



**Q1 Report** – July 1<sup>st</sup> to Sept 30<sup>th</sup> 2017

# Headlines

- **Added 27,043 new farm customers in Q1**
- **Earned revenue from operations was US\$1,278,000**
- **Raised US\$7.25m in debt for farm lending operations**
- **Active customer base now 189,000 farm families (945,000 people)**

## Opening Thoughts

Proximity has established a unique agricultural platform in Myanmar to serve millions of entrepreneurial farmers with the products and services they need to grow their farming operations into profitable and sustainable farm businesses. The three elements of this platform – farm tech, finance and agronomy advice are now well established with growing customer bases. The potential to offer these customers a combination of well designed products and services that help them along their growth journey represents a tremendous opportunity for impact over the next 5 years. We are concerned however about the country backsliding on democracy and the resulting slowing of the economy which will be hard on rural farmers.

## Summary of Operations

We achieved impressive growth in both our farm advisory and irrigation businesses this quarter. Our product pipeline of newly designed irrigation products, agronomy services and financial services is strong. This quarter we've focused on improving both the unit economics of providing our services and increasing the levels of earned income from those services. We're confident we'll reach our milestone of 118,000 new customers by 30 June 2018.

Our irrigation business is still highly seasonal with Q1 traditionally being our slowest quarter. This year the monsoon season lasted longer than normal, which resulted in sales of only 3,432 units this quarter, still representing a 66 percent, YoY increase. 60 percent of sales are now our micro-irrigation sprinklers and drip systems. A new rent-to-own option was introduced to boost sales of the Lotus solar water pump.

Farm Advisory Services advised 25,437 unique farmers in Q1, a dramatic year-on-year increase of 99 percent. This is driven by a big increase in our engagement with groups of farmers in thousands of village demonstrations across 21 rice growing townships. Across our target markets we've achieved an 18 percent market penetration already. Our digital channels – designed to lower the unit economics of providing agronomy advice to our customers – added 1,900 users to its fertilizer management SMS service.

Proximity Finance – our business unit offering loan products specifically designed for small farmers – now serves 79,838 rural clients. New client acquisition has been slowed by funding constraints related to the Myanmar MFI industry’s ability to hedge dollar denominated debt over the past several quarters. In September, we were able to close a US\$5.3 million debt instrument with a local bank. The loan portfolio continues to diversify with only 35 percent of loans dispersed to rice farmers. Repayment rates on loans are very strong (PAR30 is 0.32 percent). Market penetration includes 1,702 villages across 56 townships.

## Market Conditions and Outlook

- The crisis in Rakhine dominated domestic politics and international press about Myanmar this quarter. Ramifications of the crisis will likely further slow the weak rural economy.
- Monsoon rains lasted well beyond normal this past quarter, delaying farmer’s purchases of irrigation products, so we will likely see an uptick in November and December 2017.
- During Q2 we’ll be focusing on revising our business plans and operating model in preparation of a more integrated offering to customers and a significant new round of raising capital.
- We’re confident our fundraising efforts in Q2 will fully fund our annual grant budget of US\$8.1m.

## Financial Results

- New debt investors added: Grameen Crédit Agricole, MCE Social Capital, Symbiotics

Fiscal Year 2017-2018: Q1 (July 2017 to September 2017)

* in thousands of US Dollars	ACTUAL					BUDGETED
	IRRIGATION	FARM ADVISORY	PROXIMITY FINANCE	POLICY RESEARCH	TOTAL	TOTAL
<b>INCOME</b>						
Grants	61	315	153	0	529	1,324
Product Sales	78	0	0	0	78	110
Service & Other Income	3	1	1,201	0	1,205	1,288
<b>Total Income</b>	<b>141</b>	<b>316</b>	<b>1,354</b>	<b>0</b>	<b>1,812</b>	<b>2,722</b>
<b>Total Income Excluding Grants</b>	<b>81</b>	<b>1</b>	<b>1,201</b>	<b>0</b>	<b>1,283</b>	<b>1,398</b>
<b>TOTAL OPERATIONAL EXPENSES</b>	<b>-479</b>	<b>-557</b>	<b>-971</b>	<b>-208</b>	<b>-2,215</b>	<b>-3,084</b>
% covered by Sales and Service income	17%	0%	124%	0%	58%	45%
<b>TOTAL EXPENSES ACCOUNTING FOR EXCHANGE RATE</b>					<b>-2,144</b>	<b>-3,084</b>
<b>NET INCOME</b>	<b>-338</b>	<b>-240</b>	<b>406</b>	<b>-207</b>	<b>-332</b>	<b>-362</b>

# Fast Stats

IRRIGATION IMPACT			
<div>\$248</div> <div>average annual income increase for users of our products compared to the control group</div>	<div>44 hours</div> <div>irrigation time saved monthly by users of our products</div>	<div>2.5x</div> <div>return on customer's investment in one year</div>	<div>92%</div> <div>of customers recommend our products to their neighbors</div>

# Lens



**U KAN TUN**, a farmer in Kyaw Htin Lone village in Yesagyo Township, uses our sprinkler system to grow onions, tomatoes, and sesame. In the past, U Kan Tun frequently overwatered his crops with flood-type irrigation, but now with our micro-irrigation system he's seen a dramatic increase in his crop yields and saved money on labor and diesel costs, all while reducing water use.



**A PROXIMITY AGRONOMIST** analyzes rice stalks for pests and disease with farmers in Kawhmu Township. Our extension officers analyze outbreaks as they happen and, find practical solutions often using integrated pest management instead of pesticides.





**DRUM SEEDERS** are a highly effective tool for evenly distributing rice seeds during planting. In the past many farmers scattered seeds by hand, creating crowded paddies that were vulnerable to pests and disease. These seeders are available at our Farm Advisory Services' branch offices and farmers who use them can save seeds while increasing yields.



**PROXIMITY SCHOOL** is our in-house learning center, providing professional skills trainings to staff members in their branches and at our Yangon office. Here staff members participate in Customer Engagement training, learning essential skills to communicate and build relationships with customers in order to better serve their needs.