

**Portfolio Company Background:**

Sector	Industry	Business Portfolio
Mobile Technology	Mobile Virtual Network Operator (MVNO)	MVNO and smart phone ODM

**Deal structure:**

Deal Size	\$10 million
BRV Lotus Fund II Commitment	\$10 million
Co-Investors	N/A
Target Equity Position	6.2%
Investment Form	Common Shares
Investment Strategy	Growth Equity
Deal Closing Date	July 2016
Sourcing Background	BRV is exclusively invited by the lead investors of Freetel to help with strategic growth initiatives before IPO - expansion of their smart phone OEM business, launching differentiated value add services (via partnerships and lessons learned from BRV portfolio), and other operation focused strategic initiatives for margin expansion and user growth
Deal Team	Jay Kim, Takei Hideki, John Wada
Board Seat	Observer Seat (John Wada)

**Industry overview:**

Key Players	BIC SIM, DMM Mobile, IJmio, Mineo, Nifmo, Rakuten Mobile, So-net, Tone, OCN Mobile One, U-Mobile, AEON Mobile, Line Mobile, and Nuro Mobile
Market Size	MVNO market in Japan has grown from 5.4 million subscribers in March 2016 to 8.2 million subscribers expected for March 2017
Growth Potential	<ul style="list-style-type: none"> <li>- The MVNO market is growing rapidly in Japan, due to the easing of regulations in order to promote low cost mobile services for telecommunications and moreover users seeking for low cost yet more personalized and differentiated services.</li> <li>- Currently, the market share of MVNO is approximately 20 - 30% in many advanced countries where Japan is only 2% less, and the market is expected to expand further.</li> <li>- Since the success of business depends on the growth of number of subscribers and retention rate, it is essential for the company to cost effectively accumulate a substantial user base to achieve economy of scale, and roll out differentiated services to improve retention rate, which the company currently leads.</li> </ul>

**Investment Thesis:**

Solid Baseline	<ul style="list-style-type: none"> <li>- Since release of its services in 2015, FREETEL has gained top #5 market share in both monthly basis newly added number of subscribers in MVNO and low cost handset deployment. <ul style="list-style-type: none"> <li>• FREETEL has approximately 310,000 post-paid subscribers to date, which allows them to be one of top #5 in its market</li> <li>• FREETEL is adding at least 20,000 subscribers each month, which has placed them as #1 in its category in terms of growth rate</li> </ul> </li> <li>- The company is rapidly gaining brand recognition with active support from one of the major electric appliance stores "Yodobashi Camera", which is one of their major shareholders, and its QoS (quality of service) is the best in its class by deep and advanced partnership with DoCoMo</li> </ul>
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	<p>(based on its proprietary network technology that allows better usage of data channels at lower cost).</p> <ul style="list-style-type: none"> <li>- Freetel has acquired over 2 million subscribers and is adding more than 20,000 post-paid subscribers every month, and OP will continue to improve as ad spending is more optimized after its subscriber growth reaches critical pass.</li> </ul>
Growth Initiatives	<ul style="list-style-type: none"> <li>- FREETEL is the only MVNO in Japan which has achieved full vertical integration, which enables more cost effective user acquisition and improves retention: <ul style="list-style-type: none"> <li>• Low Cost yet high quality handset design/development</li> <li>• Smart SIM Cards with preloaded set of applications</li> <li>• New value add services (media entertainment and fin-tech).</li> </ul> </li> <li>- FREETEL's mobile phone OEM business is growing faster than expected winning global customers in US, Latin America, Thailand and etc.</li> </ul>
Management Team	<ul style="list-style-type: none"> <li>- CEO has strong background and deep knowledge about consumer and mobility business from prior work experiences at Dell, Lenovo, and Sourcenext.</li> <li>- Seasoned executives who are mobile experts leading marketing, finance, product and service development</li> </ul>
BRV Value-Add	<ul style="list-style-type: none"> <li>- Supporting Freetel using BRV's regional networks to export Freetel designed mobile phones to China, Latin America, US, and Korea to increase their overseas revenues.</li> <li>- BRV proactively introduces new value add service partners/technologies/business models such as fin tech (micro payment/insurance/billpay services, convenient store gift card programs, mobile gaming, media content development).</li> </ul>

### Company Financials:

(in USD mm)	FY2015	FY2016	FY2017	FY2018
Revenue	5.3	47.2	265.1	418.2
YoY (%)	7.1%	796.6%	461.6%	57.7%
EBITDA	-3.5	-19.1	11.4	27.5
EBITDA Margin (%)	-66.1%	-40.4%	4.3%	6.6%
Net Profit	-3.4	-18.7	6.5	17.5
NP Margin (%)	-64.2%	-39.6%	2.5%	4.2%

### Exit Profile

Expected Return	2 - 4x
Minimum IRR (worst case)	40%
Expected Exit Timing	Liquidity event expected by Nomura (its underwriter) for 1H2018
Exit Strategy	IPO in Japan