

CORPORATE

Friven & Co on a turnaround path under direction of broker-turned-investor

| BY NOVA THERESIAN TO |

Gary Loh, executive chairman of Friven & Co Ltd, has been trying to improve the fortunes of the loss-making manufacturer and retailer of soft furnishings for homes by expanding the company's product range and broadening

its sales network. His ultimate goal is to create an Asian version of Bed, Bath & Beyond, the US retailer of domestic merchandise and home furnishings.

A key element of his plan is to make Friven & Co a more recognisable brand name. Apart from placing his products on the shelves of major department stores, Loh is now also open-

ing new standalone concept stores around the region. So far, there are five Friven & Co concept stores in Southeast Asia — two each in Singapore and Indonesia, and one in Malaysia. The company is moving into China next. It plans to open its sixth store in Shanghai next month, in a 3,200 sq ft bungalow in the city's fashionable French Concession area.



Loh: [We] believe in building a real sustainable business

PICTURES: GARY LOH FOR THE EDGE SINGAPORE

"Our target is to have at least 10 stores by the end of next year," says Loh, 41, adding that the company has plans for two more stores in Singapore, and one more each in Malaysia and Indonesia.

Another foundation stone of Loh's plan to turn Friven & Co around involves a merger with **Eagleton Group**, a Hong Kong-based distributor of consumer goods. Eagleton has an extensive sourcing network of more than 400 factories in more than five countries and well-established global customers. It sources household products, from gardening tools to blankets, for UK and Australian supermarkets and retail chain stores like Somerfield Stores, Morrisons and The Reject Shop. In July, Friven & Co acquired Eagleton for \$10 million, paying \$5 million in cash and the rest in new shares at five cents each. The company has already issued a total of 79.7 million new shares to the vendors of Eagleton. A further 19.9 million shares have yet to be issued.

Loh says Eagleton will provide Friven & Co with an expanded range of products, such as bedside lamps and cushions. Also, the two companies could unlock a lot of business synergies by cooperating with each other. "Through Eagleton's existing customer networks in the UK and Australia, Friven & Co can now penetrate into these markets not available previously," he explains. "Similarly, Eagleton will be penetrating Friven & Co's established Southeast Asian network. This 'cross-fertilisation' will boost [the group's] revenue and net profit."

Loh says he is also working to improve Friv-

en & Co's "weak back-end operations". While Eagleton will expand Friven & Co's sourcing and distribution arms, Loh wants to ensure that the expanded group isn't let down by poor logistics management. In April, the company formed a joint venture, called FPIL Logistics, with PIL Logistics, a unit of Pacific International Lines, one of Singapore's largest container shipping companies. Friven & Co has a 70% stake in the JV company. Besides managing the company's logistics, Loh says the JV company will also try to grow independently of the group by taking on external work.

Improved performance

These moves already appear to be having a positive impact on Friven & Co's financial performance. For the six months to Sept 30, the company reported revenue of \$38.4 million, about three times what it chalked up for the 15 months to March. (The company recently changed its year-end from December to March.) Net losses narrowed to \$1.2 million versus \$10.3 million for the 15-month period to March.

Loh says the recent 1H loss was due to high operating expenses from the opening of its new concept stores. However, he is confident that the company will soon be in the black after years of losing money. Loh hopes it will report a turnover of \$100 million and generate 5% to 10% in gross profit margins by FY to March 31, 2009. Last Friday, shares of Friven & Co closed at 6.5 cents, up 18.2% since the start of the year. At current levels, the compa-



The Friven & Co flagship concept store at Jalan Kilang

ny has a market value of \$40.6 million.

Formerly known as Mayfran International Ltd, Friven & Co used to have three non-complementary business divisions: soft furnishings for homes, hygiene products and men's apparel. In June last year, the company announced the voluntary winding-up of its men's apparel division. A year later, on June 7, its hygiene products division was sold for \$1.1 million, leaving it a much more focused company.

Long-term investment

A former stockbroker, Loh accumulated a substantial amount of capital and a broad range of corporate contacts during his years at local

brokerage house UOB KayHian. In August last year, First Alverstone Partners, an investment vehicle controlled by Loh and his Indonesian wife Selena Cheng, injected \$4.1 million into Friven & Co in exchange for 103.1 million new shares, or a 30% stake in the enlarged company. Since the acquisition of Eagleton, however, First Alverstone's stake in Friven & Co has been diluted to 23.2%.

Interestingly, First Alverstone is also about to invest in another small, loss-making company called SunMoon Food Co. Formerly known as FHTK Holdings, SunMoon grows and distributes fresh fruits. It also sells a range of dehydrated fruits and herbs. Last month, the

shareholders of SunMoon approved a proposal to raise \$60 million in a convertible loan from an investment vehicle called FACT 2006 Pte Ltd. Individuals familiar with the deal say FACT 2006 is equally owned by First Alverstone and another investor.

Although he comes from the world of wheeling and dealing, Loh says he is in Friven & Co for the long haul. "There are not many companies in Asia that have chain stores equivalent to the US' Bed Bath & Beyond or the UK's Habitat," he says. "Rather than just focus on making quick profits and then selling out when the share price appreciates, [we] believe in building a real sustainable business." ■

Corrections

In our story "Friven & Co on a turnaround path under direction of broker-turned-investor" (Issue 294, Nov 19), it should have been reported that executive chairman Gary Loh acquired his stake in the company through First Alverstone Capital; and that First Alverstone has already invested in SunMoon Food Co through a convertible loan, instead of as published. In addition, Friven & Co's joint-venture partner PIL Logistics is not part of Pacific International Lines.