

# LATIN AMERICAN PRIVATE CAPITAL & ESG DEAL CASE



**DATE OF INVESTMENT** November 2017

**AMOUNT** USD26.5m

**PARTICIPATION STAKE** Undisclosed



## COMPANY NAME

**General Water**

<https://generalwater.com.br/>

**INDUSTRY/SECTOR** Water and Sanitation

**LOCATION(S)** Brazil

## DESCRIPTION

*General Water (GW) operates as a full scope solution provider of on-site groundwater extraction and wastewater treatment systems catering to mid-sized corporate clients in Brazil. GW designs, builds and operates on-site systems, assuming the project's upfront investment and operational risks. The company currently services more than 130 clients and is also responsible, under a concession contract, for the extraction, treatment and water distribution of the Porto Feliz municipality in the State of São Paulo.*

## INVESTOR PROFILE

*Lightrock is a global private equity platform backing purpose-driven entrepreneurs tackling the world's biggest challenges. Since 2007, Lightrock has invested in companies that pursue scalable and tech-driven business models around the key impact themes of people, planet and productivity/tech for good. Lightrock's portfolio includes more than 60 high-growth companies, supported by over 50 professionals based in seven cities across Europe, Latin America, India and Africa.*

**FUND NAME** Lightrock Fund SA

**FUND SIZE** USD1b

**TOTAL AUM** USD2b

**GW addresses the critical challenge of water scarcity in Brazil through the sustainable extraction of groundwater and recycling and reuse of wastewater. By providing alternative sources of water to corporate clients, GW reduces demand on public utilities and frees supply to cover the water needs of approximately 150,000 people annually. Since Lightrock's investment, GW has expanded into the Northeast region of Brazil and acquired additional industrial clients, including the Guarulhos Airport and Ford Motors. GW also created a centralized command center to reduce operational expenses and improve response times to operational problems. The company's revenue has grown an average of 20% annually since 2017.**

## OPPORTUNITY

Water resources worldwide are under unprecedented pressure. The World Bank estimates that there will be a 40% shortfall in water supply by 2030. Brazil — although home to the world's largest fresh water supply — is not immune to the mounting threat of water scarcity. The combination of climate change, deforestation, rapid population growth, poor urban planning, lack of infrastructure maintenance and widespread corruption has led to water shortages and inadequate sanitation infrastructure in major Brazilian cities.

The dire need for better water infrastructure and management has become more apparent over the last decade, especially in cities located outside of the Amazon basin. The State of São Paulo — responsible for roughly a third of the country's GDP — experienced severe droughts between 2014 and 2017 that affected hydropower generation, agriculture and urban water supplies. Brazilian private companies are increasingly reducing their exposure to public utilities and turning to alternative sources of water. Corporate groups are installing private wells and wastewater recycling systems to ensure more reliable water servicing for their businesses.

Founded in 2000, GW designs, builds and operates sustainable water supply, sewage treatment and water recycling systems for mid-size corporates and municipalities. The company carries out all necessary upfront investments for the implementation of the system and then charges clients a fee depending on the volume of water or effluent treated over the contract period. In 2017, Lightrock decided to partner with GW, attracted by the company's technical capabilities, operational track-record and the sector's potential for growth.

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## EXECUTION

In November 2017, Lightrock invested in GW to scale up operations and accelerate expansion into additional regions in Brazil. At the time, the company had 125 active projects in the State of São Paulo. With support from Lightrock, the company is implementing a growth plan to expand into the Northeast region and increase its participation in public bidding processes. Today, GW has over 140 active projects, including large industrial clients. GW is leading a water optimization project at the Guarulhos Airport in the State of São Paulo — the second busiest airport in Latin America by passenger traffic — and a water supply contract for the Ford manufacturing plant in Camaçari in the State of Bahia.

The company created a centralized command center with telemetry systems to maintain efficiency at a large scale. This initiative allows GW to monitor revenue remotely, minimize the time needed to respond to operational problems and reduce the number of on-site operators. With this strategy, GW improved cost efficiency by reducing the operational expenses of wastewater contracts from 31% in 2017 to a projected 27% in 2021. In addition, the company worked with Lightrock to formulate and carry out a succession plan, create a Board of Directors and implement a bonus and stock option plan for key executives. Since Lightrock's investment, revenue has grown an average of 20% every year.

## ESG IN FOCUS

GW addresses the critical challenge of water scarcity through the extraction of groundwater and the recycling and reuse of wastewater. By providing alternative sources of water to corporate clients, GW reduces demand on public utilities and frees supply to cover the water needs of approximately 150,000 people annually. Groundwater pumped by GW is naturally replenished at a faster rate than it is used, allowing for sustainable long-term extraction. In the State of São Paulo, groundwater reservoirs are recharged between 30-40% more than the current exploitation rates.

Recycled water now accounts for 27% of all water supplied to corporate clients, compared to 23% in 2019. The use of recycled water saves fresh potable water for other uses, while also reducing the release of effluents into waterways. GW's industrial clients use recycled water in cooling systems, toilets, irrigation, industrial processes and cleaning. The wastewater management process also uses proprietary dewatering centrifuges to generate biodegradable sludge that is converted into compost and sold to farmers.

In terms of social impact, GW launched an educational program for its employees in 2019. The initiative offers employees personal and student loans at zero-percent interest, partial and full scholarships for technical and bachelor's degrees, and short courses in personal finance, English, computer science and writing. Since the start of the program, 26 employees have received scholarships to pursue their education.