

AFRICA EATS, LTD.

Investor Report

Mid-year 2023

Cake!
Revenues
Gathering
Updates
Portfolio
Balance Sheet

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THIRD ANNIVERSARY: CAKE AND EATING IT TOO

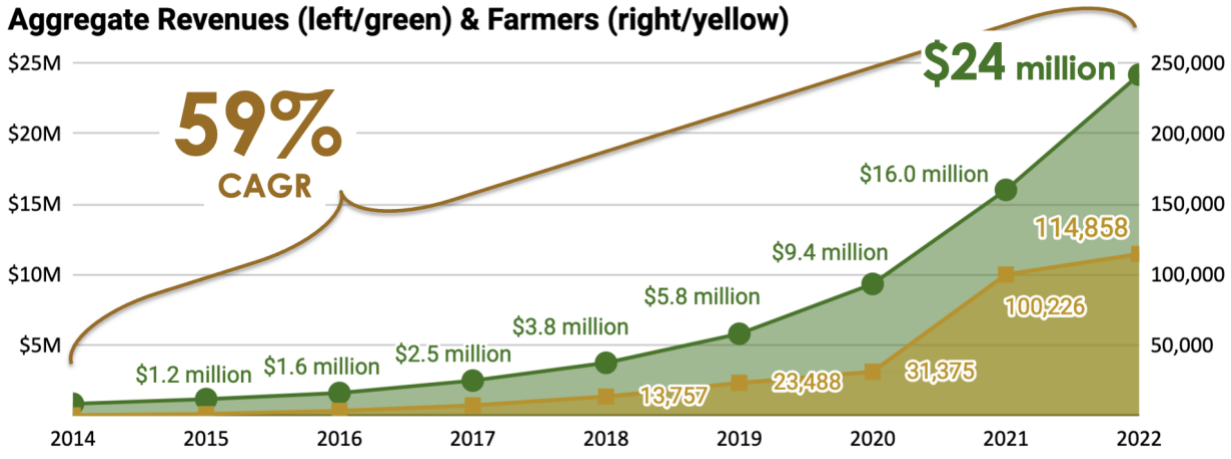
By the time you are reading this, Africa Eats will be more than three years old, since its incorporation on July 10, 2020. Three years of growth!. Three years of learnings!. But more importantly, three years of evidence that it is possible for impact investors to have their cake and eat it too.



Cake? The above graph is how Africa Eats explains the continuum of impact investing. The top left corner is Wall Street-style investing, aiming to maximize returns with little to no regard for impact. The bottom right corner is philanthropy, maximizing impact with no returns. Everything in between is impact investing.

The Wall Street crowd has shifted to impact via ESG, which is better than nothing, but not solving hunger, poverty, climate, or any other major issue. Meanwhile, the philanthropists who have woken up to impact investing are doing so with concessionary returns, doing good but not attracting sufficient capital to solve the big issues.

The top right corner is where investors have their cake, achieving high impact and high returns. If you plot Africa Eats on this continuum, it belongs near the top right corner.



Why? As of the end of 2022 the portfolio companies (a.k.a. the "bizi") were working with over 114,000 smallholder farmers, on average doubling their income. That metric up from fewer than 1,000 in 2014! Concurrently, aggregate annual revenues have grown from under $1 million in 2014 to over $24 million for 2022, compounding at an average rate of 59%.

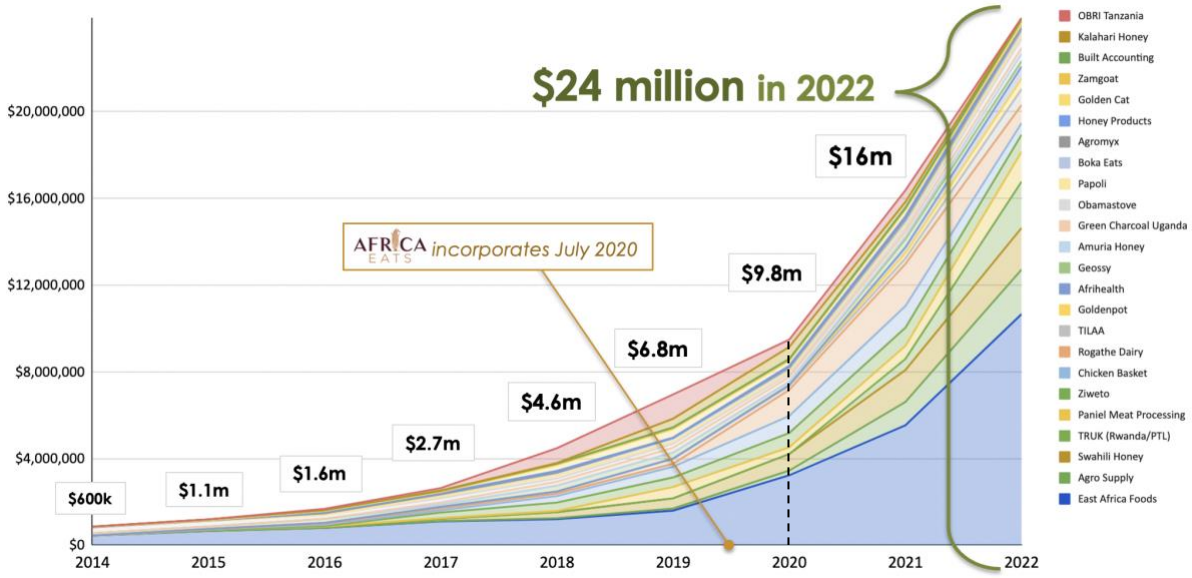
REVENUES: Q1 > YEAR 1

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



Looking back more recently, aggregate revenues in Q4 2022 were $6.6 million, and aggregate revenues a year earlier, in Q1 2022, were $4.9 million.

Quarterly financial reports take over a month to gather, so we will have an update to the revenue graph in the Q3 report. Until then, we are still enjoying the view of all the growth in the 2022 annual revenues breakdown by bizi:



The colors follow the order listed in the legend on the right, roughly ordered from smallest to largest revenues. Note the pivot in the growth curve for 2020 (marked by the dashed vertical line) corresponding to the launch of Africa Eats and our focus on helping these companies scale faster.

PROFITS: 9% → 18%

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

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

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

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

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

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

THE 2023 GATHERING

Your commitment to your founders and their companies was moving. The emotional bonds in that room and the stories bizi shared about their partnership with Africa Eats was way, way outside the norm for how founders talk about their investors. Kudos and keep up the great work!

– a quote from one of the dozen guests

Africa Eats flew in the bizi CEOs for two days after Sankalp Africa in March. Two days of facilitated discussions, half focused on the bizi sharing best practices and solutions to common challenges, and half focused on projects, joint ventures, and spin-ups that Africa Eats can create for the benefit of multiple bizi.






If you have never built a startup yourself, much of these conversations are information that founders typically have to learn through trial and error (a very costly approach) or very sparingly from tidbits provided in public talks by successful founders. It is rare for first-time CEOs to be in a room with a dozen other CEOs discussing topics of their choosing, and rarer still for them to openly discuss their challenges, rather than just touting their successes.

These two days were those rare open conversations, some as a whole room, some in small groups, plus more conversations over meals. Additionally, this year, Day one included a dozen guests contributing their knowledge to the conversations. Some guests are potential co-investors who were able to meet a half dozen or more CEOs over chai (Kenyan tea) or a meal.

At the end of the two days, we asked for a show of fingers to rate the event. Just over half of the participants rated our event 5 out of 5, and the rest held up two hands to rate it 10 out of 5. They all agreed that having the gathering adjacent to Sankalp was a good idea. So next year plan on four days in Nairobi at the end of February or early March. All existing investors or interested/potential investors are welcome to attend our next event around the same dates.

SITE VISITS AND UPDATES

After the gathering, Luni and Lily drove across Kenya to visit Boka Eats and Chicken Basket, while Jumaane flew to Kampala to visit Agro Supply then drove across Uganda to visit Green Charcoal Uganda and Papoli Farmers. Annual visits to the bizi will continue after our annual gatherings, which are open for investors to join, in addition to visits by Jumaane, Lily, and Luni at other times during the year.



Boka Eats Banana Factory in Kisii, Kenya

You can vicariously experience these visits by watching the videos on our Africa Eats' YouTube channel (youtube.com/@AfricaEats).

BREAKFAST CEREAL: GHANA AND TANZANIA



Agromyx in Accra, Ghana



Goldenpot in Dar es Salaam, Tanzania

Value-add is a key phrase in agriculture and one way to add value to grains is processing it into breakfast cereal. Agromyx is now doing that in Ghana with fonio, sorghum, and millet, along with mixing grains and powered fruit into instant (just add water) protein shakes.

Over on the other side of the continent, Goldenpot is now the only domestic manufacturer of breakfast cereal in Tanzania, selling puffed corn and rice in a variety of flavors.

TRUK RWANDA

We visited TRUK Rwanda in October 2022. A month later Africa Eats invested $400,000 to grow the fleet to 14 trucks and annual revenues to $2.2 million (up from $0.5 million in 2021), and in Q2 2023 Africa Eats added another $350,000 loan to help the company keep up its rate of growth.

From January 2023 to May 2023, before the most recent loan, the company had already surpassed its 2022's revenues.

SWAHILI HONEY

Meanwhile, Swahili Honey is working on doubling farmers and revenues this year, and in the second half of the year they will be the largest honey aggregator in Tanzania, passing up their foreigner-owned competitor turned supplier.



Swahili Honey's factory in Dodoma, Tanzania

TILAA HONEY & CASHEWS

Back in Ghana, this time up in the northern, dry half of the country, Tilaa is quickly growing their honey business too. Plus, years ago they planted tens of thousands of cashew seedlings to provide nectar to the bees in the dry season, and the first harvest was sold in the first half of 2023.

In between the cashew trees Tilaa's smallholder farmers plant maize and soy, and Tilaa aggregates that as well. With all these activities, Tilaa is aiming to surpass $1 million in annual revenues for the first time this year (up from $85,000 in 2018).

CHALLENGES

No bizi failed in the first half of 2023, but there are always challenges that get in the way of our plans, the bizis' plans, and it is rare when the weather is great everywhere for all our farmers.

Obamastove in Ethiopia is struggling as civil unrest continues in the northern parts of that country, far away from Obamastove's HQ, but nonetheless causing shortages of supplies, especially steel and the hard currency needed to import more steel.

The Obamastove Kenya expansion didn't work out. The expectation was copying Obamastove's successful (Ethiopia) artisanal manufacturing approach with the reach of Kencoco's charcoal briquette sales, which are centered around Mombasa, would propel the expansion of Obamastove in Kenya. The two entrepreneurs couldn't agree on a workable plan, and we are working to unwind the partnership so that each can focus on the core of their respective businesses.

The country of Malawi is also out of US dollars, and with that Ziweto Enterprise is not allowed to pay its overseas vendors. Over 80% of the products sold on Ziweto's shelves are imported. A Malawi Challenge Grant fixed that issue in 2022. For 2023, the choice is for Africa Eats to find sufficient capital or for Ziweto to shut down their stores.

One of the bizi closed a large loan with a big institutional lender. That should be good news, but the restrictions on deploying the capital have led to months of delays in using those funds to fill in the pressing operational capital needs and it is unclear how to fix the issues.
(The name of the bizi and lender are purposefully withheld as we are trying to mediate a solution that works for both sides and trying not to shame any institutions who are trying to fund SMEs.)

HELPING, BUT NOT AT ANY COST

Some of the bizi are lagging behind fast-paced average growth of the portfolio as a whole, and some are not consistently profitable. The Africa Eats HQ staff are working with these companies to overcome the various challenges being faced. Some will find solutions! Some could show up in future updates as write-offs! We do what we can to avoid that fate, but not at any cost.

Or more directly, Africa Eats' minority equity ownership in the bizi does not require us to fill any and all asks for capital. For each investment, we only allocate additional capital after assessing that it is indeed a good opportunity.

THE PORTFOLIO

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

OVER $10+ MILLION ANNUAL REVENUES

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

OVER $1 MILLION ANNUAL REVENUES

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

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

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

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

OVER $500,000 ANNUAL REVENUES

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

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

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

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.

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

OVER $100,000 ANNUAL REVENUES

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

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.

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.

Boka Eats made animal feed for small-holder farmers of Kisii, Kenya. Now it runs the largest banana processing factory in the region.

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.

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

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

THE REST

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

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

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

WHEN DO WE ADD MORE BIZI?

We are not lacking dealflow of great companies to add to the portfolio. There are over 300 alumni of The Land Accelerator Africa, some of which are larger and growing as fast as the existing bizi. However, if we add any of them to the Africa Eats portfolio the capital needs of the portfolio grows too, and HQ is already challenged in raising sufficient capital directly or indirectly to keep up with the growth of the existing portfolio.

Therefore, we plan to start growing the portfolio when we catch up with the pressing financial needs of the existing bizi or when there is a compelling investment opportunity we simply cannot pass up.

VALUATION

The International Financial Reporting Standards (IFRS) standards require Africa Eats to mark-to-market[1] our investment portfolio at least annually. We have been doing this using annual calendar year financials as reported by the bizi (later double checked against their audited financials), then updating the valuation as new equity investments are made during the year.

Africa Eats owns minority equity interests in all of the bizi. Valuing private equity is fraught with uncertainties, but we are confident that our estimate is within a reasonable error bound, based primarily on annual revenues with adjustments made for large assets or in the case of Boka Eats, a 30-year lease on a very expensive factory.

The value of our equity portfolio is approximately $12.7 million, up from $7 million, 18 months ago. This is a 81% increase in the aggregate value of Africa Eats' shareholding of the bizi.

Africa Eats also lends money to the bizi. The value of our loan portfolio increased to $2.7 million from $1.2 million 18 months ago. Approximately half of these loans are under a year in length and half in the form of three-year truck loans. We are very cautious lending given the exposure of our portfolio to unplanned, uncontrollable variables such as weather, political and economic shocks.

[1] Mark-to-market is a method of measuring the fair value of accounts that can fluctuate over time, such as assets and liabilities.

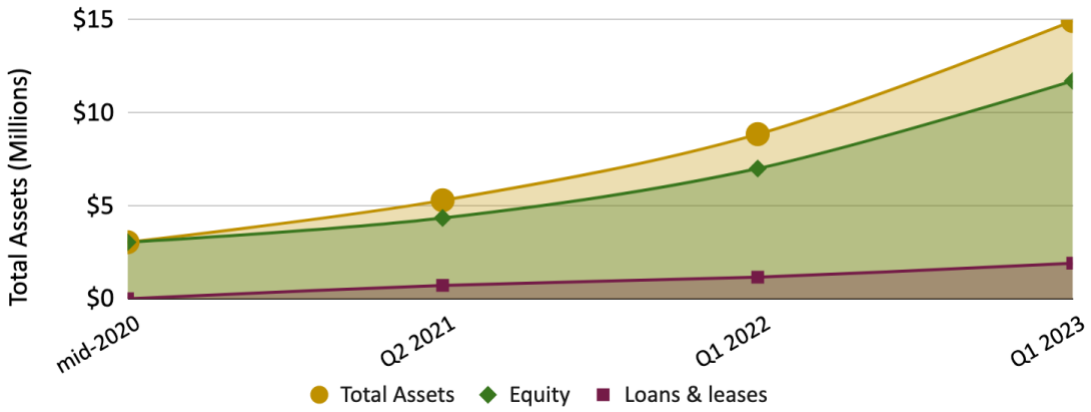
BALANCE SHEET

At the end of March 2023, the company had $211,294 in cash in the bank, an estimated $12.7 million worth of equity investments, and an estimated $2.7 million worth of loans and leases, for a total of **$15.6 million** of assets.

Cash	**$211,294**	**Short-term**	**$250,000**
Bank accounts	$211,294	Payables	$0
Other receivables	$0		
		Long-term	**$695,537**
Investments	**$15,380,431**	**TOTAL LIABILITIES**	**$945,537**
Equity	$12,718,805		
Loans & leases	$2,661,626	**Equity**	**$14,646,188**
TOTAL ASSETS	**$15,591,725**	**TOTAL LIABILITIES & EQUITY**	**$15,591,725**

Africa Eats balance sheet is up 1.8x in value from $8.8 million 18 months ago.

In 2020, the company was founded with an initial portfolio estimated at just over $3 million of value. In 2021, it took us until Q2 to mark-to-market. Plotting the total asset value for those unequal periods shows a healthy growth curve.



The cumulative growth of $15.6 million compared to the original $3 million represents 5.2x growth, in three years. Not to make promises, but if we can repeat that growth rate over the next three years, the value of the holdco will surpass 10x in six years.

UPDATED SHARE PRICE

The share price was increased from $1.25, back in April, to **$1.65**, after the mark-to-market exercise was complete. With the changes since then, the total value of the company divided by the total number of shares is above this share price, even with the dilution explained below.

ANOTHER 1% FOR FARMERS

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

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

MANAGEMENT

No new full-time employees were added in 2023.

LUNI LIBES, CHAIRMAN/CEO & CO-FOUNDER



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

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JUMAANE TAFAWA, EXECUTIVE DIRECTOR & CO-FOUNDER



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

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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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ALL THE BIZI

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



THANK YOU

Thank you for making this possible. Without your capital, not only would we not have a holding company growing as fast as we do, but we have no doubt the aggregate revenues of the bizi would be far lower than they are today, and with that far fewer African smallholder farmers would be earning a decent income, while feeding millions of families across the continent.

WHAT YOU CAN DO

A If you have not yet taken the time to meet all the companies, visit the youtube.com/@AfricaEats and watch the videos. Subscribe too while you are there.

B Follow @AfricaEats on Twitter, and please retweet our content.

C Share this update and share our stories with your friends, family and colleagues, as well as at cocktail parties. The biggest constraint Africa Eats faces is capital. We do not expect individuals to provide the $7 million of equity we are raising, but every $10,000 makes a difference.

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

E Pencil in the last few days of February and first few days of March 2024 to join us in Nairobi, Kenya, either for our next gathering, or, a few days after that, to join us on our treks across East African countries to meet bizi in person/in action/in operation.