

Performance Report

Q3 2022



Employees process coffee at the offices of the Musasa Cooperative in Rwanda. In the face of a volatile commodity market and supply chain challenges, Root Capital coffee clients in East Africa have closed out a successful harvest this quarter.



root capital

Overview

Through a unique blend of credit and business training, Root Capital supports the growth and resilience of agricultural businesses. Facing the challenges of our age—climate change, gender inequity, lack of opportunity for the next generation—these businesses are rewriting the narrative in rural communities. Since 1999, Root Capital has disbursed over \$1.8 billion to support these businesses so they can drive meaningful, sustainable impact for over 10 million people in rural communities.

Impact

Through the third quarter of 2022, Root Capital has financed 189 businesses reaching 551,000 smallholder farmers. Of these businesses, 58% were gender-inclusive and 56% were climate action leaders. Thirty-three percent of our clients met both criteria, meaning they're making critical progress on both climate solutions and gender equity. So far this year, our client agricultural businesses have generated over \$793M in income for farmers. Root Capital supports these businesses' growth by accompanying our financing with training on skills to improve financial management, provide agronomic support to farmers, and remove barriers to gender inclusion in their operations. This quarter, we trained leaders and employees from 314 businesses.

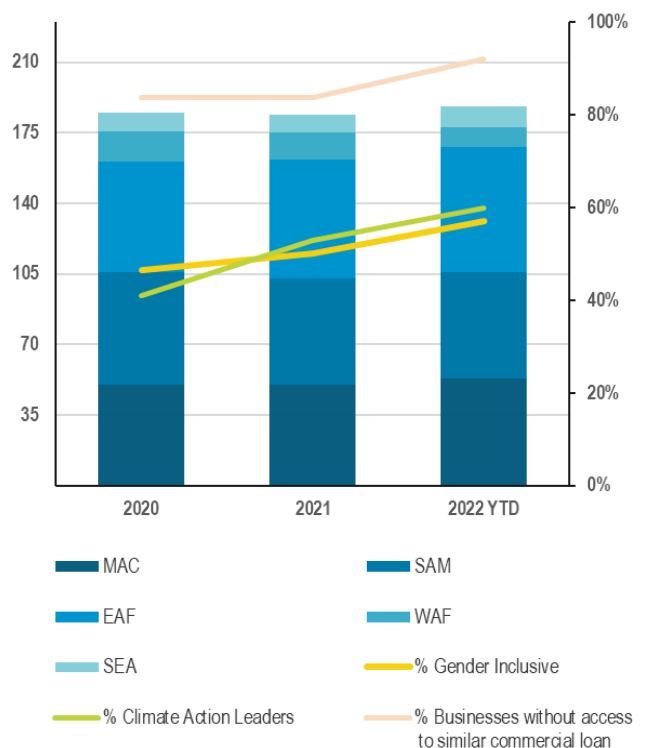
Thanks to Root Capital's commitment to financing underserved businesses in rural communities, 92% of our active loans this quarter filled gaps unmet by commercial lenders. The remaining 8% supplemented financing options available in the broader market, helping small and medium enterprises to scale their impact.

About Root Capital

Root Capital is a nonprofit whose mission is to grow rural prosperity and build the resilience of farming families around the world. We support the growth of agricultural enterprises with access to credit and training so they can transform rural communities.

Lending Impact

Businesses Reached (Lending Program)



Portfolio Performance

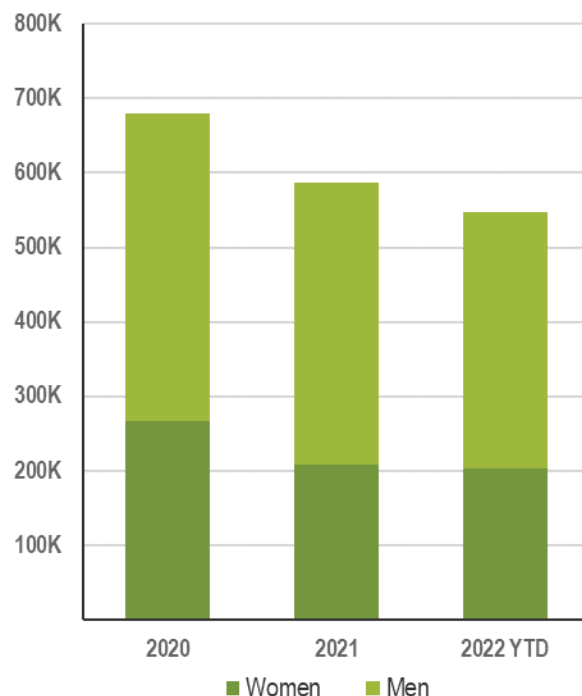
Root Capital's average outstanding balance of \$67.6M this quarter increased 27% year over year, continuing a multi-year trend of significant growth. Our coffee portfolio—which makes up 87% of our balance—continues to drive this growth.

Much of our growth this quarter came from South America as we continue prudent expansion in countries and value chains where we have proven success. In Peru, we supported our clients through their annual coffee harvest. Peru remains the most significant country in our portfolio by number of loans and total value. This quarter, we disbursed \$26.8M to coffee businesses in the country, an increase of 32% compared to Q3 2021.

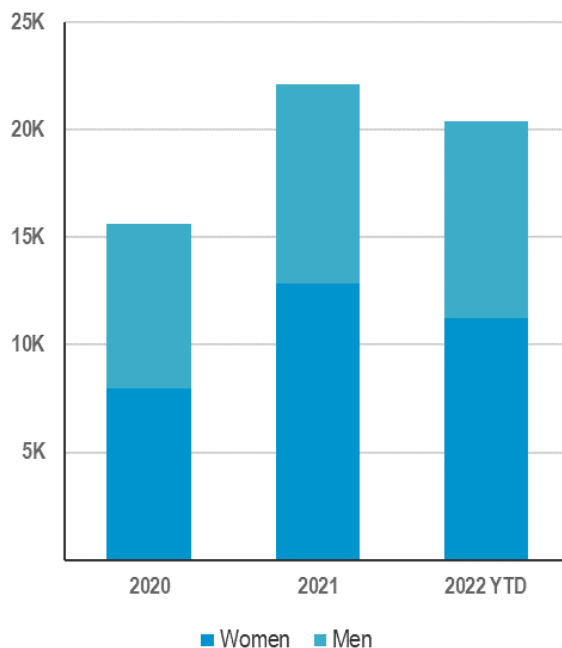
In East Africa, activity increased dramatically this quarter, with disbursements of \$10.6M, up 47% over Q3 2021. Much of this growth was driven by new coffee businesses in Rwanda and Uganda. Within the region, we have begun working with 13 new clients so far in 2022, comparing favorably to six new clients at this point last year. Across our global portfolio, we have added 31 new clients as we extend access to credit and capacity-building for even more businesses.

Globally, increases in disbursements and average outstanding balance have been influenced by the relatively high price for coffee on international commodity markets. While the price began to drop at the end of the third quarter, it closed the quarter more than double where it stood two years ago. As market volatility—whether through rapid price increases or decreases—threatens small

Farmers Supplying Businesses



Employees Reached



businesses, our advisory services team supports clients in planning for potential challenges as our internal teams manage the impact of this uncertainty on our own portfolio.

Portfolio Quality

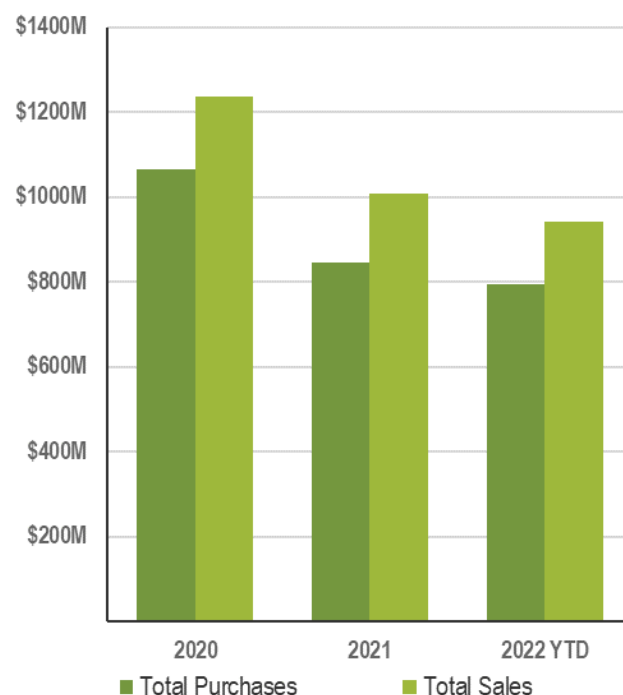
As our lending program grows, our portfolio quality remains strong, despite a modest increase in at-risk balances associated with two borrower groups in East Africa and Indonesia. Through the end of Q3 2022, our Portfolio-at-Risk greater than 90 days grew to \$3.3M (5.1%) compared to \$2.2M in Q2 of 2022 (3.1%). Over the past twelve months, we wrote off \$2.5M of past due legacy loans and recovered \$1.7M on nonperforming loans, resulting in a trailing 12-month net write-off ratio of 1.3%.

Advisory Services

This quarter, we continued to scale up the adoption of our newest training service: Gender Equity Advisory (GEA). A core part of our Women in Agriculture Initiative, GEA is an investment in building opportunities for women leaders, employees, and farmers in rural communities. We work with businesses to diagnose barriers to gender equity and then design interventions to promote opportunities for women's equal participation.

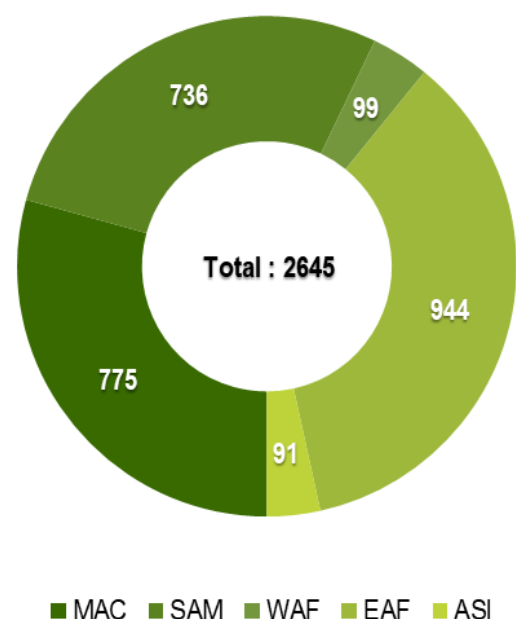
In rolling out this program, our advisors have found varying challenges and opportunities in different cultural contexts. In Colombia, for example, many of the businesses we have worked with have advanced their understanding of gender equity and written gender inclusion strategies. In these contexts, our advisors are helpful in sustaining those strategies and helping translate them from

Purchases from Farmers and Client Businesses' Sales



Advisory Impact

Days of Training Delivered Through Q3



policy to practice. Meanwhile, other businesses may benefit from more foundational training on the importance of inclusion and how to identify barriers to gender equity within their operations.

Financial Results

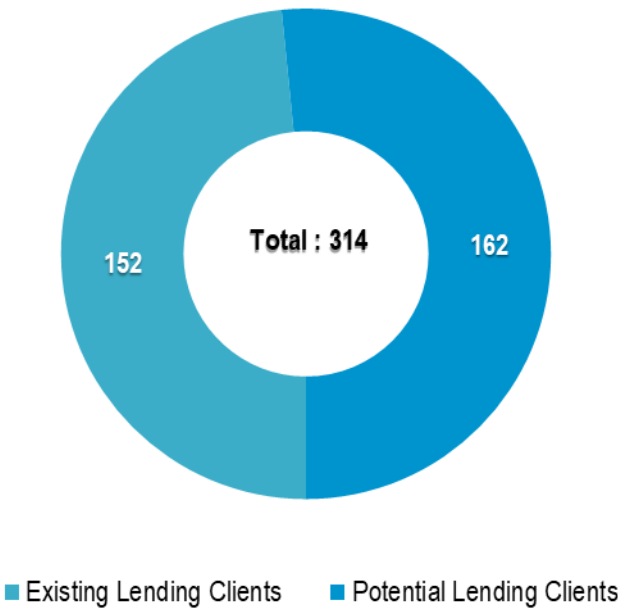
At the end of the third quarter, Root Capital’s outstanding lending portfolio has grown 22% year over year to \$65.6M. The portfolio is supported by \$46.9M in unrestricted net assets, \$7.6M in subordinated debt, and \$49.5M in senior notes, resulting in a debt-to-equity ratio of 1.2x. In addition, we hold \$25.1M in grant-funded restricted net assets to support our future programmatic activity.

So far in 2023, our lending portfolio has generated revenue of \$5.4M—up 18% from the end of Q3 2021. Our provisioning expense through Q3 was negative \$0.9M, favorably impacted by \$1.3M of recoveries and continued strong portfolio quality. Our grant revenue was up significantly to \$7.6M compared to \$5.9M at this point in 2021. This was driven by a continued return to in-person training and the expansion of our programs. We have recognized \$29.6M of contribution revenue this year, relative to \$1.4M through Q3 2021.

Conclusion

Root Capital enters the final quarter of 2022 in one of our strongest financial positions ever thanks in no small part to the generosity of our donors and investors. Your continued support allows us to catalyze a brighter future for rural communities.

Businesses Served by Advisory Through Q3



Portfolio Performance

Average Balance by Region



CLIENT HIGHLIGHT: C.A.C. Ubiriki || Peru

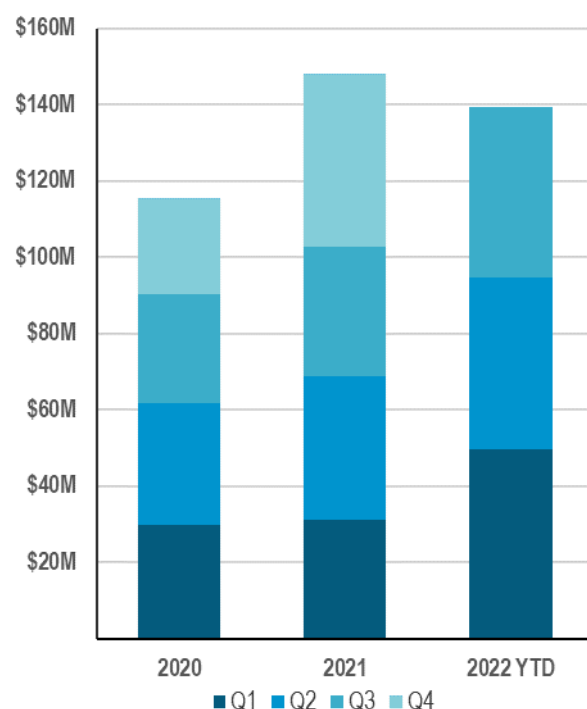


High in the mountains of Peru, enterprises like the coffee cooperative Ubiriki are first responders for rural communities on the frontlines of the climate crisis. These businesses are best situated to help farming families overcome these challenges, but they need access to finance and training to help their communities fight back

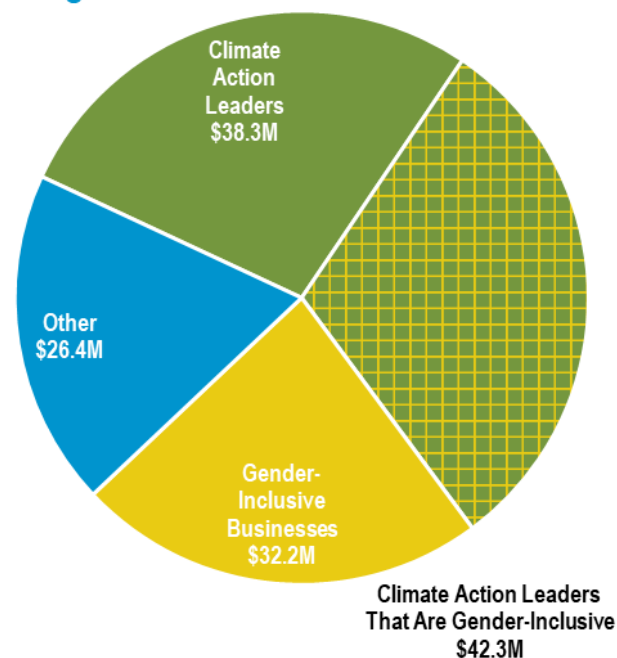
Since the start of our relationship in 2011, Root Capital has nearly tripled our financial support of the cooperative, providing a \$2.5M line of credit in the most recent harvest. The cooperative has used this financing to take advantage of the rising global coffee price this year and put more money in their members' pockets. Over the past decade, we have paired that financing with more than 280 days of business training, helping the cooperative grow its sales from \$2.3M in 2012 to nearly \$9M today.

Starting in 2018, Ubiriki was one of the first participants in our digital business intelligence (DBI) services, helping to pilot digital data collection and the use of dashboards to inform their business operations. This quarter, Root Capital advisors reviewed Ubiriki's latest climate vulnerability dashboard with business leaders, seeing which areas are most vulnerable to climate change and designing interventions to support the farmers who need it most. Ubiriki is leading the sector into a greener digital future.

Total Loan Disbursements



Disbursements to Clients by Program



Impact Dashboard

Impact Results—Through Q3		
2022	2021	
351	343	Total Businesses Reached
Advisory Program		
314	307	Businesses Served by Advisory
2645	2950	Days of Training Delivered
38%	36%	→ Percent Women Participants
50%	47%	→ Percent Participants Under the Age of 35
Lending Program		
189	178	Businesses Reached by Lending ¹
58%	52%	→ Percent Gender-Inclusive Businesses ²
56%	52%	→ Percent Climate Action Leaders ²
551K	578K	Producers Reached
37%	35%	→ Percent Women Farmers
20K	21K	Employees Reached
55%	60%	→ Percent Women Employees
\$793M	\$834M	Purchases from Farmers
\$943M	\$993M	Total Sales for the Businesses
494K	536K	Sustainable Hectares under Management
\$139.3M	\$102.8M	Loan Disbursements
\$74.6M	\$52.9M	→ Disbursements to Gender-Inclusive Businesses ²
\$80.7M	\$55.8M	→ Disbursements to Climate Action Leaders ²

¹ "Businesses Reached" includes the total number of clients with an outstanding loan balance at any point in the year-to-date period.

² A number of our client businesses are both Gender Inclusive and Climate Action Leaders.

See Terms and Acronyms on page 10 for definitions.

Balance Sheet & Statement of Activities

Balance Sheet		
	As of September 30th	
Millions of USD	2022	2021
Cash and Short-Term Investments	54.2	20.3
Loans Receivable	65.6	53.7
Allowance for Credit Losses	(2.2)	(2.4)
Loans Receivable, Net of Allowance	63.4	51.3
Other Assets	18.4	12.2
Total Assets	135.9	83.8
Senior Debt	49.5	43.5
Subordinated Debt	7.6	5.1
Other Liabilities	6.9	3.2
Total Liabilities	63.9	51.8
Net Assets Without Donor Restrictions	46.9	16.3
Net Assets With Donor Restrictions	25.1	15.7
Total Net Assets	72.0	32.0
Total Liabilities & Net Assets	135.9	83.8
Debt-to-Equity Ratio	1.2x	3.0x
Grant Net Assets*	39.3	19.2

*Our grant net assets include off-balance-sheet conditional grants

Reclassifications may have been made in the prior year to conform with the current year's presentation.

Statement of Activities

Year to date September 30th

<i>Millions of USD</i>	2022	2021
Revenue		
Grant Revenue	7.6	5.9
Contribution Revenue	29.6	1.4
Lending Revenue	5.4	4.6
Total Revenue	42.8	11.9
Expenses		
Operating Expenses	13.9	11.9
Provisioning Expense	(.9)	(1.5)
Interest Expense	.7	.7
Total Expenses	13.6	11.2
Surplus	29.2	.7

Disclosure

This financial data is deemed accurate, but is not audited. Annual audited financial statements can be found on [Root Capital's website](#). Additionally, past performance is not indicative of future results, and no assurances can be given that the Notes will be repaid.

For additional information, please go to www.rootcapital.org or email info@rootcapital.org.

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Terms and Acronyms

Businesses Reached: We report “clients reached” to capture the number of businesses financed using our capital. Clients reached are those that had an outstanding loan balance at any point in the reporting period. This is a cumulative metric; clients are added to the annual total in the quarter in which they are first reached.

Climate Action Leader: An active lending client making substantial contributions to climate change mitigation and/or adaptation by: reducing atmospheric greenhouse gas concentrations through natural climate solutions like reforestation, and/or reducing climate risk and building adaptive capacity within their communities.

Contribution Revenue: Revenue without donor restrictions generally received from individuals or foundations.

Debt-to-Equity: The ratio of senior and subordinated debt to unrestricted net assets.

Gender-Inclusive Business: Women make up more than 30% of enterprise farmer suppliers and employees OR the enterprise is women-led and women make up more than 20% of enterprise farmers, suppliers, and employees.

Grant Revenue: Philanthropic donations, generally from foundations or governments, used in the current fiscal year.

Interest Expense: Interest expense incurred on debt.

Interest Income: Interest revenue generated on cash and investments.

Lending Revenue: Revenue generated from our lending activities, comprising fees and interest earned on our lending portfolio.

Net Write-off Ratio: A trailing 12-month figure representing the previous 12 months' write-offs, net of recovered funds, as a percentage of the average outstanding balance during the same period.

Provisioning Expense: Allowance for loan loss expense on our lending portfolio, net of recovered funds and loan portfolio guarantee fees.

Region Acronyms: MAC (Mexico and Central America), SAM (South America), EAF (East Africa), WAF (West Africa), SEA (Southeast Asia).