

SINGAPORE POST LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 199201623M

ANNOUNCEMENT

PROPOSED ACQUISITION OF SHARES IN M J LUFF PTY LTD

1. Introduction

- 1.1 Singapore Post Limited (“**SingPost**” or the “**Company**”, and the Company and its subsidiaries, the “**SingPost Group**”) wishes to announce that its subsidiary, Freight Management Holdings Pty Ltd (“**FMH**”), has on 1 November 2023 entered into a share sale agreement (the “**SSA**”) with, *inter alia*, M J Luff Nominees Pty Ltd, Lynn Luff and Max Luff (together, the “**Vendors**”) and the affiliates of the Vendors (“**Sale Beneficiaries**”), for FMH or its nominated wholly-owned subsidiary to acquire 100% of the issued ordinary shares and preference shares in the capital of M J Luff Pty Ltd (the “**Target**”, and the entire issued ordinary shares and preference shares of the Target, the “**Target Sale Shares**”) (the “**Proposed Acquisition**”). The Target owns 100% of the issued ordinary shares in the capital of Border Express Pty Ltd (“**BEX**”) and Yandilla Pty Ltd (“**Yandilla**”, and together with the Target and BEX, the “**Target Group Companies**”).

2. Information on the Target and the Target Group Companies

2.1 General Information

The Target is an investment holding entity that owns 100% of the shares of BEX and Yandilla. BEX and Yandilla operate under the trading name ‘*Border Express*’, and comprises the operational entity, BEX, and the asset holding entity, Yandilla. Border Express offers 24/7 courier and logistics services, and operates under two distinct services; being bulk express and parcel express. Bulk express refers to mass distribution services, whereas parcel express refers to parcel delivery operations. Border Express occupies a national network that captures all States and Territories of Australia, and reach in both metropolitan cities and regional and rural towns.

2.2 Financial Information

Based on the latest available financial statements of the Target for the financial year ended 2 July 2023 (the “**Target FY2023 Financial Statements**”), the profit before tax of the Target for the financial year ended 2 July 2023 was approximately A\$34.6 million (equivalent to approximately S\$30.1 million)¹ and the net tangible assets (“**NTA**”) of the Target as at 2 July 2023 was approximately A\$67.5 million (equivalent to approximately S\$58.8 million).

¹ Unless indicated otherwise, the indicative A\$-to-S\$ exchange rate used for the purposes of this Announcement is A\$1.00 : S\$0.87.

3. Key Terms of the Proposed Acquisition

3.1 Conditions Precedent

The completion of the Proposed Acquisition (“**Completion**”) is subject to and conditional upon, *inter alia*:

- (i) the approval of the Foreign Investment Review Board of Australia for the acquisition of the Target Sale Shares by FMH or its nominated wholly-owned subsidiary;
- (ii) the release of all encumbrances and security interests over the Target Sale Shares and assets of the Target Group Companies (other than permitted encumbrances listed in the SSA);
- (iii) BEX and certain nominated employees entering into a new contract of employment with effect on and from Completion on terms acceptable to FMH (in its reasonable discretion);
- (iv) the written consent of each counterparty to the contracts, leases, financing and leasing arrangements identified in the SSA, to the change of control of the Target Group Companies that will occur on Completion, in a form reasonably acceptable to FMH;
- (v) there being no Material Adverse Change (as defined in the SSA) between the date of the SSA and Completion;
- (vi) the Vendors and FMH being satisfied (acting reasonably) that there has been no material breach, and there are no facts or circumstances that may reasonably be expected to lead to a material breach of any representations and warranties given by the Vendors under the SSA, before Completion;
- (vii) FMH being satisfied that BEX has completed its payroll integration and undertaken all necessary action to remediate historical payroll discrepancies and errors to all current and former employees and has provided to FMH a signed letter to this effect;
- (viii) FMH being satisfied that BEX has received a judgement from the Supreme Court of Victoria on terms acceptable to FMH, in respect of the proceeding being considered by the courts on the matter relating to the correction of BEX’s shareholder register, by 30 November 2023 or such later date as mutually agreed between FMH and the Vendors; and
- (ix) that FMH has unconditional access to sufficient funds to satisfy its obligations to pay the Consideration (as defined below) in accordance with the terms of the SSA.

3.2 Consideration for the Proposed Acquisition

The consideration payable by FMH to the Vendors for the Target Sale Shares (the “**Consideration**”) comprises the sum of:

- (i) the Initial Purchase Price (as defined in paragraph 3.3 below); and
- (ii) the Earn Out Payment (as defined in paragraph 3.8 below), if any.

3.3 Initial Purchase Price

The initial consideration payable by FMH to the Vendors for the Target Sale Shares (the “**Initial Purchase Price**”) will be the lower of:

- (i) the Headline Price adjusted for working capital and net debt of the Target in accordance with the terms of the SSA; and
- (ii) A\$195 million,

where:

“**Headline Price**” means an amount equal to the Adjusted EBIT Amount multiplied by 6.5; and

“**Adjusted EBIT Amount**” means the consolidated net profit after tax of the Target Group Companies for the year ended 2 July 2023, as extracted from the audited consolidated financial statements of the Target Group Companies for the financial year ended 2 July 2023, taking into account agreed adjustments, as shown in the initial purchase price statement prepared in accordance with the terms of the SSA.

On Completion, FMH will pay the Vendors an amount of A\$120 million (the “**Completion Payment**”).

3.4 Post Completion Payment, Retention Amount and Escrow Account

Following Completion, FMH will prepare and deliver to the Vendors the draft completion accounts and initial purchase price statement prepared in accordance with the terms of the SSA, setting out the proposed amount equal to the Initial Purchase Price less the Completion Payment and less the Minimum Cash Amount (as defined in paragraph 3.6 below) (the “**Post Completion Payment**”).

If the Post Completion Payment is greater than zero, the Post Completion Payment is payable by FMH and if the Post Completion Payment is less than zero, the Post Completion Payment is payable by the Vendors.

Subject to the terms of the SSA,

- (i) if the Post Completion Payment is a positive amount, FMH will pay the Post Completion Payment as follows:
 - (a) 50% of the Post Completion Payment (the “**Retention Amount**”) to an escrow account agreed between FMH and the Vendors; and
 - (b) 50% of the Post Completion Payment to the Vendors (the “**Net Post Completion Payment**”); or
- (ii) if the Post Completion Payment is a negative amount, the Vendors will pay the Post Completion Payment as follows:
 - (a) pay the Post Completion Payment (as a positive amount) to FMH; and

- (b) pay the Retention Amount (as a positive amount) to an escrow account agreed between FMH and the Vendors.

3.5 Reduction of Post Completion Payment

In the event that a claim has been made by FMH against the Vendors, a Sale Beneficiary or their respective associates, and such claim has been resolved in the favour of FMH; and

- (i) if the Post Completion Payment is payable by FMH under the terms of the SSA, FMH may reduce the Net Post Completion Payment by such claim amount (to the extent that such amount has not been received by FMH from the Vendors in cleared funds by the date of the payment of the Post Completion Payment); or
- (ii) if the Post Completion Payment is payable by the Vendors under the terms of the SSA, the Vendors must increase the Post Completion Payment by such claim amount (to the extent that such amount has not been received by FMH from the Vendors in cleared funds by the date of the payment of the Post Completion Payment).

If FMH has given written notice to the Vendors of any claim against a Vendor, a Sale Beneficiary or their respective associates under the SSA that is outstanding at the date of payment of the Post Completion Payment, FMH may:

- (i) reduce the Net Post Completion Payment by the lesser of:
 - (a) such amount as FMH acting reasonably and in good faith considers necessary to satisfy the outstanding claim against the Vendors, a Sale Beneficiary or any of their respective associates pending such outstanding claim being resolved; and
 - (b) the Net Post Completion Amount,(the "**Withheld Amount**") and pay the Withheld Amount to such escrow account agreed between FMH and the Vendors; and
- (ii) pay the balance of the Net Post Completion Payment (if any) less the Withheld Amount to the Vendors in accordance with the terms of the SSA.

3.6 Payment of Minimum Cash Amount

FMH will pay the minimum cash balance of A\$5 million (the "**Minimum Cash Amount**") to the Vendors without set-off or deduction and without interest within 30 days of Completion.

3.7 Payments from Escrow Account

On the date that is 18 months after the date of Completion (the "**First Release Date**"), the Vendors and FMH shall instruct the escrow agent to pay to the Vendors from the escrow account an amount equal to 70% of the remaining balance of the Retention Amount, less the following sums:

- (i) if there are any outstanding claims, an amount equal to FMH's reasonable estimate of the Vendors' aggregate liability in respect of those outstanding claims; and
- (ii) each claim amount which has been settled, to the extent that it has not been satisfied in accordance with the terms of the SSA on or before the First Release Date.

On the date that is 24 months after the date of Completion (the "**Warranty Expiry Date**"), the Vendors and FMH shall instruct the escrow agent to pay to the Vendors from the escrow account the remaining balance standing to the credit of the escrow account, less the following sums:

- (a) if there are any outstanding claims, an amount equal to FMH's reasonable estimate of the Vendors' aggregate liability in respect of those outstanding claims; and
- (b) each claim amount which has been settled, to the extent that it has not been satisfied in accordance with the terms of the SSA on or before the Warranty Expiry Date.

3.8 Earn Out Payment

Subject to the terms of the SSA, following Completion, the Vendors may be entitled to receive an earn out payment (the "**Earn Out Payment**") from FMH based on the performance of the businesses of the Target Group Companies during the financial year ending 30 June 2024 (the "**Earn Out Period**").

The Earn Out Payment will be the lower of:

- (i) an amount equal to the Aggregate Qualifying Customer Payment Amount; and
- (ii) A\$15 million,

where:

"Aggregate Qualifying Customer Payment Amount" means the aggregate amount of all Qualifying Customer Payment Amounts as shown in the Earn Out Statement prepared in accordance with the terms of the SSA;

"Earn Out Statement" means the statement setting out the Aggregate Qualifying Customer Payment Amount (and the underlying calculations for such amount) prepared and finalised in accordance with the terms of the SSA.; and

"Qualifying Customer Payment Amount" means in respect of each qualifying customer (as identified in the SSA) an amount calculated as follows:

$$(CR \times EBIT \text{ Margin}) \times \text{Multiple}$$

where:

- (a) “**CR**” means the aggregate amount of revenue (excluding goods and services tax) from services rendered by BEX to that qualifying customer during the Applicable Period (as defined in the SSA), pursuant to the applicable contract entered into with that customer for which payment has been received by BEX within the applicable payment period under the relevant contract at the time of calculation of the Qualifying Customer Payment Amount,
 - (1) excluding:
 - (A) prepaid revenue for which BEX has received payment for services to be provided by BEX after the Applicable Period; and
 - (B) any amounts payable or refundable to the customer in respect of services provided during the Applicable Period; and
 - (2) including any goodwill credits issued to the customer and approved by FMH.
- (b) “**EBIT Margin**” means 0.092; and
- (c) “**Multiple**” means 6.5.

3.9 Maximum Consideration for the Proposed Acquisition

Assuming that the maximum amount of the Initial Purchase Price and the Earn Out Payment is payable by FMH to the Vendors, the maximum Consideration for the Proposed Acquisition would be A\$210 million (equivalent to approximately S\$183 million) (the “**Maximum Consideration**”).

The Initial Purchase Price and the Earn Out Payment were arrived at after arm’s length negotiations, on a willing buyer, willing seller basis, taking into account, amongst others, the Target Group Companies’ historical earnings and growth potential, and will be funded from FMH internal cash resources and external borrowings.

3.10 Sale Beneficiaries Covenants

In consideration for the benefits that will accrue to each Sale Beneficiary arising from the Vendors from Completion, each Sale Beneficiary has jointly and severally, unconditionally and irrevocably guaranteed to FMH, *inter alia*, the due and punctual performance, observance and discharge by the Vendors of all payment obligations of any nature from time to time of the Vendors under the SSA.

4. Rationale

As part of its transformation, the SingPost Group has diversified into logistics and overseas markets, in particular in Australia. With the SingPost Group's Australia business comprising FMH, the leading 4PL service provider in the market, and CouriersPlease, a well-recognised last-mile delivery service provider, it has been building a digitally enabled end-to-end B2B2C integrated logistics network for customers, serving both Business to Business (B2B) and Business to Consumer (B2C) channels. The integrated logistics market in Australia is estimated to be worth over A\$120 billion.

The acquisition of the Target will:

- augment and widen FMH's B2B2C integrated logistics network and reach;
- enhance FMH's service offerings;
- increase FMH's scale and market share; and
- combine the strengths and resources of both the Target and FMH, generating significant synergies.

This will strengthen FMH's position in the Australia market and continue to drive revenue and earnings growth, and enable the SingPost Group to further its strategic ambition in Australia over the long term.

As at the date of this Announcement, the SingPost Group holds approximately 88.0% equity interest in FMH. As disclosed in the announcement dated 11 January 2023 made by SingPost (the "**11 January 2023 Announcement**"), the SingPost Group was in negotiations with the FMH Non-Management Shareholders, the Degenhardt Shareholders and the Management Shareholders (each as defined in the 11 January 2023 Announcement and collectively referred to as the "**Minority Shareholders**") to revise the put options in respect of their existing shares in FMH ("**FMH Shares**"). On 31 March 2023, FMH Non-Management Shareholders and the Degenhardt Shareholders were granted the Revised First Offer to Buy (as defined in the 11 January 2023 Announcement), and the FMH Management Shareholders were granted the FY23 Management Offer to Buy (as defined in the 11 January 2023 Announcement) to sell all of their existing FMH Shares to the SingPost Group. The Minority Shareholders have exercised their put options and, upon completion of the acquisition of such FMH Shares, SingPost will hold 100% equity interest in FMH.²

5. Pro Forma Financial Effects

5.1 Bases and Assumptions

The pro forma financial effects of the Proposed Acquisition have been prepared based on:

- (i) the audited consolidated financial statements for the SingPost Group for the financial year ended 31 March 2023; and
- (ii) the Target FY2023 Financial Statements,

² SingPost will make further announcement(s) upon the completion of the acquisition of such FMH Shares pursuant to the exercise of the Revised First Offer to Buy and the FY23 Management Offer to Buy.

and are purely for illustrative purposes only and do not reflect the future actual financial position of the SingPost Group following completion of the Proposed Acquisition.

The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (a) the Proposed Acquisition had been effected on 31 March 2023, being the end of the most recently completed financial year of the SingPost Group and of which the statement of financial position of the SingPost Group has been publicly announced, for illustrating the financial effects on the consolidated NTA of the SingPost Group;
- (b) the Proposed Acquisition had been effected on 1 April 2022, being the beginning of the most recently completed financial year of the SingPost Group and of which the profit and loss of the SingPost Group has been publicly announced, for illustrating the financial effects on the consolidated earnings of the SingPost Group;
- (c) the pro forma is for a full 12 month trading period, ignoring the differences in financial year ends between the SingPost Group's and the Target's financial statements; and
- (d) assuming that the Maximum Consideration of A\$210 million (equivalent to approximately S\$183 million) is payable for the Proposed Acquisition.

5.2 NTA

For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 31 March 2023, the pro forma financial effects of the Proposed Acquisition on the consolidated NTA of the SingPost Group as at 31 March 2023 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net assets (S\$ million)	1,374.3	1,381.4
Less: intangibles (S\$ million)	501.0	632.0
NTA (S\$ million)	873.3	749.4
Number of issued ordinary shares in the capital of SingPost (" SingPost Shares ") (excluding treasury shares) as at 31 March 2023 (million)	2,249.7	2,249.7
NTA per SingPost Share (S\$ cents)	0.28	0.22

5.3 Earnings Per Share

For illustrative purposes only and assuming that the Proposed Acquisition had been completed on 1 April 2022, the pro forma financial effects of the Proposed Acquisition on the earnings of the SingPost Group are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to ordinary shareholders (S\$ million) ⁽¹⁾	14.0	35.0
Weighted average number of issued SingPost Shares for the financial year ended on 31 March 2023 (million)	2,249.7	2,249.7
Basic earnings per SingPost Share (S\$ cents)	0.62	1.55

Note:

(1) Figures are arrived after deducting net profit attributable to perpetual securities.

5.4 Share Capital

The Proposed Acquisition will not have any impact on the issued and paid-up share capital of the Company.

6. Relative Figures for the Proposed Acquisition

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in respect of the Proposed Acquisition are as follows:

Rule 1006	Bases	The Proposed Acquisition (S\$ million)	SingPost Group (S\$ million)	Relative Figures %
(b)	Net profits ⁽¹⁾⁽²⁾ attributable to the Target Sale Shares, compared with the SingPost Group’s net profits	30.1	68.0	44.3
(c)	Maximum Consideration compared with SingPost’s market capitalization ⁽³⁾	183	1,067.26	17.1

Notes:

- (1) **"Net profits"** means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) Based on the Target's net profits for the financial year ended 2 July 2023 and the net profits of the SingPost Group for the financial year ended 31 March 2023.
- (3) SingPost's market capitalisation is based upon 2,249,700,000 SingPost Shares (excluding treasury shares) as at 31 October 2023 at a volume weighted average price of S\$0.4744 per SingPost Share.

The relative figure under Rule 1006(b) of the Listing Manual exceeds 20% while the relative figure under Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%. Pursuant to Rule 1014(2) of the Listing Manual, the requirement to seek shareholders' approval does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b) of the Listing Manual. Therefore, based on the above relative figures, the Proposed Acquisition constitutes a discloseable transaction as defined in Chapter 10 of the Listing Manual and is not subject to shareholders' approval at a general meeting under Rule 1014(2) of the Listing Manual.

7. Further Information

7.1 Directors' Service Contracts

No person is proposed to be appointed as a director of SingPost in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between SingPost and any such person.

7.2 Interests of Directors and Controlling Shareholders

Save as disclosed in this Announcement, other than by virtue of being a director of SingPost or FMH as the SingPost Group's nominee or their shareholding interest in SingPost, none of the Directors or controlling shareholders of SingPost has any interest, direct or indirect, in the Proposed Acquisition.

7.3 Documents for Inspection

Copies of the SSA are available for inspection during normal business hours at the registered office of SingPost at 10 Eunos Road 8, Singapore Post Centre, Singapore 408600, for a period of three months commencing from the date of this Announcement.

Issued by Singapore Post Limited on 1 November 2023.