Innovare Leasing Facility: Flows of Funds and Equipment

Innovare Advisors LLC, [Sponsor]

Capital Markets Funders
Debt Instrument

Innovare Finance, PCC Mauritius, “IFM”

Lessor
Lease Payments
P1 P2

Qualified Lessees

Innovare Advisors LLC, [Sponsor]

Guarantee

Vendor - Manufacturer

Customer relationship

Blue: Equipment
(P1) 25% down payment
(P2) 75% purchase payment
(L) Loan
(R) Repayment
How the Leasing Facility Works:

Innovare Advisors LLC

Innovare

Innovare (Lends to lessor)

Vendor

Lessor (Borrows from Innovare)

Ag SMEs

African Guarantee Fund

Risk guarantee

1. Lessor pays vendor the full price of the equipment
2. Vendor sells equipment to lessor
3. Lessor leases equipment to SME
4. SME first pays 25% down payment
5. SME repays lessor the remaining 75% over time

The Innovare model can benefit all participants

Source: Global Development Incubator
Lease Financing Facility Characteristics:

“Lease-to-own Financing” for small and medium sized (SME) agricultural and agro-processing value chain businesses in Africa

- “The Virtuous Circle”: All participants share in the risks & rewards
- Capital Markets Funded: New sources of external financing
- Investor “friendly”: Attractive, competitive returns (7% & 12%); strong risk mitigation (155-200% + asset backing); Clear, well-defined exits (4 years)
- “Lease-to-own Financing”: Revenue generated from new equipment pays leases (3 years); Frees up working capital for inputs
- Replicable & Scalable across multiple geographies & value chains
- Unique Partnership: Whole greater than sum of parts; Global & local expertise combined; African Guarantee Fund support
- Different funding sources cover the entire value chain:
  a. Equipment for SMEs of $20,000+: Funding via capital markets – totally commercial
  b. Equipment for smaller operators, co-ops, Farmer Organizations < $20,000: capital markets plus subsidized funding
Benefits to Equipment Purchasers:

Lessees benefit from financing which has the following attributes compared to regular asset financing from banks:

• No collateral required,
• Reduced up-front payment. Instead of paying 100% of the equipment cost ‘Up Front’, only a 25% down payment is required, so that you can use the 75% balance for other purposes: i.e., working capital for the purchase of raw material inputs,
• Payments are stretched out over 36 months,
• Interest and fees are calculated on the financed amount only,
• Bank borrowing capacity is not affected,
• The application procedure is straightforward with a credit check,
• Interest rate and fees are competitive with bank loans, and
• Local support from an established East African leasing company, including facilitated import procedures.