


# AFRICA EATS, LTD.

## Investor Report

Q2 2022

Updates
Opportunities
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Valuation
Financials

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# HALFWAY THROUGH 2022

Africa Eats was launched in the middle of 2020, in the early days of the pandemic. The second half of 2020 was spent fundraising and proving out the power of the holding company model. Calendar year 2021 continued organizing, creating processes for efficiently deploying capital and culminating with an in-person gathering of 50+ (co)founders and key managers in Nairobi in November to discuss how to make the most of the holdco.

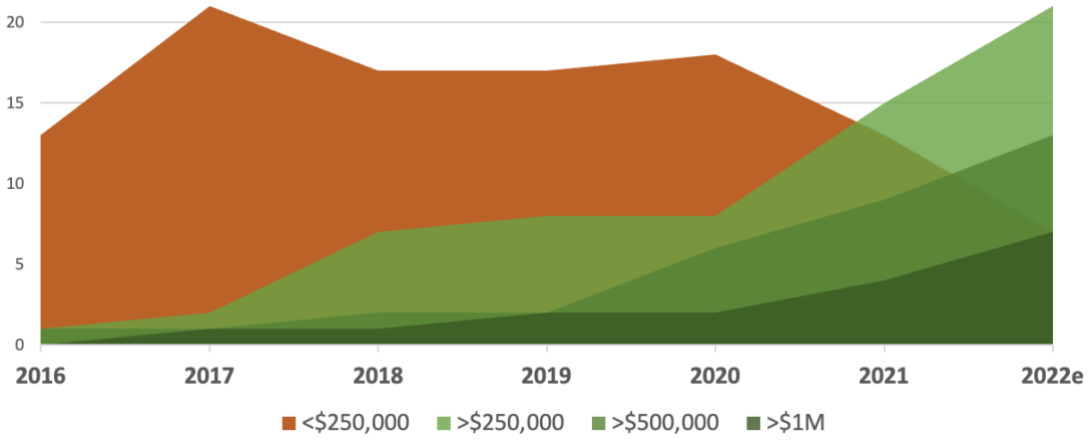
Now that all that set up work is completed, Africa Eats in 2022 is an established company, with a multi-year track record, but with the excitement that comes with managing growth-oriented businesses, as growth continues across the portfolio along with the rise of unexpected opportunities.




Three of the largest opportunities are explained on the next three pages. Meanwhile, the overall portfolio continues to be based in 10 countries, feeding populations in 15 countries across Africa plus exports to a handful of countries in Europe, Asia, and the Middle East.

## STEP CHANGES

Historically, Africa Eats has measured the growth of its portfolio by focusing on the aggregate revenues of its investees. In 2022 we published a cohort analysis, looking at how many companies were earning under $250,000 in annual revenues, between $250,000 and $500,000, between $500,000 and $1 million, and over $1 million.




The goal was to better understand what companies at each scale need to grow, and to start tracking the success rate as measured on that scale. The growth spurt starting in 2020 can be attributed to the creation of Africa Eats and its direct financial and non-financial support of its 30 companies. The portfolio of tiny companies earning an aggregate of $1.6 million in 2016 has grown to be a portfolio in 2021 that earned an aggregate of $16.8 million in annual revenues.

*Three of the largest opportunities in 2022 include:*

## OPPORTUNITY #1: THE KISII BANANA FACTORY

**Boka Eats** took a circuitous route into Africa Eats. Its founders attended Fledge as Bieera Energy, an idea-stage startup focused on bringing reliable electricity to Kisii County in Kenya. The founders birthed the energy company because they had already founded a handful of small manufacturing companies in the county and struggled with the reality that the power lines had electricity only a few days per month.

The largest of these manufacturing companies is Boka Feeds, producing animal feed in the mountainous, rural, farming counties of Kenya. In 2021, Boka Feeds, renamed and restructured as Boka Eats, built a mid-sized factory to expand its operations. In early 2022, Africa Eats had agreed to fund a solar energy system to provide reliable power to that facility.

Upon applying for the requisite license to operationalize the factory, the Kisii County government asked the team at Boka Eats if they were interested in operating the new, EU-funded, $1.5+ million banana factory that had just been completed. In June 2022, Boka Eats signed a 30-year lease to operate the banana factory.



The solar funded by Africa Eats is being installed at the banana factory and is sufficient to power that whole production line. Reliable power wasn't included by either the EU or county government in their plan, and thus Africa Eats is now looked upon by the government as a key partner in making this facility a success.

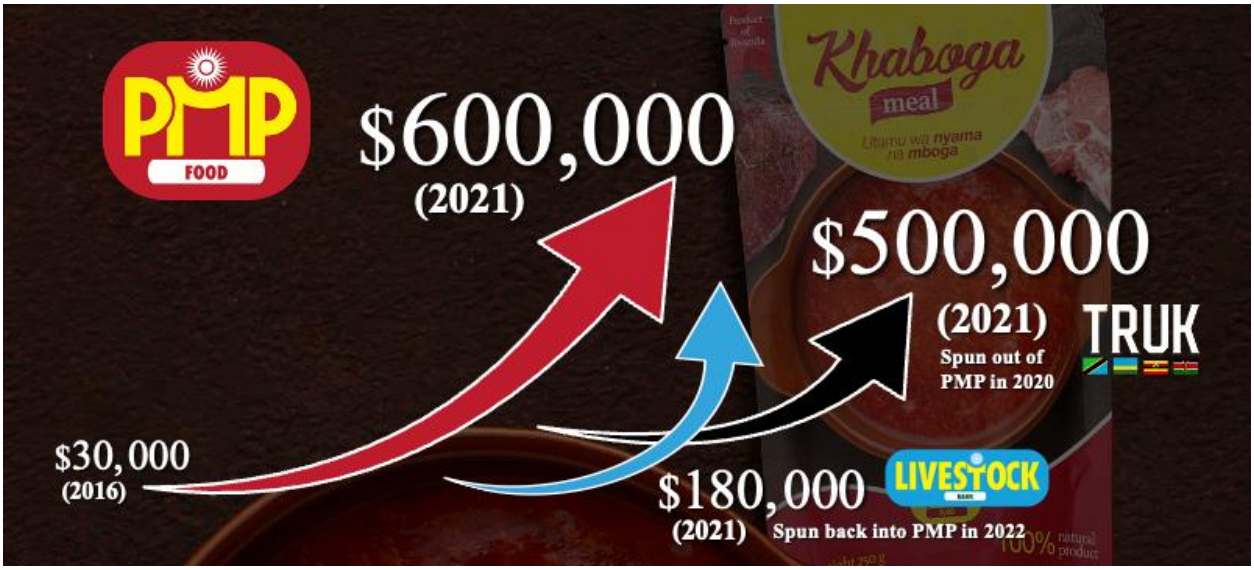
Another set of partners in this project are the 11,000+ farmers who were given banana seedlings, plus the tens of thousands of other smallholder farmers in Kisii and neighboring counties who were already growing bananas. The region is known for bananas, but there is insufficient commercial-scale logistics to transport those bananas to the cities of Kenya, and prior to this factory, no facility to process the bananas. The buildings in the picture above that look like greenhouse are for drying bananas using the sun, and the machines inside the large building turn the dried fruit into banana flour, a popular food ingredient in Europe.

This opportunity can quickly grow from tens of thousands to tens of millions of dollars per year in annual revenues, but only with additional investments. The EU funded the factory but did not fund any trucks to pick up bananas from those tens of thousands of farmers, nor any trucks to ship bananas (fresh or dried or flour) to Nairobi and Mombasa.

Fundraising for trucks, operational capital, etc. to seize this opportunity falls to Boka Eats and Africa Eats.

## OPPORTUNITY #2: PANIEL EXPORTS

**Paniel Meat Processing**'s annual revenues had already grown twenty-fold by 2021, not counting the revenues from Livestock Bank or TRUK (Rwanda). All combined those three companies, all founded by Herve Tuyishime, grew from $30,000 when we met him in 2016 to over $1.2 million in six years.




Africa Eats' first investment in 2022 went to TRUK (Rwanda), doubling the size of its fleet. That company in 2022 is on track to far more than double revenues.

A separate investment in Q2 2022 went to Paniel Meat Processing, which spun Livestock Bank back into PMP in preparation for a large investment from another institution, to build out a facility to grow and process cattle for export.

There is a growing demand for beef in the Middle East, and Africa is poised to be a major supplier for that market, if only for sufficient infrastructure.

The opportunity for PMP is measured in millions of dollars. In this case, co-investors are expected to fill in the bulk of the capital required. Africa Eats provided the first $100,000 to help ensure the company was ready for investors, and to secure our minority interest before PMP's revenue and valuation leap up from this opportunity.

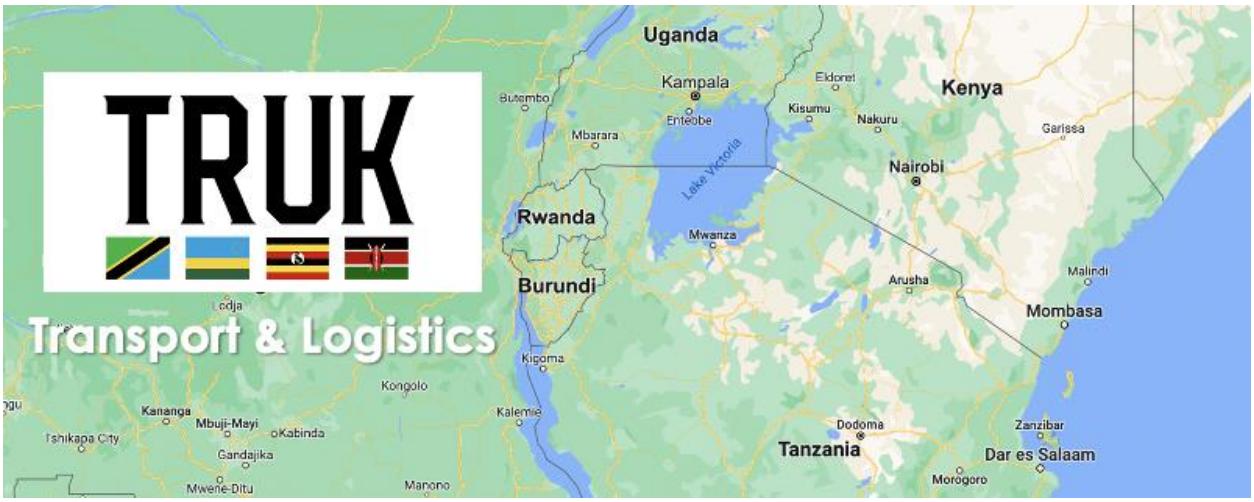
No co-investor has been secured yet for this or PMP's domestic growth opportunities, which are aimed at filling in the gap of protein for poor Rwandan subsistence farmers.

### *BALANCING CAPITAL, OPPORTUNITIES, AND CO-INVESTORS*

*Africa Eats has to constantly balance capital, opportunities, and co-investors, as the total opportunities always exceed the total capital available to invest. Without these limitations, Africa Eats would simply invest in all the best opportunities, without looking for co-investors. However, given limited capital, Africa Eats looks to co-investors to help fill in the gaps, to help share the risks, and to help fill in future gaps as, no doubt, most of these opportunities will require more time and more capital than initially planned, even as co-investors join in.*

## OPPORTUNITY #3: LOGISTICS IN TANZANIA

Africa Eats' portfolio includes five companies in Tanzania (East Africa Fruits, Swahili Honey, Rogathe Dairy, Obri, and Goldenpot) which collectively spent **over $1.5 million** in 2021 on logistics, and which will collectively spend at least twice that amount in 2022.




The pattern we've seen at our portfolio is that the smallest companies solve their logistics needs by hiring "the man with the van". The medium size companies augment that solution with their own truck, then two, then three. But at some point, the outside contractors can't keep up with the scale of the logistics nor the on-time reliability required to operate a $1+ million business, and the only solution is to build out an internal logistics team.

TRUK (Rwanda) clearly demonstrated that this is a common problem across the food/ag industry. TRUK (Rwanda) provided logistics for over 100 customers in 2021, serving not just logistics within Rwanda but also imports from Zambia and exports through Tanzania and Kenya.

The plan for 2022 is to spin out TRUK (Tanzania) from the existing internal logistics teams at the Africa Eats' Tanzanian companies. If the spin-out solely serves those five companies in 2022 it would in its first year be one of the largest logistics companies in Tanzania. The expectation is that the scale would attract lenders and co-investors to help it scale further to support the thousands of other food/ag companies in that country.

The two TRUK companies would be independent to start with, partnering when customers ship between Tanzania and Rwanda (or beyond), with an eye toward eventually growing into Uganda and Kenya, and an eye toward eventually merging together into a logistics solution spanning all the countries of the East African Community.

The challenge of making this vision a reality is funding. Logistics is a capital-intensive business. Supporting the planned growth of East Africa Fruits, Swahili Honey, and Rogathe Dairy requires at least $1 million worth of trucks and collection centers. Spinning out the existing fleet and teams costs at least another $1 million.

Africa Eats is in discussions with numerous institutional investors to co-fund these efforts, but one reason logistics solutions do not exist in most African countries is that institutional investors see trucks, warehouses, and cold chains as 19th Century technologies, and thus not exciting.

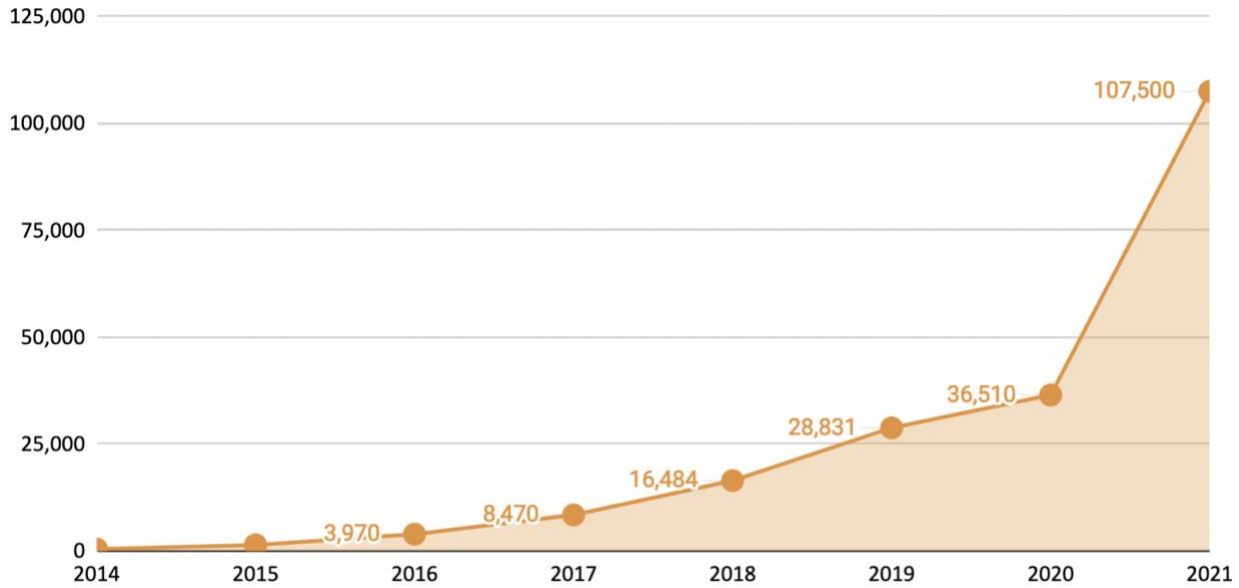
## AGGREGATE REVENUES

It takes a few weeks to gather the results for the previous quarter, and thus the Q3 update will include the aggregate portfolio revenues for the first half of 2022, just as the Q1 report included the aggregate for 2021: **$16.8 million**, up 73% from 2020, above the historic compounded growth rate of 60%.




## SMALLHOLDER FARMERS

Underlying nearly all of this revenue are smallholder farmers. We only gather that KPI annually. At the end of 2021, our portfolio companies were buying from or selling to an estimated **107,500 smallholder farmers**, up 297% from 2020.



# VALUATION

Africa Eats revalued its portfolio in February 2022. The methodology used was a multiple of annual revenues. Co-investments and market research show that African food/ag. companies with growth rates as seen in our portfolio are valued around 4x annual revenues. For example, East Africa Fruits' Series A, led by Goodwell Investments and joined in by others, which closed in Q1 2021, valued that company at 4x projected revenues for 2021.

To err toward conservative, and to not rely on projected values, Africa Eats uses trailing annual revenues in its valuation methodology. Each company was assigned a multiple on its revenues based on its historic growth rate, its overall scale, with adjustments made for companies with larger than normal assets.

Most of the companies were assigned a multiple of 3.0, 3.5, or 4.0. For the smallest companies, such multiples produce valuations that are unrealistically low, and thus for a handful of the smallest companies, the values used were 5, 6, or 8.

The one exception to this methodology is Built Accounting, which is a fintech company, not a food/ag SME. Fintech companies with equivalent traction are valued at $1 million or more, regardless of revenues. Africa Eats assigned a valuation of $1 million to Built Accounting.

The re-valuation in February 2021 used the reported 2021 annual revenues. The total value of the portfolio was estimated at $63 million, with Africa Eats owning $6.3 million of that total.

As new equity investments are made into the portfolio companies, the valuation is updated using the revenues from that company's trailing four quarters. As of the end of Q2 2022, the updated valuation is **$67 million**, with Africa Eats owning **$7.9 million**.

CharterHCP, a boutique investment bank based in London, generated their own valuation using the reported 2021 revenues and a similar revenue-multiple methodology, and their estimated valuation was nearly identical, at $65.5 million.

CharterHCP

| | Date | ID | Company | 2021 Revenues | M+ | Total Valuation | Equity % | AE's Value |
|---|---|---|---|---|---|---|---|---|
| 1 | 30-Dec-2021 | AFRIHEALTH | Afrihealth | $230,000 | 4.0x | $920,000 | 13.00% | $119,600 |
| 2 | 23-Jun-2021 | AGROSUPPLY | Agro Supply | $1,080,000 | 4.0x | $4,320,000 | 26.90% | $1,162,080 |
| 3 | 14-Jun-2019 | AGROMYX | Agromyx | $240,000 | 4.0x | $960,000 | 6.00% | $57,600 |
| 4 | 5-Oct-2021 | AMURIA | Amuria Honey | $122,071 | 4.0x | $488,284 | 22.80% | $111,329 |
| 5 | 25-Mar-2021 | BOKA | Boka Eats | $100,000 | 4.0x | $400,000 | 0.00% | $0 |
| 6 | 14-Jun-2019 | BUILT | Built Accounting | $86,000 | 4.0x | $344,000 | 6.00% | $20,640 |
| 7 | 17-Aug-2020 | CHIKCENBASKET | Chicken Basket | $992,000 | 4.0x | $3,968,000 | 21.6% | $857,088 |
| 8 | 3-Mar-2014 | EAFRUITS | East Africa Fruits | $5,563,113 | 4.0x | $22,252,452 | 0.6% | $131,154 |
| 9 | 17-Aug-2020 | GEOSSY | Geossy | $418,701 | 4.0x | $1,674,804 | 36.3% | $607,954 |
| 10 | 10-Apr-2017 | GOLDENCAT | Golden Cat | $304,172 | 4.0x | $1,216,688 | 6.0% | $73,001 |
| 11 | 6-Mar-2021 | GOLDENPOT | Goldenpot | $251,500 | 4.0x | $1,006,000 | 9.6% | $96,576 |
| 12 | 25-Apr-2018 | GREENCHUG | Green Charcoal Uganda | $224,553 | 4.0x | $898,212 | 5.70% | $51,198 |
| 13 | 1-Mar-2020 | HONEYPRODUCTS | Honey Products | $90,000 | 4.0x | $360,000 | 6.00% | $21,600 |
| 14 | 18-Aug-2020 | KALAHARI | Kalahari Honey | $264,000 | 4.0x | $1,056,000 | 30.1% | $317,856 |
| 15 | 3-Jul-2017 | LIVESTOCK | Livestock Bank | $179,352 | 4.0x | $717,408 | 2.00% | $14,348 |
| 16 | 15-Sep-2021 | OBAMASTOVE | Obamastove (SPC) | $172,302 | 4.0x | $689,208 | 27.1% | $186,731 |
| 17 | 16-Sep-2021 | OBAMAKENYA | Obamastoves Kenya | $0 | 4.0x | $0 | 25.0% | $0 |
| 18 | 18-Aug-2020 | OBRI | OBRI | $542,028 | 4.0x | $2,168,112 | 13.2% | $286,191 |
| 19 | 14-Jun-2019 | OREEGGS | Oreeggs | $180,000 | 4.0x | $720,000 | 10.0% | $72,000 |
| 20 | 3-Jul-2017 | PANIELMEAT | Paniel Meat Processing | $603,861 | 4.0x | $2,415,444 | 12.4% | $299,515 |
| 21 | 18-Aug-2020 | PAPOLI | Papoli Farmers | $186,667 | 4.0x | $746,668 | 20.0% | $149,334 |
| 22 | 1-Mar-2020 | ROGATHE | Rogathe Dairy | $1,945,000 | 4.0x | $7,780,000 | 6.00% | $466,800 |
| 23 | 15-Sep-2021 | SWAHILI | Swahili Honey | $1,467,800 | 4.0x | $5,871,200 | 8.06% | $472,986 |
| 24 | 2-Dec-2021 | TILAA | TILAA | $252,361 | 4.0x | $1,009,444 | 32.20% | $325,041 |
| 25 | 13-Apr-2015 | ZAMGOAT | Zamgoat | $41,924 | 4.0x | $167,696 | 38.9% | $65,234 |
| 26 | 25-Apr-2016 | ZIWETO | Ziweto | $839,674 | 4.0x | $3,358,696 | 24.0% | $806,087 |
| | | | Total | $16,377,079 | | $65,508,316.00 | | $6,771,943 |

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# THE PORTFOLIO

## COMPANIES WITH ANNUAL REVENUES ~ $1+ MILLION

**East Africa Fruit** is the largest fruit and vegetable aggregator in Tanzania, buying from thousands of smallholder farmers.

**Rogathe Dairy** is the largest producer of fortified milk in Tanzania, aggregating from farmers, selling primarily in bulk to schools and hospitals.

**Swahili Honey** teaches thousands of smallholder farmers how to be beekeepers, sells hives, aggregates, and distributes honey in Tanzania.

**OBRI Tanzania** produces and distributes sunflower cooking oil in Tanzania. Working with hundreds of women smallholder farmers.

**Agro Supply** sells farm inputs to tens of thousands of Ugandan farmers using a unique investment-focused business model.

**Chicken Basket** is a one-stop-shop for poultry farmers in Western Kenya, providing chicks, feed, medicines as well as a market for their chickens.

**Ziweto Enterprise** is the largest chain of agrovet shops in Malawi, selling animal medicines and providing veterinarian services.

**Paniel Meat Processing** produces sausage and other meat products in Rwanda, using the animals bred by Livestock Bank (same founder).

## OVER $100,000 ANNUAL REVENUES

**Kalahari Honey** teaches women farmers beekeeping, aggregates, and distributes their honey across Southern Africa.

**Geossy** is teaching Uganda how to farm for fish instead of hunting now that the Lake Victoria fishery has been decimated.

**Goldenpot** is a one-stop-shop for rural women farmers in Tanzania, selling inputs, aggregating outputs, plus processing and distribution.

**Tilaa** aggregates and sells honey in Northern Ghana and has planted tens of thousands of cashew trees to feed the bees and double revenues.

**Green Charcoal Uganda** turns agricultural waste into briquettes to replace charcoal and firewood in Uganda.

**Obamastove** is the most popular cookstove in Ethiopia with over 500,000 manufactured and sold to date, now expanding into Kenya.

**Papoli Farmers Association** is a community company of smallholder farmers collectively growing and distributing turkeys in Uganda.

**Oreeggs** is tackling protein malnutrition in Eastern Uganda, with the lowest priced form of animal protein, chicken eggs.

**Boka Eats** manufactures and sells animal feeds for smallholder farmers in the mountainous region of Kisii, Kenya.

**Afrihealth** sells veterinarian medicines to smallholder farmers in Eastern Uganda, using a network of youth sales agents.

**Golden Cat** is an aggregator, processor, and exporter of beans, peppers, and passion fruit from Rwanda.

**TRUK** provides trucking, cold chain, and logistics to food/ag companies in Rwanda and Zambia and exporting through the port of Dar es Salaam in Tanzania.

**Amuria Honey** is a new honey and bee venom producer in Uganda, created by the team that operates Geossy.

## SEED BED

**Agromyx** eliminates post-harvest losses by turning fruits, vegetables, and grains into shelf stable, powdered products.

**Honey Products Malawi** sells beekeeping equipment and aggregates honey from smallholder farmers in Malawi.

**Zamgoat** buys goats from smallholder farmers in Zambia, slaughters and sells goat meat and sausages to middle class Lusaka.

## OTHER

**Built Accounting** is a fintech company based in Ghana that serves small to medium companies across Africa, and which performs accounting services for many of Africa Eats' portfolio companies.

# FINANCIALS

The following is a mix of P&L and cashflow statements. It is the format that Fledge teaches as it puts all of the relevant information in a single report.

| Type | Description | 2020 (½ year) | 2021 | 2022 (½ year) |
|---|---|---|---|---|
| INTEREST | Interest | $0.00 | $23,540.49 | $7,025.50 |
| LEASE | Payments from leases | $0.00 | $3,336.36 | $1,112.12 |
| CAPITALGAIN | Capital gains | $0.00 | $0.00 | $0.00 |
| FEE | Fees for fund management | $0.00 | $0.00 | $0.00 |
| MISC | Miscellaneous | $0.00 | $0.00 | $0.00 |
| **Income** | | **$0.00** | **$26,876.85** | **$8,137.62** |
| | | | | |
| PEOPLE | Salaries & Overhead | $64,272.00 | $177,500.00 | $104,337.00 |
| LEGAL | Legal Expenses | $24,572.00 | $19,002.00 | $158.88 |
| OPS | Operations | $4,783.60 | $13,252.25 | $13,717.53 |
| MKT | Marketing | $2,600.00 | $3,006.84 | $0.00 |
| BANK | Bank Fees | $1,111.49 | $5,846.88 | $2,545.68 |
| FUNDING | Fundraising fees | | $0.00 | $9,332.50 |
| SOLAR | Interest on solar loans | $0.00 | $7,771.87 | $8,300.00 |
| TRAVEL | Travel | $0.00 | $54,353.41 | $0.00 |
| MISC | Miscellaneous | $0.00 | $0.00 | $0.00 |
| **Expenses** | | **$97,339.09** | **$280,733.25** | **$138,391.59** |
| | | | | |
| **Net** | Net Income | **($97,339.09)** | **($253,856.40)** | **($130,253.97)** |
| | | | | |
| TAX | Tax | $0.00 | $0.00 | $0.00 |
| | | | | |
| EQUITY | Equity investments | $402,000.00 | $792,301.25 | $808,701.00 |
| LOAN | Loans | $130,000.00 | $991,887.53 | $18,889.00 |
| LEASE | Lease | $52,674.00 | $111,730.00 | $125,300.00 |
| ROC | Return of capital | $0.00 | $371,000.00 | $281,628.50 |
| **Investments** | Total outbound investments | **$584,674.00** | **$1,524,918.78** | **$671,261.50** |
| | | | | |
| INVESTOR | Inbound equity capital | $729,750.00 | $1,509,965.00 | $1,116,600.00 |
| LENDER | Inbound debt capital | $69,750.00 | $350,000.00 | $0.00 |
| REPAY | Repayment of debt | | | $105,101.00 |
| **Investors** | New capital from investors | **$799,500.00** | **$1,859,965.00** | **$1,116,600.00** |
| | | | | |
| **Net Cash** | Net Cash | **$117,486.91** | **$81,189.82** | **$315,084.53** |

**Income** will ramp up later in 2022 from the leases and other services the holdco is providing to the investees.

The **Expenses** continue to be minimal with the HQ team being the largest expense. Africa Eats has no office and spent nothing on travel in the first half of 2022. The new fundraising fees category is primarily from the Wefunder crowdfunding campaign.

Below the "bottom line" (a.k.a. Net Income) is a section describing the capital out to the companies. EQUITY are new preferred equity investments. LOAN are new loans. LEASE are solar and truck leases. ROC is booked whenever a loan is repaid (return of capital), whether as cash or equity.

The last section of the report is the capital provided by investors. INVESTOR are equity investments. We closed and collected $1.1 million in the first half of 2022, repaid $100,000 of the debt from Q4 2021 which funded some invoice financing. The other $150,000 of that loan will be repaid in the second half of 2022. No new debt was added in 2022.

The last line is the **Net** change in the **Cash** balance in the bank, computed as the **Net Income** minus Taxes (3% on future income, 0% on capital gains) minus cashflow out to **Investments** plus cash provided by **Investors** and **Lenders**.

## BALANCE SHEET

At the end of Q2, the company had $301,125 in cash in the bank, plus an estimated $7.95 million worth of equity investments, and an estimated $1.14 million worth of loans and leases. Liabilities include $150,000 (plus interest) toward an invoice financing loan plus $269,750 of for loans used to pay for the solar leases.

**AFRICA EATS - BALANCE SHEET**

| | | | |
|---|---|---|---|
| **Cash** | **$301,125** | **Short-term** | **$150,000** |
| Bank accounts | $301,125 | Payables | $0 |
| Other receivables | $0 | | |
| | | **Long-term** | **$269,750** |
| **Investments** | **$9,089,899** | **TOTAL LIABILITIES** | **$419,750** |
| Equity | $7,951,691 | | |
| Loans & leases | $1,138,209 | **Equity** | **$8,971,275** |
| **TOTAL ASSETS** | **$9,391,025** | **TOTAL LIABILITIES & EQUITY** | **$9,391,025** |

Valuing a portfolio of private companies is always a challenge. As stated earlier, the $7.95 million is based on a multiple of reported annual revenues.

Africa Eats began in mid-2020 with total assets estimated at $3 million. The updated estimate of $9.39 million is thus more than a three-fold increase in two years of operations. Part of that is from the $3.77 million in new capital raised since launch. Part is due to the growth in revenues of the portfolio companies, which in aggregate have more than doubled in the past two years.

## MANAGEMENT

Africa Eats is managed by a team of two, with a third planned for the second half of 2022.

### LUNI LIBES, CHAIRMAN/CEO



Luni is the founder of Fledge, the global network of impact accelerators. Africa Eats is a spin-off of that program, as is The Angel Accelerator, a global network of programs teaching early-stage investing and Realize Impact, a 501c3 nonprofit turning philanthropy into impact investments.

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### JUMAANE TAFAWA, EXECUTIVE DIRECTOR



Luni and Jumaane met back in 2016 when Jumaane was working at Equity Bank, leading their pan-African expansion. Jumaane has over 20 years' experience helping Fortune 1000 and the largest African-based companies scale across the continent. The mix of banking, consulting, and entrepreneurship is exactly what Africa Eats needs to reach its goals.

jumaane@africaeats.com

## THANK YOU

Thank you for making this possible. Without your capital, we would still just have a paper plan and the portfolio companies would have grown a lot slower over the last two years. With your capital, we are making measurable impact in the world.

## WHAT MORE YOU CAN DO

A Visit africaeats.com/how-it-works to see how we pitch Africa Eats to investors.

B Invest more. The opportunities at the portfolio companies have always exceeded the total capital invested into Africa Eats.

C Share this update with your friends, family, colleagues, etc. Over 100 investors owned Africa Eats before the crowdfunding, which added over 150 more to the community. Tell your friends. It helps.