Personal Wealth

Cover Story: A dream fulfilled

Kuek Ser Kwang Zhe / The Edge Malaysia
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The listing of EquitiesTracker Holdings Bhd on Bursa Malaysia’s Leading Entrepreneur Accelerator Platform (LEAP) market on March 7 drew a large crowd. At the opening bell, the local investment research and training provider became the first of its kind to be listed on the local bourse.

The initial public offering saw 42 million new shares, or 17.1% of its enlarged issued share capital, offered at an indicative price of 17 sen per share. The RM7.14 million raised through sophisticated investors via the LEAP market is intended to help EquitiesTracker expand its businesses locally and regionally. The share price, which closed at 17 sen on the first day of trading, had climbed to 19 sen on March 12.

The firm’s listing saw heightened investor interest despite the stock’s high valuation. On March 7, it had an implied price-earnings ratio (PER) of 24.2 times based on its annualised earnings per share (EPS) of 0.7 sen for the financial period ended June 30, 2018. The PER would have been higher at 51 times had it been based on its EPS of 0.3 sen for the financial year ended Dec 31, 2017.

Nevertheless, Alvin Vong, its 36-year-old CEO, is unfazed. He justifies the stock’s premium with the company’s accomplishments thus far. “One of the reasons is that we have been in the market for more than 40 years and have a proven track record,” he says.

Pioneer of investment services industry

Alvin’s late father, Jim Vong, started the business in 1976. A graduate of the National University of Singapore and a trained accountant, Jim was a financial controller for companies such as Texas Instruments (a semiconductor manufacturer in the US) and DuPont (one of the world’s largest producers of chemicals and science-based products), but he had a keen interest in investing and IT.

Later, when he was running a software consulting company, he would purchase raw data on listed companies from the local stock exchange, crunch the numbers and sell the financial information to media companies and the public. He was among the first in the country to do so.

“He would bring the data home and process the numbers at night. Then, he supplied the information to the media such as The Star, the New Straits Times and Business Times. That was in the 1980s and 1990s, when investors mainly got
their market information from the newspaper,” says Alvin, who recalls going with his father to the stock exchange on Friday nights to pick up a stack of files containing market data when he was a teenager.

Andrew Vong, Alvin’s elder brother and chief future officer of EquitiesTracker, says their father started this as a hobby. But the business took off and he was able to expand it. Soon, he was able to crunch data more efficiently.

Then, Jim decided to publish a book. He printed the data and put the book together himself. He even imported a paper cutter from Germany to cut the pages.

“There was no internet back then, so investors got their information on physical paper. The book mostly contained financial numbers and was pretty expensive. I cannot recall the exact price, but it sold pretty well,” says Andrew.

Jim’s business eventually gained more momentum and he was able to sell financial information to international data providers, which would offer it to their global investors.

Andrew, who graduated with a degree in computer technology, has been instrumental in setting up EquitiesTracker’s online presence. He points out that internet technology only landed on our shores in the late 1990s and the company started moving its data online in 1999.

“Back then, we had telephone lines connected to a stack of modems and servers. People would dial in using those lines and pull data off the internet, unlike how things are done today,” he adds.

Andrew had joined the family business in 2000, but left for Australia in 2007 to start a new career. He returned to Malaysia in 2016 and rejoined the company.

Alvin and Jim ventured into the investment education business in 2009. They utilised the company’s financial database to educate investors on value investing.

“Our online products and services became quite popular and we received a lot of queries and feedback from investors. Some wanted to know how to use the platform better while others wanted to learn more about investing. For instance, how to assess companies using the return-on-equity ratio provided by the platform,” says Alvin.
“That was when I realised that a lot of people wanted to be educated on investing and our products. So, we launched our training courses and brought them on board to use our platform.”

According to its website, EquitiesTracker runs several courses such as The Secrets of Value Investing, Stock Picking Mastery, Portfolio Mastery, CAGR Mastery Classes and Cryptocurrency Masterclass. It also holds club meetings every month and invites CEOs, experts and pioneers of various industries to come and share their insights with members.

These two business segments — financial data services and investment training — have been EquitiesTracker’s primary revenue generators over the years. The company subsequently introduced its Equities Portfolio Manager product, which allows clients to key in their trades and have a clear overview of their equity portfolios. This product has been combined with the company’s investment research portal to form its digital platform.

**Attractive business model**

EquitiesTracker’s business model is another reason investors have paid a premium for the company’s shares, says Alvin. The company has a relatively fixed cost structure to maintain its database and hire investment trainers to conduct classes. When the company has generated enough income to cover its costs, a large portion of the remaining revenue is translated as profit.

“Let’s say we require 10 students to cover the cost of hiring trainers, the rental of the venue and the food catering services. If there are 20 students in the class, the fees of the remaining 10 students go directly to the company’s bottom line,” says Alvin, adding that this concept also applies to its data services.

He says this explains why the company saw a significant increase in gross profit in FY2017, when its revenue almost doubled while its expenses and cost of sales only increased slightly.

According to the company’s information memorandum, its revenue had increased 86.94% year on year to RM3.13 million in 2017 while its net profit came in at RM678,672, compared with a loss of RM269,424 in the previous financial year.
For FY2018 ended Dec 31, the company’s revenue climbed 42.33% to RM4.45 million from the previous financial year while profit before tax increased 24.29%. These numbers are based on the company’s unaudited financial statements.

“The company’s PER will continue to fall if this momentum continues,” says Alvin.

Looking at its balance sheet, EquitiesTracker was in a negative shareholders’ equity position of RM256,813 in FY2016. However, the number was positive at RM421,859 in FY2017. According to its cash flow statement, the company has been in a net cash position for the two years.

Alvin reminds investors that these numbers are available under the combined statement of financial position in the investor memorandum. “You will not see this number in the consolidated statements. That is because EquitiesTracker Holdings was only formed on Dec 26 last year after we consolidated all of our subsidiaries. So technically, the entity only had four business days in FY2018,” he says.

**Future plans**

The company has executed several plans to expand its business in the last two years. For instance, it started providing investment training to corporate clients last year. These training programmes are approved by the Human Resources Development Fund and Association of Chartered Certified Accountants.

“Corporate clients want to know how investors assess companies’ performance. These clients are mainly public-listed companies,” says Alvin.

Last year, the company expanded its services to Penang by introducing investment training programmes in Mandarin.

The Vong brothers plan to go regional in the near future. “We want to position ourselves well in Southeast Asia. Our database covers the stock markets of Malaysia, Singapore and Australia. We can also look at smaller stock exchanges such as those in Myanmar and Cambodia. Our clients are mainly locals now, but I believe we can get more overseas clients,” says Alvin, who is planning to offer investment training to local and regional investors by developing e-learning courses.
That is why RM4 million, or 56% of the funds raised from sophisticated investors via the LEAP market, will be used to upgrade the company’s IT platform and back-end systems, says Andrew. “We want to store our data in the cloud and be fully cloud-native. This will enable users from other countries with better internet connectivity and experience to access our online services.”

Also, RM1 million will be used to expand the company’s premises in the Klang Valley and Penang; RM500,000 will be used for marketing activities, including a two-year digital advertising and marketing campaign; and RM640,000 will be allocated to working capital, which includes talent management and other operating expenses.

**Potential risks and challenges**

On potential investor concerns about the risks or challenges of investing in EquitiesTracker, Alvin says the company has a competitive advantage over its competitors and that it is in a unique position to grow its business.

He points out that some international data providers offer their services at a much higher price point of a few thousand US dollars a month. By comparison, EquitiesTracker offers its data to investors starting from RM200 per month.

The key players in this business segment include Bloomberg (M) Sdn Bhd, Thomson Reuters Malaysia Sdn Bhd and S&P Global Market Intelligence, whose Capital IQ platform provides financial data, analytics and research for financial professionals.

As for the investment training segment, there are many providers in the market. One of them is 8VIC Malaysia Sdn Bhd, a subsidiary of Australian Securities Exchange-listed 81 Holdings Ltd. The company has even formed a partnership with Astro Malaysia Holdings Bhd to produce a financial literacy programme, Money Money Home, for the Astro AEC Channel. The programme, launched in March 2017, was a success and its second season was launched in September last year.

On EquitiesTracker’s investment training business, Alvin says the company’s advantage is its database and investment platform. This allows its trainers to conduct sessions using its robust internal analysis.
“While others may provide investment training, we come from a different background. We started out as a data provider and we use the data to conduct investment training sessions. We also have a long history and a strong track record,” he adds.

The way it generates revenue is also slightly different from that of its peers, says Alvin. “We have two business segments. When we conduct investment training classes, we talk to the participants about our database and platform. Some of them will subscribe to our online products. The segments complement each another. We do not see other players in the market doing the same.”

The emerging trend of artificial intelligence (AI) is another potential risk facing the company. What would happen to its business if a competitor puts out financial data at a much higher speed and lower cost using the technology?

Andrew acknowledges that this will be a key challenge. “Yes, we are aware of the trend and what is happening to the application of the technology.”

He says the use of AI is not new and its applications have been explored as far back as the 1960s and 1970s. However, many new applications are possible today due to the surge in computing power.

“We are looking at how we can use AI to come up with a commercially viable product. It is an area that we want to focus on. However, we do not want to comment further on this yet,” says Andrew.

Alvin says listing the company on the LEAP market was the most costly of all the fundraising methods. However, it was the best choice for its needs.

“We had several options. We could have taken a bank loan or talked to our investors to raise funds. We could have also invited private equity firms to invest in us. But we decided to take the listing route as we felt that it was the best way to tell people we were here for the long haul,” he says.

It was a strategic move to stand out from the crowd, says Alvin. “The training business has a low barrier to entry. Literally anyone with the confidence to stand on stage and has reasonable linguistic skills can start a training business. But now, we are a listed company that investors can trust.”

Another reason for taking the listing route is more personal. It was to fulfil the dream of their father, who passed away in 2016, says Alvin.
“The LEAP market was introduced in 2017. But before that, there was already a lot of news on it in the media. I still remember my dad forwarding email to us and saying, ‘Hey, SMEs can now be listed on the stock exchange. Maybe we should look at it!’

“Since then, we have been thinking about doing this. In listing our company, we have fulfilled his dream.”
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