


Performance Report

Q3 2024



Providence is a recent graduate of a local school created by Musasa—a long-standing Root Capital coffee client in Rwanda. Learn more about Musasa in [this blog post](#).
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 businesses. 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 had a promising quarter for our lending portfolio, buoyed by the high price of coffee, which led to increased financing demand. Our advisory services—particularly around improving data management, fostering gender inclusion, and boosting climate resilience—are increasingly vital as climate change continues to impact coffee production globally, with disproportionate impacts on women. At the same time, our clients have faced challenges, such as severe, widespread drought in South America.

Impact

Through Q3 2024, Root Capital financed 202 agricultural businesses reaching nearly 448,000 smallholder farmers. These businesses generated over \$785M in income for farmers. Among these businesses, 63% were gender-inclusive and 50% were climate action leaders, with 37% of our clients meeting both criteria, demonstrating their commitment to climate justice and gender equity.

Additionally, Root Capital trained leaders and employees from 365 businesses, equipping them with skills to enhance financial management, provide agronomic support to farmers, and otherwise build resilience in their businesses and their communities. As we continue to focus on closing critical financing gaps in rural communities, we are pleased to report that Root Capital loans enabled 88% of clients reached through Q3 to meet financing gaps otherwise unaddressed by commercial markets; the remaining 12% supplemented their capital needs through local markets.

Extreme weather events and climate uncertainties continue to threaten the agricultural industry. Consequently, adaptive agronomic practices, data-driven strategies, and innovative technologies are essential for building resilience. This quarter, Root Capital focused on providing integrated, tailored advisory services and capital to help clients strengthen their climate resilience. One such example is our provision of advisory support to businesses in Peru, where farmers are experiencing the most severe drought in 70 years, which has led to the proliferation of coffee leaf rust.

Harnessing data is particularly crucial for our clients. In Q3, we provided training and delivered data visualization tools to enable nine clients to track their sales and inventory flows, better predict farmer-level climate impacts and better inform management decisions.

Portfolio Performance

Dual climate disasters struck the coffee industry in Q3. The two largest coffee-producing countries—Brazil and Vietnam—experienced significant drought and flooding, respectively. Although Root Capital does not operate in these countries, these extreme weather events constricted global supply and contributed to a surge in the global coffee price, which reached a high of \$2.73 per pound in September.

While this high price generates additional demand for financing—contributing to Root Capital disbursing \$31 million this quarter, up 32% from Q3 2023—it also poses significant risk to our clients. Signing a contract locks in the price the buyer will pay our clients; if the price spikes unexpectedly after signing, the client may struggle to find affordable coffee and risk being unable to fulfill contracts or having to buy coffee at a loss. This raises the risk of a client being unable to fulfill their contract, therefore increasing the risk of loan default.

A significant portion of this quarter's growth in disbursements came from our South American portfolio, particularly in Peru, where we disbursed \$21 million—more than double the \$10 million disbursed during the same period last year. Our integrated advisory services and lending capital helps to grow clients' capacity and builds the pipeline of lending-ready businesses poised to have an impact in their communities. So far this year, we have onboarded 15 new clients in South America, a substantial increase compared to just three new clients in the region through Q3 2023.

In Africa, we disbursed \$6 million across the region in Q3, with Rwanda emerging as the primary driver of the year-over-year growth. Our lending activity in Southeast Asia continued its strong 2024 performance, with a 48% growth in year-to-date disbursements in Indonesia, from \$3.0 million in 2023 to \$4.5 million as of Q3 2024.

Portfolio Quality

At the end of Q3 2024, our Portfolio-at-Risk (PAR) greater than 90 days decreased to \$2.7 million (5.9%), compared to \$4.2 million (7.1%) in the previous quarter. Most of our portfolio, including loans in PAR, are backed by guarantees, particularly through our partnership with the US Development Finance Corporation. These guarantees reduce Root Capital's risk exposure and enable us to continue to expand our lending in challenging, high-impact markets.

Over the past 12 months, we wrote off \$4.2 million of past-due loans and recovered \$3.8 million on written-off loans, resulting in a 12-month net write-off ratio of 0.8%.

Advisory Services

We hosted a climate action workshop in Peru that brought together 30 participants from South America. The event convened clients at different stages of climate adaptation, from those in the early planning phases to those with established initiatives.

Participants shared valuable experiences related to advanced strategies, such as the implementation of coffee drying greenhouses that protect the harvest from unpredictable rains, the propagation and reintroduction of native species, and the use of fruit trees to enhance agroforestry systems. Participants shared a strong interest in securing financing to support their climate resilience objectives.

Celebrating 25 Years of Impact!

We launched a storytelling campaign to showcase diverse voices from our clients, funders, investors, and board members, with each story highlighting a different aspect of our work. Check out [25 Stories of Impact](#).

This quarter, we focused on preparing clients for climate action through targeted advisory work. In Guatemala, we provided training on internal inspections to enhance clients' capabilities in maintaining certifications, and we updated our Digital Business Intelligence (DBI) inspection tools to enable closer monitoring of coffee quality.

We conducted five "lead farmer" workshops in Rwanda and Uganda, emphasizing climate-resilient practices in coffee cultivation. Through these workshops, we train selected cooperative members on good agricultural practices and equip them to return to their community and train their fellow farmers.

Providing clients with enhanced climate mitigation and adaptation tools and services is essential as climate change continues to impact coffee-growing regions. These services also support our clients' ability to demonstrate compliance with future climate-related regulations, such as the upcoming European Union Deforestation Regulation (EUDR). Small and medium agricultural businesses frequently struggle to meet the necessary standards for traceability and data management, making it crucial for our advisory services to focus on the longer-term resilience of their operations.

Financial Results

Root Capital remains in a strong financial position, with over \$45 million in unrestricted net assets and low levels of financial leverage. At the end of the third quarter, our debt-to-equity ratio stood at 1.2x.

Through September 30, our unrestricted net assets decreased by \$5.6 million due to a combination of factors. Strategic investments in infrastructure and staff resulted in a year-over-year increase in operating expenses, while the tumultuous US election year was one factor that contributed to a decline in grant and contribution revenue. Provisioning expenses remained elevated year-to-date due to the outsized expenses recorded in the first half of the year. While the majority of our portfolio falls under guarantees, particularly through our partnership with the US International Development Finance Corporation, several at-risk clients fell outside the scope of that guarantee, negatively impacting our net provisioning expenses. Within Q3, the pace of expenses moderated as we incurred just \$300K of net provisioning expenses.

Conclusion

Root Capital clients and smallholder farmers face challenges with rising production costs while navigating the effects of climate change. As we close out 2024, we continue to prioritize partnering with high-impact clients, providing stability in a volatile environment, and fostering more prosperous, inclusive, and resilient rural communities.



A Pangoa producer sorts and dries coffee beans post-harvest. Credit: Grazioso Pictures, Inc.

Client Highlight: PANGOA | PERU

For decades, Peru's Selva Central region had been devastated by conflict. In the wake of this conflict, agriculture nearly disappeared from the area. However, as the violence waned in the early 2000s, thousands of farmers slowly began to return. Many of these farmers lacked the business infrastructure to get their crops to market, and, in order to survive, began harvesting illegal coca plants.

Founded in 1977, Pangoa—a coffee and cocoa cooperative—was one of the only local endeavors that offered an alternative. But without financing, it couldn't grow. Given the contextual risks, Root Capital was one of few lenders willing to help the cooperative navigate this period. Pangoa received its first Root Capital loan in 2006 and has been a consistent recipient of advisory services since 2012. The cooperative has received over \$16 million in cumulative financing to date, which has enabled it to grow and reach over 700 farmers.

In 2024, with Root Capital financing, Pangoa was able to purchase cocoa from smaller producers in the area, facilitating these producers' entry into the cocoa business by serving as their first purchaser, paying competitive prices, and offering technical support and fermentation and drying services. As a result of Pangoa support, several of these producers—sons and daughters of Pangoa members—joined forces to establish their own associations and cooperatives, which, since earlier this year, have been building business management capacity through advisory provided by us.

Several of these newly-formed cooperatives now sell their products to large local export companies. Root Capital advisory services are helping to strengthen the cooperatives' capacity so that they can export directly and access credit through us. We are pleased at the multiplier effect that our work has proven to have in supporting new and emerging cocoa producers in the region and are confident that Pangoa will continue to be an engine of impact in its surrounding rural communities in the years to come.

Impact Dashboard

IMPACT RESULTS THROUGH Q3		
2024	2023	
397	458	Total Businesses Reached
Advisory Program		
365	425	Businesses Served by Advisory
3,478	3,913	Days of Training Delivered
41%	39%	Women Participants
48%	50%	Participants Under the Age of 35
Lending Program		
202	199	Businesses Reached by Lending ¹
63%	62%	Gender-Inclusive Businesses ²
50%	54%	Climate Action Leaders ²
448K	517K	Producers Reached
39%	35%	Women Farmers
19K	24K	Employees Reached
61%	65%	Women Employees
\$785M	\$718M	Purchases From Farmers
\$924M	\$859M	Total Sales for the Businesses
398K	421K	Sustainable Hectares Under Management
\$107M	\$90.8M	Loan Disbursements
\$67.2M	\$57.9M	Disbursements to Gender-Inclusive Businesses ²
\$56.6M	\$51.9M	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 11 for definitions.

Balance Sheet & Statement of Activities

BALANCE SHEET		As of September 30	
Millions of USD	2024	2023	
Cash and Short-Term Investments	56.2	68.8	
Loans Receivable	46.0	34.7	
Allowance for Credit Losses	(2.9)	(1.7)	
Loans Receivable, Net of Allowance	43.1	32.9	
Grants Receivable and Other Assets	16.7	19.2	
Total Assets	116.0	120.9	
Senior Debt	47.7	40.8	
Subordinated Debt	6.2	6.8	
Other Liabilities	4.0	3.4	
Total Liabilities	57.9	51.0	
Net Assets without Donor Restrictions	45.3	50.4	
Net Assets with Donor Restrictions	12.8	19.6	
Total Net Assets	58.1	69.9	
Total Liabilities & Net Assets	116.0	120.9	
Debt-to-Equity Ratio	1.2x	0.9x	
Grant Net Assets*	21.2	29.2	

* Our grant net assets include net assets with restrictions and off-balance-sheet conditional grants. Reclassifications may have been made in prior periods to conform with the current period's presentation.

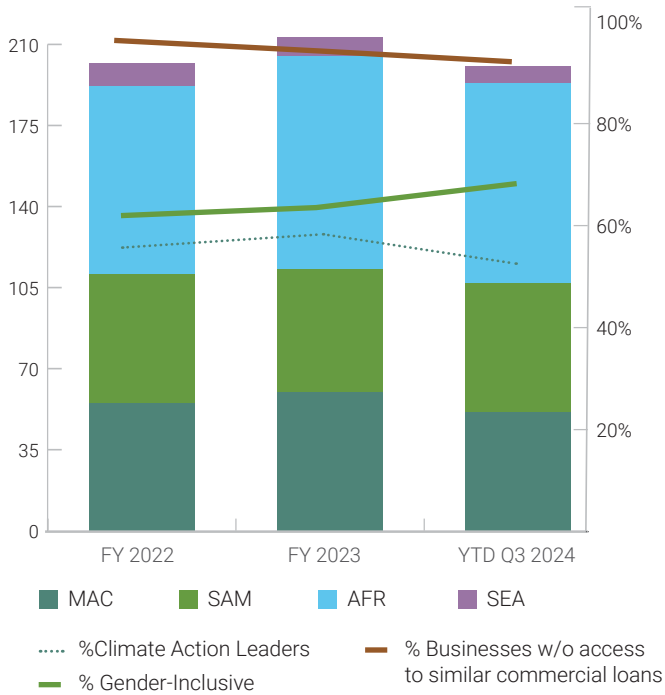
STATEMENT OF ACTIVITIES		As of September 30	
Millions of USD	2024	2023	
Revenue			
Grant and Contribution Revenues	12.4	15.5	
Lending Revenue	4.0	3.8	
Interest and Other Income	1.8	1.5	
Total Revenue	18.2	20.8	
Expenses			
Operating Expenses	21.0	19.2	
Provisioning Expense	2.3	(.1)	
Interest Expense	.6	.6	
Total Expenses	23.9	19.7	
(Deficit)/Surplus	(5.7)	1.0	

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

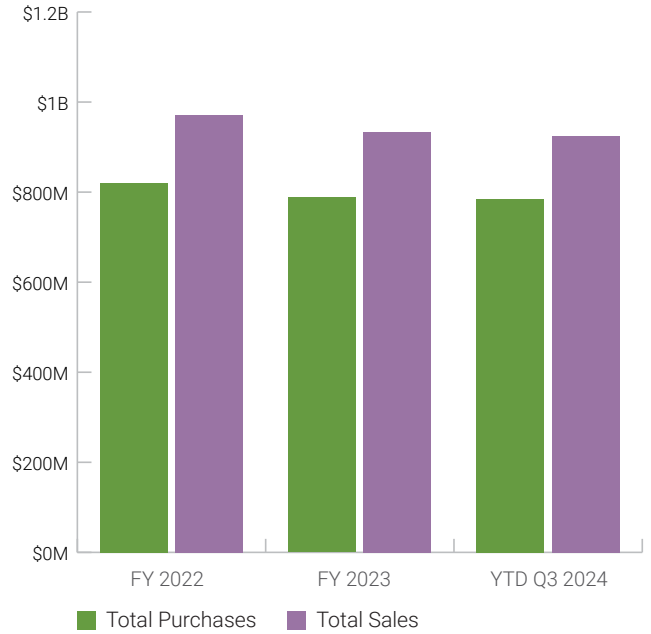
Performance

Lending Impact

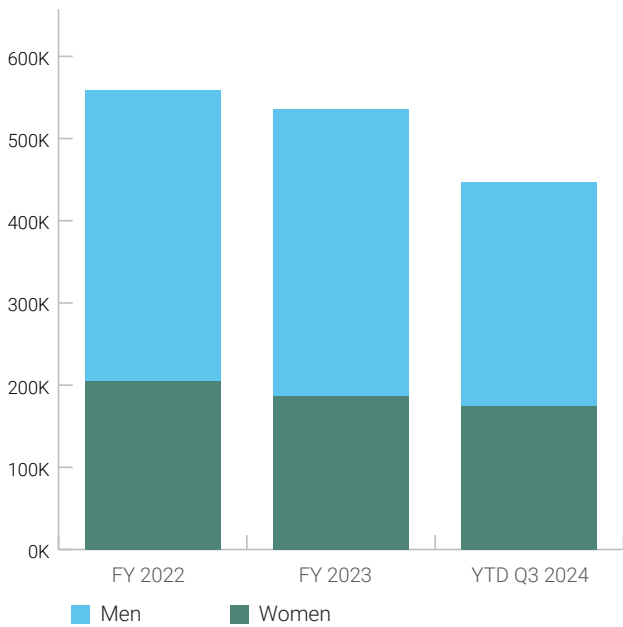
Businesses Reached (Lending Program)



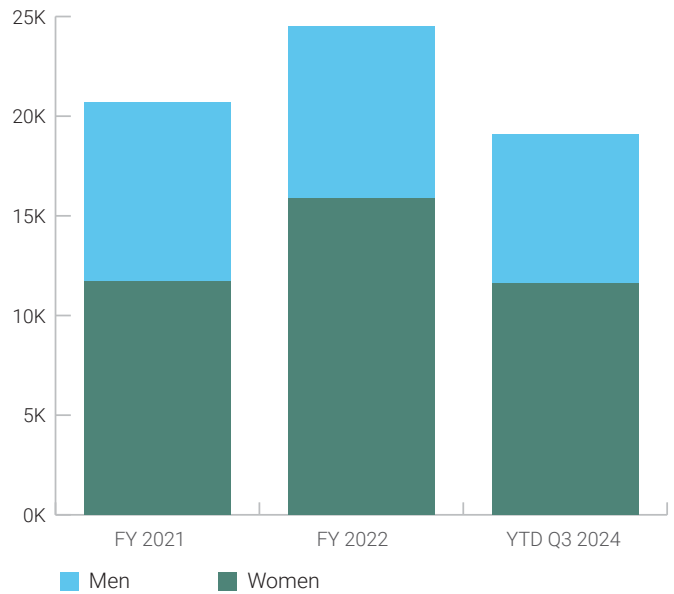
Purchases from Farmers and Client Businesses' Sales



Farmers Supplying Businesses

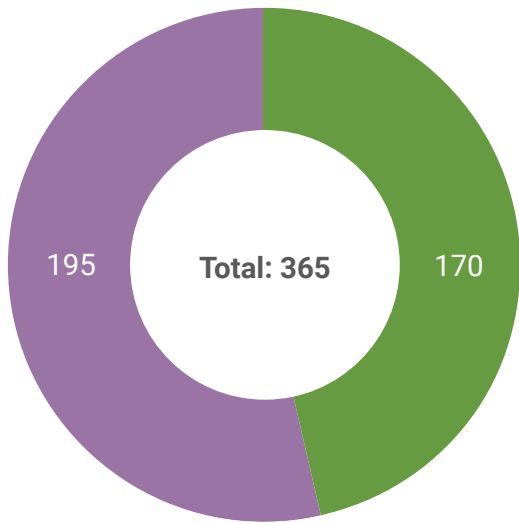


Employees Reached



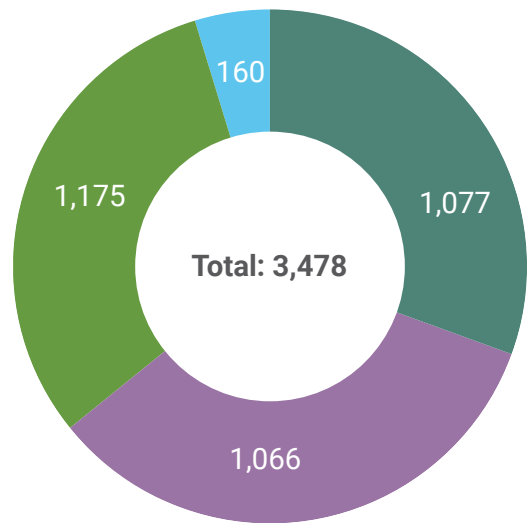
Advisory Impact

Businesses Served by Advisory Through Q3 2024



Existing Lending Clients Potential Lending Clients

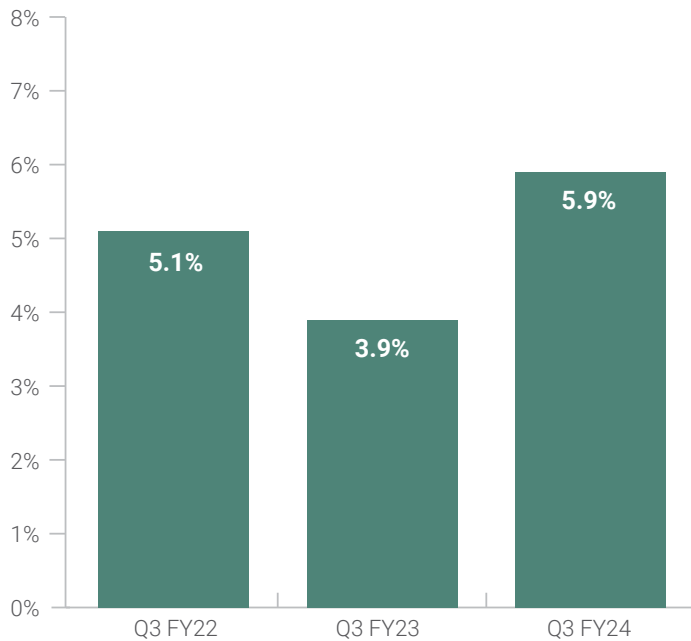
Days of Training Delivered Through Q3 2024



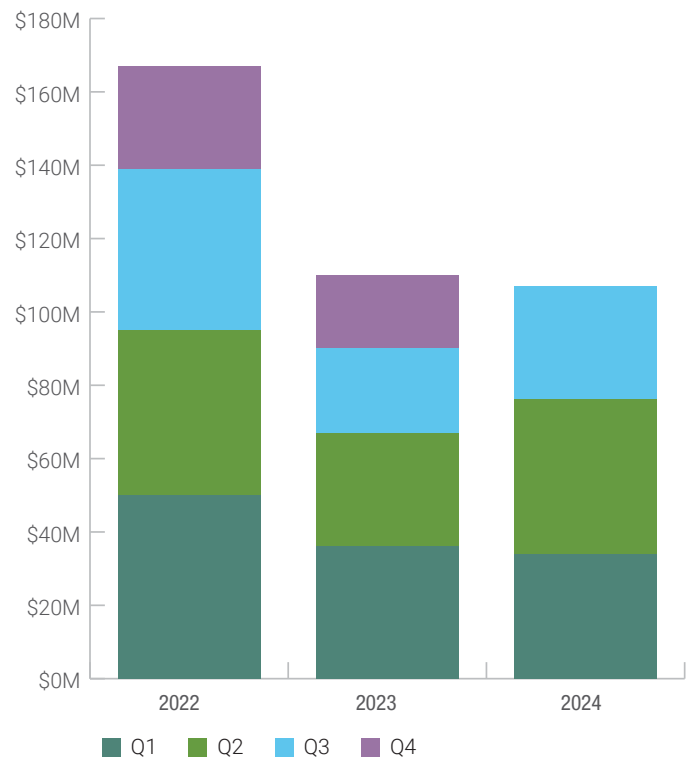
MAC SAM AFR SEA

Portfolio Performance

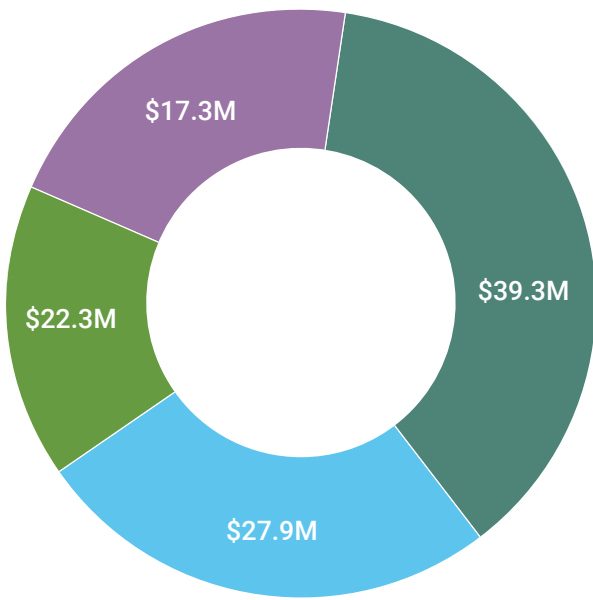
Portfolio at Risk > 90 Days



Total Loan Disbursements

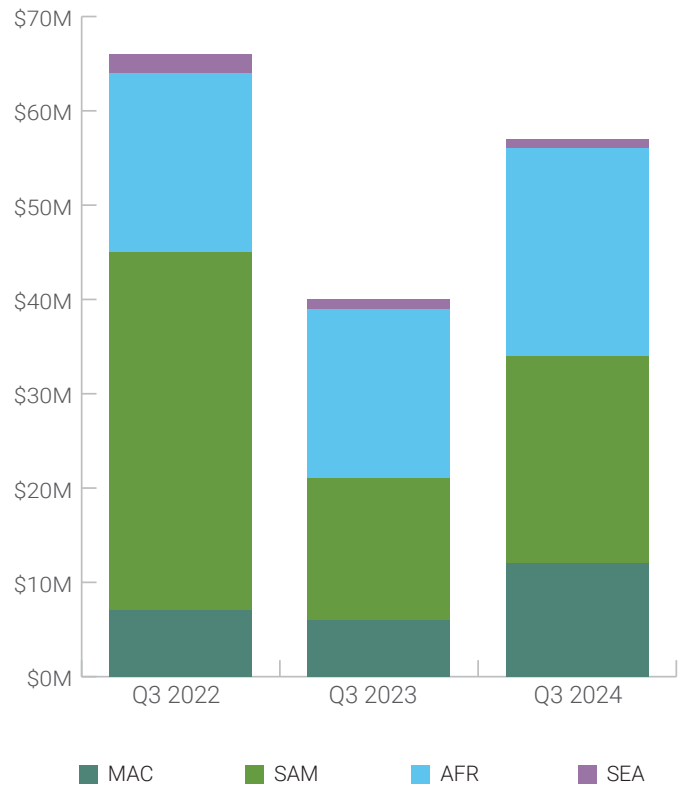


Disbursements to Clients by Program Through Q3 2024



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

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)