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SME FINANCING FINTECH LAUNCHES PROFIT-SHARING WORKING CAPITAL INSTRUMENT

Cordoba Capital Markets advises White Lion Foods on landmark deal

For the first time, a medium-sized company has issued a profit-participating sukuk via a Luxembourg securitisation vehicle. White Lion Foods (“WLF”), an international agribusiness headquartered in Singapore, today launched its first Profit Participating Note (“PPN”), closing the first tranche of USD 2 million of its USD 10 million issuance programme. The funds will be raised on a rolling monthly basis and will be deployed over 3 years as working capital to purchase raw materials, process, ship and sell the final product, sharing the proceeds directly with note holders.

Unusually in the global sukuk (Islamic bond) market, the PPN does not rely on a conventional bond-like senior unsecured debt structure. Instead it combines aspects of a revenue-financing or profit-financing model commonly used in North America with the principles of classical trade in the Islamic economic model, resulting in attachment to a real economic activity providing consistent bond-like yield whilst minimising risks commonly associated with pure equity financing.

Cordoba Capital Markets (“CCM”) advised WLF in managing all elements of the transaction from corporate finance and origination through to structuring and issuance, coordinating service providers to provide the relevant regulatory infrastructure.

WLF is one of the world’s leading Brazil nut exporters, holding 9% of global market share and expecting to surpass 50% market share in Peru this year. It has traditionally utilised restrictive bank debt or more expensive shareholder financing to finance its working capital, but instead sought an alternative solution that was non-dilutive, competitively priced and flexible. CCM assisted WLF in identifying and creating an appropriate financial structure based on a type of investment partnership commonly referred to in classical Islamic finance as *mudaraba*. This solution was refined into a cutting-edge securitisation product building on the CCM team’s world-leading experience in benchmark sukuk, including a number of previous world firsts. By focusing on gross profits from a single business activity or asset, the PPN concept combines the simplicity of trade finance with the flexibility of a note format.

The notes are limited recourse direct unsecured obligations of the issuer, a Luxembourg securitisation vehicle, whose underlying assets include the raw Brazil nuts purchased with issuance proceeds. The transaction structure gives investors a beneficial interest in the purchase of raw Brazil nuts in Peru and a participation in the cash flows from their sale. The Brazil nuts are processed in WLF’s Peruvian factory, packaged, shipped and sold in the international market. The profits are then split between the note holders and WLF as Program Manager in a pre-determined manner.

Take up of the PPN has been spread evenly across both Islamic and non-faith-based investors, with note holders including family offices, high net worth individuals and mass affluent investors. Investors have been attracted to the yield (8-13% per annum) balanced by carefully-managed risks, WLF’s strong management and internal controls, outright ownership of land and facilities, globally diversified distribution network, and a focus on ESG/social impact due to WLF’s involvement in local Amazon communities. The note also appeals to the Muslim investor demographic due to the lack of investment options available to them in a halal (religiously permissible) format. Feedback from



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Muslim investors in particular has focused on the attractiveness of participating directly in a specific real economic activity in a more readily understood format than traditional Islamic capital markets instruments.

CCM drew on its world class experience in corporate finance advisory, capital markets and Shari'a structuring to provide analysis and guidance to its client that ultimately led to a successful issuance.

Harris Irfan, CEO of CCM, said:

“The PPN revolutionises the financing of the real economy in an ethical and risk-sharing way. As a tradable working capital instrument, high quality SMEs get access to an untapped source of financing that is neither bank debt nor dilutive equity, and investors get to participate directly in the activities of excellent companies around the world. Having personally led some of the most pioneering sukuk transactions of the early 2000s, I am convinced the PPN will transform both sukuk and alternative bond markets. White Lion Foods demonstrated exceptional vision in working with us on this first-of-kind deal.”

Amir Khayat, CFO of WLF, said:

“With constantly changing market prices impacting our financial margins, our business required a flexible form of financing to support our growth in a solvent manner. By creating a direct link between the financing cost and returns we generate as a business, the PPN instrument provides an optimal balance between the supportive elements of equity financing along with the non-dilutive nature of debt financing. The CCM team provided a fresh, considered and an overall excellent service throughout the process from financial modelling and advisory to legal guidance and investor communications.”

Following this ground-breaking issuance, CCM is now acting for a number of other clients in helping them to raise working capital through profit-sharing notes, expected to come to market in 2023. For further information, please contact:

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Notes to Editor:

About Cordoba Capital Markets Ltd

Cordoba Capital Markets (CCM) is an SME financing fintech and consulting firm specialising in providing CFO services to high quality SMEs, helping them to improve their internal processes and controls and preparing them to raise working capital from a range of investors, structuring profit-sharing notes and working with service providers to project manage the issuance of these notes. For further information, please see www.ccmkts.com.

About White Lion Foods



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White Lion Foods (WLF) is an international agribusiness headquartered in Singapore, with operations throughout South America. It is the largest Peruvian exporter of Brazil nuts and expects to surpass 50% market share in 2023. WLF owns five production facilities in Peru and Brazil. In a broker-dominated marketplace, WLF is one of the few players who deals directly with end customers, bypassing brokers and providing industry leading margins. WLF obtained a AA standard, the highest grade, by the BRCGS, the highest global food hygiene standard certifier. It is also rated A- with stable outlook by the rating agency JCR LatAm. For further information, please see www.whitelionfoods.com.