

## Jumia Technologies (JMIA)

### Not All Growth is the Same

*Citron believes this is the only stock you are looking at that has the potential to go up 300% in the next 12 months*

*“You get paid in direct proportion to the difficulty of problems you solve”  
– Elon Musk*

Establishing a full-scale ecommerce business with a brand in Sub Saharan Africa is one of the largest challenges in the e-commerce world and Jumia is about to get paid.

### What's Changed in 6 Months

#### 1. Global Tech Giants Betting on Africa

Over the last six months, we have seen Facebook, Amazon, Twitter, Apple, Google, and Microsoft launch major initiatives in Africa with five of these global tech giants announcing these initiatives in just the past three weeks.

Facebook opened its first African office in 2015. Six months ago, Facebook rolled out its marketplace in Kenya. In February this year, Facebook expanded its marketplace to Nigeria. Facebook's head of public policy for West Africa, Adaora Ikenze, noted that:

*“The launch of Marketplace in Nigeria further highlights our ongoing efforts in helping to boost buying and selling in Nigeria and connecting communities.”*

Facebook is opening its second African office in Lagos, Nigeria this year. In an interview with CNN, Facebook's regional director for Africa, Nunu Ntshingila commented:

*“We believe that Africa will continue to play a significant role for Facebook into the future. This is one of the youngest continents in the world. If you just think about it, there's 1.2 billion people in this region, there's a lot of people that we continue to serve.”*

<https://tech-ish.com/2020/10/16/facebook-marketplace-kenya/>  
<https://guardian.ng/news/facebook-marketplace-rolls-out-in-nigeria/>  
<https://nairametrics.com/2021/02/05/facebook-launches-marketplace-in-nigeria/>  
<https://techpoint.africa/2020/09/18/facebook-lagos-office/>  
<https://www.cnn.com/2020/12/04/africa/marketplace-africa-facebook-nunu-ntshingila-spc-intl/index.html>

Two weeks ago, Amazon announced it would invest \$280 million in opening its first African office in South Africa. This announcement follows Twitter, which announced three weeks ago the opening of its first African office in Ghana.

<https://techcabal.com/2021/04/28/amazons-africa-headquarters-will-be-in-south-africa/>  
<https://techtrendske.co.ke/twitter-opens-its-first-african-office-in-ghana/>

This Monday, Microsoft made a joint announcement with the Nigerian Government to accelerate digital transformation in the country over the next three years. Microsoft President Brad Smith noted:

*“We believe in the future of Nigeria, and we are excited as a company to add to our investments. Together, we have an enormous opportunity to put technology to work, create jobs, to foster the technology ecosystem across Nigeria, and to use technology to preserve the best of the past and take us into the future.”*

*“We are setting ourselves a big goal, to bring access to digital skills to five million people in Nigeria over the next three years.”*

<https://news.microsoft.com/en-xm/2021/05/03/microsoft-collaborates-with-the-nigerian-government-to-accelerate-digital-transformation-in-the-country/>

Last week, Google opened its accelerator programme in Africa to support 40K developers with scholarships.

<https://techcrunch.com/2021/04/29/google-to-offer-40000-developer-scholarships-in-africa-continues-accelerator-program/>

The verdict is in. Africa is ready for big technology companies.

A collaborative report between IFC and Google found that Africa’s internet economy has the potential to reach \$180 billion by 2025.

<https://www.ifc.org/wps/wcm/connect/e358c23f-afe3-49c5-a509-034257688580/e-Conomy-Africa-2020.pdf?MOD=AJPERES&CVID=nmuGYF2>

<https://technext.ng/2021/04/30/google-opens-accelerator-programme-in-africa-will-support-40000-developers-with-scholarships/>

Microsoft, Amazon, Twitter and Facebook are all betting on the future of a digital Africa while JMIA is the most well-funded African tech company in history yet has an enterprise value of just \$2 billion

Earlier this year, the United Nations released a paper discussing a global review of COVID-19 and e-commerce. In that paper, the UN notes that e-commerce penetration is rising in Africa:

*"More than 40 per cent of customers surveyed in four large African countries said that they plan to reduce their supermarket shopping in future, shifting some food purchases online alongside clothing and electronic products."*

More importantly, when discussing African e-commerce, the UN refers to JMIA exclusively.

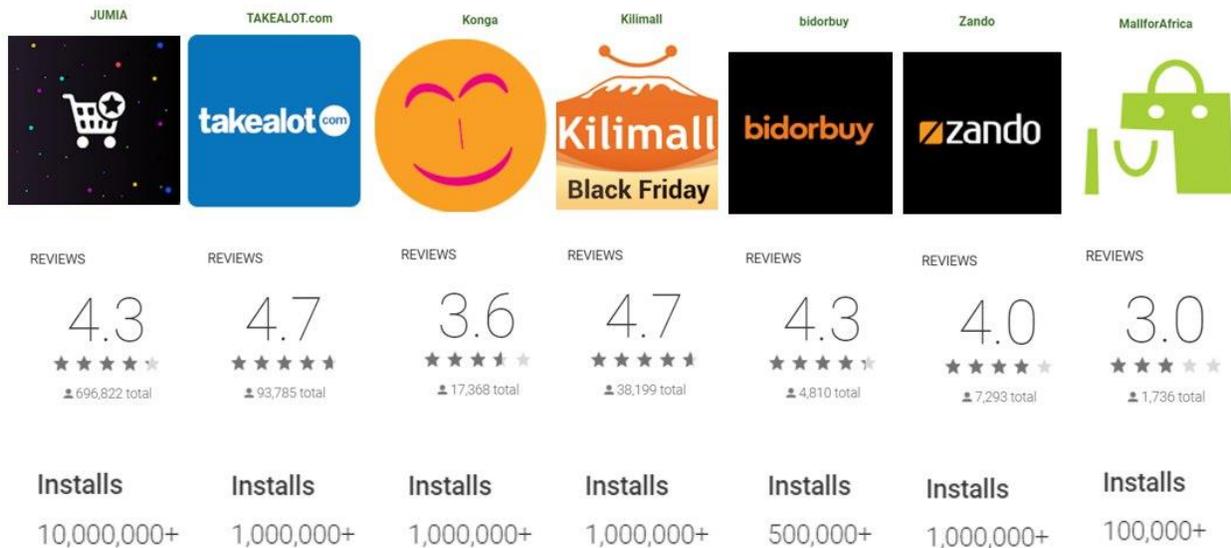


[https://unctad.org/system/files/official-document/dt1stict2020d13\\_en.pdf](https://unctad.org/system/files/official-document/dt1stict2020d13_en.pdf)

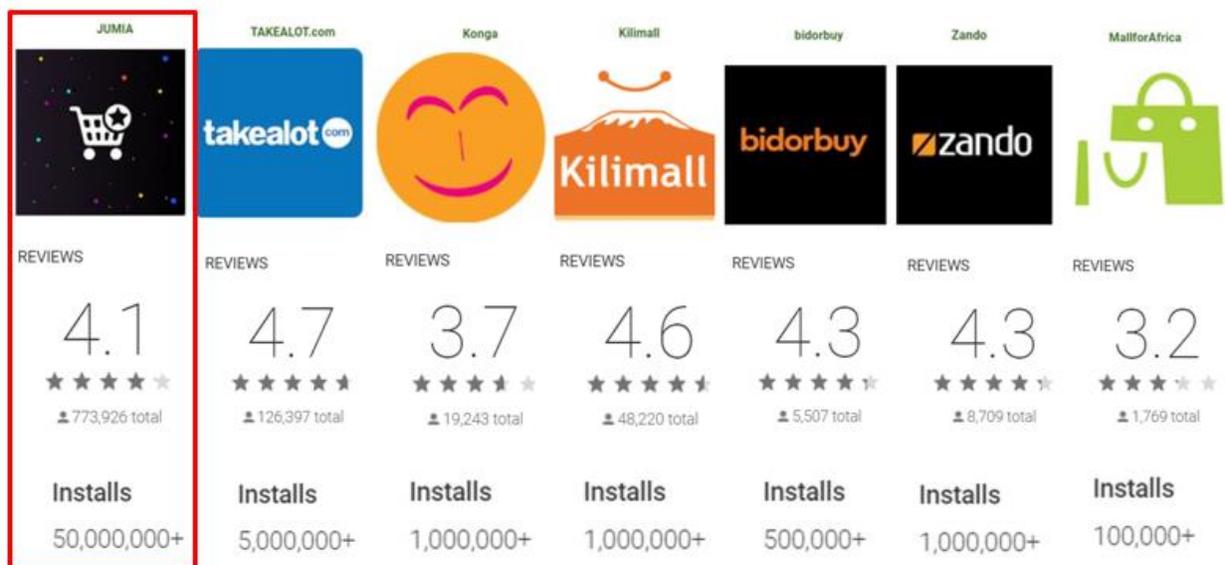
## 2. Scale

Over the last six months, JMIA’s app installs has increased from >10 million to >50 million according to the Google Play Store. Below is a comparison of the app install data from the Google Play Store in November 2020 vs. today.

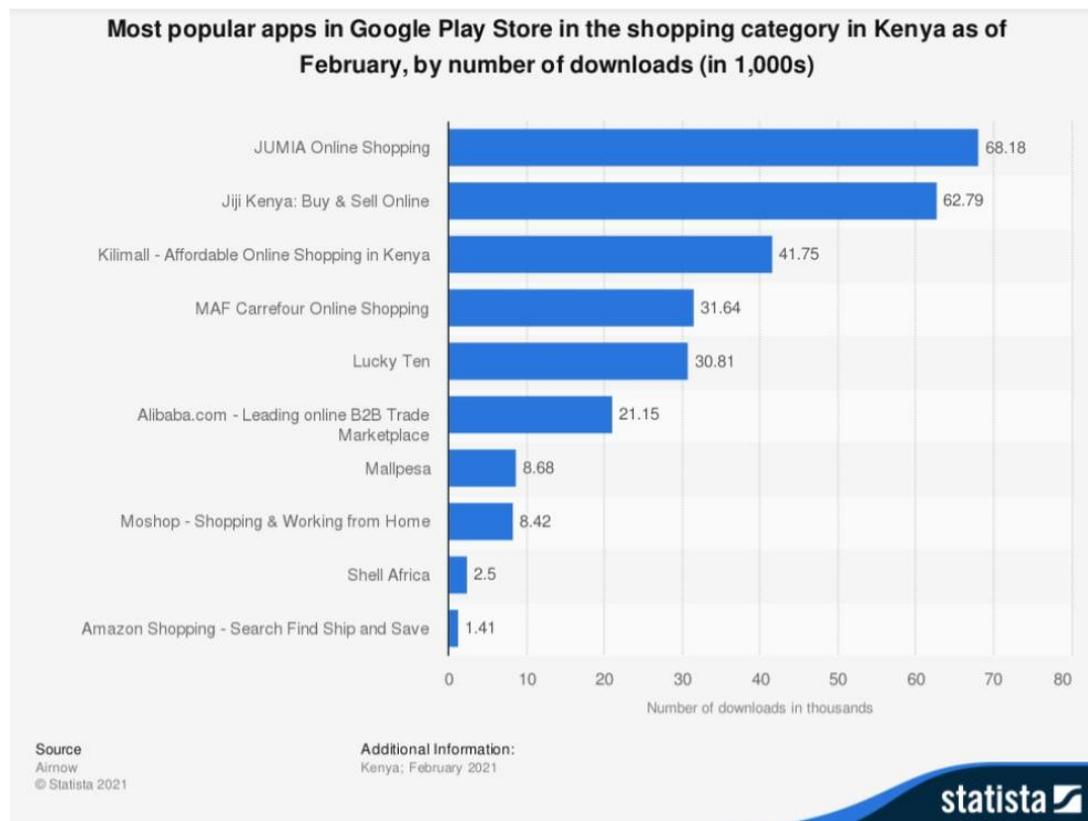
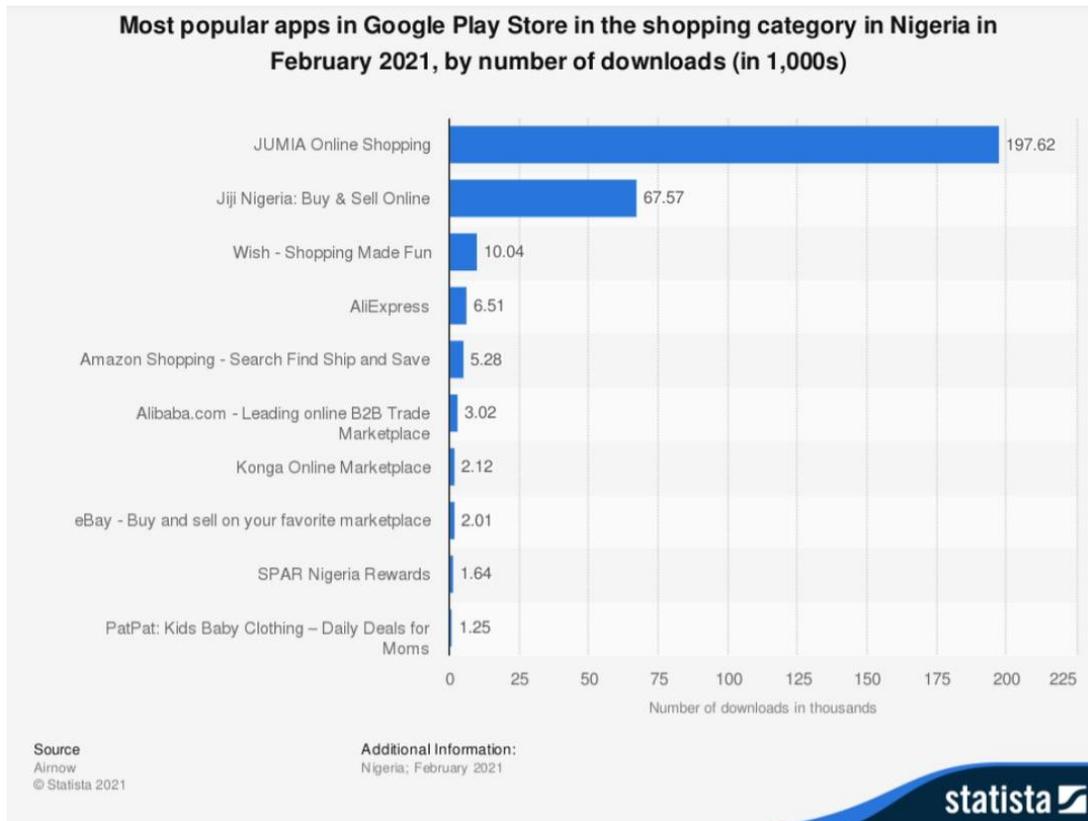
### November 2020:



### Today:



Data from Statista corroborates that JMIA is by far the leading mobile shopping app in both Nigeria and Kenya.



### 3. Brand Equity

JMIA is the #5 most admired technology brand in the entire African continent only behind Google, Microsoft, Facebook, and Amazon. To put things into perspective, JMIA has higher brand quality than McDonald's.

#### Top 100 Most Admired Brands in Africa

Rank	Brand	Industry Group	Country of Domicile
1	Google	Technology	USA
2	Microsoft	Technology	USA
3	Facebook	Technology	USA
4	Amazon	Technology	USA
5	Jumia	Technology	Nigeria
6	Alibaba	Technology	China

<https://www.brandafrica.net/Rankings.aspx>

In Nigeria alone, the most populous country in Africa, JMIA is the #1 retail brand above all physical retailers as well.

<https://africa.businessinsider.com/local/markets/dangote-group-claims-nigerias-most-valuable-brand-in-2020-award-top-50-brands/ekpweer>

You Cannot build the brand, logistics, and supply chain today for under \$7 billion.

This brings on the catalyst to why we could see \$100 in the next 12 months.

### 4. The TSLAQ Factor

The JMIA story is most reminiscent of TSLAQ. No one has ever argued that Africans won't adopt e-commerce but rather that JMIA will run out of money. Similarly, no one ever doubted that TSLA had a good product. The argument was that TSLA was on the verge of bankruptcy. The best time to buy TSLA was when bankruptcy was taken off the table.

As of December 31, 2020, JMIA had \$366 million of cash on the balance sheet. After raising net proceeds of \$341 million of cash in March 2021, JMIA now has a cash balance of over \$700 million. Over the last year, JMIA has de-emphasized

unprofitable product lines such as phones and consumer electronics. As a result, gross profit after fulfillment expense has improved from \$1 million in Q4 2019 to \$10 million in Q4 2020 while cash burn has been reduced from approximately \$64 million in Q4 2019 to \$33 million in Q4 2020. The bear thesis of JMIA eventually running out of cash has now been derailed.

*(USD in millions)*

	<u>Q4 2019</u>	<u>Today</u>
Cash Balance	\$204.3	\$707.7
Cash Utilization	\$63.6	\$32.6
Quarterly Cash Burn as % of Cash Balance	31%	5%

## **Not a Matter of If but a Matter of When!**

### **Catalysts**

#### **Beating Numbers**

Management has been hyper-focused on showing that the business can achieve profitability. Therefore, it has been difficult for Wall Street analysts to model out future quarters. Now that JMIA has exited unprofitable categories and Wall Street estimates have been lowered, JMIA will eventually begin to beat numbers. Not to mention with more cash in the bank, they can easily ramp up marketing at any time to increase topline.

#### **Partnerships**

With tech giants including Facebook, Amazon, Twitter, Apple, Google, and Microsoft all on the African continent, it is only a matter of time before one of them makes a partnership with JMIA if not an outright buyout.

#### **Takeover**

We have spoken to more former employees and industry experts than any analyst out there. While Alibaba was the obvious buyer as a JMIA takeover would save 3-5 years building the same last mile logistics network in Africa, now we would not be surprised to see any of the global tech giants making an offer for JMIA.

\*\*\*What would happen if FB bought JMIA for \$70 a share. They would become the largest pan African e-commerce company and their stock would go up minimum 3% ... they would actually make \$20 billion on the acquisition.

<https://www.cnbc.com/2017/06/16/after-its-stock-pop-amazon-will-get-whole-foods-essentially-for-free.html>

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