

# Vision



“While our business was small, KKR treated us exactly the same way they would one of their own investments”

Aaron Fishman, CEO, East Bali Cashews



## KKR

East Bali Cashews employs 400 locals to harvest and process 900 tons of cashews that are sold locally and overseas.

Raising money from investors to build an organic cashew nut factory in the middle of an Indonesian jungle sounds like a tale from a Roald Dahl novel. But for Aaron Fishman, it was very much a reality—and one that he would bring to fruition only with the help of one of the largest private equity firms in the world.

When Aaron Fishman arrived in Bali five years ago, he didn't head to the legendary hotspots of Kuta and Seminyak.

Aaron had come to Bali as a volunteer with a community health program run by a non-governmental organisation. When he got off the plane at Denpasar International Airport, he headed east to Karangasem. It's the most populous district of the eight that make up Bali, and it's also one of the poorest. Inhabitants of its harsh, desolate environment live on an average income of US \$2 a day.

“It was an area that had dire circumstances,” he recalls. “There were so many issues like maternal health and nutrition that we had to address.”

Over time, however, Aaron wondered if a different and more commercial approach working with locals might deliver better results.

Many of the locals were involved in harvesting cashews that were then sent to India or Vietnam for processing. “They had a high-value crop [and exporting it] to other countries really made no sense,” says Aaron.

There was no local cashew processing plant because of the typical business challenges in Indonesia, such as lack of funding—so Aaron decided to set one up.

Now, five years on, East Bali Cashews employs 300 people full time and another 100 on a seasonal basis, and last year had a turnover of US\$2.5 million. Half of its produce, which is sold under the East Bali Cashews brand, is sold in Indonesia and the rest goes to markets including the US, Australia, New Zealand, Hong Kong and Singapore.

Aaron began by raising US\$130,000 from friends, family and his credit card in 2012, but then hit a wall and needed more. He reached out to Impact Investment Exchange Asia, a Singapore-based investment platform for social ventures, which connected him with a pro bono assistance program of KKR.

The project involves KKR investment and business professionals giving time and advice to a social enterprise.



### Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

### AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

### AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

In East Bali Cashews' case, Ed Bostock, a Sydney-based director of KKR, led a team of three executives that provided due diligence, business planning, revenue modelling, corporate structure and presentation advice to Aaron to help him position the business for investment.

The next stop for Aaron is to build a globally recognised brand "based on a new model for selling cashews that respects employees, farmers and customers".

The core of KKR's approach is helping social enterprises become investment ready. "KKR has always been at the forefront of innovating in the investment industry," Ed says. "As a firm, we looked at our skill sets and said, 'How can we give more than just money to worthy enterprises like East Bali Cashews?'"

Ed says the current trend in the industry is to help social enterprises by raising social venture funds. But he maintains that isn't going far enough: "My sense from talking to a number of social venture funds is it's easy to raise the money but hard to spend it because most of the social ventures are not investment ready."

Aaron freely admits he didn't know much about KKR or private equity when Ed first got involved, but he was impressed with what he saw. "It was a 14-week project, during which they worked nights and weekends and came out to the village for three days," he says. At the end of this, Aaron had a business plan and financial model he knew he could use to raise the next round of funding. "You read so much about non-governmental organisations and government projects but KKR was able to help us get to a different level," he says. "While our business was small, they treated us exactly the same way they would one of their own investments."

The most helpful advice KKR has given has been about structuring fundraising. About half of the funding that Aaron was looking to raise was essentially working capital to buy unprocessed cashews. This would normally be funded through an overdraft or working capital facility. However, while investors were interested in taking equity, it was difficult to find funding for working capital from traditional lenders. The solution was a stapled security-style structure for investors, who had to subscribe with US\$2 of working capital debt for every dollar of equity they wanted.

Aaron says Ed mentored him, and he credits his advice with enabling the business to raise \$850,000 in one month. "That kind of expertise and mentoring is very hard to come by in Indonesia," he recalls. "One guy read the business plan and sent \$300,000 the next week without even visiting the plant."

On the KKR side, Ed says Aaron is inspirational. "Aaron is a rare individual, in that he understands the benefit of devoting himself to building the business in a commercial way, rather than as purely a charity, and in turn making it scalable and sustainable," he says.

East Bali Cashews completed a third round of fundraising last year (2015), raising \$1.3 million. The next stop for Aaron is to build a globally recognised brand "based on a new model for selling cashews that respects employees, farmers and customers".

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The involvement from KKR hasn't stopped. Aaron says the team has kept in touch and provided advice over the years, as well as helping him raise US\$40,000 for the early learning centres he has established for employees' children.

The impact of KKR's involvement in East Bali Cashews has been fundamental. On a basic level, just the connection with the KKR brand has lifted the company above the crowd. "As a small company in Indonesia, it can be difficult to get recognition, particularly from the US market," Aaron says. "You need someone who can stand up for you, who can say, 'We don't have a financial interest but these are good people doing good things.'"

After all, on paper, his manufacturing plant did sound a bit fantastical: "When you are trying to build a cashew nut [factory] in the middle of the jungle, you need someone out there saying we are real, with a real business plan and a profitable model that is creating social impact. We were very lucky to have KKR involved."