



2019 IMPACT REPORT

SAHEL CAPITAL AGRIBUSINESS MANAGERS LIMITED
Fund for Agricultural Finance in Nigeria (FAFIN)



Contents

● Managing Partner's Letter	3
● 2019 Impact in Numbers	7
● Development Themes – Impact in 2019	10
● Driving Sustainable Development	12
● ESG Achievements in 2019	13
● Corporate Social Values (CSVs)	14
● Sahel Capital Agribusiness Managers Limited	15
● FAFIN at a Glance	18
● Appendices	22

Managing Partner's Letter

Dear Partners and Stakeholders,

2019 was an exciting year for Sahel Capital. We deployed capital into two companies – Ladgroup and Polyfilm Packaging; commissioned processing plants at two of our portfolio companies (Crest Agro and Coscharis Farms); created substantive value across our portfolio; received an award during the course of the year; and actively engaged in corporate shared values initiatives.

New Investments

Ladgroup: Nigeria is the #1 producer of shea nuts in the world, but historically has contributed relatively little to world exports. There has also been minimal value addition done because there were no functional shea processing plants in Nigeria. Ladgroup was founded in 1972 and has had a long history in the agribusiness sector. Sahel Capital, through our food and agriculture fund – FAFIN, invested in Ladgroup in July 2019, and with this funding and Sahel Capital's technical support Ladgroup:

- Built supply chain links to communities within Nigeria where shea nuts are aggregated.
- Retooled, tested, and started shea processing operations of Ladgroup's 27,000 MTPA plant in October 2019 and commenced shea butter exports in December 2019.

Polyfilm Packaging: Polyfilm is one of the leading packaging companies in Nigeria, and its products wrap packaged food, snacks, and frozen chicken products; as well as a broad range of consumer goods products. Many of Polyfilm's products can also be used by other companies within our portfolio. We invested in Polyfilm in September 2019, and have partnered with the founders to expand capacity.

These two new investments bring the total number of companies in our portfolio to 7, across a broad spectrum of value chains (*dairy, cassava starch, rice, poultry, shea, edible oils, and packaging materials*) and across six states in Nigeria.



Portfolio Companies – Factory Commissioning

Coscharis Farms commissioned a 36,000 MTPA rice mill in August 2019 and had a public ceremony in October 2019 to showcase the mill. The Central Bank Governor of Nigeria, Governor of Anambra State, and Federal Minister of State for Agriculture attended the public ceremony. This mill uses rice paddy from both Coscharis' farm and smallholder farmers. Coscharis Farms is currently cropping 1,300ha on its 2,500ha farm. We invested in Coscharis Farms in May 2018.



Crest Agro commissioned a 22,000 MTPA cassava starch plant in Kogi State in February 2019; and shortly thereafter began supplying food grade starch to packaged food company SMEs, as well as customers in the paper and carton industry. Crest recently completed stringent quality control audits led by targeted multinational FMCG customers, and the first shipment was delivered to a tier 1 customer in December 2019. Crest also has the ability to produce pharmaceutical grade starch. Crest Agro was incubated by our co-investors CardinalStone, and we provided expansion capital in April 2017.

Sahel Capital Development Impact

Through our investments, FAFIN portfolio companies have:

- Created over 900 direct jobs, with more than 120 roles for women; and over 2,000 jobs when factoring in seasonal and casual workers;
- Directly impacted 9,000 smallholder farmers, with women making up more than 70% of these farmers; and
- Indirectly impacted more than 65,000 individuals across a broad range of value chains through job creation, local crop sourcing, and engagement with the small holder farmers and their beneficiaries.

Award

In October 2019, Sahel Capital was selected by the Impact Investor Foundation ("IIF") in Nigeria as the "Impact Investor of the Year" for our work within the food and agricultural sector in Nigeria. IIF's trustees include African Capital Alliance, Bank of Industry, Business Day Media, Dalberg, and Ford Foundation. We were extremely honored to receive this award.



Corporate Shared Values Initiatives

As part of our way of giving back to our community Sahel Capital also

- Expanded its Sahel Scholars Programme from three universities in 2018 to five universities in 2019; partnering with the faculties of agriculture to organize student conferences and engage top performing students in their final year in internship, mentorship and scholarship opportunities.
- Matched charitable contributions from our team to implement three critical community development interventions in 2019 around education, health, and sanitation in Lagos State.

2019 Impact Report

The enclosed Impact Report provides a review of the developmental impact generated by FAFIN portfolio companies over the period. We have also included a couple short case studies to highlight impact generated during the period. These stories point to the core of who we are and what we do: Provide Capital. Leverage Knowledge. Build Companies. Generate Returns. Impact Lives.

We would like to thank you for all your support, for without which our work would not be possible.

Best wishes,

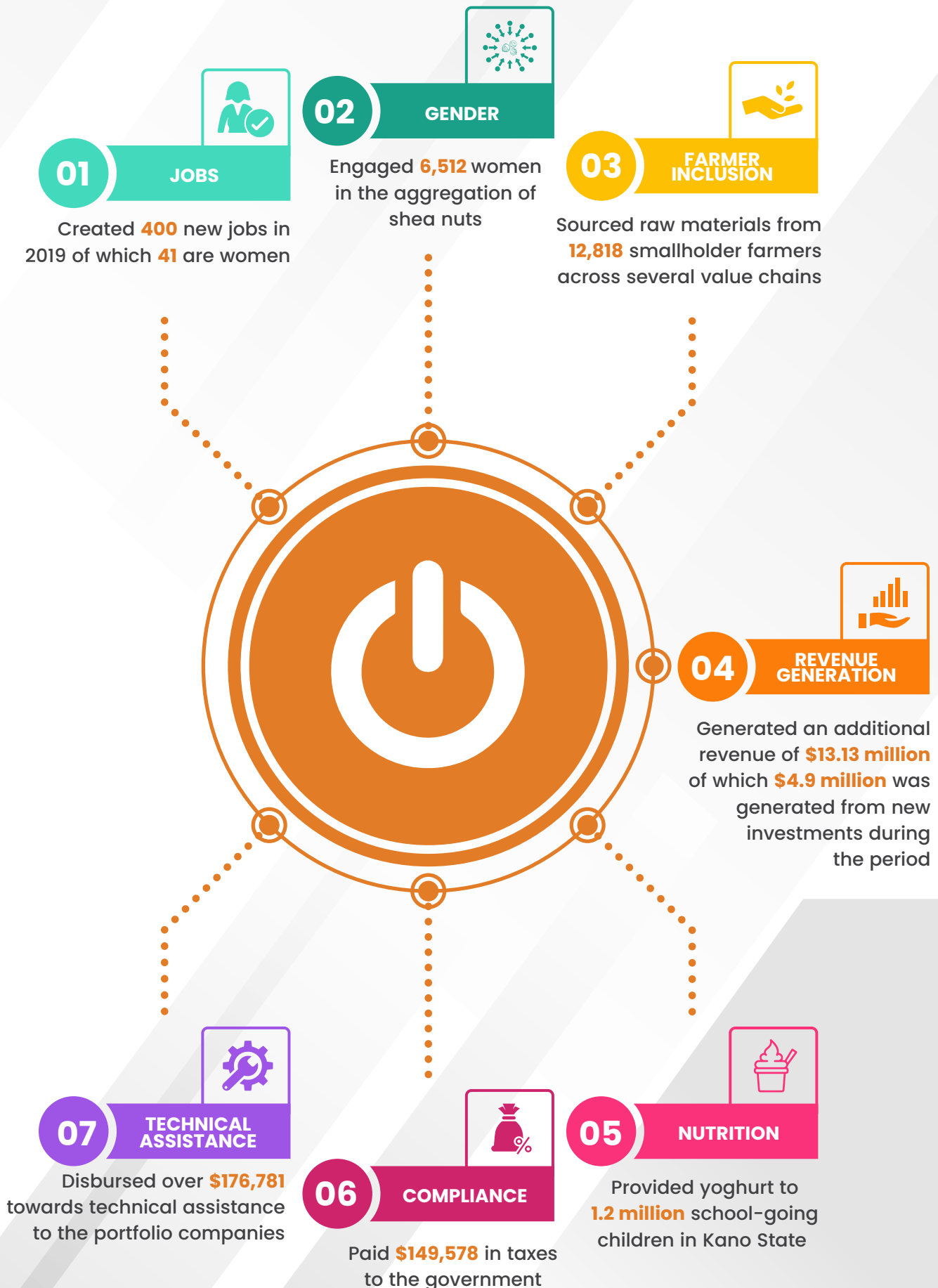
[On behalf of the entire Sahel Capital team]:

A handwritten signature in orange ink that reads "Mezuo Nwuneli".

Managing Partner, Sahel Capital Agribusiness Managers Ltd.



2019 IMPACT IN *Numbers*





Development Themes

Impact in 2019

Employment Creation

Dayntee is an integrated poultry business in Kwara State playing in the broiler processing segment of the Nigerian poultry market. 2019 was a critical year for Dayntee, who witnessed a turnaround and accelerated growth. Dayntee expanded its broiler processing operations to reach 1.4 million birds in 2019 from about 330,000 birds in 2018 in a bid to reduce Nigeria's dependence on imported chicken. In order to achieve this, **Dayntee added 108 new employees** in 2019, out of which **c.18%** are women. This employment indirectly impacted 756 individuals whose livelihoods are dependent on these newly hired employees.

Revenue Generation

Coscharis Farms is an integrated rice farm that commenced operations in 2015 to take advantage of evolving dynamics in the rice value chain. The company has a 2,500 hectares farmland and a 36,000 MT/annum capacity mill in Anambra State which was commissioned in July 2019. Due to the demand/supply gap in the availability of finished rice in Nigeria, fueled by the ban on the importation of rice and the closure of the Nigerian borders late in 2019, Coscharis could not have commissioned its mill at a better time. The company filled a major gap in the market and **generated a revenue of \$3.4 million** in the remaining part of 2019 and in the process paid small holder farmers c.\$1.5 million for the purchase of 4,080 MT of paddy.

Inclusion of Smallholder Farmers

Ladgroup Limited is an indigenous agricultural company involved in the processing and export of shea butter. Ladgroup has the largest plant by processing capacity in Nigeria and in 2019 **engaged 6,512 shea nut collectors**, out of which over **95% are women**, for their inputs, consequently empowering the bottom percentile of income earners through increased income and direct access to markets. Ladgroup **aggregated 11,432 MT of shea nuts** from these women, versus 1,200 MT sourced before FAFIN's investment.

Increased Food Security

L&Z is an integrated dairy producer and processor that produces yoghurt, fresh milk and ice cream in Kano, Nigeria. FAFIN's investment has facilitated their farm and processing expansion and provided working capital to the company. In 2019, the company **utilized over 347,000 litres of milk** in its products, closing the milk supply gap that exists in the country.

Improved Efficiency of Value Chains

L&Z increased its ability to source raw milk from the herdsmen in Kano. Through its network of cold trucks, milk collection centres and provision of technical services to these herdsmen, L&Z **sourced 1,250 litres of milk daily, up by c.44%** from the previous year. L&Z provided support and training to the pastoralists across a broad range of areas including feed & fodder production, artificial insemination, animal hygiene and many more.

Sahel's Focus: Sustainable Development Goals (SDGs)



Goal 1

No
Poverty

Zero
Hunger

Goal 2



Goal 5

Gender
Equality

Decent Work
& Economic
Growth

Goal 8



Goal 9

Industry,
Innovation
& Infrastructure

Goal 10

Reduced
Inequalities



Driving Sustainable Development

We put the Sustainable Development Goals (SDGs) at the centre of our investments. We have supported the achievement of selected United Nation's Sustainable Development Goals (SDG) - 1, 2, 5, 8, and 10, which is reflected across our portfolio companies.



FAFIN, through its investments in portfolio companies, has created over 950 jobs and has directly impacted ~12,800 smallholder farmers to date through local sourcing, off-take agreements and out-grower schemes and has through the engagement with suppliers/customers indirectly benefitted over 65,000 persons.



In 2019, FAFIN's portfolio companies produced and sourced: 6,000 MT of rice paddy; 2,000 MT of cassava; 347,000 litres of milk; 1.48 million birds; and 11,432 MT shea nuts. FAFIN is also contributing toward eliminating malnutrition in Northern Nigeria, helping over 1.2 million children overcome malnutrition through the supply of highly nutritious yoghurt through a portfolio company.



FAFIN's portfolio companies have increased female employment providing direct jobs for 142 women, increasing the equitable participation of women in the Nigerian work force. FAFIN's portfolio companies have, to date, sourced inputs from 8,004 female farmers including 6,512 shea nut collectors.



FAFIN has increased the private capital available for agriculture in Nigeria and has increased revenues in portfolio companies by over 210% contributing to economic growth through SME development and the increased payment of taxes. Sahel has helped build stronger institutions through corporate governance.



FAFIN's portfolio companies have developed a combined farm area of 2,800 Ha, constructed over 38 km of primary road network, developed 12 km dyke around the farm, and constructed over 17 km of primary and secondary irrigation canals. The companies also installed a 36,000MT capacity rice mill and a 21,600MT capacity cassava processing factory.

ESG Achievements in 2019

ESG is an integral component of our overall investment process. Our in-house ESG specialist supports the investment team through all stages of the investment process and provides ESG oversight across all FAFIN's portfolio companies.

FAFIN's ESG policy and guidelines are tailored to the integrated performance standards of the International Finance Corporation (IFC), operational safeguards of the African Development Bank (AfDB), CDC's Code of Responsible Investing, Dutch Good Growth Fund ICSR Principles, and Nigerian Sustainable Banking Principles. These ESG tools help to mitigate identified risk, unlock opportunities and develop value creation in our portfolio companies, thus promoting a sustainable ecosystem.

FAFIN ESG Commitment and Approach

Investors – Implement our investors ESG standards and procedures which promotes their environmental and social objectives.

Portfolio Companies – Continuous support to our portfolio companies to integrate ESG standards in their operations by promoting best operating practices to enable sustainable value creation.

Society – Develop a sustainable ecosystem through our responsible investment strategy.

2019 FAFIN ESG Achievements

Environmental

- Implemented 3 impact assessment studies in 2019 to ensure compliance of our portfolio companies to required environmental regulations
- Trained portfolio companies ESG managers and other operating managers on international organization for standardization (ISO) management systems. The purpose was to enable the companies to develop the required capability to implement integrated management systems at the portfolio companies. This training helped two of our portfolio companies secure purchase contracts with top tier multinationals with strict ESG standards.

Social

- In line with our investment strategies and meeting our six SDG goals, our portfolio companies collaborate with farmers in their supply chain and women make up 62% of these farmers.
- The portfolio companies implemented various corporate social responsibility projects which includes but not limited to:
 - Crest Agro Products Limited renovated classrooms and provided borehole water for their host community.
 - L&Z & Farms enrolled 600 female children in school under the girl child initiatives and 12 of them were provided scholarship through the L&Z Fulani children education initiative.
- Women and youth make up over 81% of the entire workforce across the portfolio companies.

Governance

- All FAFIN's portfolio companies have a functional board of directors that holds at least four quarterly meetings annually, as well as board committees that meet with senior management at least six times a year.
- Each portfolio company also has 1 – 3 independent directors serving on the board of directors.¹
- All portfolio companies, except one, have elected one of the independent directors as the Chairperson of the board of directors.²

¹ Number of independent directors: Ladgroup – 3, Coscharis – 2, L&Z – 2, Crest Agro – 1, Dayntee – 1, and Polyfilm – 1.

² Coscharis Farms key sponsor was selected as Chair of the board of directors. All other companies have an independent as Chairperson.

Corporate Social *Values*

The Corporate Shared Value (CSV) is an initiative developed to create sustainable values in communities through strategic investments, partnerships and philanthropy. Sahel has two main CSV Programs namely:

- **The Community Engagement Program:** centered on supporting the less privileged in the society through the implementation of humanitarian projects in Lagos state
- **The Sahel Scholars Program (SASP):** which entails providing internships and scholarships for top-performing Nigerian students passionate about agribusiness

Community Engagement Projects

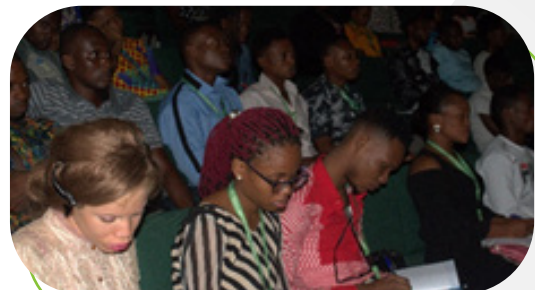
- **Education Impact Project:** In September 2019, Sahel partnered with The Lady Painter to renovate a seven-classroom block at Ikota Primary School, Lekki.
- **Health Impact Project:** Sahel partnered with the St. Kizito Clinic in Lekki, in September 2019, to provide equipment needed to improve the services of the hospital. The team donated 3 otoscopes, 2 bag valve masks, 4 body mass index (BMI) machines and 4 blood pressure (BP) machines to the clinic.
- **Environmental Impact Project:** In November 2019, Sahel renovated the major drainage section at the Okobaba Destitute Camp, Ebute Metta, Lagos, donated mosquito nets and antibacterial soaps, conducted sanitation of the community area, and sensitized the community residents on safe hygienic practices.



Sahel Scholars Program

In 2019, the program shared insights about the entrepreneurship opportunities that exist in Nigeria's agriculture sector with students of 5 identified universities across three regions in Nigeria, under the theme "Feeding Millions; Making Billions: The Opportunities for an Agripreneur". The participating universities included Afe Babalola University; Ahmadu Bello University; Federal University of Agriculture, Abeokuta; Obafemi Awolowo University; and Michael Okpara University of Agriculture, Umudike.

Five students were selected across the schools to complete a 1-month internship at Sahel Capital. Each of the students were provided with a scholarship for their last year in school.



L-R, **Ezechi Wisdom** from Michael Okpara University of Agriculture, **Ibukun Adeyemi** from Obafemi Awolowo University, and **Abiodun Salawu** from Federal University of Agriculture, Abeokuta
Others: **Blessing Nathaniel** from Ahmadu Bello University and **Lawal Latifat Oluwapelumi** from Afe Babalola University.

Sahel Capital Agribusiness Managers Limited

Sahel Capital Agribusiness Managers Limited ("Sahel" or "SCAML") is a private investment firm focused on the Food and Agriculture sector in Nigeria. Sahel pioneered the first food and agriculture sector focused private equity fund in Nigeria and continues to remain an active thought leader in the Nigerian agricultural sector.

We have developed a purpose-built approach to investing and have built competence and deep networks within the region. In 2014, Sahel raised a debut US\$65.9 million fund, the Fund for Agricultural Finance in Nigeria (FAFIN).

Sahel has a depth of experience across a broad range of crop and livestock value chains; integrated processing operations; branded packaged foods; and related services.

OUR MISSION AND VISION STATEMENTS



Vision

To be and be recognized as the foremost food and agriculture private investment firm in Africa.



Mission

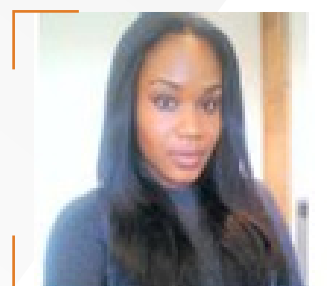
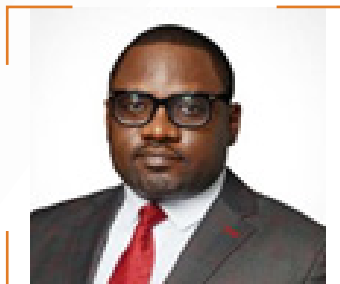
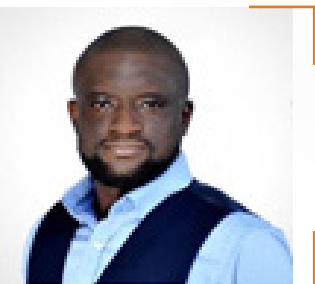
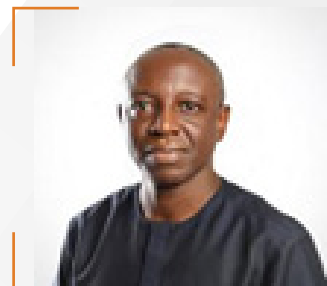
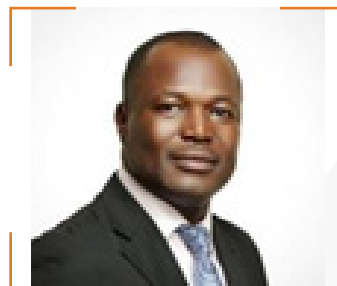
Provide Capital. Leverage Knowledge.
Build Companies. Generate Returns.
Impact Lives.

Sahel Capital Agribusiness Manager Limited is a member of the African Private Equity and Venture Capital Association (AVCA), Global Impact Investment Network (GIIN), and the Private Equity and Venture Capital Association, Nigeria (PEVCA).



Sahel's Team

Sahel's team includes professionals with a unique blend of investing and agribusiness operating experience comprising of private equity investors, former investment bankers, and food and agriculture operating professionals. An entrepreneurial spirit is a key part of our company's culture.



FAFIN at a Glance

FAFIN, an innovative agribusiness focused fund, aims to transform the agricultural finance landscape in Nigeria by investing in high-growth enterprises (SMEs) across the agricultural value chain in Nigeria. FAFIN not only provides long-term, tailored finance to these companies but also has a technical assistance facility for management capacity building, product certification, market research, ESG related initiatives, and developing smallholder farmer out-grower networks. FAFIN aims for a double bottom line growth, achieving both commercial returns and significant developmental impact.



Food Security

Opportunities that address population-driven demand for affordable food.



Expanding Middle Class

Packaged food products and animal proteins, where demand will be driven by an expanding middle class with stronger purchasing power.



Import Substitution

Opportunities where there is concrete demand met by imports, but a commercially viable path to local processing and distribution of products.



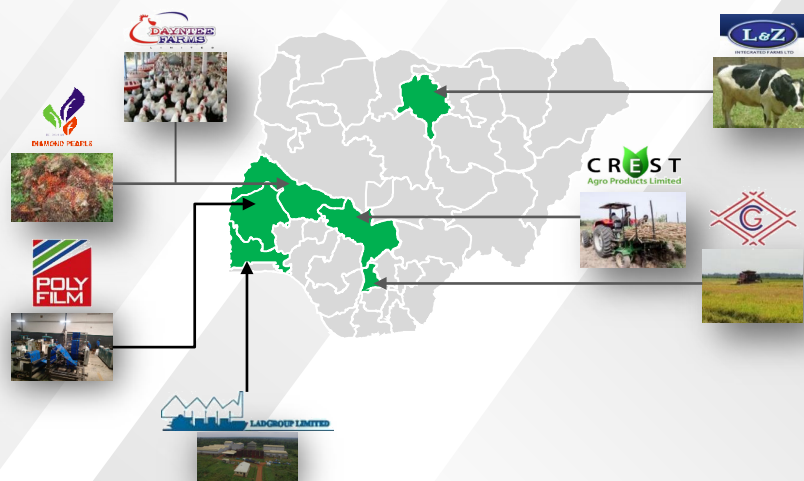
Value Chain Efficiency

Targeted investments to improve the efficiency of specific value chains (improving crop yields, reducing post-harvest losses, enabling the efficient transportation of goods, and opening new markets).



FAFIN's Investments

FAFIN investments are anchored on value-added contributions by members of Sahel Capital's team, as well as independent directors brought onto the Board of Directors of each portfolio company. The Fund is focused on ensuring long-term sustainability of companies post-FAFIN's investment.



FAFIN has invested in seven agribusiness companies in Nigeria.

● Polyfilm Packaging Nigeria Limited (November 2019)

Polyfilm is involved in the manufacturing of packaging materials for a variety of products ranging from food & beverages to toiletries within the FMCG space. The company has an installed capacity of 12,000 MT/annum and five business segments namely: extrusion division, flexible division, print & pouch division, pipe division and reprocessing division. The funds invested by FAFIN is expected to help the company scale and is being utilized for the purchase of PPE, expanding its product portfolio and working capital augmentation.

● Ladgroup Limited (June 2019)

Ladgroup commenced operations in 1972 and is an indigenous agricultural company involved in the processing and export of shea butter. It has a 27,000 MT/annum shea butter processing plant located in Ogun State. FAFIN's investment in the company has been utilized to revitalize operations to fund working capital, capital expenditure and refinance debt.

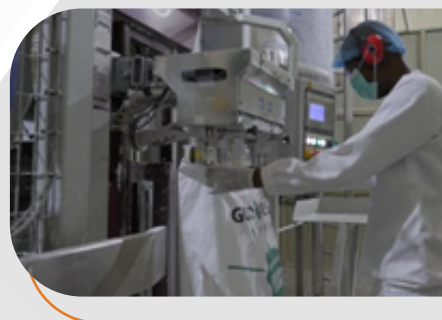
● Coscharis Farms Limited (May 2018)

Coscharis is an integrated rice farm that commenced operations in 2015 to take advantage of the significant growth in rice consumption in Nigeria over the past 15 years. It has 2,500 hectares of farmland in Anambra State, close to several smallholder rice farming communities in eastern Nigeria; and a recently commissioned 36,000MT/annum rice mill. The company is actively building a farmer out-grower network to enable it source rice paddy from neighboring communities. FAFIN's investment was used, in part, to fund the acquisition and commissioning of the 36,000MT/annum rice mill.



● Crest Agro Products Limited (April 2017)

Crest Agro is an integrated cassava company which was setup in 2013 to take advantage of opportunities for processing food-grade cassava starch for industrial users in Nigeria. It has 13,000 hectares of farmland, of which 1,400 hectares have been cultivated with cassava. The company is also building a robust out-grower and in-grower network of farmers. A 22,000MT/annum starch processing plant was commissioned in February 2019. FAFIN's investment part-funded the purchase of the starch processing plant and provided working capital augmentation.



- **Dayntee Farms Limited (September 2016)**

Dayntee is a fast-growing integrated poultry farm, incorporated in February 2011. Its original operations included parent stock, hatchery operations, and commercial egg production. FAFIN's investment provided capital to expand into broilers and meat processing in 2017 and the development of its "Ivory Chicken" (frozen chicken) product brand. The company has since grown its revenue 3x since our investment.



- **Diamond Pearls Agro Allied Limited (December 2015)**

DPAAL is an edible oils company located in Kwara state, Nigeria. The company provides bulk vegetable oil to industrial consumers across the country.

- **L&Z Integrated Farms Limited (February 2015)**

L&Z is an integrated dairy processor with its own cattle herd and processing operations. The company produces a range of dairy products including yoghurt, fresh milk, and ice cream, and other dairy products which it supplies to modern trade outlets across Nigeria. FAFIN's investment capital was utilized for factory capacity expansion, dairy farm expansion, and working capital augmentation. Over the past 5 years, L&Z has grown its revenue over 3x.

