



Performance Report

Q2 2024

An employee of Cooperativa Alonso de Alvarado, located in San Martín, Peru, proudly showcases their specialty coffee. Credit: Root Capital



About Root Capital

Root Capital is a social impact investor that provides financing and business training to agricultural enterprises in Africa, Asia, and Latin America. Since 1999, we have loaned over \$2 billion to more than 800 businesses that are too big for microloans but too small for commercial lenders, and have trained more than twice as many. As these businesses succeed and scale, they become engines of impact for local communities, raising incomes, creating jobs, uplifting women and young people, preserving vulnerable ecosystems, and building rural prosperity.

Overview

Root Capital, along with our clients, experienced an encouraging quarter. The high price of coffee this year resulted in improved financing demand as we provided much-needed capital to our clients and trained hundreds of agricultural businesses. This quarter, Root Capital reached a major milestone by surpassing \$2 billion in disbursements since our founding in 1999. We are proud to celebrate this significant milestone in our 25th year of operations!

Impact

In the first half of 2024, Root Capital financed 181 agricultural businesses reaching more than 416,000 smallholder farmers. These businesses generated over \$721 million in income for farmers. Among these businesses, 64% are gender-inclusive and 55% are climate action leaders. Thirty-eight percent of our clients met both criteria, demonstrating material progress in their commitment to climate justice and gender equity. Additionally, Root Capital trained leaders and employees from 332 businesses, equipping them with skills to enhance financial management, provide agronomic support to farmers, adapt to climate change, and execute other activities to strengthen resilience. As we continue to close critical financing gaps in rural communities, we are pleased to report that 89% of our active loans this quarter were to clients who did not have access to similar sources of commercial financing.

Root Capital constantly innovates our services to help clients adapt to complex and shifting market dynamics. This quarter, we focused on supporting clients' transition to meet the deadline for demonstrating compliance with the European Union Deforestation Regulation (EUDR). Lack of clear guidance and support from EU regulators has left clients apprehensive about the onerous reporting requirements and the EUDR's impact on their business. In response to clients' concerns, we hosted a workshop in the Democratic Republic of the Congo for 16 coffee and cacao businesses. The workshop briefed clients

Root Capital's New Look!

You may have noticed that Root Capital has refreshed our brand since our last Quarterly Performance Report. Please [visit our website](#) to learn more.

on the regulations and answered questions about the law's expected impact. Based on the positive feedback received, we plan to replicate the workshop in other regions this year. We continue to explore additional ways to help clients navigate this new regulatory landscape.

For a primer on what's at stake related to the EUDR, read this recent [Thin Ink article](#) featuring Root Capital's Senior Director of Climate Resilience, Elizabeth Teague.

Portfolio Performance

Improvements in the global coffee market, particularly in Q2, have brought a welcome change of pace after a tumultuous period. Strong demand in the United States coincided with supply shortages in Southeast Asia to push the price of coffee to a two-year high. Clients fulfilled larger contracts, which led to increased demand for Root Capital financing. Our year-to-date disbursements for 2024 totaled \$76 million, up 12% from \$68 million in the first half of 2023.

Much of this growth was driven by activity in Africa, especially coffee clients in Rwanda and cacao clients in the Democratic Republic of the Congo. These are the longest-running and newest segments of our Africa lending portfolio, respectively. Year-to-date disbursements across these two segments grew 63% compared to 2023.

Lending to macadamia clients also increased in 2024. After a recent period of oversupply resulting in depressed global prices, Root Capital clients experienced a significant rebound in demand in the first half of this year. In particular, Kenyan producers experienced a fivefold increase in macadamia prices since the government lifted the ban on exporting unprocessed nuts. This positive trend is reflected in our Q2 disbursements for Kenyan macadamia clients,

which doubled over the same period last year. Learn more about how we are supporting macadamia businesses in Kenya in our client profile on page 5.

In South America, our lending activity also increased significantly, with disbursements in Peru reaching \$14.4 million in Q2, compared to \$9.8 million at the same time last year—a nearly 50% increase. In Mexico and Central America, disbursements increased 16% compared to Q2 2023. Much of this progress was driven by a \$2 million increase in Honduras.

Indonesia—the smallest region in our portfolio—also recorded impressive growth. The \$2 million disbursed this quarter represented a \$950,000 year-over-year increase.

Portfolio Quality

Agriculture is an inherently risky sector, where weather events, price volatility, and market fluctuations can impact clients' business performance and product quality. Unexpectedly rainy or dry conditions can destroy an entire crop, eliminating farmer income for the season. As an impact-first investor, Root Capital partners with agricultural enterprises to help mitigate these risks and provide stability until conditions improve.

A combination of these factors led to a decline in portfolio quality this quarter. At the end of Q2 2024, our Portfolio-at-Risk greater than 90 days increased to \$4.2 million (7.1%), compared to \$3 million (6.5%) in the previous quarter, although it remains down from the 3-year high of 11% at the end of 2023. Our peers in the Council on Smallholder Agricultural Finance (CSAF) have reported similar fluctuations across their portfolios, with the risk being especially acute in coffee, particularly among long-term borrowers in Peru.

Over the past 12 months, we wrote off \$2.1 million of past-due loans and recovered \$2.3 million on written-off loans, resulting in a 12-month net write-off ratio of negative 0.5%.


Advisory Services

This quarter, Root Capital provided centralized workshops and customized trainings to leaders and employees from 332 businesses. Our current areas of focus include business management advisory, digital business intelligence, agronomic and climate resilience, youth, and gender.

As part of our Women in Agriculture Initiative, we have expanded the scope of our Gender Equity Advisory (GEA) services, since it was first piloted in 2021. So far this year, we have provided GEA services to 75 clients, introducing critical themes such as the prevention of harassment and violence, women-led entrepreneurship, and “masculinities” training.

Masculinities training aims to help men in decision-making and leadership roles examine and unlearn patriarchal attitudes and behaviors. These advisory services are designed to result in more equitable company policies and improved relationships between men and women.

Other advances in our GEA work this quarter include expansion of our Women’s Councils, which are formalized networking and capacity-building spaces for women leaders. Last year, we launched a Women’s Council in Africa, and in Q2 of this year, we started councils in Latin America, with launch events in Costa Rica and Peru scheduled for the coming months.



To learn more about our inaugural Women’s Council in Africa, please visit [our website](#).

Financial Results

Root Capital remains in a strong financial position, with nearly \$47 million in unrestricted net assets and low levels of financial leverage. At the end of the second quarter, our debt-to-equity ratio stood at 1.1x.

Year to date through June 30, our unrestricted net assets have decreased \$4 million due to a combination of internal and external factors.

Implementation delays in the advisory program contributed to a 15% year-over-year decrease in training days through Q2, driving a corresponding decrease in recognizing restricted grant revenue.

At the same time, Root Capital continues to invest strategically in infrastructure and staff, leading to a 9.6% year-over-year increase in operating expenses. This investment is crucial for supporting long-term growth and enhancing our impact.

The aforementioned portfolio quality concerns have led to higher provisioning expenses associated with the inherent risks of operating in the agricultural sector. While the majority of our portfolio falls under guarantees, particularly through our partnership with the U.S. International Development Finance Corporation, three large, downgraded clients fell outside the scope of that guarantee this quarter, which negatively impacted our net provisioning expenses.

Conclusion

Root Capital clients and smallholder farmers continue to struggle to cover production costs and navigate climate change. As we enter the second half of the year, our long-term partnerships with high-potential agricultural businesses remain of critical importance. We provide stability in a volatile environment and promote more prosperous, inclusive, and resilient rural communities.



LIMBUA employees provide Root Capital staff with a tour of their plant nursery in Embu, Kenya. Credit: Root Capital

Client Highlight: LIMBUA | KENYA

Agriculture is a cornerstone of the Kenyan economy, contributing 26% to the country's GDP. Kenya is the third-largest producer of macadamia nuts globally, after Australia and South Africa. Root Capital proudly partners with several leading macadamia enterprises, including LIMBUA.

Founded in 2009, LIMBUA collaborates with over 9,000 farmers and employs 1,500 people, including many women and young people. We support LIMBUA with loans and advisory services in financial management, agronomy, and climate resilience. Additionally, Root Capital provided LIMBUA with a Resilience Grant to purchase biodigesters for its farmers, helping them harness clean energy and organic fertilizer.

In rural East African communities, access to clean cooking energy and organic fertilizer is limited, impacting soil health and crop productivity. Biodigesters are prefabricated, modular containers that convert farm waste into methane-rich biogas and organic biofertilizer. Farmers add animal manure into a covered, water-filled tank where microorganisms digest the waste. Methane

accumulates in the oxygen-free environment, creating biogas, while the residue becomes biofertilizer.

The biogas can be used for cooking or farm operations, such as operating a tractor, while biofertilizer serves as an organic liquid fertilizer, perfect for household gardens or compost production.

Smallholder farmers are on the front lines of climate change. By adopting environmentally responsible solutions, clients like LIMBUA become scaling agents for climate technology, inspiring neighboring farmers to follow suit. These innovations not only offer a sustainable waste management solution but also help reduce greenhouse gas emissions and improve farmer livelihoods.

Following the success of the biodigester pilot in Kenya, which funded approximately 30 biodigesters, we plan to replicate this initiative in Colombia and Uganda. Read more about this promising climate-smart technology on [our website](#).

Impact Dashboard

IMPACT RESULTS THROUGH Q2		
2024	2023	
364	395	Total Businesses Reached
Advisory Program		
332	354	Businesses Served by Advisory
2,190	2,555	Days of Training Delivered
41%	37%	Women Participants
48%	49%	Participants Under the Age of 35
Lending Program		
181	188	Businesses Reached by Lending ¹
64%	62%	Gender-Inclusive Businesses ²
55%	55%	Climate Action Leaders ²
416K	508K	Producers Reached
39%	35%	Women Farmers
17K	23K	Employees Reached
59%	65%	Women Employees
\$721M	\$677M	Purchases From Farmers
\$851M	\$815M	Total Sales for the Businesses
371K	415K	Sustainable Hectares Under Management
\$76.1M	\$67.6M	Loan Disbursements
\$50.5M	\$41.9M	Disbursements to Gender-Inclusive Businesses ²
\$45.7M	\$40.6M	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 June 30	
Millions of USD	2024	2023	
Cash and Short-Term Investments	45.9	60.5	
Loans Receivable	59.1	46.8	
Allowance for Credit Losses	(3.3)	(2.1)	
Loans Receivable, Net of Allowance	55.8	44.8	
Grants Receivable and Other Assets	14.5	19.9	
Total Assets	116.2	125.2	
Senior Debt	46.7	42.7	
Subordinated Debt	6.2	6.8	
Other Liabilities	3.5	3.2	
Total Liabilities	56.4	52.7	
Net Assets without Donor Restrictions	46.9	49.7	
Net Assets with Donor Restrictions	13.0	22.8	
Total Net Assets	59.9	72.5	
Total Liabilities & Net Assets	116.2	125.2	
Debt-to-Equity Ratio	1.1x	1.0x	
Grant Net Assets*	22.2	34.1	

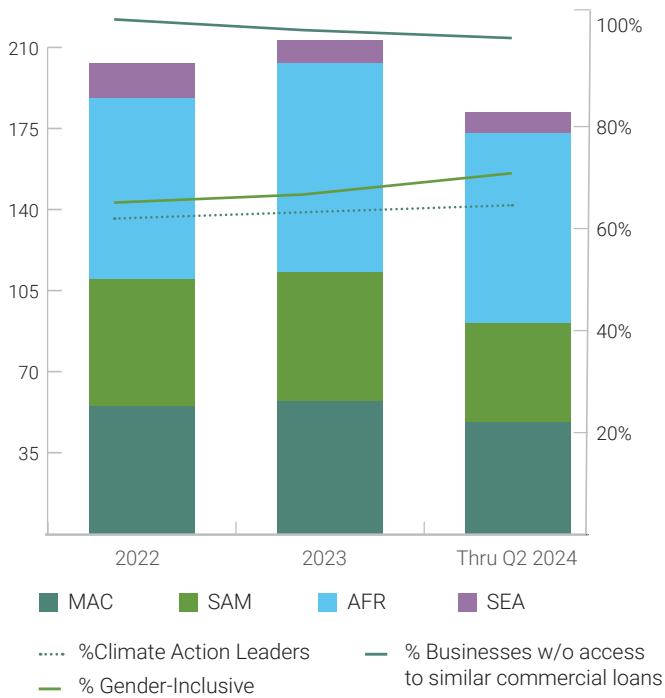
* Our grant net assets include net assets with restrictions and off-balance-sheet conditional grants.

STATEMENT OF ACTIVITIES		As of June 30	
Millions of USD	2024	2023	
Revenue			
Grant Revenue	8.1	10.0	
Contribution Revenue	0.2	0.2	
Lending Revenue	2.5	2.5	
Interest and Other Income	1.2	0.8	
Total Revenue	12.0	13.4	
Expenses			
Operating Expenses	13.7	12.5	
Provisioning Expense	2.0	0.1	
Interest Expense	0.4	0.4	
Total Expenses	16.1	13.1	
(Deficit)/Surplus	(4.1)	0.4	

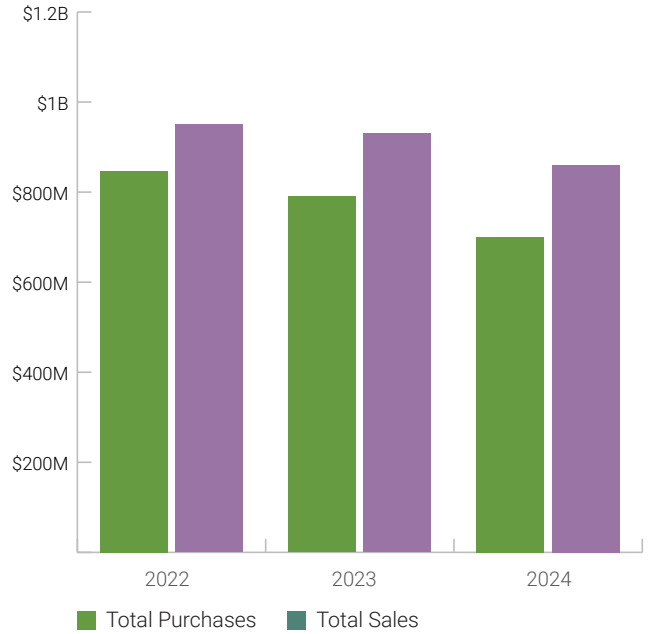
Performance

Lending Impact

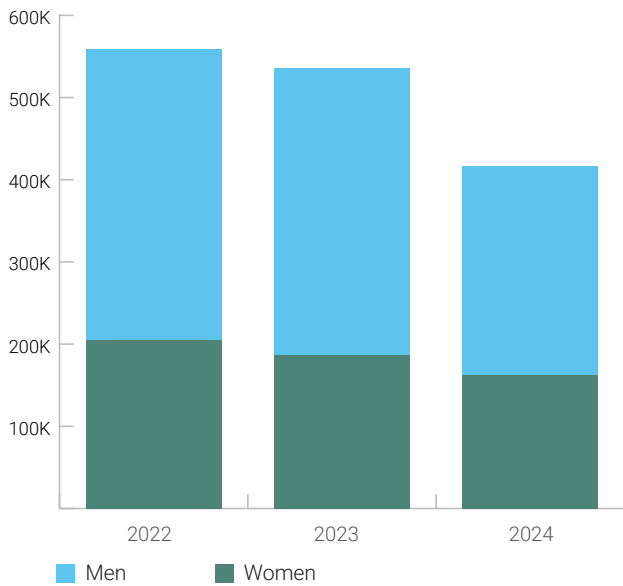
Businesses Reached (Lending Program) Through Q2 2024



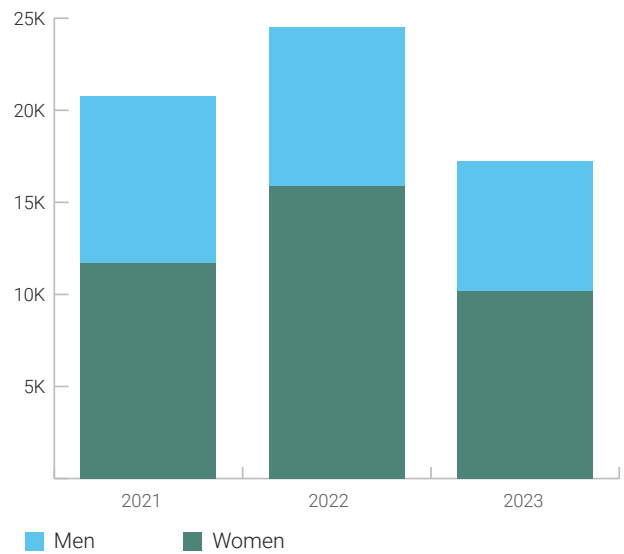
Purchases From Farmers & Client Businesses' Sales Through Q2 2024



Farmers Supplying Businesses Through Q2 2024

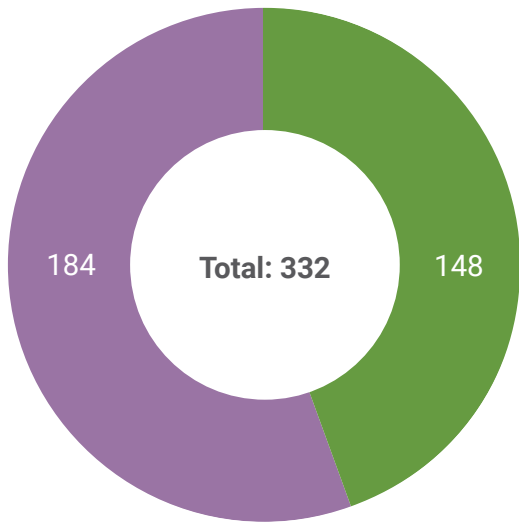


Employees Reached Through Q2 2024



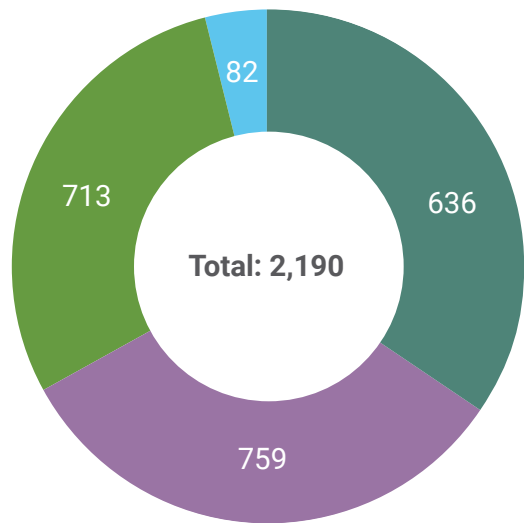
Advisory Impact

Businesses Served by Advisory Through Q2 2024



Existing Lending Clients Potential Lending Clients

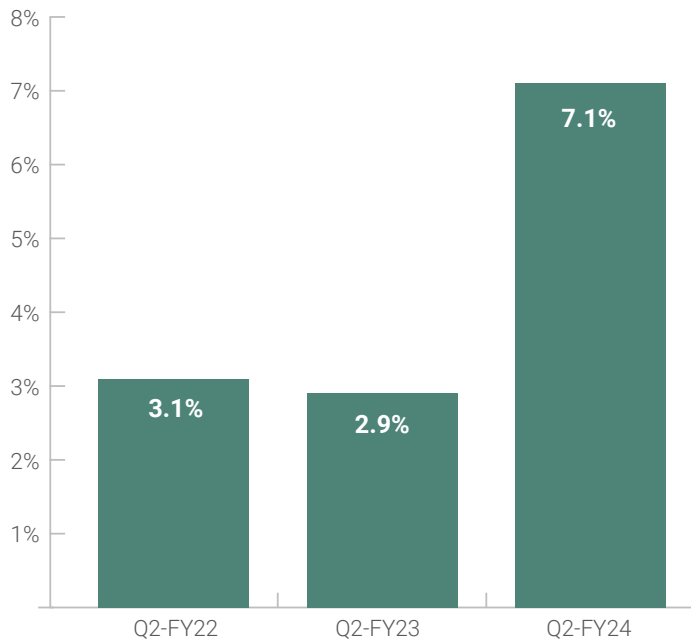
Days of Training Delivered Through Q2 2024



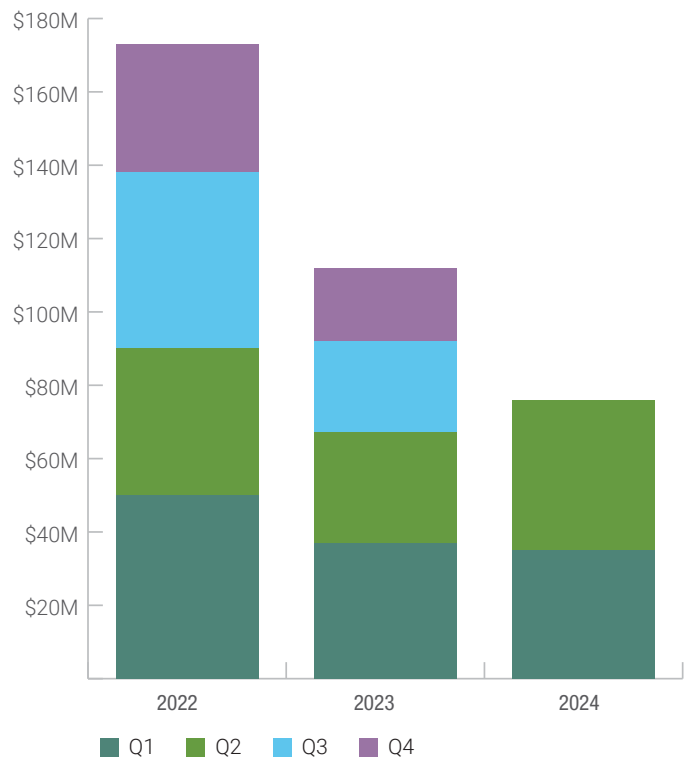
MAC SAM AFR SEA

Portfolio Performance

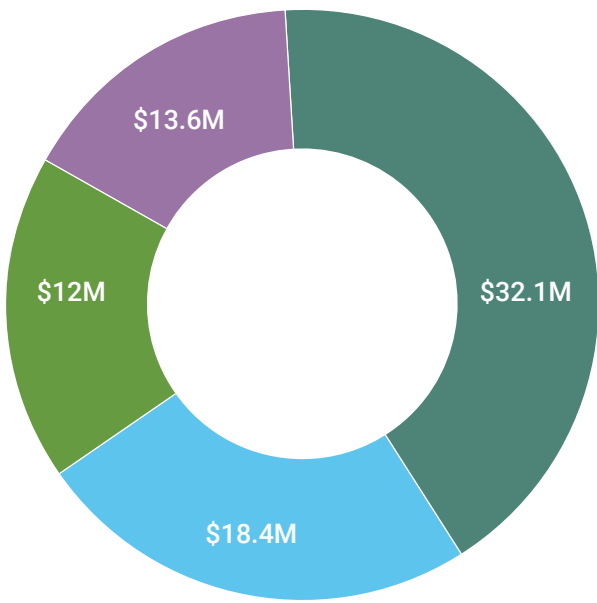
Portfolio at Risk > 90 Days



Total Loan Disbursements Through Q2 2024

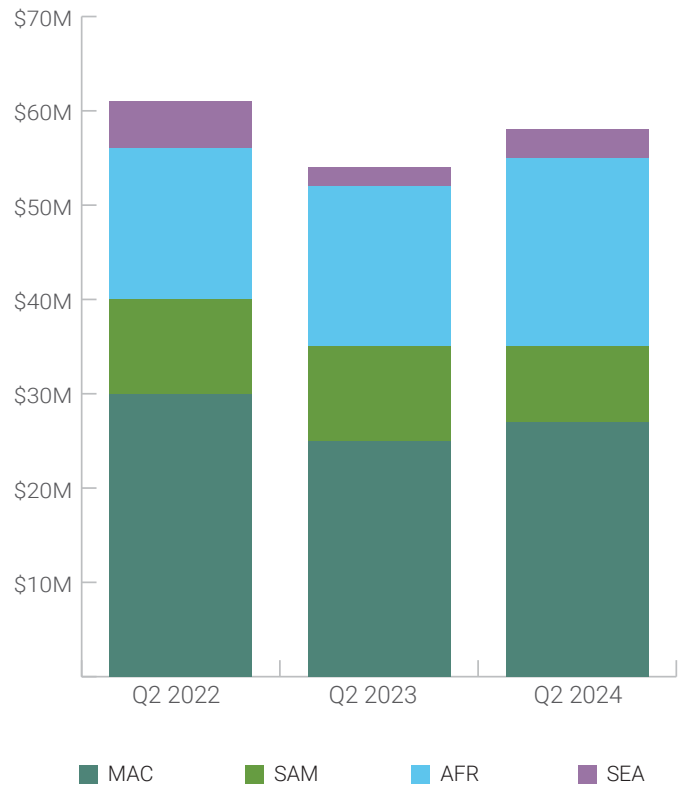


Disbursements to Clients by Program Through Q2 2024



- Climate Action Leaders that are Gender Inclusive
- Gender-Inclusive Businesses
- Other
- Climate Action Leaders

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.

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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)