



Trading Up

Put in charge by his father, Loi Pok Yen took a small Singapore port logistics company and in under ten years boosted revenue 80 times over.

BY JANE A. PETERSON

In 2009 Singapore lost its title to Shanghai as the port shipping the most tons of cargo—and it's intent on falling no further. In its battle against ambitious competitors—from China and India to its Southeast Asian neighbors—it counts on a well-established network of specialized maritime businesses that keep the big ships coming back. A key player in this web of more than 5,000 companies is CWT, the largest logistics company listed in Southeast Asia. "We are part of the Singapore

ecosystem," says Group Chief Executive Loi Pok Yen. A big part: It operates in 49 countries and 6 continents, connecting customers to 200 ports and 1,500 inland destinations. Its latest expansion, just announced: a 2.2-million-square-foot "megalogistics hub," putting under one roof a cluster of services that help gives Singapore its edge.

Loi has run CWT since early 2005, taking over two months after his father's privately held logistics group, C&P Holdings, bought nearly a third

of the company. Started by the Port of Singapore Authority in 1970, CWT needed an overhaul. Today it's a port powerhouse. Revenue has soared 160% in just two years, to an expected \$11.2 billion this year, according to Bloomberg. That's thanks in large part to a fast-growing trading business acquired in 2011. Trading businesses come with razor-thin margins, so net profit is expected to total only \$101 million this year, but that's up nearly 20% since last year. This performance puts CWT on the Fab 50 for

PHOTO: JAMES HUNTER FOR FORBES

the second straight year.

CWT's headquarters are lodged in one of its enormous blue-and-green warehouses along Singapore's West Coast. A rocky shoreline skirts the building, and the breezy elevated parking area has perhaps the complex's best view of the open ocean. Inside, the appointments are functional and distinctly Chinese—a school of fat goldfish swim in a big pond next to a round table used for big celebratory dinners. Loi sits behind a massive white leather desk that hasn't moved

an inch since he took over. He's a firm believer in feng shui: a red oil painting to the right of the desk is aimed at blocking potential problems while a red sculpture on the left boosts energy, perking him up for hard decisions. On the far wall of the office hangs the familiar set of wooden panels signifying the "36 strategies" developed by a Chinese general. Loi himself favors No. 36: "If you can't beat [your enemy]—run!" In fact, 36 is also the number on his license plate.

For his first three years in charge,

concedes the 44-year-old Loi, his father tried to assert a strong amount of oversight. "I don't take instruction well. He's given up now," says Loi, flashing a smile. "My approach is different." That's not to say Loi junior answers to no one—major decisions go to the CWT board. That's chaired by his father, Loi Kai Meng, 75. Last month FORBES ASIA estimated his and his family's fortune at \$605 million, thanks to a 30% stake in C&P and a 22.34% share of CWT, which includes his son's 5.35% stake.



Heavy lifting: "We have become a one-stop shop for customers," says Loi.

Port Powerhouses

CHINA DOMINATES GLOBAL CONTAINER TRAFFIC. IN BOTH CONTAINERS AND TOTAL TONNAGE HANDLED, SINGAPORE IS NO. 2 BEHIND SHANGHAI.

PORT/COUNTRY	CONTAINERS SHIPPED IN 2013 (MIL)	% CHANGE FROM 2012
1 SHANGHAI/CHINA	33.6	3.3%
2 SINGAPORE	32.6	2.9
3 SHENZHEN/CHINA	23.3	1.5
4 HONG KONG/CHINA	22.4	-3.3
5 BUSAN/SOUTH KOREA	17.7	3.8
6 NINGBO/CHINA	17.3	7.1
7 QINGDAO/CHINA	15.5	7.0
8 GUANGZHOU/CHINA	15.3	3.8
9 LOS ANGELES-LONG BEACH/U.S.	14.6	3.4
10 DUBAI/U.A.E.	13.6	2.7

SOURCE: ALPHALINER WEEKLY NEWSLETTER

The pair did work closely on turning around the company in those first years. In 2004 revenue had been just \$142 million, and the company eked out only a \$1.2 million net profit. So they cut 10% of the workforce and sold assets. “We got rid of the fat,” says CEO Loi. “Everybody woke up.” They also sharpened CWT’s focus. They reconfigured the warehouses to add truck ramps that wind through each level so that tenants could drive to their doorstep. They decided that brand-name glamour clients such as Wal-Mart, Ikea, Apple and Samsung were off-limits. Instead, they went after customers in the “mundane, low-tech sector” of the market where CWT could be dominant—petrochemicals and commodities.

Then, in 2011 Loi pulled off the deal that has transformed the company, spending \$94 million to buy most of MRI Trading, which had been set up by the late Glencore founder Marc Rich. Margins may be very low, but cash flow is very stable. “With MRI we buy and sell commodities rather than being simply a middleman,” he says. “We have become a one-stop shop for customers.” He set up a second MRI

headquarters in Singapore to complement the one in Switzerland, ramping up enough to become the world’s second-largest independent trader of copper concentrate; only Dutch behemoth Trafigura is bigger.

What Loi surmised was this: He could buy the concentrate from the world’s mines, warehouse it, mix it for whatever concentrate grade was required and finally sell it to smelters in China. “When the world’s at peace, this trading business makes a minimum of S\$20 million [a year],” he says. But profits jump when political conflicts or natural disasters strike. “If there’s a shortage of supply, the smelters will pay more,” he explains, citing labor strikes in Australia and earthquakes as examples of opportunities.

Financial observers applaud Loi’s business model. “I have never seen a more conservative management,” says DMG analyst Shekhar Jaiswal, who follows Singapore stocks. “On a ten-point checklist, they hit them all. Very few companies manage to do that.” Banker Quak Yeok Koon at Standard Chartered agrees: “Management is taking calculated, controlled steps to grow the business; I would like to

see them rival [U.S. giant] Cargill and [France’s Louis] Dreyfus one day.”

Says Annie Koh, a professor of finance at Singapore Management University: “CWT saw where the country was strategically moving. It completed the dotted line of trade, growing both ends of the logistics chain—upstream with warehousing and downstream with trading.” She argues that while Singapore won’t win every shipment in the future, it will corral the high-value shipments: “Companies like CWT have a strong brand and long-standing relationships with customers. They can deliver on promises again and again.”

Next up is an expansion of subsidiary Straits Financial, CWT’s brokering business designed to help customers manage risk. With a license to trade futures contracts, it fits into CWT’s one-stop-shop model, and it produces wider margins and higher profits than logistics services generally do. “It burned money for two years,” admits Loi, “but now it’s making good money.”

CWT is also in the wine-storage business. A new temperature-controlled warehouse for 10 million bottles, near the Singapore headquarters, opened this summer. Equipped with party facilities for customers who want to entertain, the monthly charge is 30 cents to 50 cents a bottle. “It’s a decent business to be in,” Loi explains, “though it’s not extremely profitable.”

Loi earned his first million while a business major at the National University of Singapore—he leveraged \$50,000 worth of *ang pow*—or red packet—money to speculate in the stock market. In 1994, sensing a turn in the market, he got out, netting \$1 million. “When I started out, I didn’t want to work for my dad,” he says. And he didn’t. Fresh from NUS, he opened a restaurant in Singapore with a college chum and cut his teeth on a host of sticky problems—grueling hours, difficult financing, little ability

to scale up the business. After a year he sold out to his partner and joined the C&P fold at age 25.

Young Loi began in Burma, overseeing the construction of a container port before returning to Singapore after two years to develop warehouses. In 2004 he spotted an opportunity created by new legislation governing real estate investment trusts. C&P became the first warehouse owner to sell properties to a REIT, and with that pot of cash father and son decided to buy the stake in CWT—which originally stood for Container, Warehousing & Transportation.

Has he made mistakes? Yes, he says. Investments in a few startups have failed, leading him to buy mostly smaller, established businesses. Loi cites one bad decision made soon after he took over MRI Trading. “We put in people who were not right for the job,” he says of his British hires. “Ultimately, we had to bring the old team back and pay garden leave to the new team.”

Right now Loi is throttling down his expansion rush. He’s not buying more assets or companies. “The banks are not lending to the small boys now,” he figures. “More and more will get into trouble. They will get cheaper.” So as CWT consolidates its operations, it is not adding to its head count of some 6,000 employees but instead automating more and subcontracting out. Finding good people in Singapore is a nagging worry, he says. He wants potential middle managers who are willing to start as forklift operators or warehouse storekeepers, but that’s a tough sell for Singaporeans. Still, he says, his company offers a career ladder and the chance to move abroad. Most CWT workers are in the “iron rice bowl” category, wanting the peace of mind that they can put food on the table, he says. The vast majority are men. Educational credentials don’t really matter, but the right attitude does.

Loi says he leads his troops by encouraging debate and using persuasion to get things done, techniques he picked up from the two financiers he most admires—Warren Buffett and American hedge fund king Ray Dalio. “I don’t give orders,” he says. “But I have three rules: No. 1, don’t complain; No. 2, play politics and you’re out; No. 3, don’t worry about making a mistake, but don’t repeat it.”

And he says he has no time for excessive employee bonding. He wants his staff spending time with their families at night, not with each other. As for client entertainment, he says CWT hospitality is largely confined to lunches.

“Our clients don’t get wined and dined,” he says. “I don’t want my people doing karaoke every night.”

His mother warned Loi, the eldest of three children, that he couldn’t study abroad; he had to take up his offer at NUS. “You have to stay home and keep me company,” he says she told him. Today his mother expects him for lunch every Sunday, and for Sunday dinner the entire clan gathers: his parents; he, his wife and their

three children—a teenage daughter and a preschool son and daughter; and his siblings (his brother, Loi Win Yen, is CEO of C&P Capital and C&P Rent-A-Car, and his sister, Loi Yan Yi, is CWT’s marketing director). His weekday routine always includes a morning coffee at the Ya Kun cafe close to his 8,000-square-foot home near Holland Village.

And what about Singapore’s competitive edge? On one hand, Loi believes that Singapore will remain the port of choice because of its first-rate services and a new port and automated terminal that it’s developing at Tuas, on the country’s southwestern tip. But beyond the maritime industry he has some advice. “Singaporeans have an island mentality—‘It can’t get better than it is here,’” he says. “This is not the center of the world. We are a small market with no hinterland.”

While many citizens object to ramping up the size of the population, he calls it essential for Singapore’s future. “Then we’ll see more entrepreneurs and more market opportunities.”

Quick Hits—Loi Pok Yen:

- Graduate of Singapore’s Anglo-Chinese School.
- Calls himself a “free thinker” who leans towards Buddhism.
- Avid fan of ‘80s music, including the U.K.’s Pet Shop Boys. ▶
- Advocate of tough love: Expects his 3 children to make their own money when they grow up.
- Reads Michael Lewis books and comics by Vertigo and Marvel.
- Doesn’t go to the gym; runs instead.
- His private portfolio is invested 50% in cash, bonds and blue-chip equities; 40% in property; and 10% in high-risk investments such as art, wine, comics, private equity and shares in mining and Internet companies.
- Hanging in his office is a painting of King Kong clutching a blonde on top of the Empire State Building.
- Quote: “We don’t have the entrepreneurial success stories here. We’re not like Hong Kong, even though we are roughly the same-size island.”

