

AFRICA EATS, LTD.

Annual Report

2023

Hunger & Poverty
Berkshire Africa
Capital Markets
Gathering
Other Learnings
Portfolio
Financials
Africo

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HUNGER & POVERTY

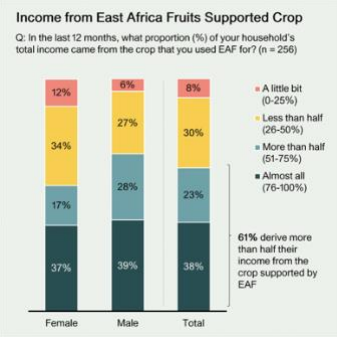
The annual and quarterly reports have historically started with financial metrics. This buries the why, i.e. the driving purpose why we do this work. This annual report will begin with the why. Africa Eats exists to help end hunger and poverty across Sub-Saharan Africa.

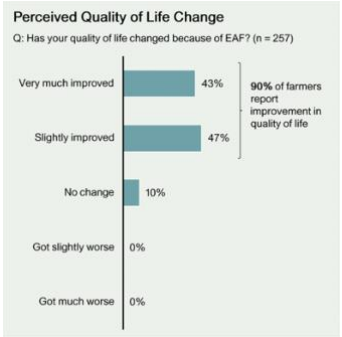
Hundreds of millions of people did not have enough to eat last year. Hundreds of millions of people across Sub-Saharan Africa spent less money to live last year than the average American spent on their pets, primarily cats and dogs. That is not a status quo we should accept!

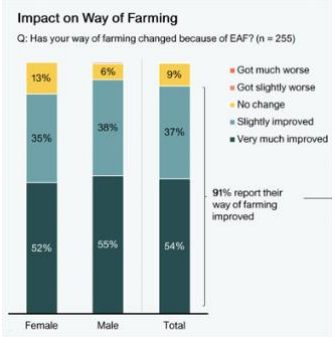
The impact thesis is that the only way to solve these problems is through capitalism. Specifically, investing in companies whose operations increase the incomes of the typically poor, rural farmer and lowers post-harvest losses.[1] Africa Eats invests in companies that are solving these seemingly intractable problems and scales their businesses. These companies, at national, regional, and pan-African scale will make a visible dent in both hunger and poverty.

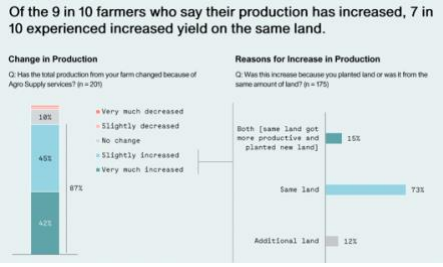
After 3½ years operating Africa Eats, we have demonstrated this model works! Now we need to scale it by a few orders of magnitude to make a significant difference, so that others will follow to truly solve these problems within the early 21st century, within our lifetime.

Our confidence in these solutions stem from published reports created by 60 Decibels on the farmers of **East Africa Foods** (EAF) and **Agro Supply**. Both studies show quantitative increases in farmer incomes and significant improvements in the quality of life of those farmers and their families.













Additionally, USAID published a research report that measured the post-harvest losses in **East Africa Foods,** our largest bizi. EAF lowered post harvest loss to an average of just 2%, far lower than the typical 30%-50%, common across the small, fragmented players who dominate the market.

[1] Note: The majority of food across Sub-Saharan Africa is grown by smallholder farmers.

East Africa Fruits Internal Post Harvest Loss per Month in 2022.

Crop	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total	Kg Lost	Value Lost
Potatoes	0%	0%	0%	0%	1%	4%	9%	1%	4%	2%	3%	276,784	$87,557
Bananas	0%	0%	0%	4%	3%	2%	1%	9%	0%	3%	2%	146,671	$47,858
Onions	2%	0%	5%	0%	7%	0%	0%	0%	0%	1%	1%	16,696	$15,194
Rice	0%	0%	0%	2%	0%	0%	0%	8%	4%	4%	2%	12,136	$12,513
Tomatoes	0%	0%	0%	9%	6%	0%	0%	1%	4%	5%	2%	11,798	$7,290
Beans	3%	6%	2%	0%	0%	0%	0%	0%	0%	0%	0%	Minimal	
Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Minimal	
Grand Total	**0%**	**0%**	**1%**	**2%**	**2%**	**3%**	**5%**	**3%**	**3%**	**2%**	**2%**	**464,090**	**$82,855**

In prior reports, we reported a specific number of farmers whose lives we are improving. As each of the bizi[2] scale past $1 million in annual revenues, the aggregators (which are most of the bizi) are buying not only directly from farmers but also from farming co-ops and local aggregators. As a result of this shift, there is no longer an accurate count for how many farms nor how many people's lives are improved from all this aggregation.

We have the same problem for the bizi that sell products and services to farmers. For example, Ziweto Enterprise is the largest wholesaler of agrovet supplies in Malawi and Afrihealth sells to many dozens of agrovet shops in Uganda. Furthermore, in 2023, Ziweto Animal Nutrition began selling animal feed across Malawi. Meanwhile, Boka Eats has always sold animal feed across multiple counties in Kenya, and Geossy has been a wholesale distributer of fish feed in Uganda.

The total number of farmers working with the bizi in 2023 is estimated to sum into the hundreds of thousands. Assuming a typical rural farmer has a five-person household then every 200,000 farms served improves the lives of 1,000,000 people (only considering the primary producers in these value chains).

Unfortunately, we are not able to accurately report a specific number of farmers. However, we can confidently assert that Africa Eats improves the quality of lives for multiple millions of Africans (when considering the entire value chain including farmers, aggregators, transporters, service providers, equipment suppliers, staff, distributors, and the end-consumers).

[2] Africa Eats is not a fund. We are an investment company that intends to hold its minority stakes in its investees in perpetuity, helping these companies grow to be the next big national, regional, and pan-African brands. As such we do not use the terms "portfolio companies" or "investees." Instead, these companies are integral parts of Africa Eats. There is no English word for that relationship, so we created an African-esque word, "bizi." Bizi being used both to talk about the companies as a whole as well as the founders and co-founders of those companies.

BERKSHIRE AFRICA

There are a multitude of benefits in Africa Eats' business model. One is that we are an open-ended/permanent capital vehicle, not a closed end/time-based fund. Our structure lets us raise capital as we grow, pricing that new capital to match the value created to date.

Later in this report, we will share some remarkable news on fundraising, but before sharing those plans, it seems prudent to re-iterate Africa Eats business model. Africa Eats is an investment company that combines parts of the business models of venture capital, private equity, business accelerator, merchant bank, and many lessons from the greatest of all investment companies, Berkshire Hathaway.

As Africa Eats succeeds, one of our goals is to encourage other investment companies that will replicate our business model. Africa Trees is the first of these replications, founded in October 2023. Africa Trees has a different mission than Africa Eats, focusing on land restoration and carbon sequestration. There are a few other differences, but generally it is copying Africa Eats' business model and plan. Consequently, we can no longer claim that the Africa Eats business model is unique! In fact, we actively encourage more copycats.

In this and future reports, rather than repeating the awkward phrase "Africa Eats' business model," we have chosen the term "**Berkshire Africa**" as the name for the common parts of the model, paying homage to Berkshire Hathaway. Before diving into those common parts, we will first look at why this model is needed. Why are the existing combined venture capital, private equity, loan funds, commercial banks, insufficient?

THE MISSING MIDDLE OF CAPITAL

The fundamental financial bottleneck stifling the growth of SMEs across Sub-Saharan Africa is limited access to capital, commonly known in the economic development field as the "missing middle of capital." Over the last 3½ years operating Africa Eats, we have learned/learnt just how massively wide and deep is this gap of capital (where most often the gap –i.e., what is missing – far exceeds the supply – i.e., what exists, by many multiples).

More specifically, in any given year there are millions of African entrepreneurs creating new companies and hundreds of thousands of SMEs[3] (small and medium enterprises) with sufficient "traction" to raise funding, — if it were more freely available. Yet across Sub-Saharan Africa only 200-300 investment funds provide that funding, with each fund typically making fewer than 5 investments per year. That is the most obvious of the capital gaps, but far from the only one.

Commercial banks rarely lend to these SMEs, even those that are funded by the investment funds (as stated in the previous paragraph). Likewise, SMEs that are growing 50%-100% annually with healthy profits also rarely get approved for bank loans. This is not unique to Africa. For example, without the Small Business Administration (a U.S. federal government agency) guaranteeing loans to American SMEs, American commercial banks would not be lending to small businesses

[3] "SMEs", not "startups", as these are "real" businesses that move real products, earning real money and, far more often than not, real profits.

in America either. The absence of a SBA, across Sub-Saharan African countries, means SMEs are deemed too risky and lack the collateral requirements to give banks comfort to lend to them.

The next capital gap arises as the tens of thousands of succeeding companies keep succeeding. The old adage is, "it takes money to make money". This is true for the medium-sized enterprises in multiple ways, from a growing need for operational capital, to additional asset finance for equipment, to hiring ahead of sales. The problem is that those 200-300 investment funds tend to offer only one or just a couple vanilla finance products (e.g., term loans as debt, preferred shares as equity and the occasional mezzanine debt product), with just about none providing multiple forms of growth capital that fit all the various forms of capital needs. Thus, the next gap of capital is not totally missing, but successful companies have to spend another 9-24 months closing a second, or third investment fund to provide a second or third form of capital for a need they have now.[4]

All that would be challenging enough, if at some scale this complexity would collapse down to working with one merchant bank or hiring an investment bank. It does not . Instead, the complexity grows, as most of these 200-300 investment funds cannot write checks big enough (or cannot write checks small enough if it's $100+ million fund) as the hundreds of successful companies surpass $10 million in annual revenues! Hence this growth capital is limited. Consequently, this finance gap reduces medium-sized enterprises ability to grow their tens of millions of dollars to reach over $100 million annual revenue milestone. Thus yet-another gap exists, solved only by creating syndicates of funders, slowing down the fundraising process even further if such complex fundraising efforts succeed at all.

The Berkshire Africa solution to this problem is quite simple in comparison. Be flexible! Provide a variety of investment capital, in a form that best fits the needs of the company, rather than focusing solely on just one investment structure or product. Write $10,000 checks when $10,000 is needed. Make $50,000-$500,000 working capital loans when operational capital is needed. Finance invoices. Lease trucks when trucks are needed. Match grants. Fill in whatever financial gaps arise.

MINORITY EQUITY OWNERSHIP

The Berkshire Africa model takes the minority equity ownership model from venture capital funds. The core idea is to harness the power of entrepreneurs, investing in their companies rather than building companies from scratch within the investment company. Whether you believe entrepreneurs are born or can be taught, what is absolutely true is that no hired management is going to care as much about a company as its founder, who is willing to sacrifice everything to achieve their vision.

The investment model typically begins with minority equity investments into existing companies. Ideally companies that are already profitable. Ideally companies that are already growing 50%-200% year over year, or those that could be growing that quickly if only for sufficient investment capital. In check sizes that are lower than last year's revenue. All of that

[4] Note that we have not mentioned the level of distortion created by these primarily global funds offering unreasonable terms (e.g. too high or too low interest rates that distort the local markets).

adding up to investing in entrepreneurs who against the odds has made some revenue traction in a capital efficient way.

Our investment model does not wait until the companies are already past $1 million in annual revenues. It does not pass up on these opportunities, but neither does it pass up on promising, profitable companies that earned just $20,000 in the last 12 months, where a $20,000 check could double or triple the size of the company.

Listen to the entrepreneurs! Let them determine the best use of funds. Question their plans even if their plans are sound, not only because markets are dynamic, but a good entrepreneur constantly questions in-order to adapt quickly in dynamic markets. However, we ultimately let them do what they think is best. Far more often than not they know better than any investor what is needed to grow their business. Moreover, experience is often the training needed for the entrepreneur to manage a larger, fast-growing SME.

Expect many more opportunities to buy more equity as the company succeeds and use each of those moments to ask about lessons learned, ask about mistakes made, and ask about opportunities yet untapped. Our investment model of matching capital based on need affords the management team multiple and granular opportunities to engage our entrepreneurs as needed at an operational and management level.

BOTTOM-UP PORTFOLIO MANAGEMENT

This bottom-up approach is reminiscent of the way Berkshire Hathaway lets its portfolio companies run with minimal input from HQ in Omaha. It is vastly different than the way traditional venture capital funds push their ideas top-down through formal board meetings and informal discussions with the founders. If the CEO is wise, he or she will ask for board-like advice when board-like advice is needed. If the investor is wise, he or she will be monitoring quarterly financial reports and monthly or quarterly updates, foreseeing common challenges before the CEO sees them through operations.

Investing is a partnership! Let the entrepreneurs and their management teams do what they do best, building companies and keeping their eyes open to curtail challenges and exploit opportunities. Let the investors do what investors do best, asking intelligent questions to help those entrepreneurs hone their plans, providing advice based on actual experience, and making connections between entrepreneurs to gather more advice and address on-the-ground realities.

At Africa Eats, the mantra at HQ is that we are a bottom-up culture. Listening to bizi has generated far more investment opportunity and growth than pushing ideas top-down from the HQ team to the bizi. This is a lesson we learned — as the HQ are all entrepreneurs — through trial, error, and adaptation, just like our entrepreneurs. This is how we became so flexible in our investment structures, listening to needs and being innovative to match those needs.

Listening is how we uncovered the huge opportunities in logistics. Listening is the main tool we are using to hone our plans of opening the capital markets to further fill the missing middle of capital (more on this later). Facilitated listening is what we do for most of the two days at our annual gathering.

PRIVATE EQUITY

How much to adopt from the play book of private equity funds is an ongoing debate in the Berkshire Africa business model. For example, if a founder/CEO of a relatively small and early growth company is failing to meet his/her goals, should that CEO be pushed aside and replaced with management hired by the investment company?

A private equity (PE) fund would have long ago replaced that CEO with in-house management (although PE tends to focus on more mature companies). Meanwhile, a California venture capital fund would not hesitate to "shoot" the CEO and bring in a replacement. In the last 50 years at Berkshire Hathaway, the only CEOs the Omaha HQ have replaced are the two or three that were caught making unethical, if not fraudulent, decisions.

So far, Africa Eats has chosen to follow Berkshire Hathaway's lead on that big question. Warren Buffett was forced to do otherwise a few times, and while he succeeded in those efforts, it was never something he wanted to do.

Likely there will come a time when Africa Eats does buy out a founder, but not yet.

BUSINESS ACCELERATOR

All of the founder/CEOs of Africa Eats' bizi have one thing in common, they are all learning on-the-job how to run companies of their current sizes with their current challenges, having never done so previously.

If the companies were growing 10% per year, this would not be such a challenge, but on average the companies are growing 50% year over year, with some doubling and in any given year, at least one growing much faster.

What this means in reality (at the CAGR seen by many of the bizi)[5] is that an entrepreneur who has built the capacity to run a company earning $50,000 in annual revenues is, when succeeding, running a company earning $500,000 three years later, then over $1 million two years after that. The systems used to run a company earning $50,000 in annual revenue are far simpler than the systems needed to run a $1+ million revenue company.

Most of the training in the Berkshire Africa business model is devoted to what is commonly called a "business accelerator". These CEOs do not have time to grow their companies at this speed while studying a formal MBA. Even if they did, few MBA programs teach lessons relevant to SMEs growing at this speed.

The annual in-person gathering is used not only to teach some of this material, but even more importantly, through CEOs networking and learning from each other, such that they trust each other to share challenges when they arise, getting solutions from fellow CEOs and fellow management rather than solely relying on Africa Eats' HQ staff to provide those answers.

[5] Compound Annual Growth Rate (CAGR), specifically the compounded growth rate of the top-line, gross revenues.

This is yet-another central piece of the bottom-up culture, where the answers to most challenges come bottom-up/side-to-side from fellow bizi rather than top-down from investors.

MERCHANT BANK

"Merchant banks" in the 21st century are not like those in the 19th century The closest equivalent to renown J.P. Morgan's "House of Morgan" in modern times is Warren Buffett's Berkshire Hathaway.

One difference is that Morgan innovated in investment structures and used his controlling interests in order to make the businesses more financially and stable profitable through corporate and financial restructuring. On the other hand, Berkshire nearly always simply purchased public equity, buying whole or parts of companies, with innovations in the rare cases, typically in troubled times, with a few preferred equity or debt bailouts.

Sub-Saharan Africa is missing the depth and breadth of financial institutions that 19th century New York City or for that matter 18th century London took for granted. The Berkshire Africa model aims to fill in the capital needs of its bizi from the first equity investment through the various forms of growth capital, all the way to liquidity in the public stock markets, and, more likely than not, in future years beyond the public listing, with further financial infrastructure to allow for factoring, corporate papers, corporate bonds, and agriculture futures, as examples.

= In summary, there is a huge opportunity to re-implement the financial innovations of the 18th, 19th, 20th, and early 21st century of finance as the bizi grow in scale and need even more varieties of capital structures.

UNLOCKING THE CAPITAL MARKETS

A big lesson from 2023 is the opportunities within the sectors that the two dozen Africa Eats companies operate exceeds the capital invested by private equity funds in Sub-Saharan Africa focused on those sectors. Or, in other words, there just is not enough money flowing into Sub-Saharan Africa for food/ag companies to fill the known needs, and at least two or three orders of magnitude too little capital to fill the actual needs.

One approach to solve the missing middle of capital is to look to the largest accumulation of investment capital: insurance, pension and mutual funds, university endowments, foundations, and savings institutions. The decision-makers for these pools of institutional capital are wealth advisors and asset managers. The question is: what is the typical allocation of capital by wealth advisors and asset managers? Venture capital, private equity, and private debt — the primary sources of capital used to fund SME in sub-Saharan Africa — are all lumped under the asset class known as "alternatives." Wealth advisors recommend that their clients to allocate no more than 5% (or 10% for the risk-taking clients), into this asset class. Far more often than not the actual allocation into private equities is 0%. Likewise, most institutional capital has guidelines set either by the company or regulations limiting the amount of capital allocated to the alternative asset class.

Meanwhile, in 2021, according to PWC's Asset and Wealth Management Report, the wealth advisors and asset managers invested the vast majority of private wealth, — the $127 trillion of

global assets under management — in public equity and public debt. Thus, to fill the missing middle of capital, follow the money into the capital markets.

This is far easier said than done.

The challenge in unlocking the capital markets is one of scale. Listing anything on a New York stock exchange costs multiple millions of dollars and thus only makes sense when raising $0.5 billion or more. Listing on the main board in London costs around $1 million, and thus only makes sense when raising $100+ million. Listing in Sub-Saharan Africa, however, costs just tens of thousands of dollars, and thus makes sense for raising tens of millions of dollars, which also happens to match the aggregate capital needs of the Africa Eats bizi.

The next challenge is that the stock markets in Sub-Saharan Africa look like New York and London but are missing some of the key features of New York and London, namely a plethora of buyers and sellers, market makers to create liquidity between those buyers and sellers, and online brokers that make it easy for anyone to be a buyer or seller.

Those are all Catch-22 challenges that can be and will be fixed given great investments that attract buyers and sellers, plus enough patience to wait out the fixes. That is what Africa Eats has begun to work on in 2023, aiming for listings in 2024. We plan to not just list Africa Eats on an African Stock Market, but to organize a series of IPOs of the most successful bizi, alongside Africa Eats, and ideally an index fund (e.g. an ETF)[6] and establish a market maker, to attract buyers, to then attract the rest of the financial infrastructure to make Sub-Saharan Africa a place wealth advisors inform their clients to diversify their public equity and public debt assets.

It will likely take the rest of the 2020s before all of that becomes reality. Like everything else that is worth doing, the first step is the hardest, envisioning a future, putting together a series of steps to make it happen, gathering support from the necessary stakeholders, and funding the first step to catalyze the process/get the ball rolling.

At this point, we are still double checking our vision with stakeholders as we gather their support. None of this will be easy, but so far it does not look any more difficult than trying to fund Africa Eats through private equity and private debt, our approach over the last 3½ years. The difference is that upon success, the amount of capital available is orders of magnitude larger, measured in trillions instead of hundreds of millions.

THE EXP PLAN

The plan from the start, before incorporation, has been for Africa Eats to be a publicly listed company, with two IPOs. The first on a stock exchange in Sub-Saharan Africa and then later, when the company is of sufficient scale to merit the costs, a second IPO co-listing the company on the London Stock Exchange.

[6] An exchange-traded fund (ETF) is a type of pooled investment security that can be bought and sold much like an individual stock. The main difference between an ETF and a mutual fund is that though a mutual fund is also a pooled investment, it trades only once a day after market close. Source: Investopedia.com

This not only continues to be the plan, but conducting secondary research towards this plan began in Q3 2023 and conducting primary research began in earnest in Q4 2023. We call this plan “The EXP” and it has grown from just Africa Eats to include the best-of bizi.

This plan has been written in partnership with the Stock Exchange of Mauritius (SEM). In Q1 2024, Luni and Jumaane spent a week in Mauritius alongside the CEO of the SEM and his team, in a series of meetings with two dozen organizations. The SEM set up meetings with investment banks, pension funds, insurance companies, fund managers, and a significant portion of the players in the Mauritius capital markets.

The following week Jumaane and Luni were in Nairobi and met with the outgoing and incoming CEOs of the Nairobi Securities Exchange (NSE), who are both eager to join in this plan, as were many of the investment banks, institutional investors, and others in the Kenyan capital market.

In the third week of these meetings, we met with the interim CEO of the Dar es Salaam Stock Exchange (DSE) in Tanzania who was more skeptical. Yet, many on her team in the room were advocating to join in. Meanwhile, the Rwanda Stock Exchange (RSE) was ready to move immediately to be part of this plan, eager to even implement our plan ahead of the other security exchanges that we had engaged.

In short, the plan is to create a new segment for listing on these stock exchanges. A segment focused on fast-growing, profitable SMEs. Companies growing revenues at a minimum compounded rate of 25% over the last five years. This is lower than the average growth rate of Africa Eats bizi and much lower than some of the best-of bizi, which have growth rates of 50%-120% over the same time period.

The fast growth coupled with profits makes these exchanges want to join in and create this segment. There are no group of companies like this listed on any stock market in Sub-Saharan Africa. There are few (if any) African companies like that listed on the London Stock Exchange, despite over 120 African companies listed on that exchange.

The plan is not complicated. We have identified seven bizi from Africa Eats and one from Africa Trees to prepare for listing. We will work with them through September to organize their internal structures and governance to be ready for the public listing requirements, to train the CEO and management team in the expectation of running a public company, and to practice quarterly reports and quarterly board meetings throughout 2024.

The deliverables need to launch is threefold: (1) the first three IPOs by the end of September, (2) a new Mauritius company acting as market maker for those listings, and (3) a mobile+web app that allows anyone globally to buy and sell these shares, including participating in the IPOs.

That is a lot to accomplish by September, but sufficient funding has been secured, a team has been identified for the necessary technology development, and nothing in this plan is a new invention. The advisors and investment bankers have successfully listed dozens of companies. Market makers are new to Mauritius, but the business model is hundreds of years old. And the online brokerage app to start with will be as simple as possible, only trading the shares listed on the EXP.

The most complicated part of the plan is coordinating between the SEM, NSE, DSE, RSE, and any other African stock exchanges that want to participate in the bigger vision of making the EXP a pan-African listing experience, rather than only being available in Mauritius. That is not expected to be up and running until 2025 for the fastest moving exchanges, and 2026 or 2027 for the slower moving exchanges.

If this works as planned, then every Africa Eats investor will have an account on that online brokerage where they can see the daily value of their shares, where they can liquidate their shares if they choose, or as we would prefer, where they can buy more shares. Moreover, once this is live, every investor will be able to tell their friends, who will be able to buy shares in a few clicks, with minimum investments of a handful of dollars.

THE 2024 ANNUAL GATHERING

The Annual Report is published after the annual gathering, so we will not make you wait until the Q1 report for details on this event.

The bizi were once again flown to Nairobi for the annual "gathering." There is a separate write-up summarizing the discussions over the two days. This year the attendees were not only the Africa Eats bizi, but also the Kenyan bizi from Africa Trees, plus a handful of alumni from The Land Accelerator. 45 entrepreneurs from 35 companies operating in 8 countries.

This year saw a big rise in the number of guests. At least 45 were in attendance for the morning of day 1. This included representatives from impact investment funds, government funded development institutions, grantors, consultants, the Nairobi Securities Exchange, investment banks, and more.



The main goal of the gathering is to build a network of support for the bizi and having 90+ people in the room along with almost double the number of companies proved itself helpful in accomplishing that goal.





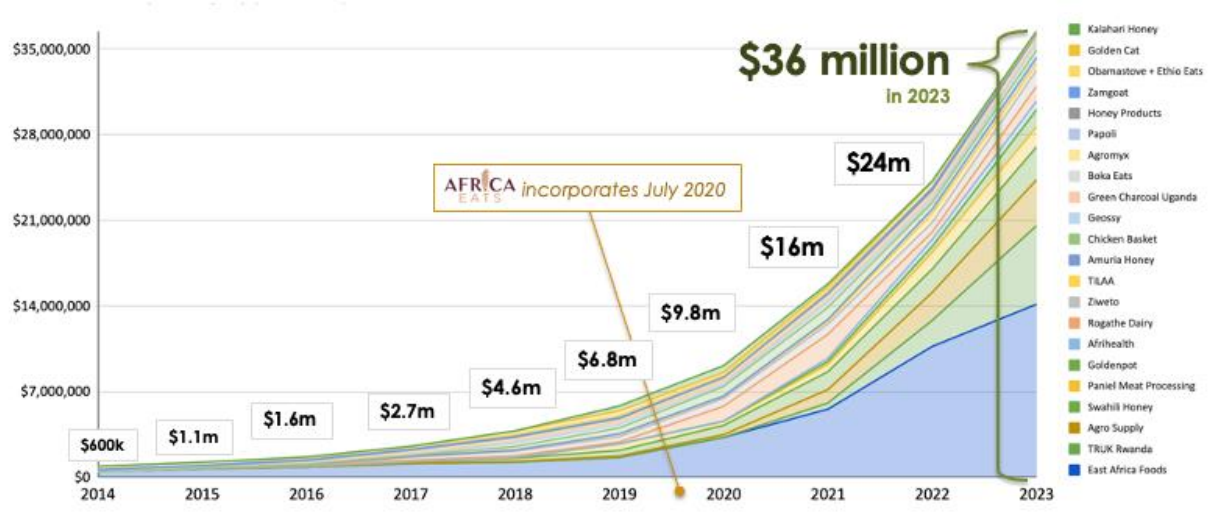
This event is Africa Eats' equivalent to the Berkshire Hathaway annual shareholder meeting, which has grown from a dozen attendees in the 1970s to tens of thousands in the 2020s. We expect our event to continue growing for the next 60+ years.

THE OTHER LEARNINGS FROM 2023

"It takes money to make money" is more true than not, but business "momentum" can help offset this old adage as can running a profitable business and recycling the profits.

2023 was a horrible year for fundraising, both for Africa Eats and for the bizi, but not just for us, as every fund manager we talked to experienced the same slowdown of capital flow in 2023. At the start of 2023, we planned to raise at least $7 million in new capital, but we ended the year raising just $1.7 million.

It is thus not surprising that the aggregate revenues across the bizi did not exceed the $41 million target, but instead were just $36 million. A miss of $5 million, which is not coincidentally just about the same as the miss in fundraising. It really does take money to keep up the historic year-over-year growth rate.



This 50% year over year growth is slower than past years, but still quite healthy, especially given the relatively small amount of growth capital available during the year.

This slowdown ended in Q1 2024, with $2.3 million invested by the middle of February. That is the best start of any year so far, and hopefully is a harbinger for raising sufficient capital so that all the bizi can see at least a little growth capital in 2024.

A Few Bizi Updates

Africa Eats began with a portfolio of two dozen companies (the "bizi") of various shapes and sizes, and 3½ years of growth has further separated these companies in scale. The scale ranges from East Africa Foods, now over $14 million in annual revenues and TRUK Rwanda, jumping into second in size at $6 million; with Agro Supply, Swahili Honey, Paniel Meat Processing, Goldenpot, Ziweto Enterprise, and Rogathe Dairy all over $1 million; Tilaa, Afrihealth, and Amuria Honey over $500,000; down to a dozen that are still on the small end of SME (i.e., small and medium enterprises).

East Africa Foods

East Africa Foods rebranded itself in 2023 (from East Africa Fruits) while creating a new parent company in Mauritius, prepping for international expansion in 2024. The company also opened a second distribution center in Dar es Salaam as well as a new aggregation and distribution center in Dodoma, in Central Tanzania.

Jumaane, Luni, and Lily visited both the Dodoma and original Dar es Salaam aggregation centers in March 2024 as well as the new EAF management headquarters on the 20th floor of one of Dar's many new skyscrapers. Luni has been working with this company for 10 years, with Fledge as the very first outside investor that year, with an investment of just $15,000. On this visit East Africa Foods is looking to Africa Eats to lead the Series B equity round at the end of 2024 or early 2025 with an investment of $5-$10 million.



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

TRUK Rwanda

In February 2022, Africa Eats invested $200,000 in Paniel Transport & Logistics, which was launched 20 months earlier by the founder of Paniel Meat Processing and Livestock Bank and bootstrapped for those first two calendar years. Africa Eats' investment was the first outside capital into this startup. As a result, in twelve months, the company grew from $511,000 in annual revenues operating five trucks to over $1.5 million in annual revenues with twelve trucks.

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.

Africa Eats added another $750,000 in late 2022 and mid-2023, and with that the company grew its fleet to 19 trucks and grew its annual revenues past $6 million.





In terms of impact, TRUK Rwanda is serving the needs of hundreds of SMEs who in turn work with hundreds of thousands of farmers. The company not only operates in Rwanda, but across Eastern, Central and Southern Africa, as more than 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 plans for TRUK Rwanda in 2024 are further scaling across East Africa, with no expectations of saturating the market for food/ag logistics. For the TRUK brand, the expectations is that East Africa Foods will finish their work in splitting logistics from aggregation, creating TRUK Tanzania as a standalone long-haul logistics company serving Tanzania by the end of 2024.

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 provided both capital and consultants to get this new business line up to scale in 2023, but neither proved sufficient.



At the end of 2023, we called in East Africa Foods to help. Their *Golden Banana* brand sells 7 out of every 10 bananas in Dar es Salaam, and they sent their market research team to dive into the Kenya market to see if their level of success can be replicated. News to come on whether a partnership between the two bizi in 2024 benefits the two companies.

GOLDENPOT

When we met Goldenpot, the company was aggregating maize from a few hundred women farmers and in 2019 milled and sold just $24,000 worth of maize flour. In 2023 annual revenues exceeded $1.4 million. The largest product continues to be maize flour followed by peanut butter, but the new product line in 2023 was instant porridge and breakfast cereal, which should be the bigger product lines in 2024.



That $1.4 million was made possible by just $320,000 of investment capital provided by Africa Eats, Goldenpot's only investor, plus an €80,000 grant.

In March 2024, the Africa Eats team visited the Goldenpot factory to both celebrate the success as well as to see first-hand the bottlenecks to scale this business by 10x. That will not happen in one year, but given the quality of the products, given that this is the only manufacturer of breakfast cereals in Tanzania, and given that this company has yet to supply all the branches of even one supermarket chain, that 10x could be reached by 2025.

PANIEL MEAT PROCESSING

Paniel Meat Processing earned just $35,000 in annual revenues when it attended Fledge in 2017. In 2023, the company grew past $1.6 million in annual revenues. The latest driver of that growth is chickens. PMP is currently the second largest chicken processor in Rwanda, and with a few hundred thousand dollars of additional capital could grow to be the largest.



This growth was made possible by just $312,000 of investment capital provided by Africa Eats, PMP's only equity investor.

SWAHILI HONEY

Swahili Honey is the second largest honey aggregator in Tanzania, with the 2023 milestone of selling 20 tons of honey in Nairobi in just a few months of operating in this new market. This is more honey than the whole company sold in all of Tanzania when we met them back in 2018.



Revenue has grown tenfold since 2018, from $270,000 to $2.7 million in 2023. This growth was made possible by just $325,000 of investment capital provided by Africa Eats, Swahili Honey's only equity investor, plus a $250,000 loan from University Impact, a co-investor introduced by Africa Eats.

OBAMASTOVE / ETHIO EATS

Manufacturing continues to be a challenge in Ethiopia. Obamastove survived civil unrest in its hometown, survived the pandemic, and survived the civil war in the north of the country, and thus we are not concerned about waiting out the latest macroeconomic challenges.

While waiting, the CEO, an Ethiopian refugee from the 1990s conflict, researched the supply chain for Ethiopian spices and dry goods for the many hundreds of Ethiopian grocery stores and restaurants in the United States (a diaspora of hundreds of thousands of people, which is a direct byproduct of the conflicts in Ethiopia). The net result is a new brand for Obamastove, **Ethio Eats**, which in 2024 will start filling the needs of those customers.

THE WHOLE PORTFOLIO

We have included very brief descriptions of each company, divided into three groups: over $1 million in annual revenues, over $200,000, and smallest.

COMPANIES WITH ANNUAL REVENUES ~ $1+ MILLION

East Africa Fruit is the largest fruit and vegetable aggregator in Tanzania.

TRUK provides trucking, cold chain, and logistics to food/ag companies in Rwanda and across Eastern and Southern Africa.

Swahili Honey helps smallholder farmers grow their income through honey and beeswax.

Paniel Meat Processing alleviates protein deficiency in Rwanda through the production of beef, pork, and chicken,

Rogathe Dairy aggregates fresh milk and processes it into a healthy drinkable yogurt.

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

Goldenpot create incomes for women farmers with maize flour, porridge, and breakfast cereal.

Agro Supply teaches farmers how to save, selling inputs using a unique lay-a-way business model.

OVER $200,000 ANNUAL REVENUES

Papoli Farmers Association produces turkeys with hundreds of farmers in Uganda.

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

Tilaa aggregates and sells honey and cashews in Northern Ghana, working exclusively with women farmers.

Amuria Honey aggregates honey, beeswax, and bee venom in Central Uganda.

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

Geossy teaches Ugandans how to farm for fish instead of hunting now that the Lake Victoria fishery has been decimated.

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

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.

Boka Eats manufactures and sells animal feeds for smallholder farmers in Kisii, Kenya.

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

THE "SEED BED"

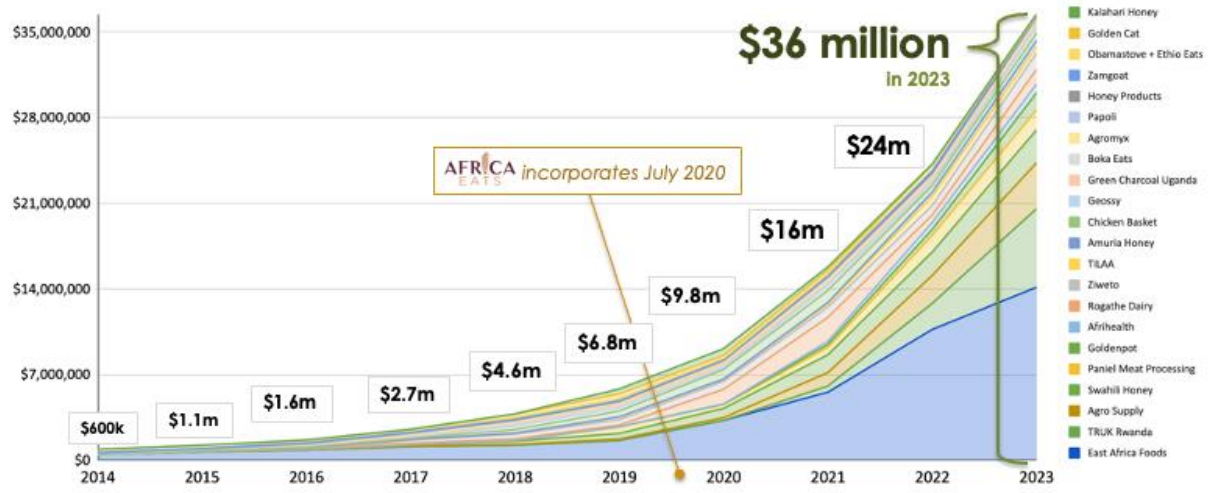
Zamgoat buys goats from smallholder farmers in Zambia, slaughters and sells goat meat and sausages to middle class Lusaka.

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

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

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 **$6.8 million** in 2019 to **$36 million** in 2023, a compounded growth rate of 52%.



The nearly $30 million of growth was generated on far less than $30 million in investment capital. Capital efficiency is another of the unique aspects of the bizi. Apart from a few rare exceptions, they have all proved an ability to turn each $1 of investment capital into more than $1 of annual revenues.

Visible in the graph is the drop in growth rate of East Africa Foods (in blue, the oldest and largest company in the portfolio). This is not unexpected. It is far harder to grow at 50% year over year after revenues exceed $10 million per year in the food and ag. space in Sub-Saharan Africa. However, in this specific case, the slower growth is attributed to the difficulty as a result of fundraising taking nine months longer than expected due to the syndicate of investors required to raise the millions in growth capital required to keep up that fast growth rate. It can easily take over 24 months to raise a few million dollars for SMEs seeking to raise capital from social impact funds in Sub-Saharan Africa (the primary source of capital for most SMEs).

The overall growth rate did not slow down due to other bizi speeding up their growth, especially TRUK Rwanda, which grew almost 3x in 2023, from $2.2 million in annual revenues in 2022 to $6.4 million in 2023.

Diversity is the key strategy when investing in companies like these. There will inevitably be challenges that slow down growth, if not shrink companies for a year. Having a portfolio of almost two dozen companies make it unlikely that these challenges will impact the whole of the portfolio in any given year, as demonstrated by the graph above, over ten years of operating history.

BALANCE SHEET

At the end of December 2023, the company had $152,203 in cash in the bank, $255,000 of capital due from investors (from agreements signed the last week in December 2023), $13.4 million of equity investments, and $2.5 million of loans and leases, for a total of **$16.4 million** of assets.

Cash	**$1,316,854**	**Short-term**	**$125,000**
Bank accounts	$152,203	Payables	$0
Investor receivables	$255,000		
		Long-term	**$862,589**
Investments	**$16,151,521**		
Equity	$13,437,898	**TOTAL LIABILITIES**	**$987,589**
Loans & leases	$2,500,213		
		Equity	**$15,436,264**
TOTAL ASSETS	**$16,423,853**	**TOTAL LIABILITIES & EQUITY**	**$16,423,853**

In 2020, the company was founded with an initial portfolio estimated at just over $3 million of value. 3½ years later, the total assets are **up 5.5x**. But note that this investment total is as of the end of 2023, prior to the revaluation (mark-to-market) of the portfolio based on the 2023 revenues and profits of the bizi.

UPDATED SHARE PRICE

IFRS standards require Africa Eats to "mark-to-market" the value of its investments at least annually. We use the reported annual revenues and profits of the bizi to do that, which took until the end of February 2024 to aggregate.

For the equity investments, the valuation methodology is based on a multiple of revenues, with a multiple between 1x and 4x depending on the growth rate of revenues, the 2023 and historic profitability, and other factors such as liabilities, inventories, assets, and recent challenges.

The highest, a 4x multiple, is reserved for the bizi with the strongest track record considering all internal and external factors, along with valuations set by co-investors. For 2023, this was limited to: East Africa Foods, Goldenpot, Paniel Meat Processing, Swahili Honey, and TRUK Rwanda, which are not coincidentally five of the six companies at the top of the queue for the EXP capital markets plan. The seventh company in the capital markets plan is Ziweto, which is one of the seven bizi to use a 3.5x multiple (the second highest multiple). Ziweto's multiple is lower only because of the forex challenges of the Malawi Kwacha, not because of anything under the company's control.

The updated valuations estimate the total value of all the bizi at $139 million. Africa Eats' ownership of each company is then multiplied with each company's valuation. That sums up to

$19.6 million, which means Africa Eats owns an estimated 14% of the total value of all the companies.

$19.6 million is an increase of $6.2 million from the end-of-year value in the balance sheet. In addition, fundraising in Q1 2024 exceeded the fundraising for all of 2023. As of the end of February 2024, the bank balance was $2.0 million.

Cash	**$2,278,744**	**Short-term**	**$275,000**
Bank accounts	$2,005,653	Payables	$0
Investor receivables	$273,091		
		Long-term	**$862,589**
Investments	**$21,941,720**		
Equity	$19,561,508	**TOTAL LIABILITIES**	**$1,137,589**
Loans & leases	$2,380,212		
		Equity	**$23,082,875**
TOTAL ASSETS	**$24,220,464**	**TOTAL LIABILITIES & EQUITY**	**$24,220,464**

The updated balance sheet as of the end of February 2024 estimates the total assets at $24.2 million. This is an 8.1x increase from the $3 million of initial assets in just over 3½ years.

Incorporating this capital injection in Q1 2024, total shares grew to 10,529,484. Dividing the total assets by the number shares results in an estimated enterprise value per share of $2.30.

That total number of shares includes 87,317 newly issued shares set aside for the smallholder farmers, raising their ownership to 230,495 shares in total, 2.2% of the total ownership. This comes from Africa Eats' commitment to share the wealth generated by the bizi and our investments with the farmers, who do the day-to-day work growing the food that drives the underlying value of Africa Eats. The specific number of shares comes from diluting 1% of the ownership per year, issuing more shares into this pool, to be shared with the farmers after the IPO.

Back to the share price calculation… in keeping with the tradition of rounding the share price down to ensure we are not over-pricing the company as well as to provide a small incentive for incoming investors, the new Africa Eats share price is **$2.25**.

INCOME STATEMENT

	Jul-Dec 2020	2021	2022	2023
Revenue				
Loan interest received	$8,971	$26,877	$26,326	$30,177
Loans written off	-$12,750	$0	$0	$0
Lease interest	$1,763	$0	$0	$0
Leases written off	-$1,174	$0	$0	$0
Investment gains	$142,548	$2,080,241	$1,325,795	$4,678,661
Investments written off	-$113,571	-$331,650	$0	$0
Misc	$0	$0	$0	$0
	$25,787	$1,775,467	$1,352,121	$4,708,838
Expenses				
People costs	$64,272	$177,500	$202,686	$226,989
Legal	$24,572	$6,002	$10,030	$29,881
Operations	$4,784	$13,252	$30,161	$141,496
Marketing	$2,600	$3,007	$51	$5,800
Bank fees	$1,111	$6,032	$5,638	$9,634
Fundraising fees	$0	$0	$9,333	$18,000
Interest on loans	$0	$7,772	$8,973	$18,432
Travel	$0	$54,353	$10,381	$74,348
Misc accruals (audit, etc.)	$13,000	$0	$5,161	$0
	$110,339	$267,918	$282,415	$524,580
Net income (loss) before taxes	-$84,552	$1,507,549	$1,069,706	$4,184,258
Taxes	$0	$0	$0	$6,504
Net Income (Loss)	**-$84,552**	**$1,507,549**	**$1,069,706**	**$4,177,754**

Revenues are primarily from investment gains, as there is far more upside in making equity investments into the bizi than in making loans. Loans are made when that is the best form of capital for the bizi, but single digit millions of dollars of loans produces just tens of thousands of dollars of interest payments.

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 as well as supporting the part time staff and vendors (see the management section for details).

The Operations expense in 2023 was higher than in past years due to a variety of experiments aiming to grow the growth rate of the bizi through hiring accountants, consultants, and other expertise beyond the staff of the bizi.

Bank fees are the high cost of international bank wires. We have looked for lower-cost alternatives and found a few, but which only start saving money when the annual wire fees exceed $10,000. Fundraising fees are the success fees paid to 3rd parties who help find investors, along with fees paid to our outsourced grant writing team. Interest on loans is what Africa Eats is paying the Angels who have lent us money to on-lend to bizi, all driven by our asks of the investor community when an ask exceeds our cash on hand. The Travel expense includes the flights, hotel, and other costs related to the annual gathering. There were no gatherings in 2020 or 2022, which is why those two years have lower travel expenses.

The **Net Income** continues to be driven primarily by the Investment gains, which is as it should be for an investment company.

AFRICO

As Africa Eats transitioned in 2023 from its early years into maturity, it became clear that a single investment company is not an ideal structure for everything we have planned for 2024 and beyond. The EXP described above being one of those plans.

The first step toward a more robust corporate structure is the incorporation of Africo Management Ltd. in Mauritius, a company internally we just call "**Africo**."

Africo will play a similar role that the general partner plays in a venture capital firm, where the fund is one corporate partnership and the management of that fund is a separate corporate entity. The major difference with the traditional venture capital structure is that both Africa Eats and Africo are shareholder companies not partnerships.

This new company does not affect the ownership of Africa Eats, nor the upside baked into the structure for the management team. Hence, as currently practiced, there are no plans for any management fees, or anything resembling the management fees typical of a fund.

The upside of this newco is that the costs of operating Africa Eats will go down, as the salaries and benefits of the management team (currently Luni, Jumaane, and Lily) transition in 2024 over to Africo. Once the transition is complete (ideally by the end of 2024), the expenses to operate Africa Eats will just be the costs of accounting, compliance, and Mauritius registration fees, all covered by interest on loans and leases that Africa Eats and Africa Trees makes to the bizi.

Luni is personally paying for the costs of incorporating Africo. There are no anticipated legal or compliance costs to Africa Eats in this process.

We do not envision a downside to this change in structure.

MANAGEMENT

There were no changes to the full-time staff in 2023. The HQ staff remains just three people, each living in a different city and different timezone. The latest term for this setup is a "remote-first company."

The most asked question about staff by potential investors is how three people can manage so many companies. The answer is simple. We don't manage these companies. Africa Eats is a minority shareholder. We advise these companies. We coach, train and mentor the CEOs and management of these companies. We collectively talk to 6-12 companies in a typical week, keeping up to date on both successes and challenges.

This is a high functioning team that could manage twice as many companies without needing more full-time assistance. Stress on "full-time" as there are another dozen part time staff and vendors who help on compliance, bizi financial assistance, audits, grant writing, fund raising, and legal, in addition to volunteers who also check-in with some of the bizi, providing yet-more advice and training.

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, turns 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 scaling 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, FINANCE



Lily is our Financial Analyst with 7+ years' experience working in advisory and audits at KPMG serving multinational corporations and financial institutions(such as Coca cola, Bank of Tanzania, ABSA bank, and SilAfrica). Lily, who is an entrepreneur, is based in Dar es Salaam.

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WHAT YOU CAN DO

A Share this update with your friends, family, and colleagues. Share the stories at cocktail parties, dinners, and on your social media. The biggest constraint Africa Eats faces is capital. Every investment makes a difference to the bizi, and ultimately impacts the lives of farmers through improved quality of inputs, training, and a buyer to purchase their products.

B Tell your nieces, nephews, and any adult children these stories too informing them that an app is coming which will let them buy shares.

C Follow @AfricaEats on Twitter and subscribe to www.youtube.com/@AfricaEats on YouTube to help amplify our social media.

D With the push toward an IPO, we've dropped the minimum investment for direct investments from $100,000 to $25,000.

E If you have $10,000 or more in a donor advised fund, Realize Impact will be happy to turn that into an investment, returning 99% of the value back to your DAF whenever you'd like to sell those shares.

F Hold the first week of March 2025 on your calendar for next year's gathering in Nairobi and come join us for next year's site visits in a yet-to-be-chosen country in Eastern Africa.

THANK YOU

Thank you for making this possible. Without your capital, all this would still be theory, and these companies would be far smaller in scale, and we would not be empowering over hundreds of thousands of farmers to feed millions of people.

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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