Financial results
Q1 FY2019/20

2 Aug 2019

Disclaimer

The following presentation contains forward looking statements by the management of Singapore Post Limited ("SingPost") relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

"$" means Singapore dollars unless otherwise indicated.

- Q1 FY2019/20 Financials
- Cash flow and Balance sheet
- Segmental results
- Outlook

Q1 FY2019/20 financial statement

S$M	Q1 FY18/19	Q1 FY19/20	YoY % change	
Revenue	**372.6**	**376.4**	**+1.0%**	Higher International post & parcels revenue from cross-border eCommerce deliveries
Operating expenses	(333.7)	(342.1)	+2.5%	
Profit on operating activities	**39.2**	**35.3**	**(9.9%)**	Largely due to lower contribution from Domestic post & parcel
Share of associated companies & JV	(3.5)	(0.3)	(92.7%)	Ceased equity accounting for 4PX and disposed stake in Indo Trans Logistics
Exceptional items	(6.0)	0.0	N.M.	Absence of exceptional losses after sale of GD Express warrants
Income tax expense	(11.6)	(8.5)	(26.9%)	Additional tax provision for a foreign subsidiary last year
Net profit attributable to equity holders	18.7	25.7	+37.2%	Improved net profit
Underlying net profit	**24.7**	**25.6**	**+3.9%**	

N.M. denotes Not Meaningful

Q1 FY2019/20 expenses

S$M	Q1 FY18/19	Q1 FY19/20	YoY % change
Operating expenses	**(333.7)**	**(342.1)**	**+2.5%**
Volume-related	(200.3)	(215.6)	+7.6%
Labour & related	(78.3)	(78.9)	+0.9%
Admin, selling-related & others	(40.8)	(30.4)	(25.4%)
Depreciation & amortisation	(14.3)	(17.2)	+20.0%

S$M	Q1 FY18/19	Q1 FY19/20	YoY % change
Finance expenses	**(2.4)**	**(3.6)**	**+50.3%**

Excluding volume-related expenses, operating expenses would have declined 5.1% on cost management initiatives

Reflects costs in relation to higher revenues at International post and parcel, as well as the U.S. businesses

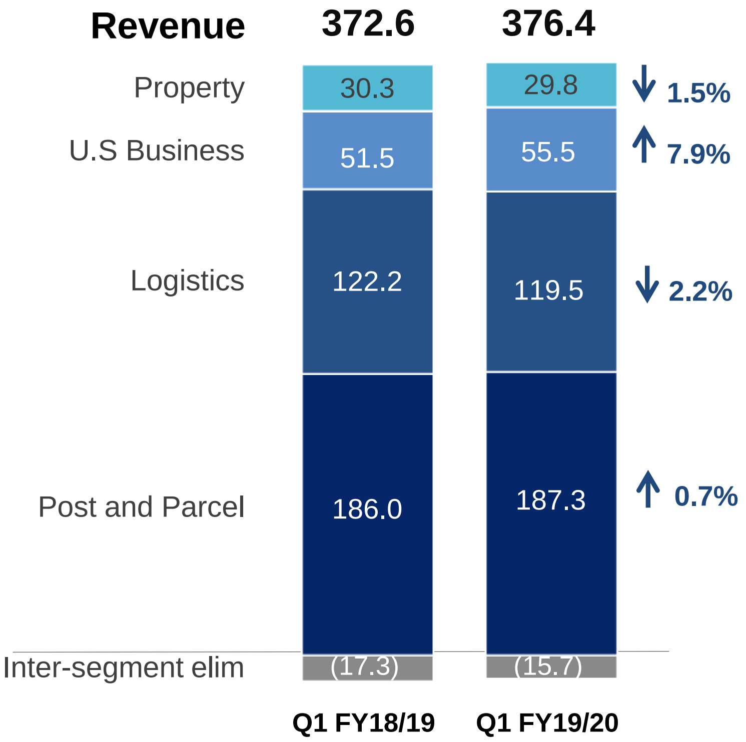
Additional postmen hired for the Singapore postal operations, offset by lower labour expenses in the U.S.

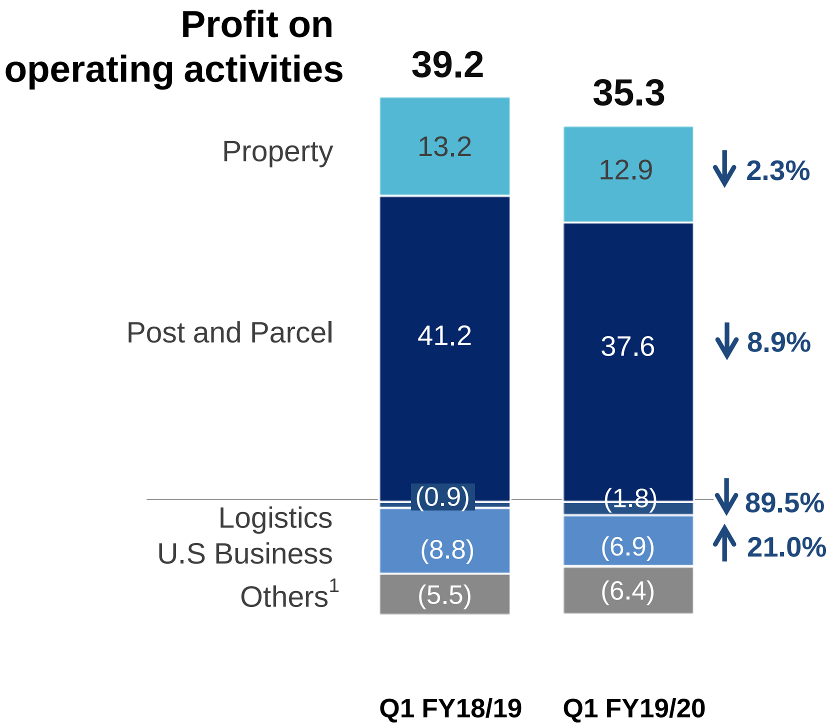
Following adoption of SFRS(I) 16 Leases, there is a reduction of rental costs (under Admin & others), increase in depreciation costs (under D&A), and an additional cost of financing (under Finance expenses).

Impact on adoption of SFRS(I) 16	**Q1 FY19/20**
Admin & others – Operating lease expense	7.8
Depreciation expense for right-of-use assets	(7.2)
Finance expense for right-of-use assets	(1.0)
Net impact to P&L	**(0.4)**

Q1 FY19/20 segment revenue and profit on operating activities

S$M





1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.

Cash flow &
Balance sheet

Free cash flow

S$M	Q1 FY18/19	Q1 FY19/20
Operating cash flow before working capital changes	52.2	51.3
Changes in working capital	20.4	(19.1)
Income tax paid	(1.4)	(1.0)
Net cash provided by operating activities	71.3	31.1
Capital expenditure	(9.2)	(4.1)
Free cash flow	**62.1**	**27.0**

Due largely to timing of receivables in respect of cross-border eCommerce deliveries, which are experiencing strong growth in China. The positive movement in Q1 last year was largely due to favourable timing for payables in respect of international postal settlements

Decline due largely to working capital movements

Certain capex items were deferred to later quarters in FY19/20

Financial indicators

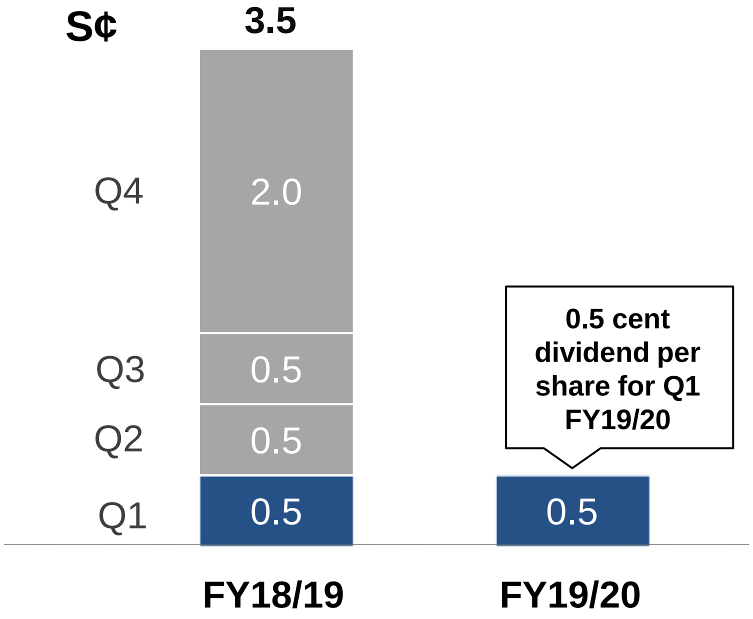
S$M Financial indicators	As at Mar 2019	**As at Jun 2019**	
Cash & cash equivalents at end of financial period	392.2	412.1	— Higher cash position due to cash generated from operations
Borrowings	290.9	290.7	— Stable borrowings
Net cash / (debt) position	101.3	121.4	— Improved net cash position

	Q1 FY18/19	**Q1 FY19/20**
EBITDA	44.1	52.3
EBITDA to finance expense (times)	18.6x	14.7x
Adjusted to exclude impact of SFRS(1) 16 Leases	-	17.5x

— Due to adoption of SFRS(I) 16 *Leases*

Maintained dividend for Q1 FY2019/20

Dividend per share



Books closure: 20 Aug 2019
Payment date: 30 Aug 2019

Our dividend policy is based on a payout ratio ranging from **60% to 80%** of **underlying net profit** for each financial year.

Segmental results

Post and Parcel

S$M

Post and Parcel	Q1 FY18/19	Q1 FY19/20	YoY % change
Revenue	**186.0**	**187.3**	**+0.7%**
Domestic[1]	*70.4*	*65.7*	*(6.7%)*
International	*115.6*	*121.6*	*+5.2%*
Profit on operating activities	**41.2**	**37.6**	**(8.9%)**
Margin	*22.2%*	*20.1%*	

Revenue rose marginally as International revenue rose by 5.2% on the back of higher cross-border eCommerce-related delivery volumes. This was partially offset by 6.7% Domestic decline due to continued letter mail decline, as well as a suspension of ad-hoc admail volumes to improve service quality.

Profit on operating activities declined 8.9% with lower earnings from Domestic as growth from eCommerce-related deliveries was insufficient to offset the decline from letter mails and admails, and costs rose with hiring of additional postmen and enhancement of their remuneration.

1. Includes products and services transacted at the post offices

Logistics

S$M

Logistics	**Q1 FY18/19**	**Q1 FY19/20**	**YoY % change**
Revenue	**122.2**	**119.5**	**(2.2%)**
eCommerce logistics[1]	*63.1*	*58.4*	*(7.4%)*
Freight forwarding[2]	*59.1*	*61.1*	*+3.3%*
Profit on operating activities	**(0.9)**	**(1.8)**	**(89.5%)**
Margin	*(0.8%)*	*(1.5%)*	

Revenue was lower by 2.2% as eCommerce logistics revenue declined 7.4% due to exit of certain customer contracts at Quantium Solutions, as well as the depreciation of the A$ against the S$ for Couriers Please. Freight forwarding revenue rose 3.3% with higher volumes at the Rotterdam operations.

Without depreciation of the A$, Logistics segment revenue would have been largely stable compared to Q1 last year.

Loss on operating activities widened to S$1.8 million. Freight forwarding profit on operating activities remained stable despite the global slowdown in trade activities.

eCommerce logistics losses widened due to compensation payments received from a customer last year, which has since exited. Excluding this, losses would have been largely stable.

1. Includes Quantium Solutions, Couriers Please and SP eCommerce
2. Famous Holdings

Property

S$M

Property	Q1 FY18/19	Q1 FY19/20	YoY % change
Revenue	**30.3**	**29.8**	**(1.5%)**
Profit on operating activities	**13.2**	**12.9**	**(2.3%)**
Margin	*43.5%*	*43.1%*	

Revenue, which comprises commercial property rental and the self-storage business, remained largely stable at S$29.8 million.

Profit on operating activities declined 2.3% due to higher depreciation from improvement works for the self-storage business.

U.S. Business

S$M

U.S. Business	Q1 FY18/19	Q1 FY19/20	YoY % change
Revenue	**51.5**	**55.5**	**+7.9%**
Profit on operating activities	**(8.8)**	**(6.9)**	**+21.0%**
Margin	*(17.0%)*	*(12.5%)*	

Revenue rose 7.9%, due largely to higher freight revenues. However, outsourced expenses to third party vendors for deliveries rose disproportionately, and contributed negatively to the business.

Losses on operating activities narrowed year-on-year to S$6.9 million, from S$8.8 million in Q1 last year. This was due to the absence of depreciation and amortisation expenses, as property, plant and equipment, and intangible assets had been written down to zero since the close of the previous financial year.

Outlook

Outlook

With eCommerce volumes expected to continue to grow strongly, in particular in Asia Pacific, SingPost remains well-positioned to benefit over the long term.

In Singapore, while eCommerce-related deliveries are expected to grow, the full benefits are being mitigated by a decline in letter mail and advertisement mail volumes. The Group will continue to drive operational synergies and productivity gains with the integration of its postal and parcel delivery capabilities.

While International revenue has grown with increased cross-border eCommerce deliveries, transhipment competition is intense with volumes and margins continuing to come under pressure, especially with higher terminal dues.

The Group has stepped up investment to improve service quality, and is also reviewing ways to improve the design of our postal system to drive long-term benefits in a parcel-centric environment.

The Property segment is expected to remain largely stable, and a significant contributor to Group operating profit for the financial year.

As announced earlier, the Group has decided to exit the U.S. businesses TradeGlobal and Jagged Peak, and is in the midst of a sale process. The Group will make further announcements as appropriate.

Thank You

Supplementary information

Group segment information

From 1 April 2019, SingPost Group has reclassified the reporting of certain business units into four key business segments, namely Post and Parcel, Logistics, Property and U.S. Business (FY2018/19: Post and Parcel, Logistics, eCommerce and Property).

- **Post and Parcel** segment comprises the core postal and parcel delivery business of the Group. This includes Domestic post and parcels, International post and parcels, as well as products and services transacted at the post offices.

- **Logistics** segment comprises the logistics businesses of the Group. The services are divided into Freight forwarding and eCommerce logistics, which includes front-end related eCommerce solutions, warehousing, fulfilment, delivery and other value-added services in Asia Pacific.

- **Property** segment includes the provision of commercial property rental, as well as the self-storage business.

- **U.S. Business** segment comprises the businesses in the U.S. under TradeGlobal and Jagged Peak. The Group had announced that it intends to exit the U.S. businesses.

The segment revenue and profit figures have been reclassified for comparative purposes.

Adoption of SFRS(I) 16

Singapore Financial Reporting Standards (International) 16 – Leases

Before the adoption of SFRS(I) 16, commitments under operating leases for future periods were not recognised by the Group as liabilities.

On adoption of SFRS(I) 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as "operating leases" if they met certain criteria set out in SFRS(I) 16.

These liabilities were measured at the present value of the remaining lease payments. The difference between the present value and the total remaining lease payments represents the cost of financing.

Such finance cost will be charged to the consolidated income statement in the period in which it is incurred using the effective interest method.

The associated right-of-use assets were recognised in the consolidated statement of financial position, and depreciation is charged on a straight-line basis.

The Group has applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Instead, the cumulative effect of applying the standard is recognized as an adjustment to opening balance of retained profits on 1 April 2019.

S$M

Differences to Statement of Financial Position reported at 31 Mar 19	1 Apr 19	
	Group	Company
Increase in right-of-use assets	83.6	25.2
Increase in lease liabilities		
Current	(21.6)	(9.1)
Non-current	(71.8)	(16.1)
Decrease in trade and other payables	2.9	-
	(6.9)	**-**
Decrease in retained earnings	6.9	-
Decrease in total equity	**6.9**	**-**

Underlying Net Profit Reconciliation Table

S$'000

	Q1 FY18/19	Q1 FY19/20
Profit attributable to equity holders	**18,715**	**25,682**
Exceptional items	**5,962**	**(49)**
Fair value loss on warrants from an associated company	*5,958*	*-*
Gain on disposal of property, plant and equipment	*(24)*	*(51)*
M&A related professional fees	*28*	*2*
Underlying net profit	**24,677**	**25,633**