

AKN Messaging Technologies Bhd

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"AKN Messaging is in a very exciting business. The company is in the forefront of the booming mobile phone service provider business," says Daniel Tang of GK Goh Research. He has a 'Buy' call on the company, stating that its venture into the mobile content business at the infancy stage will augur well in future.

"It is not just in Malaysia, but also in Hong Kong, that AKN Messaging is the leading player. The Hong Kong market is one of the most developed markets. It means a lot that AKN Messaging is the leader in the industry in Hong Kong," Tang adds.

AKN Messaging is merging its operations in Hong Kong with Messaging Technologies (HK) Ltd.

The two are looking at penetrating the Chinese market starting with Xiamen, where operations are expected to start soon.

"The Chinese market is huge and the companies operating there with similar businesses like Sohu.Com and Sina.Com have shown about 300 per cent increase in earnings. Once AKN Messaging has penetrated the entire Chinese market, there is no telling how much of a gain this market will translate to," the analyst from the local bank-backed research outfit says.

He, however, cautions that AKN messaging will face stiff competition as more companies enter the booming Chinese mobile phone service provider market.

The good thing is that AKN Messaging's ventures abroad only set the company back by some RM3 million since the date of its listing in January last year.

"AKN Messaging is not just a Malaysian phenomenon. It's gaining ground everywhere that it has set foot. The cost of expansion too is relatively low. It is merely duplicating abroad the service it provides locally. The idea of investing in the company should be a long-term one," Tang from GK Goh adds.

The analyst from the bank-backed brokerage adds that he has a fair value of about RM4 on AKN Messaging, almost 50 per cent higher than its current share price. "AKN Messaging's foreign peers in China and Hong Kong are trading at PEs of about 50 times in contrast to AKN Messaging's PE of some 25 times. The stock is very attractive," the analyst adds.

AKN Messaging registered a net profit of RM3.1 million on the back of RM6.77 million in sales, for its first financial quarter ended September last year, up some 360 per cent and almost 200 per cent from the previous corresponding quarter year.

The company's market capitalisation has gained close to 500 per cent, from RM65.6 million during its initial public offering to RM392.2 million.

"This is the shining star in Kabeer's stable of companies. A simple business requiring little capital expenditure, only requiring expertise in marketing the product and ensuring services are provided accurately and quickly. AKN Messaging has done well," the analyst from the bank-backed research outfit adds.

Reuters Estimates forecasts AKN Messaging registering a net profit of RM14.95 million from RM39 million in sales for the financial year ending June 2004.

"In 2001, some 30 billion SMS transactions were conducted worldwide. The number is increasing very rapidly, the growth potential is just huge," says Kabeer, the company's deputy chairman.