True-blue businessman

From listing OSIM on the Singapore bourse to taking it private 16 years later, founder Ron Sim has come full circle

By Wong Wei Kong

RON Sim has come full circle. Sixteen years ago, he embarked on a brave new adventure, taking OSIM International to list on the Singapore Exchange (SGX). It became one of Singapore's best known rags to riches stories, an almost unthinkable achievement to the former People's Park electronics salesman.

Now, that chapter is over.

The tycoon launched an offer in March 2016 to buy all the shares he didn't own in OSIM at S$1.32 a share. He later lifted the offer to S$1.37 a share, not including a two-cent dividend. The ex-dividend figure was raised again to S$1.39 after Vision Three (the takeover vehicle) bought OSIM shares on the market above the S$1.37 price.

Older and wiser, Mr Sim once more heads a private company, a very different one from the company he took public. Still known best for its massage chairs, the healthy-lifestyle group today counts 1,196 outlets in 222 cities in 30 countries. Its stable includes brands such as health-food franchise GNC and luxury tea company TWG Tea. It's a far cry from the OSIM that had gone public.

"When I first listed, I had 100 stores and raised S$30 million. I had to pay S$300 million to buy out and delist the company," Mr Sim says, his sense of satisfaction palpable as he spoke to *The Business Times* recently.

Looking fresh and dapper, he is still the straight-talking Ron Sim. In fact, he feels he can speak more freely, now that he is without the constraints of a listed company.

So for well over an hour, Mr Sim shared what he has learnt over the 16 years when OSIM was a listed company – on doing business, on financial markets and players, on picking the right people, on Singapore and what local companies must do.

"Whatever the challenges, or whether you win or lose, there are great lessons to learn. And when you learn positive or negative lessons, it must be put to use. We have put it to good use and I think the company today is a lot stronger," he says.

Early lessons

Dealing with financial markets and players was one early, important lesson. "The first five years of listing, you learn what investors are concerned about, what they want to see, what they want better revealed, like the company's strategy, structure and goals."

He learned quickly enough too that financial markets can be fickle and impatient – and be at odds with what's needed to build a long-term business.

"Financial markets can be very short term. Some investors say they're long term but when they make good profits, they go also. We cannot blame investors because everyone has their own choice to make. But financial markets are a zero sum game. The stock market is a zero sum game."

For him, nothing drove that home as strongly as the Brookstone episode. In 2005, OSIM led a consortium that included a unit of Temasek Holdings to acquire Brookstone Inc in the US, borrowing S$100 million to acquire for itself a 55 per cent stake.

Despite the US speciality retailer's propensity for making losses during the first three quarters of the year, Mr Sim was confident of turning the business around to whole-year profitability. What happened next saw OSIM's own profitability swing in tandem with Brookstone's quarterly volatility, and the market (too much fixated with short-term results, he felt) punished OSIM shares severely. In the end, OSIM made a S$77.31 million write-off on its troubled investment in Brookstone.

Beyond numbers

Even so, Mr Sim believes firmly that while the pressure from financial markets can be intense, businesses cannot afford to be driven just by numbers alone.

"We're business people first. We look at things from a business angle, from an operational angle, not just financials. It's not that financials aren't important. It's important, but you can't decide on an acquisition by just looking at financials. You look at the business concept, the growth opportunities, the drivers of the company. You need to look a lot deeper than just the financials. You can't make investments just by financials."

While Brookstone was a painful experience, he applied this principle more successfully in OSIM's acquisitions of Global Active, which holds the regional franchise for GNC health-food products, and TWG.

OSIM bought into the GNC franchise in 2005 to extend into the health-food business, the same year it invested in Brookstone. "The GNC operation was losing millions, but we turned it around, and it is very profitable now. Brookstone didn't work out, but it was a great learning process," he says.

"TWG, when I bought into the company, it was losing S$2 million, only had three shops. Valuation was S$70 million. It was crazy. My board members, friends, investor bankers were asking me, are you sure you want to do it? I said if you look at it financially, it's crazy. But if you look at it as a business, it's different. I was looking at Taha Bouqdib, the co-founder, I was looking at the brand, I was looking at the brand's positioning, I was looking at the range of products it has. I felt that being a specialised retailer myself, I can see the growth potential if managed properly. When we acquired the company, it was financially so weak, and the bankers were on its tail. I took the plunge. I was even scolded by some shareholders for buying something so silly. I think today, they would be happy about it.

Ron Sim's OSIM milestones

1980:	Ron Sim starts his own company trading household goods
1987:	Breaks into the healthcare sector, starting a company which is renamed OSIM in 1994
2000:	OSIM is listed on the Singapore Exchange
2003:	OSIM acquired 29.9% of Global Active, the regional franchise holder for GNC products
2005:	Leads a consortium to acquire Brookstone Inc in the US; takes controlling stake in Global Active
2009:	OSIM makes S$77.31m write-off on its investment in Brookstone
2011:	Acquires 35% of TWG Tea
2014:	Takes stake in TWG Tea to 70%
2016:	Ron Sim launches privatisation offer for OSIM and delists company

> 'If you feel Singapore is too difficult, just go overseas and start. You should not think you need to get Singapore right first, then go overseas.'

PHOTO: JULIANA TAN

"We bought it with three stores. Today we have 57 stores after four years all over the world. Sometimes, you have to take a leap of faith in what you believe you can do with the company. It's still a very young company, with a long way to go, still full of challenges."

The legal spat which followed between OSIM and TWG's other shareholder, the Wellness Group, is considered par for the course. OSIM subsequently won the case.

He recounts another instance where it was necessary to look beyond financial numbers. It was the late 2000s when OSIM shares were buffeted by the Brookstone acquisition, and investment bankers sensed a deal could be done. "When we were at six cents, a few bankers asked me to go private at eight cents or nine cents. I think we were a 30-year-old company then. I think I would be screwing 3,000 shareholders if we had gone private at that time. I think reputation is far more important than just taking advantage of a low point to privatise."

Going overseas

Getting out of Singapore into overseas markets is another theme Mr Sim repeatedly stresses.

"Singapore companies need to spend more time overseas. In fact, they should aim to have 80 per cent of revenue from overseas. Singapore is too small, the cost of manpower is high, rentals are high. Singapore is a good platform to build a base, but the real money has to be made overseas."

OSIM started moving overseas from 1986, heading for Hong Kong, Taiwan, then Malaysia and China. "Our business started with chairs, growing every year, not mainstream at first, but becoming more mainstream as Asians became more affluent, and healthcare and well-being became evergreen businesses. So Singapore, Hong Kong, Taiwan, Malaysia and China became our domestic market. Without this domestic market we started 30 years ago, I don't think we would have survived to today."

He debunks the notion that companies need to be fully ready before they venture abroad.

"It's not about whether a company is equipped or not. When we went overseas, we were not equipped. It is a mind-

PHOTO: TWG TEA

PHOTO: GNC

PHOTO: OSIM

BRAND BUILDING
OSIM is known for its massage chairs; its stable includes brands such as TWG Tea (*far left*) and GNC (*left*)

set thing. When we went overseas in 1986, we were not ready at all. But we were in a recession. I went overseas because I had to go overseas. If we didn't go to Hong Kong then, we would have died. We were chaotic in Singapore, but we had no choice because it's about survival. One cannot say you need to have your house in order before you go overseas. Your house may be in chaos but you still need to go. If not, you won't survive."

His advice to entrepreneurs starting out: "If you feel Singapore is too difficult, just go overseas and start. You should not think you need to get Singapore right first, then go overseas. The environment here today is different from 30 years ago. Singapore has done very well, but is now a mature market."

Right mindset

Post delisting, Mr Sim is focusing his efforts on building a strong corporate team to take the group through its next phase of growth. He has a clear idea of the kind of people he's looking for. "I know what kind of capabilities and abilities are needed. And it's not something you read in books.

"Everybody can be trained. It's how far they can go. Some have the DNA to go further, some have greater spirit to fight. Sometimes the DNA is good but the fighting spirt is low. Some are highly educated but they don't have the courage to take the plunge and face failure. Because of that, they end up not making any decisions. Instead of taking calculated risk, they over calculate. There's more to learn when one takes the plunge and finds ways to overcome."

His mantra is what he calls MAD – mindset, attitude and drive. "For me, if your mindset is positive, practical and progressive, it's likely you will have a good attitude. And the mindset and attitude will also help you take on a more progressive outlook. There were many people who were smarter than me in class. There are many people I meet who are smarter too. But it's the mindset, attitude and drive that makes the difference."

To him, there are always opportunities for business. It's just how you see it. "You can even say the environment is a lot better than before. It is even more conducive to do a startup, whether in Singapore or overseas. When I started in 1979, people were telling me, Ron, business is over already, not so easy to start business and make money. That was 37 years ago. So the same thing I would say today, that anytime is an opportunity. It is a function of one's will and desire. The digital disruption is a great opportunity. It shouldn't be a great dampener. An entrepreneur who doesn't think that way is not a true entrepreneur. One must be able to create in any situation. One must be even more creative in a chaotic situation."

He himself started out as a commissioned salesman after military service with nothing but just an "O" level certificate and a big, bold dream. "As the Chinese say, it is better to walk a thousand miles than to read a thousand books," he once said.

And even today, there's no place at all for thinking enough has been accomplished. "I take the approach that we have arrived at the position for next stage of growth. I don't take the approach that we have arrived."

While many bemoan Singapore's present economic slowdown, Mr Sim remains sanguine. "The current tapering of economic growth is healthy. It's tapering in a way we can afford. I'm happy with that. The last 10 years, property went up 200 per cent. That is not sustainable. It also doesn't make sense. Even if we let property prices go down 5 per cent every year, we can still afford it. You rather have a tapering rather than a collapse. If you don't taper, you will collapse."

But Singapore needs to find a new way forward, he says. "I think we have to redefine ourselves. The last 50 years cannot be the next 50 years. The vision of leaders will be important. Understanding the change will be important. Singaporeans are by and large more savvy than 30 to 40 years ago. Just a top-down approach alone will not be enough. You need to build a bigger pool of people to shape things, not just politicians but business people."

Having stated that he decided to delist OSIM because of the mounting burden of compliance, Mr Sim is relishing the freedom of doing business as a private company. "There is a big difference. As a listed company, you have no choice but to be mindful of short-term implications. You got to declare everything you do. Any declaration can be read as an opportunity to buy or to sell the stock. As a non-listed company, there are no such implications. So you are able to take a bigger plunge and focus on doing things right, and care less about the upside or downside. Because the reality of doing business is that it takes time to build, and there will be ups and downs."

As the interview ends, he lets out that he's heading off to Africa for a family trip. Ron Sim is enjoying life, and one dares to say, now that OSIM has been delisted, enjoying business again. W