

WINNER – SMALL-CAP

Mekong Capital: Mobile World

When Ho Chi Minh-based Mekong Capital bought 35 percent of Mobile World in 2007 for \$3.5 million it was quick to spot growth opportunities. The mobile device retailer only had seven stores and a mobile device market share of just 1 percent. With Vietnam's economic growth pushing up incomes and ramping up mobile penetration, the firm believed there was a lot of possibility for Mobile World in the country's fragmented retail market.

"So many things came together for this deal," says Chris Freund, founder of Mekong. "The company had a great team of co-founders, a strong culture and robust IT system. Most importantly they focused on doing one thing really well rather than spending a lot of effort on different initiatives."

First among Mekong's key value-creation initiatives was to establish a clear vision and growth plan: to be the number one in retail services for personal digital devices in Vietnam, to reach a \$100 million company valuation with 100 stores by 2013, and to be the market leader by 2014. The approach combined management coaching, new data-driven management and decision-making processes and performance indicators, as well as the introduction of industry best practice and enhanced corporate governance.

Critical to Mobile World's success is a change in its corporate culture, whereby the company invested in its core value of being customer-centric, Freund says.

Mekong enlisted the help of Bob Willett, former co-CEO of Best Buy,

who joined Mobile World as a board member in 2013. Willett was instrumental in putting customers at the centre of its retail structure, which enhanced revenue and customers loyalty. Along with revamped store layouts, he introduced KPIs such as online daily store visits, aligning employee bonuses to this metric. A multichannel sales approach has led to 70 percent growth in online sales since 2012. Willett also led overseas trips for Mobile World's management to visit global retailers such as Carphone Warehouse, Best Buy and Zappos.

The Operational Excellence judges regard Mobile World as a textbook example of a value-creation journey that encompasses every part of the business. Judge Veronique Lafon-Vinai of Hong Kong University of Science and Technology said it had shown "spectacular expansion and operational improvements across all usual aspects: management, strategy and best practices, while



50x
Return multiple



60%
Gross IRR



88%
EBITDA growth

increasing gross margins spectacularly".

Mobile World has been ringing up solid growth since Mekong's acquisition, becoming Vietnam's leading electronics retailer. The store count has ballooned from seven in 2007 to over 1,800 this year and it has expanded into Cambodia. Its market share of mobile devices rose from 1 percent in 2007 to 40 percent by the end of 2016, and it had 17 percent of Vietnam's consumer electronics market share in 2016, up from 1 percent in 2012. By 2015, Mobile World was ready to enter into new retail areas, expanding from mobile devices to consumer electronics and even groceries, launching a small-format grocer Bach hoa XANH last year.

Mekong, which still owns around 2 percent of Mobile World, has been offloading its shares since 2012, cumulatively delivering a gross IRR of 60 percent and a return multiple of 50x for its investors. ■

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