

PRESS RELEASE

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EFAFRICA GROUP LTD RAISES USD 12M NEW EQUITY FOR REGIONAL EXPANSION AND ACQUIRES EFTA, TANZANIA'S LEADING SME EQUIPMENT FINANCE BUSINESS

EFAfrica Group (EFAG) is a purpose-driven business which aims to become the leading equipment leasing provider for SMEs in Africa, driving job creation and poverty alleviation. Through connecting committed investors, people, original equipment manufacturers and their distributors along with the use of a standardised technology-based appraisal and monitoring methodology and supported by committed investors, EFAG is able to deliver affordable equipment financing to SME businesses in a financially sustainable way.

EFAG's acquisition of EFTA will leverage EFTA's experience, equipment suppliers and systems and processes to develop the business in Kenya in the first instance. EFTA has assets of USD 16m, 60 employees and eight branches. Almost 1,200 loans were made at the end of December 2019 for productive-use equipment for a value of over USD 37m, supporting the growth of over 1,000 businesses across almost every sector of the Tanzanian economy. Its core lease product is a three-year financial lease of USD 10k to 60k for equipment such as tractors, milling and construction equipment for small SMEs with average annual revenues of c. USD 230k and an average of 10 employees. EFTA also provides larger, flexible tenor USD 100k+ leases for businesses in the agriculture, transport and tourism sectors.

EFTA's financing, averaging USD 30k per loan, has to-date directly or indirectly supported over 10,000 jobs. Sixty-four percent of EFTA's borrowers are in rural / mixed-rural areas.

EFAG has raised USD 12m from investors, including KfW on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), Small Foundation and the Mennonite Economic Development Association (MEDA) to support EFTA's growth and expand into other African countries. The Kenyan business is expected to open in Q4 2020. EFTA's shareholders, including AgDevCo and Equity for Africa Ltd, will become shareholders in EFAG. Germany has also made a EUR 1 million technical assistance grant available to support EFAG's development in technology and promotion of sustainable agriculture.

Michiel Timmerman, Co-founder and Chair of EFAG and EFTA commented: "We are very excited to have closed the equity raise for EFAG. This enables us to support EFTA's growth and bring the benefits of its business model to support SME growth and job-creation in other countries. EFTA has shown that it is possible to build a sustainable business which provides access to much-needed finance for SMEs with small loan sizes and without collateral. EFTA's management team have done a fantastic and pioneering job over the years and we look forward to benefiting from their experience. We look forward to working with new investors KfW, Small Foundation and MEDA, as well as with long-term supporters AgDevCo and Equity for Africa, who all share our vision and commitment to job creation and SME development in Africa, particularly in the agriculture sector.

Jenny Scharrer, Head of Division Financial Sector and Education, KfW: "For decades development finance institutions have been trying to build financially sustainable institutions that can provide financing to the "Missing of the Missing Middle", that is MSME with a financing need of USD 10k to 50k - too large for classic microfinance and mostly too small to be interesting for commercial banks. For decades it has proven to be extremely difficult. EFTA has managed to find a model that works. It is key to promote much needed mechanization across Africa's agricultural sector. We are thrilled to be part of the endeavour to scale EFTA's model."

Orvie Bowman, CFO of MEDA: "MEDA strongly believes in the importance of agricultural leasing as a productivity enhancing investment in farms in Africa. MEDA is proud of its association with EFTA, and now EFAG, and firmly believes this investment aligns well with MEDA's mission of creating business solutions to poverty."

Svet Varadzhakov, Director of EFAG and Investment Director of AgDevCo: "We are delighted with the strong backing for EFAG's innovative leasing model. The new equity will allow a regional expansion to reach more small businesses, including in the agriculture sector, who currently lack access to affordable financial leases."

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