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Alex Teoh

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James Thomson

Today we are talking with Alex Teoh, chief executive of listed mobile payments and technology business, Mint Wireless. The company, which is six years old, saw revenue double in the six month to December 31 to $8.7 million, and its net loss fell 44% to $808,000. A maiden profit is now firmly in site.

The company is coming off a good six months. Late last year it signed a deal with telecommunications giant Motorola to provide mobile payments services to its vendors, and last month it inked a deal with British vendor TBS Enterprise Solutions as part of its European push.

Today, Teoh talks about battling with Australia's banks, the potential of mobile payments and the balance between growth and share price performance.

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Is it fair to say Mint is looking much more globally than ever before?

Yes that's right. One of the reasons for that is because of what we do in providing mobile payment solutions to the market, Australia's a very small market. We've had some challenges in the past, especially with the banks here in Australia being quite difficult to work with and being quite oligopolistic really, to be frank. Because our technology is quite innovative and new, we still do rely on the banks to be able to transact and be able to deposit money into accounts of our customers and the banks, obviously they do control the ecosystem over here and they are less easier to work with. So we decided to take the view of expanding overseas and tapping into much larger markets like in Europe and the UK, and looking at Asia for those reasons.

Are the banks improving at all in Australia?

We've got customers here at the moment and a lot of opportunities here, I mean this is our headquarters and we work very closely with Motorola here in Australia. But I think the challenge that we have is getting our systems being certified and working with the banks, that's proving difficult and very expensive as well. There's no shortage of demand here, it's just getting a product to market here quick enough and cost-effectively enough, the economics just don't add up. We'll get there in Australia, but it will take much longer. We just don't want to sit and wait here until that happens, we'll obviously look at faster and much bigger opportunities overseas.

Does forming partnerships with local players help you build relationships with the banks overseas?

We actually work with the banks and we have to establish those relationships with the banks directly. In the UK it's quite an open system and the banks really want to collaborate with third party providers like us, because they see us as bringing business to them. Which is always how it should be.

It's such a difference in the attitudes, isn't it?

Very much so. I mean the banks over here are doing really well, and they're controlling their space where there is a lot less competition. Whereas in Europe or Asia it's a highly competitive industry where you've got many, many financial institutions that are vying for the same customers, so they have to be more open and collaborative. The work we do is also difficult because we're not only processing credit cards, which is a very simple method of payment. What we're offering is basically being able to build mobile access to debit card and EFTPOS as well, and that separates the men from the boys really. In Australia EFTPOS and debit cards are traditionally controlled by the banks, they're a little bit more cautious on how to open that system up to other players.

Do you still need a lot of education to help people understand mobile payments?

It's a bit different than when we started four years ago, that's for sure. I think it was definitely ground level four years ago. Now everyone's talking about smartphones, everyone's got smartphones and people are talking about mobile payments in terms of big guys like Google and Apple coming into the market. So a lot of people are starting to understand the possibilities as using smartphones, but the thing is we still have a way to go in terms of people actually using it as a payment terminal.

If we eventually get to the point where people are using their phones as a sort of electronic wallet, what does that mean for Mint's business?

Well, interesting you mentioned that because we are doing something in the eWallet space as well. We haven't launched it yet but that's something we see as a huge opportunity, particularly in Asia. In Asia, mobile payments and mobile money is very, very popular and the numbers do stack up. What it means for Mint is that it is definitely something we want to get into. We predominantly offer a mobile payment device, a mobile payment solution which is more suited to developed markets. In terms of replacing mobile phones or enabling mobile phones to be a card acceptance advice, that's essentially what we do right? But the mobile payment area is such a big one, you can use mobiles to pay for things, you can use mobiles as a wallet for things. That's the infrastructure that we've got and where we want to play and that's where we want to cover the whole gamut of it.

Do people sort overestimate how quickly the whole smartphone-as-wallet thing will happen?

It will happen at a different pace all over the world. In developing economies, like Cambodia, Laos, Malaysia, Singapore, the way people spend and the way people use mobiles as a currency is very, very different to what we use it here in Australia or in the UK. I'll give you a classic example. In Kenya and South Africa they're using mobiles as a wallet and transferring money to each other and that's taken off in the last three years. So I think different countries will have different adoption rates. I think Asia will move much faster than developed countries with traditional cards scheme like Visa and Mastercard and obviously debit cards and cash.

Our core infrastructure can cater for those different adoption rates because no matter where you are around the world, as long as you've got the right certification and security you can actually process payments anywhere around the world. We probably have to invest in developing different applications for different purposes but the core infrastructure is there.

How hard is it to keep on top of the various trends at the moment?

Quite difficult, I mean it's changing all the time. You've just got to keep going with it, top of the curve. I mean the thing is that once you start losing that edge, if you slip down then you become a follower as opposed to a leader, you are in trouble. But at the same time, you've got new players in the market with really big wallets and really big subscriber numbers like Google and Apple that are looking very heavily into mobile and mobile payments.

Is the partnership with Motorola an example how you can get closer to some of the bigger guys?

Definitely. Motorola has the largest install base in the enterprise mobility industry. They've got probably 80% of the market I believe and their customers are coming to them and saying they want a payment solution and that's why Motorola, not being a traditional payment player, looks towards companies like Mint to be able to offer that service and that consultation to their customers. Payments is a very complex industry, every country has got its own payment requirements and Motorola's obviously worldwide and they look for people like us to help them.

How difficult is it to continue to run things out of Australia? I guess you'd be on the plane a lot to different places?

We’ve got two businesses within the Mint group. We’ve got a technology distribution business that’s doing really well and we’re working with all the major retailers here, so that’s busy. I’ve got a CEO that’s taking charge of our payment solutions business and he’s based out of the UK.

I noticed in your address to the AGM last year that when you looked at the highs and lows of Mint Wireless, one of the “lows” was the share price performance. It’s still low, but you are also still a very young business. How do you balance share price performance with the need to grow faster, which does cost money?

That’s the million dollar question, isn’t it? I mean you’re right – especially with early stage companies like ours, people always expect a home run every single time no matter what we do, although inevitably things don’t always turn out the way it is. I think we’ve done well in terms of being able to navigate through the GFC and also being able to outgrow our technology subscription business to become profitable. Now we’ve got a payment system that is really where we want to focus on and add true value for the medium- to long-term, and that’s what we’re looking for. Once you find something that works, you keep on doing it and you get some sort of entrenchment in your industry and I think the share price will reflect well once we do that.

Is your sense with the Motorola deal and these other partnerships that you’ve started to figure out the right things?

Yes, I believe so, we’re on the right track. We’re speaking to the end customers and if they didn’t want our solution then I’d be a little bit concerned, but at Motorola Australia, and at Motorola in Thailand and Malaysia and Singapore, these guys are saying that their customers want it. And that’s why Motorola’s invested millions of dollars in developing a hardware terminal to process payments and we’re the software in the back end to be able to connect it to the bank. Once we get a couple of good customers on board after we go live in the UK next month, then it will I think that will provide a great stepping stone to further growth as well.

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