



Project: Automobile Market

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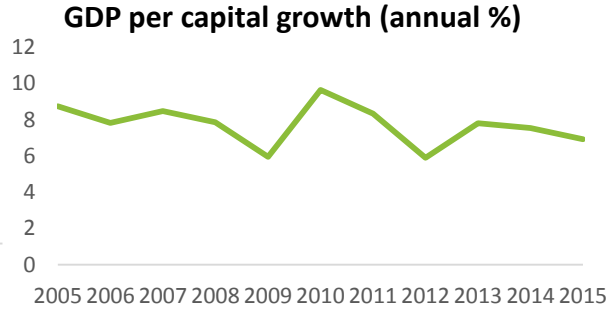
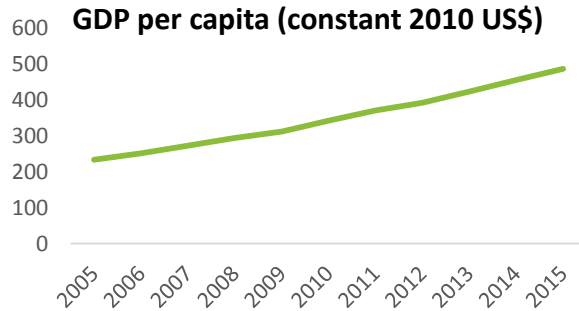
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Reciprocus is delighted to present to you our initial views on potential growth of automobile in African market

- Our indicative view is predicted on publicly available information and our knowledge of automobile market in Africa.
- Our high-level research has identified and analyzed some potential markets of interest – mainly Ethiopia and Nigeria.
- Besides being the largest economies in Africa, growing economies such as Ethiopia are considered as high potential markets.
- There is a strong potential for the second hand parts for company to tap into. This is especially since Ethiopian consumers could be price sensitive and are willing to purchase second hand/used parts and cars.
- Although Ethiopia's economy is currently weak, strong fundamental economic policies are in place which should result in long-term growth
- We strongly believe that first mover's advantage to establish brand awareness is vital to capture strong market position
- Aside from growing economies, large economies like Nigeria also captured our attention as being a potential market to tap into.
- Nigeria's market is even more geared towards second hand goods than Ethiopia. This is due to local culture allowing high spending on car repairs due to poor maintenance
- Given an exciting prospect outlook in African market, we recommend company to expand and explore automobile market in both Nigeria and Ethiopia.

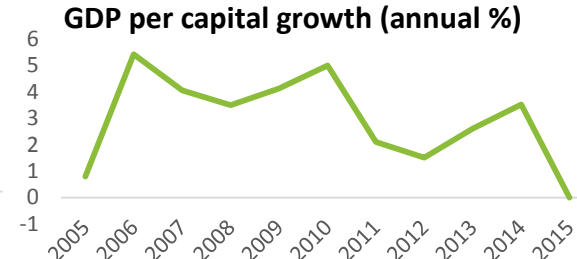
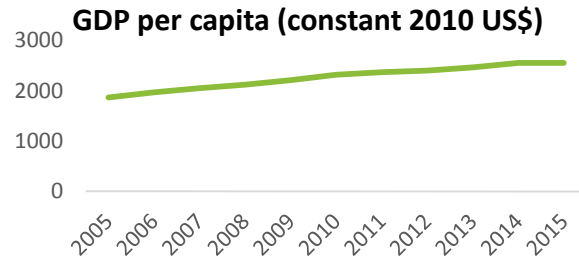
Africa Landscape and Analysis – Ethiopia & Nigeria

Ethiopia's Demographic & Market Overview

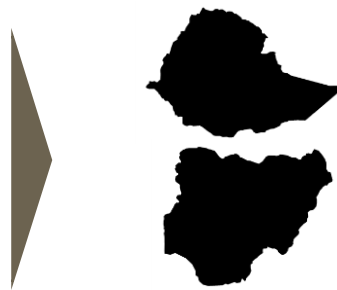
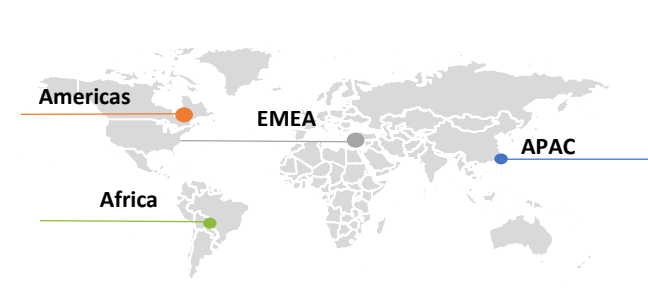


Indicator (unit)	Ethiopia	Kenya
Fleet size	587,400	1,300,000
Sales of new vehicles (p.a.)	18,000	19,523
Commercial vehicles (% new sales)	16	86
Passenger vehicles (% new sales)	84	14
New vehicles (% total fleet)	15	20
Second hand vehicles (% total fleet)	85	80
Motorisation rate (/1 000 people)	2	28

Nigeria's Demographic & Market Overview



Indicator (unit)	Nigeria	Kenya
Fleet size	3,590,000	1,300,000
Sales of new vehicles (p.a.)	26,400	19,523
Commercial vehicles (% new sales)	29	86
Passenger vehicles (% new sales)	71	14
New vehicles (% total fleet)	10	20
Second hand vehicles (% total fleet)	90	80
Motorisation rate (/1 000 people)	20	28



Ethiopia

- Population: 99.4 million
- Total GDP (2015): US\$ 61.54 billion

Nigeria

- Population: 182.2 million
- Total GDP (2015): US\$ 481.07 billion



Why Nigeria?

- **Market dominated by second hand and spare parts:** Nigeria's automobile market is even more strongly occupied by second hand cars, which are locally called "Tokunbos". Vehicle financing is not easily accessible and is expensive, causing most to be able to only afford second hand vehicles.
- **Local culture leading to demand for repairs:** It has been reported that the culture of maintenance does not exist in Nigeria. Consumers are not very bothered with vehicle maintenance and care. They rather just use the vehicle until it spoils before sending it in for repairs.
- **Drop in domestic automobile manufacturing:** While Nigeria was once seen as a hotspot for domestic automobile manufacturing, this is not the case anymore. Peugeot Automobile Nigeria, once Nigeria's largest manufacturer, ceased production activities in 2011. Other manufacturers followed suit, with assembly plants lying dormant. This demise in domestic production can result in lower numbers of genuine cars and spare parts in Nigeria.



Why Ethiopia?

- **Potential for second hand parts:** Ethiopia's per income capita is one of the lowest in the world, and the current market is driven by second-hand imported vehicles, standing at 85% of the fleet. As the consumers are extremely price sensitive, lower/cheaper goods may do very well.
- **Strong and steady economic growth:** Ethiopia's strategy for economic development is held in high regard among the international community, with sound macroeconomic policies in place. While their per capita income is one of the lowest in the world, this may rather be a signal that Ethiopia is an untapped investment opportunity. In fact, Ethiopia's economy growth has outpaced many other countries – According to the International Monetary Fund (IMF), Ethiopia grew at 8.7% last year and is expected to expand at 8.6% in 2016 – amidst the economic downturn. As Ethiopia continues to grow and develop, we expect the motorization rate of two per thousand to pick up significantly. If anything

Conclusion:

We have shortlisted **Nigeria** and **Ethiopia** as our key potential opportunities, which, in our opinions, company's business strategy. We are open to exploring other markets in the Africa region.



About Reciprocus

We specialize in assisting small and medium-sized businesses with expansion into overseas markets:

- Selecting and Structuring Route to Entry;
- Mergers, Acquisitions, Joint Ventures;
- Distributorships, Franchising and Licensing;
- Capital Raising.

For more information about our practice, visit our website at: www.reciprocus.com.



IE Singapore Assistance

The Singapore Government co-funds up to 70% of the third party professional fees for internationalization activities under the following schemes:

Market Readiness Assistance Grant: Market assessment, market entry and business matching activities.

Global Company Partnership Grant: Market research, scouting for overseas partners and due diligence activities.

More information available at:
<http://www.iesingapore.gov.sg/Assistance>.

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