



### Portfolio Company Background:

Sector	Industry	Business Portfolio
Smart farming	B2B fruit supply chain IT platform	End-to-end solutions (procurement, storage, certification, packing, delivery, inventory management tools) for major food retailers

### Deal structure:

Deal Size	\$10 million
BRV Lotus Fund II Commitment	\$10 million
Co-Investors	N/A
Target Equity Position	9.1%
Investment Form	Common Shares
Investment Strategy	Growth Equity
Deal Closing Date	March 2016
Sourcing Background	BRV Lotus has been monitoring the company's progress post initial seed funding by BRV Aster. Guolele's extensive network with thousands of fruit farms and its proprietary IT system are strategically good fit for BRV Lotus II smart farming pipeline from Korea and Japan, and BRV Lotus encouraged the company to open up a special strategic round before next financing.
Deal Team	Ryan Lee, Kwan Yoon
Board Seat	Denis Yie

### Industry overview:

Key Players	Benlaishuoheng; Meicai
Market Size	RMB100B
Growth Potential	<ul style="list-style-type: none"> <li>- Growth of e-commerce: <ul style="list-style-type: none"> <li>• E-commerce particularly in the tier one cities has been booming since spring 2015 as they typically have advanced transport facilities, which gives them an advantage compared to other sales channels</li> </ul> </li> <li>- Two main problems on the e-commerce market in China: (1) fragmented and high logistics and transport costs and (2) quality control issues due to inefficient supply chain <ul style="list-style-type: none"> <li>• Guolele has the experience and resources to connect their own buyers directly with the growers to keep an eye on the production and selection process</li> </ul> </li> <li>- Category winner in smart farming logistics (B2B in fruit supply) <ul style="list-style-type: none"> <li>• Synergetic to BRV's existing smart farming pipeline (cross promotion of special crop protection solutions, sensors, water treatment technologies from Korea and Japan) to improve topline</li> </ul> </li> </ul>

### Investment Thesis:

Solid Baseline	<ul style="list-style-type: none"> <li>- Leading B2B fruit supply chain platform in China with solid monthly run rate of \$2-4m plus USD sales</li> <li>- Guolele has signed up over 3,000 fruit farms all around China and has over 6,000 stores in Beijing, Shanghai, Hangzhou, Guangzhou, Shenzhen, Tianjin covering most of major cities in China</li> <li>- Currently working with two online sales platforms to cater to expand client pool</li> </ul>
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	<ul style="list-style-type: none"> <li>B2B website platform that caters for fruit shops, retailers and other fresh produce businesses → B2B clients can place their orders online and Guolele delivers the products directly to them.</li> <li>Di Jiu Xian, an online shop for end consumers → Competitive pricing compared with wholesalers</li> </ul>
Growth Initiatives	<ul style="list-style-type: none"> <li>Competitive promotion channels: (1) cost efficient and viral marketing platform for fruit farms to increase exposure and brand building via information sharing and advertisement on the internet (2) advanced IT system that attracts and scales buyers network which enables big data based smart buying recommendation <ul style="list-style-type: none"> <li>Dedicated team of IT professionals and localized sales force that run seamless online and offline activities</li> <li>Lean and dynamic operation system that is fit for quick expansion: Guolele is looking to open online shops in Suzhou, Wuhan and Chengdu.</li> </ul> </li> <li>Joint ventures with local government, aiming to open up more retail channels in tier-one cities <ul style="list-style-type: none"> <li>Leveraging resources from funding supported by local governments: 1) open more retail stores in tier-one cities with local government subsidy (rent and marketing); 2) utilizing government networks to sell fruits by direct procurement model.</li> <li>Monthly Gross Merchandise Value (GMV) has exceeded RMB18 million as of Feb 2017</li> </ul> </li> <li>Guolele will focus on utilizing its supply chain management (SCM) advantages to enhance profit margin → via active collaboration with local government and state owned entities</li> </ul>
Management Team	<ul style="list-style-type: none"> <li>World class technology team from Ganji (BRV 2008 portfolio) and a veteran CEO with extensive work experience in food retail; management team was validated by BRV Aster prior to BRV Lotus II investment</li> </ul>
BRV Value-Add	<ul style="list-style-type: none"> <li>Assist with new technology integration and partnership development with leading Korean/Japanese farming technology companies; technologies include special fertilizers for cherry tomato, water treatment, soil sensors, indoor farming systems, crop protection solutions, see technologies, farming big data and etc. (BRV Lotus II pipeline)</li> <li>Help to enforce the same level of weekly/monthly monitoring system as Ganji, which BRV seeded; core team is from Ganji (now 58.com, NASDAQ)</li> </ul>

### Company Financials

(in USD mm)	FY2015	FY2016
	FY2015(A)	FY2016(E)
Revenue	33	35
YoY (%)	N/A	6%
EBITDA	-10.3	-5.8
EBITDA Margin (%)	-31%	-16%
Net Profit	-10.3	-5.8
NP Margin (%)	-31%	-16%

### Exit Profile

Expected Return	2 – 5x
Minimum IRR (worst case)	30+%
Expected Exit Timing	1H2019
Exit Strategy	IPO or M&A in China