

AFRICA EATS, LTD.

Annual Report

2021

Learnings
Gathering
Portfolio
Investments
Financials

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THE LEARNINGS FROM 2021

2021 was the first full year of operations for Africa Eats. The company nominally began with a webinar to the Fledge investor community at the end of March 2020, but it took until July to be incorporated and September 2020 to open a bank account. Pandemic.

The end of 2020 was spent learning how to operate a holding company while getting the investees to know Jumaane and Saif. By 2021 that process was complete, the management team was smoothly operating, and the flow of capital in and out of the holdco became a repeatable, scalable process.

Those are the table stakes of operating an investment company. The next challenge was to prove out the power of the holdco business model, and 2021 did just that.

From hundreds of conversations with the investees, Luni, Jumaane, and Saif uncovered a multitude of issues that growing African businesses face, but which the African business services industry does not serve. Services such as: operational capital, equipment loans, invoice financing, reliable power, affordable transport, and insurance.

Most of these are financial services and those that are not can be solved with financial services such as leases. This is learning #1 for 2021. Africa Eats started filling some of these gaps in 2021 for our portfolio companies, and we will scale up that effort in 2022.

The other learning was the power of the network. Back in 2020 we talked about finding "synergies" between the investees. We didn't know what they'd be back then, but expected them to appear. Much of those unknown unknowns turned out to be the abovementioned services. The rest were made apparent at the first face-to-face gathering of our investees in Nairobi in November.

The gathering was an exceeds-all-expectations success, with the expectations set high.

Details from that report are repeated later in this update, but in short, when you put 50 entrepreneurs in a tent together for two days, they start solving each other's challenges, they start coming up with ways to work together, and they tell you how best to structure those missing services so that when deployed, they are adopted and work as intended.

Lastly, looking at the key performance indicators (KPIs): aggregate revenues were up around 55%, growing from $9.7 million to around $15 million (we'll report the value in the Q1 report when we have 2021 actuals from the portfolio companies); the number of smallholder farmers working with the portfolio companies jumped from 34,000 to 107,500; and none of the portfolio companies failed, despite many of the founders and managers hospitalized from Covid-19 including the loss of Mavis Nducha, co-founder of Kalahari Honey.

THE GATHERING IN NAIROBI

There were 50 attendees from 10 countries representing 28 companies. We invited not just all the founder/CEOs, but two representatives from each company so we could finally meet either the co-founders who were not present at the Fledge programs or the heads of operations or finance for the solopreneurs.

Day 1 focused on external services, partnership, and joint ventures. In whole-group and breakouts we discussed (1) services that Africa Eats can provide our portfolio companies, and (2) we dove into specific topics so that interested attendees could talk about how their companies could work together in their existing form or by spinning up joint ventures to expand across borders, (3) to replicate each other's business models, or (4) simply to grab more of the huge opportunities in the food/ag supply chain in Africa.

This event would have been successful if all that came out of it were consensus from the CEOs on how Africa Eats should set up a shared savings and credit facility for the portfolio companies and an understanding of what insurance products are needed by the companies and their smallholder farmers. We had those answers in the first two hours.

Some details of the partnerships and joint ventures are below, and others will be shared as they roll out in 2022. At least a dozen ideas were created around the tables, and we'll be surprised if only a half dozen become reality in the next year. One of the founding premises of Africa Eats is that the companies themselves would find synergies, and not only did Day 1 prove that out, but the expectation is that many of those relationships will turn into joint ventures, with Africa Eats providing the initial capital, adding to the Africa Eats portfolio.

Day 2 was focused internally on solving the myriad of challenges that come from trying to build and grow businesses in Africa. Thanks to some brilliant facilitation from Jumaane, the founders and other managers now realize they face common challenges and can find answers to their questions and solutions to their issues from each other, not just from the tiny team managing Africa Eats.

These two days both showcase a core premise of Africa Eats, that we can build a portfolio of fast-growing companies that exceed the sum of the individual investments. Going into the event and over the past 18 months we had built a trust circle between the CEOs, sharing some ideas through our introductions. Coming out of the event we've now started creating similar trust circles for the finance and operations teams.

The power of meeting face-to-face is how this event exceeded all expectations. The open, boisterous discussions for two days simply don't happen on Zoom. The serendipitous conversions that happened over breakfast or breaks, just don't happen over email or WhatsApp. And from all that face-to-face time, we now expect even more exciting news in 2022, converting many of these discussions into active services, real partnerships, and new joint ventures.

SCALING LOGISTICS

This year at least three of Africa Eats' companies in Tanzania will each earn over $1 million, with around $10 million in aggregate sales from just those four companies (more than all 27 earned in aggregate in 2020). The big challenge for all these companies in 2022 is how to keep up the high annual growth rates, which always requires moving more food to more customers each year.

East Africa Fruits is the oldest and largest company in the portfolio, and they've been facing this challenge for years. But so far they've managed to grow from $100,000 in 2013 to over $5 million in 2021 with just one processing/distribution center in Dar es Salaam. Scaling to 10,000 customers and tens of millions of revenue will require more distribution centers.

Rogathe Dairy and **Swahili Honey** face the same challenge, and at their current growth rates will need their own distribution centers by 2023. **Obri Tanzania** already sells through retail distributors, but as they double or triple in size they'll want to reach thousands of the less formal retailers served today by East Africa Fruits.

We talked through most of 2021 about how to leverage the resources and needs of these four companies to build not just a distribution solution, but a spin-off, joint venture distribution company. At the in-person gathering these founders had the opportunity to talk through the design of that potential joint venture, plus they were able to hear directly from the founder of **Paniel Logistics and Transport** to learn from his experiences.



Paniel Logistics was spun out of **Paniel Meat Processing** in Rwanda in early 2020. The founder noted that his logistical needs were needed by other food/ag companies and thus took it upon himself to fill in that gap in the market.

In less than two years, that company serves over 100 customers in Rwanda, Zambia, and Zimbabwe.

The serendipitous discussion at the Nairobi gathering was the idea of partnering between that Rwandan spin-off logistics company and the yet-launched Tanzanian logistics company to provide a service that reaches across half of the East African Federation and into Southern Africa.

Now that there is buy-in from the founders and a rough idea of how the company will operate, the next step for 2022 is to flesh out a formal business plan, get it funded, and get the company operating.

THE PORTFOLIO

All the companies in the Africa Eats portfolio operate within the food/ag supply chain, between selling seeds and inputs to processing outputs to cooking fuel and cookstoves. All the companies have huge growth opportunities. The expectation is that all these companies grow annual revenues to at least millions if not tens of millions, within this decade.

Three companies were added to the portfolio in 2021: **Obamastove Kenya** as a joint venture between Obamastove (Ethiopia) and Kencoco, plus **Amuria Honey** and **Afrihealth**, both launched in 2020 by the founder of Geossy.

Two companies were removed from the portfolio. **Cold Hubs**, as Africa Eats owns no equity nor debt in the company, as their funding was primarily grant based, and as the business model has not scaled as planned. **Greenchar** stopped operations in 2016 when the founder received a scholarship to Harvard. He completed that degree during the pandemic but is not reviving the company.

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

~ $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.

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.

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

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

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

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

OVER $100,000

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

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

Geossy is teaching Uganda how to farm for fish instead of hunting

Papoli Farmers Association is a community company of smallholder

now that the Lake Victoria fishery has been decimated.

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

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

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

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

SEED BED

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

Birdpreneur allows middle-class Africans to invest in poultry production, sharing profits with rural smallholder farmers.

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

farmers collectively growing and distributing turkeys in Uganda.

Livestock Bank gives animals, feed, and vet care to farmers in exchange for their labor. Working with 400+ animals at 400+ farms.

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

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

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

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

Kencoco manufactures charcoal briquettes from waste coconut husks, and this company manages Obamastove Kenya, manufacturing charcoal cookstoves.

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

Built Accounting performs accounting services for African businesses. In the Africa Eats portfolio to help provide this service to the other companies.

JOINT VENTURES



Obamastove Kenya is a joint venture between Obamastove (Ethiopia) and Kencoco. Kencoco is based in Mombasa, Kenya, produces charcoal briquettes from coconut husks, and has been selling other people's stoves for years. Africa Eats connected the two founders of these companies, proposed a joint venture, and helped them flesh out a business plan to replicate Obamastove in Kenya. The company is formed, Africa Eats provided the seed capital, and these two founders traveled together to Mombasa after the gathering to start production of stoves in Kenya and begin proving out the Kenyan market for sub-$10 efficient, clean cookstoves.

This is the first joint venture with that model of expansion expected to be repeated in 2022.

SERVICES

There are six known services either being offered now or that will be offered soon.

FINANCIAL MANAGEMENT

We purposefully invited **Built Accounting** into the Africa Eats portfolio to serve as a backbone service, creating a common system for accounting and financial reporting. We've been requiring adoption of Built Accounting in 2021 before making investments and that has helped grow adoption of this service. Looking toward 2022, we'll likely offer a part-time CFO to each company to help them go beyond accounting and begin incorporating true financial management into the management of the larger companies.

MARKETING

One of the portfolio companies suggested Africa Eats provide shared marketing services. This idea was floated at the gathering in Nairobi. When asked who would be interested in a shared service for managing social media, nearly every hand was raised.

There is more to marketing than social media, but that is a simplest place to start and where this service will begin in early 2022.

SOLAR LEASING

Very few national electricity grids in Africa are reliable. The best solution to this is solar plus batteries. That solution is not just better for the environment, but in the long run it is less expensive than buying power from the unreliable grid.

Africa Eats provides solar+batteries as a lease to our portfolio companies. We find commercial-scale solar installers, pay for the system, and the portfolio companies buy it back from Africa Eats while paying us for the electricity the system produces.

TRUCK LEASING

In most of Africa neither banks nor manufacturers provide financing options on trucks without personal or corporate-owned collateral worth more than the truck(s). Of the 60+ trucks in use across the portfolio companies, only two were acquired via a lease and only four via an asset-backed loan.

Africa Eats in Q3 built a business plan for filling in this gap, providing truck leases/loans to our portfolio companies. The plan projects 88 trucks to be needed in 2022, 220 in 2023, and 500 by 2025. Tens of millions of dollars worth of vehicles to move over $100 million worth of agricultural inputs and outputs.

Without their own vehicles, the portfolio companies will grow more slowly over those years and pay much more of their income to third party transport companies.

SAVINGS & CREDIT

Few of the portfolio companies have three months of expenses saved in the bank. These companies are growing quickly, typically with orders that eat up every shilling, cedi, pula, etc. of free cash used up in operating capital. Meanwhile, trucks and other equipment need repairing, accidents happen, and other unexpected expenses do often arise.

The solution is a shared pool of savings across the whole portfolio, and a system for the companies to borrow from this mutual savings pool. The rules for this service were discussed at the gathering in Nairobi and the service will launch in early 2022.

MUTUAL INSURANCE

The portfolio companies buy outputs from more than 50,000 smallholder farmers and sell products to at least another 50,000 farmers. Of these, only hundreds have any form of insurance.

Meanwhile, since launch we've seen hundreds of farmers lose whole seasons of outputs from floods and we're watching farmers right now suffer poor harvests due to drought.

For 2022, we'll be providing a solution to help alleviate these inevitable weather and climate related losses, using the scale and diversity of this network of smallholder farmers to create a form of mutual insurance. We discussed this too at the gathering in Nairobi and agreed to embed the remuneration within the services the companies already provide, and to make all payouts in-kind rather than in cash.

More details to come as the service rolls out in 2022.

INVESTMENTS

As an investment holding company, Africa Eats uses most of its capital to make investments. This takes a few forms, with preferred equity and an optional-equity loan as the two most common structures. The latter is unique. It's a loan where the borrower can repay using equity.

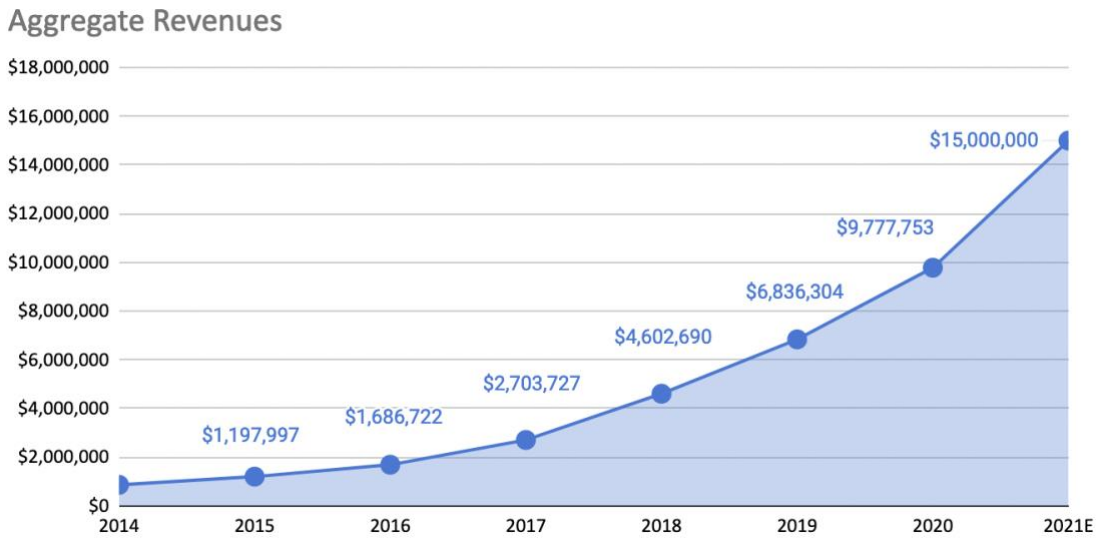
$1.9 million of investments were made in 2021. The limiting factor was the amount of cash in the bank. The total asks from the companies always exceeded the total capital available to invest. The criteria used to choose which asks to fund was a balance of purpose of the investment, urgency, pandemic mitigation, historic growth rate, historic capital efficiency, and an expectation that the investment will grow future revenues.

These investments comprised a total of 44 transactions, an average of nearly one per week for the whole year. The three-person management team could process far more transactions than this, and the companies requested far more loans, leases, and equity investments.

The portfolio companies could efficiently deploy $15-$20 million tomorrow if it were available. We are working on raising that scale of capital in 2022.

REVENUE GROWTH

Aggregate revenues and the annual growth rate of that metric is the simplest measure of success across the portfolio. Annual aggregate revenues grew from **$6.8 million** in 2019 to **$9.8 million** in 2020 and at least **$15 million** for 2021.

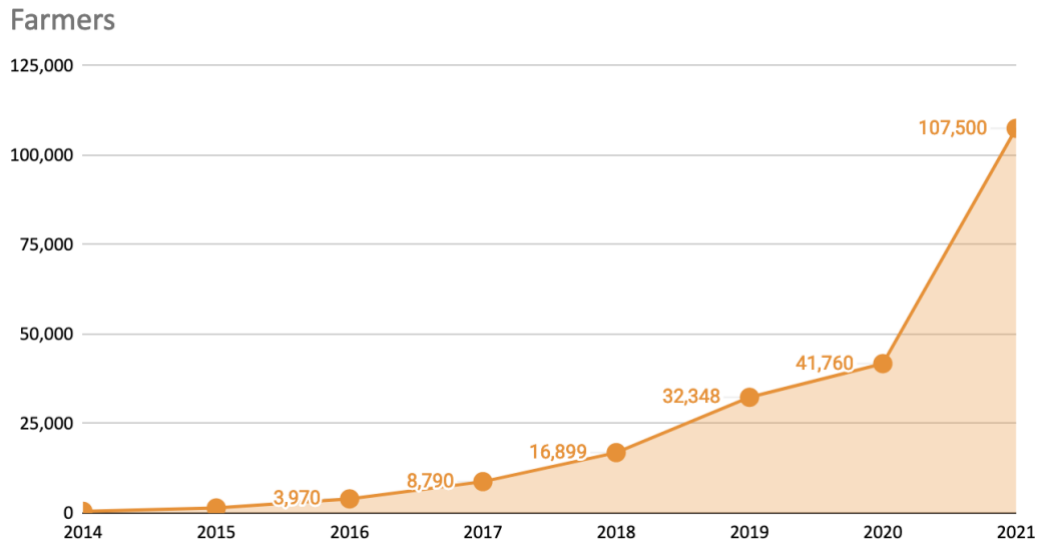


Actuals reported through Q3 were nearly **$12 million** and estimates based on the first three quarters in 2021 project a total for 2021 around $15 million.

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 in 2021 exceeded 100,000 for the first time. This is driven more from the sell side than the buy side of the portfolio, but in all cases the incomes of farmers grow by working with the Africa Eats' companies, and the incomes of tens of thousands of farmers in 2021 rely on those companies' success.



Someday Africa Eats will collect statistics on all the farmers it works with. For now we know 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 $13.5 million earned by the portfolio companies that aggregate from smallholder farmers gets paid to farmers for their outputs. Thus, we can say that $9-$10 million of the revenues from Africa Eats ended up in the hands of smallholder farmers, with the other $3.5-$4.5 million 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.

FINANCIALS

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

Type	Description	2020 (½ year)	2021
INTEREST	Interest from loans	$0.00	$23,540.49
LEASE	Payments from leases	$0.00	$3,336.36
CAPITALGAIN	Capital gains from equity	$0.00	$0.00
Holdco Income		**$0.00**	**$26,876.85**
PEOPLE	Salaries & Overhead	$64,272.00	$177,500.00
LEGAL	Legal Expenses	$24,572.00	$19,002.00
OPS	Operations	$4,783.60	$13,252.25
MKT	Marketing	$2,600.00	$3,006.84
BANK	Bank Fees	$1,111.49	$5,839.38
SOLAR	Interest on solar loans	$0.00	$7,771.87
TRAVEL	Travel / Gathering	$0.00	$54,353.41
Holdco Expenses		**$97,339.09**	**$280,725.75**
Net	Net Income	**($97,339.09)**	**($253,848.90)**
TAX	Tax	$0.00	$0.00
EQUITY	Equity investments	$402,000.00	$792,301.25
LOAN	Loans	$130,000.00	$991,887.53
LEASE	Lease	$52,674.00	$111,730.00
ROC	Return of capital	$0.00	$371,000.00
(Outbound) Investments	Total investments to the portfolio companies	**$584,674.00**	**$1,524,918.78**
INVESTOR	Inbound equity capital	$729,750.00	$1,509,965.00
LENDER	Inbound debt capital	$69,750.00	$350,000.00
(Inbound) Investors	New capital from investors	**$799,500.00**	**$1,859,965.00**
Net Cash	Net Cash	**$117,486.91**	**$81,197.32**

Income to Africa Eats began in 2021, with a lot more expected in 2022 as the leases and other services the holdco provides to the investees ramp up in scale. **INTEREST** is the interest earned on loans to the portfolio companies; **LEASE** is the income from solar and truck leases; and **CAPITALGAIN** is any capital gains from equity investments.

The **Expenses** for operating Africa Eats are primarily the management team, the expenses from the gathering, and the last of the initial legal expenses to create the various contracts required to operate.

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 assets provided by Fledge, in the share swap, is reported on the balance sheet, not in the P&L.

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

BALANCE SHEET

At the end of 2021 the company had $92,212 in cash in the bank, an estimated $5.1 million worth of equity investments, and an estimated $1.2 million worth of loans and leases.

AFRICA EATS - BALANCE SHEET

Cash	**$92,212**	**Short-term**	**$0**
Bank accounts	$92,212	Payables	$0
Other receivables	$0		
		Long-term	**$419,750**
Investments	**$6,225,738**	**TOTAL LIABILITIES**	**$419,750**
Equity	$5,070,965		
Loans & leases	$1,154,772	**Equity**	**$5,898,200**
TOTAL ASSETS	**$6,317,950**	**TOTAL LIABILITIES & EQUITY**	**$6,317,950**

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. The equity valuation is not based on IFRS standards but on our estimate of the actual value of the companies based on their historic revenues, multiplied by our ownership percentage.

These valuations are updated whenever a new equity or optional equity investment is made, and when we gather the annual revenues. The 2021 actuals only incorporate 2021 revenues if Africa Eats made a new equity investment. Most of these valuations are still based on 2020 actuals, which in most cases are less than the Q1+Q2+Q3 2021 actuals.

Using the mix of 2020 and 2021 actuals, the total value of all the companies in the portfolio is estimated at $44 million with Africa Eats owning just over $5 million of this total value.

The valuations for all the companies will be updated in Q1 2022 when the 2021 actual revenues and profits are reported. Using Q1+Q2+Q3 actuals, an unofficial estimate of the portfolio increases the total value of the portfolio companies to $61 million, with Africa Eats' ownership at 10.2%. The total equity value on the balance sheet grows from $5.1 million to $6.3 million. With that change, and with value of the cash and loans unchanged, the total estimated value of the balance sheet as of the end of 2021 grows to $7.6 million.

Africa Eats began with just over $3 million of assets provided by Fledge and Luni's family office, plus $2.7 million of new capital provided by investors. That $5.7 million has grown by approximately 33%. Given most of the new capital arrived in the last year, and given the company has only operated during a global pandemic, that is very good news.

MANAGEMENT

The management team is working very well together. Luni, Jumaane, and Saif talk to investees on a daily basis, helping them with their challenges when not negotiating the terms of their next investment.

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 are 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 met Jumaane Tafawa back in 2016 when he was working at Equity Bank, building pan-Africa partnerships. Jumaane has over 20 years' experience helping Fortune 1000 and other African-based companies grow across the continent. The mix of banking, consulting, and entrepreneurship is exactly what Africa Eats needs to reach its goals.

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SAIF AHMED, AGRICULTURE EXPERT



Completing this trio is Saif Ahmed, with another mix of banking, consulting, and entrepreneurship, but with that experience focused on agri-business. Saif has lived and worked in over a dozen Sub-Saharan African countries. He moved to Nairobi – our Africa-based head office – to be near Jumaane (and to please his wife, who is Kenyan).

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There are no plans to expand the team before a large amount of capital is closed. Supporting the portfolio companies is keeping the three of us quite busy, as is fundraising.

WHAT YOU CAN DO

A If you've 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/channel/UC9grHy1Q3PzG0bf4u9jIsnw.

C Invest, either as debt or equity or both.

THANK YOU

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

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

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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