

Case Study: Unnafibras

Unnafibras's story

Unnafibras was founded in 1996 following the management buyout of a polyester fiber facility from chemical group Rhodia. The facility used to manufacture polyester fibers for the textile industry but Unnafibras decided to specialize in higher value-added products such as fibers for the automotive industry. The company also developed a new type of fiber made of 100% recycled PET bottles.

Unnafibras now transforms 1 billion post-consumption PET bottles a year. Its annual fiber production has more than tripled from 10,000 to 32,000 tons, and it is the largest producer of recycled polyester fibers in Brazil.

Buoyed by a dynamic economy (Brazil's GDP is growing at 5% per annum) and a vibrant sector (PET consumption has grown at 7% per annum and recycled PET at 20% per annum in

PET bottle sorting and processing



Brazil for the last ten years), Unnafibras wants to expand further, but the company has outgrown its business structure. Unnafibras therefore partnered with private equity firm Stratus to work on its next incarnation, ready for public financial markets and portfolio expansion.

The role played by Private Equity

Stratus came on board with a clear mandate: getting Unnafibras ready for an IPO on the Brazilian market within 12–24 months. To do so, Stratus and Unnafibras developed a five-year strategic plan aimed at boosting Unnafibras's position in the market.

The recycling industry is very fragmented in Brazil: Unnafibras is the largest player, yet it only has a 15% market share (it recycles 40,000 tons out of the 250,000 nationwide). As part of its strategic plan, Unnafibras plans to double its production capacity in the next three years by building two new recycling facilities. Stratus is also working with Unnafibras to identify potential acquisitions—direct competitors as well as businesses with different niches—to consolidate its market share.

Unnafibras also wants to maintain its track record for innovation and introduce bi-

components fibers on the Brazilian markets. A high-valued added fiber used as filler for blankets and pillows, it is only produced abroad and Unnafibras hopes to be the first Brazilian manufacturer.

The company is also working on a bottle-to-bottle project to supply recycled PET bottles to the food and beverage packaging industry, thereby assisting consumer goods companies to achieve a more sustainable business model.

Including potential acquisitions identified by the acquisition committee, Unnafibras plans to spend USD60 million over the next five years. Along with changes in the company's corporate governance, the strategic plan should put Unnafibras on course for a potential IPO in three to five years' time, Stratus's current target exit date. With its home market consolidated, Unnafibras then plans to expand in South America.

The Company



Essentials

Company: Unna Participações S.A., holding company and sole shareholder of Unnafibras, www.unnafibras.com.br

GP: Stratus, www.stratusbr.com; Brazilian private equity manager focused on middle market

Region: South America

Country: Brazil

Sector: Textile / Waste management

Business focus: Leading player in producing polyester fibers made from recycled PET bottles

Size: Revenue BRL 120 million; 450 employees

Date of investment: August 2010

Investment: USD40 million

Impact Highlights

Unnafibras specializes in the manufacturing of fibers from 100% recycled PET bottles for higher value-added products. It is now the largest producer of recycled polyester fibers in Brazil.

With Stratus on board, Unnafibras is now developing more strategically towards an IPO on the Brazilian market, boosting its position with new recycling facilities and by identifying potential acquisitions.

In introducing bi-components fibers, Unnafibras has identified an undeveloped market in Brazil that will build on its track record for innovation.

Supported by Stratus, Unnafibras is developing a bottle-to-bottle project which will help consumer goods companies achieve a more sustainable business model with a steady supply of recycled PET bottles.

The Company View

"Unnafibras started life as a business with 11 shareholders. We all had skills and experience in a particular field, but after 15 years in the job, a succession plan is now a priority. Calling on second-generation family members would be difficult; we need new blood in the company and Stratus will help us achieve that.

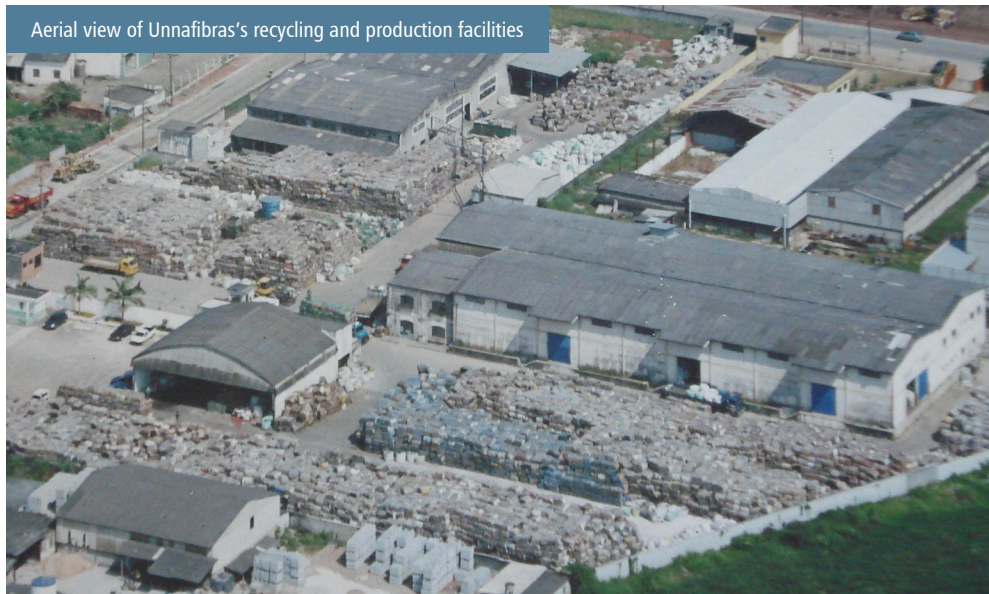
We chose to work with Stratus because as a Brazilian company, they understand the local economy, they know the local financial markets and they have good contacts in the industry.

We are making sweeping changes to Unnafibras, but our employees know it is for their benefit ultimately."

"The main objective of Unnafibras's shareholders is to grow the business. The partnership with Stratus is the first of many steps to achieve that goal."

José Trevisan, Jr.,
CEO, Unnafibras

Aerial view of Unnafibras's recycling and production facilities



"Unnafibras has been very open to changes in ESG and other key issues; it's a privilege to work with them."

Michel Glezer,
Stratus associate

A force for good

ESG issues have been high up the agenda right from the start of Unnafibras's and Stratus's partnership. One of the first measures Stratus implemented was the creation of a board of directors. Former CEO José Rubens Spada became chairman and José Trevisan, Jr., previously business development director, became chief executive.

To support the board, Stratus put in place an audit committee and a compensation committee. With Unnafibras seeking to recruit new talent, the company also started work on a new HR policy.

With recycling as its core activity, Unnafibras is inherently a green business. The company has also developed a great reputation working with more than 200 suppliers, many of whom are small, low-income ventures that benefit the most vulnerable in Brazilian society. To ensure that Unnafibras is a socially responsible business, Stratus and Unnafibras want to guarantee that suppliers comply with local laws, particularly with regards to labor issues.

Equipment transforms melted plastic into polyester fibers



Bales of fibers awaiting shipment

