

Performance Report

Q1 2024



Talent Partners at Sagana Nuts Limited, a macadamia processor and Root Capital client in Embu County, Kenya.
Photo Credit: Adam Finch/Root Capital.





About Root Capital

Root Capital invests in agricultural enterprises so that their success can foster more prosperous, inclusive, and resilient rural communities.

Overview

Through our proven blend of credit and capacity building, Root Capital supports the growth and resilience of agricultural enterprises so they can in turn create prosperity for farming families. Of note in Q1, we piloted a loan in local currency for a Colombian coffee cooperative, which you can read more about in our Client Highlight. As we innovate to meet clients' evolving needs, we remain well positioned to provide holistic services to advance rural prosperity.

Impact

We are proud to share that we recently won the nonprofit [Specialty Coffee Association \(SCA\) Sustainability Award](#), which celebrates outstanding achievements in the field of sustainability. Presented annually to two organizations (one nonprofit and one for-profit), this award reflects our deep commitment to confronting the significant challenges facing our clients in the specialty coffee industry—from climate change to gender inequality—and driving positive impacts across the entire coffee value chain.

Root Capital continues to extend its lending reach to borrowers who previously lacked access to similar sources of financing. During Q1, we financed 140 businesses, which generated \$549 million in income for more than 311,000 smallholder farmers. Our lending portfolio continues to provide high financial additionality to our clients, with 89% of active loans filling credit needs unmet by commercial lenders.

Our lending to gender-inclusive businesses remains at an all-time high. Of the agricultural businesses financed this quarter, 64% were gender-inclusive, up from 59% in

Q1 2023; 59% were climate action leaders, up from 53% in Q1 2023. Many Root Capital clients met both criteria, which demonstrates their critical progress on climate solutions and gender equity.

Root Capital's impact is also reflected in the economic activity generated in rural communities. Financing from Root Capital contributed to greater client sales year-over-year, with total sales for agricultural business clients coming to \$643 million in Q1 2024. Our clients' growth and financial resilience have demonstrated a positive ripple effect on their farmer members and in the communities in which they work.

Portfolio Performance

Our lending portfolio grew significantly from \$32 million in Q4 2023 to \$47 million in Q1 2024. This reflected higher demand for financing, particularly in Mexico and Central America where much of our coffee lending shifted from Q4 2023 to Q1 2024. Loan originations increased by 33% year-over-year (\$28.1 million in Q1 2023 versus \$37.4 million in Q1 2024); much of this growth resulted from the delayed harvest in the coffee market.

Year-over-year, loan disbursements decreased by 6% from Q1 2023. This modest decline was driven by persistent challenges in the coffee market that continue to affect clients in Mexico, Central America, and South America; these include volatile prices, limited contract availability, and higher buyer carrying costs. This trend was also reflected in the number of businesses financed, which dropped from 161 in Q1 2023 to 140 in Q1 2024.

Globally, macadamia prices are recovering from historic lows last year, buoying demand for financing. Root Capital's macadamia lending in Kenya saw significant growth; disbursements rose by 74% year-over-year to \$1.7 million in Q1 2024.

Portfolio Quality

Portfolio quality improved relative to Q4 2023 and year-over-year. Our Portfolio-at-Risk (PAR) greater than 90 days decreased to \$3 million (6.5% of the outstanding portfolio balance) in Q1 2024 from \$4 million (7.4%) in Q1 2023. Over the last 12 months, we wrote off \$5.1 million of past-due loans and recovered \$4.7 million related to these loans and prior quarters' write-offs, resulting in a 1.1% 12-month net write-off ratio.

Advisory Services

Root Capital provided advisory services to 265 businesses in Q1 2024, compared to 278 businesses in Q1 2023. In the first quarter, we provided clients with a total of 783 advisory days and hosted in-person and virtual workshops featuring topics such as gender equity, agronomy and climate resiliency, business management, and digital business intelligence.

A key component of our advisory services is helping clients mitigate risk in volatile markets. Root Capital's Advisory Services team partnered with the digital learning platform [Vuna Coffee School](#) to provide 41 Latin American and 13 Indonesian coffee clients with a six-week price risk management course that included coaching. We provided the training free of charge to strengthen clients' expertise on how to absorb price

risk and mitigate the effects of the unpredictable coffee market. We also trained Root Capital's Lending and Risk teams to be better prepared to support coffee clients during periods of high price volatility.

Financial Results

As of March 31, 2024, Root Capital's balance sheet remains strong with nearly \$50 million in unrestricted net assets, providing exceptional levels of capital adequacy for our lending portfolio and a strong base of unrestricted funding for operations and programmatic activities.

During Q1 2024, expenses outpaced revenue by \$1.3 million. Grant revenue was \$1 million lower than in Q1 2023 due to incurring fewer grant-covered expenses. Our net provisioning expense also increased relative to Q1 2023, a quarter in which we brought in exceptionally high recoveries. Operating expenses rose nearly 15% year-over-year, reflecting a strategic decision to invest in our people and processes. Root Capital's continuing financial strength ensures organizational resilience and sustainability, while enabling us to continue accelerating impact for client businesses and their rural communities.



Asociación de Productores Ecológicos de Planadas (ASOPEP) members in front of the group's headquarters in Planadas, Colombia. Credit: Root Capital.

CLIENT HIGHLIGHT: ASOPEP

COLOMBIA

In Q1, Root Capital launched an innovative lending initiative in Colombia, disbursing a loan in Colombian pesos to Asociación de Productores Ecológicos de Planadas (ASOPEP). Founded in 2013, ASOPEP is a Colombian coffee cooperative that has been a Root Capital client since 2017. The cooperative has emerged as a regional leader in coffee production. Thanks to training and capacity building from Root Capital in areas such as financial planning, business management, and climate resilience, ASOPEP has quickly scaled up operations and is now the largest coffee-growing cooperative in the Tolima region.

While ASOPEP has a proven history of high-quality coffee production and commitment to social and environmental issues, it has encountered problems accessing financing due to the history of violence and instability in the region. Root Capital met ASOPEP's financing needs by disbursing a working capital loan for 630 million Colombian pesos (equivalent to approximately \$150K) in January 2024. For businesses like ASOPEP that seek to expand into local markets and whose revenue streams are in local currency, loans in local currency offer several advantages. Local currency lending can protect businesses from exchange rate fluctuations and fees involved with currency conversion and can help them get money into the hands of farmers faster.

As always, our goal is to provide clients with the services they need so they can strengthen and scale operations, improve farmer livelihoods, and contribute to more prosperous and resilient rural communities. **Learn more about this initiative at rootcapital.org/local-lending.**

Impact Dashboard

RESULTS THROUGH Q1		
2024	2023	
304	320	Total Businesses Reached
Advisory Program		
265	278	Businesses Served by Advisory
783	1,304	Days of Training Delivered
39%	35%	Percent Women Participants
48%	50%	Percent Participants Under the Age of 35
Lending Program		
140	161	Businesses Reached by Lending ¹
64%	59%	Percent Gender-Inclusive Businesses ²
59%	53%	Percent Climate Action Leaders ²
311K	324K	Producers Reached
40%	37%	Percent Women Farmers
14.6K	16K	Employees Reached
61%	61%	Percent Women Employees
\$549M	\$493M	Purchases From Farmers
\$643M	\$597M	Total Sales for the Businesses
312K	328K	Sustainable Hectares Under Management
\$34.1M	\$36.4M	Loan Disbursements
\$25.8M	\$22.9M	Disbursements to Gender-Inclusive Businesses ²
\$21.2M	\$23.5M	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 March 31)	
Millions of USD	2024	2023	
Cash & Short-Term Investments	52.6	63.6	
Loans Receivable	46.8	54.2	
Allowance for Credit Losses	(2.4)	(2.8)	
Loans Receivable, Net of Allowance	44.4	51.5	
Grants Receivable and Other Assets	12.8	16.6	
Total Assets	109.8	131.7	
Senior Debt	35.8	45.6	
Subordinated Debt	6.2	6.8	
Other Liabilities	3.2	3.1	
Total Liabilities	45.2	55.5	
Net Assets without Donor Restrictions	49.9	50.4	
Net Assets with Donor Restrictions	14.6	25.8	
Total Net Assets	64.6	76.2	
Total Liabilities & Net Assets	109.8	131.7	
Debt-to-Equity Ratio	0.8x	1.0x	
Grant Net Assets*	24.1	39.1	

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

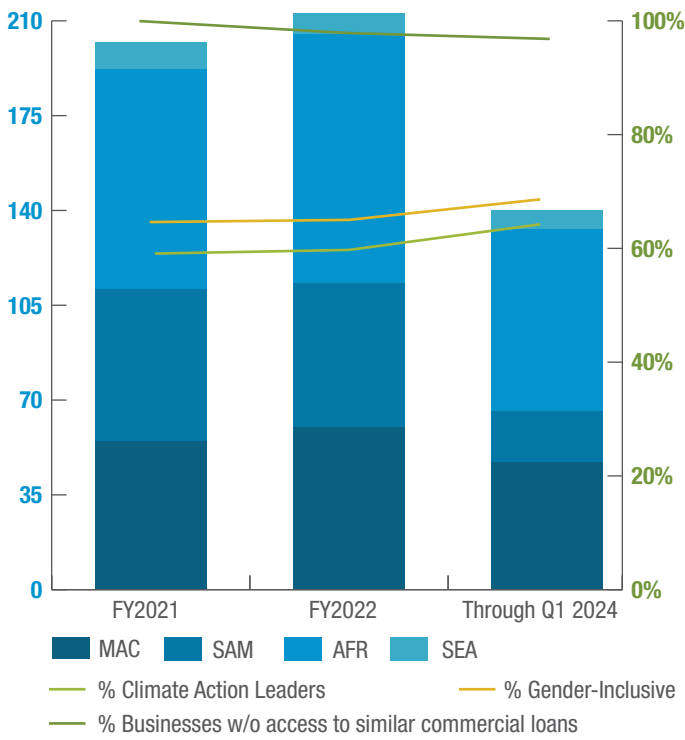
Reclassifications may have been made in the prior year to conform with the current year's presentation.

STATEMENT OF ACTIVITIES		(As of March 31)	
Millions of USD	2024	2023	
Revenue			
Grant Revenue	3.9	4.9	
Contribution Revenue	.0	.1	
Lending Revenue	1.0	1.0	
Interest & Other Income	.7	.4	
Total Revenue	5.7	6.3	
Expenses			
Operating Expenses	5.9	5.2	
Provisioning Expense	.8	(.1)	
Interest Expense	.2	.2	
Total Expenses	6.9	5.3	
(Deficit) / Surplus	(1.3)	1.0	

Performance

Lending Impact

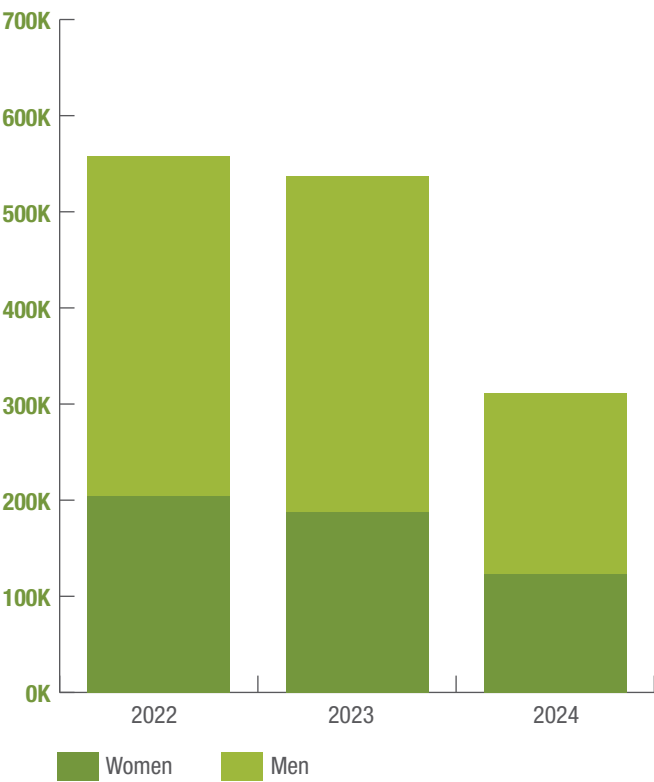
Businesses Reached (Lending Program)
Through Q1 2024



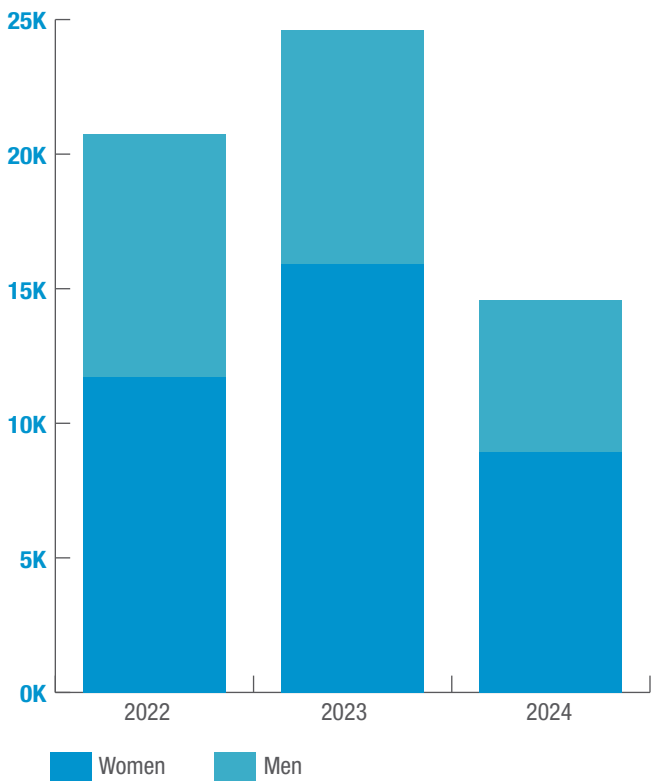
Purchases From Farmers & Client Businesses' Sales
Through Q1 2024



Farmers Supplying Businesses Through Q1 2024

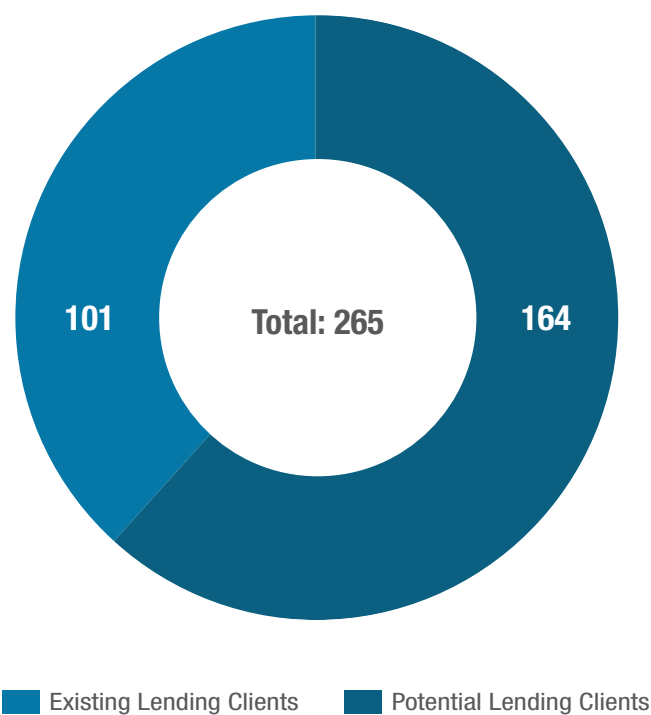


Employees Reached Through Q1 2024

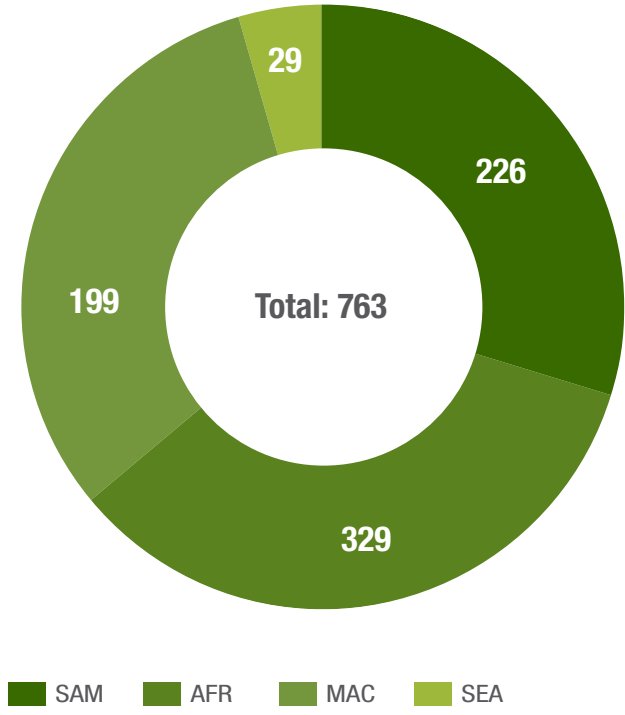


Advisory Impact

Businesses Served by Advisory Through Q1 2024

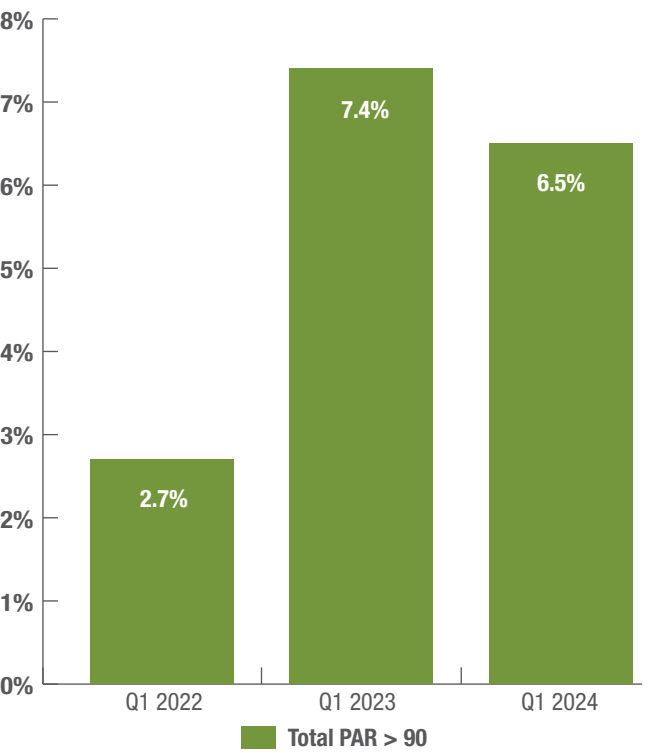


Days of Training Delivered Through Q1 2024

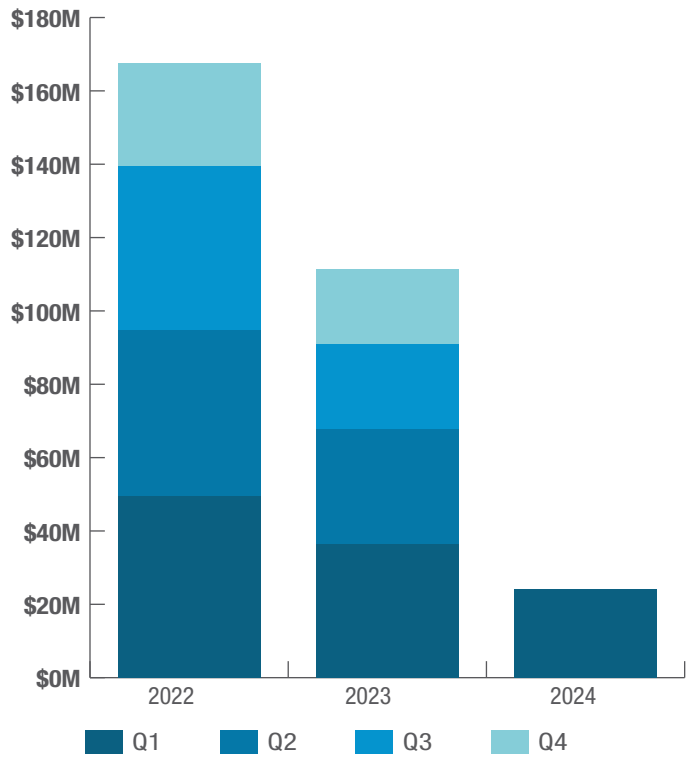


Portfolio Performance

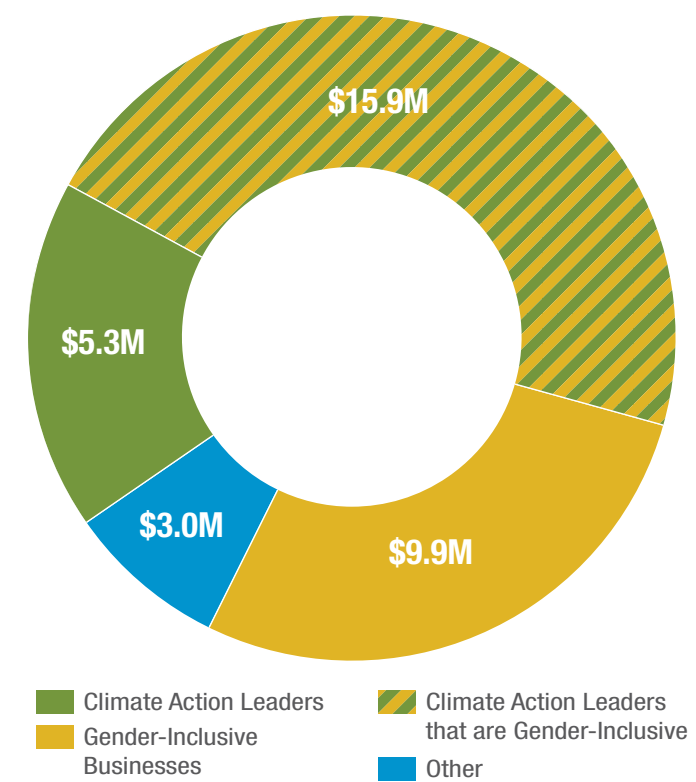
Portfolio-at-Risk > 90 Days



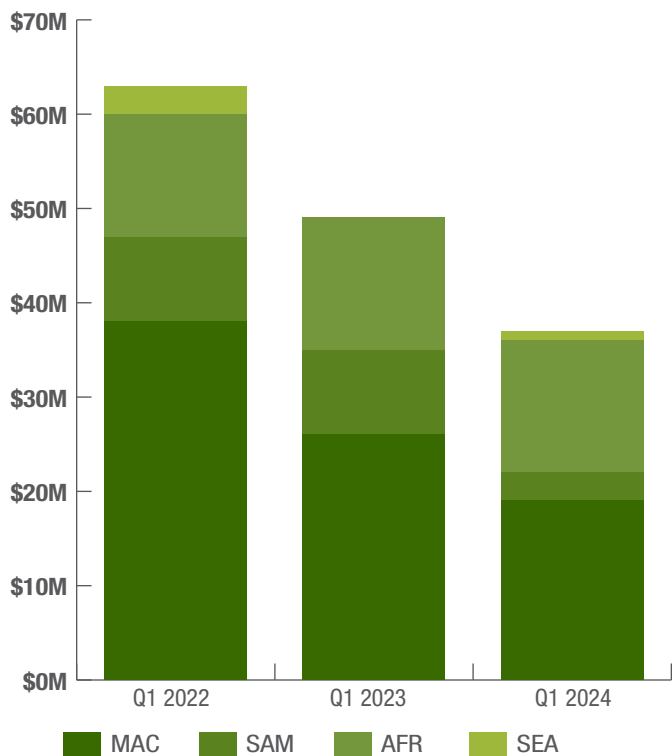
Total Loan Disbursements Through Q1 2024



Disbursements to Clients by Program Through Q1 2024



Average Balance by Region



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.

© 2024 Root Capital. All rights reserved.

Terms and Acronyms

Businesses Reached: We report businesses reached to capture the number of businesses financed using our capital. Businesses reached are those that had an outstanding loan balance at any point in the reporting period. This is a cumulative metric; businesses 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), AFR (Africa), SEA (Southeast Asia).