

Hobbyists keep demand high for Samurai 2K Aerosol spray paints in pandemic; new products in pipeline

BY SAMANTHA CHIEW
samantha.chiew@bizedge.com

Many businesses have seen a drop in sales and revenue during the Covid-19 pandemic but one Malaysia-based aerosol paint manufacturer saw a surge in demand and sales of its products instead.

“During the lockdown periods, people spend more time at home, so they turn to DIY activities at home. In our case, our consumers were motivated to spray-paint their vehicles. That’s why Covid-19 did not really affect our business,” CEO of **Samurai 2K Aerosol** Ian Ong tells *The Edge Singapore*.

Indeed, unable to travel overseas and forced to stay at home more often, many people turn to **Netflix** binge-watching, yoga, baking, or even pick up a new hobby to keep themselves occupied. For consumers of Samurai 2K products, they chose to give their own vehicles a fresh new coat of paint.

Luckily, Malaysia’s Movement Control Order (MCO) also did not put a stop to production at Samurai 2K’s facilities, allowing it to produce enough paint to meet growing demand.

Sales tied to agriculture trade

“Be it a pandemic or economic recession, our business was not heavily affected in our key markets because we don’t just focus on the big cities. Instead, we focus on small towns. I believe the income of my customers were not badly affected as they are in the agriculture trade,” says Ong, adding that his competitors are also doing rather well.

According to Ong, the household income of those working in agriculture and plantation are affected by the price of commodities such as rubber and palm oil. For example, Ong attributes the drop in revenue and earnings for FY2020 ended March to the drop in the average selling price of palm oil, as these farmers make up a large proportion of Samurai 2K’s customers.

Revenue for FY2020 came in at RM63.1 million (\$20.7 million), 13.1% lower than the RM72.6 million a year ago, while earnings fell by 51.2% y-o-y to RM5.1 million. Despite the bleak results, the board doubled its final dividend to 1 cent per share, compared to 0.5 cent per share in FY2019, as the group recorded strong cash and cash equivalents of RM33.2 million at the end of March.

“We have many consumers living in the outskirts who are in the plantation business, such as palm oil. The palm oil workers were affected by the palm oil selling price in FY2020, which caused their income to decrease and also affected their spending power. Hence, they tend to spend less on their hobbies, such as spray painting,” says Ong, who has noticed the same trend in markets such as India, Indonesia, Malaysia and the Philippines.

Palm oil prices have since improved as it traded at RM3,252 per metric tonne on Nov 1, compared to RM2,422 on Nov 1, 2019, representing a 34.3% increase. Improving commodity prices and spending more time at home meant Samurai 2K’s products were flying off the shelves in 1HFY2021.

In 1HFY2021 ended September, Samurai 2K reported revenues of RM44.1 million,



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55.2% higher than a year ago while gross profit margin increased to 49.5% from 46.6% a year ago. Therefore, earnings more than doubled to RM7.7 million from RM3.2 million in 1HFY2020.

Ong now expects demand to remain high in 2HFY2021 and foresees the upcoming FY2021 results to be released in March to be “much better” compared to FY2020 although he avoids giving a guidance due to the uncertainties surrounding the ongoing pandemic.

Since its listing in January 2017, shares in Samurai 2K have more than trebled from its IPO price of 22 cents to 72 cents on Nov 25, giving it a market cap of \$79.1 million. Year to date, its shares have fallen by 10% though.

Digital transformation

When *The Edge Singapore* previously spoke to Samurai 2K, the group was just about to enter the US market by partnering distributors to place its products in **Walmart** and **Target**.

However, Ong says the pandemic is threatening to derail its expansion plans as “the key person to run the US operations has been stuck in Malaysia since February”. Hence, plans for the company’s products to be sold in US stores have been delayed until the pandemic dies down.

The setback has not stopped Samurai 2K from trying to break into the US market in other ways though. Ong says he will tap e-commerce and online platforms. With sales going online, the company will also have to adopt online marketing strategies and Samurai 2K will depend on search engine opti-

misation (SEO) and social media marketing to get word of its products out there.

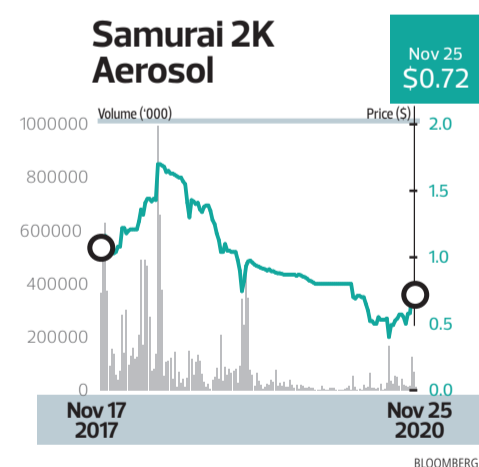
In particular, Samurai 2K had wanted to launch a new spray paint in the US market that comes with a coat of polyurethane that gives an added layer of protection from weathering and corrosion that was targeted at drivers of flatbed trucks.

With the flexibility and ease of online marketing, Ong plans to roll out a much wider range to the US market, targeting six market segments, namely automotive, agriculture, marine, industrial, woodwork, and household consumer.

“We have started a new department just two months ago to focus on digital transformation. Right now, we only have about two people in the team, but we are actively looking for those with a strong digital background to strengthen this new department,” says Ong, who plans to launch the online platform sometime in 4QFY2021.

Furthermore, every can of spray paint will carry a QR code so consumers can scan it and join Samurai 2K’s consumer social platform. This enables the company to stay in touch with its customers and keep them updated with the latest events and product offerings.

Indeed, Samurai 2K has always made it a point to maintain a good relationship with its consumers to ensure brand loyalty. Every year, the group will host a party for its fans to attend and also host spray-painting competitions where fans from around the world can take part and showcase their artistic talent. This year’s event was supposed to be held in Vietnam, but might just go online.



Creative breakthrough

While several of Samurai 2K’s products are the first of its kind, like its single-head 2K aerosol that can spray out both paint and polyurethane at the same time, Ong, who likes to describe himself as an inventor, says he already has a new product in the pipeline.

Explaining his latest invention, Ong says all spray paint cans in the market come pre-filled with a single paint. But what if customers can pick and mix their own colours into their own cans of paint?

“We have developed this new ‘post-fill’ aerosol system which we will release into the market once we have obtained the relevant patents. Again it will be a world first,” says Ong, who hopes to launch the product in the next 12 months, without revealing more. ■