

LATIN AMERICAN PRIVATE CAPITAL & ESG DEAL CASE



DATE OF INVESTMENT September 2019

AMOUNT Undisclosed

PARTICIPATION STAKE 86.5%



COMPANY NAME

Mundo

<https://www.tumundo.cl/>

INDUSTRY/SECTOR Telecommunications

LOCATION(S) Chile

DESCRIPTION

Founded in 1994, Mundo operates the largest fiber-to-the-home (FTTH) network and is the second largest FTTH provider in Chile, with a network of 2.8 million homes passed¹ (HP) and 624,000 subscribers as of October 2021. The company provides fixed broadband internet, TV, fixed phone and mobile phone services with a focus on the lower socioeconomic segments of the market. Since 2015, Mundo has been executing an accelerated FTTH network deployment plan and is currently on track to reach 3.0 million HP by the end of 2021.

INVESTOR PROFILE

Linzor Capital Partners is a regional private equity firm that invests in mid-sized companies in Latin America. Linzor seeks to create value by implementing strategic initiatives and operational improvements to promote the growth of its companies. With 24 investment professionals located across the region, including eight partners, Linzor has the local presence and expertise required to source, execute, monitor and support a diversified portfolio of investments. Since its founding in 2006, Linzor has invested close to USD1.1b across 24 deals. Linzor is committed to responsible investing as an integral part of its business model and actively considers environmental, social and governance (ESG) factors and impact potential throughout its investment process.

FUND NAME Linzor Capital Partners III

FUND SIZE USD621m

TOTAL AUM USD671m

Mundo's low-cost fiber optic broadband services increase the accessibility of fast and reliable internet connections for underserved populations. Over a third of the company's clients live in municipalities under 50,000 inhabitants, many of which did not have access to high-speed internet services before Mundo's arrival. The company's high-speed fiber broadband services are priced 15-20% below its peers which has pressured large telecom operators to upgrade their technologies and reduce prices. Since Linzor's investment, the company has implemented an ambitious fiber deployment plan, increased its marketing and customer service efforts and launched new services. In less than three years, Mundo nearly tripled the size of its network, reaching 2.8 million HP and 624,000 subscribers.

OPPORTUNITY

Equal access to the internet is essential to ensuring access to information and knowledge, which fosters innovation and promotes more inclusive societies. While Chile has the highest internet penetration in Latin America, challenges remain to bridge the digital divide for lower-income and rural households. According to the country's telecommunications regulator, nearly nine out of 10 Chileans have access to the internet, but only 56% have a fixed broadband internet connection. Lower-income and rural households rely primarily on prepaid mobile internet plans, as broadband services are either more expensive, unreliable or not available in certain areas. Only 21.4% of rural households have a broadband internet connection and 23.3% do not have access to the internet at all.

Founded in 1994, Mundo provides telecommunication services through high-speed fiber-to-the-home (FTTH) connections. Mundo focuses on the lower socioeconomic segments, offering services priced 15-20% below its peers. In 2015, the company began an accelerated FTTH network deployment plan to increase its coverage in Chile. Mundo sought an external partner to support its ambitious and capital-intensive fiber optic infrastructure growth plans.

¹ Homes Passed (HP) are the number of homes to which an operator has the capability to connect in a service area.

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EXECUTION

In October 2019, Linzor Capital Partners led a consortium comprising LP co-investors and Mundo's management team to acquire 100% of Mundo. At the time, the company already had a network of over one million HP and more than 11,000 km of fiber. Linzor's investment thesis was centered around supporting the company's growth plans in fiber infrastructure, expanding its product offerings and implementing a robust commercial plan to attract new subscribers.

Linzor was instrumental in helping Mundo secure debt facilities from international banks. The company accelerated its fiber deployment plan, going from around 35,000 new HP per month in 2019 to 77,000 per month in October 2021. As a result, Mundo's network size has nearly tripled in less than three years, reaching 2.8 million HP and 624,000 clients. Mundo is now the second largest fiber internet provider in Chile with a market share of 24%, only surpassed by Spanish telecommunications giant Movistar with 48%.

With support from Linzor, Mundo refreshed its branding and strengthened its digital marketing and call center operations. The company also expanded its customer support area and offered clients free migration from legacy technology to fiber. These commercial efforts resulted in over 28,000 new subscribers per month in 2021, compared to a monthly average of 12,000 in 2019. Mundo also expanded its product offering by launching mobile services and TV streaming through the development of over-the-top (OTT) services that connect clients' TVs to streaming platforms.

In addition, Linzor established a Board of Directors, recruited new executives and introduced a management stock option plan to ensure alignment of interests with shareholders. Mundo is a fast-growing employer, with over 1,100 new jobs created since Linzor's acquisition in 2019.

ESG IN FOCUS

Mundo's low-cost fiber broadband services generate a positive social impact by increasing the availability of fast and reliable internet for underserved populations. Mundo has a presence in 170 of the 346 districts in Chile and a third of its clients are in cities with fewer than 50,000 inhabitants. Many of the smaller localities served by Mundo were previously ignored by the incumbents, and their inhabitants did not have access to high-speed internet services. In addition, the company's FTTH technology and disruptive price positioning have pressured dominant internet providers to upgrade their own technologies and lower their prices, making robust internet more accessible across the board.

As part of its commitment to bridge the digital gap in Chile, Mundo provides free internet services to over 1,600 civil society organizations, including schools, fire departments, health centers, retirement homes, indigenous associations, sports institutes, penitentiaries and neighborhood associations. Since 2020, through a public-private initiative with the Chilean government, Mundo provides free connectivity and equipment to 155 families in the rural town of Villa Trintre and the Mapuche community of Juana Maquiñir in Southern Chile.

The company also partners with local academic institutions to offer internships and build community programs aimed at developing digital literacy. In addition, Mundo has sponsored 48 TV stations which promote local content development. Two channels on Mundo's TV lineup are dedicated to promoting education and one channel is dedicated to promoting cultural identity and environmental preservation in Chile.