

Performance Report

Q4 2022



Members of the Hingakawa Association in Rwanda harvest coffee in November 2022. These clients are part of Root Capital's Women in Agriculture Initiative, now in its 11th year.



Overview

Root Capital’s proven model of credit plus capacity continues to support the growth and resilience of agricultural enterprises. In 2022, we made significant progress on the most pressing challenges identified by our clients: access to finance, climate action, gender equity and next-generation jobs. As we enter 2023, Root Capital is monitoring market fluctuations and political realities closely to ensure that we and the agricultural businesses we support are able to continue to generate sustainable and lasting impact for rural communities.

Impact

Root Capital financed 202 agricultural enterprises over the course of 2022, reaching more than 560,000 smallholder farmers. These agricultural businesses in turn generated more than \$820M in income for farmers. Of these businesses, 56% were climate action leaders and 58% were gender-inclusive, with 33% of our clients meeting both of these criteria. In addition to providing financing, Root Capital supports these businesses’ growth by offering training to improve financial management, by providing agronomic support to farmers, and by promoting gender inclusion in their operations. This year, we trained leaders and employees from 384 businesses.

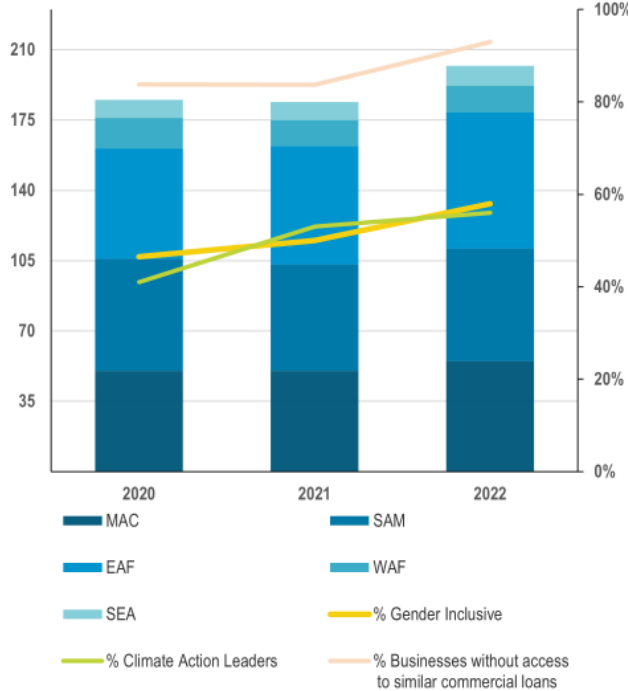
Root Capital prides itself on financing agricultural businesses that are based in rural communities and that would otherwise struggle to find capital. In 2022, 93% of our active loans filled gaps overlooked by commercial lenders. The remaining 7% supplemented financing options available in the broader market, helping small and medium enterprises take their operations to the next level.

About Root Capital

Root Capital is a nonprofit whose mission is to grow rural prosperity and build the resilience of farming families around the world. We support the growth of agricultural enterprises with access to credit and training so they can transform rural communities.

Lending Impact

Businesses Reached (Lending Program)



Portfolio Performance

During 2022, we disbursed \$167.5 million, representing a 13% growth over 2021. High coffee prices dominated much of the year, driving demand for financing. Disbursements to coffee cooperatives in Peru increased dramatically, up 24% year over year. We also increased disbursements in Central America and East Africa, driven by coffee enterprises in Mexico (+70%), Nicaragua (+20%), and Uganda (+37%).

This strong disbursement activity led to our average portfolio balance increasing 19% in 2022.

Client growth was particularly strong in East Africa. We added clients in Rwanda, Uganda, and DRC.

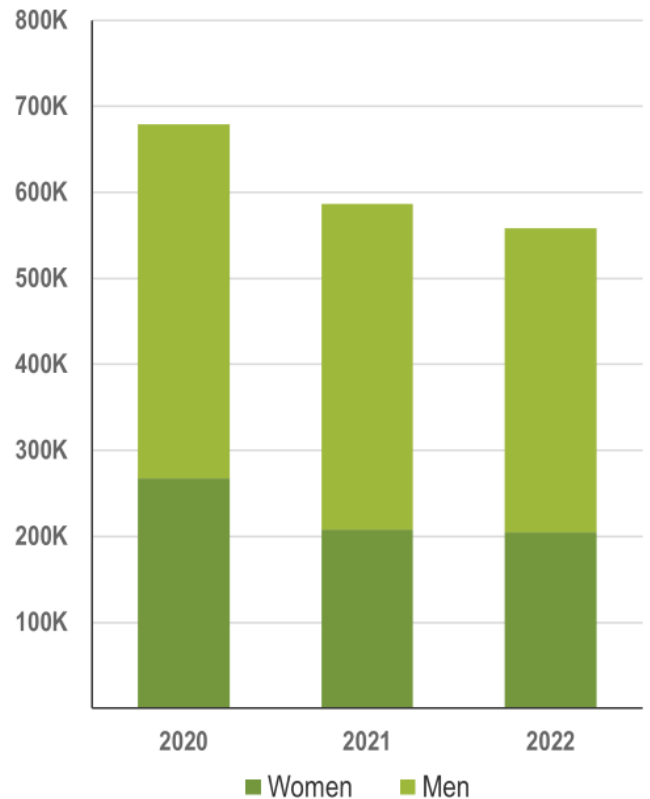
During Q4, the high coffee prices that had prevailed for the bulk of the year shifted dramatically downward in response to increased economic uncertainty combined with expectations for a massive harvest that was expected to flood the market with supply.

The plunging global coffee price resulted in lower demand for financing from our clients in Central America, as clients delayed closing loans and drawing funds amidst the increased market volatility.

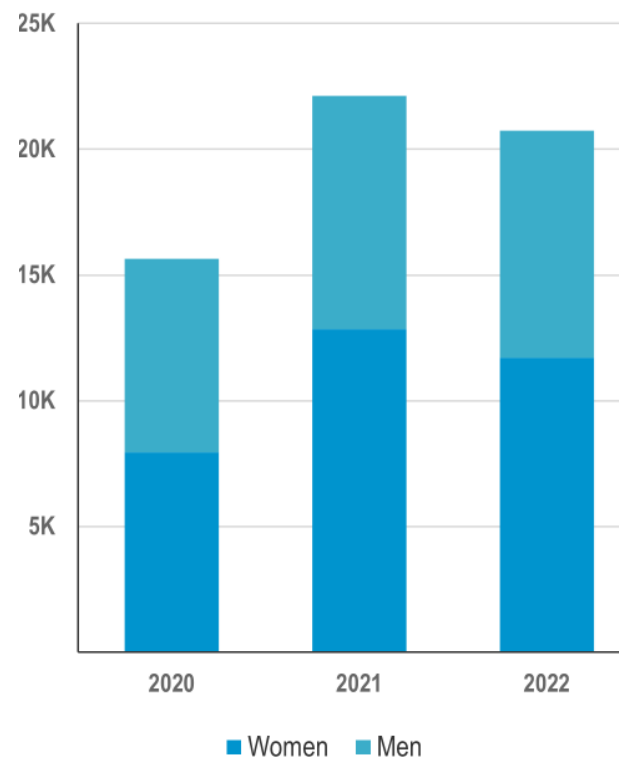
Portfolio Quality

Our portfolio quality remained strong in the fourth quarter. Our Portfolio-at-Risk greater than 90 days increased modestly to \$2.6M

Farmers Supplying Businesses



Employees Reached



(5.6% of the ending portfolio balance) from \$1.8M (3.1%) at the end of 2021.

Over the past 12 months, we wrote off \$2.3M in past due loans. Our recovery activity in 2022 was exceptionally strong as we recouped \$3M, \$1.6M of which was associated with loans written off in prior years. As recoveries outpaced write-offs, our trailing 12-month net write-off ratio was negative 1%.

Advisory Services

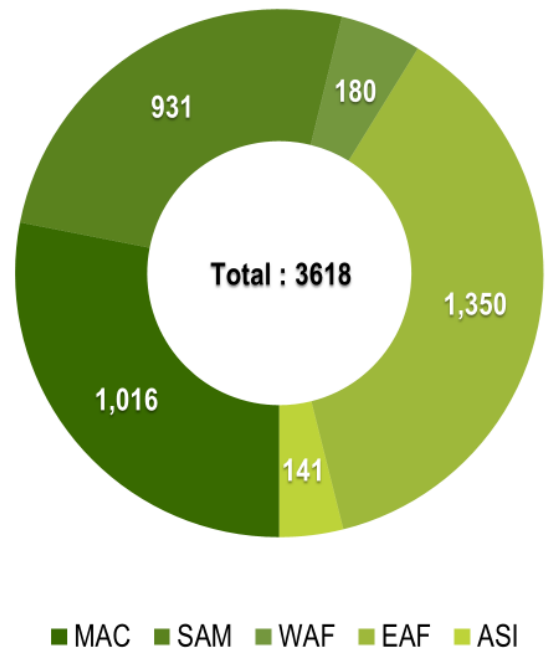
In 2022, we provided services to 384 clients through advisory workshops, including a welcome return to in-person engagements post-pandemic. Advisory also enabled new client investments in credit readiness, climate action, gender equity, and youth inclusion, resulting in grant disbursements of over half a million dollars to 44 clients across all regions.

With the growing importance of Business Management Advisory, we expanded the capacity of our team to enhance the management practices of our clients. Monitoring of client capacity with our key advisory tools, such as Financial Fundamentals and Agribusiness Diagnostics, continues to offer insight into our clients' needs and priorities. Meanwhile, as part of our Talent Partnership program, we facilitated 60 internship placements (50% female, all youth 35 years old and under). Internships fill a critical capacity gap while recent graduates earn professional experience. You can read more about the experience of Jeanette, a former intern in Rwanda, in our client highlight section.

Purchases from Farmers and Client Businesses' Sales



Days of Training Delivered Through Q4



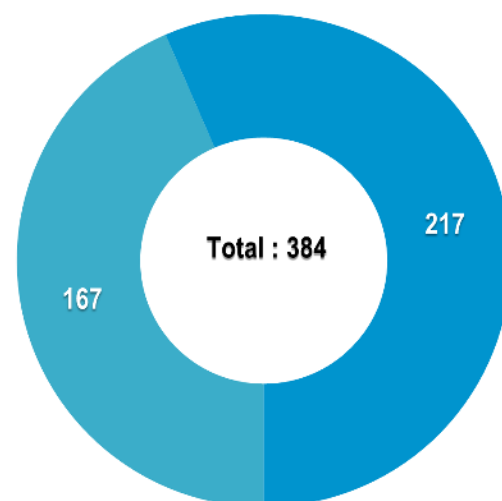
Financial Results

At the end of the fourth quarter, Root Capital’s outstanding lending portfolio was \$46.4M. This reduction from the prior year reflects the impacts of a delayed coffee harvest in Central America and Mexico, declining coffee prices globally, and continued repayments from loans entered into earlier this year. The portfolio is supported by \$49.3M in unrestricted net assets, \$6.8M in subordinated debt, and \$45.5M in senior notes. Additionally, we hold \$23.8M in grant-funded restricted net assets to support our future programmatic activity.

In 2022, our lending portfolio generated revenue of \$7M—up 15% from 2021. Our provisioning expense was a negative \$0.7M, favorably impacted by \$3M of recoveries and continued strong portfolio quality. Our grant revenue was up significantly to \$11.3M compared to \$8.9M in 2021. This was driven by a return to in-person trainings and the expansion of our advisory programs. We also recognized \$32.6M of contribution revenue.

We work with donors and investors—including the DFC—to develop blended finance support mechanisms, such as loan guarantees. Guarantees cover eligible portfolio segments, are only deployed in the event of a loss and reduce the volatility of our lending program. This mix of financing deepens our ability to provide impactful, sustainable financing to our clients. In 2022, the DFC doubled its previous loan guarantee to \$70M.

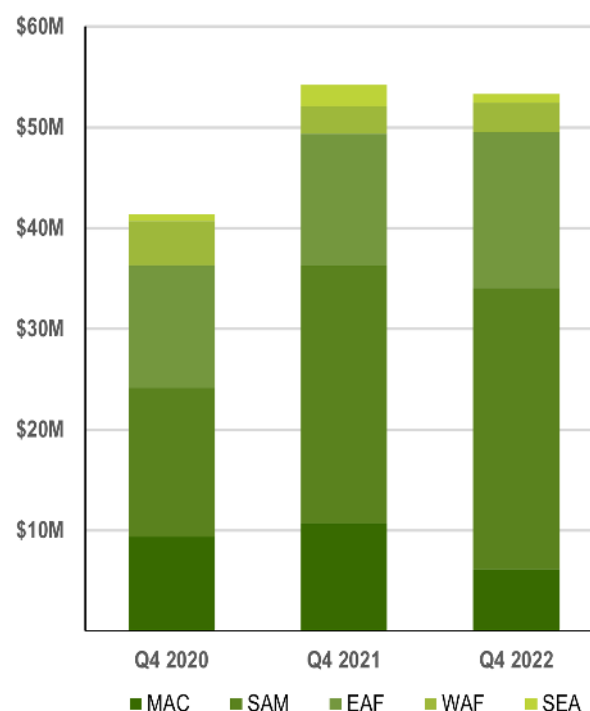
Businesses Served by Advisory Through Q4



■ Existing Lending Clients ■ Potential Lending Clients

Portfolio Performance

Average Balance by Region



CLIENT HIGHLIGHT: Kopakaki || Rwanda

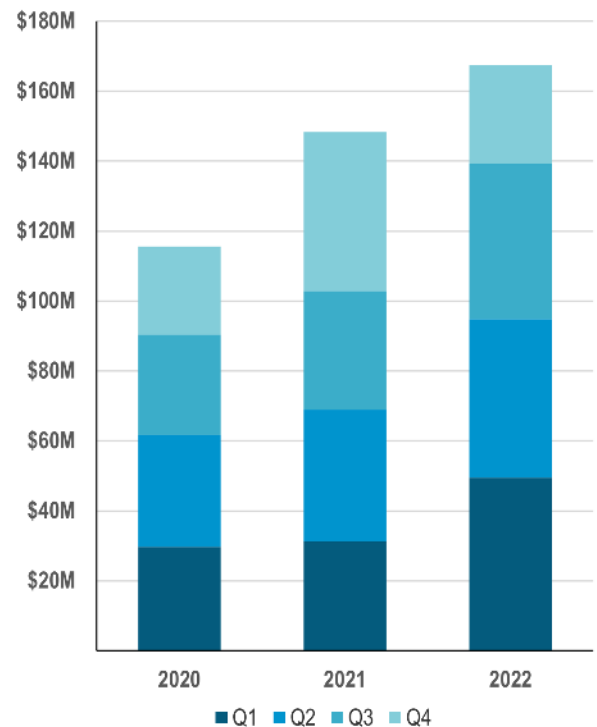


Jeannette Mukayisenga, a young agronomist with a degree in crop production, found Root Capital’s Talent Partnership program on social media. Jeannette completed the program at Kopakaki, a Rwandan coffee cooperative, in 2021. Kopakaki has been a Root Capital client since 2019 and has received lines of credit totalling nearly \$1.5M.

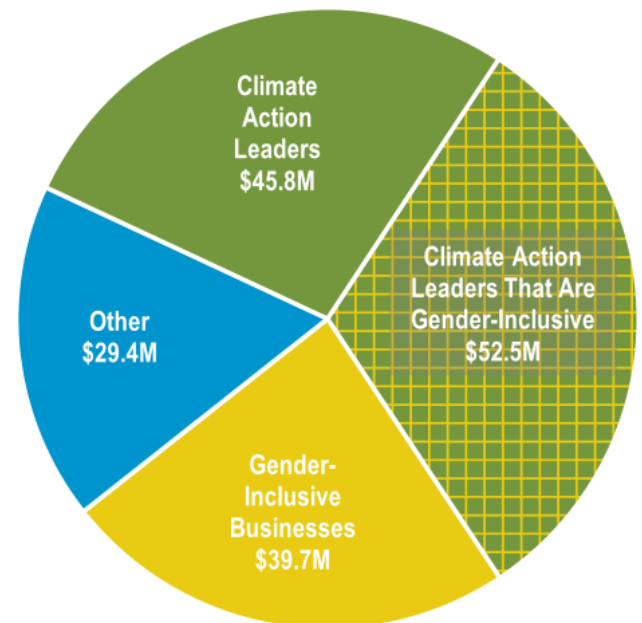
Jeannette knew she could put her education to use training coffee farmers on good agricultural practices, such as mulching, applying fertilizer, and planting shade trees. “Some agriculture projects in Rwanda don’t engage women as technicians because they think that women are weak,” said Jeannette. “Which is not true.” Still, training farmers can be challenging, especially during the rainy season when travel is difficult.

At the end of the successful 12-month Talent Partnership, Jeannette accepted a full-time employment offer in the technical assistance department at Kopakaki. Now, she’s looking to the future. “We have to increase mobilization of the younger generation to engage in coffee farming,” she said. “Youth are the power of this country.”

Total Loan Disbursements



Disbursements to Clients by Program



Impact Dashboard

Impact Results—Through Q4		
2022	2021	
421	398	Total Businesses Reached
Advisory Program		
384	361	Businesses Served by Advisory
3618	4155	Days of Training Delivered
38%	36%	→ Percent Women Participants
48%	45%	→ Percent Participants Under the Age of 35
Lending Program		
202	184	Businesses Reached by Lending ¹
58%	58%	→ Percent Gender-Inclusive Businesses ²
56%	53%	→ Percent Climate Action Leaders ²
563K	591K	Producers Reached
36%	36%	→ Percent Women Farmers
21K	22K	Employees Reached
56%	58%	→ Percent Women Employees
\$820M	\$847M	Purchases from Farmers
\$972M	\$1.0B	Total Sales for the Businesses
512K	560K	Sustainable Hectares under Management
\$167.5M	\$148.3M	Loan Disbursements
\$92.3M	\$80.5M	→ Disbursements to Gender-Inclusive Businesses ²
\$98.3M	\$83.5M	→ 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 December 31st	
<i>Millions of USD</i>	2022	2021
Cash and Short-Term Investments	67.6	33.9
Loans Receivable	46.4	56.4
Allowance for Credit Losses	(2.4)	(2.8)
Loans Receivable, Net of Allowance	44.0	53.6
Other Assets	17.8	13.3
Total Assets	129.3	100.9
Senior Debt	45.5	45.3
Subordinated Debt	6.8	7.6
Other Liabilities	3.9	4.3
Total Liabilities	56.2	57.2
Net Assets Without Donor Restrictions	49.3	17.7
Net Assets With Donor Restrictions	23.8	25.9
Total Net Assets	73.1	43.6
Total Liabilities & Net Assets	129.3	100.9
Debt-to-Equity Ratio	1.1x	3.0x
Grant Net Assets*	37.6	29.3

**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		
	Year to date December 31st	
<i>Millions of USD</i>	2022	2021
Revenue		
Grant Revenue	11.3	8.9
Contribution Revenue	32.6	4.9
Lending Revenue	7.0	6.1
Interest and Other Income	.7	.2
Total Revenue	51.7	20.1
Expenses		
Operating Expenses	19.9	16.5
Provisioning Expense	(.7)	.5
Interest Expense	.9	1.0
Total Expenses	20.1	17.9
Surplus	31.6	2.2

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 “clients reached” to capture the number of businesses financed using our capital. Clients reached are those that had an outstanding loan balance at any point in the reporting period. This is a cumulative metric; clients 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 such as 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), EAF (East Africa), WAF (West Africa), SEA (Southeast Asia).