



Root
Capital



Performance Report

Q2 2025

An indigenous producer and member of Root Capital client C.A.C Pangoa opens up a cocoa pod. Climbing commodity prices, particularly in coffee and cocoa, are driving increased financing needs for the agricultural enterprises we serve. Credit: Root Capital/Grazioso Pictures, Inc.



About Root Capital

Root Capital is an 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, expanding opportunities for women and young people, preserving nature, and building rural prosperity.

Overview

As we pass the midpoint of 2025, Root Capital continues to provide vital access to financing for our clients, whose capital needs have accelerated dramatically due to record high commodity prices, particularly in coffee and cocoa. The increased capital enabled clients to connect smallholder farmers to premium priced markets, increasing farmer incomes.

Impact

Root Capital financed 174 agricultural enterprises through Q2 2025, reaching over 406,000 smallholder farmers. These businesses in turn generated \$952 million in income for farmers and their families, a 32% increase from the same time last year, reflecting record-high commodity prices for coffee and cocoa. Of these businesses, 60% were Climate Action Leaders, organizations that make substantial contributions to reforestation and other climate-friendly practices, and 61% met our criteria for significant involvement of women farmers, employees, and/or leaders. Many of our clients are leading the way on dual fronts—climate resilience and women’s economic empowerment—with 37% meeting both criteria. In the first half of 2025, Root Capital loans enabled 89% of clients to meet financing gaps otherwise unaddressed by commercial markets. The remaining 11% supplemented capital offerings on local markets.

Additionally, Root Capital trained leaders and employees from 217 businesses, equipping them with skills to enhance financial management, provide agronomic support to farmers, and otherwise build resilience in their businesses and their communities.

Portfolio Performance

Our clients faced massive financing needs in the first half of 2025 as global coffee and cocoa prices surged. Root Capital was able to fill these needs, disbursing a record \$109 million during the first half of the year. By providing clients with the timely liquidity needed to take advantage of the higher prices, we ultimately enabled them to buy more coffee and cocoa from farmers and drive increases in farmer incomes.

Global disbursements totaled \$54 million in Q2, a 29% increase over the same period last year. While high coffee prices remained the primary driver, cocoa also contributed to strong lending activity. Disbursements were especially active in South America and Africa, which accounted for \$23.3 million and \$18.7 million, respectively. In South America, lending volume grew 53% year-over-year, while in Africa, strong demand was led by coffee clients in Uganda and cocoa clients in the Democratic Republic of the Congo (DRC). Amid ongoing violent conflict in the DRC, Root Capital has continued to serve clients with critical financing—at a time when many other lenders have exited the region—enabling these businesses to maintain operations and bring their crops to market.

In Mexico and Central America, the coffee harvest season wound down in Q2 as expected, as clients shifted from purchasing to processing and shipping their coffee to global markets. A portion of clients in the region experienced port delays driven by container availability, but the majority of shipments were timely and did not impact repayments to Root Capital. Nonetheless, we will continue to monitor logistics trends closely as part of our regional risk assessments.

Portfolio Quality

Root Capital's portfolio quality remained stable in Q2. At the close of the quarter, our Portfolio-at-Risk (PAR) greater than 90 days stood at \$0.9 million (1.5%), compared to \$3.2 million (5.3%) at the end of Q1.

The majority of the loans in PAR are backed by loss-sharing guarantees. These guarantees buffer our balance sheet from spikes in credit risk, and enable us to continue to expand our lending in challenging, high-impact markets.

During the quarter, we wrote off \$2.2 million in principal, some of which was under guarantees, bringing our trailing twelve-month net write-off ratio to 4.9%.

Advisory Services

In Q2, Root Capital sustained its advisory support for agricultural businesses navigating climate, regulatory, and market risks. Our advisory model—which integrates agronomic expertise, financial training, and digital tools—is designed to help enterprises strengthen their operations, build resilience, and meet evolving buyer and investor expectations.

During the quarter, we expanded several ongoing initiatives. Our European Union Deforestation Regulation (EUDR) advisory work continued to gain traction, with approximately 25 clients now participating in a pilot effort to enhance geospatial data quality, interpret satellite imagery, and respond to deforestation findings. These efforts are further detailed in the client spotlight below.

In Africa, we delivered services in the DRC in response to client demand, including expanding our Agronomic and Climate Resilience Advisory and Digital Business Intelligence offerings to new clients in high-risk areas. Despite continued insecurity in the region, our local teams worked closely with cooperatives to improve data systems, access new markets, and respond to environmental concerns.

In Latin America and Indonesia, our advisory efforts focused on two key areas: building clients' capacity to meet evolving certification and regulatory requirements (particularly EUDR) and co-creating climate investment plans tailored to business and farmer needs.

Financial Results

Root Capital remains in a strong financial position, with nearly \$41 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 1.6x and our investor notes increased 19% to \$63 million, providing the liquidity necessary to meet surging client demands for financing.

Year-to-date through June 30, our unrestricted net assets decreased \$4.7 million due to a combination of internal and external factors. Lending revenue increased \$1.2 million or 47% over the prior year, aligning with portfolio growth; our year-to-date average lending balances grew 23% to \$57 million. This increased lending revenue was offset by a decrease in grant and contribution revenue, which declined \$5.3 million year-over-year, or 64%. This is the combined result from the termination of two USAID grants and delayed spending on another U.S. Government grant, combined with several multi-year grants coming to a close and revised timing for a fully-committed pledge payment.

So far this year, we've secured nearly \$4 million in new grant commitments from both new and returning supporters—laying a strong foundation for the rest of the year. We remain in advanced

conversations with several major partners and are optimistic about securing additional funding in the coming months. On the expense side, our disciplined cost management strategy led to a 26% (\$3.6 million) reduction in operating expenses year-over-year, driven by savings in personnel, professional services, and travel. Provisioning expenses also decreased slightly by \$0.5 million, reflecting improved portfolio quality through the first half of the year.

Conclusion

As we move into Q3, we remain well-positioned to fulfill clients evolving capital needs, supporting these businesses and their farming communities through volatile commodity price swings and rapidly

changing tariff and trade outlooks. We will continue to focus on generating sustainable long-term impact for rural communities through providing capital and complementary advisory services, while maintaining portfolio quality.

While external challenges remain—including volatility in government funding, commodity markets, and political environments—Root Capital’s proactive financial management and focus on operational efficiency uniquely position us to navigate these complexities. As we look ahead to Q2 and beyond, we remain committed to connecting capital and capacity to enterprises that are building more resilient and inclusive rural economies.

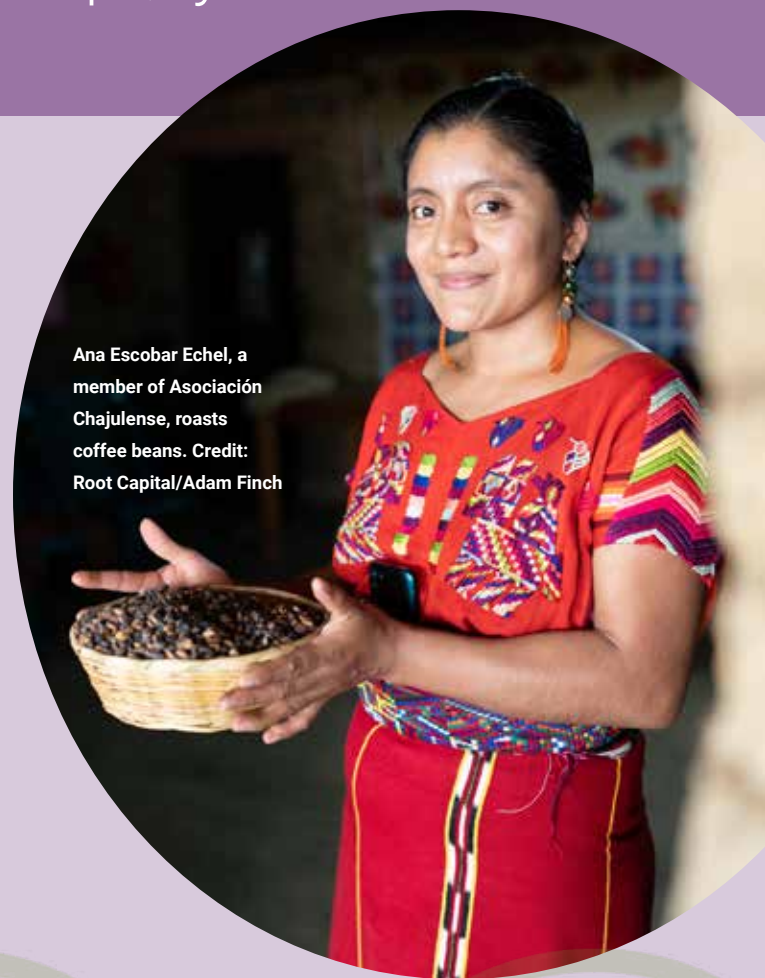
CLIENT STORY

Asociación Chajulense V'al Vaq Quayol *Guatemala*

As global regulations increasingly shape access to high-value markets, Root Capital is working closely with clients to ensure they are equipped to comply with the EUDR. One such client is Asociación Chajulense, a long-standing coffee cooperative in Guatemala’s Western Highlands. The cooperative has been a Root Capital lending client since 2006 and an advisory client since 2012.

For smallholder farmers like those represented by Asociación Chajulense, the EUDR presents both a challenge and an opportunity. While intended to promote more sustainable supply chains, the regulation’s technical demands—such as digital plot mapping and evidence of deforestation-free sourcing—can be difficult for smallholders to meet. Without access to reliable geospatial data and

Continued on p. 5



Ana Escobar Echel, a member of Asociación Chajulense, roasts coffee beans. Credit: Root Capital/Adam Finch

Ana Escobar Echel, a member of Asociación Chajulense, roasts coffee beans. Credit: Root Capital/Adam Finch



support interpreting it, many risk being excluded from global markets entirely.

Recognizing this risk, Root Capital partnered with Satelligence in 2023 to support a more inclusive approach. Satelligence, a nature-tech company that uses satellite-powered geo-data to deliver real-time insights into agricultural supply chains, brings cutting-edge tools to the table. Root Capital complements this with hands-on support: providing free access to satellite monitoring, training on geospatial data collection, and tailored coaching from agronomic experts to help enterprises assess and respond to deforestation risks. Crucially, our model ensures that clients retain ownership of their data and are equipped to use it to make strategic decisions.

Asociación Chajulense has fully integrated these tools into their operations, using interactive dashboards and visualizations to improve the accuracy and quality of their geospatial, data collection efforts. The insights have helped improve internal controls and sharpen their response to potential non-compliance.

“With this tool for data monitoring and quality control, we can pre-identify [areas] that might be at risk of decertification,” explains Roderico Galindo García, Asociación Chajulense’s Technical Lead. “It’s a huge help, as this tool also lets us compare reported land area from producers with the calculated area based on polygons. It’s improved our precision and confidence in the data.”

The stakes for compliance are high.

“The EUDR is strict,” says Galindo García. “If we don’t have the [required] GPS points or polygons, we risk losing access to the market. With what [data] we’ve collected, we can meet the requirements. We’re grateful to Root Capital for standing by us with the guidance and support we need to stay compliant.”

This work builds on a longstanding relationship between Root Capital and Asociación Chajulense—one that has centered on shared goals of transparency, farmer well-being, and market access. It also reflects the power of advisory services to address both risk and opportunity in a changing global landscape.

Impact Dashboard

IMPACT RESULTS THROUGH Q2		
2025	2024	
278	364	Total Businesses Reached
Advisory Program		
217	332	Businesses Served by Advisory
949	2,190	Days of Training Delivered
36%	41%	Women Participants
52%	48%	Participants Under the Age of 35
Lending Program		
174	181	Businesses Reached by Lending ¹
61%	64%	Women's Empowerment Businesses ²
60%	55%	Climate Action Leaders ²
406K	416K	Producers Reached
40%	39%	Women Farmers
19.5K	17K	Employees Reached
65%	59%	Women Employees
\$952M	\$721M	Purchases From Farmers
\$1.08B	\$851M	Total Sales for the Businesses
420K	371K	Sustainable Hectares Under Management
\$109M	\$76.1M	Loan Disbursements
\$64.7M	\$50.5M	Disbursements to Women's Empowerment Businesses ²
\$75.2M	\$45.7M	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 Women's Empowerment Leaders and Climate Action Leaders.

See Terms and Acronyms on page 11 for definitions.

Balance Sheet & Statement of Activities

BALANCE SHEET		As of June 30	
Millions of USD	2025	2024	
Cash and Short-Term Investments	39.7	45.9	
Loans Receivable	63.5	59.1	
Allowance for Credit Losses	(1.9)	(3.3)	
Loans Receivable, Net of Allowance	61.5	55.8	
Grants Receivable and Other Assets	16.2	14.5	
Total Assets	117.4	116.2	
Senior Debt	56.4	46.7	
Subordinated Debt	6.3	6.2	
Other Liabilities	3.0	3.5	
Total Liabilities	65.7	56.4	
Net Assets without Donor Restrictions	40.4	46.9	
Net Assets with Donor Restrictions	11.4	13.0	
Total Net Assets	51.8	59.9	
Total Liabilities & Net Assets	117.4	116.2	
Debt-to-Equity Ratio	1.6x	1.1x	
Grant Net Assets*	14.6	22.2	

* 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.

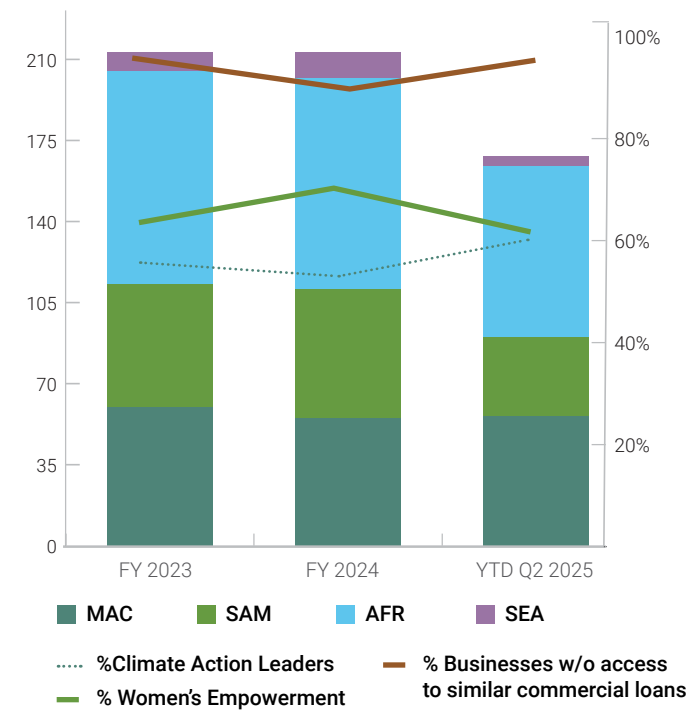
STATEMENT OF ACTIVITIES		As of June 30	
Millions of USD	2025	2024	
Revenue			
Grant and Contribution Revenue	3.0	8.3	
Lending Revenue	3.7	2.5	
Interest and Other Income	.8	1.2	
Total Revenue	7.5	12.0	
Expenses			
Operating Expenses	10.2	13.7	
Provisioning Expense	1.5	2.0	
Interest Expense	.5	.4	
Total Expenses	12.2	16.1	
Change in Unrestricted Net Assets	(4.7)	(4.1)	

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

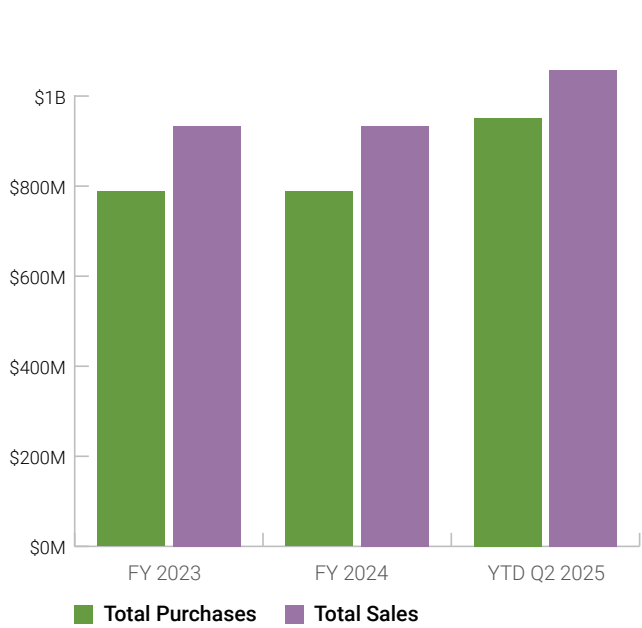
Performance

Lending Impact

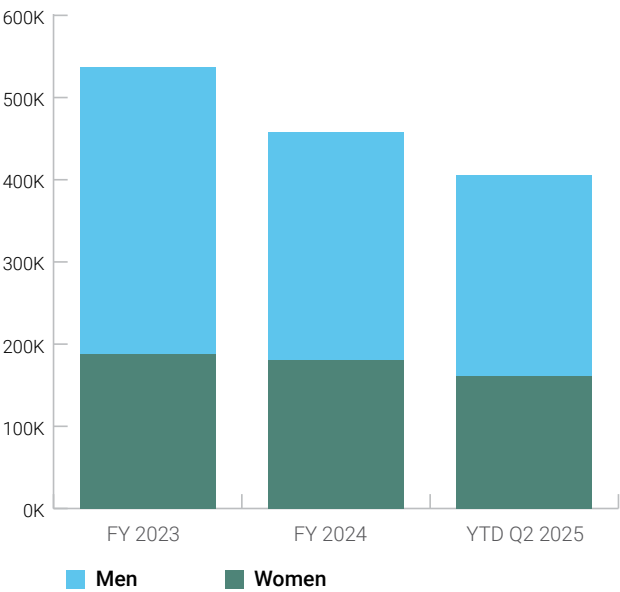
Businesses Reached (Lending Program)



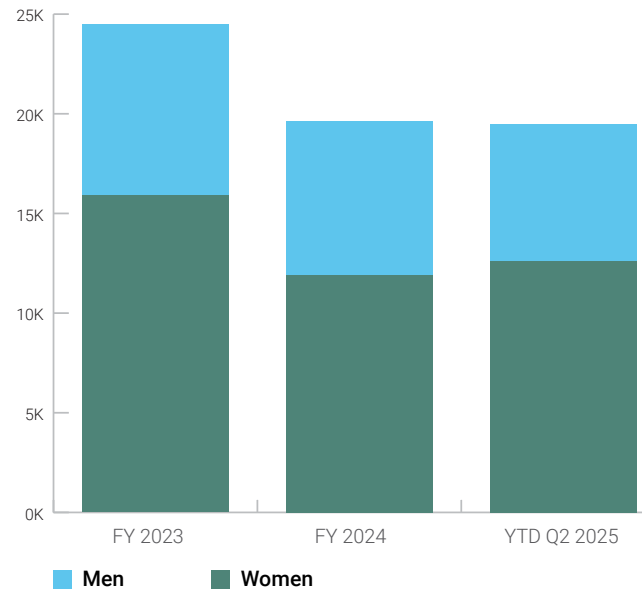
Purchases from Farmers and Client Businesses' Sales



Farmers Supplying Businesses

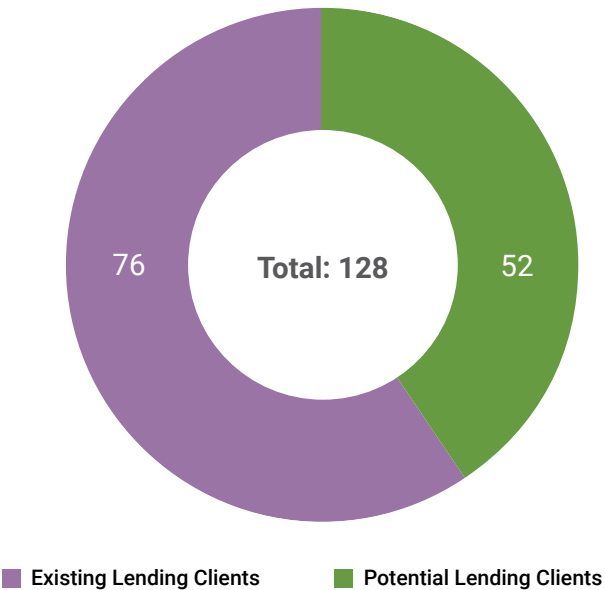


Employees Reached

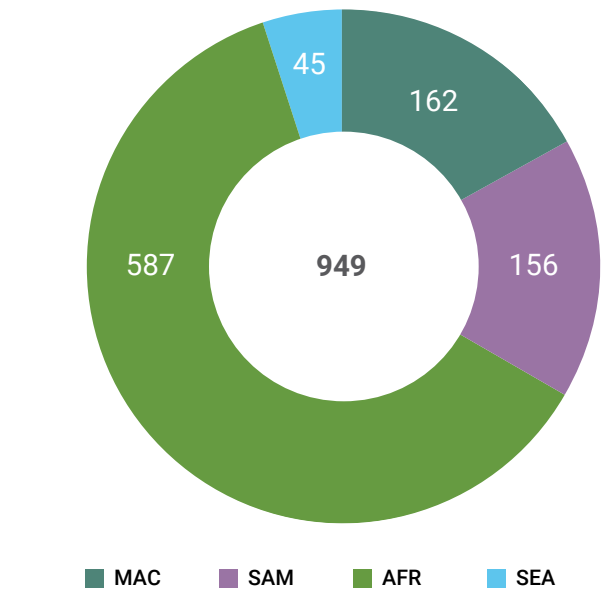


Advisory Impact

Businesses Served by Advisory Through Q2 2025

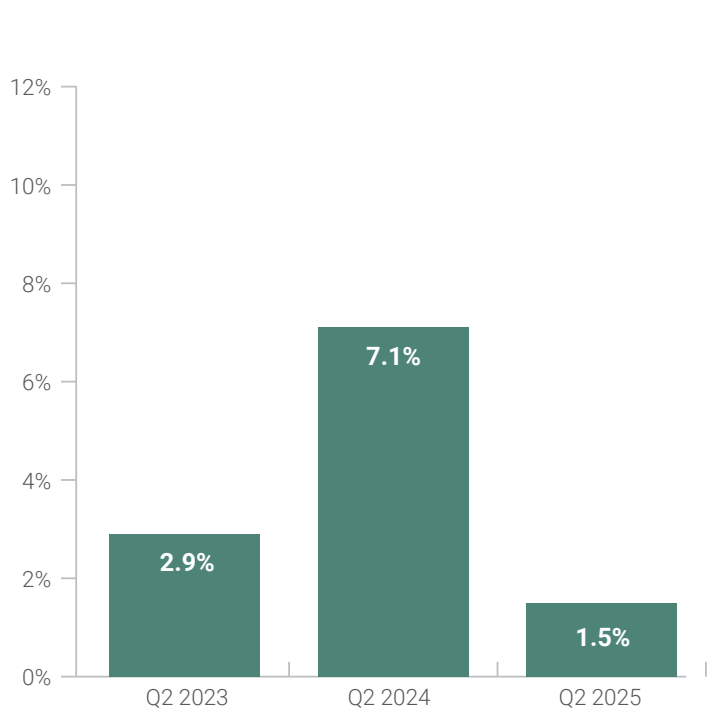


Days of Training Delivered Through Q2 2025

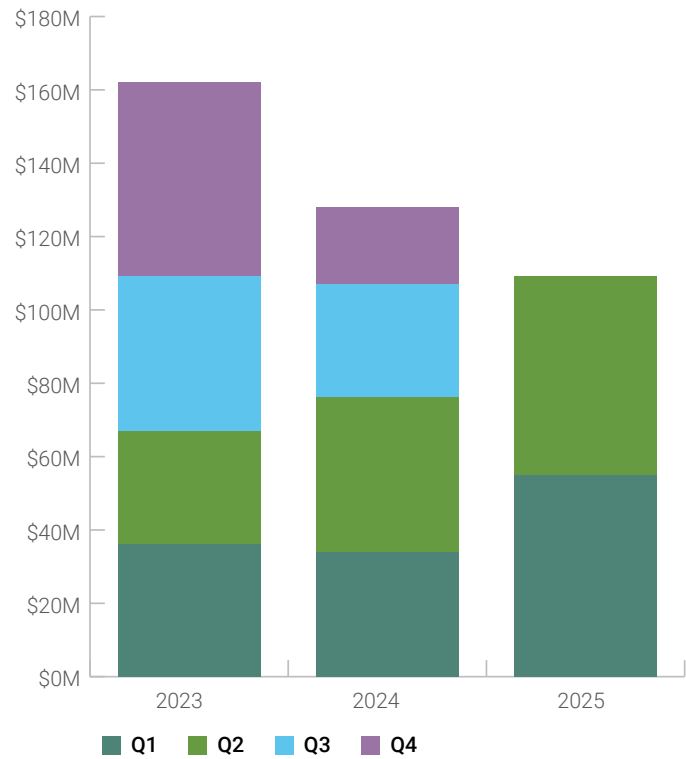


Portfolio Performance

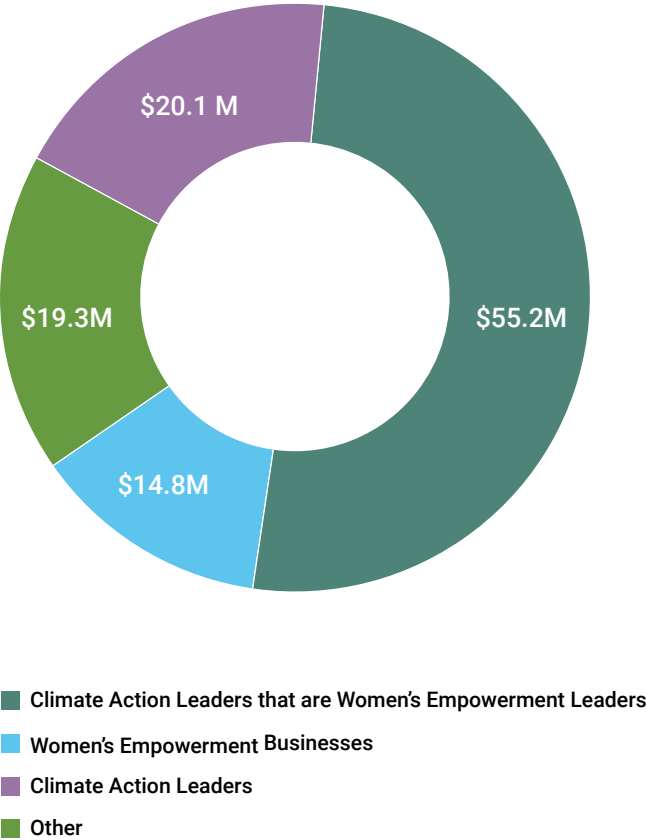
Portfolio at Risk > 90 Days



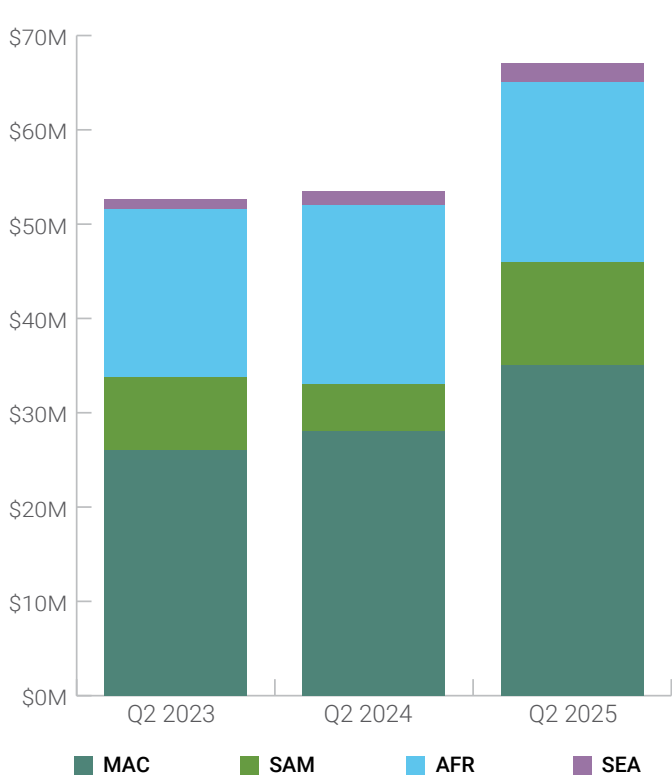
Total Loan Disbursements



Disbursements to Clients by Program Through Q2 2025



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.

Women's Empowerment Businesses: 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).