

AKN builds on overseas business

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THERE has been very little news on AKN Messaging Technologies Bhd of late. In fact, after an eventful year in 2004, an analyst says interest seems to be waning on the Mesdaq-listed company.

"The initial rapid increase in sales and also the general interest in the company appear to be tapering off. The stock has not been performing as well as it used to," says an analyst who covers the stock. Year to date, the share price of AKN Messaging has fallen 21%. It finished on Thursday at RM1.42.

Yet, when BizWeek met up with the company's managing director Lim Seng Boon and a few top brass from its offices in the Asian region recently, there were indications that things may pick up, particularly in the group's regional operations.

Clearly, the company is looking to boost its business in markets it already has presence. Currently, it provides mobile content and application services in Hong Kong, China, Pakistan, Indonesia, Thailand and Singapore



"Enquiries have come in from many countries but we have already penetrated seven to eight countries in a short span of time, so we are now focusing on just ensuring that our investments make money," says Lim.

Arshad Ashraf

Cost of our operations are already above water. You can expect better things in the near future. In Malaysia and Indonesia our ventures are good, very promising, and have started showing results. China is of course very exciting; in Pakistan we already have the foundation laid for greater results.

"Thailand is above water, it's already profit-making and Hong Kong has been contributing to our bottom-line for some time now. So once everything falls into place, you can expect better things from AKN Messaging," he says.

Over the week, the company released results for its first half of financial year 2005. AKN Messaging posted a marginal increase in profits to RM6.7mil. Sales rose to RM18.3mil from RM14.2mil in the first half of financial year 2004.

Last December, AKN Messaging acquired 50% of Beijing Chinawind Information Technology Co for RM20.5mil. A month earlier the company invested some RM10.7mil to acquire an 80% stake in Indonesian company PT Surya Genta Perkasa, better known as Mobiltrend.

In July last year, AKN Messaging formed a joint venture with Yevolve (Pte) Ltd, called AKN Messaging Technologies (Pte) Ltd to tap the Pakistan and Southern Asian market.

"In 2006 you will see a significant contribution from outside Malaysia," Lim promises.

Pakistan venture



Arshad Ashraf, chief executive officer of the company's Pakistani venture echoes Lim's optimistic views. In Pakistan the market is relatively small, still nascent. But Pakistan is the world's sixth most populous country with a population of 150 million. There are eight million mobile phone subscribers in the country; and the growth rate has been 130% per year.

Ezani Amir

"In March last year when we first started looking at Pakistan, there were 3.2 million mobile phone subscribers, a very small number. Since March 2004, it has grown tremendously. Pakistan has eight million mobile phone subscribers now. By the end of the year it will double to about 16 million mobile phone subscribers. The growth rate is tremendous; markets such as Pakistan have huge pent up demand...that's good for us," he says.

The prospects for AKN Messaging after setting up operations in Pakistan, according to Ashraf, are great.

"The proximity of Pakistan to the Middle East, to South Asia cannot be discounted, so we decided to create a hub for our future expansion westward, starting from Pakistan. Bollywood content is very popular in Pakistan and the Middle East, and Pakistani content is becoming increasingly popular in India. You also have Pakistanis who live in the United Arab Emirates, the Middle East, Europe, America...so there's a huge demand for content that is coming out from Pakistan."

Indonesian prospects



The situation in Indonesia seems just as promising. Ezani Amir, who is AKN Messaging's vice president for corporate affairs and heads operations in Indonesia, says in time Indonesia will contribute strongly to the company's bottom-line.

Lim Seng Boon

Indonesia is a very exciting market. It has a population of 220 million while the penetration rate is only about 10% and is growing daily. We are growing very, very fast in Indonesia.

"That is interesting about Indonesia is the market, which is still in the infancy stage. The products we sell in Indonesia are basically products we had here in Malaysia during the initial stages of AKN Messaging, like the ring tones and the games. The demand for these products itself is huge."

He adds that AKN Messaging's prospects are heightened with the recent ventures of national utility giants such as Telekom Malaysia Bhd and Malaysia's largest mobile phone service provider Maxis Communications Bhd into Indonesia.

Telekom Malaysia bought 27.3% of Indonesia's third largest telephone company, PT Excelcomindo, in December last year, while Maxis is acquiring 51% of Indonesian cellular operator PT Natrindo Telepon Scluler.

"That is easier when you have familiar faces from Telekom and Maxis there. From our experience here in Malaysia we know that we can have a relationship with them," he says.

On the Malaysian front, AKN Messaging has tied up with all the mobile phone service providers and has contracts with insurance companies, banks and stockbroking houses, among others, to send out messages.

Booming China

There are 310 million mobile phone users in China, growing at about three to four million users a month. Still, Lim confesses that penetrating this huge market has not been easy.

China is a big country with hand phone users spread over 31 provinces. It will take time to penetrate the Chinese market...it is not easy. The problem with China is that there are many different dialects, different ideas, fashion sense, tastes and cultures.

"There is also an influence from Taiwan in certain parts. So what we did in China is we got in at a very low cost via a company in Beijing and will build ourselves up from there," Lim says.

Beijing Chinawind Information Technology, Lim says, will give AKN Messaging a foot in China. "The company is already profit-making. The acquisition will be completed in May, and we expect our Chinese venture to contribute in financial year 2006," he says.

Malaysia as a base

Lim says many of AKN Messaging's clients in Malaysia, such as the HSBC banking group, have a presence in the Asian region. "That's about riding with them after successfully meeting their needs in one market," he says.

Ashraf adds that the presence of such telecommunication giants like Norwegian Telenor ASA in Malaysia, via its shareholding in DiGi.Com Bhd, has also assisted AKN Messaging. "Telenor is one of the new big entries into Pakistan. The fact that we have worked with DiGi here in Malaysia gives a high level of comfort in working with Telenor in Pakistan...," he says.