

# SEALEGS LAUNCHES OFFSHORE MISSION

NZ boatbuilder Sealegs is eyeing overseas markets to improve its overall performance. By Rob O'Neill.

**A**MPHIBIOUS BOATBUILDER Sealegs, fast approaching the dispatch of its 500th vessel, has raised fresh capital and is planning to license its core technology to selected boatbuilders worldwide, to speed its push into global markets.

Having reported its first ever profit last month, the company immediately raised \$2.8 million in new capital, issuing 14 million shares at 20 cents a share to Avenport Investment Corporation, the venture capital vehicle of a former French politician, Eric Series, who is now a director of Bramer Bank and hotel investment firm Voyager Partners.

The company is also signalling its interest in offshore manufacturing to improve its margins.

"Sealegs could benefit from further margin improvements through bulk purchasing and offshore production," Sealegs chief executive David McKee Wright said on announcing the company's results. "Both are good options and will be investigated over the course of the coming year."

At this stage it looks like any immediate moves offshore will be

through licensing. McKee Wright said there will always be a place for manufacturing in New Zealand, but he can imagine both direct and licensed offshore manufacturing in the company's future.

Having consolidated its manufacturing to a single site in Albany in April, Sealegs production capacity is now around 20 boats a month. Around 50% of production is for export.

Sealegs is an intellectual property company, McKee Wright said. Licensing that intellectual property to others could both speed the company's global growth and produce new types of boats that make use of Sealegs' patented retractable wheel systems.

It could also help it to meet projected yearly demand in major markets of just under 1300 boats a year. That kind of volume could also reduce the cost of the boats and widen their potential market.

However, any licensing strategy has to be well thought out. In the US, for instance, Sealegs plans to reserve the north-eastern states and serve these directly, while using dealerships and licences to reach the rest of the country.

Sealegs has grown relatively quickly, from revenue of just \$1.2m in 2005 to \$11.6m in 2009. However, in 2010 on the back of the global downturn, revenue dipped to \$11.4m.

Last month's maiden operating profit of \$642,000 for the year ended March 2010, was up from an \$869,000 loss in 2009. Given the sales decline, however, that was achieved through cost cutting, with operating and cash expenses slashed 15% during the year, from \$5.2m to \$4.4m.

McKee Wright said you can commercialise a product only if it solves a problem. The problem that Sealegs solves is the awkwardness, and even danger, of launching a boat. That is a

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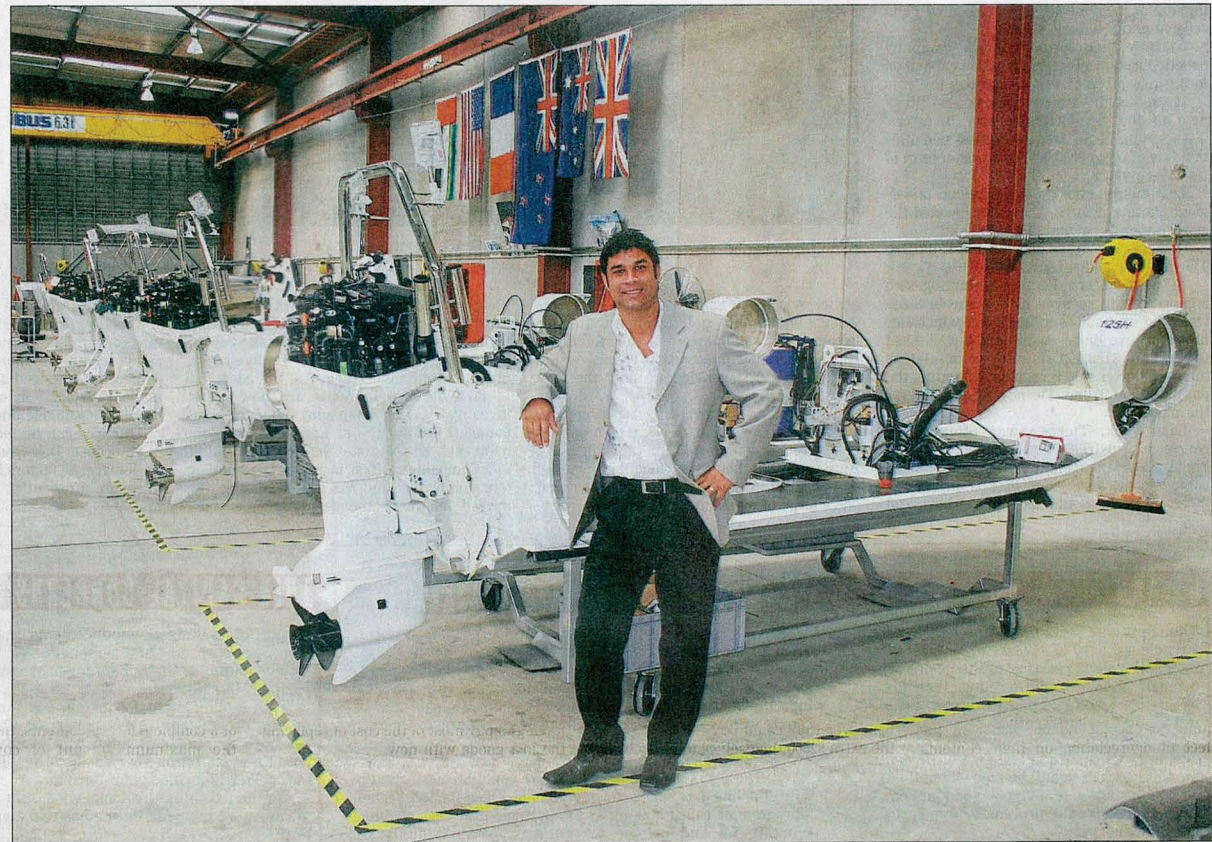
- Sealegs CEO David McKee Wright

slow, wet process for owners and in bad weather can be dangerous. Boats logically should be launched bow first, but trailers force a stern-first launch instead.

It's a concept that has led Sealegs into and beyond the leisure boat category. Broadly speaking, there are now three classes of Sealegs boats.

"White boats" are Sealegs' pleasure craft - and there are now more than 30 on Waiheke Island alone.

"Red boats" are for emergency services for use in policing and search and rescue operations, particularly during flooding. In Malaysia, some



**Revved up:** Sealegs chief executive David McKee Wright at its Albany base. **Below:** Red boats are used in Rome by emergency services and police.

have even been equipped with water pumps to allow them to fight fires in Kampong villages, which are built on and over shallow water.

"Grey boats" are more military in nature. Sealegs is awaiting news on one significant tender in that market from the Malaysian Ministry of Defence.

Some of the craft are being used by police in Mumbai, India, to patrol the waters through which terrorists launched attacks on the city in 2008.

McKee Wright says there are 3000 "marine enabled" fire departments in the US alone that could potentially make use of amphibious technology.

On the back of its maiden profit, he said, Sealegs has moved beyond the "speculative" stage and is now a growth stock.

"We need to build a global brand," he said. Sealegs is also exploring new boat models, including an amphibious jetski. Avenport now holds 15% of the New Zealand Stock Exchange-listed company. In its 2005 rights issue, Sealegs offered shares at 15 cents and they were trading last week at 20 cents.

