

Success ingredient

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## Travelzoo CFO Honnus Cheung tells *Helen Luk* how she flourished in the Internet business

Photography by Brian Ching

**H**onnus Cheung is a pioneer. A decade ago, when the Internet was still an innovation, Cheung was among the first accountants to join the high-tech industry after working at Price Waterhouse (now PricewaterhouseCoopers) as an auditor for a few years.

“The Internet industry had no precedent. It was a very dynamic industry to be in,” Cheung tells *A Plus*.

Cheung joined Yahoo in 1999 and rose through the ranks from regional finance manager to regional finance director during her eight years’ tenure. She helped transform Yahoo from a start-up with 20 people into a leading media company employing more than 2,000 staff in Asia Pacific, and managed a turnover that jumped from less than US\$1 million in 1999 to US\$1 billion by the time she left in late 2007.

“I entered the industry very early on and literally grew with the company. When I joined Yahoo, I had five finance managers working for me in Hong Kong, Singapore, Taiwan, China and India. My team grew to 80 when I left,” she says. “After a few years with the company, I also had the opportunity to learn about Japan and Korea, two of the biggest Internet markets in Asia Pacific.”

### New venture

Cheung is now trying to repeat her success formula for Travelzoo Inc., a NASDAQ-listed Internet media company that selects and publishes travel deals on its website weekly. It also distributes weekly newsletters to its more than 14 million subscribers in North America, Europe and Asia Pacific.

With her expertise in Internet start-ups and regional finance experience, she was headhunted in 2007 to be Travelzoo’s Asia Pacific chief financial officer, helping it set up an office in Hong Kong. The company has since opened offices in Tokyo, Shanghai, Beijing, Sydney and Taipei. But with the global economic downturn, the company decided to be more cautious with its future expansion in Asia.

“We are strengthening businesses in our existing locations,” Cheung says. “Apart from effective cost controls and maintaining a decent cash level in our balance sheets, we plan to be more pro-active in motivating our staff in a difficult operating environment.” The company plans to better align staff performance with rewards and retain its best people through incentives and personal development plans.

The financial crisis may well send chills down the spine of many CFOs,

but Cheung is no stranger to adversity. Two years after she joined Yahoo, the dotcom bubble burst, followed by the 11 September 2001 terrorist attacks that sent the global economy into a tailspin. Many Internet and search engine companies, including Excite, Infoseek and AltaVista, faced a similar plight experienced by financial institutions today and were wiped out.

“At the time, Wall Street was valuing high-tech companies based on how quickly you burned through your cash. It was ridiculous. A lot of Internet companies went bust, but Yahoo kept a prudent fiscal policy and that’s why the company survived,” Cheung recalls. To deal with the crisis, Yahoo laid off about 5 percent of its staff globally, including several dozen in Asia, and cut costs on marketing, travelling and other operational costs.

### Making start-ups work

Cheung also overcame other hurdles associated with getting a start-up off the ground. Because of Yahoo’s small staff size initially, Cheung says she had to take care of not only finance, but also administration and human resources.

“Finding the right people to form a team is always tough. We needed people who had potential to grow with the company, were flexible and willing to

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do what it took. We needed generalists, not specialists.

“At the time, we didn’t have sufficient manpower to support the business and different functions were not clearly defined. If the human resources team needed help on payroll and personal tax advice, the finance team would help out. It’s very important for our people to be flexible,” she says.

Another challenge she had at the time was the accounting treatment of the company’s revenues. “The Internet was a young industry at the time, so there were no clear and standardized accounting rules that outlined how I was supposed to recognize new streams of revenue or treat stock options or residual stock units for employees. It was a steep learning process but forced me to strengthen my skills in different areas within a short time,” she says.

Cheung thanks her audit training for laying a solid foundation for her to deal with such finance and accounting issues. “I am grateful for my Big Four training and regional internal audit exposure. Without a thorough understanding of the accounting principles, internal control framework and auditing standards, I won’t be able to cope with the daily challenges of my future jobs,” she says. “Dealing with clients also honed my interpersonal skills in the commercial field.”

Despite the hardships, Cheung says she relishes the opportunity to mould a company’s development.

“Reforming an established company can be very hard. With a new company, the good thing is you have no historical burden – you have room to change and can implement your own plans,” she says.

A key part of that plan was to grow Yahoo’s operation in Asia through mergers and acquisitions, especially when its archrival Google was eating into its U.S. and Europe markets.

“Because of the dynamic nature of the Internet, we often needed to assess whether to grow our company organically or gain market share via acquisitions,” she says. “So I was heavily involved in integrating businesses following mergers and acquisitions and was responsible for due diligence, system integration, tax restructuring and tax planning in different countries. Because tax and compliance rules always vary from country to country, I had to ensure that the acquired companies had good internal controls and could run smoothly before merging them back into the parent company.”

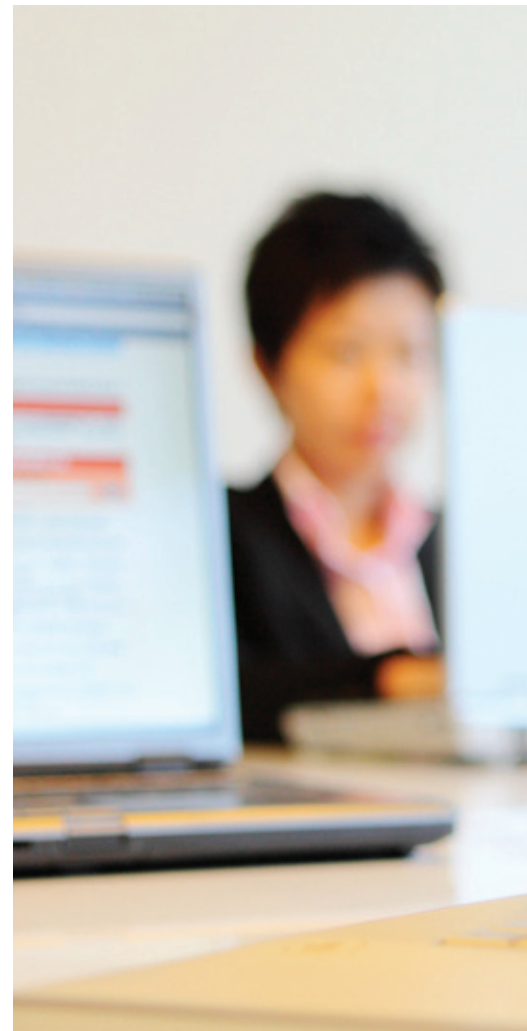
Some top deals that Cheung helped execute included the acquisition of Kimo, a leading website in Taiwan at the time, in 2001. “The integration was very successful and cemented Yahoo’s number one market position in Taiwan,” she says.

Another big one was its acquisition of Overture, a U.S. business-to-business search engine company that owned AltaVista, in a deal estimated at US\$1.63 billion in 2003. “We launched Overture in Hong Kong, Taiwan, India and Southeast Asia following the acquisition. It was challenging because Overture and Yahoo were two separate businesses at the time and we needed to deal with the ongoing changes from Overture’s integration with Yahoo in the U.S. when we set up the business in Asia.”

In China, Yahoo paid US\$1 billion for a 40 percent stake in Alibaba.com, the country’s top e-commerce company. “It’s a strategic move to grow Yahoo’s market share in the mainland market,” she says.

Cheung says she was thrilled to witness and participate in the Internet revolution, which made it so much easier for people to connect with each other through cyberspace.

“The Internet has become a part of our daily lives. You can keep in



touch with your friends through emails and social networking portals such as Facebook and MySpace, download movies from the web, listen to music and do all kinds of other things,” she says. “It’s amazing.”

### Growing a new business

With Yahoo having grown to become a household name, Cheung changed her focus to online travel. She joined Travelzoo in 2007, attracted by the opportunity to help another Internet start-up grow in Asia. Similar to her previous job, which had taken her to Australia, China, Japan, Taiwan, Southeast Asia and the United States, her new CFO role also entails a lot of travelling.

Apart from opening offices around the region, Cheung spent last year raising Travelzoo’s brand awareness in



## Profile

- 1992** Graduated from the University of Queensland in Australia (majoring in accounting)
- 1992** Joined Coopers & Lybrand in Hong Kong as tax consultant
- 1993** Moved to Price Waterhouse as auditor
- 1997** Joined NYSE-listed U.S. conglomerate American Standard Inc. as regional senior internal auditor for Asia Pacific
- 1999** Joined Yahoo Inc. as regional finance manager of Asia Pacific
- 2003** Obtained master of business administration from Northwestern University (Kellogg School of Management and the Hong Kong University of Science and Technology)
- 2004** Promoted to be Yahoo's regional finance director of Asia Pacific
- 2007** Joined Travelzoo Inc., a NASDAQ-listed global internet media company, as CFO of Asia Pacific

Asia and introducing its business model to airlines, hotels, travel agencies and tourism boards. The company managed to get one million people to sign up as subscribers within a year.

Cheung compares Yahoo to a “supermarket” and Travelzoo to an “organic food store.”

“Yahoo’s business model depended on achieving a critical mass of users, while at Travelzoo, we are catering for a niche market,” she explains. “I don’t necessarily have to achieve US\$10 billion in revenue if I can make a neat profit from a revenue of US\$1 billion. Our challenge now is to ensure that our market sales grow every month by targeting the right audience.”

In order to make Travelzoo’s business model tick, Cheung says it is important that the company maintains

its independence and trustworthiness in selecting the top 20 travel deals published on its website every Wednesday. But at the same time, she is working with the company’s hotel, airline and travel agency partners to strike exclusive deals for its subscribers.

“It’s a win-win situation for us and our partners – they offer us good deals and help us attract more subscribers, and they get more business through our subscribers in return,” she says.

Although the global economic downturn will certainly hit revenue figures in the airline and tourism industries, Cheung says she is optimistic about Travelzoo’s business prospects.

“Companies will for sure cut marketing dollars on the whole, but I foresee that they will spend less on display advertising, such as

newspapers, magazines, television or billboards, and maintain or increase their expenditure on performance-based marketing, which allows them to track response rates and see if the advertising is worth their money,” she says. “During 911, for example, despite a fall in the number of travellers worldwide, Travelzoo’s revenue actually rose.”

Cheung says the company is already doing good business in Hong Kong and Macau, but it hopes to cash in on the increased number of travellers between China and Taiwan since the two sides resumed daily direct flights in December.

“These are two great potential opportunities for us and I hope they will grow to become an important part of our business in the future,” she says. **A+**