MODU MAYO GROUP INVESTMENT MEMO

Date: 23 January 2026
Audience: Private, public, and concessional investors and partners
Pilot Investment Ask: R15 million / $910 thousand
Target Fundraising Close Date: April 2026

Indicative Total Project Investment Ask: R300 million / $18.2 million
Exchange Rate: USD 1:16.5 ZAR
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Validation Summary and Capital Request

Modu Mayo Group **ran a structured validation of concept since July 2025** in Mamelodi, South Africa. This validation proved three things early, we can execute daily procurement with cash and stock control, we can service both informal and formal buyers with disciplined delivery routines, and we are already building the supplier diversity pathway the scaled precinct model requires.

We are seeking an **initial pilot investment of R15 million to mobilise the in-field Agent Unit**, scale demand sensing and verification, and strengthen the evidence base. This de risks a future tranche linked project raise to help us execute two precinct pilots, Mamelodi then Soweto, targeting repeatable unit economics with a healthy pathway to profitability.

We are raising the pilot capital now because the next risk reduction step is field scale and verification, not infrastructure spend, which enables faster, higher confidence deployment of the precinct pilots.

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Executive Summary

1.1. Background

Modu Mayo is building a township based fresh produce and everyday essentials market system that makes buying and selling simpler, cheaper, and more reliable for township economies.

Today, the typical township buyer, including informal traders, spaza operators, greengrocers, food services, and many households, faces the same repeated problems: prices that change unpredictably, inconsistent product quality, long travel and queues to access wholesale like pricing, limited cold chain once product enters the township, and weak recourse when quality is poor.

On the supply side, farmers and growers face uncertain demand signals, fragmented access to township buyers, and slower or less predictable settlement. The combined effect is avoidable wastage, higher effective prices, and constrained growth for township businesses.

Modu Mayo's solution is a practical operating system with three connected layers that share one set of rules:

1. **Precincts**: the main township sites where demand is densest. A precinct balances bulk buying lanes with break bulk counters and service areas such as peel and pack and cut vegetable. This is the primary unit of commercial viability and the focus of the two pilots.
2. **Nodes**: licensed community operators that extend the platform deeper into neighbourhoods by bringing price parity and reliable cold chain access closer to households and small businesses, without changing prices or rules.
3. **MarketHub**: a later phase option that would consolidate larger volumes and improve price discovery only once precinct operations are proven at scale and replication is demonstrated. MarketHub is intentionally not required for the success of the current raise and is not relied on to justify the initial investment.

A single live price board governs all tiers, meaning buyers should see the same prices and rules wherever they transact across the platform. Operational execution is driven by a disciplined set of routines, supported by a field-based Agent Unit that builds demand, educates buyers on pricing rules, captures orders for eligible bulk buyers, verifies delivery quality, and feeds structured data back into pricing and procurement decisions.

1.2. The Opportunity

Modu Mayo is launching **two township precinct pilots**, starting with **Mamelodi**, followed by **Soweto** (with flexibility to overlap mobilisation if execution capacity allows). Each precinct combines bulk lanes and break-bulk counters, disciplined cold chain, one live price board, and a field-based Agent Unit that accelerates buyer acquisition, repeat purchasing, service reliability, and verified fulfilment.

1.3. The Ask

Modu Mayo is seeking an initial pilot investment of **R15 million (approximately $0.91 million)** to mobilise the in-field Agent Unit and extend validation through field scale and verification. Subject to achieving defined validation gates in Mamelodi, Modu Mayo will pursue a tranche linked, indicative project raise of up to R300 million (approximately $18.2 million) to execute two precinct pilots, Mamelodi then Soweto, plus the enabling operating system.

The precinct capex envelope is **R80,000,000 to R120,000,000 per precinct**, with monthly cash opex at steady state of **R980,000 baseline to R1,050,000 upper case per precinct**

1.4. Mamelodi Pilot Tranche Drawdowns

Precinct	Tranche 1	Tranche 2	Tranche 3
Mamelodi [pilot] – June 2026	R15,000,000	R15,000,000	R80 - R120 million

Soweto Precinct is planned as a staggered second pilot, targeted for launch approximately 12 months after the Mamelodi Precinct go live. The Soweto mobilisation and pilot capital will be raised only after Mamelodi reaches the agreed validation gate. Based on lessons learnt, standardised operating playbooks, and established supplier and fulfilment routines from Mamelodi, the Soweto pilot is expected to require a lower mobilisation budget on a like for like scope.

1. **Tranche 1:** Agent Unit mobilisation milestone, all inclusive, recruiting, screening, training, equipping, and deploying field capacity, and commencing structured buyer registration and demand sensing.

2. **Tranche 2**: Land purchase/leasing, enabling works and runway extension, including permitting, licensing, utilities readiness, security readiness, supplier contracting, and operational commissioning prep.
3. **Tranche 3**: Precinct fit out, commissioning, and working capital, then ramp to breakeven. For Soweto Precinct, replicating proven routines and controls.

Agent Unit staging for the pilot phase is **months 0 to 6** with **240 agents and 20 supervisors**, plus key leads for field operations, training, and quality and data.

1.5. Unit Economics Anchors and Breakeven Target

The planning anchors used for the pilots are: daily buyers, blended basket size, gross margin, shrink control, and cash opex discipline. In the base case, **560 buyers multiplied by a R540 basket equals R302,400 revenue per day**, with unit economics targeting **12.5% gross margin** and **1.2% shrink**, and breakeven sensitivity in the plan indicates roughly **532 to 599 daily buyers** depending on the opex case and trading days assumption.

1.6. Investor Viability

To showcase viability, this memo illustrates a 7-year pathway and demonstrates that the **two precincts alone** can generate a credible dividend return profile, provided the business achieves and holds the operating levers in the base case, especially daily buyers, margin discipline, and shrink control.

The key viability requirement is that, after reaching operating breakeven, average daily buyers across two precincts scale into the **2,300 to 4,700 combined daily buyer range** over the 7-year horizon, while maintaining margin and shrink targets, and progressively attaching cross-platform services revenues.

1.7. Returns Overview

This memo presents two return lines:

1. **Core trading returns**: driven by precinct GMV, gross margin, and operating discipline
2. **Trading plus cross-platform services**: reflecting additional platform service monetisation layered onto the same GMV, such as logistics, handling, cold chain services, and value-added services, with an explicit note that attachment ramps as operations stabilise

A separate upside note is provided below for equity style terminal value linked to replication proof.

1.8. Funder Fit

This opportunity is structured to be relevant to a range of funders:

1. Private and strategic investors seeking scaled cash yield plus replication upside
2. Public and concessionary capital seeking jobs, skills, enterprise development, and market access outcomes
3. Impact and ESG aligned investors seeking measurable inclusion, affordability, and improved producer access, with transparent governance and a clearly defined operating system

The Problem

Why Townships Pay More for Worse Service

Township buyers, traders, spazas, and food services face repeated friction: inconsistent grades and quality, price opacity, high travel costs and time, long queues, limited cold chain, and reduced reliability. Producers and growers face demand uncertainty, variable offtake signals, slower settlement, and limited mechanisms to grow into consistent township trade routes. The result is value leakage, avoidable spoilage, and constrained growth for both sides of the market.

The Solution

Modu Mayo's Precinct-first Operating Model

Modu Mayo's approach is to densify reliable supply where demand is highest and extend reach through licensed community operators while keeping one price board and one set of rules across the system.

3.1. Precincts: The Core Unit of Viability

Precincts are township-based sites that balance bulk lanes with break bulk counters and service areas such as peel and pack and cut vegetable, supported by disciplined intake, cold chain routines, and verified fulfilment.

3.2. Licensed Community Extensions

Licensed community operators extend break bulk access and cold chain reach deeper into neighbourhoods, while remaining aligned to the same price board and operating rules. Starter kit capex for these sites is modelled at **R450,000 to**

R1,100,000 per site, depending on cold room versus large fridge configuration and basic works required.

3.3. One Price Board Principle

Price transparency is treated as a governance and trust asset. The operating rules require that, if margin compresses, the correction is made through procurement discipline, shrink control, and route density, not by breaking the one price board principle.

Operating system

Five Reinforcing Loops

Daily execution runs through five loops that reinforce each other:

1. **Logistics loop**: departures planned, receiving and dispatch slots controlled, routes designed to protect temperature and quality
2. **Digital loop**: one inventory record, one price board, device-based ordering logic designed to tolerate network drops, every price change logged with reasons and approvals
3. **Cold chain loop**: continuous monitoring of rooms and vehicles, exceptions acknowledged quickly, stabilised within strict timelines, root cause recorded
4. **Procurement loop**: demand signals converted into weekly call-offs, intake specs enforced by product line, clear claims path with close out targets
5. **Agent Unit loop**: field engine that builds demand, runs pantry audits and demand sensing, educates buyers on the one price board, captures orders for eligible bulk buyers only, verifies delivery quality, and feeds structured data back to pricing and procurement

Market Context and Sizing

Fresh Produce Spend

5.1. The Commercial Fresh Produce Market is Large and Structurally Contested

The South African Competition Commission's Fresh Produce Market Inquiry references a commercial fresh produce sector estimated at **over R53 billion annually**, with approximately **R21 billion through National Fresh Produce Markets (NFPMs)** and approximately **R32 billion through formal retail**, excluding farm gate sales and certain informal channels.

5.2. Gauteng's Two Major NFPMs are a Meaningful Benchmark for Penetration

The total market size for NFPMs is estimated at approximately **R21 billion**, with Johannesburg and Tshwane among the largest markets. NFPMs are a critical channel for township food access, with the Competition Commission estimating that **about 60% of NFPM sales are purchased by informal traders** who on sell into communities.

- A Gauteng benchmark from the Joburg Market analysis estimates Joburg at **about R10 billion**, and Tshwane at **about R5 billion** for 2022/23, representing the scale of fresh produce throughput in the province's major NFPM platforms.

5.3. What the Total R300m Can Buy in Penetration, Per Precinct

Using the illustrative buyer ramp and basket discipline presented later in this memo, the two precinct pilots can plausibly reach about **R0.79 billion annual GMV by year 7**. In benchmark terms, this would represent approximately:

1. About **3.7% of the NFPM benchmark (R21bn)**
2. About **8% of the Joburg NFPM benchmark (R10bn)**
3. About **16% of the Tshwane NFPM benchmark (R0.4bn)**

These are indicative benchmarks for scale, not like for like comparisons. They help to see how a two-precinct network could begin interrupting traditional flows.

Capital Plan and Use of Proceeds

What The R300m Funds Will Be Used For

The R300m is deployed into two precinct pilots and the operating system required to run them with discipline.

1. **Precinct capex and fit out:** cold rooms, handling equipment, devices, telemetry, security, initial working capital
2. **Agent Unit mobilisation and staging:** recruitment, training, field devices, data, quality routines, performance management
3. **Lean back office shared services across precincts:** settlements, procurement and ED, logistics scheduling, pricing ownership, HR and payroll, IT and devices, compliance support
4. **Initial licensed extension readiness:** enabling capex for a small number of early sites, where permitted and commercially justified

Buyer Ramp

Conservative to Breakeven, Then Scaled Growth

7.4. Guardrails and Assumptions

This memo holds basket size flat for years 1 to 3, prioritising affordability discipline and execution proof. Growth is then driven by buyer capture, repeat behaviour, and B2B penetration, including trader lanes, spazas, food service, and events.

Core levers in the base case include daily buyers, basket, blended gross margin 12.5%, shrink 1.2%, and cash opex discipline.

7.5. A Realistic Ambitious 7-year Buyer Curve for Two Precincts

This curve is conservative through breakeven, then medium aggressive post stabilisation.

Year	Mamelodi average daily buyers	Soweto average daily buyers	Combined average daily buyers
1	450	0	450
2	900	450	1,350
3	1,400	900	2,300
4	1,800	1,400	3,200
5	2,100	1,900	4,000
6	2,300	2,100	4,400
7	2,450	2,250	4,700

This curve assumes that, after breakeven, Modu Mayo grows buyer density via repeat, better service reliability, and stronger B2B acquisition, while also benefiting from township population growth and undermeasured migration demand dynamics, including foreign nationals participating in township economies.

Financial Return Outlook

7-year unlevered cash view, two ROI lines

8.1. Interpreting This Section

These figures are illustrative project level economics for the two precinct pilots. They are intended to show what must be true, operationally, for R300m to be viable.

The plan's core unit economics and breakeven logic are grounded in the base case assumptions in the Integrated Business Case (available in data room), including the 560 buyer, R540 basket illustration and the opex driven breakeven sensitivity.

8.2. Two ROI Lines, Core Trading, Then Trading Plus Platform Services

This ROI pathway is conservative through breakeven, then moderately aggressive once operations stabilise and service levels are consistent. It is intended as a high-level bridge showing what must be true operationally for the precinct pilots to become cash generative.

1. **Year 1 to 2: Core trading discipline to breakeven readiness**
   Core trading improves from negative to around break even as Mamelodi ramps early buyer density and the operating cadence stabilises, procurement discipline, cash and stock control, and reliable fulfilment routines. Platform services are intentionally minimal in this period to protect service quality and trust.
2. **Year 3: Core trading becomes meaningfully positive, services begin contributing**
   As buyer density scales and the second precinct comes online, core trading moves into meaningful positive EBITDA. Platform services begin contributing incrementally as service levels stabilise, improving the EBITDA profile versus core trading alone.
3. **Year 7: Illustrative scale outcome across two precincts**
   At scale, the two precincts support an illustrative pathway to about R791.9 million GMV and about R81.1 million EBITDA including services. Any dividend capacity, where shown, is a conservative payout illustration and not a commitment.

Assumptions
Growth is driven primarily by repeat behaviour, improved service reliability, and stronger B2B acquisition, supported by underlying township demand growth dynamics. Benchmarks are shown for scale reference only, not a direct comparison.

The full financial model, sensitivity cases, and detailed sources and uses are provided in the data room. Dividend capacity is shown only to illustrate that, if a debt equity structure is adopted later, there is a pathway to healthy cash coverage once scale is reached.

8.3. What Makes the Investment Viable

For the two precinct pilots alone to make the R300m viable, the following needs to be true by years 4 to 7:

1. Combined average daily buyers scale into the 3,200 to 4,700 range, with strong repeat
2. Gross margin remains inside band, shrink holds near 1.2%
3. Platform services attach progressively to GMV, driven by real services and performance, not by financial engineering
4. Cost to serve remains disciplined, and route density improves post breakeven

8.4. Equity Style Upside Note (linked to replication proof)

A typical equity style upside pathway is tied to replication proof, meaning additional precinct rollouts can be funded at lower risk and potentially lower equity per site, with blended funding stacking. As a simple illustration only, if year 7 EBITDA trading plus services were valued at a market multiple, and replication proof materially reduces execution risk, the terminal value could be meaningful. This memo treats that upside as aspirational and not required to justify near term operations.

Impact and ESG outcomes

Measurable and Investable

Modu Mayo's precinct first model is designed to deliver measurable outcomes alongside commercial returns:

1. **Jobs and skills**: through the Agent Unit mobilisation, training, and absorption into ongoing operations, with structured field roles and performance routines
2. **Affordability and transparency**: through one price board governance and price parity rules across the system
3. **Reduced waste**: through disciplined cold chain and shrink reduction
4. **Market access**: by creating structured demand signals and service routines that enable stronger producer participation, including black owned and smallholder growers over time
5. **Local enterprise activation**, via licensed community operators with price parity and cold chain reach

Validation of Concept (extended)

Progress Since July 2025

Since **July 2025**, Modu Mayo Group has run a structured **validation of concept** in Mamelodi to prove the operational cogs that matter for scaling into a precinct and node system. The focus has been to test demand capture, procurement discipline, fulfilment reliability, and early supplier pathway feasibility, using real transactions and controlled operating routines.

10.1. Demand Capture and Behavioural Data in Informal Trade

We extended controlled credit to **six informal trolley traders** to access real on the ground consumption and sales signals. This was used to validate basket composition, buying frequency, and fulfilment friction points that shape the precinct operating model.

10.2. Procurement Cadence, Cash Flow Discipline, Stock Rotation

We validated daily procurement at **TFPM**, operating **six days per week**, to prove the ability to control cash flow, rotate stock, and top up deliberately for weekend rush periods. This tested buying discipline under price volatility and confirmed what routines are required to protect margin and reduce waste.

10.3. Multi-segment Buyer Validation

We onboarded local businesses including **restaurants and informal retail** and executed opportunistic overflow sales into **spaza shops** when market pricing created attractive trading windows. This validated the breadth of demand and the ability to clear stock without breaking pricing discipline.

10.4. Formal Buyer Service Levels and Bulk Fulfilment

From **November 2025**, we validated formal retail fulfilment by bulk buying and supplying **three SPAR stores**, typically **two deliveries per week**, scaling to **three deliveries per week** during peak periods. This tested order intake, pallet scale purchasing, time critical delivery, and quality expectations in a formal environment.

10.5. Value-add Services

In **December 2025**, we partnered with a local business to pilot **cut veg, peel and pack** into one SPAR store, validating the feasibility of value-add handling, packaging discipline, and consistent delivery standards.

10.6. Early Supplier Diversity Pathway Through Smallholder Trials

In **January 2026**, we partnered with **two smallholder farmers** and began trialling selected lines to test capacity, predictability, quality, and reliability. This is the first proof step toward the broader smallholder integration pathway planned in the funded model.

Big Hairy Audacious Goal (BHAG)

Value Chain Transformation Through a Downstream Wedge

In the short to medium term, Modu Mayo's goal is to prove two precincts, prove replication, and build a scalable Agent Unit that creates real jobs and skills, while steadily improving buyer convenience, price transparency, and service reliability through disciplined procurement and fulfilment routines.

The longer term BHAG is to build a credible national precinct network that can compete meaningfully on township buyer experience and reliability, and use that downstream demand engine to catalyse a wider transformation agenda across the value chain, including a future phase MarketHub layer:

1. Increased black owned participation across the fresh produce value chain.
2. Structured smallholder integration, onboarding, quality routines, and predictable settlement.
3. Post harvest handling capability, including grading, sorting, and claims aligned intake standards.
4. Packhouses and pack and grade infrastructure to support consistent specifications and scale.
5. Value-add formats and agro-processing, including peel and pack and cut veg expansion into larger processing capability over time.
6. Cold chain capability, cold rooms, temperature discipline, and exception management across the network.
7. Fleet capability: owned and operated logistics capacity where it improves cost to serve and reliability.
8. Scalable distribution pathways through precincts and nodes, anchored on one price board and one set of operating rules.
9. MarketHub consolidation and aggregation capacity to improve throughput, standardisation, and national scale, pursued only once precinct replication is proven and service levels are stable.

The intent is not to copy existing systems, but to outperform on convenience, transparency, and evidence-led execution, while creating a practical pathway for upstream investment that is informed by real demand and service data.

11.1. Why Downstream First

Downstream execution comes first because it is the fastest way to reduce risk before heavy infrastructure spend. It produces predictable demand signals and buyer behaviour data, it forces operating discipline on cash, stock, cold chain and claims, and it creates the service layer that makes upstream participation investable, including the supplier development and settlement discipline required for smallholders and black owned operators to scale.

This BHAG may or may not be achieved at full scale, but the two-precinct replication pathway remains independently valuable, commercially and in impact terms, and it is designed to create the conditions for upstream activation only once performance gates and service levels are consistently proven.

Key Risks and Mitigations

1. **Cold chain failure and shrink:** mitigated via telemetry, disciplined routines, and immediate corrective action triggers
2. **Buyer ramp slower than planned:** mitigated via Agent Unit performance management, buyer group strategy, and B2B pipeline execution
3. **Margin compression:** mitigated via procurement discipline and shrink control, not by breaking price parity principles
4. **Regulatory and permitting delays:** mitigated via early tranche funding for enabling works and parallel execution planning
5. Weekly KPI dashboard pack and management routines, aligned to the primary levers in the Integrated Business Case.