

Overview of ABC Fund



The Agri-Business Capital Fund (ABC Fund) invests in smallholder farmers and small-to-medium sized rural agribusinesses (SMEs) and financial intermediaries in developing countries to support sustainable and inclusive agricultural value chains.





Enhancing market participation and integration of agri-SMEs and smallholder farmers



Addressing value-chain bottlenecks



Enhancing certification, traceability, local transformation, and value addition for exports



Promoting climatesmart agricultural technologies



To transform rural livelihoods

Target entities:

- Producers of primary agricultural products,
- Manufacturers or distributor of seeds,
- Service companies, traders, veterinarians,
- Processors of secondary agricultural goods/ food products, logistic companies
- Financial intermediaries serving rural populations

Target Countries

- East and West Africa
- Latin America and the Caribbean

Interest in

Caribbean countries

DIRECT INVESTMENTS

- Direct investments in strategically positioned/unique business model MSMEs, with scaling potential
- Direct investments into farmer groups/organization, aggregators and value chain actors

~ 60% INDIRECT INVESTMENTS

- Indirect debt or equity investments via traditional financial institutions (Agri banks, SME banks and MFIs)
- Co-funded risk and reward sharing agriportfolios with select financial institutions
- Indirect debt equityinvestments via alternative lenders servicing the target groups

Details of ABC Facility



Financing Instruments

Instrument	Туре	Tenor	Ticket Sizes (EUR)	
Dobt	Working Capital	Up to 24 months	200k – 4M	
Debt	Term Loan	3 - 5 years		
Equity	Straight Equity	5 - 7 years	4001- 9001-	
	Convertible Debt	5 - 7 years	400k - 800k	

^{*}Currently, the investment team is focused on only debt instruments

Other financing instruments:

- Revolving credit line
- Trade finance

Interest Rate

- Average interest rate of 8% (hard currency loan)
- For local currency loan, interest rate is the summation of the ABC Fund's interest rate plus hedging cost (based on financial institution/hedging partner)
- The final interest rate will be determined after due diligence

Loan Currency

Both hard currency (EUR or USD) and local currency loan

Repayment Structure:

Very flexible. Based on the company's operational and cash cycles as well as general uses of funds

Collateral

Could include company's assets and other types of collateral such as landed property. The collateral coverage needed will be based on the nature of company's operations

^{**} Ticket sizes above EUR 1M are mainly targeted to financial intermediaries

Deal Screening Criteria



Overview

Opportunities that do not meet the criteria may be considered on a case-by-case basis depending on the company's potential and extent of the difference between the company's situation and the criteria.

Broad Criteria

Financials:

The business must have the following financials during its most recent operating year

Metric	Criteria	Additional Information
Revenue	≥€180,000	Can also consider opportunities with revenue of at least €150k in revenue
EBITDA/Total revenue	≥5%	The SME/cooperative should be profitable

Other financial criteria (secondary):

- Liquidity (Short term assets/Short term liabilities): >1
- Solvency (Net Debt/EBITDA): <2.5

Stage of Business:

- Post revenue generating, early to mature stage companies
- At least 2 years of operational activity, preferably supported with audited accounts

Impact Performance

We prefer business models which engage in the following activities:

- Sources from or sell to local smallholders in areas of high prevalence of poverty
- Provides employment for youth (aged 15-35) and women
- Provides strong rural development and poverty reduction impact
- Ensures low carbon footprint and minimized environmental impact

Investment Process



Deal Sourcing – Preliminary Non-Binding Clearance in Screening five pillars Principle Offer assessment 1.Investor's network · Initial assessment of the • Assessment prepared by the • IC to review and give • Upon successful completion of the second level clearance for preliminary assessment by the business opportunity, social investment team 2.Fund Manager and impact, management opportunities that have investment team and provided the Advisor's network • First level clearance by risk quality, corporate been cleared by the RC investment case still remains 3. Agribusiness stakeholders committee substantively within what had been governance, potential 4.Investment Forums financial performance and RC outlined to the IC, an NBO or 5.Direct applications main risks MoU will be drafted by the Fund paper Manager. Monitoring Finalisation. Investment Risk Com. **Detailed Due** Disbursement Com. approval approval diligence • Upon completion of detailed due diligence and • Monitoring process: · All investment and • The negotiations with the • Detailed Due Diligence investee will be finalized divestment decisions will oRisk assessment conducted by the core as per the terms approved require the explicit agreement-in-principle oContinuous feedback Investment Team. with the investee on the by the Investment approval of the loop Committee. The Fund • The objective -validate the Investment Committee. basic structure of the oAddressing risks Manager will arrange for deal, an Investment investment and impact thesis by • Debt divestments will be oSpecific interventions the authorization for the in line with the provisions Memorandum analyzing operations, the • Portfolio monitoring approved funds to be disbursed, in adherence summarizing the key deal of the financing business model, ownership, ESG monitoring aspects and the impact agreement concluded governance and management to the Fund's procedures. thesis will be submitted with the respective structures, the competition and to the relevant Risk investees as approved by market structure, the impact IC Committee for formal the IC at investment. and sustainability performance review Memo and the financial performance of the potential investee in detail

Reasons for Rejecting an Opportunity



Financial Criteria

Does not meet financial criteria especially revenue threshold

Financial Inaccuracy

Concerns around the credibility and accuracy of the financial data

Greenfield

Concerns around operational performance due to early stage nature of the business

Type of facility needed

Prefers grant and/or soft loan or prefers a loan amount significantly lower than the Fund's ticket size

Market risk

Concerns around market risk. Normally requires further assessment to determine whether to temporarily put funding request on hold

• Examples of some Investments Made

Deal #1: Maphlix Trust Ghana Limited

Maphlix Trust Ghana Limited

SME

Ghana

Business Description

- Maphlix Trust Ghana Limited produces and processes tubers and vegetables. It produces sweet potatoes, yam, cassava, and vegetables using its own farmland sited in the Volta Region of Ghana and through its outgrower scheme.
- Maphlix exports its produce under offtake agreements and sells the remainder locally. Its administrative office is at Achimota in the Greater Accra Region of Ghana.
- The company is a registered commercial exporter under the Ghana Export Promotion Authority.
- The ABC Fund supported Maphlix with a credit facility of EUR 395,653 to address its working capital and CAPEX needs for its sweet potato production.

Debt Facility	Amount (EUR)	Investment Date	Maturity Date	Interest Rate
Mix – CAPEX & Working Capital	395,653	30 th June 2020	30 th June 2023	10%

Financial Performance Summary

EUR '000	2019 (Before Investment)	2020 (Post Investment)
Revenue	1,201	2,258
Gross Profit	510	1,137
EBITDA	379	1,002
Net Income	271	926

Impact Highlights

Maria	2019 (Before	2020 (Post
Metric	Investment)	Investment)
Number of smallholder farmers	86	214
Total acreage cultivated	40	137
Sales Volume	2,552	2,686
Number of permanent employees	32	44

Deal #2: Socak Katana

Socak Katana Cooperative Ivory Coast

Business Description

- Socak Katana is a cooperative of 3,085 members based in Duékoué. The cooperative procures raw cocoa from its members and sells the processed cocoa beans to local and international buyers.
- Socak katana provides other services including technical assistance and training of cooperative members.
- Currently, the cooperative has a total production capacity of 7,000 metric tons with a total of about 11,429 hectares under cultivation by the cocoa farmers.
- The cooperative is Fairtrade certified and more than 70% of the cooperative's cocoa farmers are UTZ certified.

Debt Facility	Amount (EUR)	Investment Date	Maturity Date	Interest Rate
Working Capital	800,000	October 26th, 2020	October 26 th , 2021	9%

ELID 1000	2020 (Before	2021 (Post
EUR '000	investment)	Investment)
Revenue	25,302	34,893
Gross Profit	7,067	8,301
EBITDA	974	1,222
Net Income	451	565

Impact Highlights

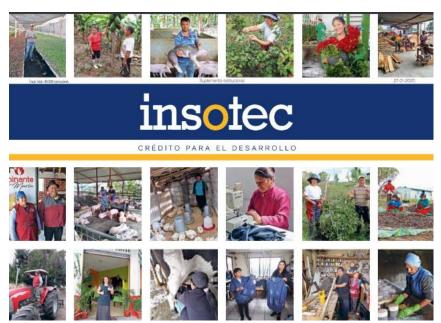
N	2020 (Before	2021 (Post
Metric	Investment)	Investment)
Number of smallholder farmers	3,085	3,285
Total acreage cultivated	11,429	11,729
Sales Volume (MT)	8,552	10,000
Number of permanent employees	16	16







The Company



INSOTEC's yearly magazine

INSOTEC focuses in providing microcredits for Ecuador's rural sector, particularly to small-scale farmers, with the objective of improving the financial inclusion of low-income or vulnerable populations in the country. As of March 31, 2020, 71% of the loans were located in rural areas and 55% of the loans were for agricultural activities. The entity serves around 19.000 clients.

The Product - Agro

The credit product called AGRO is offered by INSOTEC to microentrepreneurs with agricultural activities and the purpose of the credit is to finance their needs for purchases of agricultural inputs, veterinary inputs, and acquisition of fixed assets for agricultural activity. The disbursement of this loan occurs within 48 hours and offers flexibility in the requested documentation.

Some Numbers

Total loan portfolio: USD 58M

Agricultural Loan Portfolio: USD 32M

Branches: 21 offices in 8 provinces

Credits processed monthly: 1,200-1,400