

The Investor



Founded in São Paulo in 2009, Aqua Capital is a private equity firm focusing on majority growth investments in mid-market companies throughout the Brazilian, South American and North American agribusiness sector and food value chain. Through its more than 40 investments, the firm has supported the transition of family-owned companies and management teams toward best-in-class operating principles.

FUND NAME

Agrofundos Brasil III Fundo de Investimento em Participações Multiestratégia

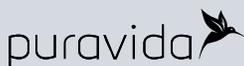
FUND SIZE

USD370m

TOTAL AUM

USD900m

The Company



São Paulo-based Puravida, founded in 2015 by Flávio Passos and Adrian Franciscono, is a vertically integrated manufacturer of food and health products, including vitamins, protein bars and powders, granola, seasonings, spreads and lotions. More than 60% of Puravida's sales are made through its B2C e-commerce platform with an omnichannel sales strategy, with the remainder sold in supermarket chains and specialized retail stores. Puravida achieved carbon neutrality in 2022 and is set to become a certified B Corporation by 2023.

LOCATION

Brazil

SECTOR

Food & Beverage

WEBSITE

www.puravida.com.br

DATE(S) OF INVESTMENT

AUG '20

AMOUNT

USD20M+

STAKE

MAJORITY

DATE OF EXIT

SEPT '22



Flávio Passos and Adrian Franciscono founded Puravida in 2015. After struggling with prediabetes and irritable bowel syndrome, Passos studied nutrition and health, launching a business in 2012 offering online wellness courses on topics like food, rest and physical activity. His students had difficulties finding quality healthy food and vitamins, so he and Adrian launched Puravida to fill this gap. The company now sells over 160 food and personal care products, including vitamins, protein bars and powders, granola, seasonings, spreads and lotions.

Aqua Capital identified an opportunity in the USD30b Brazilian health and wellness segment, which was characterized by a 5.8% CAGR in 2015-2020, high levels of fragmentation and tailwinds brought by an increasingly health-conscious population. The onset of COVID-19 further heightened consumer demand for wellness products in the country. Puravida was already expanding at a more than 111% CAGR in 2018-2020, and delivering high margins, at over 20% EBITDA and 60% ROI. Company growth was grounded in a flywheel model of 'innovate, communicate and educate', built on a robust R&D process, social media following and digital content platform Puravida Academy. Aqua saw an opportunity to unlock the company's growth potential through professionalization and sustainability improvements.

The Deal

Aqua acquired Puravida in 2020, working with the founders to transform the entrepreneur-led business into a structured company with a C-level team of nine. The new team professionalized Puravida's operations and decision-making, including product launches, the new product pipeline and the review and elimination of non-performing products. These changes helped Puravida launch over 40 products in 2021, together accounting for over 20% of annual revenue. Through third-party retailers, Puravida increased penetration into the midwest and northeast regions of Brazil. The company also implemented an enterprise resource planning (ERP) system to manage relationships with retailers, as well as a mobile app to reach more customers and introduce data-driven marketing for its online channel.

The company achieved vertical integration through the acquisitions of ingredients supplier Tradal and a social media platform that it renamed Puravida Prime. While Tradal enhanced Puravida's R&D execution and thus shortened the time to market for new products, Puravida Prime boosted customer loyalty and frequency through online content.

By unlocking various growth levels, Puravida's revenue increased by more than 210% inorganically and more than 140% organically, maintaining an EBITDA margin of more than 20%.

Inclusive & Sustainable Growth

Aqua helped the company appoint an executive and manager to design and implement an environmental and social action plan. Puravida prioritized traceability in its supply chain, a feat it achieved partially through acquiring Tradal, the supplier of about 50% of its materials. Puravida implemented the Hazard Analysis of Critical Control Points Principles (HACCP) system to manage ingredient safety across the product lifecycle and achieved IFS Global Markets Food certification.

The company developed a methodology to classify and approve external ingredients suppliers according to socio-environmental risks such as natural habitat conversion and child or forced labor. Suppliers are also assessed to ensure that they equitably compensate communities for the use of products associated with local knowledge or practices.

Puravida introduced sustainable packaging materials, including recycled cardboard boxes, plant-based bottle resins, sugar cane bags and sachets and biodegradable planting pots. In 2021, the company used 91 tons of recycled cardboard, replacing an equivalent amount of primary cardboard products. In the eight tons of pouches and sachets the company used that year, over 50% of the plastic was recyclable and renewably sourced from sugarcane.

To address its outputs, Puravida entered compensation partnerships with reverse logistics operators and recycling programs such as Eu Reciclo. All company production waste is now recycled, representing 145 tons of waste in 2021.

The company supplemented these programs with a carbon offset agreement with Compromisso Com o Clima. In 2021, Puravida acquired 968 certified emission reduction units, each amounting to



one ton of greenhouse gas emissions avoided, to offset its scope 1, 2 and 3 emissions. Through these various initiatives, the company achieved carbon neutrality in 2022.

Puravida created 200 new jobs during Aqua's ownership, growing from only 30 employees at Puravida and close to 70 at Tradal and Puravida Prime. Company employment contributed to over BRL286m (~USD51m) in direct economic value in 2021. All full-time employees receive full benefits including meal and transportation vouchers, as well as medical, dental and life insurance.

Aqua also helped the company change from a traditional shareholder corporate governance model to a stakeholder governance structure, helping to pave the way for B Corp certification. The company has filed for certification and is set to reach this milestone by early 2023.

Outcome/Outlook

Through its partnership with Aqua Capital, Puravida achieved governance standards, high growth and vertical integration that attracted Nestlé as the Swiss multinational was looking to build its international health segment. Puravida's environmental traceability was a key draw for Nestlé, which has launched initiatives to improve the sustainability of its operations, pledging to achieve zero environmental impact by 2030 and net-zero greenhouse gas emissions by 2050. Nestlé's Health Science unit acquired Puravida in September 2022, providing a full exit for Aqua at a more than 5x MOIC.

To fulfill its founders' mission to help Brazilians live healthier lives, Puravida is working to improve the accessibility of its offerings. The company has launched a low-priced fixed monthly subscription model for its digital content and is developing more affordable food and nutritional products. ●