LATIN AMERICAN PRIVATE CAPITAL & ESG DEAL CASE

DATE OF INVESTMENT December 2014
AMOUNT Undisclosed
PARTICIPATION STAKE 52%

COMPANY NAME

Grupo Cataratas
https://grupocataratas.com/

INDUSTRY/SECTOR

Travel & Tourism

LOCATION(S)

Brazil

DESCRIPTION

Grupo Cataratas is the largest concessionaire and service operator within parks in Brazil. The company holds long-term concessions to operate several services (including box office, transportation, retail, food and beverage) in six top tourist destinations in Brazil: Iguazu Falls, Paineiras-Corcovado, Fernando de Noronha, Marco das Três Fronteiras, AquaRio and Bio Parque do Rio.

INVESTOR PROFILE

Founded in 1984, Advent International is one of the largest and most experienced global private equity investors. The firm has invested in over 375 private equity transactions in 42 countries. With offices on four continents, Advent has established a globally integrated team of over 240 investment professionals across North America, Europe, Latin America and Asia. The firm focuses on investments in five core sectors, including business and financial services; healthcare; industrial; retail, consumer and leisure; and technology.

FUND NAME

Latin America Private Equity V

FUND SIZE

USD1.65b

TOTAL AUM

USD75b (As of March 31, 2021)

Since Advent's investment in 2014, Grupo Cataratas' multiple assets were consolidated into one centralized holding company. Cataratas inaugurated three additional parks (AquaRio, Bio Parque do Rio and Marco das Três Fronteiras) and implemented centralized cross-selling initiatives that resulted in a revenue CAGR of 23% between 2014 and 2019. The company is a leading example of an effective public-private partnership for the conservation of Brazil's biodiversity through sustainable tourism and environmental education. Cataratas has invested over BRL30m (~USD5.8m) in research and development efforts for the recovery and conservation of biodiversity in protected areas.

OPPORTUNITY

Brazilian national parks often compete for government expenditures alongside healthcare, education and other essential services, resulting in inadequate funding during tight fiscal cycles. As an alternative to public management, the Brazilian government has increasingly turned to public-private partnerships to guarantee the parks' biodiversity conservation, maintenance and infrastructure enhancement through programs of visitation and environmental education. Concessions often present an attractive investment opportunity for private investors. A concession provides the winning bidder a contracted right to operate a park for 15-20 years in exchange for guaranteed follow-on investments and specific commitments to environmental conservation.

Brazil hosts between 15%-20% of the world's biodiversity, with the greatest number of endemic species on a global scale. The number of international visitors to the country has increased from roughly five million in the early 2000s to 6.4 million in 2019. Despite this increase in visitors over the last decade, Brazil only accounted for 0.3% of all international visits in 2019, demonstrating an untapped potential for growth in foot traffic at national tourist attractions.

Cataratas is a pioneer in the parks sector in Brazil. The company was granted its first concession for the Iguazu Falls National Park in 1998 and subsequently expanded to operate additional parks: EcoNoronha, Paineiras-Corcovado, and AquaRio (under construction at the time of Advent's investment). In 2014, Advent International identified a potential opportunity to partner with Cataratas, attracted by the company's established track record in the parks management space, the sector's organic growth tied to the tourism industry and the high barriers to entry granted by concession contracts.

EXECUTION

Advent acquired a 50% stake in Cataratas in 2014 with a value proposition that was focused on improving services offered in parks where Cataratas already operated, followed by expansion into additional parks throughout Brazil. A holding company with a senior management team and relevant committees was created to consolidate the leadership of multiple local concessionaires. This centralized structure allowed for long-term growth planning, strengthened cross-selling initiatives, increased cost efficiencies and facilitated coordinated conservation efforts. As a result, Cataratas saw a revenue CAGR of 23% between 2014 and 2019.

To build on Cataratas' success as the largest parks operator in Brazil, Advent provided capital for the construction of AquaRio — the largest marine aquarium in South America. In addition, Cataratas was granted concessions to operate the Marco das Três Fronteiras — a national park located at the border between Brazil, Argentina and Paraguay — and to renovate the Zoo in Rio de Janeiro. Cataratas invested over BRL80m (~USD15.5m) in the Rio Zoo to transform it into the Bio Parque do Rio — a center for research, animal conservation and environmental education. The company now operates six national parks across the country, which jointly received 4.7 million visitors in 2019.

ESG IN FOCUS

Following Advent's investment, Cataratas started publishing annual sustainability reports with guidelines from the Global Reporting Initiative. In 2016, the company created the Conhecer para Conservar institute to promote environmental education, conservation and ecosystem restoration through partnerships with public entities, private organizations and leading experts in the field.

Cataratas has invested over BRL30m (~USD5.8m) in research and development efforts for the recovery and conservation of biodiversity in protected areas. At the end of 2020, the company had 26 ongoing research initiatives, which included projects aimed at understanding the reproduction patterns of threatened species to inform their reintroduction into the wild. In addition, the company implemented a social and environmental management tool called SistemaECO to track various eco-efficiency indicators, including use of water, energy efficiency, animal well-being, solid and liquid waste, safety, stakeholder relationships and community engagement.

In 2020, Cataratas partnered with the UN Decade on Ecosystem Restoration to co-host the Integrated Conservation Summit that brought together over 70 recognized speakers and NGOs. More than 8,000 people joined the five-day virtual event, and session recordings were viewed over 20,000 times within the first week. In parallel, Cataratas created Academia da Conservação, an online knowledge hub for environmental conservation with over 4,300 registered users.

On the social front, Cataratas created a diversity committee to foster a more inclusive environment among its employees, especially for afro-descendants, the LGBTQ+ community and the elderly. Cataratas also prioritizes the use of local suppliers to support community development and minimize the group's environmental footprint. In 2020, four out of six parks purchased over 80% of inputs from local suppliers. In addition, the company is also working on the archeological restoration and preservation of sites of historical importance in the Bio Parque do Rio, including sites connected to slavery, the former Empire of Brazil, and the lives of famed biologists Charles Darwin, Johann Baptist von Spix and Karl Friedrich von Martius.

RESPONSE TO COVID-19

While parks had to close temporarily or operate at limited capacity due to Covid-19, Cataratas organized a fundraising campaign to support surrounding communities in need. The company, together with Advent and individual donors, committed BRL400k (~USD77k), which paid for the donation of 70 tons of food and medical supplies. Grupo BIG, another portfolio company of Advent, provided the supplies and leveraged its extensive logistics network to reach over 48,000 families in vulnerable communities in Rio de Janeiro, Iguazu Falls and Fernando de Noronha.