Root Capital

25 YEARS OF IMPACT

Performance Report

Q3 2025

Maria Gilma Montoya, a member of La Flor de Café, weighs dried coffee beans in her in-home storage facility. Credit: Root Capital/Maia Films

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 enter the final quarter of 2025, year-to-date disbursements have already surpassed annual totals from both 2023 and 2024. Elevated coffee prices and new trade dynamics—most notably the introduction of tariffs on Brazilian exports—have fueled demand for financing across our portfolio. At the same time, our advisory team continued to expand hybrid delivery models that extend our reach and impact. Together, these efforts are enabling agricultural enterprises to sustain farmer livelihoods and strengthen local economies through a period of global uncertainty.

Impact

Root Capital financed 188 agricultural enterprises through Q3 2025, reaching over 418,000 smallholder farmers. These businesses in turn generated over $1 billion in income for farmers and their families, a 33% increase from the same time last year, reflecting record-high commodity prices for coffee and cocoa. Of these businesses, 56% 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 and employees. Many of our clients are leading the way on dual fronts—climate resilience and women's economic empowerment—with 39% meeting both criteria. Through Q3 2025, Root Capital loans enabled 90% of clients to access financing otherwise unaddressed by commercial markets. The remaining 10% of our loans supplemented capital offerings in local markets.

Additionally, Root Capital has trained leaders and employees from 267 businesses this year, 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

During Q3, our clients continued to demonstrate strong demand for financing, following a particularly active first half of the year. Year-to-date disbursements through September have already surpassed totals from both 2023 and 2024, reflecting the ongoing need for timely liquidity to support client operations.

Global disbursements in Q3 totaled approximately $37.5 million, with South America and Africa leading activity. Clients in Peru had particularly high needs for capital as they connected farmer-suppliers to the higher market prices during their major annual harvest season, while Uganda and the Democratic Republic of the Congo drove lending in Africa.

A major development affecting the global coffee sector this quarter was the implementation of a 50% tariff on coffee exports from Brazil, the world's largest producer. These tariffs, introduced in early August, created notable shifts in supply chains as buyers sought to diversify sourcing away from Brazil. While Root Capital does not operate in Brazil, the ripple effects were felt across our portfolio: clients in neighboring producing countries—especially Peru and Colombia—experienced increased demand from international buyers.

Portfolio Quality

Root Capital's portfolio quality remained stable during 2025, reflecting strong repayments during a year with record-high client demand for financing. At the close of the quarter, our Portfolio-at-Risk (PAR) greater than 90 days stood at $0.8 million (1.9%), compared to $0.9 million (1.5%) at the end of Q2. 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 $0.4 million in principal, some of which was under guarantees, bringing our trailing twelve-month net write-off ratio to 3.8%.

Advisory Services

A central focus this quarter was our hybrid advisory model, which combines learning through virtual group workshops, interactive videos, guided instruction, and personalized follow-up. This allows clients to learn at their own pace while allowing us to rapidly scale impact.

The hybrid model has proven particularly valuable in contexts where travel remains challenging, while also enabling more enterprises to participate in advisory programming with their peers. For example, twelve enterprises participated in our multi-session hybrid modules, with 83% successfully developing gender policies tied to Fair Trade certification. The program included a diagnostic of governance, organizational structure, and the needs of women producers and workers, followed by actionable recommendations and personalized advisor support. This approach not only supports compliance and market access, but also reinforces organizational resilience and inclusive practices.

Root Capital is also expanding hybrid advisory through strategic partnerships:

- In Africa, collaboration with Zydii (a local workforce upskilling platform) delivered soft skills training via WhatsApp to youth interns and alumni who had participated in Root Capital's Talent Partnership program.
- In Mexico, partnership with ProMujer (a leading women's development organization in Latin America) provided women farmers with entrepreneurial skills and income diversification strategies.

These collaborations allow us to reach more clients and amplify the impact of its programming across regions.

Financial Results

As we enter the fourth quarter, Root Capital remains in a strong financial position, with $40 million in unrestricted net assets and continued low levels of financial leverage. At the end of the third quarter, our debt-to-equity ratio stood at 1.5x and our investor notes increased 11% to $60 million, providing the liquidity necessary to meet surging client demands for financing throughout the year.

Year-to-date through September 30, our unrestricted net assets decreased $5.3 million due to a combination of internal and external factors. Lending revenue increased $1.1 million or 26% over the prior year, aligning with strong disbursements in the first half of the year as we met our clients' lending needs; our year-to-date average lending balances grew 10% to $55 million (vs $50 million in the prior period). This increased lending revenue was offset by a decrease in grant and contribution revenue, which declined $7.2 million year-over-year, or 58%. 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.

We are thrilled to report that we are on track to raise over $10M in 2025 in new grant commitments laying a strong foundation for our future. On the expense side, our disciplined cost management strategy led to a 28% ($5.9 million) reduction in operating expenses year-over-year, driven by savings in personnel, professional services, and travel. Provisioning expenses also decreased by $1.3 million, reflecting improved portfolio quality throughout the year.

Conclusion

As 2025 draws to a close, Root Capital remains focused on sustaining portfolio quality while expanding client impact. Our teams continue to balance prudent risk management with strategic support, refining hybrid advisory approaches and preparing for new initiatives in regenerative agriculture and longer-term enterprise investments.

CLIENT STORY
Economic and Climate Resilience in Peru's Amazonas Region

This quarter, we're highlighting a cluster of long-term lending clients in Peru's Amazonas region—Laguna de los Cóndores, La Flor de Café, and Valle Verde—three coffee cooperatives working at the intersection of sustainable production, local livelihoods, and ecosystem stewardship.

For these clients, the 2025 harvest season took place amid both opportunity and uncertainty. With global coffee markets adjusting to Brazil's new export tariffs and other macroeconomic factors, cooperatives in Peru have seen renewed interest from international buyers seeking high-quality beans and more diversified sourcing. Root Capital's financing has helped these organizations respond to that demand by providing access to finance.

Becquer Vigo, a member of Laguna de los Cóndores, talks with Root Capital's Business Management Advisory Coordinator, Manuel Aguirre Gutierrez. Becquer's young coffee plants will grow alongisde cover trees like banana and citrus. Credit: Root Capital/Maia Films

Each cooperative is also investing in regenerative and climate-resilient farming systems that boost crop yields and environmental health. At Laguna de los Cóndores, for example, farmers are rehabilitating degraded plots through soil conservation and shade tree planting, supported by Root Capital loans that help maintain productivity while preserving ecosystem health. Meanwhile, La Flor de Café is leveraging Root Capital loans to implement community-led composting programs to reduce fertilizer costs and improve soil health.

Sebastiana Salazar, a coffee farmer and president of the cooperative Valle Verde, shows her youngest daughter how to select ripe coffee cherries. Credit: Root Capital/Maia Films

Valle Verde continues to invest in post-harvest infrastructure—such as solar-powered drying stations—that improves coffee quality and income stability for smallholder members. In addition, the association is using a Root Capital Resilience Loan awarded in 2024 to expand access to finance for women farmers, developing four tailored loan products to support on-farm adaptation, beginning with microloans for women farmers to renovate their plots with pest- and climate resilient coffee varieties. This growing fund will not only improve access to financing for women members, but also serve as a lasting platform for inclusive, community-driven climate investment.

Together, these efforts illustrate how Root Capital's clients in Amazonas are building resilience from the ground up. As global attention turns toward the Amazon ahead of this year's UN COP[1] meetings, these enterprises offer concrete examples of how rural communities can pursue economic opportunity while safeguarding one of the planet's most vital ecosystems.

[1] The United Nations COP (Conference of the Parties) conferences are annual gatherings where representatives from countries around the world come together to discuss and coordinate efforts to address climate change. The 30th UN climate conference (COP30) will take place from November 6-21, 2025 in Belém, Brazil.

Impact Dashboard

IMPACT RESULTS THROUGH Q3		
2025	**2024**	
317	458	Total Businesses Reached
Advisory Program		
267	425	Businesses Served by Advisory
1,561	3,913	Days of Training Delivered
35%	39%	Women Participants
58%	50%	Participants Under the Age of 35
Lending Program		
188	199	Businesses Reached by Lending[1]
61%	62%	Women's Empowerment Businesses[2]
56%	54%	Climate Action Leaders[2]
418K	517K	Producers Reached
40%	35%	Women Farmers
20.1K	24K	Employees Reached
64%	65%	Women Employees
$1.05B	$718M	Purchases From Farmers
$1.19B	$859M	Total Sales for the Businesses
439K	421K	Sustainable Hectares Under Management
$146M	$90.8M	Loan Disbursements
$88.4M	$57.9M	Disbursements to Women's Empowerment Businesses[2]
$89.7M	$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 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 September 30
Millions of USD	**2025**	**2024**
Cash and Short-Term Investments	59.4	56.2
Loans Receivable	43.0	46.0
Allowance for Credit Losses	(1.4)	(2.9)
Loans Receivable, Net of Allowance	41.7	43.1
Grants Receivable and Other Assets	12.8	16.6
Total Assets	**113.9**	**116.0**
Senior Debt	55.8	47.7
Subordinated Debt	3.8	6.2
Other Liabilities	4.1	3.9
Total Liabilities	**63.8**	**57.9**
Net Assets without Donor Restrictions	39.8	45.3
Net Assets with Donor Restrictions	10.4	12.8
Total Net Assets	**50.2**	**58.1**
Total Liabilities & Net Assets	**113.9**	**116.0**
Debt-to-Equity Ratio	1.5x	1.2x
Grant Net Assets*	12.6	21.2

* 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.

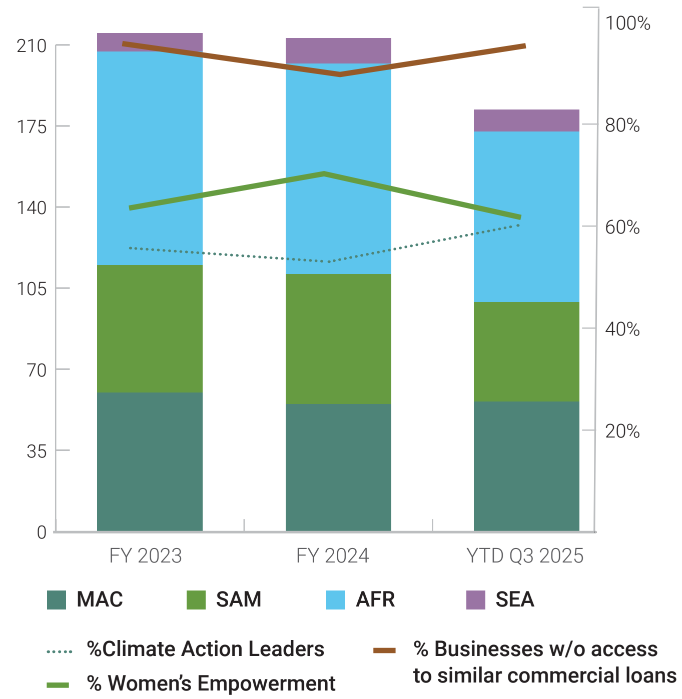
STATEMENT OF ACTIVITIES		As of September 30
Millions of USD	**2025**	**2024**
Revenue		
Grant and Contribution Revenue	5.2	12.4
Lending Revenue	5.1	4.0
Interest and Other Income	1.3	1.8
Total Revenue	**11.6**	**18.2**
Expenses		
Operating Expenses	15.1	21.0
Provisioning Expense	1.0	2.3
Interest Expense	.8	.6
Total Expenses	**16.9**	**23.9**
Change in Unrestricted Net Assets	**(5.3)**	**(5.7)**

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

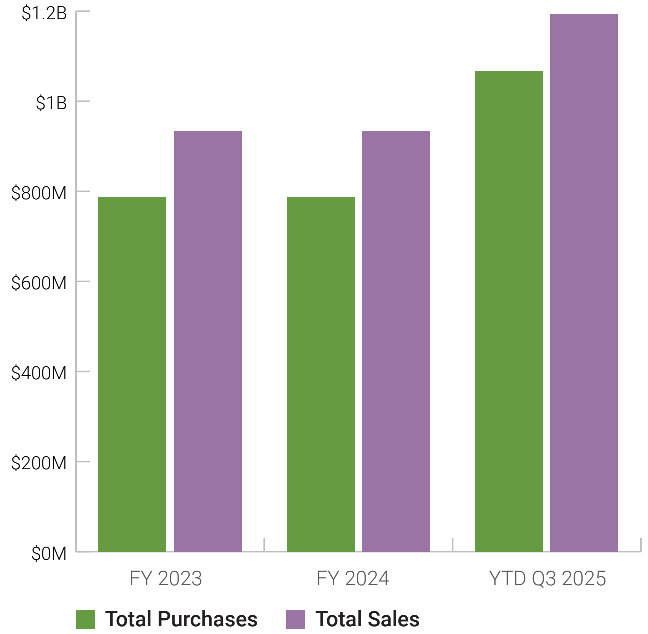
Performance

Lending Impact

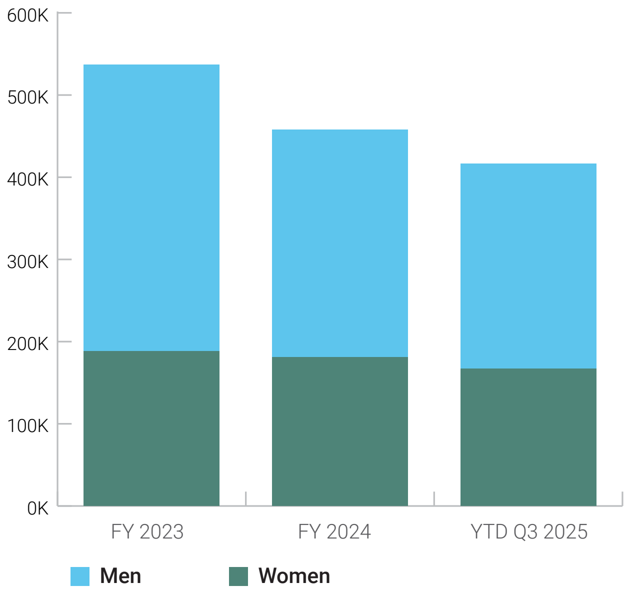
Businesses Reached (Lending Program)



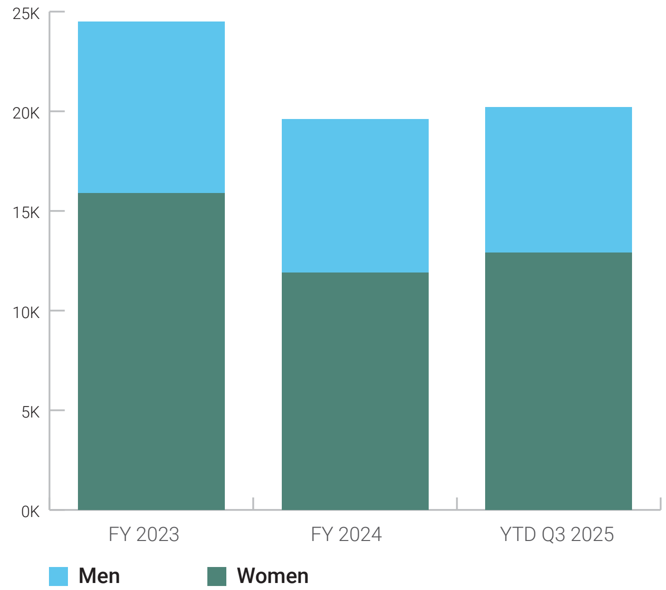
Purchases from Farmers and Client Businesses' Sales



Farmers Supplying Businesses

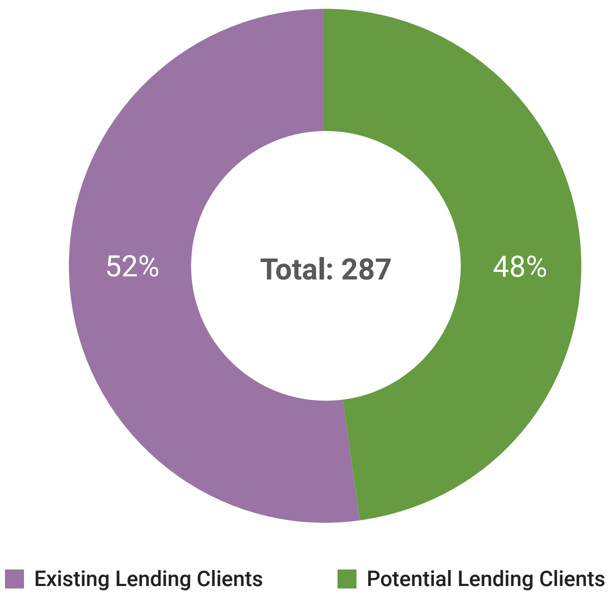


Employees Reached

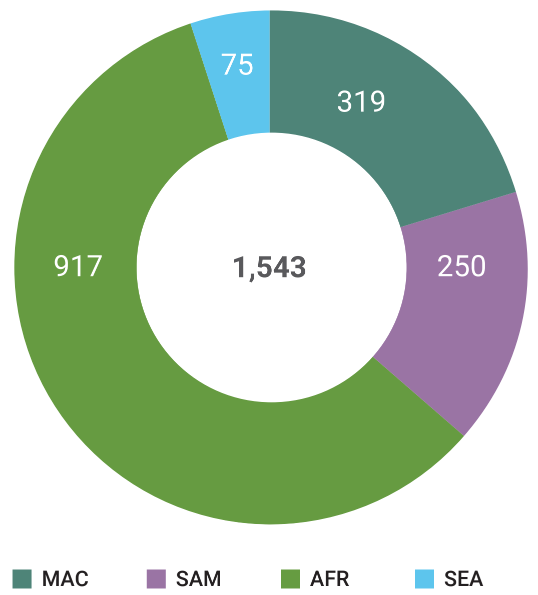


Advisory Impact

Businesses Served by Advisory Through Q3 2025

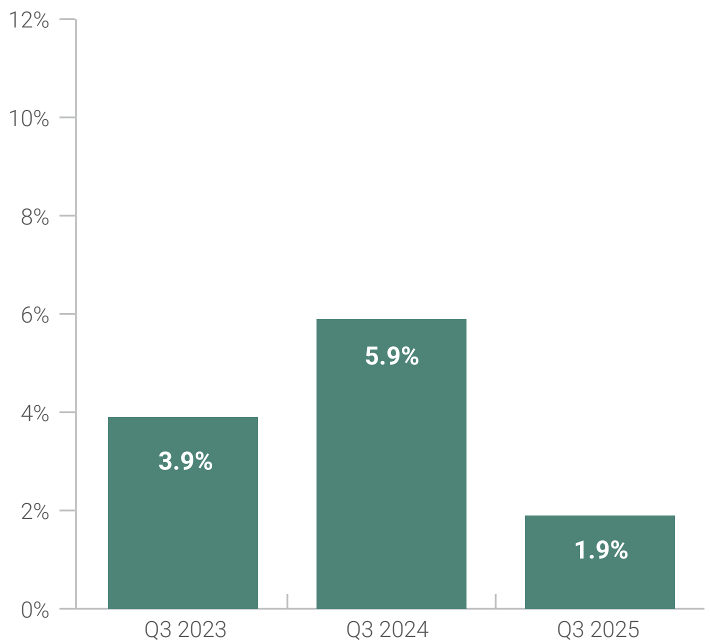


Days of Training Delivered Through Q3 2025

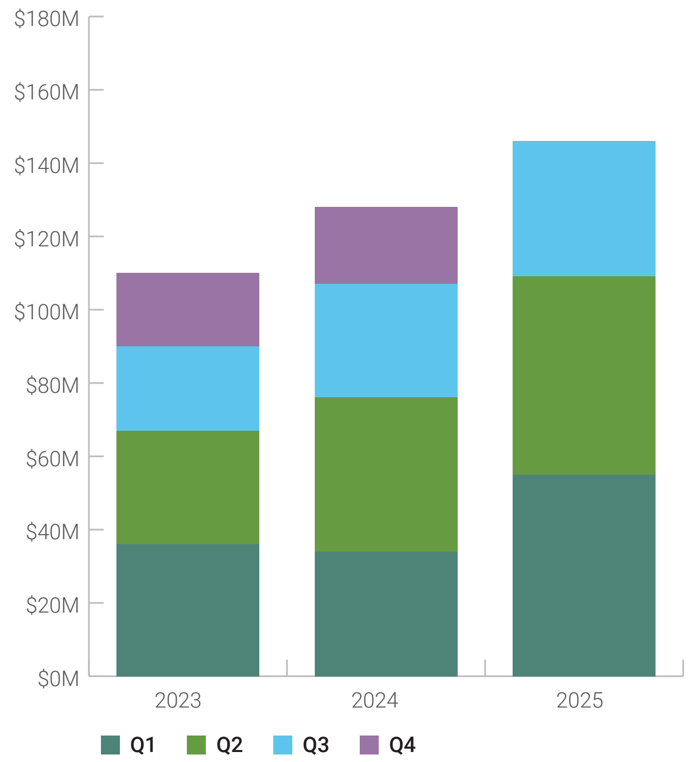


Portfolio Performance

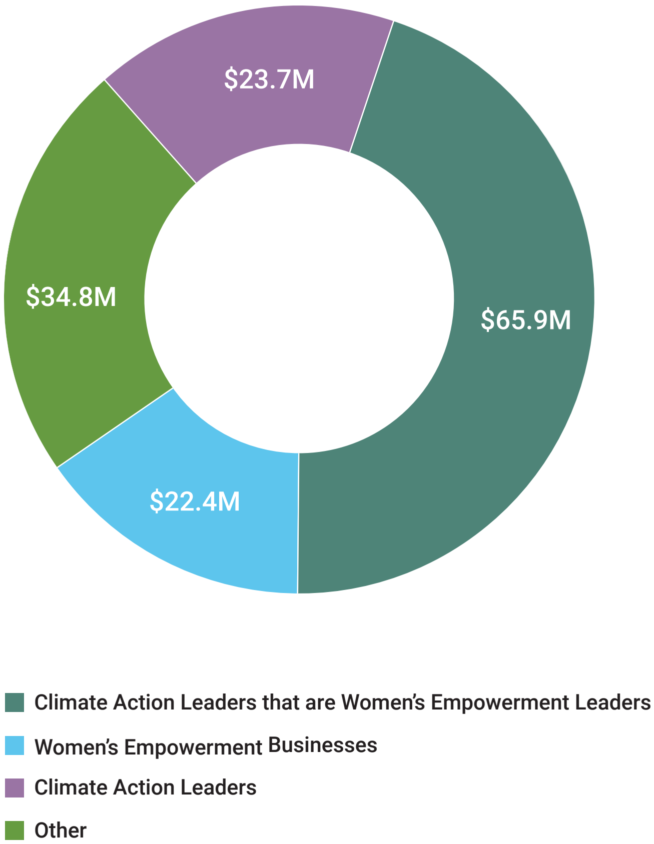
Portfolio at Risk > 90 Days



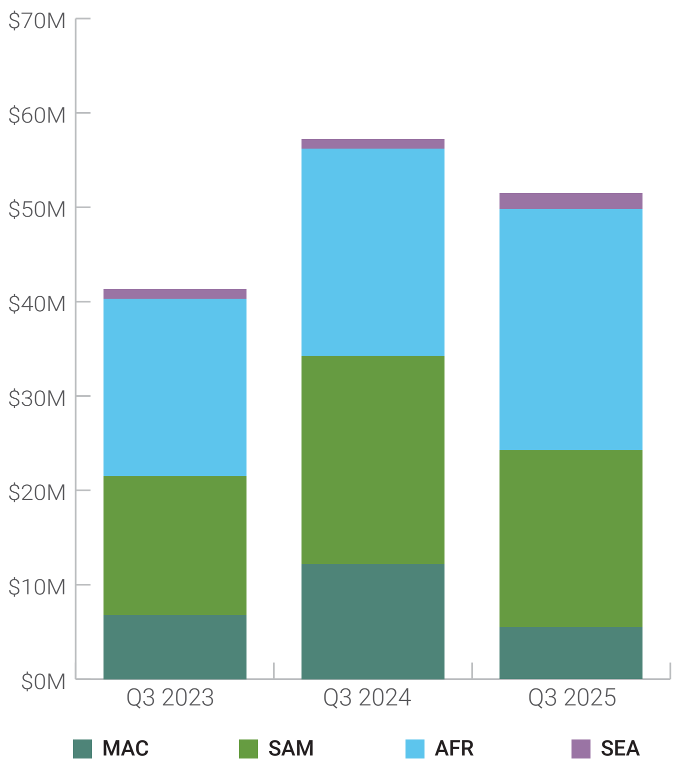
Total Loan Disbursements



Disbursements to Clients by Program Through Q3 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.

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).