Kennemer

More farmers engaged in sustainable cacao production, lifting incomes.

Anticipated transaction impact
Kennemer will own its trucks and secure its logistics need instead of being dependent on leases.

Impact score	Pass (3.3/4)
Credit score	Pass (3.225/4)

Loan Overview

Commitment limit	USD 300,000
Tenor and structure	39 months; 3 months of interest-only followed by 36 months of P+I
Interest rate	9%

Financial Overview	**In $k**
FY 2024 Revenue	$16,200
FY 2024 Net profit	$176
FY 2024 Net assets	$5,153

Company Information

Legal name	Kennemer Foods Int'l, Inc.
Incorporation date	2012
Corporate address	Davao, Philippines
Nature of business	Cacao and bananas
Website	www.kennemerfoods.com/

Shareholders

Name	**Share (%)**
LDNF	31.9%
Semper Holdings	24.2%
LGT Venture	16.3%
S&S Capital	9.5%

Company management

Name	**Nationality**	**Position**
Simon Bakker	Dutch	Group CEO
May Lynn Lee	Filipina	Group COO
Jona Sibog	Filipina	Group CFO
Rodrick Kutinyu	Zimbabwean	KFI CEO

Recommendation

Approval of a USD 300,000 truck loan to Kennemer.

Beneficial Returns

Executive summary

Kennemer is a 14-year-old agricultural company in Mindanao, Philippines that produces cacao through smallholder farmers and bananas through their own farms on land leased from farmers.

They are the largest exporter of cacao from the Philippines. They train and buy cacao from ~10,000 smallholder farmers for further processing into cacao beans for sale. But they did not start this way. They started as a commodity trader in 2010 and have spent the following years adding more services and engaging more farmers to make a more direct and holistic difference.

This move upstream has meant Kennemer now engages farmers across the entire growing cycle, starting with seedlings. It results in greater quantity and higher quality – more farmers now grow cacao and sell the ripened fruit "wet," allowing Kennemer to ferment it to yield superior cocoa. Farmers, many of whom live at or below the poverty line, have grown their incomes and got a further shot in the arm this past year when cacao prices shot up.

Cacao processing is surprisingly simple – beans are fermented in wooden crates and laid out in solar dryers to dry. But post-harvest processing must begin immediately once seeds are extracted from pods. Kennemer is seeking funding to buy two new trucks to transport cacao beans from collection to processing centers. They presently rent these trucks.

Other than working with smallholder farmers, Kennemer also operates its own farms growing bananas for export and sale locally. These bananas must be transported from farm to port in reefer containers that are temperature controlled. Kennemer is also seeking funding to acquire a reefer container and a matching tractor head to transport these bananas.

Impact background and delivery

Kennemer works in Mindanao which has the highest poverty rate among the three island groups of the Philippines, 17.6% of families live at or below the poverty line, compared to 15.9% in Visayas and 6.6% in Luzon[1].

"Deforestation happens because of a lack of sustainable livelihoods," Simon Bakker, the founder of Kennemer said. That simple statement underscores the twin challenges facing smallholder farmers in rural Philippines: a lack of sustainable livelihoods that drives farmers to clear their land for short bursts of income to survive. Kennemer tries to get at the root cause, they seek to lift farmers' livelihoods by teaching them to create fruitful and enduring cacao farms and raising the quality of cacao post-harvest, because value must be *created* before it is shared.

Cacao trees that thrive in tropical climate 7 degrees north and south of the equator have been present in Mindanao for centuries. But prior to Kennemer, growers lacked a steady demand and only grew cacao sporadically. Ripened beans were simply left out to dry in the sun, unfermented, resulting in an inferior product that lacked flavor. Kennemer sensed the potential and seized the opportunity to encourage more farmers to grow more cacao. To raise quality, they built post-harvest processing centers with fermentation boxes and urged farmers to sell cacao beans wet. Cacao beans that are fermented before they are dried have a distinct chocolate flavor and fetch a higher price.

Cacao prices spiked in 2024 because a portion of farms in West Africa, where 70% of the world's cacao comes from, failed. And those farms failed because buyers – mostly commodity traders, sought beans without doing the prior and *harder* work of truly investing in farmers and their farms. Kennemer has handed seedling out to over 20,000 farmers (they only buy from ~10,000 because trees take time to mature and produce) across Mindanao, who have in total planted 20.5 million cacao trees. But they do not stop at handing out seedlings, they invest in farmers and teach them to cultivate farms that thrive.


Figure 1 (Left) Cacao nursery (Right) A field officer with Ms. Annabella, a cacao farmer

It takes three years for a cacao tree to start bearing fruit; in this gestation period and after, Kennemer's field team trains farmers. "Previously, we would receive seedlings from the local government but with no financial and technical support. It was a real issue as I couldn't look after my crops properly," Ms. Annabella, a cacao farmer, said. Sustainable rural development is hard because it requires behavioral change – bad habits must be replaced with good ones, and this is what the team labors at daily. Their foremost reminder is for farmers to prune their trees, so nutrients are used to grow fruit rather than to grow tall. Sunlight can also penetrate trimmed farms, dispelling moist and dark conditions that pests enjoy. To further guard against insects, they urge farmers to sleeve their fruits.

Jandy Onita, who has been with the company for 10 years, leads the field team. They also encourage farmers to intercrop cacao trees with companion plants – durians, coconuts, and banana because monoculture plots are weak and vulnerable. They *show* farmers how to graft young branches onto mature trees to preserve them. They relay

[1] PX-Web - Table

the latest research findings from their long-time customer Mars, the world's leading chocolate manufacturer, so farms continue to thrive. For example, the latest finding calls for a diversity of cacao species on the same farm, because cross pollination results in better fruits. Flourishing farms are never an accident, and Jandy said, "I love this job because the company's goals and the farmers' goals are aligned. Happy farmers make me very happy."

The team also encourages farmers to keep records of all that goes on in the farms to increase transparency, progress, and replicability. They received support from German funding programs to develop workbooks for farmers to use. Modules that span farm management and extend to teaching farmers how to budget and save, although he's the first to concede that this is no easy task. "We want to teach and train more effectively. We would also like to be trained to be better trainers." He continued, "We're not the only ones who visit farmers. Salesmen from chemical companies also visit and relay a very different message. We want our message to stick."

All this translates into a sustainable livelihood for those willing to work hard. The average smallholder farmer can grow 550 cacao trees on a hectare. Each fully mature tree (year 5 onwards) yields 2 kg of dried fruit per year, which translates to $6,200[2] per hectare based on this season's price. Farmers make more because Kennemer passes on market price increases onto farmers. Even if prices halve, it's still a handsome income for farmers, considering how most farmers supplement their farming with paying jobs and income from other crops. For context, the minimum wage in Davao is PHP 476 per day, ~$2,500 per year.

Most of the cacao farmers who supply to Kennemer are certified by the Rainforest Alliance (RA) and/or Cacao Trace. The training farmers receive and the change in practices to adhere to its standards help to foster *systemic change*. RA works in 62 countries to promote more sustainable land management practices while cultivating thriving rural economies—the most widely proven strategy to restore biodiversity and keep our tropical forests standing.[3] Cacao Trace is an accreditation developed by Puratos, a 100-year-old Belgian company who manufactures quality chocolate ingredients for bakeries and patisseries and one of Kennemer's main customers. It seeks to increase farmer revenues by raising quality. This video explains their approach. While Kennemer's farmers are not regenerative organic, the company strives to reduce reliance on any inorganic fertilizers by developing more biological amendments in-house for farmers' use.

Figure 2 Farmers' accreditation

As part of our due diligence, Alex visited Kennemer in Davao in November 2024. He visited the post-harvest processing centers and farms, spoke with consolidators, and interviewed almost a dozen team leaders while there. He was impressed with the dedication and passion of those he met. Koko also visited the Manilla office and witnessed the fruit and vegetable operations there.

[2] Not all farmers who sell to Kennemer make this amount yet because trees take 5 years to reach optimal production.

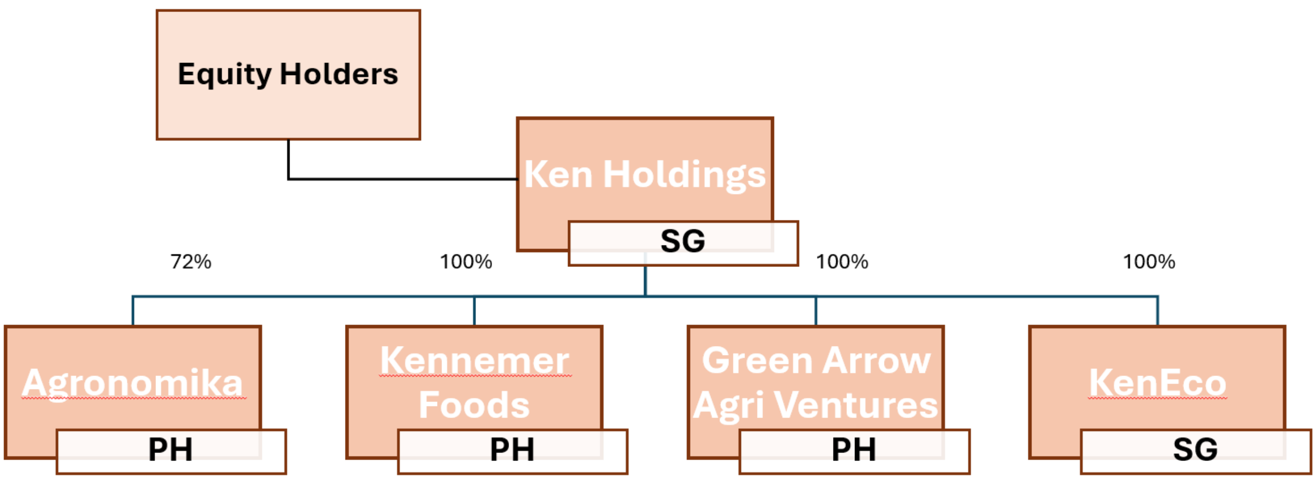
[3] https://www.rainforest-alliance.org/our-work/

Business model

History

Kennemer was founded in 2010 by Simon Bakker, a Dutchman who came to the Philippines in 1994 as an AIESEC fellow. The company started as a trader, buying and selling unfermented, sun-dried cacao beans for a margin. It was soon discovered that these unfermented beans posed quality issues and could not fetch a premium internationally. This catalyzed a journey upstream where the company started a centralized fermentation facility for post-harvest processing. It then realized that there were simply not enough farmers who planted cacao. Kennemer worked on promoting the merits of growing cacao but found that their promotion must be matched by training and support systems to be truly effective. Over time, as described in the previous section, it built these systems to engage farmers holistically. In 2016 Bakker was recognized by the World Economic Forum for his social entrepreneurship accomplishments.

In the early years, the company was funded by Simon's friends and family (who owns 9.5% now under S&S Capital), who collectively invested PHP 84m (~$1.5m) into the company. In 2014, Kennemer accepted its first institutional (and impact) investor, LGT Ventures, who invested PHP 22m ($0.5m). LGT invested PHP 100m ($2m) again in 2018, along with some other investors for a total of PHP 153m (~$3m). In 2022, Mirova who manages the Land Degradation and Neutrality Fund, invested a total of $14m ($1.7m remains undrawn) into the company. Kennemer incorporated a Singapore holding company to accept this investment, which is meant for its various subsidiaries. It also swapped the shares in Kennemer Foods Inc. (referred to as "Kennemer" throughout this memo) for shares in Kennemer Holdings (KH). KH now owns 100% of KFI and other entities, each with a related but distinct focus.



In working with farmers, Kennemer encountered other needs that they've tried to address. For example, farmers need funds to plant cacao. The early plantings were financed by the Department of Agriculture but over time, farmers are responsible for expanding their farms. To meet the financing need, Kennemer created a separate legal entity, Agronomika, that provides microfinance to farmers. It obtains its lending capital from lenders who signed up specifically for this purpose. As part of our diligence, we spoke with Welland who leads Agronomika and was impressed by their methodical approach towards community engagement. The company reports portfolio at risk of <3%.

Green Arrow AV (GAAV) is the entity that manages Kennemer's banana farms business. Kennemer grows Cavendish and Lakatan bananas on leased land, for export and local sales respectively. One of the trucks we're proposing to finance comes with a cold storage container that preserves quality, it will be used to transport bananas to the port. The truck will belong to Kennemer Foods, who will lease it to GAAV.

Supply Chain

Cacao is a perennial crop that starts to fruit 3 years after planting and hits peak production 2 years later. With the right care, trees can continue to produce fruits for at least 25 years. Fruiting is seasonal, peak season starts in November, hits a high point at the end of December, before tapering off in February.

Kennemer sells two kinds of cacao beans: Good fermented (GF) and fair acceptable quality (FAQ). These grades are used for mass-market chocolate. As the name suggests, GF beans are fermented post-harvest, which results in quality beans that are flavorful and aromatic. Fermentation improves quality but it can only be achieved if beans are delivered to Kennemer wet, and on the day of extraction from cacao pods. This raises the need for a reliable and complete logistics line, which our loan will be used to build.

Out of GF beans, chocolate manufacturers can extract cocoa liquor (also known as baking chocolate, to be distinguished from cocoa liqeur). Out of FAQ beans, manufacturers extract cocoa butter, which is used to produce white chocolate and can be used elsewhere in the food and cosmetic industry.

Sourcing

Presently, Kennemer sources their beans from just over 9,500 farmers, concentrated around the districts of San Isidro and Calinan, to the north and south of Davao city. Kennemer has 8 collection centers across Mindanao but rely on 800 consolidators who earn a small margin do most of the collection from farmers on behalf of Kennemer. Farmers bring their beans to these centers daily and are paid cash upon delivery. Kennemer's trucks then make the rounds from noon, sometimes to the wee hours of the morning during peak season, to transport beans to post-harvest processing centers.

Kennemer prefers that farmers bring wet beans, but presently it is still trying to grow the percentage of wet beans vs. dry beans from farmers. Farmers bring dry beans because on the surface, dry beans fetch a higher price (PHP 330/kg dry vs. PHP 115/kg wet) but in fact, wet beans are at least 3 times heavier and require less work. Kennemer will continue to educate farmers and tweak pricing to encourage a higher supply of wet beans. Farmers bring dry beans also because of distance – faraway farmers cannot transport wet beans quickly enough to collection centers while retaining quality. For this, Kennemer plans to establish another post-harvest processing center to increase its reach.

Figure 3 Poster advertising a consolidator

Figure 4 Mr Bernard and his wife, who delivered 58.7kg of wet beans to the collection center. They earned $122 from this delivery.

Production

Day 0
Collect beans, drain excess juice

→

Day 1
Wet beans are placed in fermentation boxes for between 2 to 10 days

→

Day 3 to 11
Fermented beans are placed on solar dryers to dry for 7 days

→

Subsequently, dried beans are winnowed and packed for shipment.

Figure 5 Post-harvest process of cacao beans

Figure 6 (Left) Fermenter boxes (Right) Cacao beans drying on solar dryers

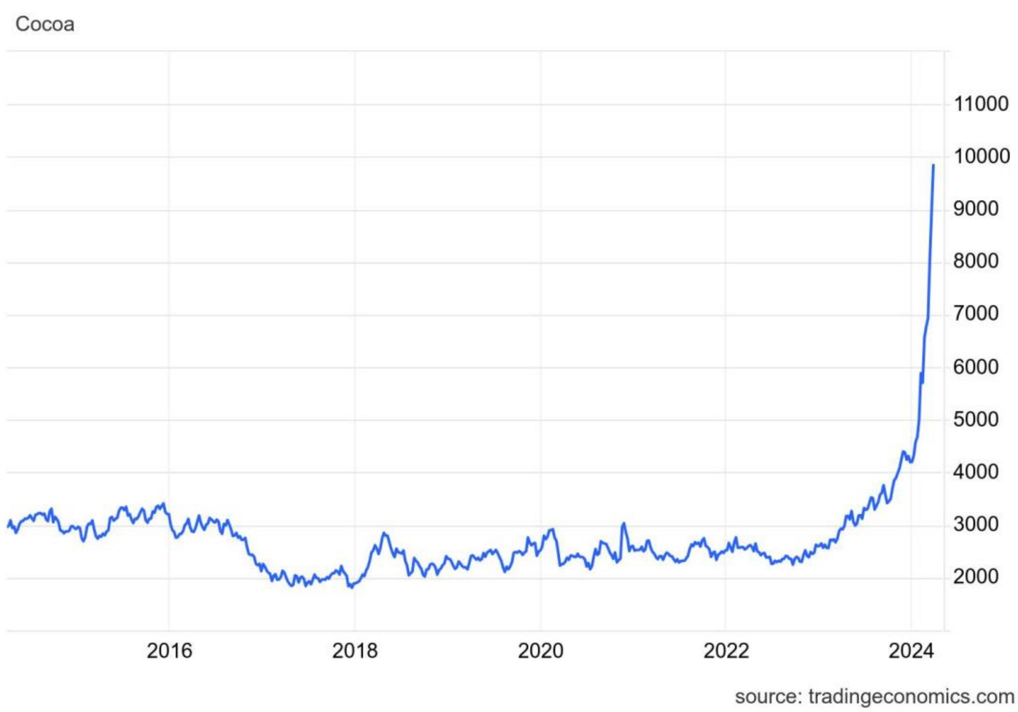
Production of cocoa isn't complicated, although timing is key. To produce GF beans, the cocoa fruit must be delivered wet *on the day* of harvest. The excess juice is drained off the fruit in crates before it is loaded into fermenter boxes the following day. Depending on the requirements of the customer, it stays in the boxes for between 2 to 10 days. After that, it is laid out to dry on solar dryers for another 7 days before being packed for shipment. A quality team is present to audit the process.

Sales and Logistics

Kennemer only has a few committed buyers, but each of them has asked for more volumes from Kennemer because they can buy much more. Their two main customers are Mars and Puratos: Mars has been a customer since 2012 and Puratos since 2018. We spoke with the purchasing managers, Yong Kong from Mars and Justin from Puratos. Both testify to a close collaboration that extends beyond a typical buyer-seller relationship. Mars sends its own agronomist to visit Kennemer's farmers and shares their latest findings from a cacao research center in Sulawesi, Indonesia. Puratos has been working hand in hand with Kennemer to raise quality from before 2020. To show its commitment to quality, Puratos developed and administers the Cacao Trace (CT) certification and accredits farmers who supply to them. Over 2,000 of Kennemer's farmers have been certified by Cacao Trace, and are paid a 1% bonus every year, handed out during the Cacao fiesta which just concluded on 20 November in Davao.

Kennemer has a long-term contract with both these buyers. In the last fiscal year, Kennemer sold ~800 tons of GF beans to Mars and ~400 tons to Puratos. In addition, they sold ~2,000 tons of FAQ beans to Mars. Both buyers can buy at least twice their present volumes because the demand for their products in Asia exceeds the supply of cacao beans from the region. Consequently, they are shipping beans from West Africa to meet this demand. This is expensive and time consuming. Additionally, beans from a niche origin such as the Philippines are even rarer (Kennemer exports 75% of beans from the country). We are thus confident that these customer relationships will endure and remain mutually beneficial.

Although prices have spiked this year, Kennemer's margin has not. As mentioned in the impact overview, cacao prices soared in 2024 because poor farm management in West Africa has led to farm failures. Kennemer varies their pricing according to prevailing prices but significantly, passes most of the premium onto farmers. Prices to farmers are set upon confirming prices with customers, keeping the risk low for Kennemer, who has also explained to partner farmers that the current high price will not endure forever. This contrasts with the pricing practices in Ghana and Ivory Coast where 58% of the world's cocoa comes from: the layers between the farmers and the end buyer are so thick and protected that farmers hardly benefit from the latest price surge. Such pricing practices entrap farmers in poverty.



Management and organization

At the group level, Simon Bakker is CEO, May Lynn is COO, and Jona Sibog is CFO.

As mentioned in the History section above, Simon founded the company and continues to make strategic decisions today. He still manages a few key client relationships and contributes to pricing decisions – how much to charge clients and how much to pay farmers, leveraging his years of accumulated experience. Throughout our diligence, managers within the company spoke well of Simon – his compassion and his dedication, while trusting leaders to whom he's delegated responsibility. He practices plural leadership that we're proponents of, especially as a business grows.

May Lynn has been with the company since 2015 and supports Simon in enterprise-wide efforts. Currently, she is leading the roll-out of an enterprise-wide management information system to track performance more objectively. She also helps Simon to manage key external relationships with customers and investors.

Jona Sibog is the new CFO who recently joined Kennemer. She had been introduced to Kennemer by a mentor for a while but only decided to join it recently. She hosted Alex for 2.5 full days when he conducted a site visit in Davao. In that time, they discussed her passion to uplift marginalized communities and her commitment to fiscal discipline. Alex believes Jona's addition will add a higher level of financial objectivity to the company.

Lastly, Rodrick Kutinyu is the CEO of Kennemer Foods Inc. He joined Kennemer in early 2023 and thus far has been an excellent addition to the team. His farmer roots growing up in Zimbabwe helps him understand the challenges farmers face and how to intervene effectively. Team members we spoke with are appreciative of his leadership.

Overall, what impressed us about the company is staff loyalty and morale. Most team leaders and many staff have been with the company for close to 10 years or more – it indicates a healthy corporate culture where employees feel valued.

Financial overview

Although Kennemer is foremost a growing cacao business, trading activity stemming from its trading roots has caused revenue volatility in the last few years. But as trading is marked by thin margins, Kennemer's bottom line has remained relatively stable.

From its inception, Kennemer has been building the cacao business – working with farmers to plant trees, extending its collection points, and expanding post-harvest processing capability. The rails have been laid for the cacao business and it's now a profitable segment, overseen by experienced managers. But as cacao takes time to grow and mature, Simon figured bananas would be a suitable supplement and started managed farms growing Cavendish and Lakatan. Kennemer also seized an opportunity to secure a distribution arm by acquiring a fruit and vegetable distributor in October 2022. This business line has been branded Kennemer Fresh. The intent is to grow Ken Fresh the way it has grown its cacao production, gradually move upstream to accrue more financial compensation to growers rather than traders. Ken Fresh distributes bananas and other locally sourced fruits and vegetables in Manilla.

The FS tells a story of a company that has been run with fair financial discipline – new businesses haven't required hefty investments and are near breakeven or profitable, but profits have thus far been patchy and thin. We believe this is because of *a lack of focus* on growing profitability. Through our diligence, we believe that Jona, the new CFO will help the company focus on improving margins and financial management which will benefit the company's bottom line. A combination of high cacao prices and growing volumes will also help the company increase profits in the years ahead.

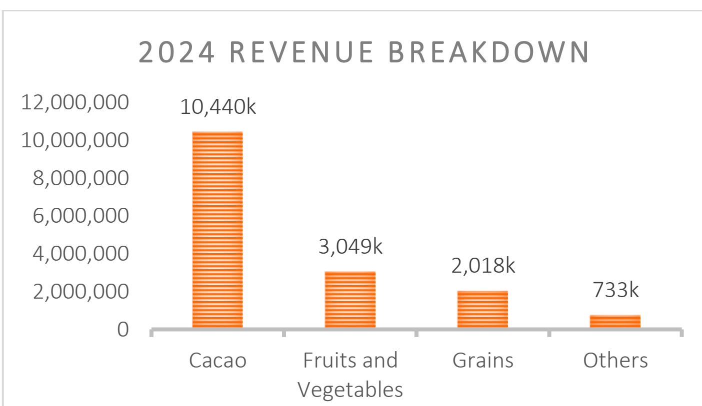
The fiscal year ends on March 31 of every year.

Financial performance

PnL	2021	2022	2023	2024	2025 Forecast	2025 Q1
Revenue	14,863.8	12,181.1	8,960.5	16,241.1	22,534.4	4,446.8
Cost of Sales	-12,608.5	-9,945.8	-7,000.9	-12,691.6	-17,905.0	-3,033.7
Gross Profit	2,255.3	2,235.4	1,959.5	3,549.5	4,629.4	1,413.1
Overhead costs	-2,396.0	-2,219.7	-1,901.4	-3,372.7	-3,730.5	-816.1
Net Profit	-140.7	15.7	58.1	176.8	898.9	597.0
Financial performance metrics						
Annual revenue growth rate		*(18%)*	*(26%)*	*81%*	*39%*	
Annual operating costs growth rate		*(7%)*	*(14%)*	*77%*	*11%*	
Gross profit margin	*15%*	*18%*	*22%*	*22%*	*21%*	*32%*
Operating cost of each USD 1 of revenue	0.16	0.18	0.21	0.21	0.17	0.18
Net profit margin	-1%	0%	1%	1%	4%	13%

Despite strong revenues, Kennemer has only generate model profits in past years. We believe this is because no one truly focused on improving profitability and the business lacked the "hustle" that eliminates financial slack in its operations. For example, only more recently, at the prodding of the new CFO, have they negotiated better payment terms with customers, which means they get to save on interest paid to credit line providers (shipments become AR when documents are presented to the customer). "I also push my people to follow up on AR more often, instead of just waiting," Jona said. At buying points, they are now more sensitive to their competitive edge – no competitor can match their ability to absorb beans from farmers, and Kennemer pays promptly on delivery; this means they needn't always pay the best price in the market to secure a good supply of beans. They can compensate farmers fairly and well without compromising their profitability and sustainability. These incremental measures have begun to affect the bottom line positively.

Cacao volumes and sales are affected by the weather. Most recently, the cacao business was interrupted in 2021 and 2022 by La Nina that brought excessive rain. This affected the harvest at the end of 2021 and 2022, and partly accounts for lower revenues in 2022 and 2023. But the revenue volatility is also driven by the trading business, revenues also fell in 2022 and 2023 because trading in bananas slowed, when attention turned to growing Kennemer's managed farms.



In 2024, revenues were boosted by higher cacao prices and the contribution from Ken Fresh. Gross margin from cacao stayed relatively stable from 2022 to 2024, testifying to Kennemer's commitment to pass market prices onto farmers, but improved in FY 2025 as better internal processes and unusually high market prices allowed it to improve profitability.

Ken Fresh, selling bananas from Kennemer's own farms and vegetables from growers, has grown revenues >300% in 2024 vs 2023, from $1m to $3m. It sells to a host of supermarkets and hotels in Manilla. Kennemer will grow this fruits and vegetable segment using the same template as did the cacao business – gradually move further upstream to benefit farmers.

The revenue from grains is generated by trading. For now, it is not a business line; Kennemer is focused on adding value.

Financial position

Balance Sheet	2021	2022	2023	2024	2025 Q1
Cash	811	571	612	737	628
Receivables	5,390	6,142	8,907	8,414	8,429
Inventory	1,067	1,186	1,119	783	1,915
Other current assets	903	1,215	1,187	624	434
Current assets	8,171	9,114	11,825	10,558	11,406
Current liabilities	5,942	7,574	8,073	7,696	8,391
Working Capital	2,229	1,540	3,751	2,862	3,016
Total assets	11,633	12,487	14,951	15,214	16,460
Total liabilities	7,932	8,771	10,500	10,061	10,663
Total equity	3,701	3,716	4,451	5,153	5,797

The biggest items on Kennemer's balance sheet are accounts receivable ($5.6m) and short-term working capital facilities from a few lenders. The whole business of buying cacao beans from farmers by cash before Kennemer processes and sells it consumes massive working capital, particularly in the peak harvest season from mid-November to mid-February. For this, Kennemer taps credit lines provided by long-time lenders, secured by POs. The list of short-term lenders are as follows:

Rabo Rural Fund	**Credit line**	**USD**	**7.00%**	**2,700,000**
Alterfin	**Credit line**	**USD**	**8.30%**	**2,750,000**
Land Bank	**Credit line**	**PHP**	**7.50%**	**275,000,000**
Incofin	**Credit line**	**USD**	**8.50%**	**1,500,000**

We spoke with Ulan Diusebaev, investment manager of SE Asia for Alterfin, to assess Kennemer's payment track record. Alterfin has been a lender to Kennemer since 2017, through a tri-party agreement signed between Kennemer, Alterfin, and the customer. Kennemer presents a PO to draw on its credit line, up to 70% of the PO value and Kennemer's customer pays Alterfin directly. In the years they have been a lender, they have not encountered an issue with non-payment.

Non-current liabilities comprise of loans from offshore lenders taken to fund capital expenditures. There is $2.2m outstanding as of June 2024, and $1.1m is due in 2025.

				Outstanding (PHP)	Due in 2025 (USD)	Final Maturity
UTIL	**Long term loan**	**USD**	**1.50%**	**4,905,706**	**84,000**	**Jan-25**
CFC	**Long term loan**	**USD**	**7.00%**	**27,815,130**	**250,000**	**Apr-25**
BDO	**Long term loan**	**PHP**	**10.20%**	**2,369,832**	**13,000**	**Mar-27**
GCAF	**Long term loan**	**USD**	**3.15%**	**40,366,553**	**375,000**	**Jun-26**
Netri	**Long term loan**	**USD**	**3.75%**	**44,151,000**	**395,000**	**Aug-26**
Total				**119,608,221**	**1,117,000**	

Debt service coverage ratio (DSCR) in 2025 works out to be 1.6x (EBITDA =~$1.8m). Including repayments to BR on this proposed loan and ignoring savings from truck leases, DSCR will be at 1.5. We are comfortable with this level of debt service coverage.

Transaction Overview

Kennemer is seeking $300,000 to buy two cargo trucks and one cold storage container truck. We will loan Kennemer Foods Inc., domiciled in the Philippines. The cargo trucks will ferry cacao from consolidators dispersed around Mindanao to its post-harvest centers for further processing. In contrast, the cold storage container truck will transport bananas from its managed farms to the port for shipment. Although cacao and banana processing aren't complicated, prompt and reliable deliveries are critical to preserving quality, and these trucks will help to ensure that.

The loan will be collateralized by the trucks and amortized over 36 months. Our loan will be cheaper than Kennemer's alternatives—leasing or buying on hire-purchase.

Table 1 Rent vs. Buy analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Capex	($315,000)				
Loan	$300,000				
Repayments	($92,610)	($114,480)	($114,480)	($28,620)	$0
Savings	$370,957	$372,265	$396,603	$508,017	$563,469
Net CF	**$263,347**	**$257,785**	**$282,123**	**$479,397**	**$563,469**

Major risks and mitigating factors

Risk	Probability	Risk mitigating factor
The company runs out of working capital because farm gate prices are at a record high.	Moderate	▪ Kennemer recently secured a new line with Incofin for $1.5m and negotiated more favorable payment terms with customers, causing them to turn receivables over more quickly.
Distraction from their core competency of cacao production due to new business lines like Ken Fresh.	Moderate	▪ There are seasoned managers for every business line who are proficient at their work. E.g. Portia Sugsi who manages the cacao supply chain has been with the company for 12 years and operates it effectively. Ken Fresh key personnel stayed when it was acquired. ▪ The management meets weekly to hold each other accountable to performance targets. ▪ No single business line has dragged the company financially.
Falling sales that reduces company's ability to generate positive cashflow	Low	▪ As a region, Asia isn't producing enough cacao to meet its own needs, and chocolate manufacturers need to import the deficit from Africa, which is costly. Additionally, cacao from a niche origin like the Philippines add to the appeal of its beans to Puratos. Cocoa from the Philippines help companies diversify their sources.

Conclusion

It is well said that “social change moves at the speed of relationships, and relationships move at the speed of trust.” Leading and empowering smallholder farmers efficaciously at scale is challenging. It is hard because effective intervention requires trust, which takes time to build. Kennemer, who has been present in Mindanao for nearly a decade and a half, has labored successfully gaining trust and deepening relationships with farmers. More farmers growing cacao and earning more is concrete evidence of their effort. We believe they can grow and replicate this impact and continue to make a meaningful difference among the poor while caring for the earth.

The loan size is also small relative to the company's revenues. Its high DSCR means it can service our debt well. Owning its own trucks will lessen the reliance on logistics providers for critical transportation and save the business money.

We recommend an approval of this loan to a company who has strong potential to be a long-term partner.

Appendix 1: Kennemer Impact Assessment

Impact score: 3.3 out of 4

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. A minimum score of 3 is required for approval. Please refer to this document for a detailed understanding of credit score categories.

Category	Subcategories	Score	Weight	Wt. Score
DEPTH AND BREADTH *Is the breadth of impact wide, relative to the current size of the org? How meaningful are the changes to the beneficiaries? Are the beneficiaries truly excluded and marginalized?*	Impact relative to the current size of the organization	4	30%	1.1
	Meaningful changes to the beneficiaries	4		
	Beneficiaries' exclusion	3		
SYSTEMIC CHANGE *Is the social enterprise focused on lasting change? Is the social enterprise driving policy change or serving as an example to the industry and its peers?*	Wider impact commitment	4	25%	0.875
	Beneficiaries' autonomy	3		
INTENTIONALITY *How committed is the social enterprise to its social or environmental mission? Does the social enterprise measure its progress using pre-selected metrics?*	Focus on impact	4	25%	0.875
	Impact reporting	3		
COMMUNITY ENGAGEMENT *Are the beneficiaries active voices in crafting solutions? Is the social enterprise building local human resources?*	Stakeholder involvement	3	10%	0.3
ADDITIONALITY *Is Beneficial Returns' investment crucial to the company's continual growth? Is the company using the funds to create new streams of income?*	Credit appeal	1	10%	0.15
	Use of funds	2		
TOTAL				**3.3**

Appendix 2: Kennemer Credit Assessment

Credit score: 3.225 out of 4

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. A minimum score of 3 for approval. Please refer to this document for a detailed understanding of credit score categories.

Category	Subcategories	Score	Weight	Wt. Score
BELIEF IN MANAGEMENT *Can we obtain strong references about the character and ability of the entrepreneur? Is leadership at the social enterprise plural, resulting in a completeness of requisite skills? Is the governance structure adequate? Are financial statements prepared monthly and audited?*	Entrepreneurs' character and motivation	4	30%	1.05
	Completeness of skills between entrepreneur and next level management team	4		
	Governance	3		
	Reliability of financial information	3		
CAPACITY (PROFITABILITY) *Does the social enterprise have a positive earnings trend? Has it pursued external certification that raises the barrier of entry to its customers? Are top customers adequately diversified? Are suppliers adequately diversified? Is quality control and improvement an ethos within production? Is working capital adequate relative to the cash conversion cycle?*	Ability to be profitable	3	30%	0.975
	Revenue quality	3		
	Supply and operations reliability	4		
	Working capital performance with respect to the business model	3		
TRANSACTION CREDIT *Is the social enterprise's DSCR adequate for the debt obligation? Is there collateral for the loan with an adequate loan-to-value amount? Is there a guarantor for the loan?*	Ability to service debt	3	20%	0.6
	Collateral or guarantees	3		
CUSHION AND EXTERNAL FACTORS *Is the social enterprise operating within a highly regulated industry? Is competition stiff due to low barriers of entry? Is the current ratio high (>=1.75)? Is the social enterprise lightly leveraged (D/E < 1.0)? Does the social enterprise have adequate runway; does it exceed the loan term?*	Vulnerability to industry-specific regulations	3	20%	0.6
	Competition	4		
	Liquidity	2		
	Leverage	3		
	Runway (Cash divided by the last 12 months' operating cash flows)	3		
TOTAL				**3.225**