Research Update:

Singapore Post Ltd. Downgraded To 'BBB-' From 'BBB' As It Scales Down Operations; Outlook Stable

July 25, 2025

Rating Action Overview

- Singapore Post Ltd. will operate on a much smaller scale after the divestment of its Australian logistics and its freight-forwarding businesses this year, and its core business continues to face subdued operating conditions.
- Significant deleveraging from the sale proceeds will bring the company to a net cash position over the next two years.
- On July 25, 2025, S&P Global Ratings lowered its long-term issuer credit rating to 'BBB-' from 'BBB'. At the same time, we lowered our issue rating on the Singapore dollar (S$) 250 million subordinated perpetual securities that the company guarantees to 'BB' from 'BB+'. At the same time, we removed our ratings on the company from CreditWatch, where we had placed them with negative implications on Dec. 5, 2024.
- The stable outlook reflects our expectation that SingPost will approach investments prudently and manage the structural decline in the postal industry.

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Rating Action Rationale

Singapore Post Ltd. will operate on a smaller scale following the sale of Freight Management Holdings Pty Ltd. The remaining core business is also facing structural decline. We view the sale of the Australian business, completed in March 2025, to be transformative, representing a significant pivot from the company's earlier strategy to establish Australia as a second home base. The Australia business accounted for about 50% of operating profits (continuing and discontinued operations) for fiscal 2025 (ended March 31, 2025). On July 22, 2025, SingPost sold its freight-forwarding business conducted through Famous Holdings Pte Ltd. and Rotterdam Harbour Holding B.V. after identifying it as noncore.

The loss of a key earnings pillar shifts the focus back to the postal and logistics business, which is facing structural and operating issues. It is also operating at significantly reduced scale and diversity. SingPost's core postal and logistics business faces weak profitability amid persistent

structural decline, the high fixed cost of operating its postal office network, and rising competition in a highly fragmented market. For fiscal 2025, the operating margin for the Singapore postal and logistics as well as international businesses was about 1%, compared with the post and parcel segment's 15% in fiscal 2020.

SingPost is still undergoing management changes and board transformation. We await clarity on the company's strategy to regain competitiveness and profitability. That said, SingPost is in talks with the government to address the financial sustainability of postal services and the post office network.

SingPost is likely to be in a net cash position over the next two years. The sale of the Australia business and the freight-forwarding business have bolstered its cash position by around S$750 million.

The company is likely to manage its balance sheet by deleveraging. Nonetheless, SingPost will pay out a special dividend of S$202.5 million in fiscal 2026. In the near term, the company's focus is on driving operating efficiencies across its core business.

SingPost will have to invest to defend its postal and parcels business from a structural decline and to diversify. We believe the company's leverage may increase from a net cash position through investment cycles. The company has a track record of debt-fueled expansion. Leverage has increased to above 3x since fiscal 2021 pursuant to SingPost's investment in Australia. This improved to 1x from 4.1x in fiscal 2024 after the sale of the Australian business in fiscal 2025.

SingPost Centre supports earnings stability and diversity. It contributed S$48.4 million to operating profit for fiscal 2025. In comparison, the group-level operating profit, on a continuing operations basis, was S$44.3 million. We expect overall occupancy rate to remain strong. It was 98.2% as of March 31, 2025. We understand management may optimize its property assets in line with its strategic direction. In the past, the company has identified SingPost Centre as a noncore asset. The asset is valued at S$1 billion.

SingPost's frequent management turnover and several pivots in strategies cloud the operating and earnings outlook. The strategic backtracking on the sale of the entire Australia business undermines the consistency and execution of its stated strategy to diversify away from a domestic business facing structural decline. The departure of top executives in December 2024 brought about a lack of clarity on strategic directions, and consequently reversed the efforts of a consistent strategy over the four years.

In our view, SingPost has to demonstrate its ability to reposition itself in the postal and logistics business under the new management team. SingPost has refreshed its board of directors and management team. Including the new chairman, four out of seven directors will have joined the company this year. Changes to senior management are still ongoing. The company appointed a chief financial officer and chief operating officer in January 2025. The CEO position has yet to be filled.

Outlook

The stable rating outlook on SingPost reflects our view that the company will pursue investments in a prudent manner and manage the structural decline in the postal business in a sustainable way.

Downside scenario

We may downgrade SingPost if we expect the company's business competitiveness to weaken further. This could arise if the company is unable to arrest the downward trajectory of its postal and logistics core business or a further reduction in earnings diversity.

Alternatively, we could also downgrade SingPost if its earnings deteriorate due to competitive pressures or it embarks on an aggressive growth strategy such that debt increases materially more than we expect. A ratio of debt-to-EBITDA of above 2.5x will reflect such deterioration.

Upside scenario

We may raise our ratings on SingPost if it demonstrates a sustained track record of improving profitability across its core postal and logistics business, while maintaining earnings diversity and a conservative balance sheet position.

Company Description

SingPost is a postal and e-commerce logistics provider in 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 completed the sale of its Australia business, Freight Management Holdings Pty Ltd., in March 2025 and its freight-forwarding business in July 2025.

Our Base-Case Scenario

Assumptions

- Singapore real GDP to expand by 1.6% in 2025 and 1.9% in 2026, from 4.4% in 2024. Stable economic growth to support consumer consumption and consequently, e-commerce transactions.
- Annual revenue declines up to 30% in fiscal 2026 and 2027. This is due to the divestment of the freight forwarding business that contributed about four months of revenue in fiscal 2026. This comes after a 52% decrease in fiscal 2025 due to the sale of the Australia business.
- EBITDA margin of 7%-10% for fiscal 2026 and 2027.
- Annual capital expenditure (capex) of S$30 million-S$40 million in fiscal 2025 and 2026. This includes the S$30 million investment into automation at the Regional eCommerce Logistics Hub.
- Dividends of S$200 million-S$210 million in fiscal 2026 and S$10 million-S$20 million in fiscal 2027. This includes preferred dividends. In fiscal 2026, this includes the special dividends of S$202.5 million.
- Our base case includes the announced sale of its freight forwarding business, with net cash proceeds of S$104 million.

Key metrics

Singapore Post Ltd.--Forecast summary

Period ending	Mar-31-2024	Mar-31-2025	Mar-31-2026	Mar-31-2027	Mar-31-2028
(Mil. SGD)	2023a	2024a	2025e	2026f	2027f
Revenue	1,687	814	573	452	443
EBITDA	168	74	41	45	53
Funds from operations (FFO)	101	8	20	24	32
EBIT	89	47	32	38	44
Interest expense	36	33	18	16	14
Cash flow from operations (CFO)	70	32	7	9	10
Capital expenditure (capex)	55	51	40	30	30
Free operating cash flow (FOCF)	15	(19)	(33)	(21)	(20)
Dividends	24	27	209	14	19
Discretionary cash flow (DCF)	(9)	(46)	(242)	(34)	(39)
Debt	695	75	--	--	11
Adjusted ratios					
Debt/EBITDA (x)	4.1	1.0	--	--	0.2
FFO/debt (%)	14.6	10.2	NM	NM	304.6
FFO cash interest coverage (x)	3.9	1.1	2.2	2.5	3.3
EBITDA interest coverage (x)	4.6	2.3	2.4	2.8	3.7
Annual revenue growth (%)	(9.9)	(51.8)	(29.6)	(21.1)	(2.0)
EBITDA margin (%)	9.9	9.1	7.2	9.9	11.9

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

Liquidity

We have revised SingPost's liquidity to strong from adequate. The company's sources of liquidity will likely cover needs by more than 1.5x over the 24 months to March 31, 2027. We forecast liquidity sources will exceed uses even if EBITDA declines by 30%.

After the sale of the Australia business, SingPost's cash balance has increased to S$696 million as of March 31, 2025. After accounting for special dividends of S$203 million, there is sufficient buffer against its outstanding bonds of S$350 million. In our view, the company can absorb high-impact low-probability events without refinancing.

SingPost has well-established relationships with domestic and international banks. The company has a satisfactory standing in debt markets, evidenced by its track record of bonds and perpetual securities issuances.

Principal liquidity sources

- Cash and equivalents of S$696 million as of March 31, 2025.

Principal liquidity uses

- No short-term debt maturities.

- Cash flow from operations of S$15 million-S$25 million over the 24 months to March 31, 2027.
- Net cash proceeds of S$104 million from the sale of the freight forwarding business.
- Annual capex of S$30 million-S$40 million over the 24 months to March 31, 2027.
- Annual dividends of S$210 million-S$220 million over the next 12 months to March 31, 2026, and S$15 million-S$25 million over the next 12 months to March 31, 2027. This includes cash distributions to perpetual securities holders. The announced special dividend of S$203 million is included in the first 12-month period.

Environmental, Social, And Governance

Governance credit factors are moderately negative to our credit rating analysis of SingPost. The strategic backtracking on the sale of the entire Australia business undermines the consistency and execution of its stated strategy to diversify away from a domestic business facing structural decline. The departure of top executives in December 2024 and a vacant CEO position result in a lack of business continuity.

Environmental and social 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 March 31, 2025, SingPost had S$350 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.

A portion of the perpetual securities do not receive intermediate equity content. This is because amounts more than 15% of capitalization, adjusted basis, do not receive equity content.

Rating Component Scores

Rating Component Scores	
Component	
Foreign currency issuer credit rating	BBB-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--
Business risk	Fair
Country risk	Low risk
Industry risk	Low risk
Competitive position	Fair
Financial risk	Modest
Cash flow/leverage	Modest
Anchor	bbb-
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Moderately negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb-

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- 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 | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 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

- SingPost's Special Dividend Weighs And Strategy Shift Unclear; Ratings Remain On CreditWatch Negative, May 19, 2025
- Singapore Post Removes Top Management; Ratings Remain On CreditWatch Negative, Dec. 24, 2024
- Singapore Post Ltd., Dec. 16, 2024
- 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 List

Ratings list

Downgraded; Outlook Action

	To	From
Singapore Post Ltd.		
Issuer Credit Rating	BBB-/Stable/--	BBB/Watch Neg/--
Foreign Currency	BBB-/Stable/--	BBB/Watch Neg/--
SingPost Group Treasury Pte. Ltd.		
Junior Subordinated	BB	BB+/Watch Neg

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