
an introduction to

Melana



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

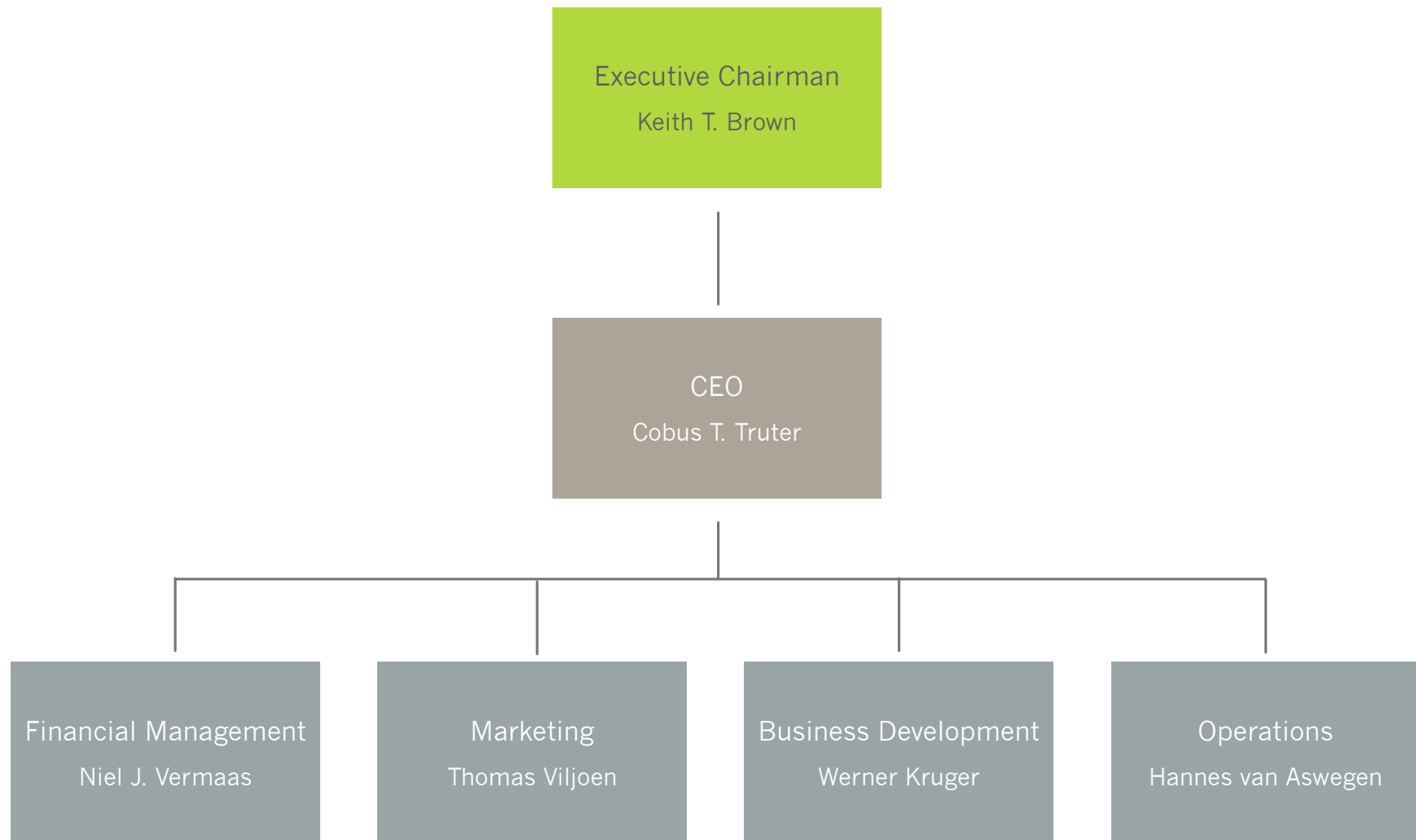


EmpiriQ Holdings
Research and development of
market driven economic
development solutions focused
on the emerging consumer
market



Sun Forest Systems
Process driven systems
development in the
property development and
construction sector

ABOUT
ORGANOGRAM



MARKET 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.

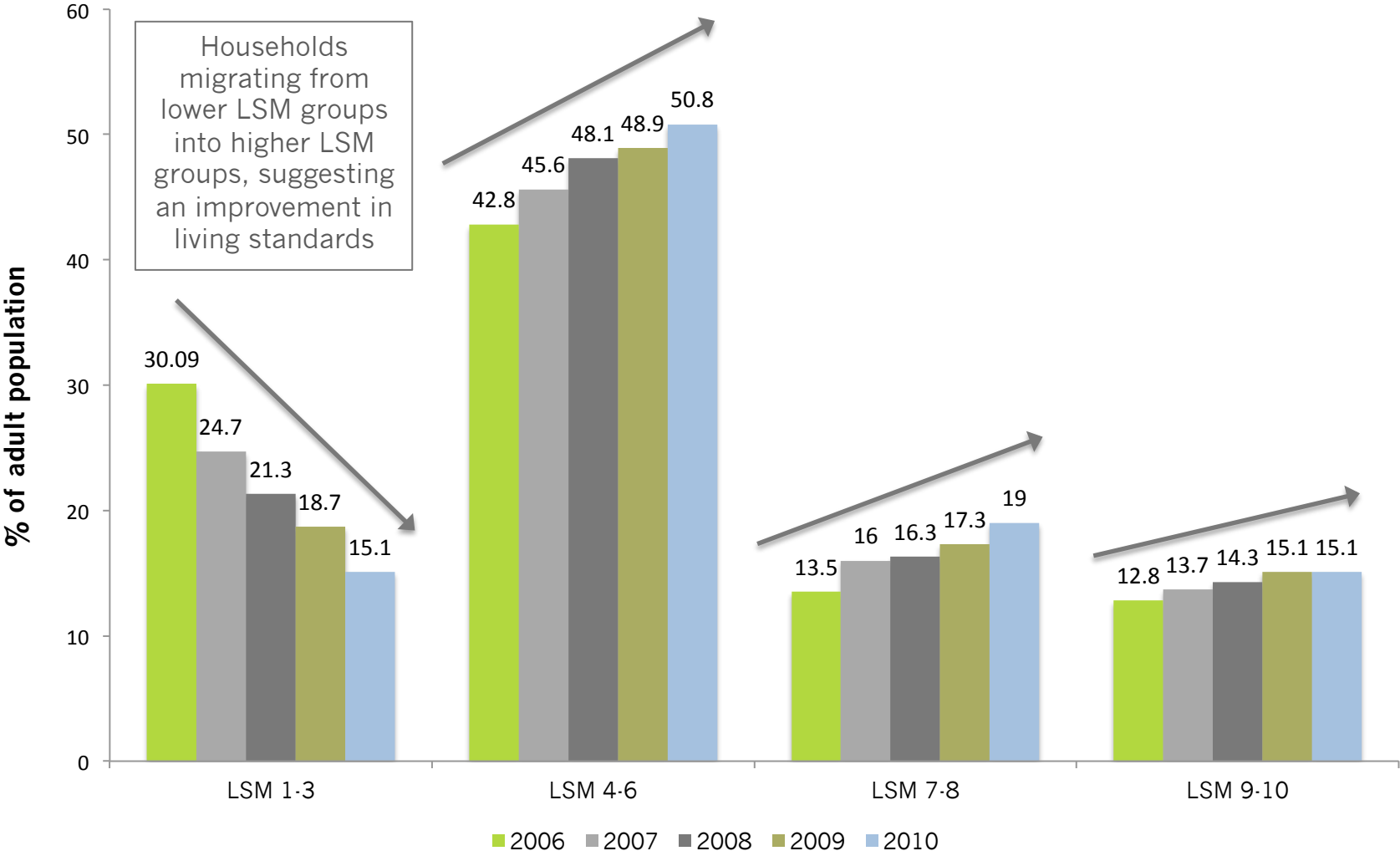
MARKET LSM CLASSIFICATION

Share of SA population²	21.50%	48.00%	30.50%
SU-LSM classification²	LSM 1-3	LSM 4-6	LSM 7-10
Average monthly household income²	LSM 1: R1071 LSM 2: R1414 LSM 3: R1783	LSM 4: R2540 LSM 5: R3085 LSM 6: R5396	LSM 7: R8719 LSM 8: R12291 LSM 9: R16326 LSM 10: R23102
Main provincial location²	KZE, E Cape, Limpopo	Gauteng, W Cape, KZN	Gauteng, W Cape
Convenience grocery shopping store market²	Spaza Shops 43.7% Local Supermarkets 20.5% Shoprite (all brands) 11% Other Outlets 9.7% Township Supermarkets 9.7%	Spaza Shops 31.3% Shoprite (all brands) 26.8% Spar 13.9% Local Supermarkets 13.1% Township Supermarkets 8.9%	Spar 31.4% Pick n Pay 27.9% Shoprite (all brands) 25.2% Local Supermarkets 8.9% Spaza Shops 5.3%

*** ACNielsen, 2005

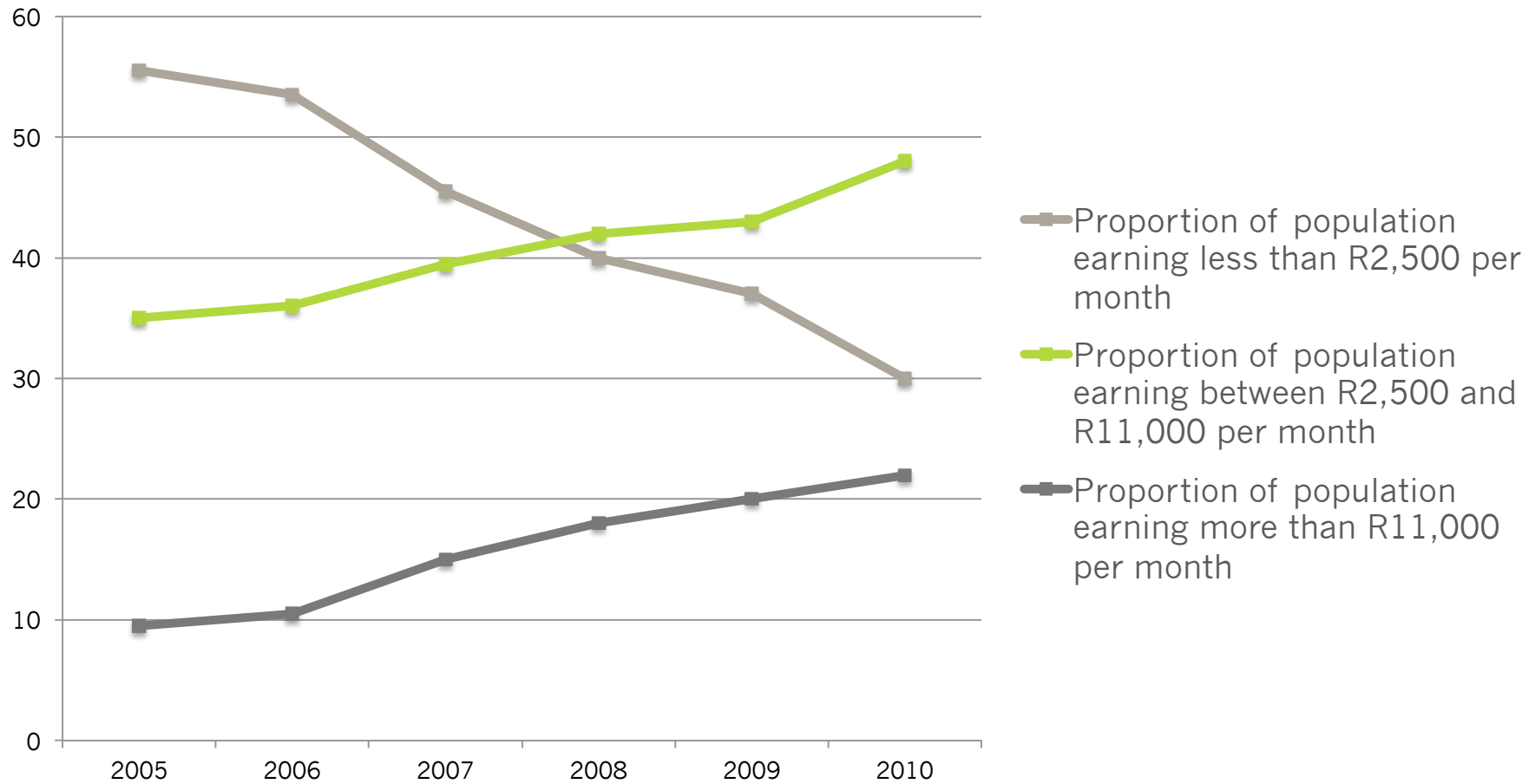
² SAARF AMPS (South African Audience Research Foundation), 2008/2009

MARKET POPULATION GROWTH



source: AMPS and BER

MARKET POPULATION EARNINGS



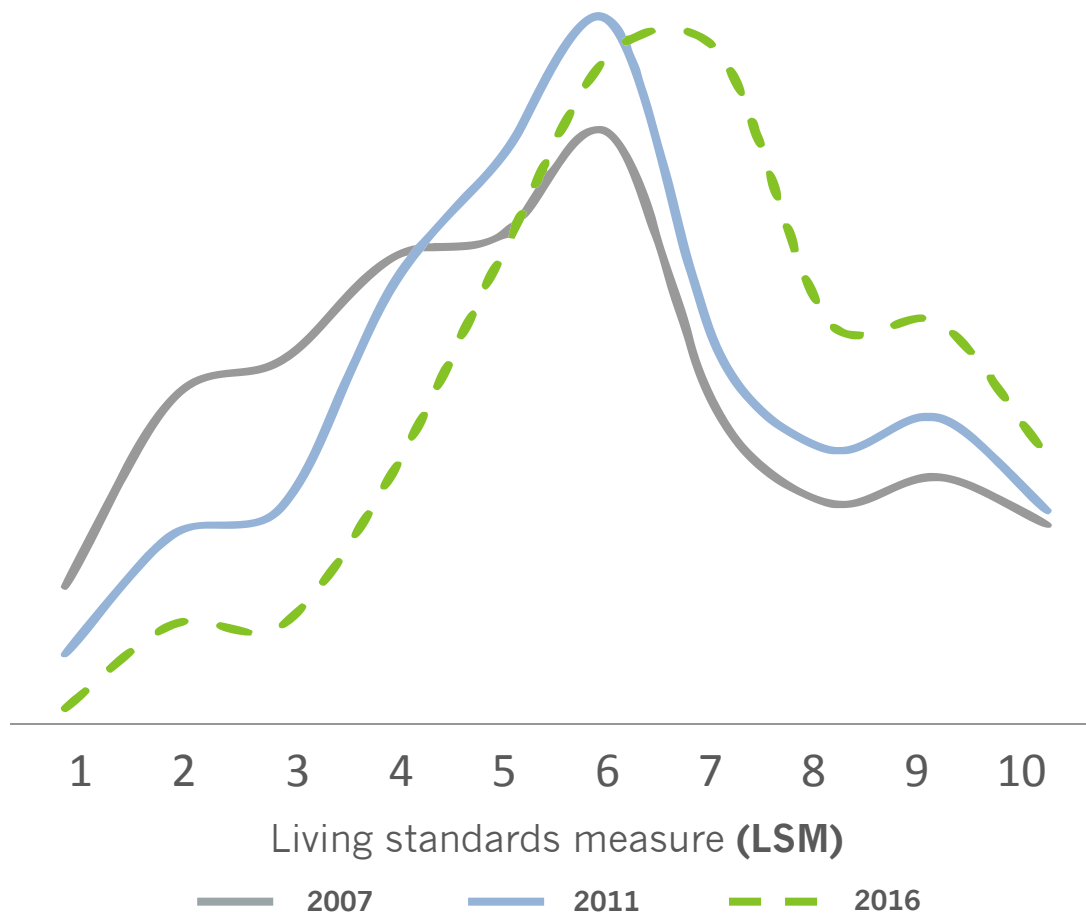
MARKET ASPIRING LIFESTYLE AND BEHAVIOUR

“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

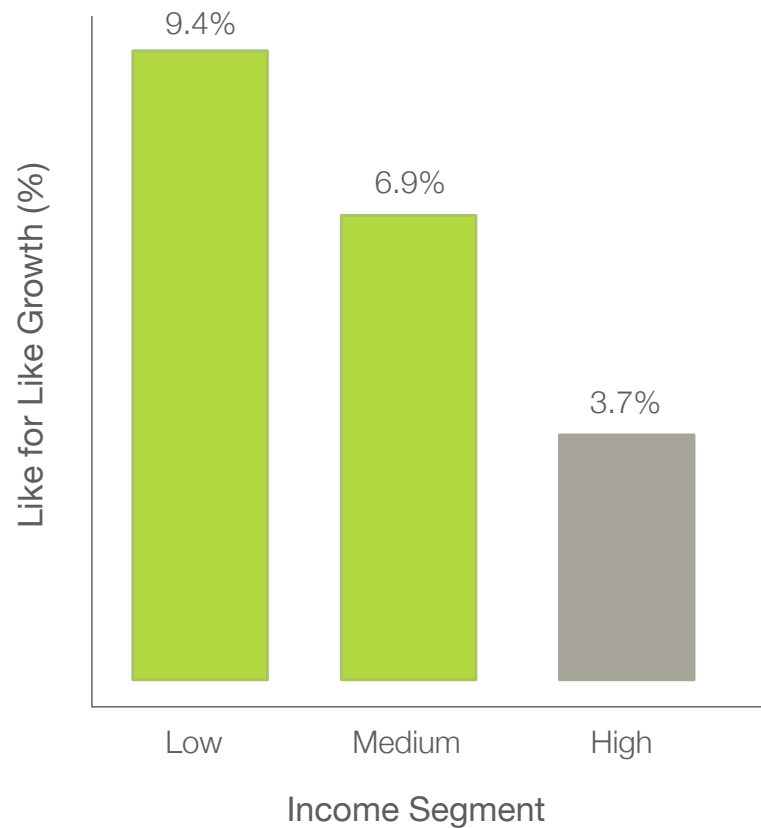
% of consumers by LSM group



- 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

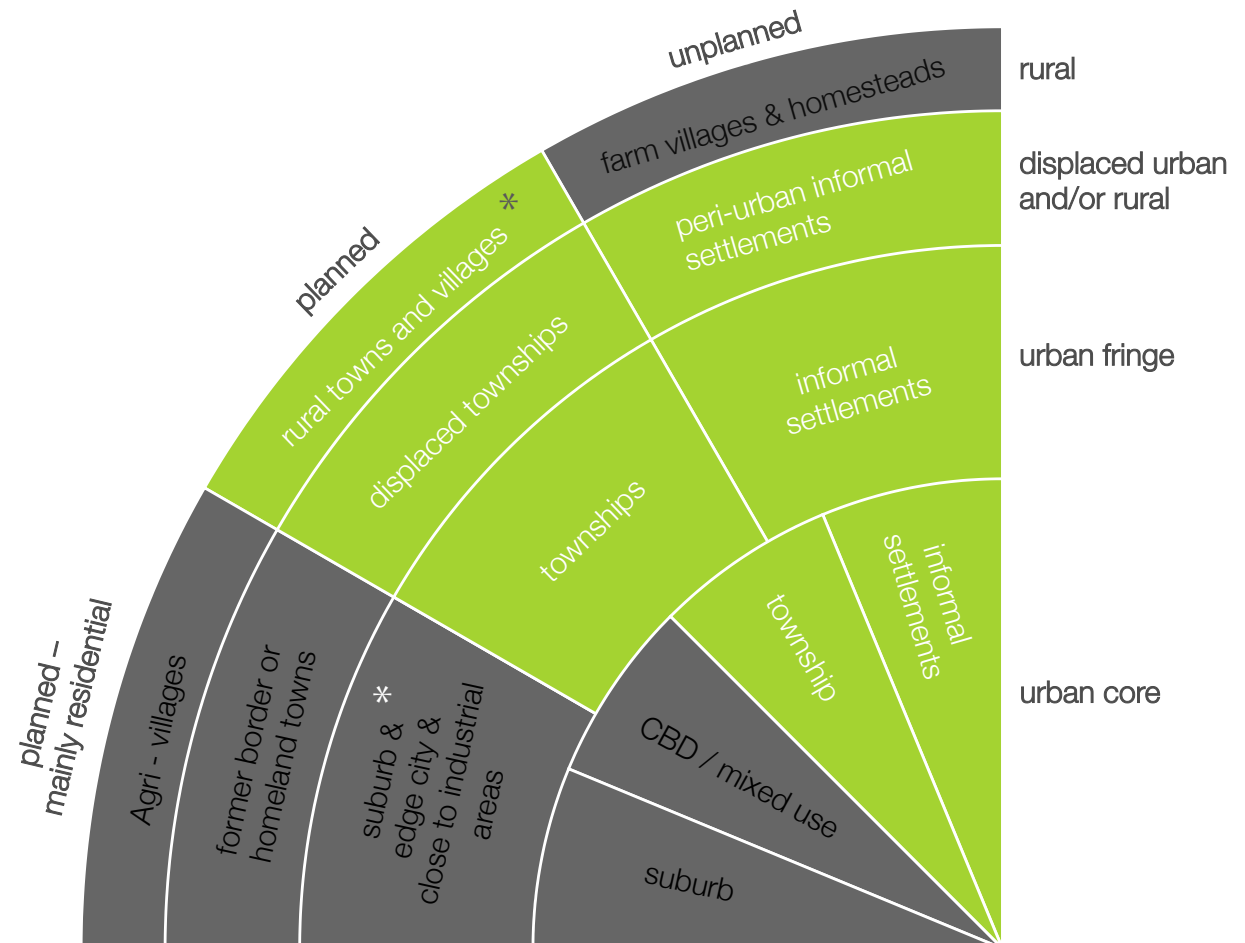


- Shoprite, Africa's largest fast moving consumer goods retailer's core target market is LSM 4-7.
- The graph illustrates that the amount of Shoprite customers in the LSM 4-7 segment grew from 67% to 76.5% in 5 years, the **most significant growth of any LSM segment.**

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/km²)
- **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

MARKET 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 5,000m² center:

$\pm 2,500$ households within a 2km radius or density of ± 200 households/km².

MARKET 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

OPPORTUNITIES IN THE MARKET

OPPORTUNITY

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

* SA supermarkets, Like for like growth – FY 2012

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.

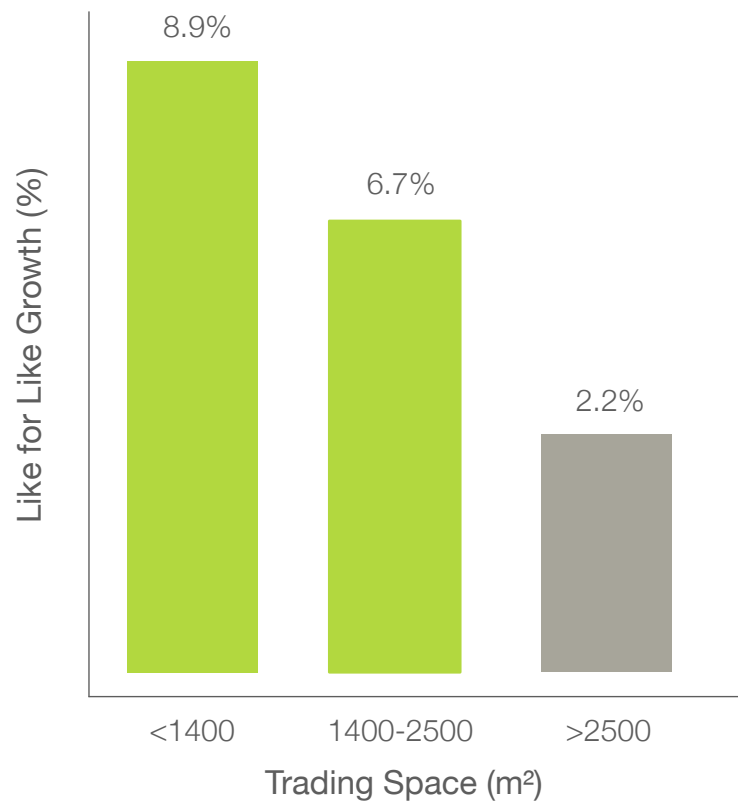
A large number of the target market consumers are **pedestrian consumers**.

4.

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

MODEL RETAILER MARKET OPINIONS

SA Supermarkets Like for Like Growth per Store Size - FY 2012



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 ² to 2,000m ²	–	50% GLA
National + Franchise	400m ² to 800m ²	–	>20% GLA



Model 2 — at least 70% nationally leased
Multi national anchored tenant model

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

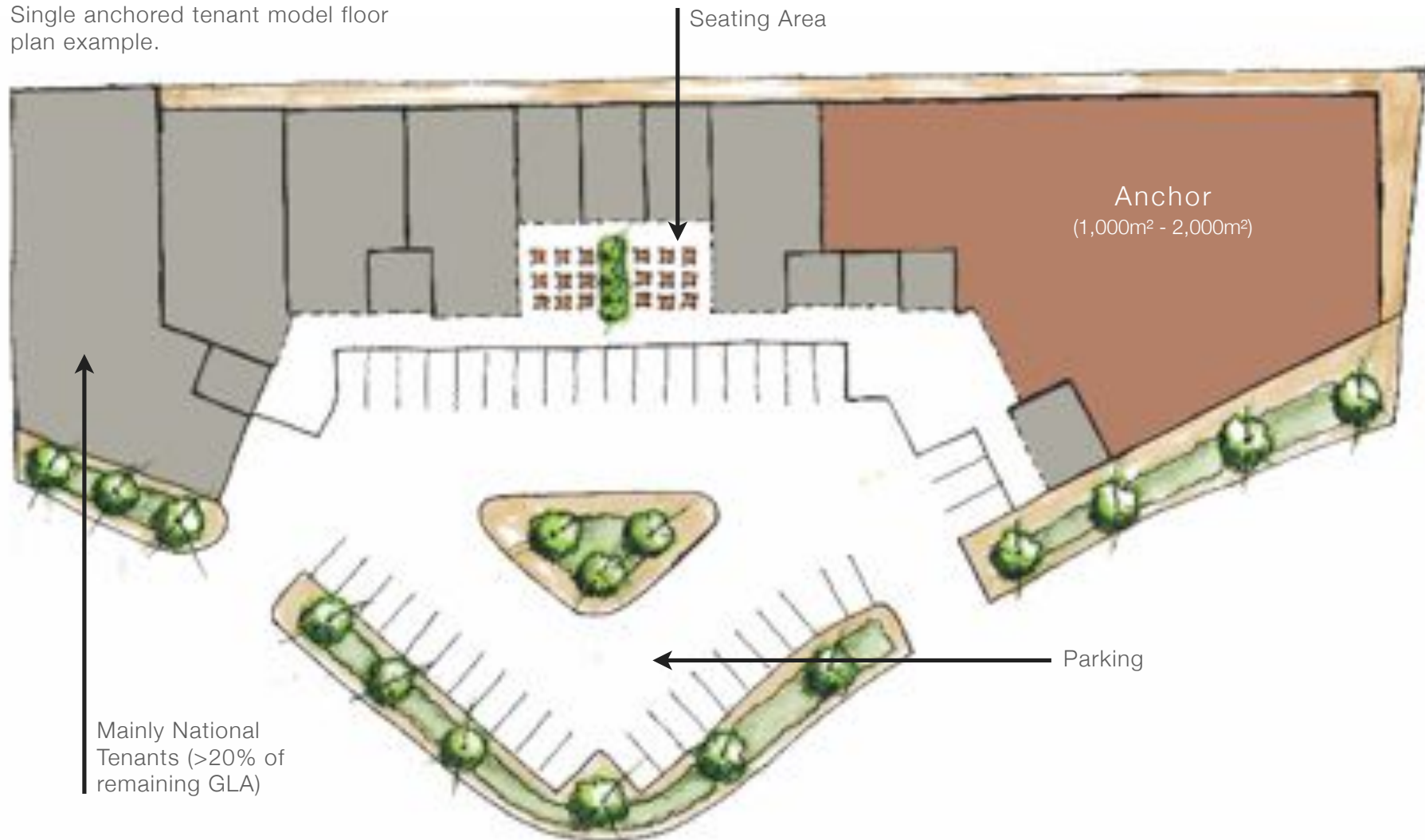


Model 3 — at least 70% nationally leased
Multi national tenanted strip center

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

MODEL FLOOR PLAN EXAMPLE – **MODEL 1**

Single anchored tenant model floor plan example.



Mainly National Tenants (>20% of remaining GLA)

* 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

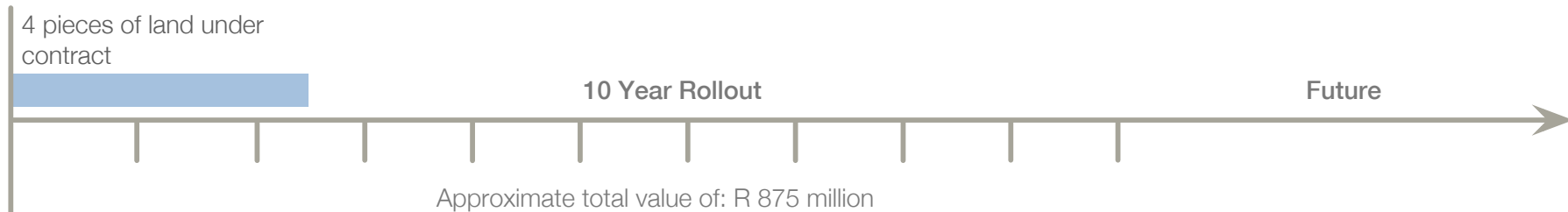
Advantages **shared** with traditional regional centers:

- 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

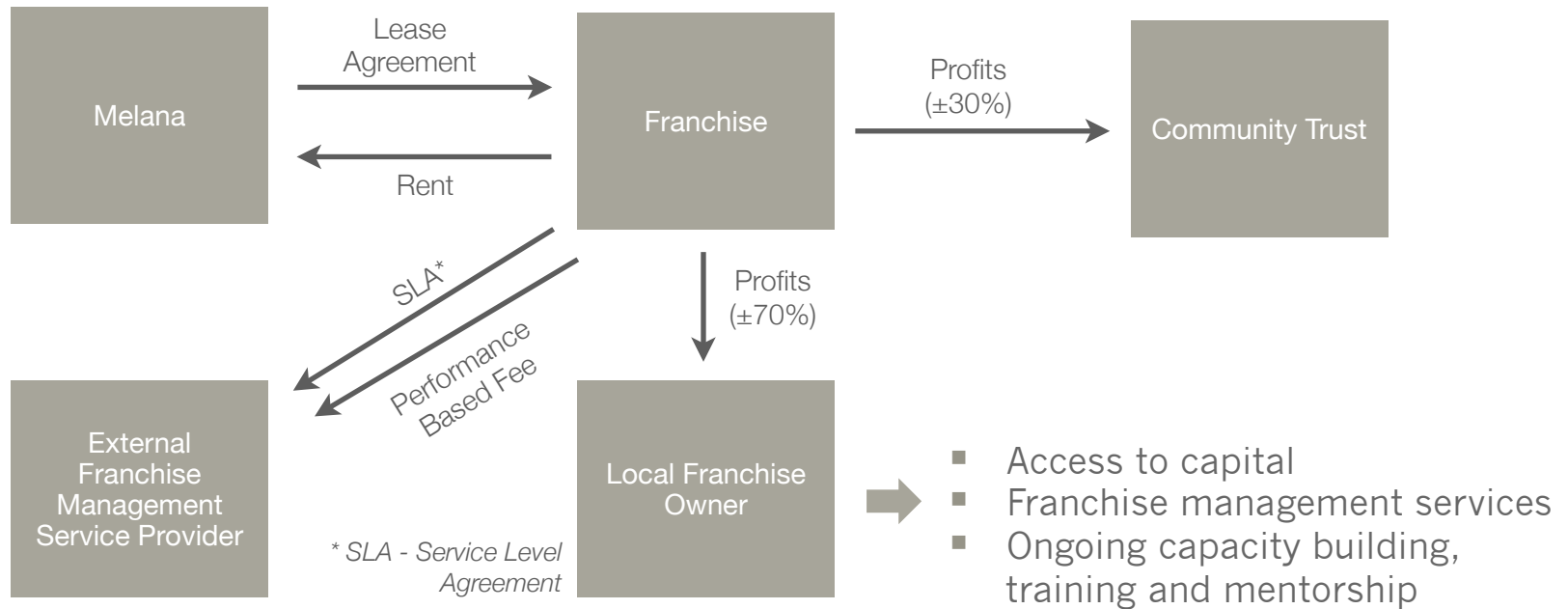
Small center competitive advantages:

- 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

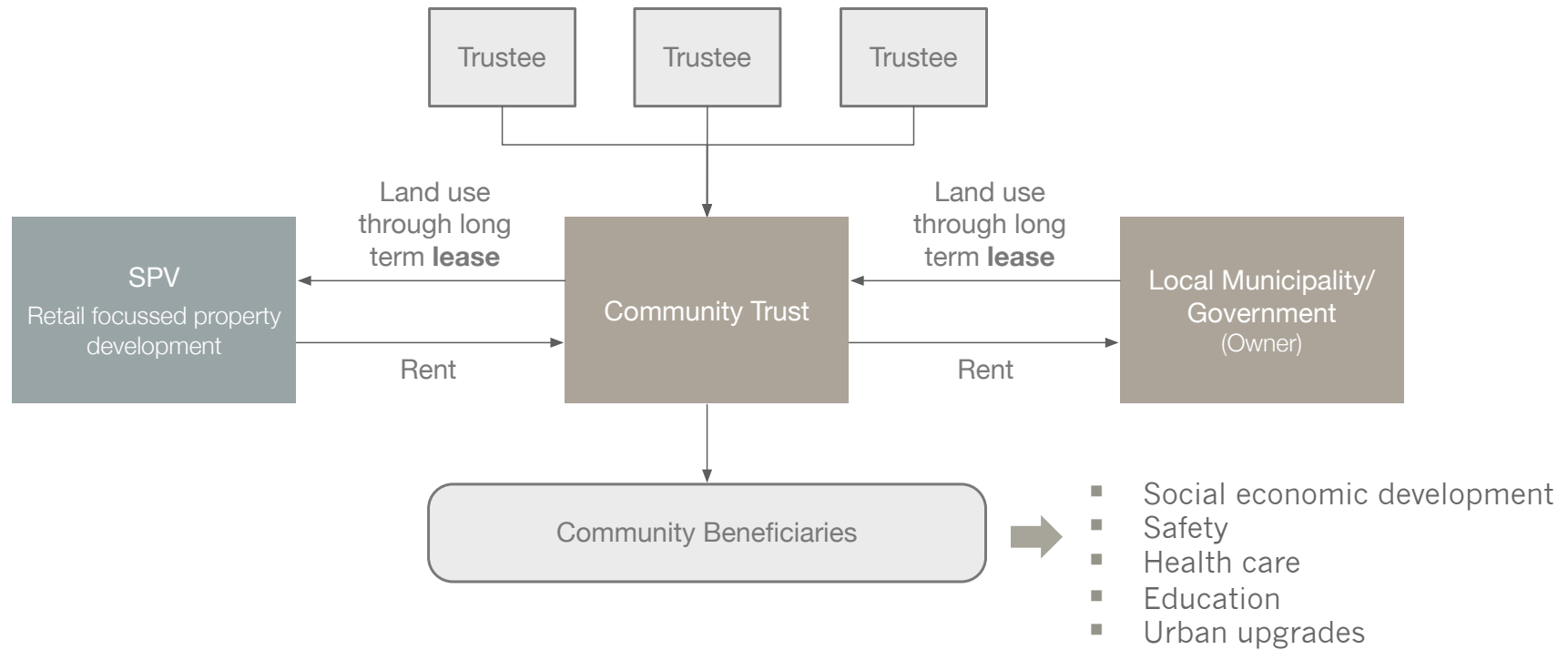
MODEL LOCAL FRANCHISE OWNERSHIP INITIATIVE



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

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