility** caused by a lack of transport

**2.**

Creating adequate **critical mass** in the catchment areas

**3.**

Capitalizing on rapid **population and economic growth** within the defined areas

**4.**

Enter one of the **highest economic growth markets\***

**5.**

**Developing underdeveloped** and **underserved** communities

MODEL  
**INTRODUCTION**



Melana plans to **capitalize on the opportunities** above by:

developing **pedestrian friendly**,

**convenience** retail centers.

MODEL

# REASONS FOR THE MODEL

1.

Current convenience **retail demand is underserved** by existing retail.

2.

Smaller convenience retail **site availability is higher** than larger regional retail sites due to the latter being a highly competitive market.

3.

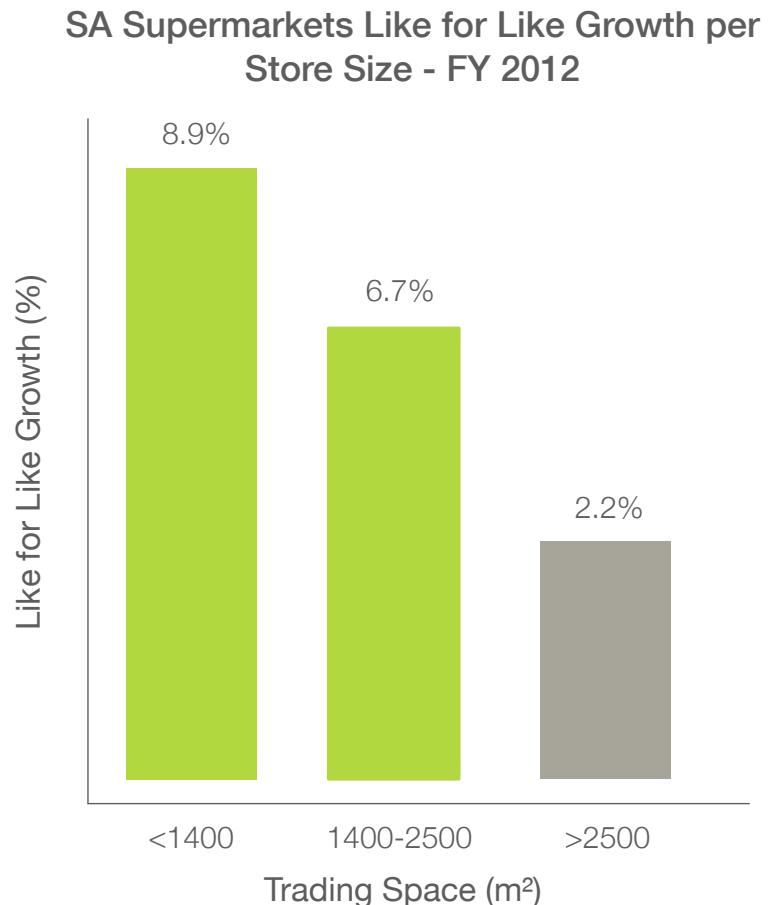
A large number of the target market consumers are **pedestrian consumers**.

4.

Retailers are showing **best growth in smaller supermarkets\***

MODEL

# RETAILER MARKET OPINIONS



Smaller Pick n Pay stores have significantly outperformed larger stores in South Africa.

MODEL  
**MODEL TYPOLOGIES**



**Model 1** – at least 70% nationally leased

**Single national anchored tenant model**

Grocery Anchor	1,000m <sup>2</sup> to 2,000m <sup>2</sup>	–	50% GLA
National + Franchise	400m <sup>2</sup> to 800m <sup>2</sup>	–	>20% GLA

**Model 2** – at least 70% nationally leased

**Multi national anchored tenant model**

Grocery Anchor #1	1,500m <sup>2</sup> to 2,500m <sup>2</sup>	–	40% GLA
Anchor #2	400m <sup>2</sup> to 1,500m <sup>2</sup>	–	10% to 20% GLA
National + Franchise	400m <sup>2</sup> to 800m <sup>2</sup>	–	>15% GLA

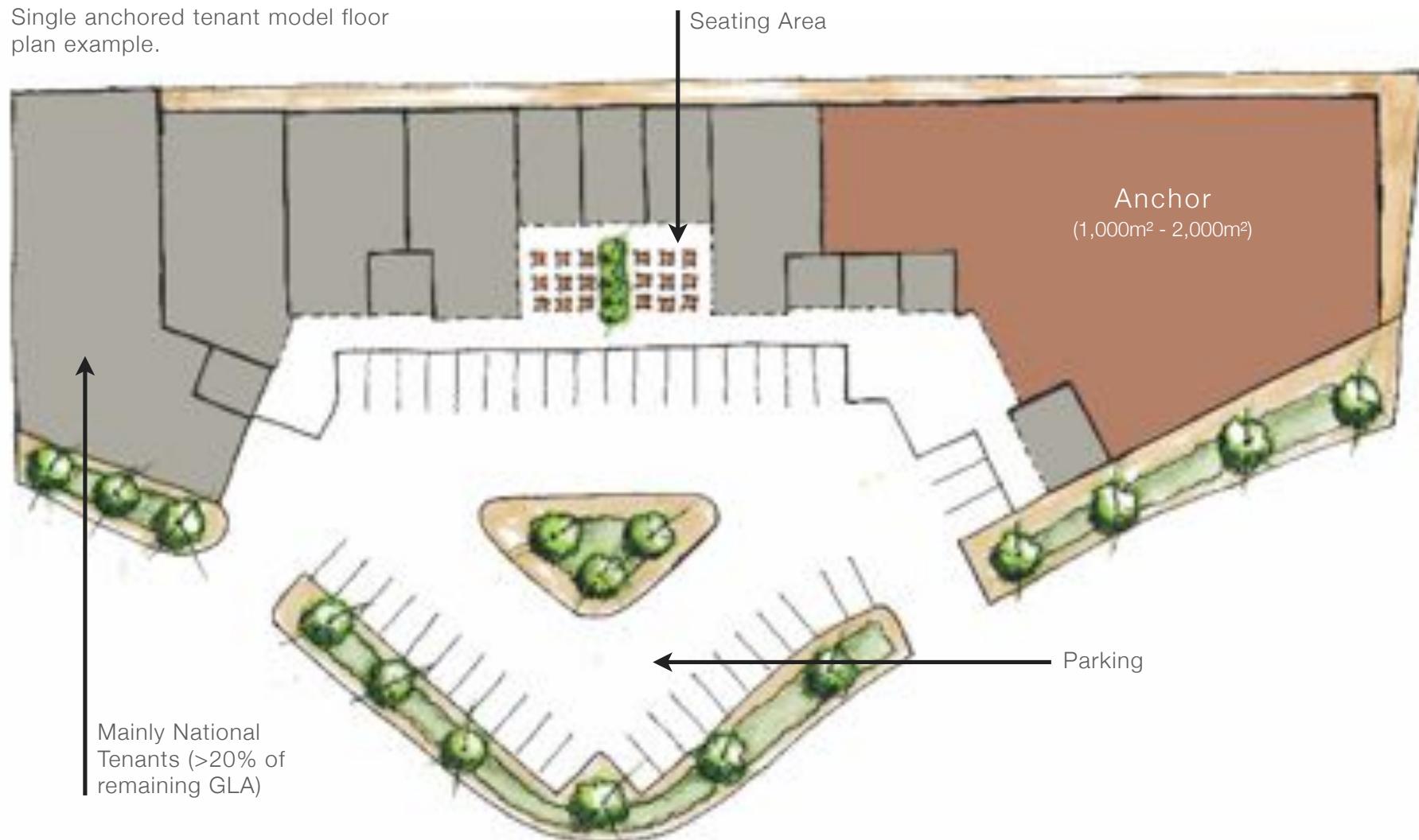
**Model 3** – at least 70% nationally leased

**Multi national tenanted strip center**

Grocery Anchor #1	2,000m <sup>2</sup> to 3,000m <sup>2</sup>	–	25% GLA
National + Franchise	>4000m <sup>2</sup>	–	>50%GLA

# MODEL FLOOR PLAN EXAMPLE – MODEL 1

Single anchored tenant model floor plan example.



*\* Drawing not on scale.*

# MODEL FLOOR PLAN EXAMPLE – MODEL 2

Multi-anchored tenant model floor plan example.



\* Drawing not on-scale.

Represents an actual floor plan for a development in Fleurhof Orlando, Soweto, South Africa

MODEL  
FLOOR PLAN EXAMPLE – MODEL 3

Multi-Tenanted Strip Center floor plan example.



\* Drawing not on scale.

# MODEL ADVANTAGES

Advantages **shared** with traditional regional centers:

- Corporately backed leases
- Higher sales value
- Critical mass/destination
- Brand consciousness
- Quality Products and convenient travel distance

**Unique** advantages of Melana Centers:

- Simplicity – business development, design, leasing, construction, management and selling
- Lower development cost
- Reduced operating costs
- Expansion beyond South Africa

# MODEL ROLLOUT PLAN



## Goal

Develop a minimum of 25 successful Melana Centers in the first 10 years

### ↳ Greatest Challenge

Obtaining viable pieces of land for each of these developments

### ↳ Strategy

Form synergistic relationships with entities controlling viable pieces of land

- ↳ Large scale housing developers
- ↳ Other property developers
- ↳ Communities and community leaders

### ↳ Where we are with these relationships

- Established relationship with Valumax (Safrich)
- Established relationship with Calgro M3

*Two of the largest housing development companies in South Africa*

### ↳ Purchase and refocus/revamp suitable existing centers

↳ Refocussing/revamping existing centres allows for a quicker rollout with less constraints

MODEL

# COMPETITIVE ADVANTAGE

## Small center competitive advantages:

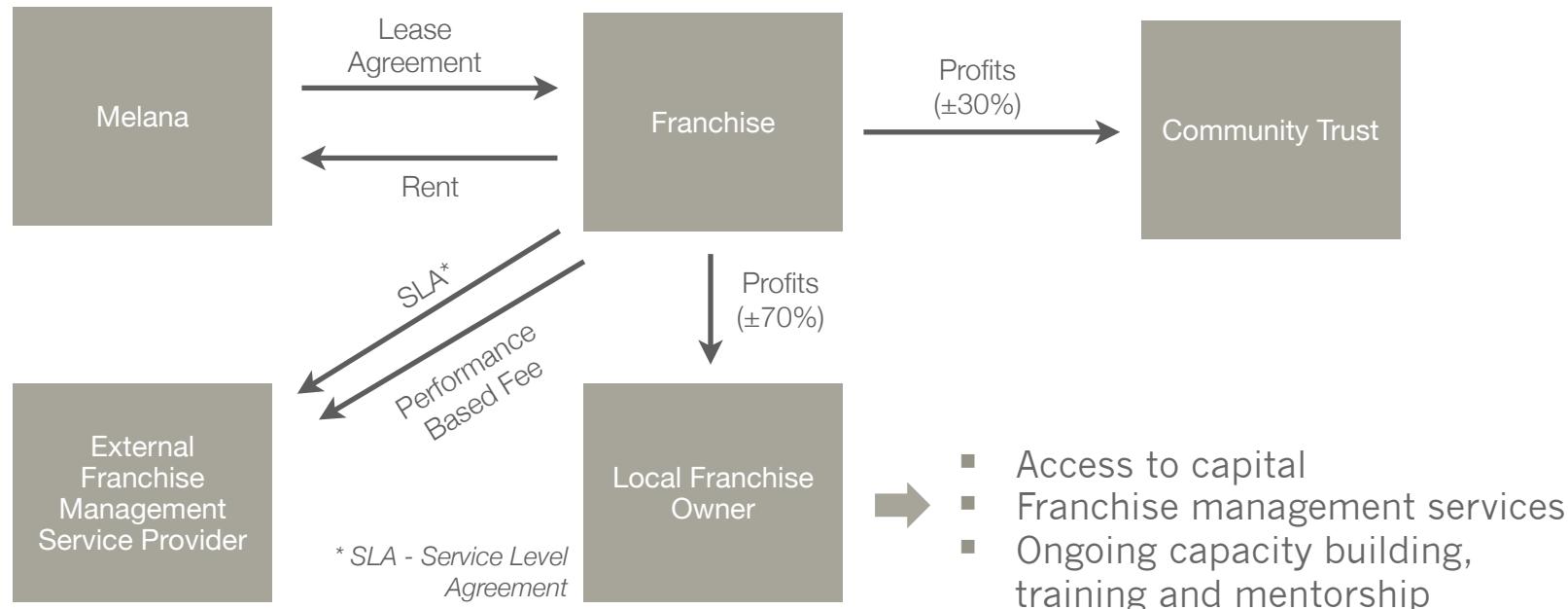
- Increased land availability – Fewer competitors by addressing the ‘Retail Gap’
- Simplified development and operation – Fewer tenants + lower development and operating costs
- Fast site turnaround – No Environmental Impact Assessment (EIA) required

## Enhancing competitiveness through creating a shopping experience:

- Design – designed to resonate with aspiring consumers trends
  - Adheres to aspiring consumer expectations
  - Remains cost effective
  - Appropriately contextualized to its surroundings
- Shared Value – advancing social and economic conditions in surrounding communities
  - Local franchise ownership initiative
  - Local community land ownership initiative

MODEL

# LOCAL FRANCHISE OWNERSHIP INITIATIVE

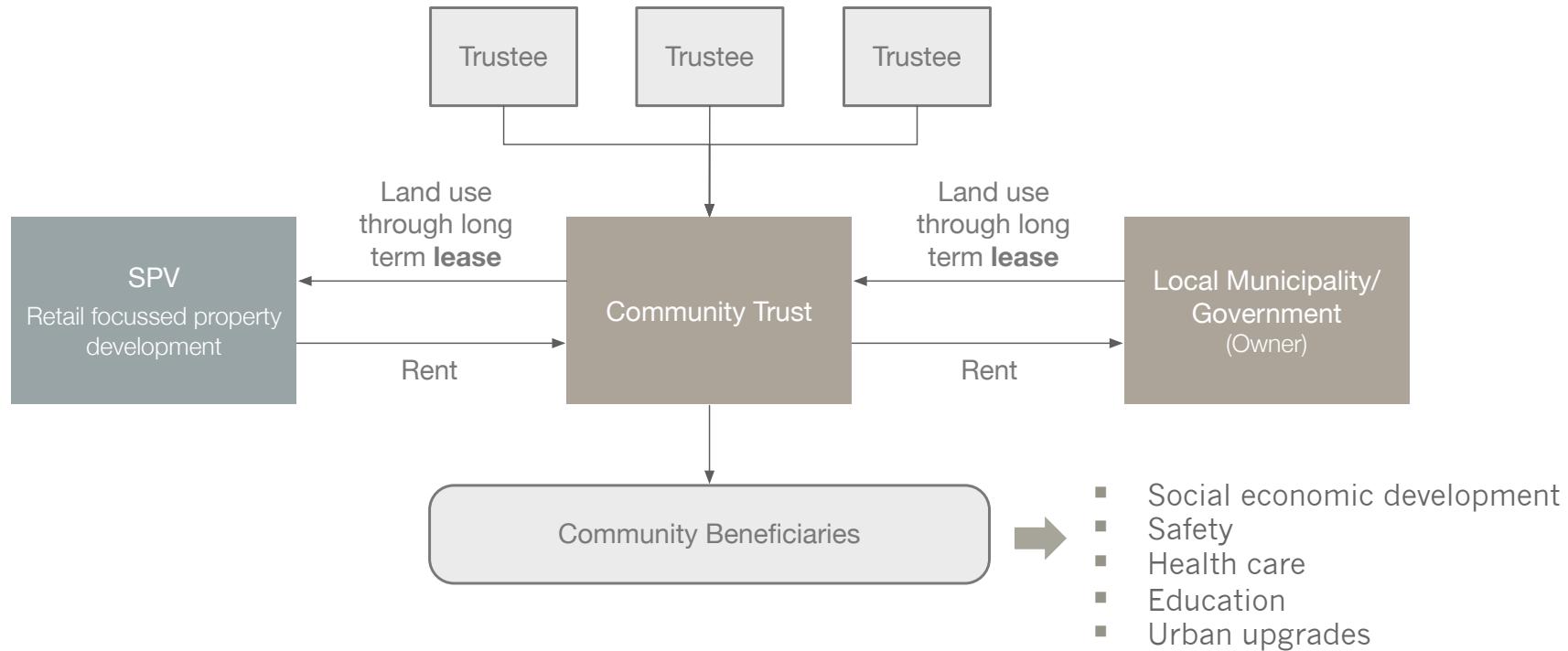


Provides an estimated **R1,1 million** to franchise owner and **R480,000** to community trust annually\*

Based on a 250m<sup>2</sup> OBC Meat and Chicken franchise with an annual revenue of R30,000,000 (R2.5 million per month)

MODEL

# LOCAL COMMUNITY LAND OWNERSHIP INITIATIVE



Provides an estimated **1% of land value** to community trust per month

MODEL

# LOCAL COMMUNITY LAND OWNERSHIP INITIATIVE

## Benefits a development by:

- Providing alternative methods for securing rights to pieces of land
- Adding value to surrounding community
- Providing a model for expanding into Africa
- Reducing upfront risk exposure
- Creating tax benefits

## Applicable scenarios

- Former homeland areas
- Land owned by various departments of state
- Communal land leased by government to local communities