

Pepkor expands to South America with acquisition of Brazil's Avenida

JSE-listed Pepkor, which owns retail brands including Pep, Ackermans and Incredible Connection, has acquired Brazilian value retailer, Avenida, effective from 4 February 2022. Pepkor, which is Southern Africa's largest retailer by store footprint, plans to significantly grow Avenida's presence in Brazil.



Source: Supplied

Representing less than 4% of Pepkor's market capitalisation, the transaction enables Pepkor to partner with Avenida's founder-led management team in Brazil to "unlock significant growth" in the largest economy in Latin America, the retail group said.

Pepkor said that after more than two years of research into emerging market opportunities and a thorough due diligence by management and various advisors, Avenida was identified as a strong strategic fit.

Operating in the low end of the Brazilian retail market with a diversified product mix across its 130 stores, Avenida has a market-leading presence in core regions of Brazil. A lower to middle-income population of approximately 212 million people provides enormous potential to exponentially increase its store base and revenue, Pepkor said.

Emerging market with growth potential

Pepkor has successfully replicated its discount and value business model within emerging markets, having previously owned Pepco in Central and Eastern European - growing this business grew from 13 stores to more than 3,500 today.

Pepkor's CEO, Leon Lourens commented: "We are excited about this new chapter for Pepkor to enter a new geography with enormous growth potential. Pepkor has proven to be successful in the international expansion of its business model in the past and we look forward to entering the Brazilian retail market in partnership with the Avenida management team.

"The combination of Avenida and Pepkor brings together the required capital, retail synergies and the collective know-how to bolster Avenida's growth in years to come. I believe that together we will be able to build and grow Avenida to become a giant in Brazilian value retail."



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Preliminary financial results for the 2021 financial year indicate that Avenida was able to comfortably surpass 2019 sales levels with a turnover of BRL 773m.

Avenida's CEO, Rodrigo Caseli said: "As founders of the Avenida business we are proud to join a globally respected value apparel group such as Pepkor and look forward to expanding and growing the Avenida business in Brazil. We are excited to leverage the core assets and competencies of the Pepkor Group as we continue our journey to fulfill our huge potential."

Pepkor said Avenida is a compelling addition to the group due to its high levels of corporate governance and reporting, a proven business model in Brazil and a similar culture and values to those of Pepkor.

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