

The Investor: Affirma Capital



Fund Manager: Affirma Capital

Fund Name: Undisclosed

Fund Size: Undisclosed

Total AUM: USD3.5 billion

Affirma Capital is an independent emerging market private equity firm that was established through the spin-off of Standard Chartered Private Equity from the Standard Chartered Group in 2019. The team has deployed over USD5.5 billion in over 90 companies across Asia, Africa, and the Middle East in its 18-year history of working together. Affirma Capital has offices in Singapore, Dubai, Johannesburg, Mumbai, Shanghai, and Seoul.

The Company: Fine Hygenic Holding



Company: Fine Hygenic Holding

Website: www.finehh.com

Industry / Sector: Fast-moving consumer goods

Location: Middle East and North Africa

Fine Hygenic Holding (FHH), with headquarters in Dubai, UAE and Amman, Jordan is a vertically integrated hygienic paper product manufacturer and wellness company. Using sustainably sourced raw materials, the company's main products include tissues, diapers, and jumbo reels, as well as its Fine Guard line of face masks, gloves, and disinfectant wipes. With over 3,400 employees, FHH operates five paper mills and over 80 converting lines across the Middle East and North Africa.



Date of Investment:
May 2015

Amount:
USD225 million
(includes co-investors)

Participation / Stake:
Undisclosed

Opportunity

Palestinian refugee Elia Nuqul founded Fine Hygienic Holding (FHH) in Jordan in 1958, seeing an opportunity to sell affordable hygienic paper products, which were not widely available in the Middle East and North Africa (MENA) region. The company grew over the following decades, expanding into Saudi Arabia, Egypt, and the UAE. By 2015, the founding family began to search for a partner who could not only provide financing but also help FHH further expand its operations geographically. Affirma Capital, which at the

time was still operating as Standard Chartered Private Equity, had a successful track record of working with family-run mid-size businesses in the region. Keen to back an established consumer brand with a diversified product offering, Affirma Capital built a consortium that invested USD225 million in FHH in May 2015.



Execution

Affirma Capital's initial priority post-investment was to help the company strengthen its position as a regional leader. To increase product availability, the firm assisted FHH in securing financing for a new state-of-the-art paper mill in Abu Dhabi in 2017, which expanded production capacity by approximately 30% to 210,000 tons. However, in the latter half of 2017, FHH was confronted with multiple challenges. The price of its primary raw material, pulp, had increased to unprecedented levels by over 60% between January 2017 and December 2018 due to a combination of spiking demand from China and supply disruptions in an oligopolistic, supply-constrained market. At the same time, a decline in oil prices was leading to reduced spending in the Gulf Cooperation Council countries, and a 40% devaluation of the Egyptian currency in late 2016 was reverberating across its economy.

FHH needed to reinvent itself to compete in an environment in which end product prices needed to increase in order for the company to remain profitable, yet consumers were increasingly cost conscious. Affirma Capital recognized that new leadership was needed to strengthen the core business, differentiate FHH's product offering, and ultimately drive the company's turnaround; in early 2018, James Michael Lafferty was recruited as CEO. With over 30 years of experience, Lafferty previously held leadership roles at P&G, Coca-Cola, and British American Tobacco, and was already serving on FHH's board.

FHH's turnaround strategy focused on eliminating redundancies in the

organizational structure, creating a centralized and diversified procurement strategy to reduce raw material costs, and improving manufacturing inefficiencies. For example, facial tissue and toilet paper is typically made through a two-step process—pulp is converted into jumbo rolls at a paper mill and those rolls are then transformed into the final product through a converting line. FHH ensured that these processes were taking place in the same location and that all machines were functioning at optimal speeds. To reduce costs, the team carefully evaluated which markets would be the cheapest to produce various products and nimbly purchased pulp at both spot and contract rates, depending upon which offered the most favorable terms.

Perhaps most importantly, Affirma Capital and the new management team began to transition FHH into a wellness company by launching premium, value-added, and innovative products that could command higher margins and reduce FHH's dependency on pulp. FHH was one of the first regional companies to produce a colds- and allergies-focused tissue (Fine Rx). Launched in 2019, Fine Rx is a three-ply sterilized and medicated line of tissues made with decongestant oils. With Affirma Capital's support, in February 2020, the company developed its Fine Guard product line, which includes face masks, gloves, and disinfectant wipes, in response to the COVID-19 pandemic. Recognizing the burden that disposable masks will place on the environment, FHH's masks are reusable with each replacing 210 disposable masks. FHH has also partnered with Switzerland's

Spotlight: Breaking Down Gender Barriers in the MENA Region

With over 3,400 employees, FHH has prioritized creating a corporate culture that can attract global talent with competitive benefits. In particular, the Affirma Capital team has worked closely with FHH to promote gender diversity within the organization. Since 2018, FHH has added four women to senior leadership roles, which account for approximately 24% of the leadership positions in the company.

In Saudi Arabia, FHH hired the first female sales representatives in the fast-moving consumer goods industry—a breakthrough concept for the more traditional market—and has established production teams in the local factory that are completely staffed and run by women. For all of its employees, FHH has adopted a “work from anywhere” arrangement in part to support working mothers, while its maternity policy—with 16 paid weeks—is one of the most progressive in the MENA region. In 2018, FHH was recognized as a global leader in promoting gender diversity and women's empowerment, receiving several “Break the Ceiling, Touch the Sky” Leonie Awards (also known as the Global Gender Diversity and Leadership Excellence Awards).

Livinguard Technologies to incorporate a patented technology within these products that has been clinically proven to kill 99.9% of bacteria and viruses.

Outlook

FHH has broadened its reach in partnership with Affirma Capital and currently has an active presence in nine MENA markets with exports to over 75 countries. As of October 2020, the company has over USD500 million in annual sales. Going forward, Affirma Capital will continue to support FHH's transition to a wellness company by helping it expand its product line-up, move into complementary product categories (e.g., health beverages and supplements), and further expand within the region and into select export markets.

“FHH's commitment to gender diversity is creating a ripple effect across the MENA region as fast-moving consumer goods players replicate the company's policies. Although women continue to be largely underrepresented in the workforce, there is a lot of impetus for change across the MENA region and FHH is at the forefront of this movement.

– Taimoor Labib

Founding Partner, Head of MENA and Chairman of Africa, Affirma Capital