AFRICA EATS, LTD.

Investor Report

2022

Learnings
Opportunities
Portfolio
Investments
Financials

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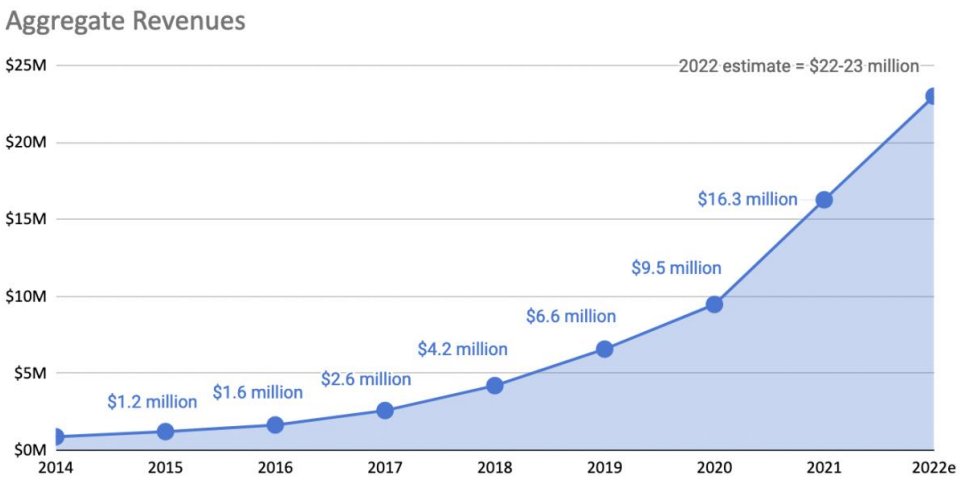
THE LEARNINGS FROM 2022

The biggest learning from 2022 is that the plan envisioned in 2018 works. In 2018, the vision was an investment holding company that helps high growth potential food/ag focused SMEs (Small and Medium-sized Enterprises) in Africa grow faster than traditional venture capital or debt funds. *(In the 2018 report, the World Bank had defined SMEs as businesses seeking capital between $10,000 and $100,000 as small and $100,000 and $1 million as middle.)*

The core of the plan was to fill in the "missing middle" of capital for a few dozen companies, providing them the missing equipment and operational capital along with guidance on their growth, to help these companies grow past the major milestone of $1 million in annual revenues, then $10 million, then $100 million, and along the way to discover new opportunities within the portfolio to grow even more.

The plan has been achieved! The only piece yet to be achieved is the scale of the capital funneled through Africa Eats plus co-investors providing equal amounts of capital alongside Africa Eats. The plan was $3-5 million in fundraising in 2020, $5-7 million in 2021, and $10 million in 2022. Instead, just $8 million has been raised to date, inclusive of the $3 million of assets that seeded the portfolio upon launch.

Despite the typical trend of fundraising taking longer than planned, aggregate revenues from the portfolio companies (a.k.a. the "bizi") are close to the original plan. Aggregate revenues in 2022 will exceed $22 million, up more than three-fold from $6.6 million in 2019, the year prior to Africa Eats' incorporation.



The investments made this year catalyzed growth that would not have otherwise occurred and seized opportunities that were unseen back in 2020.

The additional learning at the core of Africa Eats, namely investing in homegrown solutions is also proving a wise choice, with new opportunities arising from entrepreneurs who grew up seeing issues that they have chosen to tackle themselves, with eyes and ears open to new opportunities that outsiders would not otherwise see.

OPPORTUNITIES IN 2022 AND 2023

In 2021 we discovered the lack of truck leasing and lending across Africa and started investigating filling in this gap for specific Africa Eats companies. That gap continues, but in 2022 grew into a giant opportunity as we discovered the lack of commercial food/ag logistics solutions almost everywhere the bizi operate.

The typical progression of food/ag SMEs in Africa that move food from farmers to retailers, is to operate without owning any vehicles in the first few years. Instead, relying on the sole entrepreneurs who own a single truck (a.k.a. the "man with the van" / the "guy with the truck"). This works for the first $100,000-$250,000 of annual revenues before it gets too expensive and the "truck guys" too unreliable. In 2020 and 2021, Africa Eats financed the first truck for many of companies and saw how transformational it is for the operations and consequently growths of our companies. In 2022, we then saw the next stage, with companies operating fleets of trucks that are underutilized due to limited economies of scale. And we saw one example where a bizi opened up its fleet to serve other companies, filling this refrigerated logistics gap, and in return growing a company from nothing to over $1.5 million in annual revenues in less than three years.

TRUK

RWANDA IN 2022 AND TANZANIA IN 2023

In February 2022, Africa Eats invested $200,000 in **Paniel Transport & Logistic**, which was launched in 2020 by the founder of Paniel Meat Processing and Livestock Bank. This was the first capital invested into this startup. As a result, the company grew from $511,000 in annual revenues using five trucks to over $1.5 million in revenues with twelve trucks. In November 2022, Africa Eats added another $400,000 of capital to this business, setting it up to at least double revenues in 2023.





Africa Eats also provided a new name and brand for this company, **TRUK**. A brand that will get reused for all subsequent spin-offs and investments in food/ag logistics across the continent, with a goal of creating a pan-African name brand.

In terms of impact, TRUK Rwanda is serving the needs of hundreds of SMEs who in turn work with many tens of thousands of farmers not just in Rwanda, but across Eastern, Central and Southern Africa, as half of the cross-border shipments are imports into the landlocked country, while the other half are exports to Mombasa, Kenya or Dar es Salaam, Tanzania or Maputo, Mozambique, earning hard currency for Rwanda.

The next step in 2023 is to finance the expansion of TRUK, to fill in similar gaps in refrigerated logistics in other countries, starting first in Tanzania. In this case, spinning-out the fleet and logistics team from East Africa Fruits, using the same TRUK brand name as in Rwanda.

THE KISII BANANA FACTORY

Boka Eats signed a 30-year lease on the €1.2 million European Union-funded Kisii Banana Factory in Q3 2022. Africa Eats funded the solar farm for that factory, ensuring 24/7/365 electricity (a novelty for Kisii County, Kenya), guiding the female-led Co-Founder through the process of building a business plan and financial model for scaling up factory operations.



While the EU-funded project did not include trucks, it did include banana seedlings to over 10,000 farmers, and there are tens of thousands of other banana farmers in that rural region of Kenya. Filling the factory with those bananas will require dozens of trucks, all the logistics that go with that scale, and hundreds of thousands of dollars of financing.

Africa Eats' estimate of the capacity of this factory is $20-$30 million per year in annual revenues, generating tens of millions of dollars of income to those tens of thousands of smallholder farmers.

BREAKFAST CEREAL & BABY FOOD

When we met **Goldenpot**, they were working with ~500 smallholder women farmers, helping those women earn incomes and feed their families growing maize and manufacturing maize flour. The founder's dream was to expand into breakfast cereal and baby food, earning 4x-8x more per kilogram of maize, filling a Tanzanian demand with homegrown products, as 100% of the breakfast cereal in the country was imported.





Africa Eats provided the $165,000 of capital to buy the equipment for these new products, and the factory line will begin full scale operations in 2023.

FROM INPUTS TO OUTPUTS

Agro Supply was the fastest growing bizi in 2021, in part from an addition to its business model. The company from launch had been focused on selling inputs to farmers, and that side of the business has grown more than five-fold since 2020. The extra boost of revenues started in 2021 when Agro Supply started buying outputs from its farmers.



The company is in due diligence with other investors to fund a large facility to aggregate and process the maize and soy grown by its farmers.

RANCH & ABATTOIR

Paniel Meat Processing earned just $35,000 in annual revenues when it attended Fledge in 2017. In 2021 the company grew past $1.1 million in annual revenues. It can speed up that rate of growth with the addition of two capital-intensive investments: its own farm/range to act as a buffer between buying animals from smallholder famers and its butcher shops, and a company-owned abattoir that can handle the increased demand across the country (and region).

A few investment funds kicked the tires on this investment in 2022 but are yet to provide the necessary funding.

THE PORTFOLIO

We have included very brief descriptions of each company, divided into three groups: near or over $1 million in annual revenues, over $100,000, and smallest.

Two new companies surpassed the $1 million milestone this year: TRUK and Paniel Meat Processing. Afrihealth, Agromyx, Amuria Honey, Honey Products, and Zamgoat all jumped up into the middle cohort this year.

COMPANIES WITH ANNUAL REVENUES ~ $1+ MILLION

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

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

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

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.

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 Livestock Bank (same founder).

OVER $100,000 ANNUAL REVENUES

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

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

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

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.

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.

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

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

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

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

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.

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

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

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.

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

THE MISSING MIDDLE

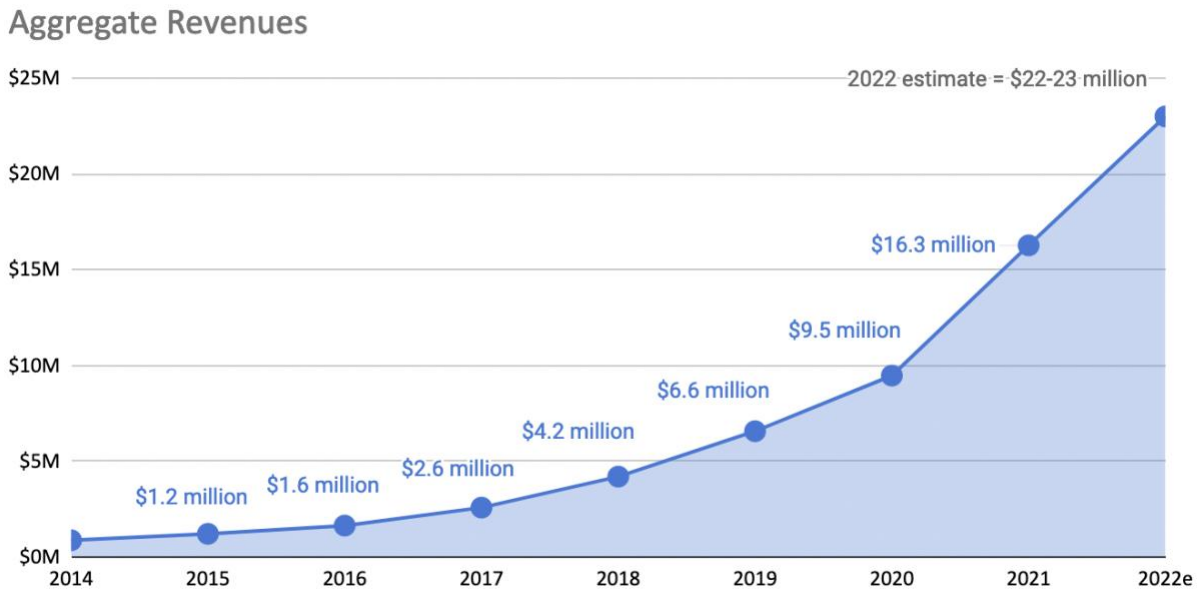
One potential strategy for future years is to be the first investor in small companies with high potential, be the catalytic investor to help them surpass $1 million in annual revenues (a process we have done many times), and then get the other institutional investors to provide growth capital. As such, Africa Eats is exclusively focused on the missing middle we defined on the first page of this report.

The current flaw with this strategy is the so-called "missing middle" of capital. There simply are not enough institutional investors (or Angels or crowdfunding) to provide that growth capital.

At this year's Sankalp Global, Luni shared stories of what the missing middle means to both entrepreneurs and investors. See lunarmobiscuit.com/filling-in-the-missing-middle.

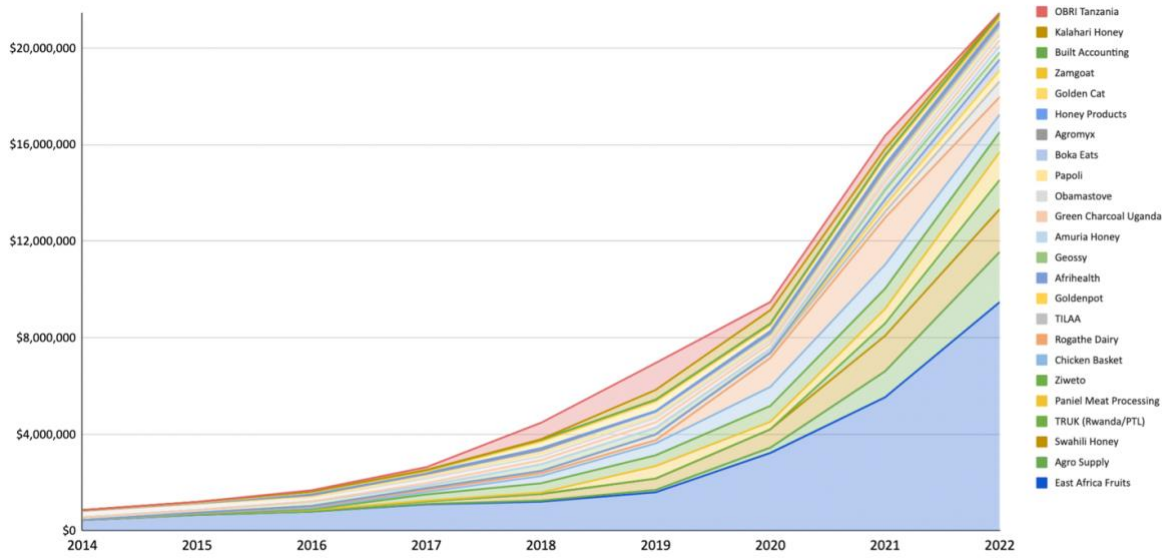
REVENUE GROWTH

Aggregate revenues and the annual growth rate of this metric is the simplest measure of success across the portfolio. Annual aggregate revenues grew from **$6.6 million** in 2019 to **$9.5 million** in 2020, **$16.3** million in 2021, and estimated at **$22-23 million** for 2022.



The other use of the revenue metric is to track capital efficiency. The total capital invested into these companies is far less than $20 million. With rare exception, they have all proved an ability to turn each $1 of investment capital into more than $1 of annual revenues.

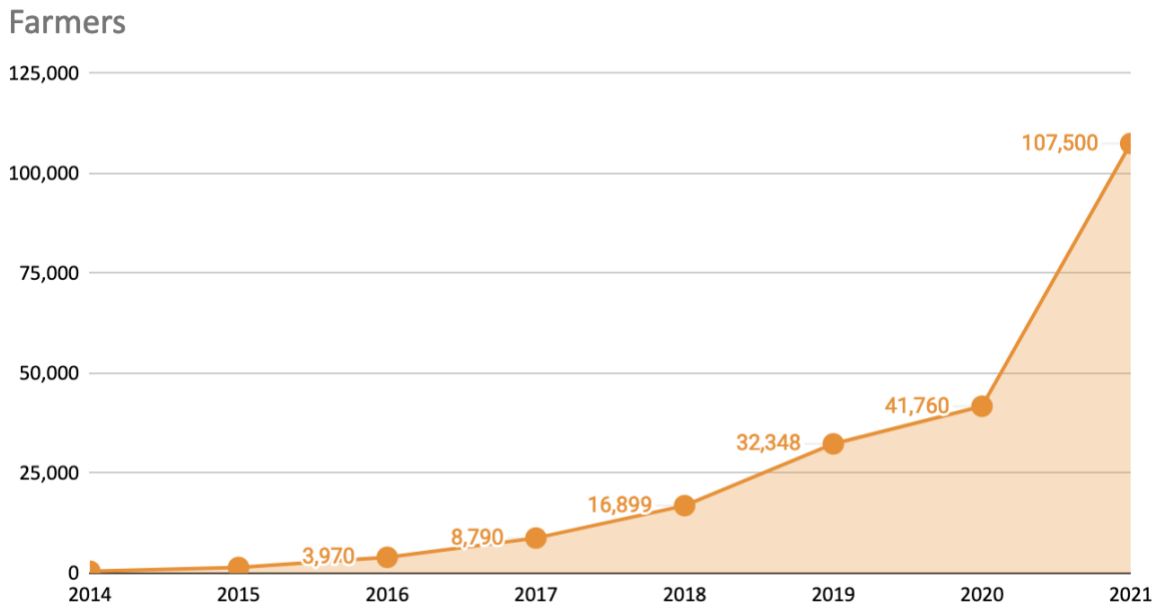
Regarding aggregate revenues, the graph below shows how these revenues and this growth varies from bizi to bizi, sorted by 2023 estimated revenues. East Africa Fruits continues to dominate the numbers, but the graph makes it obvious how the other companies have created over $10 million in revenues since 2014.



FARMERS

All of the Africa Eats' companies work with smallholder farmers. Most of the companies aggregate outputs from hundreds or thousands of farmers. A few of the companies sell products or services to those farmers.

The total number of farmers working with the portfolio companies exceeded 100,000 for the first time in 2021. Africa Eats gathers this KPI with the annual financial reports, and thus the next update will be in Q1 2023. This number is expected to exceed 150,000 for 2022.



In the future, Africa Eats will collect statistics on all the farmers it engages. For now, we know anecdotally from our companies that the incomes of these farmers rise 40%-500% when they start selling to our companies. 40% when all they sell is honey. 100%-200% when they sell commodity foods. 500% for sunflower seeds.

We also know that the majority of the $22-$23 million earned by the portfolio companies that aggregate from smallholder farmers gets paid to farmers for their outputs. Thus, we can say that at least $15 million of the revenues from Africa Eats ended up in the hands of smallholder farmers, with the rest going to well paid workers who process and distribute that food to retailers and to profits that get reinvested into further growth of those companies.

BALANCE SHEET

At the end of 2022 the company had $926,120 in cash in the bank, an estimated $9.9 million worth of equity investments, and an estimated $1.1 million worth of loans and leases, for a total of **$11.96 million** of assets.

Cash	**$926,120**	**Short-term**	**$150,000**
Bank accounts	$926,120	Payables	$0
Other receivables	$0		
		Long-term	**$469,750**
Investments	**$11,036,848**	**TOTAL LIABILITIES**	**$619,750**
Equity	$9,923,523		
Loans & leases	$1,113,325	**Equity**	**$11,343,218**
TOTAL ASSETS	**$11,962,968**	**TOTAL LIABILITIES & EQUITY**	**$11,962,968**

This total is up from $6.3 million a year ago, and it does not include an up-to-date mark-to-market valuation of each of the portfolio companies. That portfolio valuation was last done in February 2022, using the reported 2021 revenues for each company. The valuations were only updated during 2022 for any company with a new equity investment or any that had loans converted into equity.

Valuing a portfolio of private companies is always a challenge, made more difficult at Africa Eats by the fact that there are few co-investors and thus few outside valuations. There is no IFRS standard for valuing private companies. Africa Eats' valuation methodology uses a multiple of revenues, setting the multiple based on each company's growth rate and other insider knowledge of the state of the company.

Looking at the growth of the balance sheet, Africa Eats began with just over $3 million of assets provided by Fledge and Luni's family office. $5.2 million in new cash has been added since then. That $8.2 million of capital has grown to nearly $12 million in value, not counting the expected up-tick when the new valuation is complete.

Plus, there is nearly $1 million in cash to be deployed in 2023 to boost revenue growth further.

INCOME STATEMENT + CASHFLOWS

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.

Description	2020	2021	2022
Interest from loans	$0.00	$23,540.49	$23,944.37
Payments from leases	$0.00	$3,336.36	$1,112.12
Miscellaneous	$0.00	$0.00	$0.16
Total Revenues	**$0.00**	**$26,876.85**	**$25,056.65**
Salaries & Overhead	$64,272.00	$177,500.00	$190,808.95
Legal Expenses	$24,572.00	$19,002.00	$10,030.38
Operations	$4,783.60	$13,252.25	$26,986.12
Marketing	$2,600.00	$3,006.84	$51.19
Bank Fees	$1,111.49	$5,846.88	$4,827.60
Fundraising fees	$0.00	$0.00	$9,332.50
Interest on solar loans	$0.00	$7,771.87	$8,973.00
Travel	$0.00	$54,353.41	$10,381.31
Miscellaneous	$0.00	$0.00	$5,161.36
Operational Expenses	**$97,339.09**	**$280,733.25**	**$266,552.41**
Net Income	**($97,339.09)**	**($253,856.40)**	**($241,495.76)**
Tax	$0.00	$0.00	$0.00
Equity investments	$402,000.00	$842,301.25	$1,463,897.21
Loans	$130,000.00	$941,887.53	$189,163.00
Lease	$52,674.00	$111,730.00	$151,981.00
Return of capital	$0.00	$371,000.00	$602,063.50
Net investment flows	**$584,674.00**	**$1,524,918.78**	**$1,202,977.71**
Inbound equity capital	$729,750.00	$1,509,965.00	$2,312,600.00
Inbound debt capital	$69,750.00	$350,000.00	$200,000.00
Repayment of debt			$105,101.00
Net capital from investors	**$799,500.00**	**$1,859,965.00**	**$2,512,600.00**
Net Cash	**$117,486.91**	**$81,189.82**	**$1,068,126.53**

Income to Africa Eats intentionally continues to be low. Given the choice of growing the balance sheet (owing higher equity stakes in bizi) or growing the income line (growing our debt instruments to bizi), given the limited amount of cash raised to date, there is more potential ROI to investors by growing the balance sheet.

The **Expenses** for operating Africa Eats are primarily the management team, plus far smaller expenses for travel (networking and visiting bizi), legal (keeping current on Mauritius filings), operations (including the annual audit), fundraising fees for the crowdfunding, and a lot of fees for bank wires moving capital to/from the bizi.

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).

The last section of the report is the capital provided by investors. **INVESTOR** are equity investments, whether direct or through Fledge and Realize Impact. **LENDER** is debt raised for solar leases or for operational capital loans. The $3+ million of original assets is on the balance sheet, not in the P&L.

The last line is the **Net** change is 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**.

Looking into 2023, the planned change is an additional $12 million of capital from investors, likely as a mix of equity and debt. With this capital we can justify putting more capital to work to generate an income to offset the operational expenses.

MANAGEMENT

The one change to the team from a year ago is Saif Ahmed stepping out and Lily stepping in. The current team is better balanced, with Luni and Jumaane working with bizi and investors, and Lily focused on internal processes, analyzing bizi financials, and Africa Eats' annual audit.

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 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.

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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.

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For 2023, the planned addition to the team is a handful of bookkeepers and accountants, to help the bizi better learn how to operate their businesses based on metrics, with those metrics days old, instead of weeks or months old.

Beyond helping the bizi grow faster, the other benefit of these additions allows Africa Eats to measure aggregate bizi metrics days after the end of each month and quarter, instead of looking at lagging indicators.

THE 2023 GATHERINGS

Africa Eats is sponsoring **Sankalp Africa** 2023, the largest gathering of impact investors into Africa. This event is March 1-2 in Nairobi, Kenya. We invite all our investors to join us at this event.



The following two days, **March 3-4**, all the bizi founders and co-founders, and the whole Africa Eats management team will be gathering together for two days of discussions.

All existing and potential investors are invited to join us at this event as well, to meet the bizi face-to-face, and to hear the flow of ideas that takes place when you fill a room with successful entrepreneurs.



WHAT YOU CAN DO

A If you have not yet taken the time to meet all the companies, visit the africaeats.com website and watch the videos.

B Follow @AfricaEats on Twitter and subscribe to https://www.youtube.com/@AfricaEats on YouTube.

C Share the stories with your friends, family, colleagues, and at cocktail parties. The biggest constraint Africa Eats faces is capital. We do not expect individuals to provide all $12 million, but every investment makes a difference.

D If you would like to invest more, both Fledge and Realize Impact are here to make that easy. Existing Fledge investors can invest at any time with a single signature. You will still get just one K-1 per year and one distribution check post-IPO. And if you have yet to use Realize Impact, it works with any donor advised fund (DAF) and it accepts appreciated shares with a commensurate tax deduction. Investments of $200,000 or more can be made directly into the holding company.

E Make the long trip to meet all the bizi in person, in March 2023, in Nairobi, Kenya, either for Sankalp forum, the largest impact conference in Africa, plus our gathering, or just for our gathering.

THANK YOU

Thank you for making this possible. Without your capital, all this would still be a paper plan and a group of far smaller companies. However, with your capital, we are making a measurable across Africa.

If you have questions on any of this material, please do not hesitate to reach out.

If you would like to get more involved, adopting one or more companies as a mentor, making connections, or anything else, let us know:



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