

Online and on the money

Websites that attract investments are those with good management and can grow with minimal capital



It is every Internet entrepreneur's dream to turn a great idea into a booming Web business that attracts big-time investors.

Web portals such as JobsCentral, HungryGo-Where, Beeconomic and PropertyGuru were among the local websites to get snapped up by investors in the last three years. A new wave of websites is following in their footsteps and attracting millions of dollars in investments.

Reebonz (below), which sells designer fashion and accessories at discount prices, for example, raised \$50 million last month from investors including MediaCorp and Infocomm Investments, the venture arm of the Infocomm Development Authority of Singapore. The website, which declined to be part of this feature, was founded in 2009 and is headed by Singaporean entrepreneurs Samuel Lim, Daniel Lim and Benjamin Han, who are in their late 20s and 30s.

In April, online portal sgCarMart was snapped up by media group Singapore Press Holdings for up to \$60 million.

Restaurant-reservation site Chope and short-term leasing site Roomorama are other well-known sites that have popped up on the radar of major investors.

The big question is, how did they do it? Ms Pamela Lim, 47, senior lecturer of strategic management at the Lee Kong Chian School of Business at the Singapore Management University, says that "some of the companies that attracted investors in recent months have very credible management teams", which is important to investors.

"Investors are not looking for a project, they are also

looking for partners," she adds.

Another common thread among these companies is scalability, says investor William Klippgen, 44, managing director of Tigris Capital, which invests in early-stage technology start-ups.

He says: "Scalable websites are simply a good deal as they can grow with a limited initial investment and are able to become profitable very fast. Profitable companies have a much easier time raising additional funding in this region, which adds to their attractiveness."

Says Ms Lim: "In Asia, we are still in the 'catching up' phase, so to attract investors, one can aim to be targeted by a foreign entity trying to penetrate Asia, or build something quickly and more efficiently that a local large company would want for itself."

That said, nobody can quite put a finger on how much a website is actually worth.

Venture fund Walden International Singapore's vice-president Kris Leong says: "Valuation has a few determinants including stage of company, market size and exit potential."

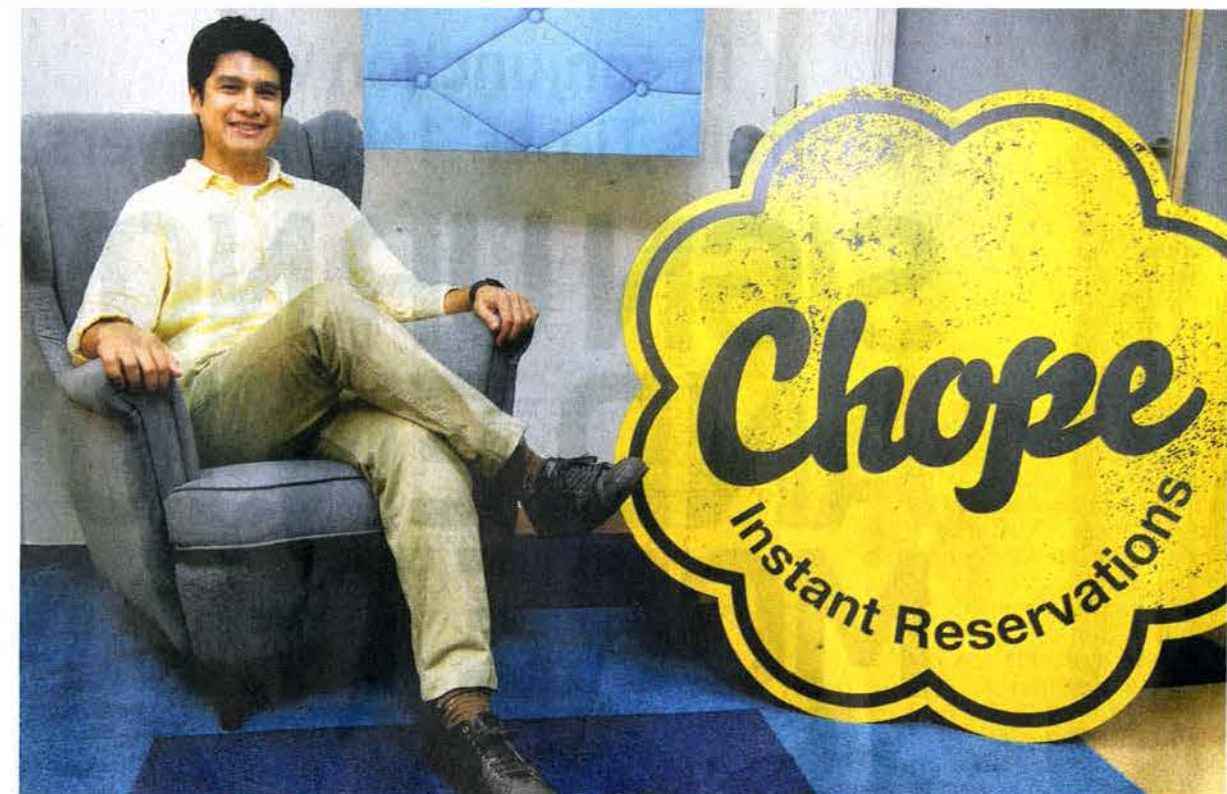
Angel investor Sanjeev Shah, 44, who is also managing director of BAF Spectrum, a partnership of angel investors, says the valuation of a company is really a question of "how badly an investor wants it, the hype, demand and supply, and the perception built around the company". He also says it is hard to say whether something has been acquired for a high price.

In sgCarMart's case, it was bought for up to \$60 million, which is about 12 times its reported annual revenue. But then, he cites the recent US\$1.1-billion (\$1.37-billion) acquisition of Tumblr by Yahoo. Tumblr had about US\$13 million in revenue last year, which makes the valuation about 85 times the sales figures.

"Compared to Tumblr, sgCarMart is cheap, but compared to a listed firm making profits, which you can acquire for one or 1 1/2 times the sales figure, it's not," he says, admitting that some valuations are "off the charts".

"You know how they say beauty is in the eye of the beholder, well, the valuation is in the eye of the investor," he adds.

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Mr Arrif Ziaudeen has expanded Chope's business to include restaurants in Hong Kong.

ST PHOTO: SEAH KWANG PENG

ROOMORAMA: RECEIVED ABOUT \$4M

An unexpected lawsuit, which dragged on for nearly two years, threw a spanner in the works for short-term leasing Internet site Roomorama, but its co-founders Federico Folcia, 34, and Teo Jia En, 31, never gave up.

"It was basically a dispute over the terms of an agreement and copyright," says Ms Teo, who launched Roomorama in January 2009 with her husband. The couple, who have no children, put their "entire life savings" – which is in the low six digits – into the company.

Other vacation rental sites on the Internet include Airbnb and Wimdu.

Ms Teo explains that they were eager to get the site up and running, and their programmer had agreed to certain terms through e-mail messages. But instead of waiting for the agreement to be finalised, "we had said to go ahead and do the work".

Three months after the website was launched, the programmer disputed the terms of their agreement and the couple took down their site for six weeks and personally took bookings by phone instead.

When their new site was up, the programmer issued a lawsuit on the basis that the new site had not been built from scratch.

Looking back, Ms Teo says: "Our impatience cost us later on."

While most of the case was thrown out of court, there were some remaining issues which Ms Teo and Mr Folcia decided to settle out of court to save mounting legal costs.

"It was tiring and expensive... we wanted to focus our time on the business instead," says Ms Teo, who did not disclose the settlement sum.

But that chapter has definitely closed and over the last four years, the company has thrived, attracting angel investors who have put in US\$1 million (\$1.24 million). In April last year, it managed to raise another US\$2.1 million through a merger with another short-term-leasing site called Lofty.

Ms Teo says the biggest investor in Lofty approached them about investing in Roomorama and proposed the idea of merging to form a company with a "wider and deeper footprint".

"We liked it and we then worked to make it happen," says Ms Teo, whose father, 60, is a businessman, and mother, 59, is a retired human resource director. She has two sisters, a vet aged 26 and a student aged 22.

Mr Folcia is an only child whose father, 63, is a gynaecologist and mother, 60, helps out in the clinic.

The two met when they were working at media company Bloomberg in New York as account managers.

In 2008, they quit their jobs to explore the idea of setting up a short-term leasing site.

Ms Teo, who is chief operating officer of the company, says they were "sick of staying in faceless, cookie-cutter budget hotels, yet unable to afford swanky boutique hotels".

"We thought there must be thousands of empty apartments at any point in time. The problem was how to find them and how to book them," she adds.

Initially, their parents were sceptical of the idea. "People will stay in other people's houses?" was their first reaction.

But over time, they have become "converts", says Ms Teo, whose mother books on Roomorama whenever she travels.

The website now lists 110,000 properties in more than 5,000 cities and towns.

The staff strength has also grown from four in 2009 to 40 at the moment.

Ms Teo says they are in the midst of raising their next round of funding and the final sum cannot be disclosed at the moment.

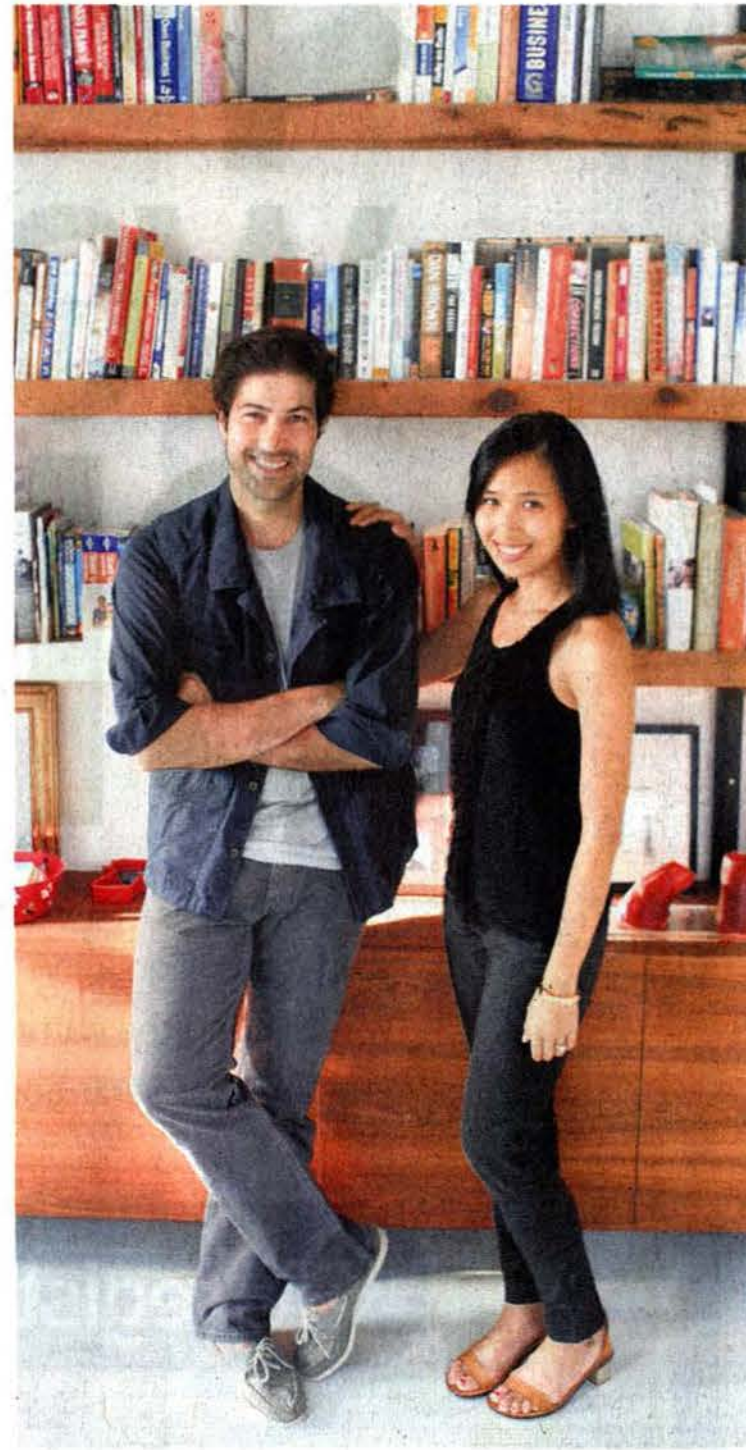


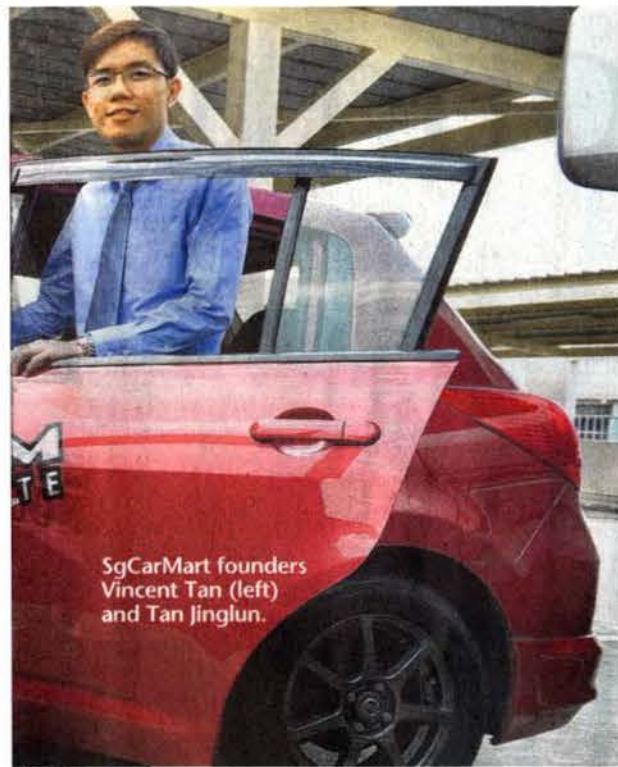
PHOTO: COURTESY OF TEO JIA EN

Despite being embroiled in a two-year lawsuit, Roomorama co-founders Federico Folcia and Teo Jia En have managed to turn the company around.



She adds that raising funds can be tough: "We often come across the same catch-22 situation – investors want to see you hit certain milestones, however, you do need capital and resources to reach those metrics."

Her advice to start-ups: "It's never too early to talk to investors, even before you need to raise money, because investors like to know their companies and watch them progress before they invest."



SgCarMart founders Vincent Tan (left) and Tan Jinglun.

ST PHOTO: LIM SIN THAI

SGCARMART: SOLD FOR UP TO \$60M

After round-the-clock negotiations from 5pm to 5am, and a nine-hour meeting the day before, the deal was finally sewn up – online motoring portal sgCarMart was sold to Singapore Press Holdings (SPH) for up to \$60 million in April.

Walking away a few million dollars richer were the three co-founders, soccer buddies Vincent Tan, Henry Seah and Tan Jinglun, all 32.

The friends were engineering students at the National University of Singapore when they first launched the website in June 2004.

At the time, they each contributed about \$1,100 to the business, essentially to start a corporate banking account, and worked on the website during their free time.

In 2005, the company had its first employee, who did data entry, and they rented a desk space in the office of Mr Vincent Tan's father, 59, a car dealer. When a second employee came along in that same year, they had to share that one desk.

Meetings were held either around the desk or at a fast-food restaurant in Yishun, where all three of the founders lived.



"The biggest test probably came in June 2006," says Mr Vincent Tan, the company's general manager and the only one of the three who spoke to SundayLife!

He and Mr Seah were graduating – Mr Tan Jinglun still had another year of school – and had to choose between finding an engineering job and building the Web business. They chose their business.

"If one of us had given in to the temptation of a higher pay, then I'm sure the rest would have given up," says Mr Tan, who adds that he drew a salary of only \$1,700 then, as opposed to \$2,800, which is what an engineering job would have paid.

The three co-founders worked hard to earn the trust of car dealers, who did not know the difference between a website and the Internet, says Mr Tan, who is married and whose mother, 55, is a housewife.

He adds that they had to visit dealers three times a week to take photos of the cars and put them on their online classifieds site.

"There are more than 700 used-car dealers in Singapore. It's not like if you get the biggest dealer, you have the market. You have to convert every single one of them. It was a long struggle," says Mr Tan.

His car-dealer father was also sceptical and named sites which had come before them and failed.

But despite the words of warning, he was their first customer.

Recruitment portal JobsDB also came in as an investor in 2008 and invested an undisclosed sum.

From just 60,000 visitors a month in 2006, the site now draws more than 2.5 million visitors each month. There are also more than 20,000 listings on the site for new and used cars and car accessories.

The site charges car owners \$48 to list their car on the site for six weeks.

For its 2011 financial year, sgCarMart posted a net profit of \$2.33 million on a revenue of \$5.55 million.

Mr Tan says the founders had no intention of selling the company, but last year, a foreign investor pinged him through professional networking site LinkedIn and they decided to lay out some terms for a possible buyout.

"Then subsequent investors just called to say, 'I hear you are looking to sell'," says Mr Tan, who has two brothers aged 33 and 25 who both help in his father's car dealership.

On the ultimate decision to sell the business, he says: "We could fight five competitors, or we could join one and fight four. We chose to join the biggest competitor, SPH."

And when it comes to fighting among themselves, he says it rarely happens.

"We have equal say, we always took the same salary, there is no fallout in the friendship. That is the greatest success factor," says Mr Tan with a satisfied nod.

CHOPE: RECEIVED MORE THAN \$4M

A lawyer with a Master of Business Administration degree from Stanford Business School, Mr Arrif Ziaudeen quit his job as an associate in a private equity firm to start restaurant reservation site Chope.

"I started doing research by speaking to restaurateurs in February 2011, thinking that I could manage it on the side, but things quickly snowballed and by April that year, I tried taking a six-month sabbatical to see if Chope could go anywhere," says Mr Arrif, 32, who is chief executive of the company.

"But then my boss said, 'there is no such thing as a part-time entrepreneur' and he was right. So the sabbatical turned into a new career," adds Mr Arrif, who spoke to SundayLife! from Hong Kong, where the company is starting to offer its services.

At the moment, the site has 250 restaurants from Hong Kong and Singapore on its list.

Some Singapore outlets include Italian restaurant Da Paolo, Chinese restaurant Shang Palace and beach bar and restaurant Tanjong Beach Club.

Customers can go to the site, reserve a table at a

restaurant and get instant confirmation, instead of picking up the phone to make a reservation, which may be a hassle if the line is constantly engaged or if the restaurant is closed for business that day.

Restaurants pay a monthly fee of between \$100 and \$300 for the service, which includes a programme that helps with table management or customer recognition, which notes when a customer was last there and his likes and dislikes.

There is also a variable fee depending on the number of diners that the restaurant gets in a month.

The business was also founded by Ms Clowie Tan, 29, who has left Singapore to pursue her studies but remains a company shareholder. Mr Arrif and she are friends.

Mr Arrif, whose father is a businessman in his 70s and mother a housewife in her 60s, says: "We naively thought we would go to restaurants, give them the system and go. But there was a lot of hand-holding and support needed." He has an elder brother, 34, who is a doctor.

Some of the company's darkest times were during

the first round of funding in October 2011.

"There were scary moments when investors backed out very late in the process, but we found other investors," says Mr Arrif, who raised \$1.1 million in that round from Innosight Ventures, a venture-capital firm, and angel investor Hian Goh, co-founder of Asia Food Channel.

In March this year, the company raised another \$3.2 million, of which \$1.8 million came from Singapore Press Holdings Interactive, a wholly owned subsidiary of SPH. The rest was from individual investors.

Mr Arrif, who has a fiancée, had spoken to 40 or 50 investors over a five-month period – four parties were interested and three, including SPH, eventually invested in the company.

He adds that this second round of funding was a "huge testament to all the sweat, blood and tears we've put into building Chope".

After the funds were raised, the whole team – 16 employees – went to a bar and celebrated, says Mr Arrif.

Although he faces stiff competition from other restaurant-reservation sites such as HungryGoWhere, reserveit.sg, reservations.sg and tabledb.com, he says Chope is different because it "curates its selection of restaurants".

"We appeal to a demographic of foodies and the restaurants that they would go to," he adds.

