

Financial results Q3 & 9M FY2018/19

1 February 2019



The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“\$” means Singapore dollars unless otherwise indicated.

- Q3 & 9M FY2018/19 Financials
- Cash flow and Balance sheet
- Segmental results
- Outlook



Overview – Q3 FY2018/19

Revenue

S\$441.4 million
+7.6% YoY

Profit on operating activities

S\$42.2 million
-8.5% YoY
(+9.8% excluding US businesses)

Net profit attributable to equity holders

S\$50.2 million
+15.6% YoY

Q3 interim dividend

0.5 cent per share
same as last year

Good revenue growth over the peak season

Q3 FY2018/19 financial statement

S\$M	Q3 FY17/18	Q3 FY18/19	YoY % change	
Revenue	410.4	441.4	+7.6%	— Revenue growth across all business segments
Operating expenses	(366.2)	(398.3)	+8.8%	Higher contributions from Post & Parcel, Logistics & Property largely offset by continued losses in the US
Profit on operating activities	46.1	42.2	(8.5%)	—
Share of associated companies & JV	1.0	0.0	(98.2%)	— Ceased equity accounting for 4PX & ITL
Exceptional items	0.9	31.8	@	— Due largely to dilution gain on 4PX
Income tax expense	(2.9)	(9.4)	+219.0%	— One-off adjustment of deferred tax of S\$6.9 million last year, arising from a reduction in the US corporate tax rate
Net profit attributable to equity holders	43.4	50.2	+15.6%	
Underlying net profit	35.6	32.9	(7.5%)	

Q3 FY2018/19 operating expenses

S\$M	Q3 FY17/18	Q3 FY18/19	YoY % change
Volume-related	(225.7)	(258.6)	+14.6%
Labour & related	(83.5)	(80.9)	(3.1%)
Admin, selling-related & others	(42.2)	(44.2)	+4.7%
Depreciation & amortisation	(14.8)	(14.6)	(1.5%)
Operating expenses	(366.2)	(398.3)	+8.8%

— Higher volume-related expenses with the increase in volumes handled

— Productivity and cost management initiatives led to lower contracted labour services as well as staff costs

— Largely due to provisions for ongoing contractual disputes with eCommerce customers in the US

Highlights – Q3 FY2018/19

Strong volumes in the peak season

Average daily parcel sorting volumes at the Logistics Hub

23,900

+15% year-on-year

Highest volume in a single day

47,000 parcels

compared to 33,000 last year



New proprietary logistics software Last Mile Platform (LaMP)

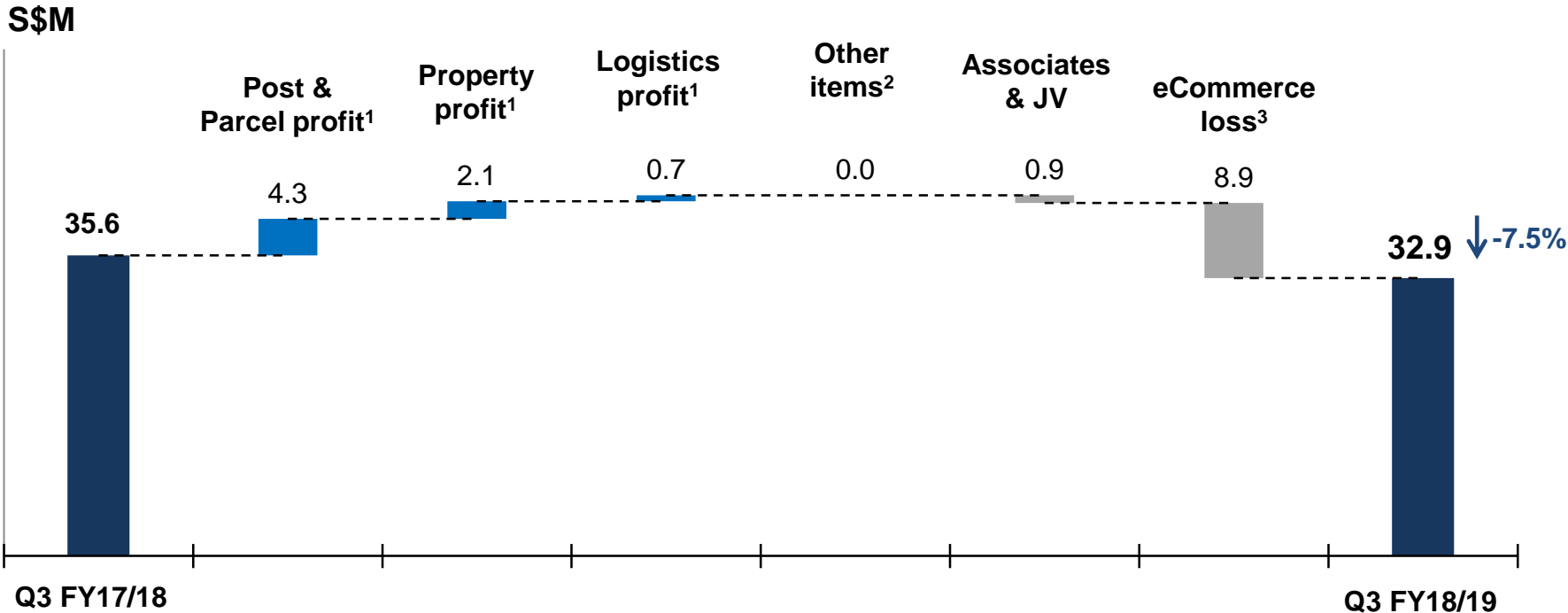
Consolidates various last-mile delivery services across Southeast Asia onto a single platform.

Exceptional gain on dilution in 4PX

SingPost's share of exceptional dilution gain from 4PX

S\$28.2m

Q3 FY18/19 Underlying net profit movement



1. Profit on operating activities

2. Includes net finance expense, unallocated corporate overhead items, trade-related foreign currency differences, tax and non-controlling interests

3. Profit on operating activities for the eCommerce segment declined largely due to losses in the US

Cash flow & Balance sheet



Free cash flow

S\$M	9M FY17/18	9M FY18/19	
Operating cash flow before capital charges	152.2	159.0	
Changes in working capital	24.7	(27.0)	— Negative working capital movement this year due to timing of receivables for international eCommerce deliveries
Income tax paid	(30.4)	(32.7)	
Net cash provided by operating activities	146.5	99.3	— Due to negative working capital movements
Capital expenditure	(52.9)	(25.4)	— Lower with the completion of the SingPost Centre retail mall redevelopment
Free cash flow	93.6	73.9	

Financial indicators

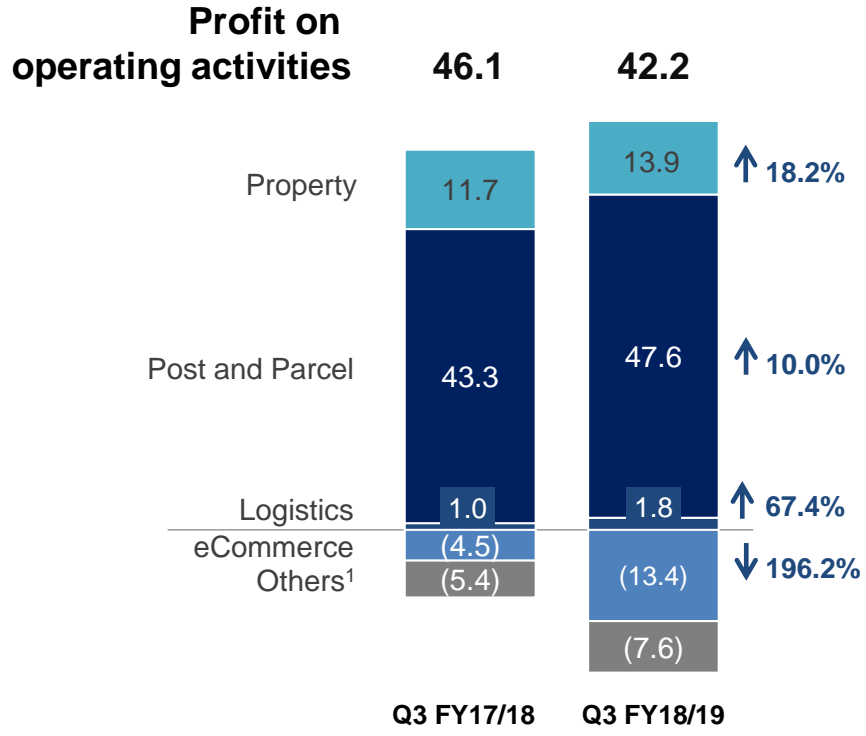
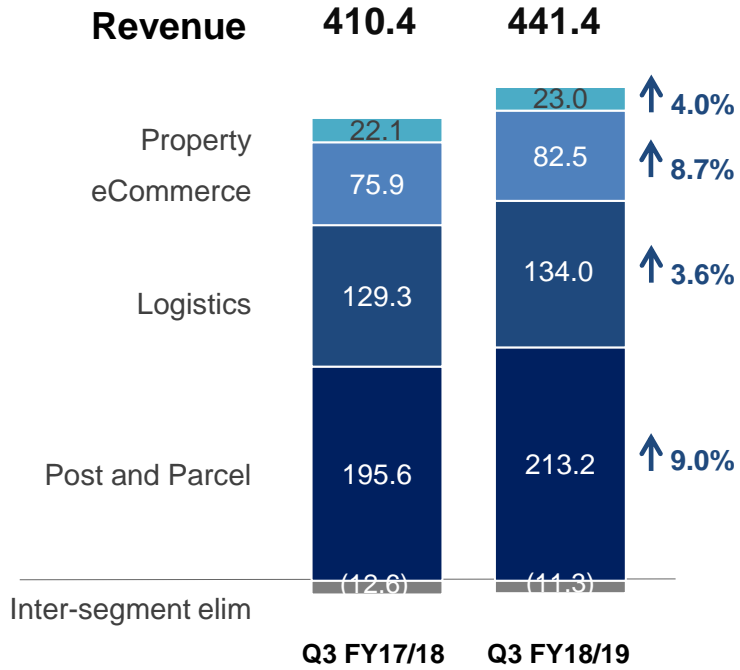
S\$M	Financial indicators	As at Mar 2018	As at Dec 2018	
	Cash & cash equivalents at end of financial period	314.1	345.9	The Group switched from an intercompany loan for a foreign subsidiary, to an external loan taken by the foreign subsidiary, — for better matching of currency
	Borrowings	244.0	293.2	
	Net cash / (debt) position	70.1	52.7	
		9M FY17/18	9M FY18/19	
	EBITDA	167.4	180.5	
	EBITDA to interest expense (times)	20.3x	25.2x	— Improved interest cover

Segmental results

Segment revenue and profit on operating activities



S\$M



1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.

Post and Parcel

S\$M

Post and Parcel	Q3 FY17/18	Q3 FY18/19	YoY % change	9M FY17/18	9M FY18/19	YoY % change
Revenue	195.6	213.2	+9.0%	545.6	575.9	+5.6%
<i>Domestic mail</i>	58.5	59.4	+1.6%	172.6	172.1	(0.3%)
<i>SP Parcels</i>	24.7	24.8	+0.3%	67.7	68.1	+0.6%
<i>International mail¹</i>	105.1	122.2	+16.3%	282.9	315.7	+11.6%
<i>Post office pdts and svcs</i>	7.4	6.8	(8.3%)	22.4	20.0	(10.7%)
Profit on operating activities	43.3	47.6	+10.0%	126.7	131.5	+3.7%
OP margin	22.1%	22.3%		23.2%	22.8%	

Revenue rose 9.0% in Q3, driven by both domestic and international eCommerce deliveries over the peak season. Domestic mail revenue rose 1.6%, as increased eCommerce deliveries on the domestic postal network helped offset the decline in traditional letter mails. For International mail, revenue rose 16.3%, lifted by cross-border volumes from the Alibaba Group, through 4PX, for the Double Eleven event in November.

Profit on operating activities rose 10.0% in Q3. Domestic margins improved as the Group reaps operating synergies from the ongoing integration of our last mile delivery capabilities in the post and parcel divisions. International mail contributed to earnings growth on the back of higher volumes over the peak season.

1. Includes cross-border eCommerce items via transshipment

S\$M

Logistics	Q3 FY17/18	Q3 FY18/19	YoY % change	9M FY17/18	9M FY18/19	YoY % change
Revenue	129.3	134.0	+3.6%	377.2	379.4	+0.6%
<i>Quantium Solutions</i>	25.6	25.1	(2.0%)	74.5	70.7	(5.1%)
<i>Couriers Please</i>	41.3	41.0	(0.7%)	114.5	115.7	+1.0%
<i>Famous</i>	62.4	67.9	+8.8%	188.2	193.1	+2.6%
Profit on operating activities	1.0	1.8	+67.4%	(10.4)	2.2	N.M.
OP margin	0.8%	1.3%		(2.8%)	0.6%	

Revenue rose 3.6% in Q3, driven by the freight forwarding business under Famous Holdings. At Quantum Solutions, there is an ongoing review of unfavourable customer contracts and revenue declined marginally with the exit of some unprofitable customers.

Profit on operating activities rose 67.4% in Q3, largely due to a reduction in losses at Quantum Solutions, which was successful in improving profitability of its customers.

S\$M

eCommerce	Q3 FY17/18	Q3 FY18/19	YoY % change	9M FY17/18	9M FY18/19	YoY % change
Revenue	75.9	82.5	+8.7%	188.0	191.9	+2.1%
Profit on operating activities	(4.5)	(13.4)	(196.2%)	(12.8)	(33.9)	(166.1%)
OP margin	(6.0%)	(16.2%)		(6.8%)	(17.7%)	

Revenue rose 8.7% in Q3, as volumes rose over the peak season in the US.

Operating loss rose year-on-year to S\$13.4 million in Q3, largely due to the US businesses. Competitive pressures have intensified in the US and the industry has seen an increase in bankruptcies. While the US businesses recorded higher revenue during the quarter, costs also rose significantly to support these businesses, including freight and outsourced services, resulting in compressed margins and a loss during the critical peak season.

S\$M

Property	Q3 FY17/18	Q3 FY18/19	YoY % change	9M FY17/18	9M FY18/19	YoY % change
Revenue	22.1	23.0	+4.0%	57.7	68.1	+17.9%
Profit on operating activities	11.7	13.9	+18.2%	28.3	40.4	+42.9%
OP margin	53.0%	60.2%		49.0%	59.3%	

The Property segment comprises commercial property rental and the self-storage business.

In Q3, revenue rose 4.0% in Q3 and Profit on operating activities rose 18.2% respectively, due to rental income from the SingPost Centre retail mall, which commenced operations in October 2017 after a period of redevelopment.

Committed occupancy for the mall was 98.5% as at 31 December 2018, compared to 85.9% a year ago.

Outlook



The Post and Parcel business is expected to continue to benefit from the growth in global eCommerce activities.

Although domestic letter mail volumes are expected to trend moderately downwards, the Group is integrating its post and parcel last mile delivery capabilities in Singapore to achieve operational synergies and benefits, and to drive more eCommerce-related deliveries on the network.

International mail has grown due to cross-border eCommerce deliveries. However, transshipment competition is intense and volumes will continue to come under pressure, especially with higher terminal dues.

Meanwhile, the Property business is expected to remain stable.

The Group continues to face challenges in the eCommerce operating environment in the US due to intensifying competition and rising customer bankruptcies. The US businesses are underperforming and are expected to remain loss-making in the current financial year.

In view of this, there is a risk of impairment to the carrying value of the US businesses. Impairments, if any, will be assessed based on the full financial year results and future plans for the businesses.

Thank You



Supplementary information



9M FY2018/19 financial statement

S\$M	9M FY17/18	9M FY18/19	YoY % change
Revenue	1,131.5	1,182.6	+4.5%
Operating expenses	(1,022.4)	(1,063.7)	+4.0%
Profit on operating activities	114.8	121.4	+5.7%
Share of associated companies & JV	3.1	(7.1)	N.M.
Exceptional items	5.8	22.9	292.3%
Income tax expense	(19.8)	(30.3)	+53.0%
Net profit attributable to equity holders	103.7	94.1	(9.3%)
Underlying net profit	90.9	85.7	(5.8%)

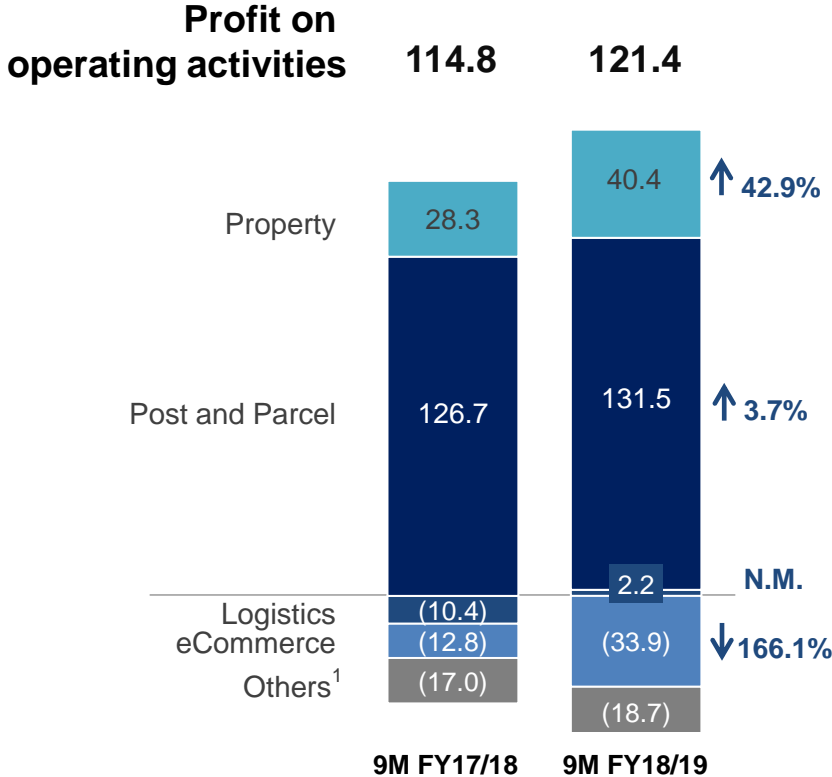
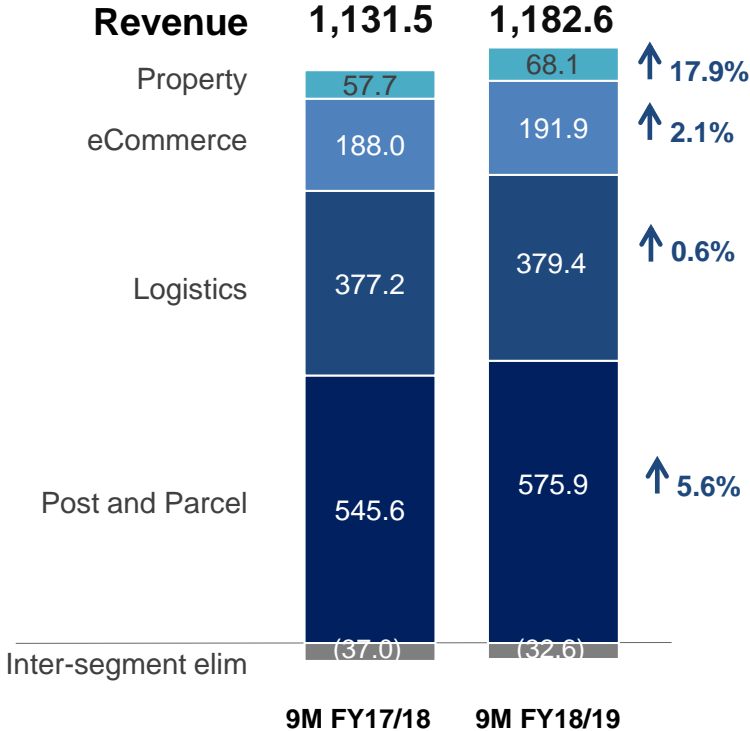
N.M. denotes Not Meaningful

9M FY2018/19 operating expenses

S\$M	9M FY17/18	9M FY18/19	YoY % change
Volume-related	(605.3)	(659.2)	+8.9%
Labour & related	(248.1)	(236.0)	(4.9%)
Admin, selling-related & others	(125.3)	(125.3)	(0.0%)
Depreciation & amortisation	(43.7)	(43.3)	(0.9%)
Operating expenses	(1,022.4)	(1,063.7)	+4.0%

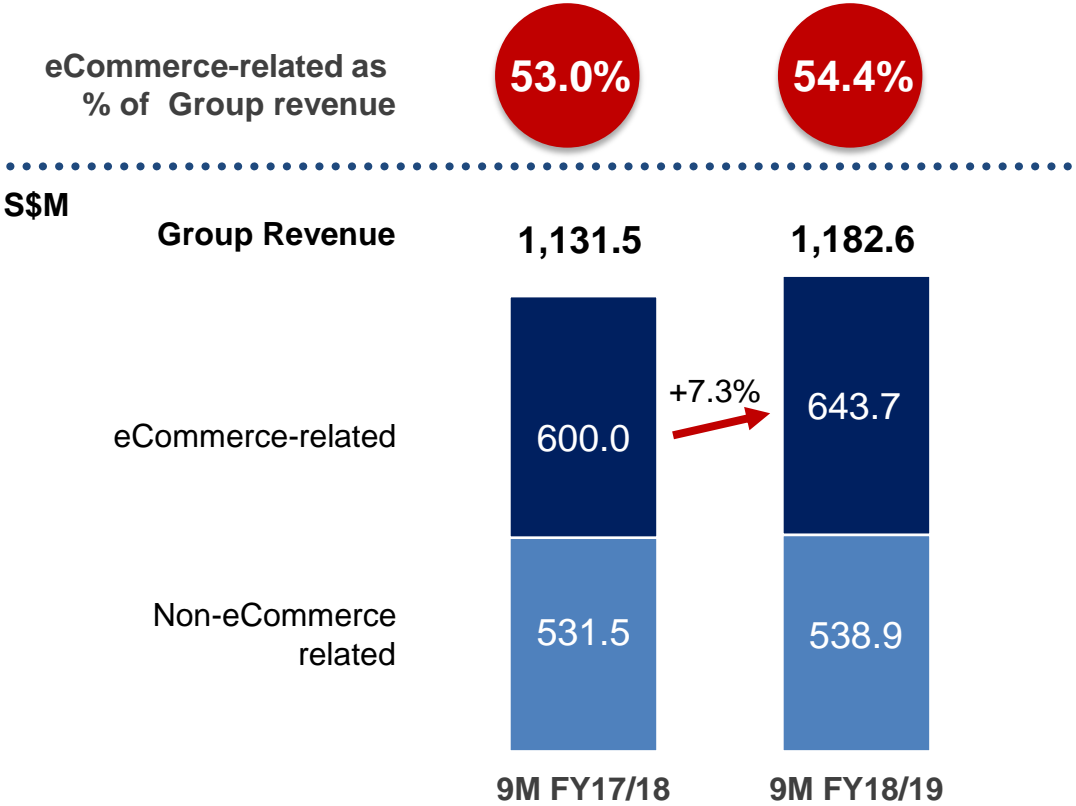
Segment revenue and profit on operating activities

S\$M

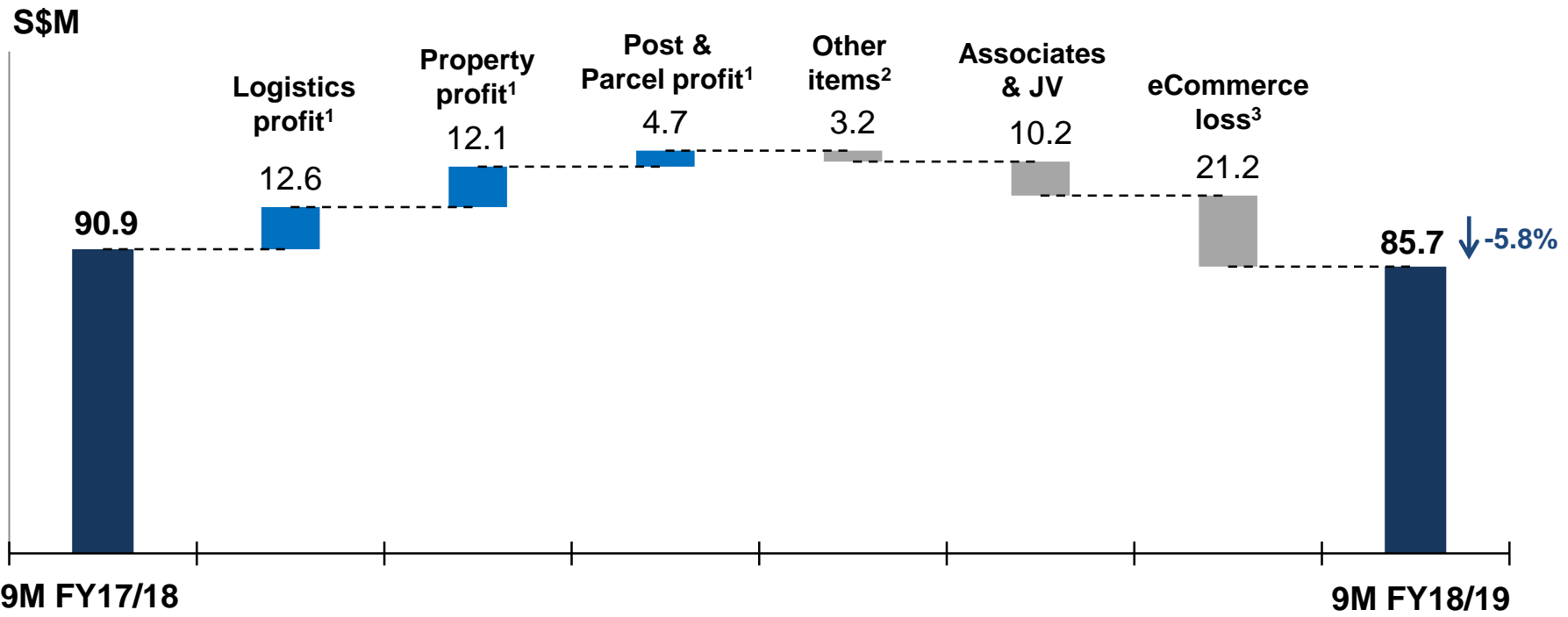


1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.

eCommerce-related revenue



9M FY18/19 Underlying net profit movement



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Underlying Net Profit Reconciliation Table

S\$M	Q3 FY17/18	Q3 FY18/19	9M FY17/18	9M FY18/19
Profit attributable to equity holders	43.4	50.2	103.7	94.1
Exceptional items	(0.9)	(31.8)	(5.8)	(22.9)
Loss / (Gain) on disposal of PPE	(3.0)	0.2	(2.9)	0.2
Professional fees	0.0	0.6	1.5	0.8
Fair value loss / (gain) on warrants from an associated company	2.0	7.5	(5.4)	16.2
Gain on dilution of interest in an associated company	-	(42.7)	-	(42.7)
Additional provision for contingent consideration of a foreign subsidiary	-	2.5	-	2.5
Provision for restructuring of operation	-	-	1.0	-
Adjustments of deferred tax in respect of change in US tax rate	(6.9)	-	(6.9)	-
NCI share of gain on dilution of interest in an associated company	-	14.5	-	14.5
Underlying Net Profit	35.6	32.9	90.9	85.7