



Company in the news

Samurai 2K Aerosol gears up for US launch

Samantha Chiew 10/01/2020, 7:00am

SINGAPORE (Jan 10): Samurai 2K Aerosol now earns the bulk of its revenue from Southeast Asia but the United States could soon be a major market generating significant sales once the company launches its products in March.

Samurai 2K, which makes aerosol paint, has planned to break into the US market for the last couple of years. As part of the move, CEO Ian Ong and his colleagues took part in trade shows in the country to build brand awareness as well as potential sales and distribution channels. As a result, Samurai 2K's products would soon be on the shelves of an American retail chain.

"We have very high expectations for the US market. We will be selling our new technology and formulation there," says Ong in an interview with The Edge Singapore.

In Southeast Asia, Samurai 2K's customers are mainly motorcyclists with an artistic bend who like to display their own artwork on their bikes. However, instead of sending them to the workshops, they would rather go down the DIY route and do the spray-painting themselves.

In the US market however, Samurai 2K will target drivers of flatbed trucks like the Ford F-150 or RAM 1500 Rebel or Honda Ridgeline. Often located in the suburban and rural areas where the terrain is rough and the loads are heavy, the trucks need regular new coats of paint to mask their dings and scratches.

To cater to this market, Samurai 2K has developed a new kind of spray paint that comes with polyurethane which gives an added layer of protection from weathering and corrosion.

Earnings weaken

Headquartered in Johor, Malaysia, Samurai 2K listed on the Singapore Exchange back in January 2017 and traded at 22 cents back then. Fast forward three years later, the stock has more than trebled to 80 cents as at Jan 9, which values the company at 25.48 times historical earnings and implying a market value of \$87.9 million. However, at a point of time in May 2018, the stock was trading at an all-time high of \$1.75.

For the 2QFY2020 ended Sept, 2019, Samurai 2K recorded earnings of RM1.9 million, 80.6% lower than RM9.6 million in 2QFY2019. This came on the back of a 49.2% year-on-year drop in revenue to RM16.6 million and a more than threefold increase in the group's marketing and distribution expenses to RM3.0 million.

Samurai 2K attributes the lacklustre quarter to lower demand from its key markets of Indonesia and Malaysia. In addition, the year-on-year numbers comparison suffered from a high-base effect. There was a three-month GST holiday in Malaysia in the middle of 2018, which led to a higher than usual spike in volume sold, according to the company.

Despite its bullish US prospects, Samurai 2K sees a "challenging" operating environment in the coming months. It will therefore keep a tighter lid on costs, while continuing with its bid to develop and sell premium products that command higher margins.

At present, Samurai 2K manufactures, distributes and markets its own coating solutions for the automotive refinishing and refurbishing industry. These are sold in more than 10 different countries, including Indonesia, Malaysia, Singapore, Vietnam, UK and India.

Constant innovation

Samurai 2K makes sure the company stays innovative and focuses on developing its own technology.

One of its bestseller was developed using the company's own intellectual property. This is a single-head two-component spray paint delivery system, also known as "2K in a can". Said to be a "breakthrough for the aerosol industry", this patented technology combines resin and hardener in a single can.

Not only is "2K in a can" a more convenient way to paint as manually mixing the resin and hardener is a messy process, conventional aerosol systems cannot pack both chemicals into a can due to the fast chemical reaction that occurs when mixing the two.

"It took us about five years to develop this technology," says Ong, who was personally involved in its product development.

Currently, the group has successfully patented "2K in a can" in eight different countries, namely the US, Canada, Russia, Singapore, South Korea, New Zealand, Japan and China. Meanwhile, it has achieved its industrial design patent in the UK, Thailand, Malaysia, Vietnam, Singapore, Indonesia, Philippines and China.

Ong hints that the group will be introducing yet another breakthrough aerosol technology soon, although he did not say what it was or when it would be launched.

Apart from product innovation, the group has also turned to an advanced customer relationship management (CRM) system and the use of QR codes to build its database of consumers.

By the end of 2020, Samurai 2K will launch an app for its suppliers, distributors and users. The app lets buyers to find out the product's date of manufacturing as well as allow users to access a reward system for every can of paint they purchase. Through a QR code, users can check the authenticity of the product and also play "how to" videos on the app.

More importantly, the app allows like-minded users to connect with one another to share their artwork or DIY tips.

"We will be developing this app in-house to transform and gather data from the production to the distributor and the end-user," says Ong. "With this, we can control the supply of the product throughout the world."

