

# LATIN AMERICAN PRIVATE EQUITY & ESG DEAL CASE



DATE OF INVESTMENT **APRIL 2016**

AMOUNT **US\$29.4 million**

PARTICIPATION STAKE **73.7%**



## COMPANY NAME

Yes Synergy  
www.yes.ind.br

**INDUSTRY/SECTOR** Agribusiness/Animal Feed Additives

**LOCATION(S)** Brazil

## DESCRIPTION

*Yes is a Brazilian biotechnology company dedicated to the development and commercialization of animal feed additives to enhance food safety, animal welfare, and environmental sustainability. The company's product portfolio includes natural and antibiotic-free products derived from sugarcane yeast and chelated organic minerals. Yes has two industrial plants in the state of São Paulo with an annual production capacity of 36,000 tons and operates another three partner plants with an annual capacity of 27,000 tons.*

## INVESTOR PROFILE

*Aqua Capital is an independent private equity firm focusing on growth-controlled investments in mid-market companies throughout the Brazilian and South American agribusiness value chain.*

**FUND NAME** Agribusiness Latin America Fund II

**FUND SIZE** US\$370 million

**TOTAL AUM** US\$650 million

Since Aqua's investment in April 2016, Yes saw a CAGR of 28.8% and its EBITDA increased by 375%. Yes is now the third largest animal nutrition company in Brazil with a 15% market share. In 2019, the company produced 23,000 tons of product, a 25% growth in output relative to 2018. Yes registered eight new patents and over 300 products in the last four years. The company has expanded beyond Brazilian and four Latin American markets to exporting to more than 35 countries in Asia, Europe, Latin America, and the Middle East

## SECTOR

Animal feed additives are combined with livestock feed to promote absorption, assimilation of nutrients, growth, health, and ingestion. Typical animal feed additives include antibiotics, acidifiers, antioxidants, amino acids, binders, enzymes, minerals, and vitamins. The global animal feed additives market size is expected to grow from US\$35 billion in 2019 to US\$56 billion by 2027, buoyed by a global increase in meat and poultry consumption coupled with rising consumer demand for food quality and safety.

## OPPORTUNITY

Antibiotics have been widely used in agriculture to enhance animal productivity since the 1950s, but their excessive use has exacerbated the rise of antibiotic-resistant germs in humans. In turn, the use of antibiotics for non-medical purposes has increasingly come under scrutiny in the last two decades. In the European Union, a complete ban was issued in 2006 prohibiting the use of antibiotics as growth promoters in animal feed. In China—one of the world's largest consumers of antibiotics in livestock animals—a four-year plan was launched in 2016 to combat bacteria resistance, including measures to eliminate the use of antibiotics as feed additives by 2020. Other countries have also endorsed some form of antibiotic reform, with the industry standard moving towards restricting the non-medical use of antibiotics in agriculture.

At the time of Aqua's investment in 2016, Yes produced a low-cost alternative to antibiotics derived from yeast cream. The company was one of the five largest producers of animal feed additives in Brazil, but its clients were concentrated in this market and other Latin American countries. As more countries took measures to restrict the use of antibiotics in agriculture, Yes was well positioned to continue developing its antibiotic-free additives and expand into new markets.

## EXECUTION

Aqua Capital invested US\$29.4 million for a 73.7% stake in Yes in April 2016. The partnership with Aqua has been essential to (i) invest in research and development as a key driver of growth and innovation, (ii) decrease the company's supplier concentration

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and mitigate other potential risks along its supply chain, (iii) expand to markets outside of Latin America, and (iv) professionalize the company's management structure.

Since Aqua's investment, the company shifted from low-cost products with limited differentiation (e.g., mycotoxin binders and yeast derivatives) towards higher value-added products (e.g., immunomodulators and organic minerals). Higher value-added products accounted for 43% of sales in 2020, compared to 36% in 2016. Research and development of new products, protection of intellectual property, and partnerships with recognized Brazilian universities have been key drivers of this growth—the company registered eight new patents and over 300 products in the last four years.

Yes implemented strict quality control measures and was granted international and domestic certifications (e.g., GMP+, FAMI QS, Ecovadis, H.A.C.C.P., Feed&Food Safety, and the Green Patent seal). These certifications were granted by independent bodies and attest the company's commitment to quality, sustainability, and safety in multiple links of its production chain. Yes' commitment to quality was essential to fuel expansion to new markets with strict health regulations: the company now exports to over 35 countries, including Australia, France, Germany, New Zealand, Spain, and Portugal.

Yes also invested in the development of innovative tools to create additional value for customers. Notably, the company developed YES-mycNIR, a proprietary tool that uses near infrared (NIR) technology to monitor the presence of mycotoxins in grains used for animal feed. Mycotoxins are toxic fungi capable of causing disease and death in humans and animals. Traditionally, customers would need to take a sample of the animal feed, send it to a local laboratory, and wait nearly a week for results. Faster alternatives exist but are often too costly to be used at a large scale. With YES-mycNIR, customers can receive a response within hours using a portable NIR device, and this service is available to Yes' clients at no additional cost. Customers use the information from mycNIR to adjust the nutritional matrix, minimize negative effects on animals, and reduce waste by preventing silo contamination.

With support from Aqua, Yes reduced potential disruptions in its supply chain. In 2016, Yes' key plants were located either adjacent or inside sugar cane mills. These strategic locations allowed Yes to easily access raw materials but also meant that the company depended almost exclusively on these mills for inputs, utilities, energy, and other supporting services. Yes started implementing self-sufficiency measures in 2018 to mitigate these risks: the company bought the land where one of the plants is located, installed its own groundwater well, acquired boilers to become energy self-sufficient, and diversified raw material sourcing through a network of 25 partner mills.

## ESG IN FOCUS

In addition to standard fund- and company-level ESG practices, it is important to highlight the positive impact that Aqua's investment has had on the environment and on the rural communities of Borá and Lutécia in the State of São Paulo.

Much of the positive environmental impact of Yes comes directly from the company's product offering. From a public health standpoint, Yes contributes to reducing antimicrobial resistance by offering alternatives to the use of antibiotics in agriculture. Additionally, a study conducted by the Federal University of Viçosa in 2019 concluded that the use of Yes' organic mineral additives in broiler diets improves weight gain, feed conversion, and mineral retention. With better mineral absorption, fewer natural resources are needed to raise broilers. The study also found that animal excretion is reduced, which in turn decreases soil pollution.

As a direct result of Aqua's efforts, Yes started monitoring the use of energy and its greenhouse gas (GHG) emissions using the GHG protocol tool developed by the World Resources Institute. Yes also signed a partnership with a Brazilian alternative fuels' company to convert the company's main energy source from liquified petroleum gas to biomethane to decrease its carbon footprint.

In terms of social impact, Yes implemented initiatives to improve transportation and occupational safety of its employees. Since Aqua's investment, Yes hired 60 additional employees from Borá and Lutécia, bringing the company's total number of employees to 217 in 2020. In addition to benefits mandated by law, Yes subsidizes family health plans and tuition assistance programs for its employees. Yes saw a gradual increase in the percentage of women in managerial roles from 13% in 2016 to 21% in 2019.

