



## EXIT CASE STUDY: TESSARA

**Exiting Investor Name:** Alterra Capital Partners

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**Fund Name:** Carlyle Sub-Saharan Africa Fund

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**Company Name:** Tessara

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**Country (HQ):** South Africa

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**Countries Operations:** Pan-Africa

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**Sector:** Agri-Tech

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**Year of Initial Investment:** 2018

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**Year of Exit:** 2023

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**Exit Route:** Sale to Trade Buyer

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### Investment Overview and Rationale

Founded in 1985, Tessara operated for many years with a single flagship product, Uvasys, the world's first laminated SO<sub>2</sub>-generating sheet designed to protect table grapes from post-harvest decay. Since partnering with the Alterra team in 2018, Tessara has broadened its horizons, expanding its innovative solutions to include additional agricultural products (e.g., berries, flowers and tomatoes). Moreover, the company has achieved a significant milestone by developing and bringing to market another recyclable product.

Alterra's investment in Tessara was rooted in the company's well-established brand and the high quality of its core product. Additionally, the decision to invest was also driven by clear opportunities for further investment and growth, including upgrades to the management team, research and development efforts to fuel product expansion, and opportunities for geographic expansion.

### GP Value Add

After the investment, Alterra revitalized Tessara's leadership and jointly crafted a strategy to diversify the company's product portfolio and expand into new markets. Initiatives undertaken included:

- Reinforcing management team shortly after investment by hiring a CEO and CFO and making key hires to lead sales, regulatory, R&D and supply chain functions.
- Expanding Tessara's product portfolio beyond grapes to include protective solutions for flowers, berries, and tomatoes.
- Actively identifying new markets for geographic expansion, involving the registration of products where necessary and hiring sales personnel to penetrate these new areas.
- Developing an alternative, recyclable technology that is more environmentally friendly and commands higher profit margins.
- Doubling the manufacturing capacity at its existing facility in Cape Town.

### ESG & Impact Acceleration

Tessara's flagship product for grapes significantly cuts down food waste by reducing fungal spoilage from 25% to less than half a percent. Building on this success, the company also developed a new product designed for berries, which has shown comparable reductions in waste. During Alterra's investment, Tessara launched a recyclable version of its core product aimed at diminishing single-use plastic waste, with plans to introduce a similar product to the berry product line. In response to growing environmental concerns and market demand, Tessara has focused on sustainable innovation with significant positive outcomes:

- These products, offering higher profit margins, maintain their effectiveness and environmental benefits.
- Tessara's product has been very successful, with major retailers like Tesco endorsing and promoting its use, thereby driving demand.



## Exit Process

Alterra engaged an agri-sector specialist investment bank and sourced vendor due diligence reports to initiate a broad sales process in December 2022. This approach attracted interest from both strategic and PE buyers. By September 2023, the successful sale of Tessara to AgroFresh was finalized.

AgroFresh, a leading American innovator in agricultural technology, plays a significant role in mitigating climate change through its efforts to reduce food waste and lower greenhouse gas emissions. To date, the company has saved 259,000 metric tons of apples from going to landfill and 2.5 million metric tons of water, thanks to their innovative apple spoilage reduction methods. By acquiring Tessara, AgroFresh has strengthened its arsenal in the fight against food waste.

AgroFresh is also a portfolio company of Paine Schwartz Partners, a global leader in sustainable food chain investing.

## Financial Performance

During Alterra's investment, Tessara experienced significant growth, with its LTM Revenue increasing by 2.1x, equivalent to a CAGR of 16%. Simultaneously, its LTM EBITDA grew 2.2x, also reflecting a CAGR of 16%.

## Lessons Learned

Investing in Tessara reinforced several crucial insights:

- The importance of an Independent Chairman: David Hathorn played a key role in facilitating a management transition and steering the management team through various strategic initiatives.
- The importance of establishing and carefully executing a 100-day plan following the transaction's closure.
- The importance of continuously and carefully investing in Research and Development to enhance existing products and innovate new ones.

Finally, our investment in Tessara, coupled with our overall private equity experience, confirms that South Africa continues to possess high-quality companies and a strong skills base that can be leveraged to grow businesses globally. This explains why international strategic buyers remain interested in South African companies.

