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Game For Garena

Singapore's first billion-dollar Web play is now well beyond fantasy play. But from the outset it's been lifted by angels.

BY JESSICA TAN

On a balmy Sunday in June 2005 Forrest Li attended his girlfriend's graduation at Stanford, where he was an M.B.A. student. That morning Steve Jobs delivered his unforgettable commencement speech, urging the class to “stay hungry, stay foolish.”

Li took Jobs seriously. Today, in a sprawling lounge area of his spanking new 7,500-square-meter Silicon Valley-inspired office in Singapore, the 37-year-old entrepreneur from Tianjin, China is seated comfortably. He is wearing a favorite gray, zippered Adidas jersey jacket with his initials embroidered in black. He leans forward and points to something stitched on the other side: “If you look at our slogan, ‘Connecting the Dots,’ that’s the inspiration from his speech.”

Being inspired is one thing, but Li is also proving himself. A decade on, the young CEO has made Garena an online-gaming darling of Southeast Asia, branching into online payments, social networking and now e-commerce. While still wanting more of Asia-Pacific’s \$13 billion gaming market, Garena in July will launch Shopee, a mobile-centric consumer marketplace.

The way Nick Nash, Garena’s group president, sees it, Garena “aspires to be a synthesis of Tencent and Alibaba in Southeast Asia in a very hyperlocal way—country by country.” As it is, the company’s online and mobile gaming platform, Garena+, and mobile social network, BeeTalk, are similar to Tencent’s QQ and WeChat, while its payment business AirPay and marketplace Shopee are its answers to Alibaba’s Alipay and Taobao. “We really look up to these two great companies as big brothers and role models for what we want to build here in this region,” Nash says.

Tencent, by the way, is a strategic investor of Garena. Nash speaks of that company mentoring Garena, which in turn has adapted the Shenzhen giant’s ways to Southeast Asia. “We’ve

learned the recipe, but we’ve made it Peranakan”—Straits-born cuisine with both Chinese and Malay influences.

Since founding Garena in 2009, Li has built it into Singapore’s first billion-dollar Internet company. An investment by the Ontario Teachers’ Pension Plan earlier this year, though unspecified, was reported to value Garena at US\$2.5 billion. It publishes free-to-play cult games like League of Legends and FIFA Online 3 on its multiplayer platform Garena+, where users also can do their social networking. The company also owns mobile app BeeTalk (think Tinder, WhatsApp and Facebook rolled into one) and AirPay, a prepayment system for those who aren’t using bank accounts or credit cards on the Internet.

Annual revenues have catapulted from \$17 million in 2011 to over \$200 million last year. More than half comes from virtual goods, such as customized clothing and accessories a gamer can buy for his avatar. Looking ahead, Li expects steady 30% growth year-on-year. Garena says it has 140 million users across its platforms, versus 100 million last year. Staff size has jumped from 20 on Day One to 3,000, mostly Millennials, spread over its major markets in Southeast Asia, Hong Kong and Taiwan. Diversifying into mobile commerce should strengthen Garena’s position in Southeast Asia online gaming, where it’s pitted against the likes of AsiaSoft from Thailand and VNG from Vietnam.

Despite his projections of steady sales growth, Li is shrewd enough to know that threats are lurking everywhere. “It could be a disruption of technology,” Li says, citing the fates of Kodak and Nokia. “There could be more competition. Somebody much stronger and bigger than us could come compete with us for what we are doing today. It could be from within, with the company becoming bigger and bigger, and it gets diluted and we don’t move fast enough, and we don’t feel the urgency.”

Garena’s rapid growth has been powered by such an urgency and hunger in Li. His first job out of college, as



A college tutor couldn't pronounce his name, so Li Xiaodong changed it to Forrest Li after seeing *Forrest Gump*.

SINGAPORE SIDELINE

When Forrest Li started Garena in 2009, he hit a wall getting venture capitalists from Silicon Valley to invest in his startup. “It’s understandable. There are so many good companies in the valley, so why would they bother flying out here?” Li notes.

To help plug that gap, he branched out into venture capital last year. Garena’s first investment, an undisclosed sum, went to Redmart, an online grocer out of Singapore. “We have several others in the pipeline,” he says, adding that his primary focus is on tech startups in Southeast Asia.

Li shares the fact that it was Toivo Annus, cofounder of Skype and an angel investor of both Garena and Redmart, who urged Li to check out the online grocer. “That’s the power of community, right? People can move together. I think when there is this ecosystem, and when this community gets bigger and bigger—it will be very powerful. I think Singapore needs that.” —*J.T.*

a recruiter for Motorola in Shanghai, saw him screening hundreds of résumés. In the 1990s foreign companies were beginning to expand rapidly in China. He’d find himself studying the résumés of those older than him. “By reading other people’s stories, I started to think about how I wanted my résumé to read in the future,” he recalls. “If I kept doing what I was doing, I kind of knew what my résumé would look like five years later. And somehow I didn’t feel excited.”

Four years into recruiting at Motorola and later Corning, Li decided to hedge his bets with an American M.B.A. Financed mostly by a \$120,000 bank loan, he was one of four students from China in the Class of 2006 at Stanford Biz.

Stanford paid off handsomely for both Li and Garena. Aside from Jobs’ commencement speech, Li embraced everything Stanford, particularly its alumni network. He initially had no concept of what entrepreneurs and venture capitalists did. However, regular visits to VC firms near campus and big-company CEO speakers in class brought him into that orbit.

After graduation Li followed his then girlfriend (now wife), Liqian Ma, back to Singapore, and while putting in nine months with MTV Network’s digital team, he worked his network. A Stanford classmate introduced him to Skype cofounder Toivo Annus, who lives part-time in the city-state. A friend, Bryan Gaw, from the preceding year’s class at B-school turned out to be the son-in-law of billionaire Robert Kuok. Meanwhile, Ye Gang, a former classmate of Liqian Ma, knew Kuok Khoon Hong, CEO of palm oil major Wilmar. All three rich men became angel investors in Li’s first enterprise.

However, that venture, GG Game, was short-lived. As Li tells it, those two years were “dark days.” First its key product person, Leo Chen, left to pursue his master’s degree. Next Li realized that his startup was developing a single-player gaming product at a time when multiplayer gaming was on the rise. The 2008 financial downturn didn’t help, ei-

ther. But Li’s world, despite it all, was auspicious: His former partner in the company, Leo Chen, has gone on to become a billionaire in China, running Jumei, an online cosmetics store that listed on the New York Stock Exchange last year.

Li admitted to his angel investors that he screwed up. “They appreciated the honesty,” he says. “Angel investors bet on people, and they feel that someday you can make something happen.” Luckily for Li he got a second chance, with additional funding of about \$1 million. It was a much needed break, as venture capital was elusive. “I talked to VCs in Silicon Valley through my school network. And they said, ‘Yeah, your team is great, and it’s an interesting product, but we only invest in companies we can drive to within 30 minutes,’” says Li. (Recalling that frustration, he’s now gone into the VC business to help startups in Southeast Asia—*see box*).

Angels-borne, Li started anew with Garena in 2009, focusing first on game publishing and letting product development wait this time. But he promptly assembled his A-Team, including Ye Gang, who became chief technology officer.

A big break came in 2010 when they managed some face time in Shanghai with Riot Games, a U.S. game developer. Ye Gang flew to China and impressed the Riot Games team. Still Garena had to get the green light for Southeast Asian distribution from Riot Games’ board, which was not impressed with its zero track record, recounts Li. On the day of a pivotal board meeting at Riot Games in Los Angeles, Li was gripped with anxiety in Singapore. “I did not sleep much that night,” he recalled in a recent e-mail sent to colleagues ahead of Garena’s sixth anniversary. “By 6:40 a.m. I received confirmation that the board approved the license to Garena. I was exhilarated, immediately rushed to the office and got the term sheet signed at 7:15 a.m.”

Securing that helped Garena turn profitable within the next two years and go on to obtain other game titles. It also got the attention of Tencent, majority owner of Riot Games. After a string of meetings in Hong Kong and Shenzhen, Tencent would acquire a minority stake in Garena. But the company is to remain in the founders’ hands. “I strongly believe I will do this for the rest of my life,” Li says.

Along did come Ontario Teachers’ and New York private equity firm General Atlantic, which has Alibaba and Facebook in its portfolio. In 2011 General Atlantic sent one of its vice presidents—Nick Nash, in fact—to open its Singapore office. As it turned out, connections were again at play: Nash had been one year behind Li at Stanford Biz. The private equity firm invested in Garena in 2014. Postdeal, Nash hopped over to work for Li late last year.

At Garena’s new address at One North, a new-economy precinct in Singapore, there are sleeping pods for those who fancy a midday nap and an in-house spa that offers complimentary back rubs. But Garena the company cannot rest. “It’s still not perfect,” Li says, with a laugh. “I don’t have any experience in e-commerce, but we’re now going into e-commerce. We want to continually push the boundaries.” **F**