

Enterprise for Development Trustees Update – October 18th 2019

Apollo

An update note was provided followed by conversations with Eli Pollock, the CEO, Caroline Greves, Director of Finance and Dillon Gardner, Head of Data Science. A separate note setting out greater detail about what has been learned will be provided at or soon after the trustee's meeting but the highlights are:

- Apollo is still very much in the “trial and error” stage of development but there is sufficient evidence after two completed seasons to believe that the Apollo approach can be scaled up (from 25,000 farmers in the third season to 100,000 by end 2021); that the full costs per farmer of the Apollo approach will be less than those of One Acre Fund (OAF) while achieving comparable yields; and that, so long as it can achieve sufficient scale, Apollo (unlike OAF) will be able to generate sufficient positive cash flow from sales to farmers to repay the cost of (near) commercial sources of working capital. If their business case can be successfully achieved then the Apollo approach has proved to be sustainable and scalable without any ongoing subsidies.
- The other matter of note is that Apollo are highly confident that \$5 million of series A funding will be available “in a matter of weeks”. If the funding round does close in the near future, it will show that there is investor momentum around the commercial potential of the Apollo proposition.
- When the full note is made available, trustees will note that offsetting this optimism, internally there is a strong streak of realism about the uncertainty in their projections; especially about the ability to scale up within the cost envelope set out in the funding memorandum. Senior management is fully aware that the next few seasons and further development of their operational, risk and funding models will be needed in light of experience and results. In particular it is not yet clear the extent to which success in a relatively limited area can be scaled to other regions and countries.
- One EfD-specific point is worth reporting. Apollo asked us to clarify the circumstances in which they are obliged by the grant agreement to refund our repayable grant. They raised the question because potential incoming funders wanted to be clear that their equity would not be used to repay our grant. EfD clarified in an email that this was not the intention and provided to them alternative wording that the grant would be repayable when the Apollo business becomes EBITDA-positive, and then such that no more than 25% of EBITDA in any year would be used to repay the grant. It is unlikely even if their business plan works 100% that the grant would be repaid before 2022 – 2023 but even so it is interesting to note that one day we may recover our funds!

Overall EfD regard progress to date of their grant to Apollo as very encouraging. Also pleased that Apollo are more than willing to provide updates in due course.