BRINGING VALUE IN THE RETAIL SECTOR
INVESTING IN PROGRESS
What We Offer

As the largest multilateral source of loans and equity finance for private enterprises in emerging markets, IFC, a member of the World Bank Group, brings the strength of our own $14 billion net worth, global focus, local presence, and industry expertise to bear for our clients.

- Long-term financing tailored to clients’ needs: long-term debt, quasi-equity, and equity financing products; local or foreign currency financing; tenors up to 12 years.
- Capital mobilization: syndications with commercial banks and cofinancing. IFC’s involvement increases investors’ confidence and helps mitigate perceived risks of investing in developing countries.
- Advisory services: country and retail expertise across multiple subsectors and support for financial restructuring.
- Long-term partnerships: many clients have received multiple rounds of IFC financing to support their growth and expansion.
  - Ramstore, Russia: four rounds of financing for development of hypermarkets and malls, a total of $170.5 million since 1998.
  - nova Liniya, Ukraine: two financings totaling $15 million for expansion of the company’s do-it-yourself chain; sales growth of 60 percent a year. IFC is working with the company on a third round of financing.
  - Lojas Americanas, Brazil: two financings totaling $88 million since 1995 for expansion of general merchandise stores. IFC is working with the company on a third round of financing.
- Track record: IFC’s investments span the globe. Retail approvals of $1.2 billion represent investments in 31 countries.
- Leadership in sustainability: support for efforts to improve environmental profile; promote labor, health, and safety standards; strengthen corporate governance; and build stronger relationships with local communities. Examples include cultivating local supply chains.
Expertise Across Subsectors

IFC’s sectoral expertise, regional knowledge, and leadership in sustainability offer significant value to clients, in addition to the full suite of financial products we offer. Our retail projects are in several broad subsectors: the full range of retailing, shopping malls, entertainment, and distribution (warehousing and logistics). IFC’s portfolio features 45 projects in 31 countries in Africa, Asia, Eastern Europe, Latin America and the Middle East.

A project in Egypt demonstrates the trend toward integration among players in the retail industry. IFC’s $15 million loan is helping the Egyptian-owned Mansour Group build more of its Metro Market grocery stores in urban areas where demand is high, as well as modernize its dairy product and juice processing plant in Alexandria, for a total project cost of $48 million. IFC’s role: long-term financing in a country with few similar financing options; advice to improve health and safety standards in processing and packaging; and help in building local supply chains, particularly through linkages with small farmers in remote rural areas.

Development and Economic Impact

A development bank and member of the World Bank Group, IFC promotes private enterprise growth and job creation in the developing world. IFC helps clients understand the business case for social and environmental responsibility: less political risk, higher productivity and efficiency, and brand enhancement. We help clients align projects with governments’ economic development priorities for maximum development impact. IFC’s retail projects have created:

- More than 95,000 high-quality direct jobs: workers acquire marketable skills and have opportunities for advancement
- Hundreds of thousands of indirect jobs
- Transfer of global management knowledge
- Accelerated modernization of the retail sector
- More tax revenues for governments
- Local small business growth: sectors include agribusiness, food processing, wholesalers, suppliers, manufacturers, and distribution and logistics
- Better environmental management systems, helping lower emissions and improve energy efficiency
- Wider product choice, quality, and affordability for low-income consumers
SUPERMARKETS, HYPERMARKETS, SHOPPING MALLS: QUALITY, AFFORDABILITY, CONVENIENCE

As emerging market nations stabilize and their economies grow, there is more consumer demand – for choice beyond small neighborhood stores and kiosks, for wider variety, and higher-quality goods at competitive prices. Supermarkets give consumers a modern shopping experience while increasing affordability and availability. This can have an additional positive impact for the long term, as more consumers have access to healthy food choices.

Expanding Consumer Options

Within the retail sector, IFC has financed supermarket and hypermarket chains, apparel distributors, specialty shops, coffee shops, do-it-yourself stores, and electronics stores. IFC is encouraging new and experienced players to invest in projects that blend profit potential with job creation and environmental stewardship – a combination that can benefit the company, local consumers, and the country as a whole.

Hypermarkets and shopping malls allow for the convenience of one-stop shopping for consumers across the income spectrum. IFC financing is helping clients tap the external funding they need, which might otherwise be unavailable – or too costly. For example, IFC’s long-term financing has helped Turkish-owned Ramenka build a network of Ramstore hypermarkets and shopping malls across Russia, beginning when there was little access to international finance for projects in the country’s retail sector. The chain offers high-quality goods at affordable prices in modern, convenient settings.

Mercator: Partnering with Regional Players

Leading regional retailer Mercator wants to be the retailer of choice in southeastern Europe, as consumer demand picks up along with the economies. The company is on the move, and IFC has provided a long-term loan of $40 million to support Mercator’s expansion in Bosnia, Herzegovina and Serbia. The expansion is focusing on hypermarkets and supermarkets, with an emphasis on building the quality and efficiency of local supply chains. The company’s goal is to increase its sales outside Slovenia to 45 percent in the next seven years, from 25 percent today.

Publicly-traded parent company Poslovni sistem Mercator, d.d. currently operates 1,200 stores, mostly in Slovenia. The company has captured a 5 percent market share in Bosnia and Herzegovina and 10 percent in Slovenia. Stores sell fast-moving consumer goods, clothes, furniture, and household appliances. Mercator also operates convenience stores, groceries, and hypermarkets.
**IFC Role and Development Impact:**

- $40 million in long-term financing in support of three-year expansion plan in Bosnia, Herzegovina, Croatia, and Serbia
- 19,000 employees in group, 6,000 outside Slovenia
- Thousands of indirect jobs through linkages with local suppliers
- Catalyst for competition in southeastern Europe’s retail sector, helping lower prices and expand access to higher quality goods
- Stimulating commercial development in a strategic area in northern San Salvador
- Developing local skills in modern retailing
- Creating small business opportunities
- Increasing availability of housing, retail options
- Generating tax revenues, encouraging tourism and business travel

**Metrocentro: Destination Shopping in El Salvador**

Grupo Poma is the largest shopping mall operator in Central America. A $25 million IFC loan has helped the company build the $55 million Multiplaza Panamericana mall.

As the group’s flagship mall in El Salvador, the striking complex introduces a new concept of a fully integrated, mixed-use development combining shopping and leisure. A second phase includes high-rise apartments, office blocks, and a hotel, all linked by an underground road network and parking.

Grupo Poma, the project sponsor, brings vast experience in managing similar mixed-use complexes across Central America. The group also holds business interests in other industries, including real estate, hotels, and automotive parts.

IFC’s long-term financing filled an important need for the company, given the size and unique nature of the project – the first of its kind in El Salvador.
**DO-IT-YOURSELF: TOOLS FOR HOME IMPROVEMENT**

**Sodimac Colombia: Supporting Expansion and Modernization**

Sodimac is Colombia’s largest home improvement chain, comparable to America's Home Depot. A joint venture between Corona, a leading building materials manufacturer in the Andean region, and Falabella, one of the largest retailers in South America. Sodimac has grown steadily reaching 13 stores in five cities (Barranquilla, Bogota, Cali, Medellin, and Pereira) under the three successful formats: Homecenter is a typical “big box” home improvement store. It targets consumers shopping for tools and materials for everyday repair and maintenance projects. Constructor, a drive-through store, is aimed at small contractors and the serious, skilled do-it-yourself enthusiast. Venta Empresa offer products for maintenance and remodeling to large, medium and small businesses.

IFC’s 2007 investment is helping Sodimac ramp up its growth and prepare the company for more intense competition in the future. Plans include construction of more than 10 new stores across Colombia within three years.

**IFC’s Role and Development Impact:**

- $40 million in long-term local currency financing, plus exposure to international lending practices in support of future international expansion plans
- Strengthen Sodimac’s ability to continue growing and provide consumers with a wide range of products at an affordable price
- Support for pilot to encourage local small supplier development
- 2,500 new direct jobs
- Thousands of indirect jobs, with expansion of local supply and distribution network
- Expanded and better access to home improvement supplies at lower prices, with wider selection and better quality in Colombia’s second-tier cities

**IFC’s emphasis on “Do-It-Yourself” retailers is growing as home ownership becomes a reality for more citizens in the developing world and the demand for home improvement goods grows.**
APPAREL: FASHION AND ECONOMIC GROWTH

IFC investments in apparel retailing are just an aspect of our focus on the garment industry, an important growth engine in many developing countries. These countries offer strong advantages for investors, including lower operating costs and eager workforces. Our apparel industry investments span the entire value chain, from cotton spinning to textile manufacturing, from new fiber development to garment finishing, and from denim production to retail sales.

Unitim, Turkey: Expansion and Better Corporate Governance

Turkey’s Unitim Group is a family-owned company that has grown rapidly since its founding as a textile manufacturer in 1985. It now holds the license for several popular western brands, including manufacturing and distribution contracts with well-known apparel company Tommy Hilfiger. Leveraging demand for American-style clothing and a boom in Turkish retail sales, the group also represents Aldo, Camper, Gstar, Thomas Pink, Sephora, Accessorize, and Harvey Nichols. The company plans to open 47 new stores in the next few years in Turkey and neighboring countries.

IFC is helping the company diversify its funding sources while improving its corporate governance, so that it can continue to take advantage of growth opportunities in manufacturing and retail.

IFC’s Role and Development Impact:
- IFC’s global industry and technical knowledge helps sharpen Unitim’s strategic focus
- Long-term financing improves Unitim’s financial position and diversifies its financing sources
- The Project will help facilitate the transfer of new technology and manufacturing innovation to their businesses abroad

NICHE RETAIL: MEETING CONSUMER DEMAND

IFC investments are cultivating unique shopping experiences for local consumers as well as visitors and tourists around the world, ranging from electronics to music. Expanding the range of specialty shops contributes to a vibrant retail sector and encourages consumer spending – an important barometer of economic growth. Among the niche retailers that have received IFC support:

- Saraiva S.A. Livreiros Editores: IFC financing enabled the expansion of this Brazilian chain of mega-bookstores and a busy online storefront. The company is also a leading Brazilian publisher of educational and legal books. The expansion has contributed to the company’s impressive growth in profits, while popularizing reading as a past-time in the country.

- Jiangsu Five Star: IFC committed a $7 million equity investment in China’s fourth-largest consumer electronics chain, an involvement that ultimately encouraged the company’s purchase by a global electronics chain. With IFC’s help, the company has focused on corporate governance and environmental and social improvements as part of its expansion.

- ABC Coffee: IFC’s $15 million long term financing is helping this integrated coffee roaster and retailer meet the Indian consumer’s growing thirst for coffee by expanding its network of coffee shops, under the familiar CafeCoffeeDay brand. As the market leader, the company is defining “cafe culture” in India. ABC Coffee is also a leader in environmental and social responsibility: ABC is the first UTZ certified* producer from India, and strictly follows UTZ code of conduct which endeavors to promote responsible coffee production while working toward enhancement of the social, environmental and economic conditions of the farmers.

*The UTZ certified foundation (based out of Netherlands) is a credible trust mark for brands worldwide to meet their customers’ expectations regarding social and environmental responsibility.
ENTERTAINMENT: SAFE, AFFORDABLE LEISURE

IFC supports projects in this subsector to provide safe, affordable leisure outlets and cultural opportunities, especially for young people. As the middle class grows in emerging markets, demand for such opportunities increases exponentially, creating a strong business opportunity for experienced project sponsors.

For example, IFC is supporting Prof Media, the media arm of Russian conglomerate Interros, as it builds more movie theaters in Russia to meet growing consumer interest in cinema. The $120 million project cost will enable growth and diversification for this locally owned company, creating a chain of 12 multiscreen cinemas that build on success of the company’s theaters in Moscow. IFC’s role was critical, given the lack of long-term financing for projects in Russia’s media and entertainment industry.
IFC FINANCIAL EXPERTISE IN ACTION

The run-up to an initial public offering can be a delicate time for a company, and IFC’s track record demonstrates the value of a trusted financial partner to help ensure success of the IPO. Equally complex: the shift from government control to private enterprise. IFC, as a trusted financial advisor, can help ensure a smooth transition.

Privatizing and Modernizing Department Store Shopping in Egypt: Omar Effendi

Established in 1856, Omar Effendi is Egypt’s largest department store chain, with 82 stores. After 50 years under state ownership it was successfully privatized in 2007. The chain is now owned by Saudi Arabia’s Anwal United Trading Company, with the government of Egypt retaining a minority stake. With IFC’s help, the company is embarking on an ambitious modernization program that will help the chain provide affordable prices and modern shopping experiences for consumers across the income spectrum, in a marketplace that has featured a few high-priced stores and large number of traditional stores.

With IFC’s assistance, the newly privatized company will help modernize the retail sector, a catalyst for growth in the country. In addition, Omar Effendi’s higher sales will increase demand for locally sourced goods, expanding opportunity for local textile producers and other general merchandise manufacturers and suppliers.

Jameel Al Gnaibet, Chairman of Omar Effendi, says that IFC’s support has been important as the company moves forward following privatization. “We are very pleased about the turnaround for Omar Effendi, which is very important in the broader context of Egypt’s economy. We are also happy that IFC is helping us prepare the company for the next stage. By modernizing and improving efficiencies, we plan to provide better consumer experience for our customers.”

IFC’s Role and Development Impact:

• IFC provided a $40 million loan and purchased equity to become a 5 percent equity owner supporting an important privatization that will pave the way for future privatizations
• Guidance: IFC’s experience with other international chains helped Omar Effendi revive its brand
• Job retention and creation as demand grows for locally sourced goods
• Benefits for the country’s retail sector, which is a catalyst for further economic growth
WE ALSO PROVIDE DIRECT FINANCIAL SUPPORT FOR WHOLESALERS AND DISTRIBUTORS:

IN UKRAINE
IFC provided $8 million in loans to support expansion of warehousing capacity for a third-party distribution and logistics provider in Kyiv. IFC’s role: long-term debt financing, support financial restructuring, and better environmental performance and labor standards.

IN CAMEROON
A country constrained by limited financial resources and a poorly developed banking sector, IFC provided critical funding for UC-Pharm’s new pharmaceutical distribution venture. Demand for pharmaceuticals is high in the country, where there is little local production of medicines and where the market is growing at an annual rate of 7.5 percent. UC-Pharm is using IFC’s $2.1 million in local currency loan guarantees to put its business plan in action: importing and selling pharmaceuticals to local drug stores from new distribution centers in the two largest cities.

BUILDING LOCAL SUPPLY CHAINS
While IFC retail projects vary in type, size, and country, they share one core component: their role in cultivating local supply chains. For our clients, local supply chains mitigate foreign currency exchange risk and can greatly reduce the cost of goods, improving the bottom-line profit that is critical for a sector typified by slim margins.

A competitive, reliable local supply chain can help maintain price points so that retailers can differentiate themselves as more players enter the market. The local economy as a whole benefits as well: the development of new, related industries such as agribusiness, food processing, light manufacturing, warehousing, and distribution creates jobs, contributes to the tax base, builds local banking capacity, improves infrastructure, and raises labor standards. In turn, these economic benefits create wealth and disposable income – resulting in more spending on retail goods.
OUR APPROACH

IFC seeks to partner with strong, stable firms that have an understanding of local and regional markets, a track record of success, and an abiding commitment to transparent corporate governance and to social and environmental responsibility.

We look for:

- Global industry players with expertise in emerging markets who have economically sound projects that promise strong development impact
- Local industry players that are growing in their own markets or expanding into other emerging market countries
- Projects in densely populated urban areas
- Projects in markets where demand is strong and markets are not overheated
- Multistore projects with plans for centralized management, purchasing, and distribution
- Projects on appropriately planned and zoned land
RETAIL: INVESTING IN PROGRESS

IFC’S RETAIL PORTFOLIO
Since 1984, IFC has invested over $1.2 billion in the retail sector globally. IFC’s current retail portfolio totals 35 projects in 31 countries.

![Distribution by Sub-Sector](image1)

![Distribution by Region](image2)

For more information about IFC’s financial products and advisory services in the retail sector, please contact a team member:

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