

Singapore Post Ltd.

December 16, 2024

Credit Highlights

Overview

Key strengths	Key risks
Established position in the postal service industry in Singapore.	Uncertainty over future strategy after sale of Australia business
Some margin stability, driven by the property segment.	Small scale relative to global and regional peers

Singapore Post Ltd.'s (SingPost) proposed sale of its Australia business, Freight Management Holdings Pty Ltd. (FMH), will be transformative and will cloud its future strategy, in our view.

The loss of SingPost's key earnings pillar introduces uncertainty over the future strategy and earnings contribution. It also unwinds management efforts over the past four years to diversify the company's portfolio and to build a second home base. Australia has been a key earnings contributor to SingPost. For the first half of fiscal 2025 (ending March 31, 2025), Australia accounted for 58% of SingPost's total revenue.

The strategic backtracking highlights the uncertainty over the future direction of SingPost as well as the consistency and execution of its stated strategy. The remaining business is likely to be narrower with a significantly reduced scale and diversity. This includes Singapore and international segments. This business broadly refers to letters and printed papers, e-commerce, freight forwarding, and property, including rental income from the SingPost Centre. Once SingPost completes the sale sometime by end-March 2025, management will review and reset the company's strategic plan.

We expect SingPost's balance sheet to materially strengthen following the debt repayment.

The transaction could generate a net gain on disposal of S\$312.1 million. The company expects to receive net cash proceeds of S\$682.8 million which is net of debt at FMH of S\$224.1 million. We anticipate that the company will repay the residual Australian dollar denominated borrowings amounting to S\$320.8 million undertaken for its acquisition of FMH. Total Australian dollar-denominated debt amounted to S\$544.9 million as of Sept. 30, 2024.

A portion of the remaining proceeds is likely to be earmarked for a special dividend. As such, we do not assume the use of the remainder for further debt reduction. Based on our estimates, the debt-to-EBITDA ratio will reduce to below 2x following the completion of the transaction, which is a material improvement from our previous projection of more than 3x for fiscal 2025 and 2026.

Primary contact

Hwee Yee Ong, CFA
Singapore
65-6597-6193
hwee.yee.ong
@spglobal.com

Secondary contacts

Minh Hoang
Singapore
65-6216-1130
minh.hoang
@spglobal.com

Pauline Tang
Singapore
6562396390
pauline.tang
@spglobal.com

SingPost's leverage policy and future capital allocation appear uncertain, in our view. The improved leverage position may not be sustained through investment cycles. The company's future business strategy could require further material investments and time. SingPost's longer-term leverage tolerance is also unclear.

In addition, SingPost continues to work on divesting other noncore assets. This implies more disposals and, hence, cash inflows. The use of the proceeds remains uncertain. A potential sale of SingPost Centre could provide significant financial flexibility to SingPost at the expense of losing the asset that has created earnings stability for the company in the past seven years. Should the sale occur, it could further reshape SingPost's business. The way in which SingPost will reallocate its capital could have a bearing on both its business and financial risk profiles.

CreditWatch

The CreditWatch placement reflects a heightened probability that we could lower our ratings by one notch following a strategy reset and the sale of its Australia business.

We aim to resolve this CreditWatch when details around the strategy are unveiled, which we expect in the first half of fiscal 2026.

Our Base-Case Scenario

Assumptions

- Singapore real GDP to expand by 3.4% in 2024 and 2.5% in 2025, from 1.1% in 2023. Stable economic growth to support consumer consumption and consequently, e-commerce transactions.
- Revenue growth of 15%-17% in fiscal 2025, followed by a 57%-59% decline in fiscal 2026 due to the sale of the Australia business.
- EBITDA margin of 10%-12% for fiscal 2025 and 2026.
- Annual capital expenditure (capex) of S\$60 million-S\$70 million in fiscal 2025 and S\$10 million-S\$15 million in fiscal 2026.
- Dividends of S\$20 million-S\$30 million in fiscal 2025-2026, including preferred dividends
- Our base case includes the announced sale of the Australia business but not any sale of other noncore assets or businesses. As a portion of the remaining sales proceeds is likely to be earmarked for a special dividend, we do not assume the use of the remainder for further debt reduction. We assume the completion of the Australia business sale on March 31, 2025.

Key metrics

Singapore Post Ltd.--Forecast summary

Period ending	Mar-31-2023	Mar-31-2024	Mar-31-2025	Mar-31-2026	Mar-31-2027
(Mil. SGD)	2022a	2023a	2024e	2025f	2026f
Revenue	1,872	1,687	1,964	824	848
EBITDA	170	168	204	90	93

Singapore Post Ltd.--Forecast summary

Funds from operations (FFO)	110	101	128	63	66
EBIT	97	89	123	66	67
Interest expense	26	36	61	17	15
Cash flow from operations (CFO)	95	69	79	66	68
Capital expenditure (capex)	28	55	65	13	47
Free operating cash flow (FOCF)	66	14	14	53	21
Dividends	47	24	29	26	27
Discretionary cash flow (DCF)	19	(10)	(14)	27	(6)
Debt	565	695	175	160	176
Adjusted ratios					
Debt/EBITDA (x)	3.3	4.1	0.9	1.8	1.9
FFO/debt (%)	19.4	14.6	73.2	39.1	37.6

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. S\$--Singapore dollar.

Company Description

SingPost is a postal and e-commerce logistics provider in the Asia-Pacific. It is listed on the Singapore stock exchange, with Singapore Telecommunications Ltd. (Singtel) holding a 22% stake and Alibaba Investment Ltd., 11%.

The company announced the sale of its Australia business, Freight Management Holdings Pty Ltd., on Dec. 2, 2024.

Peer Comparison

We select Australia Postal Corp., New Zealand Post Ltd. (NZ Post), And PostNL N.V. as SingPost's peers.

SingPost and its postal peers are commercially-run businesses that provide essential public services. They therefore hold dominant market positions in their home countries.

Unlike most of its postal peers, SingPost is not directly owned by the Singapore government. The company's largest shareholder is telecom company, Singtel. Consequently, SingPost has lower public obligations.

However, less public obligation means a more distant relationship with the Singapore government. As a result, we do not consider SingPost as a government-related entity. In contrast, NZ Post and Australia Post are government related entities and benefit from very high likelihood of government support.

Like the Netherlands-based PostNL, SingPost is geographically diverse. The company generates a high proportion of overseas revenue, notably from Australia. Other postal operators depend on population density in their home countries for revenue.

SingPost has higher leverage than peers except NZ Post following investments in Australia. NZ Post's deleveraging was hampered by shareholder-friendly actions in fiscal 2024. That said, SingPost's leverage will improve after the sale of the Australia business.

Singapore Post Ltd.--Peer Comparisons

	Singapore Post Ltd.	Australian Postal Corp.	New Zealand Post Ltd.	PostNL N.V.
Foreign currency issuer credit rating	BBB/Watch Neg/NR	A+/Stable/A-1	A-/Negative/A-2	BBB/Negative/A-2
Local currency issuer credit rating	BBB/Watch Neg/NR	A+/Stable/A-1	A-/Negative/A-2	BBB/Negative/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2024-03-31	2024-06-30	2024-06-30	2023-12-31
Mil.	S\$	S\$	S\$	S\$
Revenue	1,687	8,219	947	4,618
EBITDA	168	552	60	371
Funds from operations (FFO)	101	502	36	290
Interest	36	50	24	26
Cash interest paid	35	50	24	29
Operating cash flow (OCF)	69	589	22	357
Capital expenditure	55	277	145	184
Free operating cash flow (FOCF)	14	312	(123)	174
Discretionary cash flow (DCF)	(10)	312	(206)	131
Cash and short-term investments	477	559	115	756
Gross available cash	477	559	115	756
Debt	695	1,027	362	815
Equity	1,295	1,958	494	293
EBITDA margin (%)	9.9	6.7	6.4	8.0
Return on capital (%)	4.7	(0.7)	0.2	12.7
EBITDA interest coverage (x)	4.6	11.0	2.5	14.1
FFO cash interest coverage (x)	3.9	11.0	2.5	11.0
Debt/EBITDA (x)	4.1	1.9	6.0	2.2
FFO/debt (%)	14.6	48.9	10.0	35.6
OCF/debt (%)	10.0	57.3	6.1	43.9
FOCF/debt (%)	2.0	30.4	(34.0)	21.3
DCF/debt (%)	(1.4)	30.4	(56.8)	16.1

Financial Risk

The proposed sale of the Australia business will provide immediate relief to SingPost's leverage profile. The company invested in the logistics business in Australia in the past four years, to the tune of about Singapore dollar (S\$) 600 million. This led to an elevated leverage profile. The company had a ratio of debt to EBITDA of 4.1x as of March 31, 2024, up from 1.9x as of March 31, 2020.

Following the proposed sale, we expect the ratio to drop below 2x, a material improvement from the 4.1x in fiscal 2024.

Management's leverage policy and future capital allocations appear uncertain. SingPost may not be able to maintain the improvement in its balance sheet from the sale through investment

Singapore Post Ltd.

cycles. This will depend on the company's future business strategy, which could require further investments and time.

In addition, SingPost continues to work on divesting other noncore assets. This implies more disposals and, hence, cash inflows. The use of the proceeds remains uncertain. A potential sale of SingPost Centre could provide significant financial flexibility to SingPost at the expense of losing the asset that has created earnings stability for the company in the past seven years. Should the sale occur, it could further reshape SingPost's business. The way in which SingPost will reallocate its capital could have a bearing on both its business and financial risk profiles.

Debt maturities

Singapore Post Ltd.-- Debt Maturities*

	Amount (Mil. S\$)
Repayable within one year	48
Repayable after one year	1,084
Total	1,132

*Includes lease liabilities. As of Sept. 30, 2024. S\$--Singapore dollar.

Singapore Post Ltd.--Financial Summary

Period ending	Mar-31-2019	Mar-31-2020	Mar-31-2021	Mar-31-2022	Mar-31-2023	Mar-31-2024
Reporting period	2018a	2019a	2020a	2021a	2022a	2023a
Display currency (mil.)	S\$	S\$	S\$	S\$	S\$	S\$
Revenues	1,323	1,314	1,405	1,666	1,872	1,687
EBITDA	280	215	151	184	170	168
Funds from operations (FFO)	217	148	92	131	110	101
Interest expense	31	28	26	30	26	36
Cash interest paid	32	31	24	29	27	35
Operating cash flow (OCF)	163	159	195	64	95	69
Capital expenditure	31	27	22	24	28	55
Free operating cash flow (FOCF)	132	132	173	40	66	14
Discretionary cash flow (DCF)	23	52	134	(337)	19	(10)
Cash and short-term investments	399	502	508	288	496	477
Gross available cash	399	502	508	288	496	477
Debt	459	399	348	644	565	695
Common equity	1,314	1,295	1,325	1,142	1,249	1,295
Adjusted ratios						
EBITDA margin (%)	21.2	16.4	10.8	11.0	9.1	9.9
Return on capital (%)	10.3	8.6	4.9	6.9	5.4	4.7
EBITDA interest coverage (x)	9.2	7.8	5.8	6.0	6.4	4.6
FFO cash interest coverage (x)	7.7	5.8	4.8	5.5	5.0	3.9
Debt/EBITDA (x)	1.6	1.9	2.3	3.5	3.3	4.1
FFO/debt (%)	47.2	37.1	26.4	20.3	19.4	14.6

Singapore Post Ltd.

Singapore Post Ltd.--Financial Summary

OCF/debt (%)	35.6	39.9	56.0	9.9	16.8	10.0
FOCF/debt (%)	28.7	33.1	49.7	6.2	11.7	2.0
DCF/debt (%)	5.0	13.1	38.5	(52.4)	3.4	(1.4)

Reconciliation Of Singapore Post Ltd. Reported Amounts With S&P Global Adjusted Amounts (Mil. S\$)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Mar-31-2024									
Company reported amounts	827	1,383	1,687	166	85	30	168	93	29	55
Cash taxes paid	-	-	-	-	-	-	(31)	-	-	-
Cash interest paid	-	-	-	-	-	-	(30)	-	-	-
Lease liabilities	149	-	-	-	-	-	-	-	-	-
Incremental lease liabilities	8	-	-	-	0	0	(0)	(0)	-	-
Intermediate hybrids (equity)	126	(126)	-	-	-	5	(5)	(5)	(5)	-
Postretirement benefit obligations/ deferred compensation	1	-	-	0	0	0	-	-	-	-
Accessible cash and liquid investments	(437)	-	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	7	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	10	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(18)	-	-
Noncontrolling/ minority interest	-	37	-	-	-	-	-	-	-	-
Debt: Contingent considerations	13	-	-	-	-	-	-	-	-	-
Debt: Put options on minority stakes	8	-	-	-	-	-	-	-	-	-
EBITDA: other	-	-	-	(6)	(6)	-	-	-	-	-
Total adjustments	(132)	(88)	-	2	4	6	(66)	(24)	(5)	-
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	695	1,295	1,687	168	89	36	101	69	24	55

Liquidity

We view SingPost's liquidity as adequate. The company's sources of liquidity will likely cover needs by more than 1.2x over the 12 months to Sept. 30, 2025. The company has well-established relationships with domestic and international banks and a solid standing in domestic capital markets.

We expect SingPost to be able to absorb high-impact low-probability events without much need for refinancing. We forecast liquidity sources will exceed uses even if EBITDA declines by 15%.

Principal liquidity sources

- Cash and equivalents of S\$428 million as of Sept. 30, 2024.
- Cash flow from operations of S\$45 million-S\$55 million over the 12 months to Sept. 30, 2025.
- Net cash proceeds of S\$683 million that we expect from the sale of the Australia business after paying down the debt at FMH.

Principal liquidity uses

- Short-term debt maturities of S\$5 million as of Sept. 30, 2024.
- Annual capex of S\$35 million-S\$45 million over the 12 months to Sept. 30, 2024.
- Dividends of S\$25 million-S\$35 million for the same period, including cash distributions to perpetual securities holders.
- Cash outflow of S\$18 million that we expect for the acquisition of remaining 2.9% stake in FMH held by FMH management shareholders.
- Sale proceeds earmarked for debt repayment of borrowings undertaken for the acquisition of FMH of S\$321 million.

Environmental, Social, And Governance

Environmental, social, and governance credit factors are neutral to our credit rating analysis of SingPost. On par with global environmental standards, the company aims to achieve net-zero for its operational emissions in Singapore by 2030 and for global emissions by 2050. It tracks this performance in its annual sustainability reports.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of Sept. 30, 2024, SingPost had S\$892 million in reported borrowings. This included S\$250 million of 10-year senior unsecured notes issued in November 2020 and S\$100 million of five-year senior unsecured notes issued in March 2022.

Additionally, SingPost had S\$250 million in subordinated perpetual securities issued in April 2022.

Analytical conclusions

Our rating on SingPost's perpetual securities is two notches lower than the long-term issuer credit rating. This reflects the subordination of the securities and deferability of payments at the company's discretion.

We ascribe intermediate equity content to SingPost's perpetual securities and account for the instrument as 50% equity and 50% debt. This is because they meet our criteria of permanence and subordination. The deferability of distribution payment also reflects cash conservation quality.

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: Singapore Post Ltd. 'BBB' Rating Placed On CreditWatch Negative Over Strategy Reset, Dec. 5, 2024
- Singapore Post Ltd. 'BBB' Rating Affirmed On Financial Flexibility; Outlook Negative, June 4, 2024
- Singapore Post Ltd., March 7, 2024
- Singapore Post's Proposed Acquisition Will Delay Deleveraging, Nov. 3, 2023
- Singapore Post Downgraded To 'BBB' from 'BBB+' On Weakening Business Prospects; Outlook Negative, May 23, 2023

Ratings Detail (as of December 16, 2024)*

Singapore Post Ltd.

Singapore Post Ltd.

Ratings Detail (as of December 16, 2024)*

Issuer Credit Rating	BBB/Watch Neg/NR
----------------------	------------------

Issuer Credit Ratings History

04-Dec-2024	BBB/Watch Neg/NR
23-May-2023	BBB/Negative/NR
12-Dec-2022	BBB+/Negative/NR

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.