

Kingsmen sees growth from retail interiors contracts

| BY DESMOND WONG |

Malaysian projects will be the leading push for Kingsmen Creatives Ltd's retail interiors business, and are expected to add significantly to results at year-end. This includes contracts for the MidValley Megamall in Kuala Lumpur and the upcoming Pavilion development in the Klang Valley, both of which are larger than Ngee Ann City.

"Even though we are only doing 10% to 20% of the retail interiors for each mall, it's 20% of one million square feet," says Simon Ong, its group managing director. "All our orders came from existing clients, and our hands were so full, we had to turn down new clients who approached us." Most of these projects haven't budgeted their balance sheet for the first half of the year, but Ong says that, by end-FY2007, there would be something to look out for.

On the local front, executive chairman Benedict Soh is excited about the upcoming integrated resorts (IRs). "Seldom can we see into the next five years but, with the IRs, we can," says Soh. While he declines to name any of the parties with whom they are in negotiations, he says the theme parks, permanent exhibits and decorative works required by the IRs would be right up their alley. "After the IRs are up, there will still be things to be done, because of exhibitions and other related events, and that just happens to be our business," adds Ong.

On the back of a 78% increase in net profit to \$2.87 million for the first half of FY2007, Kingsmen plans to sustain its four years of growth in profits by doing what it has been doing for years: thinking up good ideas, and delivering them well. Soh and Ong also expect their footprint in Asia to grow, especially in Malaysia, where it is hoped that revenue will triple by year-end.

On the whole, Kingsmen's retail interiors business counts for 56.6% of its total revenue of \$48.3 million for the first half of FY2007. The multi-industry company also handles events displays and museum exhibits, and offers marketing solutions to its clients. Kingsmen counts a dizzying array of established groups as its clients, including FJ Benjamin, Apple, Tiffany & Co, to name a few.

With offices across Asia and associates in



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countries as far away as Latin America and South Africa, the company draws about half of its business from foreign clients. About 70% of its revenue is drawn from repeat customers. This close relationship has allowed it to score retail interiors roll-out contracts from their customers, which has seen Kingsmen producing the retail interiors for entire regions for a single client.

"Take Nokia, for example," says Ong. "When they ask us to do a roll-out for them, we end up doing 1,000 to 2,000 retail interiors across the region because of Nokia's penetration." For less prolific customers, Ong says the numbers are not to be sniffed at either. Burberry places orders for 10 to 50 retail interior works in a single year and, given the high-end nature of such enterprises, the volume is made up for. To support the number of orders, Kingsmen set up another 200,000-sq-ft manufacturing facility in Johor Baru two years ago, and that has allowed it to keep pace with demand.

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relationships that Kingsmen had built during the 1997 financial crisis. "We took the opportunity to expand during the crisis and penetrate into markets like Hong Kong and Japan. When no one else was out doing this, we made a lot less, but we set ourselves up with the network. Now, it's starting to come in," explains Ong. "We were hoping the effort would cash in for us around 2000. But then came SARS, so we're only seeing the results now."

The Sesdaq-listed company had its IPO in 2003, which they consider not to have been the best time to do so because of the SARS outbreak. Kingsmen remained profitable during the period and has been able to produce dividends that total about \$4.95 million since its listing, exceeding the proceeds of the IPO, which came in at around \$4.7 million. Shares in the \$63.2 million company have recovered since that slow start. They are currently trading at 51 cents, a 104% increase since the beginning of the year.

Beneath the moves and the numbers, Soh considers Kingsmen's ability to bring home the bacon to be a result of simply trying to be good at what it does or, as he terms it, "Profit from the core." "The core direction has not changed after all these years," he says. "We

provide good design offerings and the production itself at competitive prices." He adds that the company did not depend on "killer app"-type manoeuvres like new developments and expansions every so often. Instead, he saw it as just keeping up with the needs of their customers. After all, say both Ong and Soh, in this sort of business, "We are only as good as our last job."

Soh also sees the company as having the edge in the international arena, as its manufacturing costs are kept low, thanks to being based in Asia, without diminishing the quality of their products. "Tiffany & Co used to get its high-end fixtures for the region. Now, it's all done by us," he says. The company has also begun to export some of the fixtures it produces, primarily to the European market. While this line of business is still in its infancy, Soh and Ong see it as something that has growth potential because making retail store fixtures is what it does best.

Ultimately, both see Kingsmen continuing with what seems to be a very simple business model. The company also wants to continue to provide the communications solutions for those who knock on its door, as a show of competence is what, as Soh puts it, "proves to people that we are here to stay".