

# Fishing for fat returns online

Internet-based Fatfish investing in tech companies

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**I**n time to come, there will be more companies like Fatfish Internet Group Ltd in Malaysia.

Fatfish is an Internet venture and investment development firm, a cross between venture capital and accelerator.

Fatfish had its initial public offering last year on the Australia Securities Exchange (ASX) and raised A\$3.5mil (RM10mil).

Currently, it has a market capitalisation of about A\$35mil (RM105mil).

Since its incorporation in 2011, the firm has invested in 11 companies, which collectively have a book asset value of A\$14mil (RM40mil).

They are in four sectors – e-commerce, financial tech, mobile gadgets and cloud-based software.

On its board of directors is savvy tech company investor Datuk Larry Gan, who is also a director of Cuscape and other tech-related companies including iProperty.

"He has been actively identifying new investment opportunities and existing ones for Fatfish," Fatfish CEO and director Lau Kin-Wai tells *StarBizWeek*.

Together with Fatfish, Gan has co-invested in virtualisation software company cloud-desk, a tech company that builds virtual operating systems on any machine.

"We take on meaningful minority stakes in tech-based companies, from a minimum of 10%," says Lau.

## Listing overseas

Having run two Bursa Malaysia-listed companies, Lau senses that Bursa Malaysia is not ready for tech-based companies like them.

"Bursa Malaysia still lacks tech-friendly companies like ours as the bourse is relatively young. When we were exploring our listing options, we were uncertain about listing approvals compared to overseas stock exchanges that are more mature," says Lau, a Malaysian technology entrepreneur who started Viztel Solutions Bhd a decade ago and led the business to its IPO.

"Local IPOs have been on an all-time low largely because the bourse has too draggy a listing process," says Lau.



Lau: Start-ups would now need a minimum of RM200,000 to RM300,000 to start a serious Internet-based business.

It is a different scene on the ASX and many South-East Asian tech companies have managed to gain investors' attention, Lau says.

Real estate website iProperty Group Ltd, whose peak market cap stood at A\$700mil, was one of the early Malaysian companies that listed on it.

"The difference between first and second generation internet companies listed on the ASX is the former does not need to convince investors that there is a market in South-East Asia," Lau says.

Fatfish had its first success with an investment in a dating application, which was acquired by Singaporean company Lunch Actually Group.

Next month, Fatfish will invest in two gaming companies - Appxplore Sdn Bhd and Kensington Ventures Pte Ltd - which will be listed on the ASX.

"We are not looking at other sectors

besides these four at the moment as we don't want to spread ourselves too thin," Lau says, adding that the internet business was now a big economy on its own but getting into it now would not be as easy as it was in the early days.

Start-ups would now need a minimum of RM200,000 to RM300,000 for a serious internet-based business," Lau says.

Fatfish has partnered with Cradle Fund Sdn Bhd to invest in Malaysian tech-based start-ups.

Cradle had also signed the co-investing agreement with three other new partners - OSK Ventures International Bhd, CoEnt Venture Partners Pte Ltd and Crystal Horse Investments Pte Ltd.

The partners will take part in a one-to-one equity co-investment exercise, investing up to RM500,000 each. The agreement is collectively worth RM11.5mil and is the largest co-investment agreement Cradle has



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signed thus far.

Additionally, Fatfish's subsidiary Fatfish Medialab in Singapore has been appointed official partner of the IJam funding scheme of the Media Development Authority of Singapore (MDA), allowing a co-investment partnership between Fatfish and MDA for an investment up to S\$250,000 (RM688,500) of seed funding into an early stage startup in exchange for a minority equity position.

"Our long term plans are to continue looking for investments, groom these investee companies and spin out their IPO in one to five years. We provide the financial and technical know-how," Lau says.

"We will also look at other stock exchanges such as the Singapore Exchange (SGX) and Indonesia Stock Exchange (IDX) to list our investee companies. At the right time, we will consider Bursa Malaysia," Lau says.

Funds raised in the IPO, he says, would be channelled into working capital for more investment activities.

Currently, Fatfish will focus on the South-East Asian market.

"We will soon move into other markets like Thailand, the Philippines, Vietnam. We have contacts in those regions and want to get into those markets in the next two to three years," Lau says. "But we have a very busy pipeline that needs digesting, so we need to stay focused on the markets we are in."

Fatfish is run by an investment team of 12, backed by a handful of administrative staff.

Together with its 11 investee companies, the Fatfish Group has about 80 employees.

**Talent in demand**

"Human capital is one of the most significant gaps in the industry," Lau says.

In every start-up, there must be an exit strategy - and Lau feels that there are only a few technology investors in the local industry.

"You need good people to build a successful company. The key is to find a good co-founder who understands a technology-based business well," Lau.

"This industry in Malaysia still needs a big pool of talent to grow. We could house operations headquarters for these businesses."

Fatfish targets to invest in a maximum of 20 companies - an additional nine to the existing 11 - in the next two years.

"We don't want too big a portfolio. When the time is right, we are likely to exit the business."

For the financial year June 30, 2014, Fatfish recorded a net loss of A\$184,242 (RM526,617), a slightly better result than A\$189,560 (RM542,141) the year before.

Revenue came in at A\$3,169 (RM9,063), nearly half of the A\$6,392 (RM18,281) achieved last year.

However, its total equity stood at A\$31,951.

In a filing with the ASX, Fatfish said its policy was to maintain a sufficiently strong capital base so as to remain investor, creditor and market confidence and to sustain future progress on the consolidated entity's programmes.

At close on Friday, its share price stood at 19.5 cents (55.77 sen).



**In trend:** Online fashion retailers are increasingly popular shopping destinations for shoppers. Fatfish acquired Dressabelle, an online fashion retailer in Singapore that sells affordable, casual and work wear for women. - Bloomberg