CASSAVA PROCESSING INVESTMENTS (CPI)
Morgan Stanley Sustainable Investing Challenge 2014
WHAT IS OUR VALUE PROPOSITION?

“Adding value to small-hold farmers in Africa by enhancing the cassava value chain, whilst providing sustainable financial returns to our investors”
WHY CASSAVA?

- Africa’s Largest Crop
- Unlocking Value Through Processing
- Strong Buy-In From Government, NGOs and Foundations

Opportunity for Financial and Social Impact
HOW DO WE ADD VALUE TO CASSAVA?

Farming
- Predominantly small-scale farmers
- Input suppliers and services:
  - Fertilizer
  - Machinery
  - Credit

Assembly
- Assembly traders and middlemen of fresh cassava roots

Processing
- Roots (50%)
  - Processed (50%):
    - Coarse flour
    - Industrial uses
    - HQCF

Trading
- Wholesale and retailers of fresh roots
- Wholesale and retailers of processed cassava

Direct selling
### WHERE WILL WE EXPAND, AND WITH WHOM?

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy support</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ghana</td>
<td>Broad based (MOFA, IFAD, World Bank, USAID, WAAP)</td>
<td>C:AVA DADTCO</td>
</tr>
<tr>
<td>2 Nigeria</td>
<td>Government-driven</td>
<td>C:AVA</td>
</tr>
<tr>
<td>3 Other African countries</td>
<td>Following governmental support</td>
<td>Other NGOs</td>
</tr>
</tbody>
</table>
HOW DO WE SET UP A PLANT?

1. **Agent**
   - CPI
   - Regional macro research

2. **Local enterprises**
   - Identify suppliers
   - Supplier training
   - Secure supply
   - Identify customers
   - Customer education
   - Secure offtake

3. **CPI**
   - Go/No Go before invest
   - Build plant
   - Hire staff

**Partners**
- NGOs and Government
- Engineering firm
HOW DO WE STRUCTURE THE INVESTMENT?

- **Distributed on a per kg supplied basis**
- **30% of profits attributable to CP Investments returned to farmers**
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- **CP Investments**
- **Other equity investors**
- **Debt**
- **Potential for horizontal and vertical integration**

**Farmer profit pool**

**Farmers**

- **Raw cassava**
- **Fair price & stem cuttings**

**Processing plant**

- **Experience and oversight**

**NGO support**

- **Potential Management fee**

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WHAT IS A PLANT’S FINANCIAL RETURN?

Illustrative example:

- $300,000 upfront investment for 1,700 tonne capacity processing plant
- Equates to ~450 hectares of production
- Financed 80% equity, 20% local debt (if available)

Financial metrics

![Graph showing Revenue, EBITDA margin, and ROE over the years.](image-url)
WHAT ARE THE FUND RETURNS?

Indicative financial returns:

- $10 million fund deployed over 4 years
- 25% of investments assumed to provide no financial return
- Dividends returned from Year 5, exit in Year 8 at 3.0x EBITDA

Sensitivity of IRR

<table>
<thead>
<tr>
<th>% of no return investments</th>
<th>Exit EV/EBITDA in Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.0x</td>
</tr>
<tr>
<td>5%</td>
<td>17.3%</td>
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<tr>
<td>15%</td>
<td>14.1%</td>
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<tr>
<td>25%</td>
<td>10.5%</td>
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<tr>
<td>35%</td>
<td>6.7%</td>
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<tr>
<td>45%</td>
<td>2.4%</td>
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WHAT IS THE SOCIAL IMPACT?

Direct financial benefits to farmers

- +7-20% price rise
- +8-10% profit share

15-30% ↑ in earnings

Wider community benefits

- Increased yield
- Job creation
- Empowering local enterprise
- Women empowerment
- Improved nutrition
QUESTIONS?
APPENDIX: FUND CONSIDERATIONS

- $10m initially sought
  - 2% penetration of Ghana cassava production
  - Potential to increase fund size over time
- Fund raising strategy to place majority of fund with 2-3 limited partners
- Target investors include
  - Impact allocation of institutional funds
  - Philanthropic investors (approached in conjunction with NGO partners)
  - Impact investors