

## EXECUTIVE SUMMARY

### GridX II Fund: Promoting Deeptech Startups in Latin America

In order to expand the frontiers of venture capital markets and contribute to the reduction of the persistent early-stage financing gaps in Latin America and the Caribbean, in February 2021, IDB Lab issued a call as a renewed mechanism to channel its investment toward venture capital funds in the region. Under **Sector Funds**, one of the four verticals that are part of the investment thesis for venture capital funds, IDB Lab seeks funds specialized in high-impact sectors that present marked gaps in structural capital as a result of unmet demand for early-stage entrepreneurs, such as health and biotechnology, technology for education and work, agricultural or food technology, and climate technology. It is aimed at fund managers that combine broad sector, operational, and investment experience, as well as clear scientific and technical knowledge.

Within the framework of this call, a total of 168 applications were received between February and October 2021, 33 of them being sector funds. [GridX II](#), a fund with an investment thesis focused on deeptech, was selected in the fourth quarter of 2021 after undergoing an exhaustive analysis in the following areas: (1) management team, (2) manager's track record, (3) the fund's investment thesis, (4) the fund's terms and governance, and (5) potential for IDB Lab additionality and development impact.

IDB Lab proposes an equity investment in the GridX II Fund (the "Fund"), which will support the process of company building<sup>1</sup> and invest in early-stage deeptech startups<sup>2</sup> with a strong science-based component and a particular focus on biotechnology, **capable of sustainably addressing environmental and health problems**, with solid intellectual property and an opportunity for regional and global expansion. Up to 75 startups will receive an initial equity investment of US\$200,000 from GridX II, with the possibility of additional investments in subsequent rounds (up to Series B) and strategic support in the process of conceptualizing and building the company, proof of viability, and growth of the business. **Approximately 50% of the Fund's portfolio is expected to be devoted to companies that have an approach to problems related to climate change, while the remaining 50% will be more focused on solving health-related problems.**

The management team has a proven track record supported by strong growth. In particular, since the launch of **GridX I** (its first fund) in 2017, it has: (1) mapped more than 2,000 scientific projects in Argentina, Brazil, Colombia, Ecuador, Mexico, Peru, and Uruguay through direct connections at universities, laboratories, and research centers; (2) turned 90 scientific projects into startups, through five batches of the company building program Ignite, bringing together scientific co-founders and entrepreneurs; and

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<sup>1</sup> Process of transformation of scientific projects originating at academic institutions into startups with a commercially viable and scalable business model, bringing together scientific co-founders and business entrepreneurs. Unlike incubation and acceleration models, company builders create startups from scratch, while accelerators and incubators usually support existing ventures.

<sup>2</sup> Deeptech or science-technology-based startups can be described as companies that are based on a scientific discovery or a genuine technological innovation, that while using techniques such as big data, artificial intelligence, or deep learning with a more scientific focus than that of digital startups, seek to resolve problems such as climate change, inequity, and health that demand new forms of production and consumption, through significant scientific or technological advances.

(3) invested in 36 startups that graduated from Ignite, including the following:

- **CASPR** (health impact). A startup focused on the new generation of molecular detection through CRISPR and new Cas enzymes, with the mission of democratizing access to infectious disease diagnostics, including COVID-19, especially in underserved regions.<sup>3</sup>
- **BEEFLOW** (environmental/climate impact). Beeflow offers customized pollination programs to farmers in order to increase crop yield through the application of proprietary scientific and technological knowledge on bee pollination. The company's innovations have reduced bee mortality by up to 70% and increased crop productivity by between 20% and 90%, while reducing producers' exposure to pesticides and avoiding environmentally harmful practices.
- **MICHROMA** (environmental/climate impact). A startup that seeks to revolutionize the food industry by replacing ingredients that are currently derived from petroleum, which in addition to not being sustainable, have adverse effects on human health, including allergies, hyperactivity, attention deficit disorders, and even cancer. The company developed a platform to produce next generation natural ingredients in a sustainable, profitable, and scalable manner.

**GridX plans to scale up its model by launching a new fund, GridX II, with two main differentiating elements.** (i) Scaling up toward Latin America from the initial focus of GridX I, which was Argentina, with a better understanding and positioning with respect to the region's various scientific systems. The GridX team estimates that there are approximately 20,000 scientific projects that can be transformed into businesses with a global impact. (ii) Significantly increasing the Fund's capacity to make follow-on investments in the most promising companies. It also plans to double the number of startups receiving investment with respect to GridX I.

The Fund's management firm will be Zuraley S.A., incorporated in Uruguay, with a management team currently based in Argentina and Brazil, with plans to incorporate new members in Uruguay as well as regional coordinators focused on Central America and the Andean region.

The project proposed an IDB Lab investment in the Fund of up to US\$3 million, with expected final capitalization of the Fund of US\$50 million.

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<sup>3</sup> Previously supported by IDB Lab through the COVID-19 Prototype Facility in 2020.