

AKN MTECH will regain growth, says CEO

16 Mar 2005, The Star

AKN Messaging Technologies Bhd (AKN MTECH) was the top performer on the Mesdaq market in 2003. That was when its share price rose from about 30 sen to over RM3.

But from a red-hot growth stock, it has become a dud. Its price has dropped 46 sen or 25% since January, and it is 55% off its 52-week high of RM2.96.

The reason is that MTECH had not met analysts' expectations in recent financial quarters; high expectations had been built into its share price.

Ooi Boon Leong, group chief executive officer of AKN Technology Bhd, told StarBiz that investors would be disappointed if MTECH's earnings grew at anything less than a fast 30% clip. AKN Technology is the parent company of MTECH, which markets programs and content for mobile phones.

MTECH's earnings had been admirable in the past, expanding 150% to RM14.5mil for the year ended June 30, 2004, from the year before



Recent results, however, showed no growth. Its net profit for the six months ended Dec 31, 2004, was RM6.7mil, little changed from the RM6.6mil recorded in the previous corresponding period.

Ooi Boon
Leong

Lester Neil Francis, MTECH's general manager, said the flat results were due to marketing expenses incurred in growing the budding regional business. It is now marketing its services from Hong Kong to Singapore, Thailand, Pakistan, Indonesia and to China.

But even as it expands, the advertising expenditure is being controlled. Said Ooi: "The respect (the analysts') expectations, so we try to manage the costs." All overseas operations might be profitable this year, he added.

An analyst close to the company said he expected MTECH to resume its high earnings growth in the second half.

MTECH operates in a wide range of markets, from the most sophisticated (Hong Kong) to the less developed (Bangladesh). It also has to customise its products to the language and taste of the different countries.

In Hong Kong, which has 3G (third generation) networks, MTECH developed technologies and products that can be introduced to Malaysia when 3G is available later this year.

Hence, in Hong Kong, MTECH offers products like short video clips of goals scored in football matches, or news clips of the tsunami that struck last year. Customers are charged about RM6 for each video clip.

In Malaysia, only SMS (short messaging service) news alerts can be streamed into mobile phones at present.

Some 60% of the company's revenue comes from services to corporates, with the balance 40% from products sold to the public. An example of its products for corporates would be programs that enable mobile phone users to vote for their favourite singers.

"There're no longer a ringtone company. We now have a more complete suite of products," Lester said.

He is bullish on MTECH's regional ambitions. "Last year, 95% of our RM14mil profits came from Malaysia, which had 10 million mobile phone subscribers at the time. Can you imagine the potential in markets like China with 310 million subscribers?" he said.