

## Income for farmers and waste reduction

### Anticipated transaction impact

Increased income for pineapple farmers and improved environmental outcomes from recycling of farm waste

**Impact score** Pass (22/28)  
**Credit score** Pass (20/28)

### Loan Overview

Commitment limit	USD 120,000
Tenor and structure	36 months, monthly amortizing loan
Interest rate	9% p.a.
Collateral	USD 120,000 approx. value of equipment

### Financial Overview

2021E Revenue	USD 2.8 M
2021 Maturing loans	0
Net assets as of Jul 2021	USD 1.5 M

### Company Information

Legal name	Ananas Anam UK Limited
Incorporation date	21 January 2013
Corporate address	London, UK
Nature of business	Sustainable materials
Website	<a href="http://www.ananas-anam.com">www.ananas-anam.com</a>

### Shareholders

Name	Share (%)
Carmen Hijosa	22.8
ChloroPhil SA	17.6
Bruno de Penanster	13.7
Other shareholders	45.9

### Company management

Name	Nationality	Position
Melanie Broye	French	CEO
Bruno de Penanster	French	CFO
Carmen Hijosa	Spanish	Founder

### Recommendation

Approval of a USD 120,000 term loan given the company's positive impact rating, anticipated growth and successful Series B raise

Note: FX rate assumed at 1 GBP: 1.38 USD

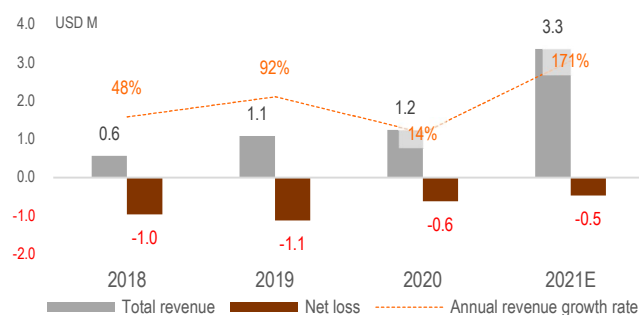


## Ananas Anam

### Business overview

Ananas Anam (Ananas) is a textile business that produces Piñatex, a vegan alternative to leather. Piñatex is made from the fiber of pineapple leaves sourced from small-scale Filipino farmers. Through its sustainable supply chain, Ananas is able to reduce the use of hazardous chemicals that are a hallmark of the leather tanning process while increasing farmer income. They also help in reducing waste as it allows the leaves, otherwise an agricultural waste, to be recycled.

Figure 1: Ananas Anam Financial Performance, 2016-2021



Source: Management information, BR analysis

Ananas is experiencing significant growth posting sales of USD 1.2 million in 2020 – growing more than 10x from its inaugural year of 2016, and growing 14% from 2019. This achievement is even more notable given how COVID-19 upended supply chains around the world. Its margins are slowly improving but have yet to be sufficient to achieve profitability.

Piñatex has been used by over 1000 brands worldwide including Hugo Boss and H&M. In 2021, it shipped its first order to Nike, one of the largest shoe manufacturers in the world. Additionally, Wolverine World Wide, a shoe conglomerate behind a host of brands including Saucony, Cat footwear and Merrell, began purchasing from Ananas in 2021. Ananas is a certified B Corporation.

### Business impact

Ananas provides considerable impact by increasing farmers' income and improving environmental outcomes from waste reduction and sustainable textile production. We assess Ananas Anam's impact to be high with a score of 22 out of 28. (See Appendix 1: Impact Assessment)

### *Environmental impact*

Ananas recycles pineapple leaves - a byproduct that would have otherwise been discarded or burned. This helps reduce the 13 million tons of leaf waste attributed to pineapple farming annually and reduces the amount of carbon emissions released into the atmosphere from the burning of the leaves. Ananas estimates ~264 metric tons of CO<sub>2</sub> emission have been saved through their work.

Ananas also provides consumers a more sustainable alternative to leather and alleviates some of the fashion industry's damaging practices from its significant water consumption, energy emission, chemical usage, and waste creation. Projections through 2030 estimate the size the global industry to be at least USD 180 billion/year.



### *Social impact*

According to the 2015 national Philippine statistics, farmers make up the poorest sector of the country's population with a poverty incidence of 34.3% compared to the national average of 21.6%. By purchasing pineapple leaf fibers from farming cooperatives, Ananas also creates social impact by increasing farmers' income. In their 2021 Impact Report, USD 275k has been paid out to pineapple growers in 2020 through upcycling traditional leaf waste. This impact is set to grow with Ananas.

### **Industry overview**

The ethical fashion industry is estimated to be worth over USD 6.4 billion and is predicted to grow to USD 9.8 billion in 2025 and to USD 15.2 billion in 2030<sup>1</sup>. This implies a compounded annual growth rate (CAGR) of 9.1% and an almost tripling in value in less than a decade. This growth is mainly due to greater consumer awareness of sustainability and growing preference for products that reflects responsibility towards people, animals, and the planet.



<sup>1</sup> [The Business Research Company Global Ethical Fashion Market Report, December 2020](#)

**Company overview**

Ananas operates under three companies:

Name	Domicile	Function
Ananas Anam UK Ltd	UK	Parent company; renders almost all managerial and back-office functions including strategy, legal, funding, R&D, marketing, sales, and IT
Ananas Anam Philippines Inc.	Philippines	Fiber processing and transformation
Ananas Anam España SL	Spain	Finishing and fulfillment

**Management**

Melanie Broye  
*CEO*

Melanie Broye has been the CEO since 2018. She had an illustrious career in brand development and management prior to joining Ananas Anam. She obtained her Master’s Degree in Management and Marketing from Universite Paris Dauphine in 2000.

Bruno de Penanster  
*CFO*

Bruno has served as the CFO since the company was founded. He obtained his MBA from the London Business School in 2008. He was a senior associate within M&A at HSBC, where he worked for 5 years before joining Ananas Anam.

Dr Carmen Hijosa  
*Founder and Chief Creative and Innovation Officer*

Carmen has extensive IT background in leather goods design and manufacturing where she worked as an industry consultant. In her sixties she received a PhD from the Royal College of Art (UK) where she invented Piñatex. She was awarded the Cartier Women’s Initiative Award in 2015 and the Innovate UK women in innovation award in 2016 for her achievements in sustainable fashion.



### ***Supply chain***

Ananas sources its fiber (90%) primarily in the Philippines from pineapple farming cooperatives south of the capital of Manila. They currently work with 17 villages who after pineapple harvest, collect suitable plant leaves in bundles. Long fibers are extracted from the leaves using semi-automatic machines in a process called decortication.

The fibers are washed then dried naturally by the sun, or in drying ovens during the rainy season.



The dry fibers go through a process to remove any impurities which results in a fluff-like material. This fluff-like pineapple leaf fiber (PALF) gets mixed with a corn based polylactic acid (PLA) and undergoes a mechanical process to create Piñafelt, a non-woven mesh which forms the base of all Piñatex collections.

The rolls of Piñafelt are then shipped by boat from the Philippines to Spain or Italy for specialised finishing which gives Piñatex® its leather-like appearance.

In 2021, Ananas Anam expanded their partnerships along their supply chain. They have formalized an agreement with Dole, a leading supplier of fresh produce globally, to take up pineapple fibers from their Philippines operations through T'Boli Farm Growers – the main cooperative Dole works through. Significantly, this partnership with Dole will ensure a more consistent supply of fibers without sacrificing social impact, with additional payments to smallholder farmers distributed through T'Boli Farm Growers.

### **Financial overview**

Ananas has experienced significant revenue growth since it began its operations. Even through the adverse effects of COVID-19 to supply chains and household spending, Ananas continued to grow its top line while improving its bottom line. We assess Ananas Anam's credit standing to be adequate with a score of 20 out of 28 (*See Appendix 2: Ananas Anam Credit Assessment.*)

### ***Financial performance***

- Revenue grew 14% from USD 1.1M in 2019 to USD 1.2M in 2020, despite Ananas only being able to produce half of the year given lockdowns in the Philippines and Spain.
- Gross margin across 2019, 2020 and into 2021 has been relatively stable at between 25-30%, reflecting an ability to maintain prices amid increasing volumes.

- Significantly, Ananas Anam continues to grow their customer base. Their latest win coming from Wolverine World Wide ([www.wolverineworldwide.com/our-brands/](http://www.wolverineworldwide.com/our-brands/)) that owns a slew of footwear brands including Saucony, Cat Footwear, Merrell, Hush Puppies etc. After extensive testing, Wolverine has started placing orders in H2 2021 and has the potential to grow its purchases markedly in the periods ahead.
- However, 2021 isn't without its own set of challenges. The company experienced production issues in Q2 2021, lacking a bio-resin input required for the finishing phase of production. This resulted in a work-in-progress build without the attendant sales in Q2. Manufacturing expenses were booked as incurred and a one-off financial incentive for staff in June '21 (for pay-cuts meted out in 2020) meant the company recorded a negative gross margin and a larger than usual net quarterly loss of \$518k. This deepened year-to-date July 2021's net loss to \$851k.
- This aberration in gross margin is due to be reversed through the rest of the year as the accumulated work-in-progress from Q2 gets converted to sales. Some of this can be seen in July 2021, when the company nearly broke even, recording its narrowest monthly loss year-to-date of \$45k.
- Ananas Anam has historically recorded significantly higher sales in the second half of the year and this seasonality is expected to be at play again this year. That said, the company looks set to fall short of its original sales forecast of \$3.3M.
- With new partnerships on both ends of its business operations, Ananas Anam needs to continue to scale to be profitable. The previous loan BR extended to the company to acquire new machinery in June '21 has already helped to raise production capacity. Notably, AAPH was able to ship 7,000+ linear meters in July versus a maximum capacity of 3,000 meters at the beginning of the year. A more significant stride forward in scaling their operations is their current Series B fund raising campaign (refer below).

Figure 2: Ananas Anam Income Statement 2016-2021E

in USD k	2016	2017	2018	2019	2020	2021E	Jul-21
Revenue	122.7	380.6	563.7	1,083.5	1,235.7	3,349.3	621.9
Cost of Sales	-86.5	-172.7	-482.1	-788.6	-930.0	-1,970.6	-531.9
Gross profit	36.1	207.8	81.6	294.8	305.7	1,378.6	90.0
Overhead costs	-226.9	-768.8	-1,048.8	-1,418.4	-934.3	-1,854.7	-941.1
Net loss	-190.8	-560.9	-967.2	-1,123.5	-628.5	-476.1	-851.0
<b>Financial performance metrics</b>							
Annual revenue growth rate		210%	48%	92%	14%	171%	
Annual operating costs growth rate		239%	36%	35%	-34%	99%	
Gross profit margin	29%	55%	14%	27%	25%	28%	14%
Cost of each USD 1 of revenue	1.85	2.02	1.86	1.31	0.76	0.55	1.51*

\*Due in part to the production issues encountered in Q2

Source: Management information, BR analysis

### Financial position

- When we made our last loan in June '21, we expected the company's cash reserves to sustain it for two years given the current level of financial performance. The production issues encountered in Q2 2021 temporarily injected a level of uncertainty to this assumption although the company has since increased its level of cash

reserves in July and looks set to build on that for the remainder of the year, independent of its present equity fundraising.

- The FSE Group extended a loan of £250K to Ananas in July which helped raise cash reserves to a more comfortable level. This is a 36-month amortizing loan with a 6-month repayment holiday. The main purpose of the loan is to hire senior executives including a Chief Commercial and Marketing Officer and fund product developments. The FSE Group is affiliated to the Greater London Investment Fund (GLIF).

Figure 3: Ananas Anam cashflow projections Jul-Dec2021, excluding proceeds from ongoing Series B and this proposed loan

<i>in USD k</i>	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
<b>Receipts</b>						
Collections from customers	258	373	436	442	432	388
Other Revenues	72	177	-	152	-	-
<b>Total cash receipts</b>	<b>330</b>	<b>549</b>	<b>436</b>	<b>593</b>	<b>432</b>	<b>388</b>
<b>Payments</b>						
To supplier	-244	-246	-261	-236	-217	-203
Other Cash Payments	-130	-327	-163	-128	-156	-148
<b>Total cash payments</b>	<b>-374</b>	<b>-573</b>	<b>-424</b>	<b>-364</b>	<b>-373</b>	<b>-351</b>
<b>Net cash provided by operating activities</b>	<b>-44</b>	<b>-23</b>	<b>12</b>	<b>229</b>	<b>59</b>	<b>37</b>
<b>Net cash used for investing activities</b>	<b>-17</b>	<b>-10</b>	<b>-11</b>	<b>-11</b>	<b>-17</b>	<b>-10</b>
Other loans	345	-	-	-	-	-
<b>Net Cash provided by financing activities</b>	<b>341</b>	<b>121</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>
<b>Net Inc/(dec) in cash</b>	<b>280</b>	<b>88</b>	<b>-3</b>	<b>214</b>	<b>39</b>	<b>23</b>
Opening cash balance	437	718	806	803	1,017	1,056
<b>Closing</b>	<b>718</b>	<b>806</b>	<b>803</b>	<b>1,017</b>	<b>1,056</b>	<b>1,079</b>

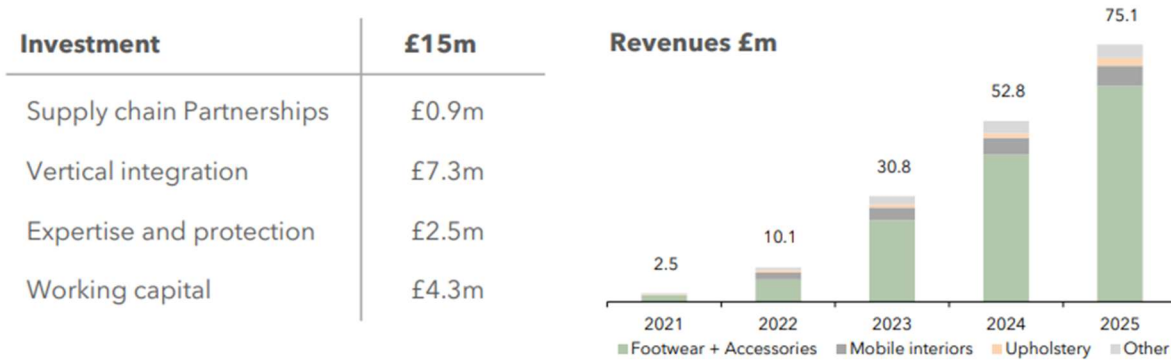
Figure 4: Ananas Anam Balance Sheet 2018-Jul2021

<i>in USD k</i>	2018	2019	2020	7M2021
Cash	261.5	1,789.4	1,335.0	665.0
Receivables	123.5	54.2	588.9	154.0
Inventory	255.7	356.7	305.4	517.8
Other current assets	345.5	534.3	875.7	1,804.6
<b>Current assets</b>	<b>986.1</b>	<b>2,734.6</b>	<b>3,104.9</b>	<b>3,141.4</b>
<b>Current liabilities</b>	<b>70.0</b>	<b>160.5</b>	<b>671.9</b>	<b>1,248.5</b>
<b>Working capital</b>	<b>916.1</b>	<b>2,574.1</b>	<b>2,433.0</b>	<b>1,892.9</b>
<b>Total assets</b>	<b>1,143.4</b>	<b>3,147.0</b>	<b>3,739.1</b>	<b>3,651.0</b>
<b>Total debt</b>	<b>196.4</b>	<b>160.5</b>	<b>1,071.4</b>	<b>1,929.0</b>
<b>Shareholders' equity</b>	<b>947.0</b>	<b>2,986.5</b>	<b>2,667.7</b>	<b>1,722.0</b>
<i>Debt Service Coverage Ratio</i>	<i>-14.81x</i>	<i>-8.00x</i>	<i>-1.94x</i>	<i>-1.38x</i>
<i>Debt-to-Equity (D/E)</i>	<i>0.21x</i>	<i>0.05x</i>	<i>0.40x</i>	<i>1.12x</i>
<i>Current Ratio</i>	<i>14.08x</i>	<i>17.04x</i>	<i>4.62x</i>	<i>2.52x</i>

Source: Management information, BR analysis

**Series B raise**

- In order to fund its planned expansion, and given the size of the obtainable market and the scalability of their business, AA is raising a larger round of equity. The fund-raising campaign commenced in early April and has garnered significant interest from the investor community. The company is targeting to raise £15m. As part of our due diligence we interviewed the investment bankers at Exane and feel confident that they will meet their target, although possibly not at the valuation that AA hopes for.
- According to Exane BNP Paribas, who is coordinating the Series B raise, there are 8 potential lead investors who could each invest between 40 and 70% of the £15m target. Out of these 8 potential lead investors, 2 have submitted a letter of intent. The deadline for selecting a lead investor is set for 13 September 21.
- In addition to the 8 potential lead investors, there are 25 potential follower investors who could invest between £1 and £3m. Accumulating the interest that has been expressed, there is a high chance the round will be oversubscribed.
- Approximately half the anticipated proceeds from Series B will be used to either set up or expand fiber processing facilities on 3 continents - Asia, Europe and Americas, even though the home processing base will continue to remain in the Philippines. They also intend to set up a fiber processing center in Spain to drive research and development efforts. Around £4.3m has been budgeted for use as working capital, needful as revenues continue to track higher and cash conversion cycle is around 140days. £2.5m has been earmarked for further R&D as well as product development, with full traceability.



**Transaction Overview**

Ananas is seeking a USD 120,000 loan to further bolster its operations. They are seeking to acquire an additional purification machine and solar-powered drying machine, costing ~PHP 3M (USD 60,000) and ~PHP2.5M (USD 50,000) respectively, to match increased fiber extraction and fiber treatment capacities that our last loan helped to finance. The capital expenditure will enable them to process more fiber into textile grade fiber which they then convert into rolls of substrate.

The loan will be made to Ananas' fully-owned Philippines subsidiary, AA Philippines Inc, (AAPH), the legal owner of the equipment. A full guarantee will be provided by AA UK Limited, the parent entity.

The loan will have the underlying equipment as collateral, covering >90% of the proposed loan. It will be documented by Philippine law firm PJS Law with Allen & Overy (London) providing the parent guarantee documentation – all on a pro bono basis.

**Major risks and mitigating factors**

Risk	Risk factor	Probability	Risk mitigating factor
Ananas encounters production and operational issues as it scales	Production issues as the company continues to scale	Moderate	<ul style="list-style-type: none"> <li>We believe the production issues encountered in Q2 have underscored to management the need for a more robust supply chain, including diversifying suppliers of various production inputs.</li> <li>The series B raise will allow the company to streamline and develop additional production lines.</li> </ul>
	Disruption of supply chain due to global logistics interruptions	Moderate	<ul style="list-style-type: none"> <li>There are plans to relocate the finishing stage of production – coating for durability, from Spain to the Philippines.</li> <li>Shipping charges are borne by the customer through shipping recharge.</li> </ul>
Ananas unable to achieve profitability	Inability to establish demand for its product sufficient to scale its business	Low	<ul style="list-style-type: none"> <li>We believe Ananas’ significant growth will continue given Piñatex positioning in the fashion industry as consumers shift towards more sustainable products.</li> <li>Ananas’ new customer, Wolverine World Wide, has testified to the quality of Piñatex after an extended search for sustainable fibers.</li> </ul>
	Inability to control operating costs	Moderate	<ul style="list-style-type: none"> <li>Ananas’s cost per USD 1 of revenue has declined by 10% from 2019 to 2020, with a declining trend exhibited since 2017. This gives us confidence in the company’s ability to steer its operations towards greater efficiency as it puts its capital to work</li> </ul>

**Conclusion**

We recommend extending a loan of USD 120,000 to Ananas give its strong impact score, adequate credit score and positive indications for a successful Series B raise.

Ananas has proven to be a good borrower from the loan we extended in 2019, making all payments on time. While we are recommending to extend this loan before the ongoing Series B raise is concluded, we believe the risk of an unsuccessful Series B is low. We made this assessment after discussions with both management and the investment bankers leading Series B. The main attraction of this transaction, for both equity investors and ourselves, is the immediate realization of social impact and environmental goals. Deployed capital yields a timely benefit without a long gestation period.

The company currently has sufficient cash at hand to operate until the end of 2022. We have structured the loan to be a 36-month amortizing loan, in-line with the previous loan we extended to the company.



Appendix 1: Ananas Anam Impact Assessment

Impact score: 22 out of 28

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. Minimum score of 20 for approval.

	Low	Moderately		High	Score
		Low	High		
<b>1 SCALE</b> Is the social enterprise addressing a major social or environmental problem and do they have the capacity to make a measurable, positive difference themselves or by influencing others?				✓	4
<b>2 SYSTEMIC CHANGE</b> Is the social enterprise focused on systemic change? In other words, would the impact continue even if the social enterprise went out of business?		✓			2
<b>3 SUSTAINABILITY</b> Does the social enterprise have a business model that is or has a strong likelihood of being sustainable? This may include a portion of philanthropic revenue provided that is sustainable.			✓		3
<b>4 STAKEHOLDER ENGAGEMENT</b> Does the social enterprise engage all stakeholders in their work? Is the social enterprise building local, human resources? Does it actively share its insights with others? Are indigenous communities involved?				✓	4
<b>5 RIGOR</b> How does the social enterprise measure its own impact and how well is it doing against these metrics?			✓		3
<b>6 EFFICIENCY</b> Are the social enterprise’s impact outcomes cost efficient vs. other interventions? If not, is it likely that they will become so as the social enterprise grows?		✓			2
<b>7 INTENTION</b> How committed to its social or environmental mission is the social enterprise?				✓	4
<b>TOTAL</b>					22

**Appendix 2: Ananas Anam Credit Assessment**
**Credit score: 20 out of 28**

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. Minimum score of 20 for approval.

	Low	Moderately		High	Score
		Low	High		
<b>1 BELIEF IN MANAGEMENT</b> Does the social enterprise have a strong management team (extensive industry experience, strong leadership and entrepreneurial background)? Is the governance structure adequate?			✓		3
<b>2 ACCOMMODATIVE BUSINESS ENVIRONMENT</b> Is the social enterprise operating in an industry with low level of competition? Does the social enterprise provide products or services that have low threat of substitution?			✓		3
<b>3 QUALITY OF FINANCIAL INFORMATION</b> Can the financial information provided be depended on? Has its financial statements been audited?				✓	4
<b>4 ABILITY TO BE PROFITABLE</b> Does the social enterprise have a positive earnings trend? Are the earnings sustainable?		✓			2
<b>5 STRENGTH OF FINANCIAL POSITION</b> Does the social enterprise maintain adequate financial ratios (DSCR, Debt-to-equity, Current ratio) to support a debt obligation?			✓		3
<b>6 ABILITY TO SERVICE DEBT</b> Does the social enterprise have the ability to establish a strong cash position to meet its debt obligations on time?			✓		3
<b>7 COLLATERAL OR GUARANTEES</b> Is there collateral for the loan with an adequate loan-to-value amount? Is there a guarantor for the loan?		✓			2
<b>TOTAL</b>					20