

Corporate: OSKVI plans investments abroad

By Nicole Yeong

Venture-capital (VC) company OSK Ventures International (OSKVI) is putting money where its mouth is, when it lists on the Mesdaq market later this year.

According to OSKVI's chief operating officer Eddie Yap, the VC firm is raising funds so it can make more investments in young technology firms. Currently, OSKVI has invested over RM50 million in 18 companies. Four are listed on Mesdaq and six more will be listed within a year. But OSKVI has greater ambitions for itself and its investees.

"The market in Malaysia is just too small. We also want to look at companies in the region. About 50% of our new funds will be invested abroad," Yap says.

"If you look at the bigger funds and the normal investment size abroad, they typically range between US\$2 million and US\$3 million for each investee company. That is about RM12 million each. Therefore, we need a bigger fund size to bring IT firms into Malaysia," he explains.

One such coup is Nova MSC Bhd, which was listed in Mesdaq last August. The software-solutions provider for e-government and healthcare services was founded in Singapore, where Nova provided solutions for the Infocomm Development Authority, Urban Redevelopment Authority, Ministry of Environment, Land Transport Authority and the Housing and Development Board, among others. In 2002, the company was looked for funds to expand amid a global downturn.

"We found OSKVI when the investment climate for IT firms was negative and we were looking to expand and needed to raise funds. Eddie convinced us to bring our R&D [research and development] operations into Malaysia and to raise funds here," Nova's founder and chief executive officer Steven Chan says.

Nova has other shareholders like Natsteel, Kim Eng Holdings and Itochu of Japan, which were reluctant to give the green light, but the savings in R&D costs won them over in the end.

In this interview with The Edge, Yap was joined by Chan, eBworx's CEO Tan Suan Fong and C C Puan, founder of Green Packet, which plans to be listed on the Mesdaq market later this year.

Today, Nova provides an advanced integrated city management system solutions for Perbadanan Putrajaya, leveraging on its experience from working with the Singapore government. Nova also has sites in Indonesia and Thailand, and is making a foray into China.

According to Yap, the global-expansion vision it has also applies to its selection of investee firms. "Our strategy is to look at the management of the companies, the founders. They must have a perspective that the world is their market, not just Malaysia. We look for companies that will pursue a goal to capture overseas markets," he adds.

Nova, for example, derives about 90% of its revenue from overseas markets. The same goes for OSKVI's other investee firms like eBworx, which provides solutions for financial institutions, and Green Packet, a solutions developer for mobile communications.

Green Packet was founded in the Silicon Valley, California, by Malaysian technopreneur C C Puan and his Chinese partners, who were working for companies like Cisco and Seagate. While retaining a core R&D team in the Silicon Valley, Puan has also started an R&D base in the Technology Park of Malaysia to "streamline costs". Its R&D team here is over five times larger than the one in the US. The firm has operations in the US, Malaysia, Taiwan and China. Last month, Green Packet signed an agreement with OSKVI and Kumpulan Modal Perdana Sdn Bhd for funding of up to RM6 million. "We tied up with OSKVI not because of the money... because our business is already profitable and we have funds from private investors. But we like OSKVI because it is atypical and we like the corporate advice it gives, such as how to position ourselves for a major expansion. It is also very hands-on and participates in our strategy decisions," Puan says.

"I am from the technical side and if I need to grow my company, I need to know how the capital market works and how the financial world looks at us. This is where OSKVI helped very much," Chan of Nova adds.

OSKVI has positioned itself as an investor at the growth stage of new technology companies, giving advice and guidance at the critical phase, where techies need to change roles to become entrepreneurs. Yap himself had been working for the OSK group eight years before starting the VC outfit. He was a pioneer in the corporate-finance division and derived a depth of experience in providing advice to clients whose businesses are well into their growth stages.

For eBworx, OSKVI has provided most-needed advice and guidance for mergers and acquisitions. "With help and funding from OSKVI, we are now focusing on the North Asia markets," founder Tan says.

eBworx has 35 reference sites locally, in Indonesia, Singapore, Thailand and the Philippines. It ventured into other Southeast Asian markets just a year and a half after it was established. "eBworx's growth has surpassed all our expectations," Yap says.

OSKVI still holds stakes of 10% and 5% in eBworx and Nova MSC, respectively. Between its inception in 2000 and the end of last year, OSKVI achieved a compounded annual growth rate of 35%. It also made the highest revenue of RM5.8 million and net profit of RM4.3 million last year, based on realised gains — having sold shares from its investee firms.

Yap estimates the unrealised profit (including the value of shares it still holds in listed investee companies) at RM15 million. Its listing exercise will raise up to RM200 million, the largest on Mesdaq so far.

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Through OSKVI, investee firms have built a network for themselves. Chan of Nova discusses the ins and outs of investing in China with Puan of Green Packet, while Tan of eBworx shares his experience in the Indonesian market.

OSKVI hopes to extend the same community it furnished for these guys to potential growth-hungry investee firms impatient to make the world their oyster.

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