

## **SGX ANNOUNCEMENT**

### **BOARD STRATEGIC REVIEW UNVEILS PATHWAYS TO GROWTH AND UNLOCKING SHAREHOLDER VALUE**

The Board of Directors (the “**Board**”) of Singapore Post Limited (“**SingPost**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the strategic review of the Group and its portfolio of businesses initiated in May 2023 (“**Strategic Review**”), where Merrill Lynch (Singapore) Pte. Ltd. (“**BofA Securities**”) was appointed as the financial advisor to the Board, has been completed. The Strategic Review of the Group’s portfolio of businesses was initiated with a view to enhancing shareholder returns and ensuring the Group is appropriately valued.

#### **Transformation of SingPost Group**

Over the last few years, the Group has progressively transformed from a postal organisation to a technology-driven international logistics enterprise focused on growth and sustainability.

The transformation has been underpinned by a disciplined and systematic acquisition approach since 2020 and has successfully built a significant and profitable business in Australia. Revenues generated overseas now contribute more than 85% of both total Group revenue and operating profit.

In the last year, the Group has also taken steps to address the structural decline of letter mail which has impacted the commercial viability of postal firms globally. The postage rate adjustment in October 2023 in Singapore has contributed to the postal segment returning to profitability in the third quarter ended 31 December 2023. The sustainability of the postal segment is contingent on integration with our growing eCommerce logistics business and agreeing on a new operating model with the regulator.

The Board believes that the Group is well positioned to scale its logistics ambitions over the next few years as a pure-play logistics operator serving international markets and delivering sustainable growth to create long term value for shareholders.

The Board has approved the following strategic thrusts for the Group to be executed over the next 3 years.

#### ***Strategic Thrust #1 - Reorganisation of the Group***

To facilitate its pivot and growth into an international logistics enterprise, the Group will be reorganised into three business units of Singapore, Australia and International, with each focused on their individual markets, as shown in Figure 1 below.



**Figure 1: Re-organised Business Units and Segmentation**

Central to the Group's strategy is the orientation to growth. The Group's vision is to position each business unit for growth in its respective market segment, leveraging core expertise and resources to maximise market share and customer satisfaction.

The Singapore business unit will integrate the domestic postal and eCommerce logistics businesses into a single operation for efficiency. In Australia, the businesses of Freight Management Holdings, CouriersPlease and Border Express will be integrated into a single Australia business unit to offer a full suite of logistics services. The International business unit will be focused on serving its international clients by managing cross-border eCommerce deliveries through its international footprint. All other assets will be held centrally in the Group.

The business units will each have the agility and empowerment to operate in their own markets, to develop market leadership and build on their core capabilities according to their individual strategies. This provides clarity on the valuation of the individual businesses against comparable market and sector ratings. The revised corporate structure creates flexibility and facilitates future optionalities.

**Strategic Thrust #2 - Strategic Management of Capital**

The Group will continue to actively manage its capital deployed in its portfolio of businesses with regular reviews of the financial performance and returns against set targets. The target for each business unit is to generate a spread above the cost of capital.

The Group has identified a list of assets and businesses that are non-core to its strategy which can be monetised to recycle the capital. This includes selected properties as well as various assets in its international footprint. Potential proceeds will be appropriately allocated by the Board to reduce debt, support growth investments, and return value to shareholders.

The timing of any potential divestitures will be subject to market conditions, achieving appropriate valuations as well as necessary approvals from the authorities and shareholders.

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<sup>1</sup> Fourth-party logistics, also known as 4PL, is an operational model in which a lead service provider, in this case SingPost, undertakes the management of a customer's supply chain and logistics with a network of vendors. In contrast, third-party logistics (3PL) providers offer specific logistics services such as transportation, warehousing or fulfillment on an outsourced basis.

In view of the transformation of the Group to a technology driven international logistics enterprise focused on growth, the dividend policy was also reviewed as part of the Strategic Review. From FY2024/25, the Board will adopt a dividend policy of paying out between 30% and 50% of underlying net profit. The Board believes this is a balanced policy taking into consideration the capital needs of the enterprise and sustainable returns to shareholders.

### ***Strategic Thrust #3 - Transforming Urban Logistics and Deliveries in Singapore***

The focus of the Singapore business unit is to be the country's market leader in deliveries, building on the core capability and strength of the postal network to capture the growth of eCommerce logistics, innovating and transforming Singapore's urban logistics landscape. The Group will continue to re-engineer this network to be best-in-class in service, efficiency and sustainability.

While the postage revision has facilitated the domestic segment returning to profitability, the post office sub-segment remains non-profitable and is largely related to the high cost of fixed real estate and labour. The Group will innovate asset-light alternatives to bring postal services closer to consumers while addressing the loss. The Group will continue to work closely with the regulator, as demonstrated over the last year, to build a sustainable commercial framework for its postal services obligations.

### ***Strategic Thrust #4 - Achieving Scale in Australia***

With the recently completed Border Express acquisition, the Group's enlarged Australia business unit now has a national logistics network serving customers in the B2B and B2C space.

The core of this business is the tech-driven 4PL platform managing supply chains on behalf of customers. With the asset-light hybrid 4PL and 3PL capabilities, the strategy is to strengthen its position as one of the top 5 logistics companies in Australia (by revenue size). Additionally, the Group will benefit from significant operational synergies from the combined network to further improve profitability.

The Group will explore near term partnerships that contribute to growth, provide equity to deleverage acquisition debt and establish an independent valuation benchmark. The Group will continue to pursue appropriate M&A opportunities and seek future liquidity options to maximise value.

### ***Strategic Thrust #5 - Building Tech-Driven Excellence to Serve Cross-Border Customers***

The International business unit will focus on serving our cross border eCommerce customers through an asset-light model and its 4PL tech platform, ARRIV. ARRIV was launched in the last

quarter of 2023 to enhance customer experience, strengthen its partnership network, and achieve operational excellence in international connectivity.

The Group will explore options across key geographies to further enhance the eCommerce supply chain network, expanding the hubs in Singapore, Hong Kong and Europe.

### **Financial Assessment**

Following consultation with its financial advisors, BofA Securities, the Board is of the view that the current share price does not appropriately reflect the intrinsic value of the company. This is particularly apparent considering the value of the SingPost Centre and its Australia business and the Group's growth potential. Execution of the strategic thrusts is intended to unlock this value for shareholders.

### **Disclaimer**

There is no assurance that any transaction will materialise from the Strategic Review or that any definitive or binding agreement will be reached. If and when there are any material developments which warrant disclosure, SingPost will, in compliance with applicable rules, make further announcements as appropriate.

Shareholders of SingPost are advised to refrain from taking any action in respect of their shares which may be prejudicial to their interests, and to exercise caution when dealing in such shares. Shareholders are advised to seek their own professional advice and consult with their stockbrokers, bank managers, solicitors, accountants and other professional advisers if they are in doubt as to the actions they should take.