

## Media Coverage

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### 8 lessons from owning a 193-year-old Singapore company for 15 years

CONGLOMERATES are becoming rare on the Singapore stock exchange. This corporate structure, with its mish-mash of disparate businesses, is getting less popular as investors prefer pure-play companies with clearly defined business models. Against this backdrop, a conglomerate that has survived for over 190 years is even rarer.

Boustead Singapore Limited, founded in 1828, is a company with a storied history that I have owned for 15 years. Along the way, I've witnessed my share of surprises – both pleasant and unpleasant – and I would like to share what I have learnt.

#### 1. The CEO and succession

The chief executive officer (CEO) of Boustead Singapore, Wong Fong Fui, or FF Wong, is well-known for being a turnaround artist. Prior to Boustead Singapore, he turned a near-bankrupt QAF Limited, the maker of Gardenia bread, into a profitable food business that was sold to the Salim Group in 1996.

And when the original Boustead split into 3 operations – Singapore, the UK, and Malaysia – he took over the Singapore operations. Wong has been instrumental in turning Boustead Singapore into the sprawling conglomerate that it is today.

As age catches up with him, Wong's 2 sons have been rising through the ranks at his company. Wong Yu Loon, age 46, has been appointed deputy CEO since 2013. Yu Loon's younger brother Wong Yu Wei, 44, is the deputy chairman and an executive director of Boustead Projects Limited (BPL), Boustead Singapore's real estate arm.

#### 2. Buying and selling as a conglomerate

Boustead Singapore has been an active investor in businesses over its lifetime. In February 2007, it sold off most of its stake in EasyCall International, which owns an education business in China, at S\$0.40 per share to Raffles Education Corporation Limited. The sale netted a profit of around S\$7.6 million.

In December 2010, the group took a S\$4 million position in Bio-Treat Technology Limited, a wastewater treatment company. Bio-Treat was later renamed HanKore Environment Tech Group Limited and the company eventually went through a reverse takeover from China Everbright Water Ltd.

Two years later, Boustead Singapore was at it again, buying a A\$17.5 million (S\$17.7 million) stake in OM Holdings, a company involved in the sourcing and distribution of manganese ore products.

However, less than 16 months would pass before the group divested its entire stake in OM Holdings for a minor gain of around S\$0.5 million.

#### 3. Unexpected civil war

Boustead Singapore's business often takes it to far-flung areas of the world; it has undertaken projects in 90 countries and territories. That comes with risks which we do not often think about. One of these contracts took place in Libya back in June 2007 when the group's wastewater division, Salcon, won a S\$175 million project there, its largest project at the time.

However, in February 2011, civil war broke out in the country, necessitating the evacuation of all 31 of Boustead's staff from Libya. The hurried withdrawal exposed the group to liabilities of up to S\$39.6 million.

In the aftermath, a Bahrain bank, Arab Banking Corporation, tried to sue Boustead to recover an amount of US\$18.8 million owed. Fortunately, in April 2016, the Singapore High Court and Court of Appeal dismissed this lawsuit.

#### **4. Geospatial division: Its crown jewel**

Boustead Singapore's crown jewel is its geospatial division, which exclusively distributes Esri ArcGIS Technology, a leading geographic information system (GIS) platform for smart mapping and location analytics. For context, revenue for this division climbed from S\$74.8 million in the fiscal year 2010 to S\$170.4 million in FY2021.

Profit before tax for this division has more than doubled from S\$18.7 million to S\$40.7 million over the same period. The division continues to display resilience as Covid-19 pushed several governments and businesses to use Esri's technology to aid in the response to outbreaks. For instance, throughout FY2021, Esri Australia partnered with federal and state governments to analyse data and track the pandemic's spread while mapping a road to recovery.

#### **5. Venturing into healthcare**

In May 2018, the group acquired WhiteRock Medical, an Asian-focused healthcare business, for S\$19 million. Founded in 2010, WhiteRock is a home- and sleep-care specialist that focuses on providing rehabilitation solutions for long-term care. Among its products are bionic legs for faster injury recovery and intermittent compression pumps for hospital patient care.

The division has held its own during the pandemic, reporting revenue of S\$15.2 million and a small loss before tax of S\$0.5 million in its latest fiscal year. Despite this setback, Boustead Singapore's healthcare division is advancing discussions with hospitals to pioneer functional assessment service centres for next year.

#### **6. A dependable dividend payer**

One aspect I truly like about the group is its consistency in dishing out dividends. Boustead Singapore boasts a track record of 17 consecutive years of dividend payments, even through the 2008 global financial crisis and the recent downturn triggered by the Covid-19 pandemic.

For its latest fiscal year, the group declared a total dividend of S\$0.08, the highest since its listing. The payout included a special dividend of S\$0.04 resulting from BPL's spin-off of its private real estate fund.

#### **7. Disposing of wastewater treatment division**

In December last year, the group disposed of Salcon to Chip Eng Seng Corporation for S\$7.3 million. The division had been struggling to turn a profit for years. Boustead Singapore had separately disclosed the performance of this division up till FY2014 when it was absorbed into its energy-related engineering division's results.

#### **8. A spin-off of a spin-off**

Boustead Singapore has pulled off what few companies have achieved: the establishment of a successful private fund following a demerger. In December 2014, the group had proposed a demerger of its real estate business, BPL. The demerger resulted in shareholders receiving three BPL shares for every 10 Boustead Singapore shares. BPL was successfully listed on Apr 30, 2015.

Fast forward to December 2020, and BPL announced the establishment of Boustead Industrial Fund (BIF), a private business trust with a portfolio of industrial properties that will generate a stable flow of recurring income and management fees. BIF's initial property portfolio comprises 14 properties

worth S\$519.9 million, with a potential pipeline of another 11 properties worth more than S\$700 million.

This transaction generated a significant net gain of S\$136.1 million for BPL and allowed the company to declare a special dividend of S\$0.145 for FY2021. BIF wasted no time in acquiring its first property post-formation. Last week, BPL fully divested a 7-storey industrial property to BIF, unlocking the value of the property and generating a net profit for BPL of close to S\$6 million.

### **Get smart: A rewarding experience**

Boustead Singapore has gone through its fair share of trials and tribulations over the years. However, it has always emerged stronger because of the foresight and prudence of its CEO FF Wong.

My journey with Boustead Singapore was not just financially rewarding but has also enriched me with the experience of witnessing what the group has gone through. It is a ride that I intend to stay on for many more years.

- Disclaimer: The writer owns shares of Boustead Singapore Limited and Boustead Projects Limited.
- The writer is portfolio manager of The Smart Investor (<https://thesmartinvestor.com.sg/>), a website that aims to help people to invest smartly by providing investor education, stock commentary, and market coverage.