

Agribusiness Dealroom at the AGRF 2022

Investment readiness and key documents

February 2022



Agenda



- 1 Introduction
- 2 Investment Process Overview
- 3 Key Fundraising Documents
- 4 How to Prepare for the Agribusiness Dealroom

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Introduction

2

Investment Process Overview

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Key Fundraising Documents

4

How to Prepare for the Agribusiness Dealroom

CrossBoundary provides transaction services across various stages in the investment process – from deal sourcing to strategy implementation



We advise fund investors, private equity firms, and capital seekers throughout the investment process – with a focus on delivering tangible results.

Opportunity validation	<ul style="list-style-type: none"> • For investors: Identify high-potential investment targets through proprietary targeting; assess performance and commercial viability • For capital seekers: Identify quality financial and strategic investors through the firm's extensive network; assess fit with Client's fundraising needs and strategic goals
Fundraising support	<ul style="list-style-type: none"> • Help source equity and debt from investors, and investment-enabling products from private firms and public partners (e.g., loan facility guarantees, political risk insurance, and grants)
Deal structuring	<ul style="list-style-type: none"> • Provide guidance on optimal debt-equity mix, joint venture arrangement, investment entity domiciling etc. based on Client's needs
Due diligence	<ul style="list-style-type: none"> • For investors: Complete detailed DD of market, competition, business case, and risks; provide financial and operational forecasts • For capital seekers: Prepare complete set of investment facilitation documents including business plans and pitch decks
Market research	<ul style="list-style-type: none"> • Develop insights on market opportunities by evaluating product and consumer trends, competitive landscape, entry strategies, macroeconomic conditions, regulatory environment etc.
Investment strategy implementation	<ul style="list-style-type: none"> • Design strategy and execution of post-acquisition plans, including business development, operational support, and cost reductions • Portfolio analysis and optimization for fund investors
Financial analysis	<ul style="list-style-type: none"> • Conduct financial feasibility studies, build financial models, and perform valuations



As a result of our comprehensive transaction support services, we are engaged by both:

- A PE/investor clients:** Market-focused, regional, and global funds, family offices, DFIs, and institutional investors
- B Capital seekers:** Local businesses, expanding regional firms, and multinational corporations



CrossBoundary is leading the matchmaking component of the Agribusiness Dealroom



To increase the chances of successful meetings, SMEs are advised to come prepared with investment supporting materials that cover the business operation, market landscape, the investment opportunity, and company's financials

*This is the first step of the process. The entire fundraising process typically takes an average of 9 months, and even longer in fragile states.

Upskilling webinars are instrumental in helping enterprises prepare for investor conversations and support their growth ambitions



The team is conducting up to three webinars to upskill enterprises focusing on the following topics:

1 Understanding financial statements, forecasting, and building valuation models

2 Overview of equity and mezzanine term sheets and key clauses

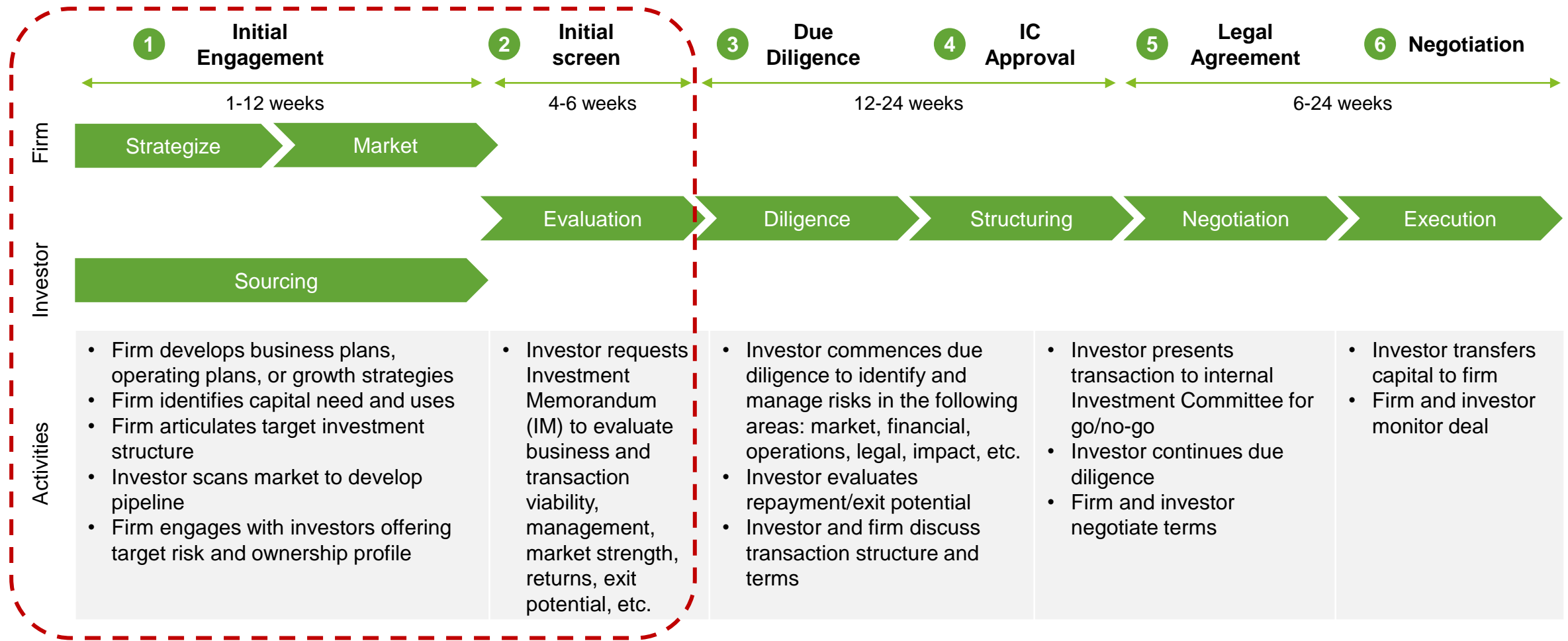
3 Investment readiness including coverage of key documents such as pitch deck and investment memorandum



The poster features a background image of a warehouse with stacks of white sacks. At the top, it displays the logos for AGRF and AGRA. Below the logos, it reads 'THE AGRIBUSINESS DEALROOM PRESENTS' followed by the title 'Investment readiness & key documents'. A central orange box contains the following text: 'This webinar will cover how SMEs can prepare for fundraising, including the required documents to facilitate the process. This will include an overview of the investment process (from initial investor engagement to financial close) and key activities involved in each step. In addition, it will include an overview of key documents (i.e., investment memorandum, investment teaser, financial model, non-disclosure agreement, etc.) and the various key components of each with a focus on the investment memorandum/business plan.' At the bottom, it specifies the date and time: 'WEDNESDAY February 23, 2022 14:00 EAT' and includes a 'Click here to register now!' link with a Zoom icon. The bottom of the poster lists 'AGRF Partners' and 'Agribusiness Dealroom Partners' with various logos, and the website 'WWW.AGRF.ORG/DEALROOM'.

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The investment process usually involves six steps and typically lasts between 5 to 15 months



Note: This is a simplification of the transaction cycle. Activities vary depending on type of transaction (debt, equity, etc.) and actors involved (funds, DFIs, SMEs, etc.).

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Key transaction documents



Investment
Memorandum (IM)



Investor
Teaser

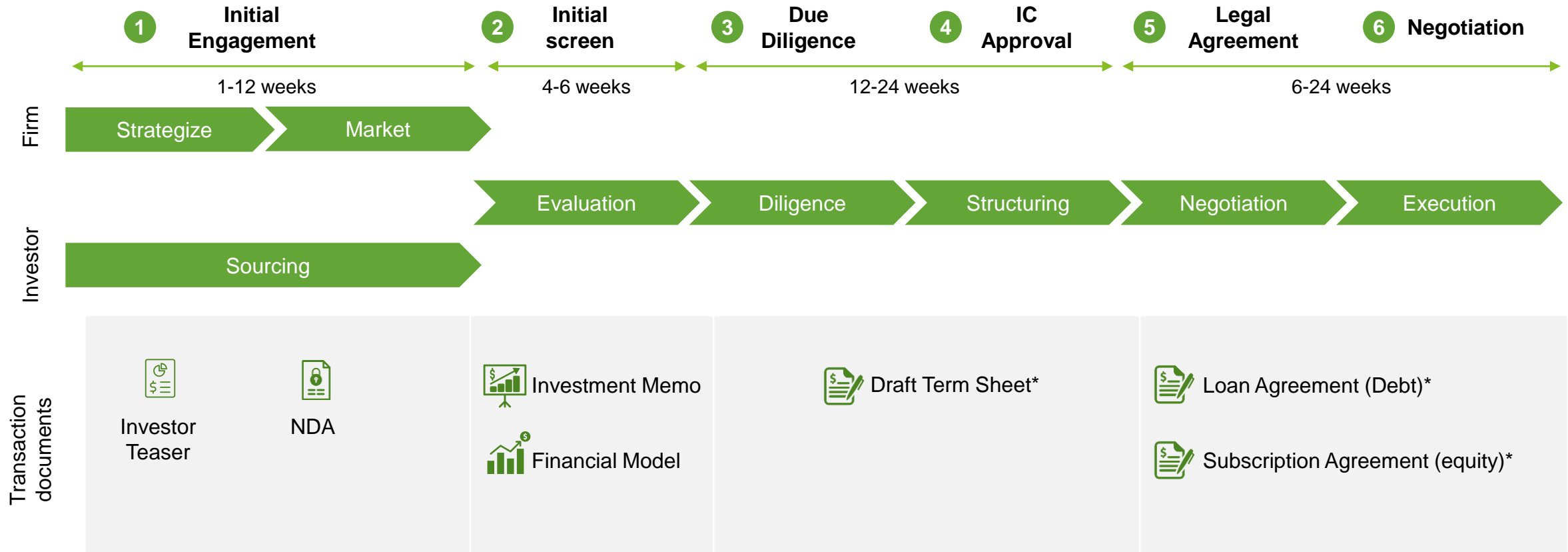


Financial
Model



Non Disclosure
Agreement (NDA)

The investment process usually involves six steps and typically lasts between 5 to 15 months



*This document is prepared by the investor and presented to the Enterprise. Both parties would then agree on all terms of the agreement before the finalized loan/subscription agreements are executed and funds disbursed.
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Investment Memo: The IM contains seven key sections that give an investor an overview of the company and the investment opportunity



Section		Question answered
Introduction		<ul style="list-style-type: none"> 3-4 sentence introduction that gives an overview of the company, what the company has achieved over the last few years
Problem		<ul style="list-style-type: none"> What problem are you trying to solve with your business? What is the size of the market? What is the customer's ability and willingness to pay?
Solution and Impact		<ul style="list-style-type: none"> How are you solving the problem highlighted above? What is the company's business model? – customer acquisition, sales and marketing etc. How does your business benefit/impact customers? – cost savings, job creation, increased efficiency etc.
Competitive Advantage		<ul style="list-style-type: none"> Who are your competitors? What products/solutions do your competitors provide and how does that compare to what you are offering? What makes your business model (and solution that you are providing) superior to what competitors are offering?
Business Traction		<ul style="list-style-type: none"> What has been the historical growth of the company? How many units have you sold? What is your historical revenue? Cash flow position? EBITDA growth? What are your plans for future growth?
Management		<ul style="list-style-type: none"> Who is on the management team? What are the roles of people on the team and what is their previous experience?
Capital Raise – plan and value proposition		<ul style="list-style-type: none"> Have you raised capital from investors before? How much money are you looking to raise from this financing round? What is the use of funds?



Illustrative pages from a sample investment memorandum



Kenya Processing Company has a strong management team with a long track record in agricultural processing





Jane Doe
Chief Executive Officer

- Corporate executive with over XX years of business leadership experience
- Generated \$XXX million contracts in previous roles



John Doe
Chief Financial Officer

- Chartered accountant with education
- xx years experience in finance and accounting roles at major manufacturing companies



Mike Doe
Chief Operations Officer

- Over XX years of experience in operations and logistics
- Speared the YY project that increased production efficiency fivefold



Susan Doe
Chief Marketing Officer

- Over XX years of experience in marketing and business development
- Led to the acquisition of YY new major international customers

Kenya Processing Company has embedded its social mission into every aspect of the organization





Smallholder empowerment

- KPC works with 6,000 smallholder farmers who own less than 5 acres of farmland
- KPC offers continuous agronomic training to farmers to increase productivity
- KPC provides high yielding grafted seedlings to farmers at a discount



Fair employment


- KPC employs 250 permanent and 407 temporary staff
- KPC promotes youth and women employment: 80% of KPC staff is below 35 years while 60% of the employees are female
- KPC adheres to Kenya's labor laws by providing health insurance and upholding safety standards at all factories



Environmental conservation

- KPC is working with farmers to plant 5M trees in the next 5 years
- KPC trains its farmers on responsible farming practices to ensure minimal negative impact on the environment

KPC's revenue grew significantly attributable to strong customer relationships and growing global fruit and vegetable consumption



Total Revenues
US\$M, 2014A-2018A

Year	Total Revenues (US\$M)
2015	1.0
2016	2.1
2017	2.8
2018	2.8
2019	4.0

Net revenues and volumes exported rose significantly between 2014 and 2018

- Net revenues grew by 42% YoY from US\$1M in 2014 to US\$4M in 2018
- Total exports increased 35% YoY from 70MT in 2014 to 233MT in 2018

KPC acquired eight new customers over the last five years through attending international conferences and online marketing

- KPC has a 100% customer retention rate due to its high-quality products, impeccable customer service and customer loyalty


KPC's export volume grew as a result of global fruit and veg consumption growth

- Global consumption increased by 8% annually between 2012 and 2018 as a result of an increasing demand for low fat, high protein healthy foods in North America and Europe

Total exports
MT, 2014A-2018A

Year	Total Exports (MT)
2015	70
2016	123
2017	170
2018	166
2019	233

Kenya Processing Company is seeking US\$20M to fund working capital, capital expenditure, refinance debt, and grow personnel



	2014 - 2017	2017 - 2019	Current Raise (2020)
Funding	~ US\$7.5M in debt ~ US\$2.5M in equity	~ US\$10.5M in debt ~ US\$4.5M in equity	~ US\$10.0M in debt ~ US\$10.0M in equity
Use of Funds	<ul style="list-style-type: none"> US\$5.0M to fund working capital requirements US\$4.0M for capex projects US\$0.1M to acquire necessary licenses in our export markets 	<ul style="list-style-type: none"> US\$10.0M to scale up our processing plant US\$5.0M to fund working capital 	<ul style="list-style-type: none"> US\$5.0M to fund working capital requirements US\$5.0M for capital expenditure in new processing plant US\$5.0M to refinance debt US\$5.0M to hire new personnel in key geographies
Investors	Investor 1, Investor 2, Investor 3	Investor A, Investor B, Investor C	TBD

Case Study: Kenya Processing Company(KPC)



Kenya Processing Company (KPC) is an agricultural food processing company, based in Kenya, that sources, processes, and exports select fruits and vegetables to customers globally. The company sources its produce from smallholder farmers across the country and focuses mainly on the export market.

Kenya Processing Company has been in business for two years and is seeking to expand to new geographies. They are sourcing financing and are completely confident in their market opportunity, business model and solution, competitive landscape, and assessment of risks.

Below are some details about the business:

Impact Story: Smallholder empowerment, fair employment, environmental conservation

Business Traction: The company increased revenues 4x from 2014-2019 through acquiring new customers in Asia, Middle East, and Europe and broadening their product line

Competitive Advantage: The company sources the agricultural produce from trusted smallholder farmers, processes the fruits and vegetables at the highest quality of food safety, and sells to a global network of loyal customers

Planned Use of Funds:

1. Operations (50%):
 - Funding current operations;
 - Expanding operations into other countries;
2. Marketing (30%):
 - Funding current marketing efforts;
 - Funding marketing campaigns in new countries;
3. Hire country managers(20%)

Discussion



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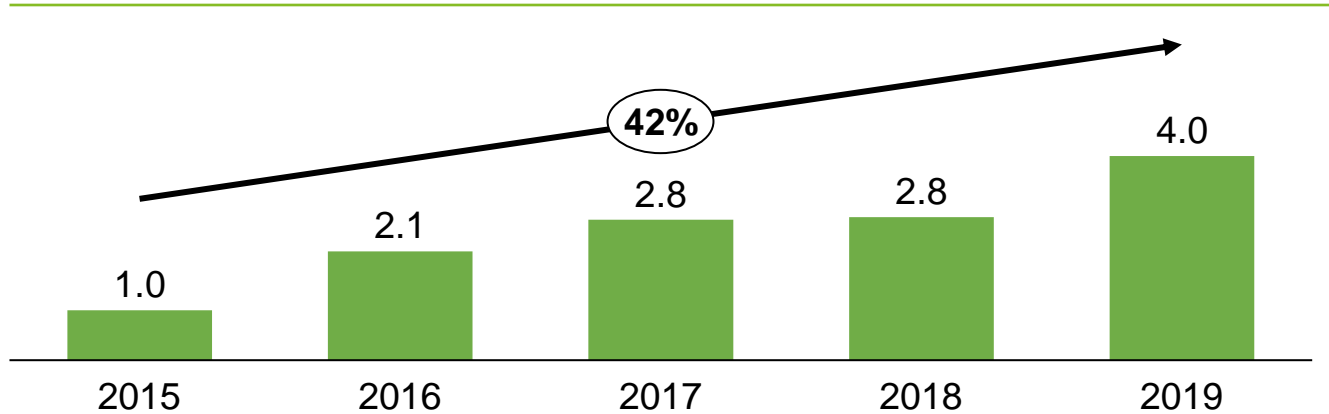
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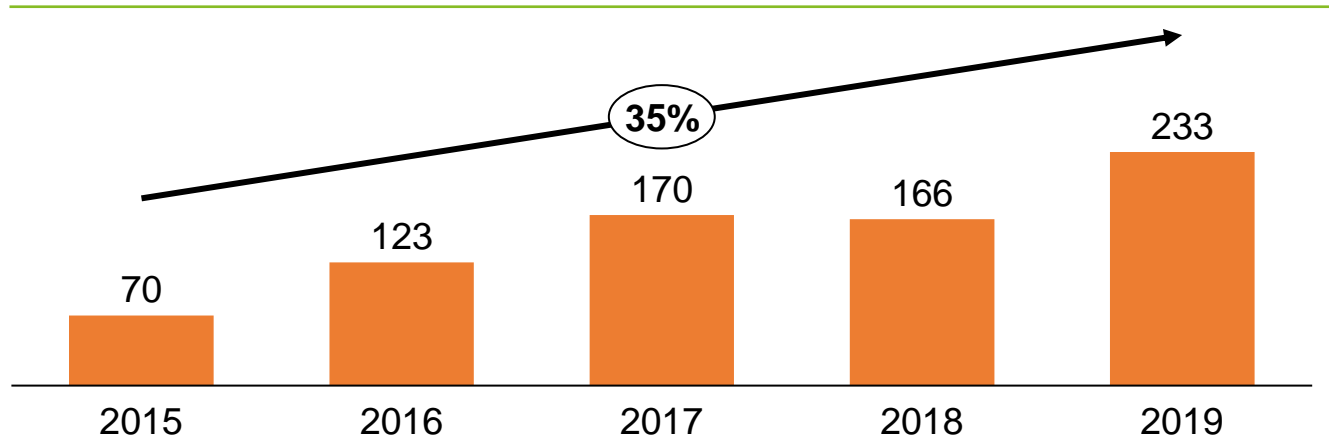
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In order to best prepare for the Dealroom, focus on your company story, understanding the investors, and gathering your documents



Know your story

- Review recent financials
- Analyse the effects of the COVID-19 pandemic on your business
- Determine the market opportunity for your product or service
- Clarify the fundraising amount
- Decide on the use of funds



Know the investors

- Review the list of investors participating in the Dealroom
- Curate your story to align your business with the investors' focus
- Focus on investors interested in your sector



Gather your documents

- Ensure your investor teaser is ready to share
- Prepare an NDA in case investors ask for additional information*
- Update your investment memorandum with the most up-to-date financials/data
- Update your financial model

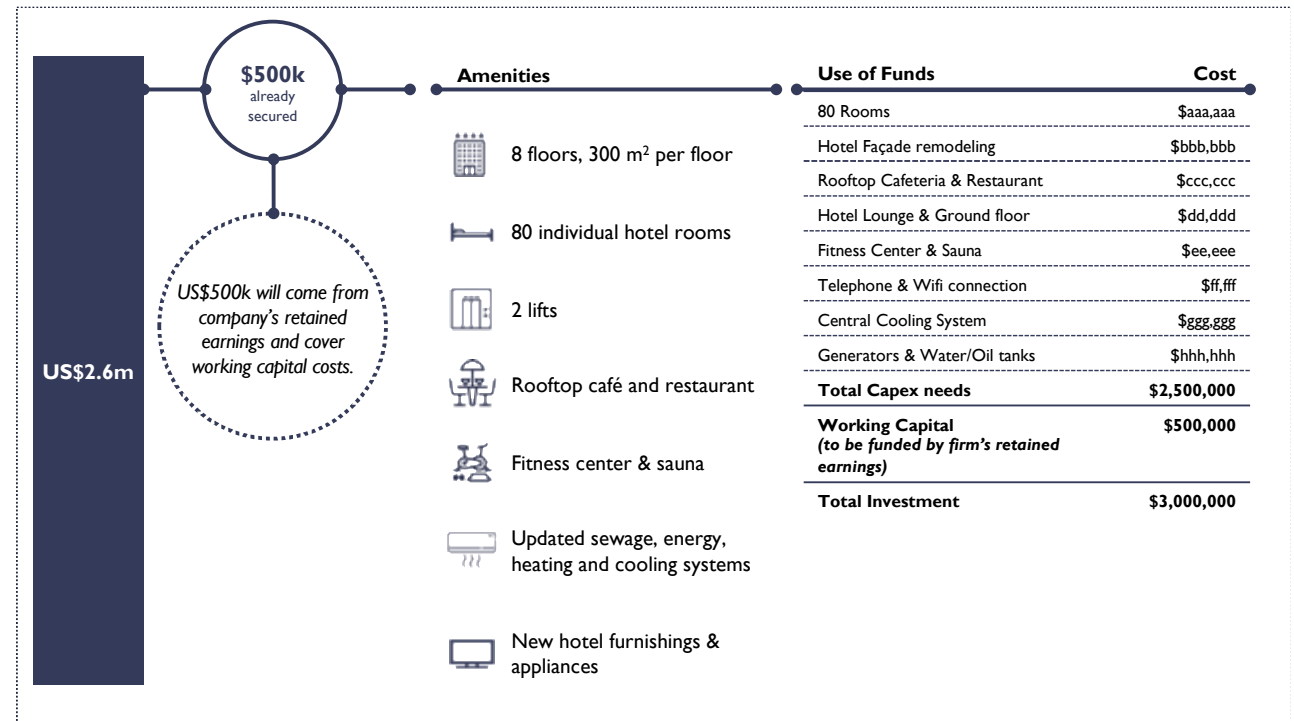
Specifically, ensure you are ready to discuss your investment need and provide a detailed use of funds; the more detailed, the better



Making a compelling investment ask

- **Consider your company's valuation & stage and be mindful of the type of investor you are pitching to.** Different investors will be looking for different investment opportunities. Do your research and target investors accordingly
- **Be clear, focused and reasonable about the use of funds.** Be clear and focused on the use of proceeds but have backup data if investors want more detail
- **Be prepared to discuss preliminary investment terms.** This will serve as a starting point for the conversation
- **Provide a projected return on investment.** When possible, estimate company valuation at exit

Illustrative Example



Q&A Session



Please email dealroom@agra.org
if you have any follow up
questions

