

LATIN AMERICAN PRIVATE CAPITAL & ESG DEAL CASE



DATE OF INVESTMENT March 2021

AMOUNT USD3m

PARTICIPATION STAKE Undisclosed



COMPANY NAME

Algramo

<https://algramo.cl/>

INDUSTRY/SECTOR Cleantech, Smart Reusable Packaging

LOCATION(S) Chile, United Kingdom, United States

DESCRIPTION

Algramo is a technology platform that allows Consumer Packaged Goods companies (CPGs) and retailers to distribute products in a sustainable way through reusable smart packaging and refill stations. With Algramo's technology, end customers can save money on basic consumer products while brands and retailers reduce single-use plastic consumption in their operations.

INVESTOR PROFILE

Dalus Capital is an international venture capital firm that backs purposeful entrepreneurs building enduring, market-leading companies. Investments have an emphasis on scalable solutions for significant problems in Latin America in four investment themes: Inclusion, Climate Innovation, Business Productivity and Digital Consumers.

FUND NAME Dalus Capital Fund II

FUND SIZE USD80m

TOTAL AUM USD175m

Algramo reduces the consumption of single-use plastics in packaging of consumer goods while making products more affordable to lower-income consumers. Since its Series A round led by Dalus Capital in March 2021, the company has launched additional pilot programs in Chile, the US and the UK. As of June 2022, Algramo has avoided the emission of 225 tons of CO₂ and saved 2.5 million liters of water through the reuse of over 691,000 packaging items.

OPPORTUNITY

Roughly 400 million tons of plastic waste are produced globally every year. Approximately 36% of those plastics are used in packaging, of which 85% end up in landfills or as unregulated waste. Growing environmental concerns have led to shifting public policies and consumer habits, motivating CPGs to look for more sustainable packaging alternatives. However, eco-friendly packaging has traditionally been difficult to implement at scale, as it often incurs higher costs that are passed on to consumers and is therefore unaffordable for lower-income segments of the population.

Chile-based Algramo was created a decade ago to tackle this structural issue. The company started by dispensing bulk white label products through its vending machines located in mom & pop shops in the lower-income neighborhoods of Santiago. These machines allowed consumers to buy exactly the amount of product they needed, reducing the end-consumer pricing by up to 30% through the elimination of excess packaging and marketing costs. Algramo reached 2,500 mom & pop shops in 2019 and in doing so, refined its proprietary smart packaging dispenser technology.

Following a successful pilot with Unilever in Chile in early 2020, the company identified an opportunity to launch Algramo 2.0 – an asset-light business model built on the licensing of its software and hardware to CPGs, local operators and retailers. Algramo's licensed technology allows companies to set up their own refill stations that work with smart packaging connected to digital wallets via a mobile app. The company's circular platform allows businesses to reduce single-use packaging, understand consumption habits, communicate directly with clients and pass on savings to end consumers. For example, in one home care product, a consumer could save around 32 single use packaging items in four years.

After being mostly financed through grant funding, family and friends, the company raised its first institutional round of capital in September 2019. As the company continued to grow and sought capital to expand to other markets, Algramo decided to look for additional funding in early 2021.

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EXECUTION

Dalus Capital led a USD9m Series A funding round for Algramo in March 2021 with participation from Angel Ventures, FEMSA Ventures, Volta Circle, ImpactAssets, Century Oak Capital, Solve Innovation Future, University Venture Fund and Closed Loop Partners. The company stood out to Dalus because of its growth potential and alignment with three out of four of Dalus' main investment themes: inclusion, climate innovation and business productivity.

At the time of Dalus' investment, the company had already partnered with Unilever, Nestlé and Colgate-Palmolive. Since raising its Series A round, Algramo has increased revenue generated through its B2B business offering. The company has launched additional pilot programs with corporate partners including Walmart in Chile, Target in the US and Lidl in the UK. Algramo also expanded its partnership with Walmart Chile to expand its offerings to three additional stores. The number of B2B licenses has increased from its first retail pilot in Q2 2021 to 13 licenses in Q1 2022.

ESG IN FOCUS

Algramo's environmental impact is built into its business model. The company's circular platform reduces plastic waste while also making consumer goods more affordable by passing packaging and storage cost savings to consumers. As of June 2022, Algramo has avoided the emission of 225 tons of CO₂ and saved 2.5 million liters of water through the reuse of over 691,000 packaging items. These products are estimated to have replaced roughly 88 tons of plastic that will not pollute the environment.

Additionally, Algramo has also taken an active role in advocating for more environmentally sustainable public policies in Chile. For instance, Algramo has advocated for the modification of decree 239, which currently prohibits cosmetics from being sold in bulk. Algramo's Envase 239 campaign collected nearly 18,000 signatures in support of the modification and publicly requested that the Environment and Health ministries allow for personal hygiene products like shampoo and liquid soap to be sold in bulk.

In addition, Dalus Capital has actively promoted important governance initiatives aimed at providing accountability for management decisions. These initiatives include structuring a Board of Directors comprised of strategic members with balanced voting rights; implementing ESG and audited financial reporting practices; and approving new management and employee compensation plans, stock options grants and other incentive schemes through a Compensation Committee of the Board.

