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Asia Brands expands in Southeast Asia

BY **SYARINA HYZAH ZAKARIA**

The name Asia Brands Bhd may not ring a bell, but most shoppers probably know the more than 30 apparel brands, such as Anakku, B.U.M Equipment and Diesel, in its stable.

"We own some of the brands and are the official distributor for the others," group CEO Cheah Yong Hock tells *The Edge*.

"We are always on the lookout for new brands and although we are in the apparel and clothing line, we are open to other types. If we know how to do it, we will pursue it."

He says setting a target for the number of brands Asia Brands wants to handle would be akin to capping the company's growth.

In July last year, Asia Brands, formerly known as Hing Yiap Group Bhd, acquired seven companies from Asia Brands Corp Bhd for RM245 million, of which RM179.3 million was paid in cash and the rest via the issue of 30.14 million new shares.

With the acquisition, Anakku, Audrey and Mickey Junior and companies Asia Brands HR Services Sdn Bhd, Asia Brands Assets Management Sdn Bhd and Asia Brands Global Sdn Bhd came under its umbrella.

Soon after, the company changed its name to Asia Brands.

"Overnight, we were leaders in the baby wear and lingerie segments of the market. Anakku is now the top brand in Malaysia while Audrey is No 2," says Cheah.

"These brands are resilient in terms of demand as their market is not as competitive as that of casual wear, which is fashion sensitive and faces competition from the influx of international brands into the country."

The affable Cheah says Asia Brands' healthy balance sheet made it possible for the company to make the acquisition without having to raise additional funds from the shareholders.

"I like to tell everybody that when Asia Brands acquired the companies, the shareholders did not have to pay a single sen. They got Anakku and Audrey for free. Plus, we managed to declare a profit before tax of RM17 million, one of the highest since Hing Yiap's listing, and a dividend of 5%," he beams.

As at March 31, Asia Brands had long-term loans of RM158 million and current liabilities of RM74.1 million, including bankers' acceptance that amounted to RM62.6 million. Its cash balance stood at RM40.5 million.

Cheah says Asia Brands now has a gearing ratio of about one and aims to pare this down to 0.5 by the end of FY2014.

With its large portfolio of popular consumer products, Asia Brands is raring to become one of Malaysia's brand conglomerates and to extend its network across Southeast Asia in the next few years.

According to Cheah, the company already has a presence in Singapore, Brunei and Cambodia, and it would be a natural progression to extend its reach to other countries in the region.

"When the time is right, we will start to expand our brands to other Southeast Asian countries. We can see that our business model can be easily duplicated in Indonesia, Vietnam and Thailand."

Antioni, Bontton, Union Bay, Disney, Doraemon, Hello Kitty and Elle inner wear are some of the other brands under its management and, recently, Asia Brands clinched the master sub-licence to design and distribute Manchester United apparel and goods in Malaysia.

The innerwear, baby product and casual wear segments contribute 20%, 50% and 30% respectively to the company's bottom line.

Thanks to robust domestic consumption, Asia Brands has been able to churn out steady earnings over the years.

In FY2013 ended March 31, the retail brand owner's net profit rose to RM17.2 million, or 33.17 sen per share, from RM13.5 million, or 32.53 sen per share. Revenue leapt 86% to RM188.8 million from RM101.6 million the year before.

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Business model tweaked

Asia Brands' history shows that it was formed through the merger of three companies, namely Audrey, Anakku and Hing Yiap. It started off small as the manufacturer and distributor of apparel but has since turned into a brand conglomerate that aims to scale the value chain.

In the past few years, the company has tweaked its business model by outsourcing its manufacturing activities to focus on managing its brands. Indeed, it has been disposing of non-revenue-generating factories and warehouses, adding RM35 million to its books over the past five years.

It distributes its products through department stores on a consignment basis and through retail shops across the country. At the present time, it has close to 1,000 consignment stores and 20 stand-alone stores.

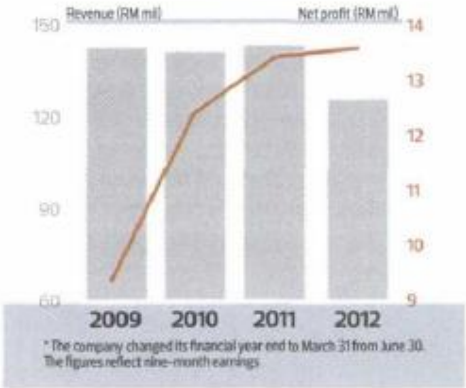
Asia Brands also put in place a vendor-partner programme to replace the conventional procurement outsourcing model. Instead, anchor suppliers are now tasked with handling the production of goods and all aspects of logistics and inventory management. This initiative has enabled the company to save some RM40 million since it was relisted in 2008, says Cheah.

Although it is already among the leaders in the resilient retail market, the company is not content with its position and is testing new store formats to be rolled out in the future.

Cheah says the group sets aside between RM3 million and RM3.5 million a year to upgrade and renovate its stores. Among the newly conceptualised stores is Baby Palace at The Mines Shopping Mall and Animation World in Mid Valley Megamall, which both cater for its baby wear division.

Asia Brand's share price has been on an upward trend and has risen 37.6% or 94 sen year to date. It reached a 52-week intraday high of RM3.51 on July 19 and closed at RM3.46 last Tuesday. E

Asia Brands' financial results



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