

MySQUAR Limited

12:21 19 May 2015

MySQUAR to dial into Myanmar's social revolution

Myanmar emerged four years ago from half a century of military dictatorship to embrace liberal democracy and the free market.

Now the country, still known to many here in the UK as Burma, is undergoing a social revolution.

Communications is the enabler, with US\$17bn being poured into the country's telephony system.

Two companies, the Norwegian mobile giant Telenor and Qatari rival Ooredoo, are at the vanguard of change.

This has created the perfect conditions in which to flourish for the country's first and only social network – prospective AIM listing MySQUAR, which offers youth audience services such as MyChat and MySocial as well as games.

"Imagine a country where it was difficult to communicate with someone three villages away; suddenly they can contact people all over the country. What we are seeing in Myanmar a social revolution," says MySQUAR chief executive Eric Schaer.

And this social revolution is gaining some traction. The City broker Beaufort is estimating that MySQUAR will have 550,000 subscribers by the end of next month – a target Schaer is confident the company will meet. By the end of the year the figure is expected to have trebled to 1.5mln.

Expansion is occurring as the cost of mobile telephony plummets. A SIM card, "hundreds of dollars" three years ago, is now just US\$1.50. A cheap imported Chinese smartphone will set you back just US\$40.

The penetration rate for handsets is still only little over 30% of Myanmar's 60mln population, but should hit the magic 100% mark in the next five years.

The unique Cyrillic nature of the Myanmar language isn't a default Unicode stored in mobiles and therefore has to be installed by technicians in the phone store.

MySQUAR has been clever by encouraging the techies to upload its app while making the required changes to the handset. That said, it is easily accessible via Google Play or on the firm's website.

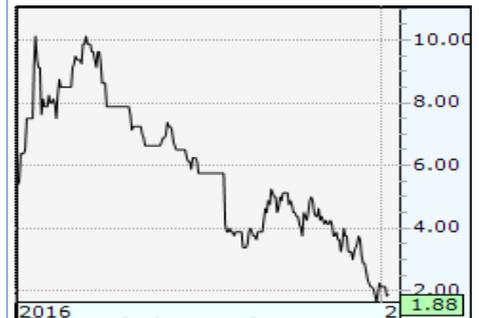
"What we are looking to be is the point of that cell phone store where the technician is loading the local language and the different apps," says Schaer.

What MySQUAR has done is open up a whole world of communication to the nation's teens, who are every bit as keen to chat as their Western counterparts. They also swap pictures and stickers.

Price: 1.88p

Market Cap: £4.18M

1 Year Share Price Graph



Share Information

Code: MYSQ

Listing: AIM

52 week	High	Low
	10.38p	1.63p

Sector: Software & Computer Services

Website: investors.mysquar.com

Company Synopsis:

MySQUAR is the first local language, social and entertainment company created with the intention of enriching the lives of the Myanmar people, through deep, accessible and rich online experiences.

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Once critical mass is achieved (and the MySQUAR boss thinks it has already), then there is a significant monetisation opportunity.

Advertising for large multinationals looking to make their mark in this recently liberalised economy is the obvious source of income. As are "in-app purchases" such as games and the aforementioned stickers.

The company also sees great potential for partnering with mobile payment providers in a country where bank accounts are a rarity.

MySQUAR expects its listing on London's junior market will occur in the next two to three weeks, once all the regulatory clearances have been received.

It is aiming to raise US\$2.5m, which would give it a market capitalisation of US\$25m.

"We were asked if we would accept additional funds and we have said yes. I don't know if that necessarily means there will be additional funds, but the provision has been made," says Schaer.

MySQUAR is chaired by City spin doctor, Piers Pottinger, co-founder of the communications group Bell Pottinger.

Schaer is confident the money raised from the IPO will get MySQUAR to break-even in 2018.

Its overheads are low with MySQUAR's development team based in Vietnam. Acquisition costs are some of the lowest in the world at less than 10c per subscriber, though the company has budgeted for 50c?

Valuing the business at this early stage in its development is tricky. Beaufort tried two approaches.

Using a discounted cash flow model, it reckons MySQUAR is worth anywhere between US\$36m and US\$96m (depending on the discount rate applied).

Taking acquisition value as the benchmark, then the range is a tighter US\$42-US\$81m.

Beaufort reckons the social network could have as many as 9.25m users by 2020, and sees it breaking the 10m barrier a year later.

The dream scenario for Schaer and his team is that MySQUAR follows the growth trajectory of VNG Corporation, which has become Vietnam's dominant digital enterprise valued in excess of US\$1bn.

At the moment the MySQUAR CEO's ambitions are more modest: "User acquisition is key. It is about gaining critical mass and making the most of the opportunity we have created."

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