CA Sales Holdings is a fully integrated fast-moving consumer goods (FMCG) distribution, merchandising, and warehousing business operating across Southern and Eastern Africa.

The group provides route-to-market solutions for several leading global consumer brands, including Tiger Brands, Mondelēz, Diageo, and Unilever, ensuring their products reach retail shelves quickly and efficiently.

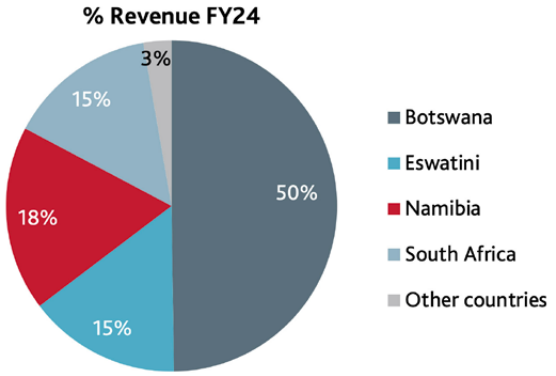
Unlike pure logistics operators, CA&S's value lies in its ability to connect multinational FMCG companies with African consumers through strong sales execution, marketing, and retail visibility. The group's established presence in Botswana and Namibia, together with a growing footprint across the broader Southern and Eastern African region, positions it well to capture growth in under-served and informal retail markets.

CA&S exists to bridge the gap between large multinational brands and consumers in otherwise hard-to-reach markets. Leveraging its deep local networks, the group distributes FMCG goods to remote and informal retail channels across Botswana, Namibia, and the wider Southern African region, while expanding into Eastern Africa to capture new growth opportunities.

History and Listing

CA Sales is a relatively small mid-cap company with a long history in the FMCG distribution space. Its roots trace back to CIC Holdings, an FMCG distributor that was previously part of the PSG stable. Its origins trace back to CIC Holdings, formerly part of PSG, which was sold to Imperial Holdings in 2010. The former CIC management team later regrouped to establish what is now CA&S Group, with PSG taking an early stake. The group listed on the Botswana Stock Exchange in 2017 and obtained a secondary JSE listing in 2022. Current CFO Frans Reichert previously held the same role at CIC Holdings, providing valuable continuity in leadership.

As can be ascertained from the graph below, the bulk of CA & Sales' revenue is derived from Botswana, the 'Diamond Kingdom'. While diamonds may sound glamorous, the country's heavy reliance on the gemstone has not exactly been a success. Recent years' sharp decline in diamond prices has left an economy anchored to mining under pressure, which is reflected in the relatively subdued performance of the company's core operations there.



Source: CA Sales financials, Umthombo Wealth

Overall, revenue growth was very muted at 4%, but expanding margins allowed operating profit and PAT to grow more meaningfully, highlighting healthy operating leverage. Gross profit, EBIT, and net income margins all improved slightly, while headline earnings per share rose around 16%, showing that the business can convert modest revenue gains into stronger profit growth. While the 16% bottom-line growth is commendable, it is notably below their usual 20% CAGR.

Growth Ambitions and East African Expansion

This may be a slight bump in the road for CA Sales' broader ambitions. The FMCG group is guiding towards revenue of around R20 billion by FY26, compared to R12.6 billion achieved in FY24 (year-end December). While we do not believe this target is entirely realistic, it does reflect the scale of management's ambition and strategic intent. Importantly, these targets are not unfounded as the group has a credible plan to drive profitable growth.

Following its JSE listing, management indicated plans to expand into faster-growing East African markets, including the acquisition of a 35% stake in Tradco Group for R108.4 million. Unlike its core SADC markets of Botswana and Namibia, which have populations of roughly 2.5 million and 3 million respectively, East Africa is emerging as the continent's key hub for both economic and demographic growth, which if tapped correctly could pay off in both a population and financial dividend.

South African Market Opportunity

The group also has further plans and levers to grow its bottom line. A first point of call does not mean the Centurion-headquartered company has to look beyond its home market. South Africa remains a surprisingly strong growth opportunity, particularly in the informal trade sector, which research shows is worth R716 billion. To put this in perspective, Shoprite's revenue from South Africa was R174 billion in 2023.

In line with this strategy, CA Sales Holdings acquired a 49% stake in Roots Sales (Pty) Ltd, a South African company specializing in sales, merchandising, and delivery solutions for the informal market. The acquisition was completed on March 25, 2024, for R70 million. This deal has already boosted South Africa's contribution in the latest results, with SA growth standing at 13% and operating margins exceeding those of the group's core markets.

Investment Considerations

We believe the easy gains have already been made, as the stock has more than doubled since late 2022 and currently appears fairly priced. However, a credible investment case could still be feasible if we see consistent and sustainable margin expansion, a successful route-to-market in Anglophone East Africa, a supportive economy in their core market of Botswana, and continued strong contributions from South Africa.

If CA Sales continues to expand, reach new milestones, and maintain growth across its key markets, it could become the next breakout mid-cap on the JSE, representing a very exciting and compelling opportunity.