# AFRICA EATS, LTD.

## Investor Report

Q3 2023

AFSIC
Africa Trees
Revenues
Updates
Portfolio
Balance Sheet

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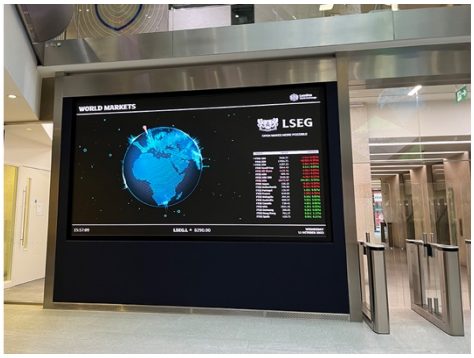
# AFSIC: INVESTING IN AFRICA

Luni and Jumaane both attended and both spoke at the AFSIC conference in London (afsic.net). This is the largest conference anywhere focused on investing in private African companies, with hundreds of venture capital, private equity, and debt funds in attendance along with the investing arms of a dozen American and European governments.










The event is centered around networking and 1:1 meetings, and it doesn't disappoint. In two days, Luni and Jumaane combined were able to meet with more than three dozen organizations, not counting the dozen in an invitation-only conversation on the challenges of "exits" in Africa, hosted by a family office.

The day after, the meetings continued, with -the first IRL (in real life, not Zoom) - meetings with the to-be-launched Social Stock Exchange and a another at the London Stock Exchange (which is the most common public exchange of African companies outside of the African continent with over 100 companies listed).

The big surprise from those meetings is that the Africa Eats business includes an erroneous assumption. We had been misinformed by multiple people that the smallest viable initial public offering (IPO) in London was £100 million. That is why our road map planned that IPO for end of 2027. Instead, it looks like Africa Eats will be of sufficient scale by the end of this year. We'll be looking into what that means in practice, but before leaving London we set a new goal of creating liquidity for your investment starting in 2025, years ahead of schedule.

*Note we use the word "liquidity" on purpose, as the purpose of our IPO is to allow our investors to sell their shares whenever they want, but hope they hold for the long term, just as the vast majority of Berkshire Hathaway investors have held their shares for decades.*

The other big news from AFSIC was from Luni's talk, where he announced a second holding company, Africa Trees.

## AFRICA TREES

Africa Eats is a spin-off of Fledge, the business accelerator Luni founded in 2012. All of the entrepreneurs managing the Africa Eats bizi were discovered and trained at Fledge, and the initial portfolio for Africa Eats came from a swap of assets created by Fledge.

AFRICA TREES

*indirect funding from* BEZOS EARTH FUND & TED THE AUDACIOUS PROJECT

Africa Trees is also a spin-off of Fledge, but in a different manner. The Land Accelerator was co-created by Fledge and World Resources Institute (WRI) in 2018. The program has run annually in Africa since then, as a grant-funded program making small grants in over 300 for-profit companies restoring land across the continent.

In 2022 WRI launched TerraFund, a $20 million project to support 100 nonprofit and for-profit organizations restoring land by planting trees (or bamboo, mangroves, or other woody plants). $3 million of the $12 million was organized into a revolving loan fund, managed by Realize Impact, Luni's 501c3 public charity. Realize Impact was chosen over Fledge as fund manager as the capital in 2022 was provided as a grant from the Bezos Earth Fund, and they insisted that the capital be managed by nonprofit organizations.

In 2023, WRI raised another $130 million in grants, including a four-year grant from the TED Audacious Project plus another grant from Bezos Earth Fund. Another $3 million was allocated for investments, but this time that included both debt and equity. Realize Impact incorporated Africa Trees as a wholly owned subsidiary to manage those investments, copying the core business model of Africa Eats. In the first few days of Q4, offers were sent to over a dozen for-profit companies to fill the initial portfolio of companies, all but a few being alumni of The Land Accelerator.

The plan for 2024 is to at least double the portfolio size, again tapping The Land Accelerator to help choose, vet, and train the companies. Funding to come as a portion of the $100 million TED Audacious grant, plus any capital that families and other commercial capital providers blend in.

Beyond sharing business models, a formal partnership is expected between Africa Trees and Africa Eats, so that the team, tools, and experience from Africa Eats can be reused for Africa Trees. Simplest is to think of the two as sister companies, with similar structures but different missions. Hunger and poverty at "Eats". Land restoration and carbon sequestration at "Trees".

## 3+ YEARS OLD

The mid-year report celebrated Africa Eats' third anniversary, which, if we are to be precise, fell in the third quarter on July 10th. The message in the mid-year report was proof that it is possible to have impact through investing in for-profit businesses. In Luni's framework of impact investing, this is the upper-right corner of "have your cake and eat it too."




What we've seen over the last quarter is that the conversations with potential institutional investors have started warming up. In some of the face-to-face meetings at AFSIC, some confided that they didn't believe back in 2020, 2021, and 2022 that we could do what our plan promised. We have, and with that they are either asking to restart those old conversations or already started last quarter.

## REVENUES: Q2 > YEAR 1 AND Q3 >? YEAR 2

Africa Eats is scaling impact and growing revenues. When Africa Eats launched, we touted the total aggregate annual revenues for the bizi as $6.8 million (the total for 2019). In Q1 2023, total aggregate revenues were $7.3 million. In Q2 2023, that metric grew to $8.5 million.

**$8.5 million Q2 2023 > $6.8 million all of 2019**

There are a few bizi still yet to report their Q3 revenues, but most have, and with the data on hand we can project that Q3 revenues will be at least $9.9 million, which is more than these same companies earned as revenues in all of 2020.

**$9.9+ million Q3 2023 > $9.2 million all of 2020**

# PROFITS: 9% → 18%

Revenues are nice, but how about profits? That is not commonly a question asked of early-stage fast-growing companies. Over in the corner of venture capital funding tech-based startups, profits are often an afterthought. But the bizi are not tech-based and the reason past updates have not discussed profits is that the bizi are far more often than not, running profitably.

Fifteen of the bizi have been profitable since launch, every year without fail, namely: Afrihealth, Agro Supply, Agromyx, Amuria Honey, Boka Eats, Geossy, Goldenpot, Green Charcoal Uganda, Honey Products, Paniel Meat Processing, Papoli Farmers Association, Swahili Honey, TILAA, TRUK Rwanda, Ziweto Enterprise.

East Africa Foods has been profitable since 2017. Rogathe Dairy ran a small loss in 2019 (their Year 1) and then only again in 2022 due to a nation-wide drought. Even Obamastove has been profitable more years than not, despite the repeated civil unrest plaguing Ethiopia.

| | | PROFIT (EBITDA)/ REVENUE (PROFIT MARGINS PER YEAR) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Size | Company | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Average |
| Large | EA Foods | 2% | 9% | 10% | 3% | 6% | 6% | 6% |
| | TRUK (Rwanda) | | | | | 41% | 39% | 39% |
| | Agro Supply | 12% | 10% | 23% | 31% | 26% | 54% | 43% |
| | Swahili Honey | 26% | 41% | 29% | 15% | 29% | 23% | 25% |
| | Paniel Meat Processing | 30% | 37% | 33% | 21% | 26% | 13% | 23% |
| | Rogathe Dairy | | | -13% | 40% | 11% | -18% | 13% |
| Medium | Ziweto Enterprise | -10% | 14% | 9% | 10% | 22% | 24% | 15% |
| | TILAA | 13% | 9% | 3% | 53% | 22% | 49% | 34% |
| | Afrihealth | | | | | 33% | 15% | 21% |
| | Chicken Basket | 0% | 0% | -16% | 1% | -36% | 5% | -12% |
| | Goldenpot | | 24% | 38% | 41% | 29% | 3% | 15% |
| | Obamastove | | 1% | -2% | 19% | -2% | 13% | 5% |
| | Amuria Honey | | | | | 53% | 25% | 32% |
| | Green Charcoal Uganda | 20% | 18% | 27% | 23% | 29% | 30% | 25% |
| | Geossy | 47% | 5% | 53% | 27% | 39% | 17% | 33% |
| | Boka Eats | 24% | 29% | 33% | 9% | 26% | 22% | 22% |
| | Papoli Farmers Association | | | 4% | 9% | 17% | 25% | 10% |
| Small | Zamgoat | | | -10% | -20% | -8% | -2% | -4% |
| | Agromyx | | | | 44% | 49% | 26% | 32% |
| | Honey Products | 1% | 13% | 5% | 25% | 15% | 42% | 19% |
| | **TOTAL** | **9.2%** | **13.7%** | **14.0%** | **14.4%** | **13.4%** | **18.1%** | **15.0%** |

Looking at profit margins, the clear trend since 2017 is up. An average of 9.2% net margins back in 2017, rising to 18.1% in 2022. The one drop in the trend in 2021 due to some major theft at Chicken Basket.

From an investor perspective, its noteworthy that the poor or negative performance of any one, two or three companies in any given year does not affect the growth rate of aggregate revenues or aggregate profits. Hence, the loss of any bizi will not affect Africa Eats long term growth trajectory.

# UPDATES FROM THE BIZI

Jumaane and Luni often get asked how we keep up with two dozen bizi. Neither checking in nor diving in to help solve bizi challenges is an issue for Africa Eats HQ. Jumaane, Luni, and Lily each check-in or dive in with a few bizi per week, and by the end of each quarter we've typically spoken to all of them. So what is new with the bizi?

## AGROMYX

Jumaane visited Agromyx in Ghana in June, when he was in Accra for the new Sankalp West Africa conference. Agromyx had by then launched their new products. Protein shakes, expanding their line of powdered grains and fruits. Plus, fonio flakes, as ready-to-eat breakfast cereal. With these new products, once the company is successful in finding an export market, 2024 is expected to be a breakout year for Agromyx.







*Agromyx in Accra, Ghana*

## BOKA EATS

Bananas are flowing from the banana factory in Kisii, but not as quickly as planned. So far 2023 has been a year of experimentation and learning in a market that is new for the Boka Eats team.



*Boka Eats Banana Factory in Kisii, Kenya*

## CHICKEN BASKET

Chicken Basket has spent all of 2023 recovering from what was discovered to be a significant embezzlement of funds from the former (now fired) head accountant. That explained why Africa Eats HQ could never get clear answers to our finance questions in 2022.

The CEO hired a consulting company to put the operations and finances back together, but by Q3 2023 the company could no longer afford the consultants, and the financial reports they provided to Africa Eats were far better, but still not up to the level of detail we required to provide any new capital.

If Africa Eats were a traditional venture capital or private equity fund, this would be the moment when we fought to push the founder aside. As an impact-oriented holding company, we instead continue to offer advice and other non-financial support, aiming to help the founder through the turn-around process.

## AGRO SUPPLY

Agro Supply faced some cashflow challenges in 2023, including Q3, but is managing through them without the financial assistance of Africa Eats. This is not an a-typical pattern for the bizi that have grown 10x or more in the past three years, and Agro Supply grew 20x. As the company prioritized increasing market share rather than profit margin in the short term, due to a unique market opportunity of most of its competitors failing to meet ethical and regulatory standards.

2023 looks to be another good year of growth. Total revenues for 2022 were $2.3 million. Quarterly revenues for Q3 2023 were $1.8 million.













Some of that was no doubt from the additional marketing. Follow twitter.com/agrosupplyug to see a globally-visible part this marketing campaign.

## SWAHILI HONEY

Swahili Honey is on a similar pace of growth. Revenues in 2022 were $1.9 million. In 2023 each quarter has seen revenues above $500,000, with a big export order in Q4 that could see total revenues this year get close to or surpass $3 million. Most of this revenue growth from exports, making Swahili Honey the largest exporter of all the bizi.




*A truckload of Swahili Honey beeswax on its way to the port in Dar es Salaam, Tanzania*

Africa Eats provided a small infusion of equity and a $150,000 loan to fill in the operational capital required to fill these orders. The challenge of exports being the long lag time between paying farmers for their honey and beeswax and the importers paying 30 or more days after the shipments reach their country.

## GOLDENPOT

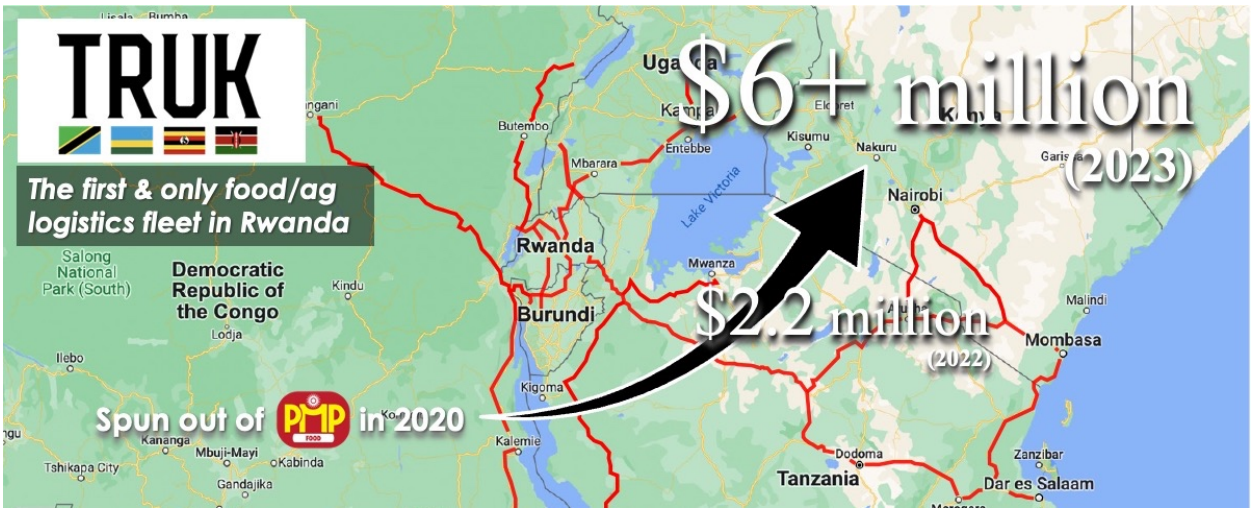
Africa Eats funded Goldenpot's breakfast cereal factory earlier in 2023, and after the typical delays, cereal is being produced and sold at a pace that should double revenues for the year. In Q3 DeveloPPP provided an €80,000 grant to this bizi, and Africa Eats provided most of the required matching funds.




Matching funds are very common from grantors. Without an investor like Africa Eats, grants like this one can get held up for many months, or can fail ever be disbursed. Having Africa Eats quickly provide matches is a huge benefit to the bizi.

## TRUK Rwanda

Africa Eats provided another $350,000 loan in Q3 to TRUK Rwanda, to help the company keep up with demand. This is a company that was launched in 2020, was bootstrapped for its first two years, and which only received its first $200,000 investment (provided by Africa Eats) in February 2022.




The company is on track to more than triple its revenues in 2023, surpassing $6 million for the year. Profit margins are down due to the growth, but pre-tax net margins still exceed 25%.

## East Africa Foods

Last but biggest (for now) is East Africa Foods, which closed its pre-Series B round of financing in Q2 and which has already started planning its Series B, to be closed this time next year, which will fund expansion of the company for the first time beyond Tanzania.

Africa Eats participated in the previous round, growing our percentage ownership slightly, and we've agreed to be the first investor into Series B. Whether that simply keeps our pro rata share steady to whether we participate significantly is up to all of you as well as any new investors who join in Q4 and early 2024. Africa Eats HQ goal is to invest at least another $500,000 in the upcoming equity round, but if an institutional investor joins in time, we'll look to lead this round.




*Follow East Africa Foods on Twitter at [twitter.com/eafoods_](twitter.com/eafoods_) (underscore after the s)*

East Africa Foods is not only the largest of the bizi (as measured by revenues) but also the oldest. It attended Fledge Seattle back in 2014 when the company was just a year old. Year 1

revenues were just $100,000.  In 2022 revenues were 100x larger, at $10.6 million.  In 2023, the expectation is 50% larger still, surpassing $15 million, with healthy profits.

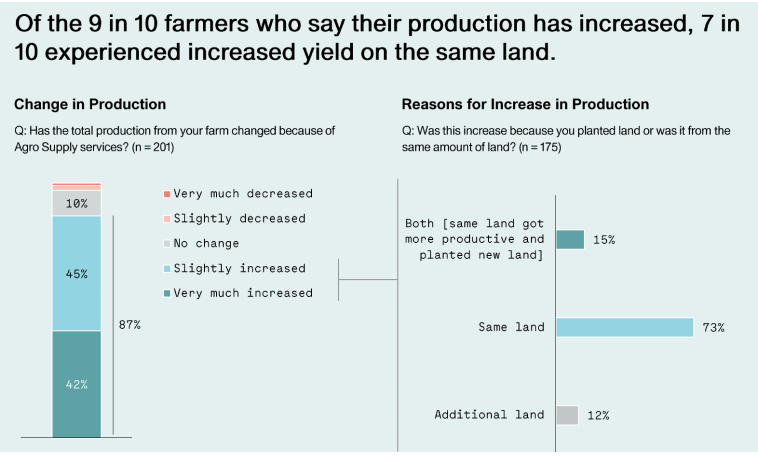
The company buys potatoes, onions, bananas, rice, beans, and other foods from over 10,000 smallholder farmers.  The company sells this food to over 10,000 formal and informal retailers.  In past years selling solely in Dar es Salaam, but now also in Dodoma from its third aggregation/processing center.

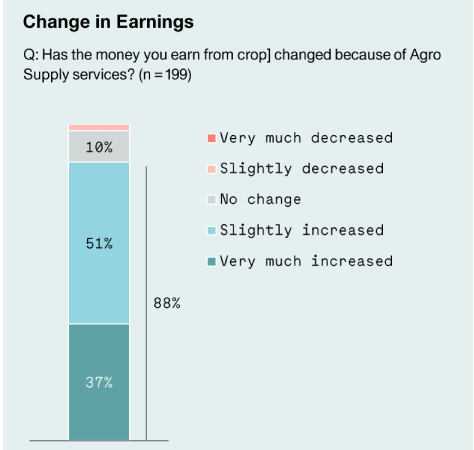
In Q3, the company celebrated yet-another milestone, buying its 100th truck.  Plus, in 2023 it is finally at a scale where truck leasing is possible, and with that the company operates a total of NNN trucks to move all this food from farm to retailer.



# IMPACT

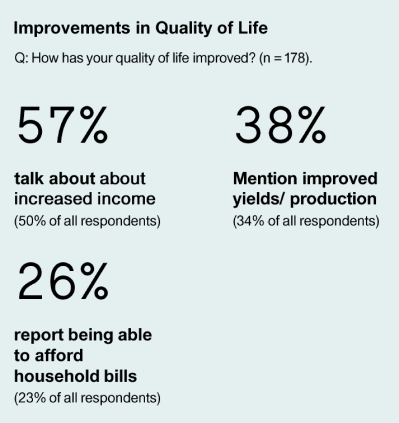
60 Decibels (privately) published an impact report on Agro Supply in Q3. Highlights are below:

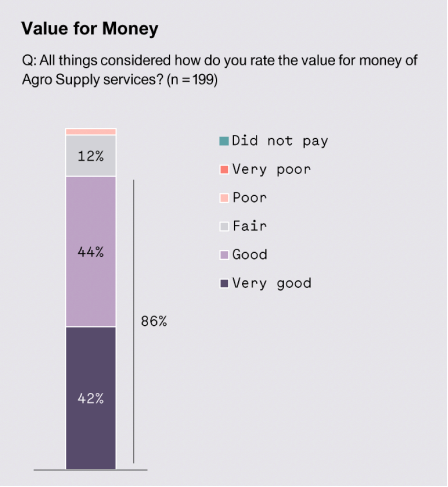


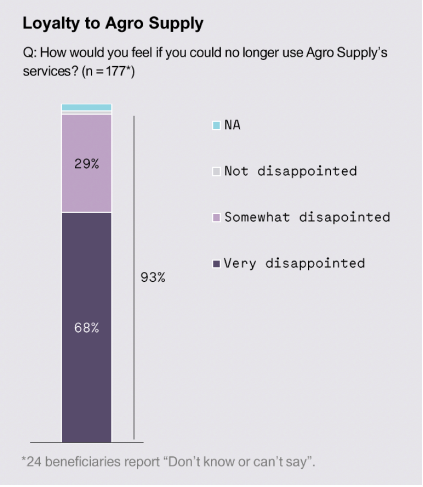










These reports are direct feedback from farmers and expensive to produce. This report and the previous from East Africa Foods both demonstrate that bizi have a large positive impact on farmers' lives.

# THE PORTFOLIO

As the bizi grow at different rates, they are starting to spread out in scale, with the largest earning over $10 million per year and the smallest still working toward $100,000.

### OVER $10+ MILLION ANNUAL REVENUES

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

### OVER $1 MILLION ANNUAL REVENUES

**TRUK** provides trucking, cold chain, and logistics to food/ag companies in Rwanda and the region and who import or export through the Indian Ocean ports.

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

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

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

### OVER $500,000 ANNUAL REVENUES

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

**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 while diversifying revenues.

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

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

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

**OVER $100,000 ANNUAL REVENUES**

**Boka Eats** runs the largest banana processing factory in Kisii and neighboring counties in Kenya.

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

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

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

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

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

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

**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.

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

**THE REST**

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

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

**Kalahari Honey** teaches women farmers beekeeping, while also aggregating and distributing their honey across Southern Africa.

## When Will We Add More Bizi?

We plan to start growing the portfolio when we catch up with the financial needs of the existing bizi or when there is a compelling investment opportunity we simply cannot pass up. Or more simply, there is plenty of growth potential in the existing portfolio and no pressing need to grow the portfolio.

## BALANCE SHEET

At the end of September 2023, the company had $351,079 in cash in the bank, an estimated $13.4 million worth of equity investments, and an estimated $2.5 million worth of loans and leases, for a total of **$16.3 million** of assets.

| | | | |
|---|---|---|---|
| **Cash** | **$351,079** | **Short-term** | **$250,000** |
| Bank accounts | $351,079 | Payables | $0 |
| Other receivables | $0 | | |
| | | **Long-term** | **$758,315** |
| **Investments** | **$15,989,796** | **TOTAL LIABILITIES** | **$1,008,315** |
| Equity | $13,437,898 | | |
| Loans & leases | $2,551,898 | **Equity** | **$15,332,560** |
| **TOTAL ASSETS** | **$16,340,875** | **TOTAL LIABILITIES & EQUITY** | **$16,340,875** |

In 2020, the company was founded with an initial portfolio estimated at just over $3 million of value. Three years later, the total assets are up more than 5x, and this does not include most of the growth of the bizi in 2023, as we mark-to-market annually, not quarterly.

## SHARE PRICE

In April the share price was increased from $1.25 to **$1.65** and there are no plans in increase that price until the next mark-to-market in Q1, 2024. Dividing the $16.3 million of assets above by the fully diluted 9,046,658 shares, the current assets per share is $1.81.

## ANOTHER 1% FOR FARMERS

Every year, all shareholders are diluted by 1% setting aside a new block of common/ordinary shares for the smallholder farmers who are doing the hard work that makes Africa Eats possible. This annual dilution is built into the constitution of the company (a.k.a. the Articles of Incorporation) and is one impact built into the design of Africa Eats.

These farmer shares are currently held in trust by Realize Impact, our nonprofit shareholder and partner, to be distributed to the farmers once the shares are publicly listed and liquid.

## MANAGEMENT

No new full-time employees were added in 2023.

### LUNI LIBES, CHAIRMAN/CEO & CO-FOUNDER



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.

luni@africaeats.com • africaeats.com • fledge.co • realizeimpact.org • lunarmobiscuit.com

### JUMAANE TAFAWA, EXECUTIVE DIRECTOR & CO-FOUNDER



Luni and Jumaane met 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

### LILIAN NSHANGEKI, FINANCIAL ANALYST



Lily is our Financial Analyst with 5+ years' experience working in advisory and audits at KPMG serving multinational financial organizations (such as Coca Cola, Bank of Tanzania, ABSA bank, SilAfrica) and who is an entrepreneur. Lily is based in Dar es Salaam.

lilian@africaeats.com

### ALL THE BIZI

Africa Eats is not just the team at HQ. Africa Eats is also the two dozen bizi founders, hundreds of employees collectively working at the bizi, and over 100,000 farmers who work with the bizi.



## SAVE THE DATE

The next annual gathering of the bizi will be March 1-2, 2024 in Nairobi, Kenya. Like earlier this year, those are the two days after the Sankalp Africa conference. All of Africa Eats investors and supporters are invited to attend the annual gathering.

After the gathering we'll be heading to Tanzania for a business safari, with stops at East Africa Foods, Swahili Honey, Rogathe Dairy, and Goldenpot. The full agenda and timing are TBD, but plan on three full days. Africa Eats will arrange ground transport to/from Dar es Salaam.

If you start looking for flights, simplest is to fly from London, Amsterdam, Paris, or Frankfurt to Nairobi (unless you live near NYC, in which case there is a direct flight from JFK to Nairobi). From Nairobi Kenya Air can get you to/from Dar es Salaam. Kenya Air can fly you to most major cities in Africa if you'd like to explore further, or out to Mauritius if you'd like to enjoy a tropical island beach.

Americans need a visa to visit most African countries. Once you have a flight booked you can buy a Kenyan e-Visa online (evisa.go.ke). That process typically takes one week or less. Tanzania has a similar e-Visa system (visa.immigration.go.tz). There is an East Africa Visa, but it is a lot more complicated and not worth the effort for this type of travel.

For those of you who have never been to Africa, Luni's advice is to fly out in two hops, arriving a few days early to deal with the time zone. Then on the way back, stop off in your favorite European city to break up the trip into two halves.

## THANK YOU

Thank you for making this possible. Without your capital, these two dozen companies would be far smaller and achieving a small fraction of the impact they are having. Much of that impact being increased earnings of smallholder farmers, most of which would still be subsistence farmers.

## WHAT YOU CAN DO

A Share this update and share our stories with your friends, family, and colleagues, as well as at cocktail parties. The biggest constraint Africa Eats faces is capital. Every new investor fills the most pressing needs of one or two bizi.

B If you would like to invest more, there are three ways to do that. Directly for equity investments of $100,000 or more. Fledge for smaller investments from savings. Realize Impact for investments made using any donor advised fund (DAF), foundation, or fresh charitable contribution.

C Join us in Nairobi next March to meet the bizi founders in person and to see a few of the bizi's operations with your own eyes.

D Follow @AfricaEats on Twitter and subscribe to youtube.com/@AfricaEats.