

18 Feb 2019

Australian Financial Review, Australia

Author: William McInnes • Section: Companies and Markets • Article Type: News Item
Audience : 39,834 • Page: 18 • Printed size: 283.00cm² • Region: National
Market: Australia • ASR: AUD 5,724 • words: 563 • Item ID: 1080054016

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AltoStratos poised to invade Amazon territory

IPO watch

William McInnes

Just over a year after Amazon arrived on Australia's shores, another distributor with global brand relationships is eyeing a bigger slice of the local technology and consumer electronics market.

The AltoStratos Group helps global technology brands get their products to consumers and business customers, acts as a distributor and an e-commerce platform, but also operates repair centres, customer service centres, fulfilment centres and warehouses.

The company is in the middle of an initial public offering, seeking to raise up to \$25 million and targeting listing on the ASX in early March.

While AltoStratos has no direct competitor in Australia, its presence across different verticals will pose a threat to existing distributors and retailers.

"We capture revenue throughout the vertical because we're close to a lot of the global brands," said chief executive officer and managing director Lee Yuen Wai.

"We are building an ecosystem where we cover all the verticals in terms of the IT industry. We think there's an advantage in being vertically integrated."

The company already has a strong presence in Thailand, Singapore and Malaysia, and provides services for several global brands including Dell, Microsoft, Canon, 3M, Intel, Sony, Cisco, IBM, Panasonic and Huawei.

The ASX hopeful is looking to expand into new geographies throughout the region specifically China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar.

"We wanted to list in Australia because it's attractive for technology companies and you have your self-managed super funds," Mr Lee said. "We want to build something out of

Asia Pacific because it's the fastest-growing region [in the world].

"Australia is a very homogenous market [to do that in]. You have the same language and the same buying

behaviours."

A large part of the offer will be used to build automated fulfilment centres in Melbourne and Sydney in the next 18 to 24 months, with the potential to add centres in Brisbane and Perth.

Mr Lee said distribution to bricks-and-mortar retailers remained a key part of the company's strategy, citing Amazon's plan to build 3000 shopfronts in the next few years.

"Why did Amazon move from the online space to a bricks and mortar business? There is a strategic reason," he said. "Consumers expect to buy from everywhere. Today, e-commerce still only represents less than 20 per cent of the market penetration, particularly in Asia-Pacific.

"We're not going to build out bricks-and-mortar, so we've acquired distributors who already have a huge bricks-and-mortar network."

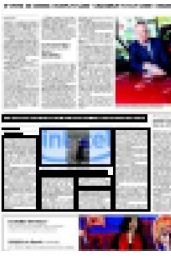
Mr Lee said companies that are able to address both online and offline markets tended to succeed.

"Online is the fastest-growing segment but the reality is that if you're only an online player, you're only addressing a small part of the market," he said.

"JB Hi-Fi is a good example. The addressable market is much larger if you address both markets because consumers still want to have the touch and feel."

Mr Lee said while AltoStratos was focusing on technology in the near term, it could expand to other products. "Whatever we build, we can easily apply to another vertical. We are very focused on the IT vertical. I don't think IT is going to be out of fashion any time soon."

AltoStratos Group is offering up to 62.5 million shares at 40¢ each, with the offer set to close February 22.



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AltoStratos Group provides services to many of the world's leading technology players, including Intel. PHOTO: AP