

Patria | Frooty



Date of Investment

June 2014

Transaction Size

USD77.9m

Participation Stake

74.2%¹

Frooty is the leading Brazilian açai sorbet manufacturing company. Through its partnerships with local communities, the company currently supports over 1,000 families and sources ~90% of its inputs from small producers in the Amazon. Since Patria PE Fund IV's acquisition in 2014, the company has opened three new production facilities, established environmental protection programs and made strategic acquisitions which have transformed Frooty into a global brand certified for its sustainable practices.

1) Blended Stake: 88.3% of Frooty and 60% of Makai

Investor Profile

PATRIA

FUND NAME	FUND SIZE	TOTAL AUM
Patria Brazilian Private Equity Fund IV	USD1.2b	USD43b

Patria is an alternative investment firm with over 35 years of specialized experience in key resilient sectors. Patria's approach combines knowledge of investment leaders, sector experts and companies' managers with on-the-ground local experience. With over USD43b of pro forma assets under management and a global presence, Patria seeks to provide consistent returns in long-term investment opportunities, while creating sustainable value for the regions where it operates.

Company Profile



COMPANY NAME	INDUSTRY	LOCATION
<u>Frooty</u>	Food & Beverage	Brazil

Frooty is the leading Brazilian açai sorbet manufacturing company. The company's business model employs local workers in the states of Amazonas and Pará for the sustainable harvesting and processing of superfruits in the Amazon rainforest. In Brazil, the company's products are distributed across more than 20 states through 30 retailers, 44 distributors and more than 20,000 points of sale. Frooty currently exports its products to 13 countries across America, Europe, Asia and Oceania.

The Opportunity

Açaí is the fruit of a rare species of palm tree native to the flood plains in the Amazon rainforest known for its nutritional content. The açaí harvesting process is done predominantly by small-scale farms in river communities, as palms require specific conditions to grow, narrowing the availability of these fruits to regions where they grow naturally. The fruit is also highly perishable, so transporting it over long distances requires processing within 48 hours of harvesting.

Açaí has long been a food staple of local communities in the Amazon, but over the last two decades, its popularity has exploded in global urban centers. Açaí production, on the other hand, remains highly concentrated in Brazil since approximately 90% of the global supply is produced within the country. In the state of Pará, the main source of Brazilian açaí, exports of the fruit have grown nearly 15,000% over the past decade, increasing from merely 41 tons in 2011 to nearly 6,000 tons in 2020. The global açaí market is expected to grow at a CAGR of 4.2% over the next decade, fueled by increased awareness of its health benefits and growing consumer demand for functional foods. The combination of the rising global demand coupled with the highly localized and fragmented supply created a unique opportunity for Brazilian companies in the açaí market.

Frooty was founded in 1994 by professional tennis player Marcelo Cesana as a frozen yogurt company in São Paulo. Over time, the company transitioned away from frozen yogurt and introduced an açaí sorbet product line around 1998. The company sources açaí from local communities in the Northern region of Brazil, processes the fruit into a frozen pulp and then transforms it into frozen products that are sold to restaurants, cafeterias and retailers. As an early mover, Frooty was well-positioned to become a category leader within this complex supply chain amid rising demand for açaí products.



Execution

In 2014, Patria Brazilian Private Equity Fund IV acquired a majority stake in Frooty with the vision of creating the largest vertically integrated company focused on açaí. Through investments in new production facilities and strategic acquisitions, the company has maintained competitive prices and expanded production capacity. Frooty has opened three new production facilities since its acquisition by Patria PE Fund IV: a sorbet factory in Poços de Caldas (Minas Gerais) and two smaller mills in Manacapuru (Amazonas) and Mocajuba (Pará). By acquiring facilities closer to harvesting sites, the company has been able to lower freight expenses and preserve a fresher product. In 2015, the company acquired Açaí Split, a more affordable brand of açaí products.

Additionally, after Patria PE Fund IV's acquisition, the company expanded its customer base through initiatives aimed at improving product awareness and international expansion. In 2022, Patria PE Fund IV also acquired Makai, the second largest player in the US açai sector. This acquisition, coupled with Frooty's robust exports, led international sales to account for 42% of the group's total revenue in 2023, up from 5% in 2020. In 2023, Frooty's 30th anniversary, the company relaunched all its local product lines with a new recipe and branding strategy that led to double digit sales growth in Brazil during that year. With Patria's expertise, Frooty has become the leading açai sorbet manufacturing company in Brazil, with a production capacity that exceeds 120 ton/day of açai sorbets and 45% of the retail market share in the country.

Social and Environmental Impact

Over the past two decades, açai has become the most popular non-timber extractive product in the Amazon region. Frooty, through its partnerships with local communities, supports over 1000 families and currently sources ~90% of its inputs from small producers through sustainable processes. To date, approximately 60% of Frooty's suppliers are certified by ECOCERT, which guarantees that the product is grown without chemical substances in compliance with health, environmental and labor laws.

As of 2022, Frooty has established environmental programs to protect approximately 40,000 hectares of the Amazon rainforest since the production of açai is highly dependent on the health of the ecosystem. The company's commitment to sustainability extends to its circular economy practices, where waste from pulp production is utilized as fuel for steam generation. In total, the company sold 5,000 tons of seed waste in 2022, reducing its environmental impact and promoting resource efficiency. In 2024, at the Mocajuba plant, the conversion to seed-fueled equipment is expected to avoid the use of ~300 m³ of firewood and 20,000 liters of diesel fuel. By 2025, Frooty expects all production facilities to operate on seed-fueled equipment.

To further support the local communities, Frooty has launched multiple community development projects including "Aluno Nota 10" which provides tangible rewards to local students in Mocajuba to incentivize academic engagement. As of January 2024, Frooty was the first Brazilian company to partner with German Development Agency (GIZ) through a program designed to provide local açai producers with financial education and assistance with identifying alternative income generating activities during the off-season for açai. This initiative launched in April 2024 and will last for three years, demonstrating Frooty's commitment to the holistic development of the regions where it operates.