



Benjamin Firmenich

In conversation with Benjamin Firmenich:

Good investments – also for good causes

Providing direct loans to small- and medium-sized companies is the focus of Benjamin Firmenich's approach to impact investing. Over the last ten years, he has continuously perfected this approach with a view to realizing both impact and return.

When I ask Benjamin Firmenich, Vice-Chairman of the investment fund manager Impact Finance, if impact investing was something he always knew he would get into, I expect his response to be a firm "yes".

He is young and dynamic, yet soft-spoken and humble in his approach. His office, which he shares with his father, is spacious, and although it's almost all open space, he takes the time to introduce me to his Impact Finance colleagues. The office is situated next to the former Firmenich buildings, which were home to the family business started by his great-grandfather. Firmenich is a Swiss fragrance and flavor company, and the largest privately-owned company in the sector. Benjamin Firmenich is part of Firmenich's sustainability exchange platform.

He smiles and responds: "I might be older than the term impact investing, but yes, I always knew that I wanted to do something for the planet. But it was really Cédric Lombard, whom I was introduced to right after my studies, that got me involved in what has been my profession for the past ten years."

On the right track

Benjamin obtained an MSc in Environmental Sciences in the Netherlands, after being inspired to do so by a professor in his political science program in Switzerland. Professor Jacques Grinevald, he remembers, was a true "eco-warrior from the

70s", and he says: "I was so impressed by his course that I decided to go to the Netherlands and join the fight. I came back full of encouragement to do something in the environmental space and was introduced to Cédric, who was just starting Impact Finance. He convinced me to join forces with him, which I did. In fact, being in charge of my own private wealth as a member of the Firmenich family, I was always curious about investing, and I thought this was a good way for me to have an impact on the planet and society."

The past years have been very intense for Firmenich: "Today, we have a clear focus, and we know how and where to invest. This was not always the case – we spent many years learning and figuring out what to avoid and how *not* to invest!"

Developing his individual approach to impact investing

Firmenich's Impact Finance provides loans to small- and medium-sized enterprises (SMEs). "This is very different from what Cédric had done in microfinance, which is pretty much the same no matter where you are. When you provide loans to SMEs, however, you're all of a sudden dealing with real products and markets and value chains. Guarantees become more important, and there are certain types of markets where SME lending is more advanced."

Firmenich and Lombard started in Africa, Asia and Latin America, and tried different types of industries, including energy, water, filtration and even transport. These were typically very early stage investments, something they later abandoned. "After losses in Vietnam and Georgia and other places, we settled on the fact that we needed to have boots on the ground and stick to the places where we have good contacts and lawyers. So we

developed a hub in Colombia and kept our focus on Latin America. In terms of industries, we concentrated on food and agriculture, where we can come in at a later stage with our investments.”

However, things did not always go smoothly: in 2018, Firmenich announced losses of five percent. “We then looked at how we could better protect investors in the future and announced the losses to our investors, with a clear and focused strategy. We further proposed a blended finance vehicle going forward in order to protect investors.” Firmenich split the fund into two share classes, a junior and a senior share class, where the junior share class protects the senior in times of losses. The junior share class is very high risk and longer term. “I see it more as my *impact* first investment. It’s the buffer that takes losses, should there be any. If the fund takes a heavy loss, then in the beginning your value goes down, but if the default rate goes down, then the junior share class can recover as a result of writebacks. Writebacks are rather rare though. Basically, the junior is conceived to recover with the help of the insurance fee that the senior pays to the junior. Previously, everyone was fronting the

same gains and losses, but with this set-up, we are able to raise much more capital. With USD 10 million in the junior share class, we believe we can raise USD 90 million in the senior class.”

Skin in the game

Firmenich is heavily invested in his fund, as are his family and friends. “We have taken stock of the lessons we have learned. For instance, we now never invest just to ‘solve a problem’, nor do we finance a company with long-term loans when it has short-term needs, or vice versa. Our portfolio companies should never have fuzzy or unclear financial information, nor a C-rating. We always have boots on the ground and follow our companies every step of the way, know their value-chains and know the entrepreneurs personally.” One of Firmenich’s mottos is “not to invest in cowboy entrepreneurs.” What does he mean by the term? “Cowboy entrepreneurs follow too many ideas, so that they can’t stick to one project, leading to never-ending cycles of investments and dispersion.”

I leave his office with a deeper understanding of his self-charted path to doing good, well through investments and philanthropy.

Article by: Nina Hoas, Head of LGT Philanthropy Advisory
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