

## Bulletin:

# SingPost's U.S. Subsidiaries' Chapter 11 Filings End A Painful Story

September 19, 2019

SINGAPORE (S&P Global Ratings) Sept. 20, 2019--S&P Global Ratings said today that bankruptcy filings by the U.S. e-commerce subsidiaries of Singapore Post Ltd. (SingPost; BBB+/Stable/--) is credit neutral. This is because we expect any financial impact to be manageable relative to SingPost's scale and rating headroom, since the assets are already largely impaired.

The voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code follows an unsuccessful attempt by SingPost to sell off its TradeGlobal and Jagged Peak subsidiaries. The companies will conduct asset sales under the Chapter 11 proceedings. The financial impact on SingPost will depend on the sales process, potential claims, and professional and other administrative fees.

In our view, SingPost is unlikely to obtain material cash from the asset sales. The company recorded impairment losses of Singapore dollar (S\$) 99 million, of which S\$31 million is intangible assets attributable to TradeGlobal and JaggedPeak, as of the year ended March 31, 2019. Proceeds from the sales will be subject to settlement of all outstanding claims.

Depending on Chapter 11 proceedings, SingPost could be held accountable if the liabilities at TradeGlobal and Jagged Peak exceed the proceeds from the sales. Expected valuations of assets and the total amount of outstanding claims remain uncertain, given these are still early days in the proceedings. We also do not expect SingPost to incur significant administrative fees from the proceedings.

Deconsolidation of the U.S. subsidiaries in the financial report would improve the company's consolidated EBITDA, in our view. Exiting the U.S. market would also free up resources and management attention for the Asia-Pacific operations, where the company has a more natural competitive advantage than in the U.S.

Our current base-case scenario assumes SingPost will not pursue large acquisitions or investments, and take a more prudent approach to deploying capital. Consequently, we believe SingPost's capital expenditures could moderate from the fiscal year 2020 onwards.

On a preliminary basis, we now forecast SingPost to generate up to S\$260 million in EBITDA in fiscal 2020, pro forma of the deconsolidation, and about S\$270 million in 2021. This will translate to adjusted debt to EBITDA of 1.4x in fiscal 2020 and 1.3x in 2021. This compares to our previous estimate, prior to the divestment attempt, of 1.7x in 2020 and 1.4x in 2021.

This report does not constitute a rating action.

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