



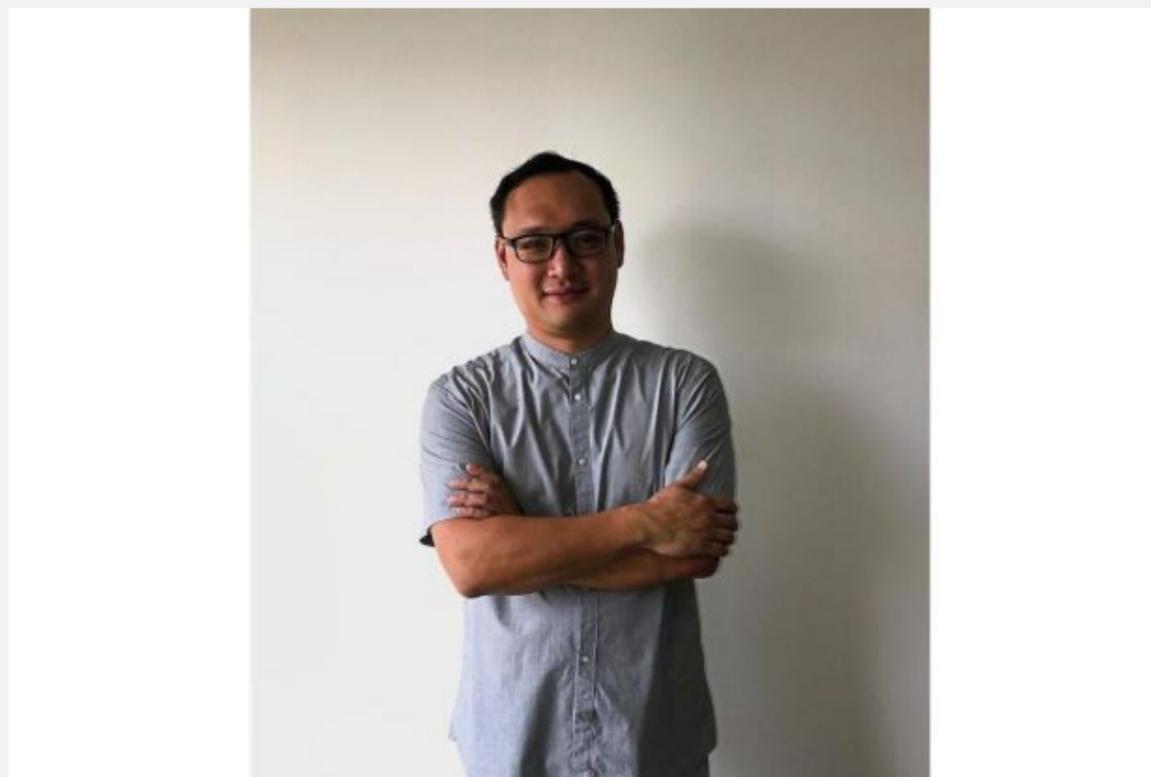
Business News

[Home](#) > [Business](#) > [Business News](#)

Saturday, 15 April 2017

NetX bets on payment solutions

BY GANESHWARAN KANA



NetX's differentiating approach is its "simplified, integrated yet user-friendly payment technologies", says its executive director Steve Tan



It expects the business to contribute more than 70% of turnover five years down the road

ganeshwaran@thestar.com.myAFTER going through multiple ownership and name changes, little known loss-making company [NetX Holdings Bhd](#) is jumping on the payments bandwagon, an area poised for disruptions through technology. This week, NetX, along with a few other listed technology companies, announced plans to venture further into the promising payment solutions market.

In a filing with Bursa Securities on April 12, the company announced that its subsidiary PayAllz Sdn Bhd has partnered with XOX Wallet Sdn Bhd to develop an electronic payment mobile exchange that enables every [XOX Bhd](#) subscribers to be an e-commerce merchant.

XOX Wallet is a subsidiary of XOX Bhd, a mobile virtual network operator.

PayAllz will also enable multi-platform payment gateways the likes of Alipay, Wepay, Apple Pay and Samsung Pay.

This collaboration is aimed to empower every XOX subscriber to participate and be a part of Malaysia's new Digital Free Trade Zone.

NetX's differentiating approach is its "simplified, integrated yet user-friendly payment technologies", says its executive director Steve Tan.

Previously known as Ariantec Global Bhd, NetX now has two divisions - Ariantec Sdn Bhd which focuses on network infrastructure, security management and rental of electronic funds transfer at point-of-sale (EFTPOS) terminals. Another unit called PayAllz Sdn Bhd, which is 60% owned by NetX, is involved in providing electronic payment solutions.

It is via PayAllz that NetX is targeting to expand its exposure in the payment solutions segment, with its four electronic payment systems to facilitate one's daily business transactions in secured payment process. PayAllz's electronic payment platforms such as the mobile Point of Sale (mPOS) device, are increasingly being used by retail merchants, stores and others.

Speaking to *StarBizWeek*, Tan envisages its electronic payment solutions segment to contribute more than 70% of its turnover five years down the road. At present, NetX's revenue is primarily driven by its network equipment and infrastructure business, with only about 20% of its top line contributed by the payment solutions segment.

A smallish company, NetX's market capitalisation stands at approximately RM25mil.

Marking its footprint

The Ace Market-listed NetX also aims to diversify its venture abroad while solidifying its presence in Malaysia. Last week, NetX marked its maiden foray into Cambodia following the partnership agreement between PayAllZ International Limited (PIL) and Hello Digital Co Ltd.

Hong Kong-based PIL is Ariantec's international affiliate and both share common shareholders. To note, Ariantec's director Alvin Ng is also a major shareholder in PIL.

The partnership sees Ariantec to offer its electronic payment platforms via PIL while Hello Digital will take charge of the digital marketing services.

Following an earlier licensing agreement with PIL, Ariantec will receive 50% of the revenue depending on the sale of the payment products by the former.

"Here in NetX, we decide on prospective business ventures based on the promising potential of the foreign markets. On top of that, we prefer to partner with local players in order to penetrate the foreign markets.

"Instead of establishing our very own subsidiaries abroad, we would rather find partners who already have good existing clientele and technologies. This strategy would help to our business ventures abroad to grow much faster," says Tan, while adding that Cambodia holds many promising potentials due to its significant population growth and greater technology adoption.

Tan adds that the strategy to collaborate with local companies is crucial as it allows faster regulatory clearance and better financing opportunities.

"Foreign expansion is important as many of these markets such as the Indo-China region, use US dollar predominantly in their commercial transactions. This allows us to earn relatively more in such markets compared to in Malaysia.

"Apart from that, in Cambodia alone, there are about 80 banks offering a myriad range of financial products and services. Securing financing opportunities are easier, especially since we have a local partner in our venture," states Tan.

NetX expects to further venture into the Indo-China region over the next 24 months.

The network equipment and infrastructure provider made its first overseas venture in mid-2016, as it partnered with Rockville Technologies LLC to provide electronic data capture payment solutions in the Greater Middle East region.

Rockville which operates in Kuwait, the United Arab Emirates and Sri Lanka, among others, have serviced notable clients such as Telenor, Warid and Mobilink.

NetX's partnership with Rockville is relatively new and has yet to officially launch their service.

The transition into a new segment does not come cheap. Following its rights issue exercise in mid-2016, NetX allocated a total sum of RM10mil to develop its all four electronic payment platform and solutions.

"After the rights issue, the first phase was to develop our payment solutions namely AllZ mPOS, AllZ+, AllZ 360 ° and AllZ Wallet.

"Following that, we started the roll-out of the four payment platforms," says Tan.

NetX's rights issue with warrants raised gross proceeds of approximately RM31.28mil.

The bulk of the proceeds was used to develop the payment solutions and to expand existing businesses and acquire future businesses.

NetX or formerly known as Ariantec Global Bhd, came into existence following the reverse takeover exercise between Global Soft (MSC) Berhad and Ariantec Sdn Bhd in 2010. Three years later in 2013, the company changed its name into NetX Holdings Bhd.

In the red

According to NetX's 2016 annual report, its single major shareholder is [Asia Bioenergy](#) Technologies Bhd (AsiaBio) which owns approximately 13% in NetX via its wholly-owned subsidiary Asiabio Capital Sdn Bhd. AsiaBio which operates as a technology incubator, first entered into NetX in October 2014. Aspirations aside, penny stock NetX has been loss-making for the past few years.

In fact, it has been registering net loss for every financial year since 2010, except for the financial year of 2011 (FY11).

According to its 2016 annual report, the network equipment and infrastructure provider posted a net loss of approximately RM8.31mil.

However NetX managed to slash its net loss by about 30% from RM11.92mil a year earlier.

NetX's made a net loss in FY16 despite a commendable performance in revenue generation.

In comparison to the preceding financial year, NetX's top line surged by almost threefold to RM9.78mil.

"We took on a large goodwill of more than RM30mil, following the acquisition of Ariantec Sdn Bhd eight years ago. The business was acquired at a very large premium then.

"In the past three years, NetX has taken a conscious effort to pare down the goodwill.

"This has in turn, hit our bottom line and left us loss-making," says Tan, while adding that NetX is on track to return to the black.

In the last one year, NetX's share price has tumbled by 60% from its highest level of 5 sen per share in April 14, 2016 to 2 sen in September 28 last year.

However, the share price has since doubled to 4 sen per unit, as of April 12, 2017.

NetX is backed with strong assets, with its total assets valued at approximately RM45.80mil, according to its 2016 annual report.

The company's cash holdings and bank balances alone stood at RM27.62mil.

This was in contrast to its total liabilities of RM5.12mil.

Despite its move to venture abroad, NetX remains focused on its domestic operations which have been its sole revenue contributor thus far.

Tan says that economic uncertainties that hit Malaysia in the past 18 months have delivered negative effects on NetX, particularly following the weakening of the ringgit.

However, he remains positive on the prospects awaiting NetX going forward, underpinned by the promising potentials of the payment solutions segment in Malaysia.

Despite his enthusiasm, Tan is no idealist.

Taking the reality pill, he admits that there is still room for improvement to develop the domestic electronic payment services segment.

“Apart from strengthening cybersecurity, the Malaysian regulators must introduce measures to spur greater innovations and competition in the segment.

“NetX is currently in the growth stage. In the next few years, we aim to not only achieve profitability, but also transform into the payment solutions market,” he says.

TAGS / KEYWORDS:

[Netx](#)