Asian tech floats eye ASX

PRINT EDITION: 16 Oct 2014

Malaysia's iProperty and iCar spun out of Patrick Grove's Catcha GroupBRW-rich lister Patrick Grove's Catcha Group to list on the ASX in 2007 and 2012 respectively. **Photo: Peter Braig**

Matthew Smith

Australian investors are advised to brush up on their technology stock valuations as more tech companies – particularly from south-east Asia – target the Australian Stock Exchange to list.

Start-ups in Malaysia and Singapore, currently feasting on a combination of government and private/venture capital funding, see distinct advantages in listing on the ASX over their local exchanges, said a government official responsible for seeding technology start-ups in the country.

Alex Lin, head of Infocomm Investments, a wholly-owned subsidiary of a branch of the Singaporean government, spoke to *Smart Investor* this week about the benefits.

Australian investors' ability or willingness to back a company based on future cash flow or earnings is one of the main attributes that makes the ASX a desirable place to list for Asian start-ups, Lin said.

"We're seeing Australian investors more willing to account for future growth in their valuations, which is good for early stage technology companies that might not be profitable early on," Lin said.

The Infocomm Development Authority gives grants to promising Singapore-based technology start ups, usually investing between $S1 million ($0.9 million) and $S5 million companies at a seed and early funding stage.

There has been a number of Asian-focused start-ups list on the ASX, including the reverse listing of online chat and game social network MigMe and Singapore-based software developer 8Common in August. Also Chinese mobile commerce company, 99 Wuxian, listed on the ASX in October.

Among the first to test Australia's appetite for Asian-focused e-commerce plays, Malaysia's iProperty and iCar spun out of BRW-rich lister Patrick Grove's Catcha Group to list on the ASX in 2007 and 2012 respectively.

Shares in iProperty and iCar have soared since established Australian players Carsales.com and REA have taken stakes in the two emerging Asian companies.

Carsales took a 20 per cent stake in iCar last year and REA has increased its stake in iProperty to just under 20 per cent after taking a 17.2 per cent stake in the company in July.

But Australian investors should remain cautious of new technology listings, particularly coming out of Asia, where companies have yet to establish a trading track record here.

8Common, MigMe and 99 Wuxian have all traded down since their respective listing debuts on the ASX.

Aussies like tech

Investors value technology companies generally differently to other more established profitable businesses, usually justifying high price-to-earnings multiples by discounting back potential future earnings.

With the first ever listing of a Silicon Valley-born start-up on the ASX on Thursday in the form of online recruiter 1-Page, which soared up to 70 per cent in its debut on Wednesday, it’s clear technology companies globally see Australia as a destination for raising public capital.

“There has certainly been a broadening and deepening of investor attitudes to companies that may not be producing headline NPAT [net profit after tax] but may be investing for future growth,” said Max Cunningham, ASX general manager for listings, issuer services and investment products.

Australians’ long history of embracing risk in the form of mining start-up companies without an earnings history makes them well placed to understand technology company valuations compared to their global peers, Cunningham said.

“Australian investors still want cash flow, but they are also very happy to model valuations based on their own risk-return judgements,” he said.

Cunningham added that investors should be vigilant of the risks of investing in companies with naturally higher valuation multiples.

Window of opportunity open

South-east Asian start-up and early stage investors believe there is currently a window of opportunity opened up for listing on the ASX, said Lau Kin Wai, CEO of ASX-listed venture and start-up accelerator, Fat Fish Group.

Fat Fish invests in 12 start-ups based in Malaysia and Singapore and Lau told *Smart Investor* he hopes to list up to two of his portfolio companies in the ASX within the next 12 months. Fat Fish listed on the ASX in July this year.

Indonesian online general insurance supermarket Autodirect, 3D dancing game creator V Dancer and Singapore’s leading online fashion retailer, Dressabelle, are among the later-stage start-ups in the Fat Fish portfolio.

Lau’s goal is to invest in six new technology start-ups per year.

“The ASX is a concrete strategy entreprenuers in Asia can go to talk to their investors about … Australian investors appreciate tech valuations and listing rules are set up favourably for smaller companies, which tech companies tend to be,” he said.

Lau is also aware Australian investors will be watching the current wave of technology listing from Asia very closely.

“We know we will be judged on our [IPO] exits. We hope to prove ourselves with successful listings in the near future,” he said.

Matthew Smith was a guest of the ASX listed Fat Fish Group during his recent trip to Singapore.

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