Case study: NAFOODS GROUP

Supply chain financing
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Nafoods Group is among the most innovative fruit and vegetable growers, processors and exporters in Vietnam, specializing in Fruit Juice/NFC, Puree, Concentrate, IQF and Fresh Fruits. The Company sources more than 13,300 tonnes of fresh and processed fruits annually from various regions in Vietnam including the Central Highlands, Northwest, and North Central Coast.

The Company’s products are distributed all over the world, especially in Europe, the United States, Oceania, the Middle East, Japan and South Korea.

Nafoods Group is one of the front-runners in Asia in the field of integrated agricultural processing. Nafoods has taken full control over their own value chain including: raw material areas (seedling, cultivating), harvesting (fresh fruits), processing & manufacturing, exporting & distribution in order to bring the highest added value to customers, employees, shareholders and the market.

In the upcoming 5 years, Nafoods goal is of expanding raw material area consisting of 30% of the proprietary farm, 50% coming from its subsidiaries and branches, and the rest from cooperative farmers. The company has called for help from the local governments in important areas in Vietnam, widening to Southeast Asia and investing heavily in R&D for seedlings to expand material areas.

In addition, the Group gives their commitment on improving product quality to meet the high standards of demanding markets including the EU. IFC advised Nafoods to deploy a food safety management system for its cold chain system in line with the globally-recognized Food Safety System Certification 22000. International certifications consisting of Good Agricultural Practices – GLOBAL G.A.P, Rainforest Alliance, and Fair Trade will help Nafoods Group farmers grow high-quality and sustainable fruits, increasing access to new export markets.
NAFOODS STORY - THE KEY MILESTONES

Fundamental phase
A decade of orienting and seeking long-term direction

1995
Nafoods Group was established
On August 26, 1995, Thanh Vinh Co., Ltd - a former member of Nafoods Group - was established, specializing in the production and distribution of beverages. Festi brand is widely known and distributed in the market. However, since 1998, the company has encountered difficulties when the domestic consumer goods market has been dominated by major brands including Coca Cola and Pepsi.

2000
Converting to fruit juice products
Nghe An Food Joint Stock Company was established to produce, process and export agricultural products.

2003
Launching the first fruit and vegetable processing plant
Inauguration of fruit and vegetable processing plant in Quynh Chau Commune, Quynh Luu District, Nghe An Province. The production line met European standards with a total capacity of 5,000 tons per year.

2009
Increase of competition in export markets and development of fruit juice concentrate
After more than 4 years of operating the factory, loyalty to the production and export of key product - pineapple juice concentrate, the company was in a difficult situation with fierce competition in the export market.

In 2009, Nafoods Group drastically changed and looked for opportunities to surpass the difficult period, to seek and develop new products: Passion fruit.

2010
Increase in revenue from passion fruit products
The year marked a dramatic jump in revenue from export of the Nafoods Group, gradually helping the company overcome difficulties, with passion fruit being the key product.

2013
IQF product development
Nafoods Group invested in an IQF production line for diversifying products and expanding export markets.

2014
The seedling institute completed a closed value chain
A high-tech nursery passion fruit seedlings invested by the Company officially put into operation to supply seedlings served for Raw Materials for the Company and linked regions, marking the completion of the closed value chain.

2015
Listed on Vietnam's stock exchange
In 2015, Nafoods Group had a great opportunity to expand their business in domestic and export markets. Stocks (exchange code: NAF) was listed and successfully traded on the stock exchange.

2016
Expanding seedling activities
When the project on expanding the seedling nursery area to 6 ha was completed, Nafoods Group increased its capacity to 3.5-4 million seedlings per year.

2017
Exporting passion fruit to Europe
Nafoods Group exported passion fresh fruits to Europe.

This was the second year the company was honored as one of the TOP 100 Vietnamese sustainable enterprises.

2018
Launching the second fruit and vegetable processing factory
Inaugurating the “Export fruit production and processing complex” with a total investment of VND 410 billion, including 2 modern technological systems of European technology with a capacity of 7000 tons of concentrated juice per year and 2 tons of IQF per hour.

2019
Investment cooperation with IFC
At the end of June 2019, Nafoods signed a cooperation agreement with the International Finance Corporation (IFC), a member of the World Bank Group. Nafoods will receive $8 million quasi equity investment in the form of redeemable preference shares from IFC, which can be converted into ordinary shares, to increase the production and scale of operations.
Fruit input is classified into two separate groups: Group A and Group B. Group A is the main group consisting of Passion Fruit, Dragon fruit, and Mango, being the core products when contributing to the majority of the company’s revenue (~55%). Group B includes other agricultural raw materials including fruits, nuts, and coconuts.
NAFOODS Group's ECOSYSTEM

Main commercial activities
Controlling business activities of Subsidiaries
Cooperation and development with Associates

Farmer
Domestic market

Nafoods Highlands JSC
Growing and selling finished product

Nafoods NorthWest JSC
Growing and selling finished products

Nafoods International
Trade and export

Nafoods Passion Fruit JSC
Propagation - Technical support

Supplier:
fertilizers, other materials

Seedling Nursery Institute
(Taiwan) and Import from Ecuador

Nafoods Southern JSC
Nasoco Factory
Processing and packing

Nghe An Foods JSC
Naprod Factory
Processing and packing

Souvegco
Growing and exporting dragon fruit

Domestic market

Farmer

Group's Companies

Input
Output
VALUE CHAIN OF NAFOODS GROUP

Seedling
- Cooperating with the seedling nursery institute in Taiwan to produce 6 million seedlings per year

Raw Material Area
- Controlling 50% of raw material market in Vietnam for 6 key fruits (passion fruit, banana, dragon fruit, mango, pineapple, coconut)
- Over 300 ha of farms
- More than 25,000 ha of cooperative cultivation areas in Vietnam, Laos, and Cambodia

Harvesting
- Source of Nafoods is from Nafoods farm, and about 70% of raw material comes from farmers

Manufacturing process
- Modern production factories:
  - Juice
  - Freezing
  - Drying
- 4 processing factories in Nghe An, Long An, Gia Lai, and Son La, consuming over 200,000 tons of raw materials.
- Capacity:
  - 13,000 tons of juice concentrate per year
  - 8,000 tons of IQF products per year

Packaging and storage
- 16 packing factories in Tay Nguyen, Long An, Binh Thuan, Ben Tre, Laos, and Cambodia, consuming over 300,000 tons of raw materials per year

Distribution
- Domestic and foreign
  - 6 continents
  - 69 countries
  - 1,000+ qualified customers, with 70% of sales from direct selling

Nafoods formed a closed product value chain from direct farming, processing and shipping to customers. Quality management and control complies international standards.
In collaboration with Taiwan’s Chung Hsing University, the institute of seedling research and propagation was established with the capacity of 6 million seedlings per year.

Nafoods Nursery Seedling Institute fulfills domestic and exported to Laos and China. This is also one of the largest production centers of purple passion fruit seedlings.

Currently, Nafoods Group has called for help from local authorities for growing 1,500 ha of passion fruit in Nghe An, 3,000 ha in Gia Lai and 5,000 ha in Son La.

**NAFOODS SEEDLING NURSERY INSTITUTE**

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<th>At the present</th>
<th>Goals to 2022</th>
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<td>Purple passion fruit</td>
<td>Purple passion fruit</td>
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<tr>
<td>Avocado</td>
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<td>Lemon</td>
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<td>Grapefruit</td>
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<td>Export</td>
<td>Fresh passion fruit</td>
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<td>Companies / farmers</td>
<td>Cooperative Farmers</td>
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<td>Propreritary material area</td>
<td>Contracted material area</td>
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<td>Fresh passion fruit</td>
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**Seedling products**

- Purple passion fruit
- Avocado
- Lemon
- Grapefruit

**Export**

- China
- Laos
Nafoods material sources come from both proprietary farms and contracted manufacturers, with about 70% of the raw material from small-scale or ethnic minority farmers.

* Maximum pesticide residue level meets EU requirements

Contract of cooperation includes clear commitments

Nafoods Group purchases all the annually fruits that the cooperative farmers grow:

- Ensuring benefits for farmers in terms of stable quantities and competitive prices.
- Providing high quality seedlings for farmers.
- Helping farmers have better cultivation options.
- Supporting farmers in finance and agricultural technology.
In order to minimize production costs, including transporting, reduce and handle post-harvest damage to fresh products, Nafoods Group has constructed their processing plants located close to the raw material sources. The two processing plants in Nghe An and Long An has a convenient location from all directions of Vietnam, Cambodia and Laos. Therefore, the raw fruit materials are processed within a short period of time after being harvested.

**EFFECTIVE MANAGEMENT PROCESS WITH ADVANCED TECHNOLOGY**

In order to minimize production costs, including transporting, reduce and handle post-harvest damage to fresh products, Nafoods Group has constructed their processing plants located close to the raw material sources. The two processing plants in Nghe An and Long An has a convenient location from all directions of Vietnam, Cambodia and Laos. Therefore, the raw fruit materials are processed within a short period of time after being harvested.

**Preparation**
1. Washing
2. Sorting
3. Washing
4. Peeling/sheeling
5. Cutting
6. Color treatment (if necessary)

**Material**
- Harvest and Transport

**Censorship gate**
- Loading

**Receiving**
- Storage

**IQF products**
- Slicing, seed saving
- Freezing
- Packaging and storage

**Fruit puree**
- Milling, grinding
- Filtering
- Deodorizing
- Pasteurization
- Sterilizing
- Packaging and storage

**Juice Concentrate**
- Cutting
- Squeezing
- Brightening (water splitting)

**Dried fruit**
- Slicing, seed saving
- Handling
- Drying
- Post-drying treatment
- Packaging and storage

**Pre-treatment helps keep light fruits from becoming dark during drying and preserving the skin.**
**Method:** Sulfite Dip, ascorbic acid, a mixture of ascorbic acid, fruit juice, steam juice

**Refrigeration is a process used to balance the moisture in foods.**
**Freezing is important because it reduces the risk of mold growth.**

**Swedish technology**
- IQF products
- Fruit puree
- Juice Concentrate
- Dried fruit

**German and Italian technology**
- IQF products
- Fruit puree
- Juice Concentrate
- Dried fruit
FACTORY SYSTEM OF NAFOODS

Nghe An

Nghe An Naprod factory
Including 1 juice concentrate production line and 1 IQF production line (quick freezing)
Area: 5 ha
Location: Quynh Luu district
Capacity: 5,000 tons of juice concentrate per year and 2,900 tons of IQF products per year

Que Phong seedling factory
Cooperating with experts of Chung Hsing National University - Taiwan
Area area of greenhouse: 6 ha
Location: Que Phong district
Capacity: 6 million seedlings per year

Long An

Nasoco Long An factory
Including 1 juice concentrate production line and 2 IQF production lines
Area: 6.5 ha
Location: Duc Hoa district
Capacity: 7,000 tons of juice concentrate per year and 5,000 tons of IQF products per year
Consumption: 100,000 tons of fruit material per year

Son La

Northwest packaging factory
Preliminary processing, packaging and preserving of export fruits; grading, freezing and storage system
Area: 2 ha (will be expanded to 4 ha by 2020)
Location: Moc Chau
Consumption: 50,000 tons of fruit material per year

Gia Lai

Highlands high-tech agriculture complex
Area: 13 ha Location: Gia Lai province
Including:
- High-tech plant breeding research center
- Manufacturing plants for sorting, separating, packaging and preserving exported fruits
- High-tech agriculture zone

Binh Thuan

Fruit Packaging Complex of Nafoods Binh Thuan
Including packaging plant and freezing storage system
Area: 2 ha
Location: Binh Thuan Industrial Park
Consumption: 60,000 tons of fruit material per year
MATERIAL AREA IN SOUTHEAST ASIA

Nafoods Group makes use of Southeast Asia’s competitive advantage in growing specialty fruits including passion fruit, banana, dragon fruit, coconut and citrus fruits to develop Nafoods’ material areas in:

**Vietnam:** The Mekong Delta accounts for nearly 40% of the country’s total fruit production area; and the Northern mountainous region makes up about 23% of the total production area. Thanks to favorable tropical climate, Vietnam together with Thailand, Indonesia accounts for ~ 33% of global tropical fruit production.

**Laos:** Vietnam has a long border with Laos in the southwest and some border gates are open for trade and transportation between the two countries.

**Cambodia:** Vietnam borders Cambodia in the southwest and some border gates are open for trade and transportation between the two countries. In Cambodia, fruits and vegetables are the second most important crop after rice, and are the main source of income for most households in the country.
Nafoods Group distributes products to domestic and international markets through both direct and indirect channels.

Thanks to the favorable locations of the warehouses, factories which are near local ports, more than 5,000 tons of fruits of the company (~85% of total exports) are shipped to many countries in the world every year.

In particular, air transport is only applied for orders of fresh fruit from fastidious markets such as the US, Australia, France, South Korea, Japan and Shanghai (China) due to high cost.

Sell online to boost retail sales of fresh fruit and other products.
**EXPORT MARKET OF NAFOODS**

**International presence (% of total revenue, 2018)**

- Domestic market: 44%
- Europe: 22%
- Asia: 14%
- Americas: 11%
- Oceania: 7%
- Others: 2%

**Main export markets**

- Nearly 60% of Nafoods Group’s total revenue comes from foreign customers in more than 60 countries across 6 continents, especially Europe.
- The main markets for processed products include Europe, the US and Japan.
- The main markets for fresh fruits include Russia, the Middle East, China, Japan and Europe.

**Key international customers**

- **FLAGFOOD**
  - Specializing in the wholesale of fresh vegetables
  - Main products: Juice concentrate, puree, IQF products
  - Imports from Nafoods: passion fruit juice concentrate, pureed red dragon fruit / pureed radish, bananas

- **JOY WING MAI GROUP**
  - China’s largest fruit distribution group with more than 5,000 retail stores and more than 10,000 fruit shops across China
  - Main products: Fresh fruits
  - Imports from Nafoods: Dragon fruit and banana

- **GOODFARMER**
  - A leading enterprise of fresh food industry in China with the largest market share in the banana segment
  - Main product: Banana
  - Imports from Nafoods: Dragon fruit and banana

- **SHANGHAI NONGFU FRUIT**
  - Chinese big fruit import company and Disney’s exclusive representative of fresh and dried fruit in China market.
  - Main products: Fresh fruits
  - Imports from Nafoods: Dragon fruit and banana

- **TIAN SHENG FRESH PRODUCE**
  - TSFP has worked with many overseas suppliers as sole distributors of their products in Singapore and the region.
  - Main products: Fruits and vegetables
  - Imports from Nafoods: Passion fruit and banana

- **CHAUCER FOODS**
  - A world leader in dried and frozen foods
  - Main products: Sweet / salty dried products, frozen products, pickled fruits
  - Imports from Nafoods: red dragon fruit (end customer is Starbucks)

- **PITAYA PLUS**
  - Distributor of red dragon fruit products to major markets including the US and Australia
  - Main products: IQF red dragon fruit / pureed / flour
  - Imports from Nafoods: IQF red dragon fruit / puree / flour

- **COMINTRADE**
  - The company specializes in the wholesale distribution of spices, dried herbs and vegetables, nuts and dried fruits for food.
  - Main products: Coffee products for industrial use
  - Imports from Nafoods: Cashews

- **SUN FOOD TRADING**
  - Food supplier for major restaurants and hotels in Thailand
  - Main products: Food ingredients for cooking
  - Imports from Nafoods: Cashews

**International standard certification**

- Fruit juice quality control / Quality Assurance International
- KOSHER
- HALAL
- BRC
- ISO 22000:2005 / HACCP: Food safety management systems
- GLOBALG.A.P Good Agricultural Practice
ELOAN’S SOLUTIONS
WORKING CAPITAL BATTLES IN SUPPLY CHAIN

Traditional Battle

 Longer payment terms for anchor = Longer receipt for trading partner = Higher working capital costs for trading partner
WORKING CAPITAL BATTLES
EVERYONE WINS!

eLoan.vn Break the Battle
Eloan is responsible for providing connectivity between investors and fundraisers. Similar to the role of a shopping mall, our job is to offer an exclusive space served as network connecting the sellers (companies that need capital) and the buyers (investors). Not only that, we also select, analyze and approve the applications of the Borrowers in order to open up attractive investments opportunities to investors.
NAF NEEDS IN SUPPLY CHAIN

1. VARIETY & MATERIAL
2. FARMING
3. PURCHASING

4.1 FRESH FRUIT SALES
4.2 FACTORY
5.1 DELIVERY
5.2 STORAGE
6.2 DELIVERY

Working capital needs

- 6 - 9 MONTHS
- 7 DAYS
- 3 MONTHS
- 15 DAYS
- 60 DAYS
- 6 MONTHS
- 7 DAYS
- 7 DAYS
**SOLUTIONS FOR SME CAPITAL NEEDS**

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**Limitations of financial institutions:**
- Complete or change product policies which take time and do not keep up with the actual market situation
- Inflexible loan
- Many business areas share the same resources.
- Loan application and appraisal takes time
- Collateral decides whether a loan is granted.

**eLoan’s solutions:**
- Change policies and products according to the needs of the market and customers
- Flexible loan
- Centralize resources for only one customer
- Simplify loan procedures, hasten appraisal
- Collateral does not decide whether a loan is granted

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**Customer’s problems when borrowing capital:**
- Capital needs to be met promptly
- They do not have collaterals or their collaterals are unqualified.
- Payment term is not suitable with cash flow plan and business cycle

**eLoan’s solutions:**
- Customers can disburse within 72 hours
- Good business plan is the deciding factor
- Loan and payment term is flexible and suitable for the capital needs.

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** Vietnamese companies by size**
- Large-sized companies: 2%
- Medium and small-sized companies: 98%

**Loan requirements**
- In need of loan: 65%
- Trade credit, ask from family: 35%

**Ratio of loan approvals on loan requirements**
- Approval ratio:
  - <25%
  - 25-50%
  - >50%
  - 20%
  - 47%
  - 33%
ELOAN’s APPRAISAL PROCESS

Investment model

Capital accounts are managed by an independent bank

Investor 1  Investor 2  Investor..n

CAPITAL CONTRIBUTION

ELOAN’s PLATFORM

Application verification

Payment made according to schedule

Debt collection
Debt settlement

Guarantee of recovery time for investors

3rd party debt collection

Customer management

Fundraiser → Loan application → Credit Rating → Application evaluation → Approval

RISK MANAGEMENT TEAM
HAVING BANKING EXPERIENCE

Application evaluation
➢ Cash flow
➢ Bank statements and credit history
➢ Origin and business
➢ Business survey
➢ Short-term financial sources
➢ Collaterals according to capital demand
➢ Credit ratings

Guaranteed method
➢ Participate in cash and account management
➢ Advance payment authorization/Personal guarantee
➢ Company stocks and other assets
➢ Investment insurance
THE FINANCING PROCESS OF ELOAN FOR NAFOODS

**eLoan and Naf meet to discuss the requirements and conditions for receiving investment**

NAF presents the business model and provides contracts, payment receipts with partners in the supply chain.

**Analysis**
- Analysis team
  - Legal records
  - Business situation
  - Evaluate business area
  - Evaluate the ability to pay the invested capital through analyzing invoices, payment contracts in the supply chain.

**Term sheet**
eLoan provides the sheet “Conditions for fundraising” which states:
- Capital needed
- Credit rating
- Interest rate
- eLoan fee
- Thời gian dư trả giải ngân
- Guaranteed method for investors

**Listing**
After NAF agrees with Term Sheet, eLoan system will automatically list the Term sheet for Investors to select.

**Capital release**
Within 5 days since the approval of Term Sheet, NAF successfully raises capital.
NAF signs Investment capital contribution contract with eLoan (representing for Investors).
eLoan disburse investment for NAF and notify stakeholders via email.

**Investor**
ELOAN FINANCES NAFOODS IN THE SUPPLY CHAIN

1. VARIETY & MATERIAL
2. FARMING
3. PURCHASING

4.1 FRESH FRUIT SALES
4.2 FACTORY
5.1 DELIVERY
5.2 STORAGE
6.2 DELIVERY

· July 2018
eLoan started financing Nafoods
· 3 months
Average loan term

Working capital

Payments
Nafoods achieved impressive growth in 3 years and recorded Compounded Annual Growth rate of 14.2% in the period of 2016-2018.
Nafoods is the only company that successfully cultivates passion fruit on a commercial scale in Vietnam, with a capacity of 6 million seedlings per year.
The Long An factory was put into operation in April 2018 and equipped advanced technology, assisting Nafoods in diversifying its product portfolio and saving costs. The Long An factory is expected to increase the capacity of IQF fruit and juice concentrate to 12,500 tons/year (+150% YoY) and 7,900 tons/year (+172% YoY).
In addition to domestic and European markets, Nafoods manages to make the footprint on various potential and giant markets such as China, the Middle East, etc.

Revenue by products, 2018
- Passion fruit variety, 24%
- Juice concentration, 18%
- IQF fruit, 16%
- Puree, 12%
- Dried fruit, 7%
- Exported fresh fruit, 4%
- Khác, 19%

Revenue by region, 2018
- Domestic market
- Europe
- Asia
- Americas
- Oceania
- Others
FINANCIAL DATA OF NAFOODS-BENEFITS FROM ELOAN

### As of Quarter 3 in 2019:
- Total assets increased by more than two times compared to 2016
- Revenue reached 801 billion, nearly twice compared to 2016
- Equity increased by 1.5 times
- Roe decreased although revenue increased, this stems from the continued investment of the Company in expanding production capacity in the period 2018-2019 which increased cost.
- The figures show that Nafoods is continuing to expand the market in order to establish the right competitive price, serving the purpose of dominating the market.
- Interest expense increased due to the large amount of investment loan

#### Benefits earned since eLoan’s financing
- Select the right supplier
- Improve working capital
- Be more engaged in creating liquidity for partners (Discounted liquidity)
- Have faster capital turnover
- Prove potential and value to partners and shareholders
- Good working capital also is considered as an advantage when raising capital from international financial corporation (IFC).
GOOD IDEA  GOOD ACTION  GOOD RESULT