

LATIN AMERICAN PRIVATE CAPITAL & ESG DEAL CASE



DATE OF INVESTMENT August 2020
ROUND SIZE USD85m
PARTICIPATION STAKE Undisclosed



COMPANY NAME

NotCo
<https://notco.com/>

INDUSTRY/SECTOR Food and Beverage

LOCATION Chile

DESCRIPTION

NotCo is a foodtech company that leverages machine learning and Artificial Intelligence to develop tasty, healthy and environmentally friendly plant-based food products. Through its proprietary technology, the company has been able to increase the speed and quality of food design, leading to a broad product portfolio including NotBurger, NotMilk and NotMayo. In a short time, NotCo has expanded its presence in major grocery chains and developed collaborations with international blue-chip food service players like Kraft Heinz, further establishing its position as a food innovator with a positive environmental impact.

INVESTOR PROFILE

L Catterton is a consumer-focused investment firm, managing approximately USD34b of equity capital and three multi-product platforms: private equity, credit and real estate. L Catterton's team of more than 200 investment and operating professionals across 17 offices partners with management teams to drive differentiated value creation across its portfolio. Founded in 1989, the firm has made over 250 investments in some of the world's most iconic consumer brands.

FUND NAME L Catterton Latin America III

FUND SIZE USD535m

TOTAL AUM USD34b

Following its USD85m Series C led by L Catterton and Future Positive, NotCo has focused on streamlining its product portfolio, optimizing distribution channels and establishing itself as a global leader in plant-based food products through partnerships with established industry players. Since L Catterton's initial investment in 2020, the company has expanded to three new countries, expanded to 10k stores in North America through major retailers and had nearly 12x growth in net sales since 2019.

OPPORTUNITY

Global food production systems and consumption habits remain one of the leading contributors to climate change, with the United Nations' Intergovernmental Panel on Climate Change (IPCC) identifying agriculture as one of the most cost-effective methods of limiting global warming. The report highlights how dietary shifts could contribute up to one-fifth of the mitigation needed to hold warming below 2°C. An increasing number of consumers are therefore searching for alternatives to animal products, creating a demand for food innovation.

NotCo is a foodtech startup with the vision of utilizing machine learning and artificial intelligence to develop plant-based products to meet consumer taste expectations while maintaining environmentally friendly standards. It was founded in 2016 by Matias Muchnick, Karim Pichara and Pablo Zamora, who began collecting data on the flavor profiles of different ingredients to explore innovation in the food industry. This initial database was the basis of NotCo's proprietary tech platform named "Giuseppe," which can match animal protein to its ideal replacement using plant-based ingredients. After the launch of its first product, NotMayo, the company has since expanded its presence across major grocery chains and global food retailers. Starting with the creation of a joint venture with Kraft Heinz in 2022, NotCo is leveraging its proprietary AI-driven food formulation platform to provide R&D services including plant-based formulation, flavor creation, and product renovation to other large CPG players, such as Mars.

Over the years, NotCo has garnered increased interest from local managers and international investors. KASZEK Ventures and SOSV invested in NotCo's USD3m Series A in 2018. The Craftory led NotCo's USD30m Series B in 2019, with participation from Bezos Expeditions, MAYA Capital and follow-on from KASZEK Ventures. In August 2020, L Catterton and Future Positive led a USD85m Series C with participation from General Catalyst, and follow-on from KASZEK Ventures, The Craftory, Bezos Expeditions, Endeavor Catalyst, IndieBio, Humbolt Capital and MAYA Capital. In July 2021, Tiger Global led a USD235m Series D with participation from DFJ Growth Fund and ZOMA Lab, making it the first Latin American foodtech unicorn. Most recently, in

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December 2022 US-based investor Princeville Capital led a USD70m Series D+ with follow-on from KASZEK, Tiger Global, Bezos Expeditions and L Catterton, at a valuation of USD1.5b, indicating the company's strong value proposition.

EXECUTION

Since L Catterton's investment in August 2020, NotCo has added three new product lines and has become an established market leader in plant-based products in Chile, Argentina, Brazil and Colombia. To best leverage its patented technology, the company has focused on restructuring resources to match consumer demand while building its position as a food innovator in plant-based products.

As a member of NotCo's board, L Catterton has worked to leverage its global expertise to guide the company through shifts in the macroeconomic environment. For example, in response to high inflation rates and rising production costs, L Catterton supported NotCo's implementation of expense reduction initiatives such as redesigning products, streamlining the product portfolio, and optimizing distribution channels. L Catterton has also worked to help establish strong governance policies, as evidenced by NotCo's B Corp certification in November 2022, making it the 4th plant-based food company to achieve this certification globally.

Finally, L Catterton has been actively involved in the recruitment process for NotCo's key executives. It has also facilitated connections that allowed NotCo to maximize the environmental impact of its unique tech platform through partnerships with established companies such as Kraft Heinz, Shake Shack and Burger King. These co-branded products reflect the degree of sophistication NotCo's food innovation capabilities offer the industry, both in terms of versatility and speed of development. With each product, the company has been able to leverage its database and expand its technological capabilities; the original NotMayo took 18 months to design, but more recent products like NotChicken have been completed in just two months.

ESG IN FOCUS

NotCo's plant-based products have had a positive impact mitigating some of the negative effects of food production on the environment. Conventional animal-based products are highly water intensive, and a recent analysis of the company's portfolio indicates that consumers saved around 50 million liters of water in 2022 through choosing NotCo's plant-based products, ranging from reductions of ~58% (NotIce Cream) to ~95% (NotMayo). Furthermore, the production of NotMeat requires ~1k liters per unit in comparison to conventional meat, which uses ~15k liters per unit, which is a significant reduction on a widespread scale.

Additionally, in comparison to conventional products, NotCo has prevented an estimated 109 tons of CO₂ emissions, with greenhouse gas emissions avoided ranging from ~29% (NotMayo) to ~95% (NotMeat). The company recently began tracking Scope 1 and 2 emissions and is extending its sustainability practice with co-manufacturing partners to ensure a more environmentally friendly value chain. NotCo has also launched environmental impact initiatives from within the organization, such as purchasing carbon offsets from third-party providers for emissions generated by employee commutes and aims to eliminate plastic packaging by 2025.

The logo for LACA (Latin American Private Capital) is located in the bottom right corner of the page. It consists of the letters 'LACA' in a bold, sans-serif font. The 'L' and 'A' are connected, and the 'C' and 'A' are also connected. The logo is rendered in a light gray color.