

The Investor



Beacon is a private debt fund focused on backing women-owned and women-led businesses. The fund targets companies that are underserved by banks and do not fit the traditional profile of microfinance, venture capital or private equity institutions. Beacon was seeded by Southeast Asian impact investing firm Patamar Capital in 2020.

FUND NAME

Beacon Fund

FUND SIZE

USD25m with a target of USD100m

TOTAL AUM

USD125m

The Company



MindX Technology School offers online and in-person courses to advance technology education for children and adults in Vietnam. The company's classes focus on subjects such as computer science, software development and data analytics from beginner to advanced levels. MindX also rents out classroom spaces during the workday to small businesses and runs a job-matching program. As of June 2023, MindX is the largest technology school in Vietnam, with 41 centers and approximately 9,557 enrolled students.

LOCATION

Vietnam

SECTOR

Technology Education

WEBSITE

www.mindx.edu.vn

DATE(S) OF INVESTMENT

NOV '21, APRIL '23

AMOUNT

CONFIDENTIAL



Husband-and-wife team Ha and Tung Nguyen founded MindX Technology School in 2015 to address the technology education gap in the Vietnamese market. With Vietnam emerging as a technology hub in Southeast Asia, MindX would prepare the country's upcoming generations for technology careers by providing high-quality education beyond basic coding and robotics skills.

One of MindX's earliest investors reached out to Beacon Fund, a Southeast Asia-focused investment firm, in 2021. MindX wanted to expand but couldn't access medium to long-term capital from banks given its lack of hard collateral, such as real estate. As a private debt and mezzanine fund, Beacon offered a unique option to finance the company's growth that would also be less dilutive than an equity investment.

As a debt investor, the Beacon team liked that MindX had healthy and consistent cash flow—partially due to its policy of collecting course fees at the time of registration. The company's EBITDA margins were negative due to its rapid growth, but it had weathered the pandemic, growing revenue by 22% and 46% in 2020 and 2021, respectively. Women represented 69% of all full-time employees, 50% of managers and just under 67% of the board, which the Beacon team valued given its gender-focused mandate. In addition, MindX was also committed to increasing the number of females enrolling in its technology courses.

The Deal

In November 2021, MindX became Beacon Fund's first portfolio company. Beacon provided the company with a mid-term loan to fund new centers. Warrants were attached to the loan to ensure economic alignment and reflect Beacon's commitment to the company.

Atypical for many debt investors, Beacon actively worked with the MindX management team on several fronts. Having seen other companies struggle after employing an aggressive growth-at-all-costs approach, Beacon challenged MindX to think more strategically about its expansion strategy. As part of its due diligence process, Beacon conducted a center profitability analysis and encouraged MindX to be disciplined in shutting down any sites that were not performing well.

With Beacon's support, MindX has been able to grow sustainably. In 2022, the company launched 18 new centers and grew revenue by 88% while remaining cash flow positive. In line with this expansion, enrolled students grew from 2,772 at the time of Beacon's initial investment to over 9,557 as of June 2023. Beacon also helped the company put in place a more robust financial management and reporting system—and provided technical assistance funding to pay for it—in addition to assisting in the recruitment process for a qualified CFO.

In April 2023, education-focused private equity investor Kaizenvest led MindX's USD15 million Series B round. Beacon's center profitability analysis and local market intelligence served as important resources to Kaizenvest during its review of the company. Beacon also participated in this round with a follow-on debt investment.

"Beacon Fund's rigorous due diligence process helped us gear up for the larger funding round with Kaizenvest. The questions they asked throughout our partnership really challenged us to think about our business direction and strategy. Beacon provides hands-on fundraising, which is uncommon for traditional lenders."

—Ha Nguyen, Co-Founder & COO, MindX

Inclusive & Sustainable Growth

Beacon's gender-focused due diligence process raised a lot of important questions for the MindX management team. The company began to evaluate how student needs differ based on gender, as well as how its product design and delivery affected women versus men. MindX initially tried to encourage women and girls to take its existing coding courses through targeted information sessions. But when that strategy failed to yield the desired results, it created a new curriculum of classes that were less heavily focused on pure coding skills. With guidance from Beacon, MindX developed new courses on multimedia, UI/UX design, digital art, graphic design and content creation, all of which don't require pre-existing technical knowledge. The company hopes that providing an alternative entry point will expose females to the notion that technology can be an enjoyable and lucrative career option.

However, this strategy hit a roadblock when female students did not actually enroll in the new classes and the MindX team had to go back to the drawing board. In taking a closer look, Beacon discovered that only male employees were part of MindX's product development team



and curriculum decisions were often based on their own preferences. For example, some courses incorporated combat or superhero gaming themes. The Beacon team also realized that the company's marketing and outreach materials did not include any visuals of females.

Based on Beacon's analysis and recommendations, MindX began to add women to the product development team and on all marketing collateral. These efforts resulted in a significant increase in female students taking the alternative courses. Female enrollments as a percentage of total enrollments increased from 13% in the fourth quarter of 2021 to 51% in the fourth quarter of 2022, and this parity has continued into 2023.

MindX also founded and sponsored the *Code for Vietnam Foundation* to bridge the technology gap faced by disadvantaged Vietnamese children. It provides scholarships to study at MindX that are largely supported by financial commitments from the founders as well as MindX's teacher and alumni base. Since its establishment, the *Code for Vietnam Foundation* has offered hundreds of scholarships to people from disadvantaged backgrounds.

Outlook

MindX plans to continue expanding across Vietnam over the next several years. In 2022, it opened several new centers in Tier 2 cities outside of Hanoi and Ho Chi Minh City to target a broader and lower-income population. The company hasn't had to drastically change its pricing model in these markets given that its products are relatively affordable. Once the company has achieved scale in Vietnam, MindX has ambitions to evaluate expansion into other markets in the region.

Reflecting on the investment, Shuyin Tang, co-founder and CEO of the Beacon Fund, notes, "We are incredibly proud of the MindX team, as this company with humble origins has rapidly grown into a world-class and well-governed private equity-backed market leader. As the company has evolved, so has our role, but as the only gender-focused investor at the table, we will continue to bring gender equity to the conversation. We believe MindX has tremendous potential to change perceptions of women in technology in Vietnam." •