Speech by SingPost management at the 30th Annual General Meeting with accompanying presentation "FY22 AGM Presentation"

VINCENT PHANG, GROUP CEO

Good afternoon. I am honoured for this opportunity to lead SingPost as Group CEO as we continue the Group's transformation journey.

I will provide a brief of the business and performance in the last financial year and our development plans. I will also give an assessment of the business and the way I see it evolving since I took on the role of GCEO.

FY2021/22 was the second year that we continued to adapt to the challenges brought about by the pandemic. The impact has been extremely profound. It has challenged our operations in many ways – in terms of how the business is managed, the revenues and cost structure, all this is on top of the continued structural decline in the traditional mail business.

The performance for FY2021/22 was resilient. The improved results came from a low base in the previous financial year, when we saw a significant impact in the first year of the pandemic. In addition, we also benefitted from the consolidation of FMH in Australia following the increase in our stake from 28% to 51%.

We are in the midst of our transformation and diversification journey, which is changing the profile of the Group – expanding from our legacy postal business to a global logistics enterprise. Our purpose, our job, is to make every delivery count for people and planet, to do this profitably and sustainably.

Domestic Post & Parcel: Committed to High Service Quality

We are committed to our national obligations in the Domestic Post & Parcel business as an essential service. Through the pandemic, we continued to uphold the high delivery service standards, at over 99.8% next day delivery as at December 2021. This is important to us, and we continue to do so, despite the continued challenges of declining letter mail volumes and increasing costs.

Over the year, eCommerce logistics contributions have helped to offset the letter mail declines, as volumes grew with the surge in eCommerce transactions during pandemic restrictions. Towards the end of the FY, we experienced a pullback in eCommerce logistics volumes as we transition out of COVID and traditional buying habits return.

In the operational update announced last Friday, we highlighted that conditions remain challenging for the Domestic Post & Parcel segment, particularly with the significant increase in costs such as fuel, utilities and labour.

However, the long-term trajectory for eCommerce is positive, and we continue to invest into this segment for growth. The structural decline in letter mail and increase in eCommerce logistics volumes has led to a change in our traffic profile, and we are working to transform Domestic Post and Parcel operation to meet the changing needs of the market.

Domestic Post & Parcel: Transforming to Serve Changing Needs

Our objective is to ensure we have the most cost effective, efficient, and sustainable delivery service in Singapore, and we believe those attributes are important to win this market. We are investing in the infrastructure to offer a delivery service that gives customers a high service level and yet is cost effective and carbon efficient.

During the year, we worked on various initiatives to develop this:

1) The Postpal smart letterbox trial was extended into Punggol last year, and we are looking to further extend the trial.
2) We started the electrification of our delivery fleet and target to complete by 2026.
3) We continue to explore automation capabilities in our processes.
4) We extended our parcel locker network further, with an added network into condominiums through the acquisition of Parcel Santa.
5) And we continue to enhance the SingPost Mobile App to connect our customers.

International Post & Parcel: Re-engineering Assets to Connect Globally

The International Post & Parcel segment continued to face significant challenges over the year. Air freight capacity out of Changi Airport was still limited over the year, affecting our international transhipment business. We rationalised volumes and focused on cost management, and managed the business at minimal margin despite the decline in volumes.

The challenges have intensified with significant headwinds from further supply chain disruptions due to recent lockdowns in a number of cities in China, where the majority of our cross-border volumes originate. Although air freight capacity out of Changi Airport has shown some improvements, this has yet to fully recover to pre-pandemic levels. Air conveyance costs remain high.

We recognise the importance of building resilience in our network to be able to deliver a consistent service and customer experience. We are working to re-engineer our various international operations – in International Post & Parcel and in Quantium Solutions. This will allow us to drive synergies and cost efficiency, and enable the Group to serve the cross-border eCommerce logistics market internationally.

Logistics: Further Expansion into Australia

Moving on to Logistics – This segment has performed well, offsetting the impact from the Post & Parcel segment.

During the year, we acquired a controlling interest in FMH, giving us a platform to capitalise on the growing logistics sector in Australia and work towards becoming a key logistics player in the market.

FMH is a technology driven 4PL logistics service operator focused on the B2B logistics market. The company has 800 employees, operates 17 facilities across the country and has over 150 partner carriers in its network. Its proprietary technology platform gives FMH the competitive advantage to manage and execute customers' supply chain and distribution needs. It employs analytics to enable supply chain efficiency – matching customers' freight profile with the optimal carrier, increasing efficiency, utilisation and profitability, and certainly reducing carbon emissions for both parties.

Our other significant asset on the ground is CouriersPlease, which is a B2C last-mile delivery service provider with significant reach in Australia, serving 90% of the population.

With both assets in combination, we expect to expand our reach in the logistics market and extract operational synergies. The logistics market in Australia is profitable and growing. We will build scale and develop our end-to-end capabilities between B2B and B2C, with the aim of becoming a significant operator in the market.

Property: Resilient Business and Enabler for the Group

Our Property business largely comes from SingPost Centre. This property houses our headquarters as well as the country's mail processing facility. The commercial areas comprise a retail mall and office tower.

Property contributions have been resilient despite the challenging leasing conditions over the year. Occupancy of our properties remained high at 96.6% as at 31 March 2022.

We recognise the potential of the Paya Lebar precinct with the government's latest urban development plans. We are examining options to improve the value and hence yield of the property.

Group Strategic Pillars

As we continue on the transformation journey, we have reorganised the Group to align with the strategic push in the three key pillars of the Singapore, Australia and International businesses.

In Singapore, Postal remains core. The postal infrastructure also serves our eCommerce logistics business. We are working to grow the eCommerce logistics market leveraging on our structural advantages and will transform and develop an urban logistics ecosystem that is most cost efficient, sustainable and digitally connected for Singapore.

In Australia, we are expanding into a market that is large and significant. We now have a full breadth of capability to develop an omni-channel logistics offering – one that will allow us to serve B2B2C, delivering to stores, malls, businesses and to homes.

In the final pillar, International – Just as Changi Airport and the port in Singapore serve the world, we need to look to serving the global market. We are leveraging on our group's assets into a global network to serve the cross-border eCommerce logistics market.

Finally, property is an enabler to the Group. Besides supporting our business and operations, our properties are also a stable income generator for us.

Key Challenges in FY2022/23

In our full year results announcement in May, we had highlighted the challenges in the outlook for FY2022/23. Following the first quarter, we now have some clarity - unfortunately, the conditions for our postal segment have worsened. In the operational update posted last Friday, we indicated that an operating loss is expected for the Post & Parcel segment for the first quarter of the FY.

The Domestic Post & Parcel segment continues to face challenges, with the continuing decline of letter mail volumes. With one of our customers insourcing part of their own logistics, this has also led to reduced e-commerce volumes. Operating costs have risen, particularly in fuel, utilities and labour.

In the International Post & Parcel business, we continue to face significant headwinds. At the end of last year, we were hopeful that the gradual opening of Changi and improving air capacity will help our revenues and earnings. However, this has not been the case as air capacity remains tight, with air conveyance costs elevated. The lockdowns in China have also disrupted our supply chains.

On the other hand, our Logistics segment has performed well. While we are hard at work to mitigate the challenges on the horizon, we remain committed to our journey ahead, to expand SingPost beyond being a postal centric business to an international logistics enterprise.

I will now hand over to our Head of Corporate Services and Sustainability Michelle Lee to update on our sustainability developments, and thereafter, our Group CFO Vincent Yik will give the financial highlights.

MICHELLE LEE, HEAD (CORPORATE SERVICES & SUSTAINABILITY)

Advancing Sustainability Goals

Thank you, Vincent. Good afternoon shareholders.

In the past year, Sustainability whether it's environmental, social or governance aspects went through major changes re-aligning to latest findings of the 6th Assessment Report released by the Intergovernmental Panel on Climate Change (IPCC) and discussions at COP26. These have got its implications requiring businesses like SingPost and the ecosystem we operate in to be responding from risk mitigation to building resiliency and building upon opportunities that surface.

The business environment as it comes to terms with living with COVID in the new operating world with other major events affecting the world economy, SingPost took the effort to re-examine where our Sustainability material matters lie requiring focus. This was done in consultation with both internal and external stakeholders resulting in a refreshed sustainability framework of material matters embedded as part of business strategy and operations. Climate action and resiliency, Resource efficiency and waste management, Health and Safety and Employee Engagement and talent practices are new aspects which will help us in delivering towards our purpose of being as an organisation “Making every delivery count for people and planet”.

With a global footprint in 15 markets, we have embarked on a journey to update our sustainability targets in line to limit global warming to 1.5˚C. We have set ourselves a target of net zero carbon for our scope 1 and 2 emissions for our Singapore operations by 2030 and net zero carbon scope 1, 2 and 3 emissions globally by 2050. We have refined our sustainability strategy to strengthen our decarbonisation efforts.

Additionally, to understand our climate risk and opportunities, we have adopted the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) to be incorporated into our climate action journey. A TCFD maturity assessment has been carried out with findings reported in the latest Sustainability Report that has been issued along with the Annual Report this year. We will continue to share our progress in this space as we also seek to build visibility to our scope 3 emissions this year.

Sustainability is not all about carbon and we have enhanced our focus on health and safety and talent management as it is our people who make it all possible making every delivery count. Total Recordable Injury Frequency Rate has seen a 23.7% improvement year-on-year in Singapore.

SingPost has been serving the community for over 160 years and we constantly seek new opportunities to be addressing the needs of the community and environment. During times of rapid digitalisation, global challenges brought about by the pandemic and increased frequency of extreme climate conditions, we have also refreshed our community investment framework focusing on building community resilience and wellbeing, digital inclusion and environmental stewardship.

We would like to thank our stakeholders who have journeyed along with us and as we work towards an ecosystem approach of achieving sustainability for the next generation.

I will now hand over our Group CFO, Vincent Yik, for the financial highlights.

VINCENT YIK, GROUP CFO

Group Performance – FY2021/22

Thank you, Michelle, and good afternoon.

The Group's performance for FY2021/22 showed an improvement, coming off a lower base in the previous year, which was severely affected by the pandemic disruptions. The improvement in the results was largely supported by the consolidation of FMH, as well as higher freight forwarding and delivery volumes in the Logistics segment.

This was partially offset by various factors:

1) The Group continued to face declines in the IPP business as well as in domestic letter mail volumes.
2) The relief from the Jobs Support Scheme and other government grants had ceased.
3) The self-storage business General Storage was de-consolidated following the divestment in December 2021.

Revenue Split by Markets

We are seeing a shift in the revenue breakdown as the Group transforms and diversifies.

For Singapore, the relative contribution to Group revenue is expected to reduce as the other strategic pillars continue to grow.

Australia accounted for 28% of Group revenue, up from 18% previously, with the consolidation of FMH and continued growth of CouriersPlease.

The international businesses, comprising Quantium Solutions and Famous Holdings, accounted for 29% of revenue compared to 23% previously, mainly due to higher freight forwarding revenue.

Going forward, contributions from the Australia and International businesses will continue to increase as we consolidate FMH's full year financials and re-engineer our International businesses as part of our transformation strategy.

Performance by Segments

As for the performance by business segments, Logistics was the key driver.

Revenue and operating profit growth were driven by the Logistics businesses, namely CouriersPlease, Famous Holdings and FMH. This offset the decline in the Post and Parcel segment, which was mainly due to the challenging IPP business.

Capital Management

During the year, we restructured our balance sheet financing to reduce costs and provide more headroom to support our transformation initiatives.

The $350 million outstanding perpetual securities were redeemed in March this year. New senior notes of $100 million were issued, also in March, while new $250 million perpetual securities were issued in April.

The self-storage business was divested in December 2021, and the proceeds were redeployed towards our transformation initiatives as we focus on our core business. We will continue to review our asset portfolio to assess strategic fit with our business and strategy, and invest in strategic initiatives that support long-term growth.

Financial Position

On the financial position, there was a timing difference between the redemption of outstanding perpetual securities in March and the issuance of new perpetual securities subsequent to the financial year-end in April, resulting in a net debt position for the Group as at 31 March 2022. The Group has returned to a net cash position following the new issuance.

On the Group's cash flows, operating cashflow was lower mainly due to higher cash receipts from the settlement of outstanding trade receivables in the prior period.

Cash outflow from investing activities stood at $53 million, mainly due to the FMH acquisition and additions to property, plant and equipment, partly offset by proceeds from the divestment of the self-storage business.

Cash outflow from financing activities increased to $256 million, mainly due to the activities detailed earlier

Proposed Dividend

The Group continues to take a prudent approach to managing cash flows and conserving cash, taking into account our transformation initiatives.

For FY2021/22, a final dividend of 1.3 cents per share has been proposed for shareholders' approval.

Including the interim dividend of 0.5 cents per share, the total dividend for the financial year would be 1.8 cents. This represents a payout ratio of about 50% of underlying net profit, compared to 40% last year.

With that, I conclude my presentation. Thank you.