

**ADDRESS BY MR SIMON ISRAEL,  
CHAIRMAN OF THE SINGPOST BOARD OF DIRECTORS  
AT THE 31st ANNUAL GENERAL MEETING, HELD 19th JULY 2023, WEDNESDAY**

**With accompanying presentation “FY2022/23 Annual General Meeting Presentation”**

**Welcome**

Once again, I would like to welcome our shareholders, both present and on-line for your attendance today.

I thank those of you who have sent in questions in advance of the AGM and our responses have been posted on SGX.

I trust you have had the opportunity to read my letter to shareholders in the Annual Report, so it is not my intention to repeat that. Instead I would like to focus on two matters which I believe will be helpful in providing more clarity to shareholders – the transformation of SingPost and the Strategic Review announced by the Board. This will help frame questions you will be asking.

**Transformation**

My first point: A transformation has taken place at SingPost and this is possibly under appreciated by shareholders, analysts and investors.

Let me illustrate in a few charts.

*Transformation of Business Mix*

The first chart shows that SingPost has transformed from being a predominately Postal business into a Logistics business over the last 4 years. Logistics has grown its share of the business from 38% to 70% and is now the key driver of our revenue.

Given Logistics growth rate and our recent investments, this can be expected to rise to a higher percentage of SingPost’s revenue going forwards.

*Transformation of Earnings*

In this chart you can see over the same time frame our postal business entering a structural decline in profitability resulting in a loss last year. These earnings have largely been replaced by the growth in profit from Logistics which is now the primary profit contributor of the Group.

### *Transformation of Markets*

The second part of the transformation is we have moved from being Singapore centric in a market with limited growth potential to becoming an international business with significant growth potential - 86% of our revenue is now derived outside of Singapore.

### *Transformative Growth in Australia*

Australia is the largest contributor to our transformation and the growth of the Logistics business. Over the last three years we have seen the business grow a multiple of 3X in size to reach revenues of S\$815 million. We are approaching scale in Australia and have momentum.

### *FMH Key Driver of Australian Transformation*

Within Logistics, the single most important driver of transformation has been our investment in FMH in Australia. FMH has driven growth in both revenue and profitability on the back of organic growth and complementary acquisitions. It is notable that all of SingPost's investments in FMH and further investments made by FMH have all been immediately accretive to earnings.

### *Strong Results Achieved By FMH*

To give you a better sense of FMH's momentum in scaling the business, last financial year they achieved revenue of S\$595 million, EBITDA of S\$77 million and net profit of S\$33.5 million with a ROE of 20%. While growth is impressive, please note that this is combination of organic growth and acquisitions. Our view of the Australian market is that there is potential for further transformational investment.

From these comments, I trust you will appreciate that transformation has taken place and that SingPost is now a logistics business, and should be largely viewed and valued through that lens. This leads me to my second point which is the strategic review announced by the Board.

### **Strategic Review**

With the foundation of our transformation into a Logistics business in place, the Board is undertaking a Strategic Review of the Group's structure and portfolio of businesses.

Our objective is to continue our transformation into a Logistics business by recycling capital from non-core businesses or assets, with a view to enhancing shareholder returns and ensuring the Group is appropriately valued.

The future of the Postal business forms part of the strategic review and you will have noted the announcement in Parliament of the need to ensure it is commercially viable and sustainable.

I can assure you that resolution is an immediate priority for the Board and Management. The CEO will be covering this in his presentation.

I would ask that shareholders give the Board time to work through the review which we expect to complete this financial year. At that time, we will be in a position to engage shareholders. In the interim we will not be commenting on the review unless there are material developments that require disclosure.

*Strategic Review: Main Principles Applied*

What I can share are the main principles to be applied:

1. Defining what is core and non-core in the context of transitioning to a Logistics business over time.
2. Divestment of non-core businesses/assets and those which are not expected to earn a return above their cost of capital.
3. Recycling capital to support further investment in Logistics.
4. Resetting the Group's dividend policy.
5. Optimising the Group's balance sheet and gearing.
6. Ensuring the structure of the Group allows the Group and its underlying businesses to be appropriately valued, while creating optionality for the future of these businesses.

**END**