SingPost Strategic Review, 19 March 2024

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SingPost Participants

Mr Vincent Phang – Group CEO
Mr Vincent Yik – Group CFO
Mr Lee Eng Keat – Head, Strategy, Communications & Property
Ms Selena Chong – VP, Investor Relations

Note: Portions of the transcript are not available or clear due to the audio quality of the webcast.

Start of Transcript

(This transcript may be read in conjunction with SingPost's Strategic Review Presentation.)

Selena Chong, VP (Investor Relations)

Selena Chong: Good morning, everyone. The strategic review has just been announced this morning. We welcome you to this meeting in relation to the announcement. We also welcome our viewers. This session will be recorded.

Let me first introduce the management of SingPost. We have Group CEO Vincent Phang; Group CFO, Vincent Yik; and Head of Strategy, Comms and Property, Lee Eng Keat. We're going to have a presentation that we'll take you through, and then after, we'll be open to take questions. So now, I'll hand over the floor to Vincent.

Vincent Phang, Group CEO

Thank you, Selena, and welcome, everybody, to SingPost. This briefing will probably take about 15 minutes. Between myself and Vincent, the CFO, we'll try to give you a quick rundown of what this strategic announcement is about.

Transformation of SingPost Group

Over the last few years, SingPost has gone through a profound transformation, as you've heard. We have made a strategic reset to pivot to logistics, and we continue to build capability on our pervasive postal capabilities.

Coming out of the pandemic, this progressive development has yielded near term positive results and has positioned us on a growth path. The recent postage review has also provided us with a significant

adjustment in postage tariffs which reflects the true cost of unit deliveries. This, together with additional growth in e-commerce volumes, has brought the domestic postal business back into profit.
Through disciplined and systematic acquisitions, we have built a significant and profitable business. This is a top 5 logistics business now in Australia by revenue. Together with our International business, revenues generated overseas now account for over 85% of Group revenue and operating profit. This sets the stage for our next phase of growth as a pure-play international logistics enterprise. Our focus, which is central to the strategic review, is specifically on driving growth, generating adequate returns, and creating shareholder value.

Building an International Logistics Enterprise

Guided by our purpose - making every delivery count for people and planet - SingPost as an international logistics enterprise, is technology-driven and strategically leverages our core competencies and advantages across the markets it operates.

This includes our extensive infrastructure in Singapore, the global network in the International business, and our sizable Australia footprint. This allows us to capture the opportunities in the growing e-commerce logistics industry, which is projected to grow between 10%, 20% across our markets over the mid-term to long-term.

Reset for Growth as a Pure-play Logistics Provider

The objective of our strategic review is clear. We appointed our financial adviser, Bank of America Securities - [and thanks John for joining us] - to assist us in this review - to understand the gap between the intrinsic value against the current market value, to review opportunities to strengthen our balance sheet, and to reorganise the business towards growth. In doing so, create and unlock value for our shareholders.

This exercise took us through a review of the Group and our portfolio of businesses. We have identified five strategies to be executed over the next three years. These are the five strategic thrusts. Setting out how we will structure the organisation and manage capital strategically, as well as deliver growth through each business.

Strategic Thrust #1 – Reorganisation of Group

I'll talk about the first strategic thrust. We are reshaping the Group structure to support our pure play logistics operations. The Group's structure is now streamlined, with three operating businesses in the markets of Singapore, Australia, and International. The businesses will be led by their respective CEOs and management teams and will have operational autonomy and flexibility.

Group headquarters will continue to facilitate strategy, digital and sustainability development, as well as holding all investment and non-core assets centrally. This reorganisation enables greater clarity on the distinct attributes of the individual businesses and markets, as well as their strategies and market drivers. With each business, their mandate will be to grow, develop capabilities, and be a leader in their distinct markets.

With the clarity of the segmentation as such, investors will be able to have a clearer understanding of the business performance and valuation against comparable market and sector benchmarks in logistics, which is far more meaningful than comparing us with traditional postal comparisons.

The exercise will also include a restructuring of some corporate entities to align with the business structure and will facilitate flexibility and optionalities for the businesses in the future.

At this moment, I hand over to Vincent, our Group CFO, to share how this reorganisation will look like in terms of financials, as well as share on the second strategic thrust on capital management.

Vincent Yik, Group CFO

Thank you, Vincent. Good morning, everyone. Good to see you all here. With this restructuring, you will see us reporting with the new segments starting from the next financial year FY24/25. This segmentation is a change from the present form of reporting by Post and Parcel, Logistics and property, to the geographic markets of Singapore, Australia, and International.

So what is the key driver of this change? It is that we are no longer a postal organisation. As you can see from this slide, we don't report by post and parcel anymore. Each of our businesses is a logistic enterprise, a logistic business in its own market. As this breakdown clearly shows, SingPost is an international enterprise with significant contributions outside of Singapore. So this is the best photograph of where we are. So it doesn't tell the full story. You need to look at - you need to know the evolution of the business so you get the context of it.

The attributes of the business and operations of each new segment are now different, with different market dynamics, different drivers, and different strategies. In Singapore, we own and operate the national postal infrastructure as part of our drive for e-commerce deliveries. While in our International business, it is an asset-light network, working with our partners and alliances, which includes all our overseas postal operators globally, who support our cross-border customers.

In Australia, we offer an integrated logistics capability that includes various logistics assets in the B2B and the B2C space, powered by our own tech-enabled platform. As we reported previously, evolving dynamics still affected the business as we transitioned out from the pandemic in FY22/23. So you can see the impact of those coming true with these challenges in the new proforma Singapore, International segments using previous year's numbers.

Looking at this slide, there are a few items I would like to call out. On the left, you see the original segment, and on the right is the proposed new segment on a proforma basis. First, you can see the size of each of the individual markets. You can see that Australia is now our largest contributor at just about half of the Group revenue and operating profit.

Second, there is an S$11 million operating loss in Singapore. The post office network sub segment within Singapore alone incurred a S$21 million loss for the year. Meaning that the delivery business has been profitable throughout and profitable to the tune of close to S$10 million last year. While profitable, this was unable to offset the loss given the accelerated contraction in the letter mail volume.

I should also highlight that this is before the recent postage upgrade which has gone some way to help bring this segment back to profitability from Q3. So the segment now is relatively smaller with regards to the size within the Group, and the losses of the post office level is now clearer, and you can see the impact to the Group.

In the International business, the loss was solely due in the first half when there was the impact of the Ukraine War and the China pandemic lockdown. Recall that we have also announced that we recovered in the second half of the year. So the losses can be mostly attributable to the first half last year.

So most importantly, this segment is now profitable and has been profitable since then, and we have seen improvement in margins as reported in our most recent Q3 business report. For the Australian business, we have also included the proforma financials from Border Express. These - I should highlight, these are unaudited numbers before the acquisition and we have included them to show the proforma impact and the transformative impact of the acquisition in the Australian business.

In the Corporate Centre, we have the property portfolio which includes the SPC (SingPost Centre), as well as our freight forwarding business, Famous Holdings. The operating profit from Famous Holdings continues to be positive although it has since come off the pandemic highs in line with the freight forwarding market and what we have reported consistently.

As you can see, a significant amount of work has been done in resetting the businesses over the last 12 months. Fast forward to the latest quarter, as outlined in our business update last month, the tangible progress that we have made is apparent. The Singapore business is now profitable with the postage uprate and eCommerce growth. The international market is now also profitable with the re-engineered businesses as well as the better cost in the air freight market.

The Australian business shows the expanded contributions from the acquisition of Border Express on a proforma basis and continues to exhibit and show the world class profitability of our network in Australia. With this new segment reporting, we hope to provide more transparency, more disclosure to allow the market to better understand the Group, and to appreciate the investment that we have made and the investment proposition, which then leads on to the illustration of intrinsic value in the next slide.

Illustrative Market Value vs Intrinsic Value

On the left of this slide here, you can see the current market capitalisation. I should say that this morning we have slipped up a little bit. On the right, we provide a visual illustration of the various components of the Group. You can see that the portfolio of businesses within the Group includes a highly profitable Australia business, the re-engineered and high growth potential market for the International business and the flagship Singapore businesses.

On the second part there, you can see our property portfolio which includes the SingPost Centre. The SingPost Centre alone is valued at just above a billion as at 30 September. Given this simple illustration, together with the growth potential in the logistics space, the conclusion I think is rather obvious, and hence the Board has communicated its view that our intrinsic value is not appropriately reflected in our market value.

Strategic Thrust #2 – Strategic Capital Management

I will now quickly move on to the second strategic thrust, our capital management strategy. The intent of the strategic review is really to also strengthen our balance sheet including reviewing the credit rating, monetising and recycling of non-core assets, recycling of capital for growth, and then reviewing our dividend policy.

As we review the Group's portfolio, we have identified businesses and assets that are non-core and non-strategic to our Group. We'll be looking and working on unlocking the value of these businesses and assets which are held centrally in the Group’s new structure.

Broadly we are pursuing two approaches: (1) Explore potential strategic partnerships to accelerate the growth and scaling of the businesses. (2) Consider potential monetisation of non-core assets and businesses such as the SingPost Centre. Proceeds of such actions, when they happen or if they happen, will be directed towards debt reduction, reinvestment in growth, and then returning some value back to the shareholders.

SingPost: Building an International Logistics Enterprise

In the next section, we will share the business directions and strategies to deliver growth in each of the new segments.

Our businesses are measured against set benchmarks for growth and returns, and each business is now expected to generate a return with a spread above the cost of capital. So the expectation set up for each of these businesses - the target returns - take into account the very different dynamics in the business and the market that they operate. In Australia, our business is generating a ROE that exceeds those of comparable logistics enterprises, which average around 10%.

With the return to profitability, the International business has been regaining momentum. With its asset and equity light model, we expect this business to generate a ROE, or in this case, a better measure of return on assets, well above those of other businesses.

While the Singapore business is now profitable, one of the subsegments of the post office network continues to be unprofitable, largely due to the high cost of the fixed real estate and labour. We have plans to automate and optimise post office services to make this a lot more cost effective. Ultimately, while this business may be relatively small to the others, we must also generate a reasonable return to shareholders above the cost of capital. So over the next few years, we expect the Group's return on equity to align with global benchmark.

As we transition to a growth-focused enterprise, the Board has also refined the dividend policy to ensure a sustainable payout, aligning with the commitment to deliver growth. This takes into consideration capital allocation and performance of the Group as well as shareholders’ return. At 30% to 50% of underlying net profit, the dividend payout is comparable to industry range, and also, we think - more importantly we think sufficient equity for the Group to continue to fund future growth. So with that, I'll hand the time back to the Group CEO to talk about the rest of our strategic thrust in the specific businesses.

Vincent Phang, Group CEO

Thanks, Vincent. I suppose he covered most of the material financial disclosures and numbers that you're interested in. It makes it a bit easier for me to talk about the business direction. So now let me speak about operating businesses, how we intend to orientate them towards growth.

Strategic Thrust #3 – Transforming Urban Logistics and Deliveries in Singapore

I'll start with the Singapore business. The way we see it, the Singapore business is our flag bearer for what we stand for in innovation and best in class service quality. Make no mistake, we continue to be extremely proud that the Singapore postal service reliability continues to be ranked top 1, top 2 in the world.

The domestic postal network is unmatched in its ability to deliver to every household and address in the country every single day. This makes us a market leader in deliveries. The business reach is extensive with our self-service machines, lockers, digital offerings, providing services through a combination of physical presence and digital accessibility.

Our role is essential, as demonstrated time and again, that we are a cost efficient, high quality, and low carbon service provider for letters and e-commerce deliveries. We continue to invest and innovate to transform Singapore's urban logistics landscape.

Clearly, as the chart shows, this is no longer just a letter mail business. E-commerce logistics is a growth driver and a replacement revenue stream that is growing. You see in the pie chart, that's the breakdown of the latest quarter, and you will see this continues to evolve and it will only evolve [inaudible]. The eCommerce market is forecasted to grow at a compounded annual growth rate of more than 10% over the next few years. This makes up for the reduction in letter mail of about 10%.

The delivery business, which carries letter mail and eCommerce volumes on a single network, is profitable, as shared by CFO Vincent earlier. We expect further opportunities for yield enhancement with the optimisation of the postal infrastructure and operations as we continue to shift the focus to e-commerce. Given the high cost of fixed real estate and labour, the post office sub-segment is not profitable, and we will shortly announce plans to optimise this particular sub-segment.

Key to ensuring and enhancing the long-term sustainability of the business is an efficient network relevant to the needs of users. This is being addressed now with the regulator. To this end, a comprehensive review of the postal services is being conducted. We expect to optimise the network, innovate with asset light alternatives for the postal services obligations while continuing to maintain high service standards.

As demonstrated over the last year, we have worked swiftly with the regulator to correct the near-term economics with an adjustment of pricing that reflects the true cost of letter mail deliveries. It is with this same spirit that we continue to pursue a sustainable commercial framework for the business and we have execution plans being put in place.

Over the next three years, we can expect the Singapore business to generate a stable and sustainable return as we drive eCommerce logistics on a cost efficient and carbon efficient infrastructure and network.

Strategic Thrust #4 – Achieving Scale in Australia

The Australia business has evolved into a significant logistics player through a series of strategic acquisitions and organic growth over the last few years. The distribution network is extensive, with a wide-reaching footprint across the country, and facilities including depots and warehouses. You can see on the map now with the Border Express acquisition how that changes the landscape for us. This is now one of the country's leading integrated logistics players in a huge market that is expected to reach more than US$100 billion in revenue over the next four years.

This Australia business distinguishes itself through its technology-driven 4PL platform. In essence, fourth party logistics is the management of customers' supply chain requirements on their behalf. Our technology integrates customers and service providers, matches customer requirements with service offerings across both the B2B and the B2C logistics space.

Essentially, the 4PL platform overlays the 3PL businesses of distribution, last mile delivery, and warehousing, creating synergistic benefits for our portfolio. It is with this asset light hybrid 4PL, 3PL model that we are scaling up the business, serving both B2B, B2C customers nationwide. This is a rather unique service offering.

As part of the strategy to enhance the scale and reach of the network and operations, as we announced, we have recently completed the acquisition of Border Express. This consolidation of our Australia businesses, that is the integration of Border Express and the merger of CouriersPlease into the FMH, creates a top 5 logistics enterprise in Australia. Going forward, this allows us to unlock significant synergies and set the foundation for our further growth in this market.

Our strategy is simple for our Australian business. It is to integrate, scale, and further accelerate this business. We will continue to pursue appropriate M&A opportunities via the same disciplined, systematic, programmatic process we have been using, and explore various partnerships to support this expansion. This may include liquidity options that provide equity to deleverage acquisition debt and also to establish an independent valuation benchmark for our business.

Strategic Thrust #5 – Building Tech-driven Excellence to Serve Cross-border Customers

I'll now turn to our International business, where we continue to build on our advantage of the international postal network to offer connectivity to more than 200 markets. Increasingly, this is now more commercial than postal. We have been adding commercial solutions as alternatives so as to give clients more service options and more cost-competitive solutions.

The ability to offer blended solutions that meet the needs of our customers through an asset light approach is our unique value proposition. The recent launch of our 4PL technology platform here, ARRIV, will further enhance the customer experience, facilitate faster and better inter-connectivity with partners and vendors and achieve operational excellence.

As you can see from this chart, eCommerce volumes have rapidly taken over as the main business of the International business, making up 94% of the revenue for this business unit. This has definitely replaced the decline in postal volumes. The International business taps on the potential of the global cross-border e-commerce logistics market. It is a sizeable market, projected to reach US$3 trillion by 2028. With an estimated CAGR of 25% up to 2028, it represents a rapidly growing market opportunity for us.

To capture this market, the International business unit will identify the trade lanes that represent the best revenue and profit growth opportunities as we develop this business. We have a targeted approach towards market expansion which includes reviewing opportunities in both the origin markets and the destination markets to provide an end-to-end supply chain. These capabilities will be built up through partnerships with local and regional players, and enabled by that 4PL platform, ARRIV.

Strategic Review Milestones

Through the course of the strategic review, several important strategic milestones have already been achieved. Some of these have been previously announced, such as the postage review and the expansion of our Australia business. To us, these were critical steps in the overall plan. The strategic thrusts have identified a further range of activities to drive growth and unlock value including divestments, investments, and execution of business unit specific plans as we said earlier. We will continue to engage the investment community to provide updates as we progress.

Conclusion

This is my last slide. To conclude, allow me to summarise the outcomes against the objectives laid out for the strategic review. Following consultation with our financial advisers, Bank of America Securities, the Board assesses that the current share price does not appropriately reflect the intrinsic value of the Company.

The strategic review lays out our plans to be a pure-play logistics enterprise, and to re-organise and position each business unit for growth in its respective market segment to maximise market share, serve our customers, and facilitate future optionalities.

We will strengthen our balance sheet and actively explore the monetisation of non-core, non-strategic assets and businesses, and to recycle the capital.

The execution of these strategic thrusts is intended to unlock this value for shareholders and deliver agility and sustainable long-term growth as an international logistics enterprise.

With that, I'm happy to take questions from the audience.

Selena Chong, VP IR

If you have a question, do indicate with a show of hands.

Benjamin Chang, Whitefield: Where does Quantium fit in?

Vincent Phang: So Quantium Solutions is one of our subsidiaries which has a footprint across all of these three markets. The majority of it is in the international part of the market. So, Quantium - you saw that I alluded to the fact that there could be some corporate restructuring of some of the entities going forward to align with the businesses over here. So, that is something that we will work behind the scenes with.

The operations and the business of Quantium Solutions will dovetail into these three markets. So, if it is in Singapore, it will be part of the Singapore business to deliver outcomes for the Singapore market. If it is in the International market, initially in Southeast Asia, North Asia, it will be part of the International business unit to deliver outcomes. That will be how we see Quantium going forward. It will be - how should I say this - dovetail into the market segments as we see.

Benjamin Chang, Whitefield: It will still be one of the pieces?

Vincent Phang: It will be one of the pieces. I guess the change is, in the past, we reported Quantium under a logistics set. You won't see that anymore because in the first place, as Vincent mentioned, everything is logistics. There is no real divide between post and logistics. We will see it as the three markets with their own operating environments and their own operating parts. I hope that answers the question.

Benjamin Chang, Whitefield: Under Corporate, you've classified Famous Holdings? [Inaudible question – microphone inaccessible]

Vincent Phang: So, the assets and businesses that we deem, outside of the business focus areas of the Singapore, International, Australia businesses, we will deem as financial assets and non-core non-strategic assets that we hold centrally. It doesn't mean that it's not an operation, or it's not a business. It's just that it is not run as part of this business reorganisation. It's held centrally as an asset for us. So, it's only in terms of the segmentation reporting.

Benjamin Chang, Whitefield: [Inaudible question – microphone inaccessible]

Vincent Phang: That's all it is. It has its own P&L, everything.

Jarick Seet, Maybank: Can I check about the property that you mentioned just now, there was one slide showing the market cap versus the property value. So, is there any timeline on the divestment of these properties? Then what kind of form it'll take place between the one-time selling or selling on a piecemeal basis? So, what is the timeline?

Vincent Yik: So, we don't talk about specific items, but we do look at all the assets that we look at it to see whether they fit the core strategy, and what are the options that we have. So some of the assets obviously are non-core which we can see if we can monetise. The timeline all depends on (1) market conditions, (2) some of these conditions - some of the assets are still operational in nature, so there are operational considerations, (3) there are some regulations around some of these assets as well, and (4) some of these assets are also subject to shareholders' approval. So, there are several conditions that we get to, before we actually look into the specific assets monetisation.

Jarick Seet, Maybank: Thanks, can I check. What's the aim of your operating margins, assuming that you carry out all your strategic review and you execute your plans to what you need to do. What kind of operating margins would you be hoping to achieve in the next 2 or 3 years in terms of percentage wise?

Vincent Phang: I think rather than answer our operating margins, I'll answer from our new requirement is the return ROE that we want. You can certainly map that to what [inaudible]. So, there are a few things that we will have to do. In this restructuring, I think it's clear that the first step is to help the investment community understand the individual businesses, their balance sheets, the capital that is employed, the debt that is employed in each of these businesses and the kind of return that we can expect.

We clearly - if you allow me to give a little bit of background history to this. Over the last two years, three years, it has been a very profound change for us because we moved from a structure that was heavily dependent on the income of the postal business. For that matter, the postal business made more than S$100 million of operating profit just pre-pandemic. You see that that has gone to negative in the last year. We are back to positive, but it was negative at some point in time. So, we took a body blow - that was all to it.

Through that period, we have then sought to firstly grow a second engine in Australia by a very programmatic, systematic approach to build this business, and we are very proud of what we have achieved, also, rapidly reorganising ourselves. Coming out of the pandemic, we can see some opportunities, but we always understood that there are some things that will never come back. You will never deliver more letters. You will never mail more things to each other. I think that's a foregone conclusion. So, we needed to pivot the business very quickly.

So, the first phase of that is really, in a way, build a second engine of growth, ensure that the enterprise as a whole never got into a loss situation. We did have some buyer power. We deployed the buyer power to good use. That's how we got to this position. Now, having done that, the next thing we need to do now is to be very focused on making sure every single business then generates a return that covers its own cost of capital.

We will be making some adjustments on the capital deployed for each business. Some of the traditional businesses obviously carried very little debt. Some of the new businesses were acquired through leverage. We will then make some adjustments so that each business by itself stands alone against its comparable benchmarks in its own market. So, the Australian business, compared to an Australian comp, what's it going to look like? The Singaporean business, compared to, if there's one - I don't think there's one. What does it look like if we deploy the capital appropriately? Then we can structure the right return with a spread over the cost of the capital that we have.

Net-net, I think if you ask me, we should be looking from a logistics industry, operating margins that are mid to high single digit percentages – it's the logistics industry norm. We aim to be hopefully at the northern end of that. That would be the target that we want. More importantly, the target is on the returns that we expect. Every business, firstly must be profitable. Every business must carry its own cost of capital and generate a spread above that as a return from investment. That would be how we focus ourselves going forward. Vincent, you want to add something?

Vincent Yik: I suppose we should look at it, why we look at it in the individual business perspective? Because each market is fundamentally different, the risk is also different. So Singapore, a smaller market, but we are dominant, market dominant, we are also strong. The risk in the Singapore market is significantly smaller as well. So, there's a base load and you can expect the return [inaudible].

The international market is high growth, high potential. So, if you imagine the growth speed, a bit higher, low margin, high volume business.

The Australian business is of course stable, far bigger business than what the Singapore market is and the return is quite different. Very fragmented market [inaudible].

So, you can see the different markets, we have different strategies in place. The beauty of this whole enterprise is that what we have is a very balanced portfolio. I would like to think very resilient as well. As you can see, the business through the pandemic, we have been consistently reporting profit in most cases, as an enterprise. So, the value of that is while some markets struggle, some markets will outperform, and that gives us the ability to then navigate through challenges. We do see the value of that very balanced portfolio.

Then the other point to note is, with that clarity, then that creates optionality in each of the markets. You can then operate and drive efficiency; you can have many options within each market.

Jarick Seet, Maybank: I think at the end of the day the market will look at the bottom line in the sense that talking about valuation, no matter how much a company is worth, unless you can unlock value and return to shareholders, share price is not likely to increase. So, how do we actually get from point A, where you are now, to something that you think that is fair value in terms of valuation, as comparable to your, let's say, logistic peers globally, how do we get to that? So, that would be to improve also operating margin. So, net-net we go back to the same question. So how do we do that actually from now to, let's say, one or two years down the road? What kind of operating margin, let's say, two years down the road.

Vincent Phang: So, as I said, it is hard to answer the question from the operating margin perspective but if you look at our trajectory and our progress, what happened was, it is very hard for the market to understand the fundamental value drivers for the business brand. We didn't present a market strategy where we have our Australia business that is this large and sizable. The latest move allows us to then narrate this objective and you can see the numbers now.

The understanding of what the International business is about, because it was always kind of conflated with the postal business and then the postal business, the headline of which is structural decline. So, it is very hard for anyone in the investment community to see, okay, what is the growth potential behind this?
So, by structuring ourselves into the Singapore business, which has that domestic postal content, but as we made very clear, we come up with very specific strategies to deal with the non-performing parts of the business.

And as for the performing parts of the business, we see that growth potential. There was a time where, maybe pre-pandemic or even through the pandemic, where every dollar reduction in revenue because of postal decline, you need to make up with a dollar improvement in revenue for eCommerce. But that requires something like a 50% growth year on year. That is not going to happen. You intuitively know that is not going to happen.

But you see the numbers - the numbers are almost at parity in terms of the postal versus the eCommerce revenues. Which means a dollar decline can be made up by a dollar improvement in eCommerce. You start to see that that becomes realistic and something that is targetable, something that - we have for the most part, over the last quarter, we announced this publicly, 16% growth of eCommerce versus, say, a 10% decline. You start to see that it becomes possible. It's believable. The story becomes real. Then you can start to understand that part of the business is not going to come at a major discount to everything else.

Then you look at the growth potential of the International business and the growth rates that we ought to capture along with the market. Then the Australia business that is already sizeable and has value of its own. Then the real estate portfolio that offers another level of support in terms of the value.

Ultimately, it is about operating performance as we said. It needs to be a pure play logistics business, pure play logistics operator, running in line with pure play logistics operating margins, returning a level of return above the cost of capital with a reasonable spread. That is our objective.

Vincent Yik: Selena, can you call back the financial slide.

So maybe just now I spoke about the last year's results; it's a photograph of a point in time. It doesn't quite capture the performance. May I share a little bit about how this year, my last reported numbers actually look like. They give you some clarity around why we do this segmentation.

So you look at this set of numbers here. You see on the left side, you can see revenue, logistics, profit, and then you wonder what makes up that $85m. A big part of it comes from Famous and Australia.

So why we do this new segmentation. You look at the segmentation, a few key points are called. Australian business is quite big; the Singapore business lost money last year; the International lost money last year but for different reasons.

If I fast forward this result to Q3 - why we use Q3, because Q3 we have the postage uprate, we have significant shifts. So what is the same result? So Q3 reported net profit of S$28 million. Of the S$28 million, S$15 million comes from the Australian business. If I overlay that with Border Express, that becomes S$22 (million). So that gives you a lot of clarity in the business out of a revenue of roughly $250 (plus) million [inaudible].
The Singapore business instead of Post and Parcel reporting a S$16 million loss, and S$11 million loss there. If the Singapore business reported a S$4 million profit, on top of that it carries a loss of S$4 million from the post office network, so the delivery network is profitable to the tune of S$8 million for the quarter, how does that change the valuation?

So the International business here reported a S$13 million loss for the year, of which most of it was in the first half which I have said. So what is the International business now, makes S$3 million, S$4 million a quarter. The numbers look very, very different at that point from an operational perspective. The corporate, Famous Holdings is still profitable; the SingPost Centre is a nice accrual income that we have right now, generates close to S$13 million, so about $10 million a quarter.

Suddenly the numbers look very, very different. The position of the businesses looks very, very different. So hopefully that gives you a colour around [inaudible]. Why we moved away from postal is important. Then suddenly you see each individual business is now profitable. They all have different returns profile based on the risk, the market, the competition, the dominance, the size of the market.

So you see the Australian business become the biggest, simply because it operates in a market that is S$130 billion compared to a S$500 million business. International business, $300 million here, but you are looking at a S$3 trillion business. The opportunity is clear. So suddenly the perspective, the view, the numbers are very different. So I provide a bit of colour around Q3 numbers and how forward looking - how in future we will look with these segments.

Vincent Phang: I think it becomes a lot clearer at the full year when we have all those numbers. As you can see, and what Vincent quoted, was the unaudited numbers, we gave some colour around the aggregate and you will start to see the split. But it certainly shows the latest and greatest versus what was happening a year ago. All those negative numbers have gone away. It will be a lot clearer at the full year, so just bear with us for a few more weeks. I think that colour is important for you to have a sense of where these things are actually.

Bridgette Goh, AIA: Is the losses or the negatives in Others, HQ costs, or do they include one-offs? Is that an appropriate number, that sustainable number that we have?

Vincent Yik: That is mostly the corporate centre cost [inaudible].

Bridgette Goh, AIA: Thanks.

Shekhar Jaiswal, RHB: Thank you all very much. This is following up on Jarick's comment earlier. So I understand that at full year we will probably have a better understanding of the progress rate, but I am sure there must be, now that there are clear segmentations of Australia and International, what are the

ROE or ROE targets set? [inaudible] we will go back to the 2014-2015 [inaudible] is there a trajectory that you are trying to target?

Second question, you said there is divestment of non-core assets. How does this capital get reallocated? Does it come back to shareholders, so there could be a special dividend to go above 80%, or you reallocate capital into the business? If you do, which would be those key businesses?

Vincent Phang: So without commenting specifically about any individual business segment or ROEs, we are looking at probably in the teens.

Shekhar Jaiswal, RHB: That is aggregated?

Vincent Phang: That is aggregate. That is as I said, individual businesses will have different interpretations. For example, for International business which has very little assets, because we work with a network. ROE is infinite actually, to be frank. I guess then that shapes the question on operating margins. What is the realistic number that we can grow and be accretive to the bottom-line dollars-wise, but at the same time also respect the ROE commitment that we have [inaudible].

From a divestment standpoint, I think what is fair to say is that as Vincent mentioned, we don't comment specifically on any divestment but we do understand that there is interest on the biggest of the lot, which is the property - this particular property.

There are competing interests for capital, obviously. The first is we are also managing our credit rating. The fact that over the last few years we had to marshal this acquisition strategy in Australia in a higher interest rate environment, that is obviously something we are very cautious about. We have been very, very careful about our capital management.

I think there's an opportunity for us to leverage part of that debt burden that we have taken on, so that generates optimum return for our shareholders, I suppose. There is also a balance with investments. So any one of the individual strategies requires investment. We need investments into the Singapore domestic market, so that the two networks can become one. We can deliver everything through the same network.

We continue to have that focus on sustainability. So as we said before, our fleet will be entirely electric in time. We will have opportunities for further investments in growth, inorganic investments, maybe some additional acquisitions, as and when they come about. Then of course I think to be fair, on the balance of things there will also be some value that's returned to shareholders. I can't comment specifically how much; I think it's a balance that Board will have to decide at that point in time and certainly will be subjected to shareholder approval.

[Inaudible question – microphone inaccessible]

Vincent Phang: [Inaudible] there are plans, which if you allow me, we can't share now but there are plans that we will unveil very, very shortly, soon. But I can be candid and maybe indicate this. We are –

we take our obligations seriously. We understand the impact we have on the community. When we revamp this post office business, what we hope to do is to achieve a few things.

Firstly, clearly there is a cost issue that we need to think about. What will likely change is maybe the format of the post offices, the way they're laid out [inaudible] they sit on and issues like this. What likely won't change is the service to the community and what we – as a regulated player, what we ought to offer as a postal service to the community. If we do it right, it could well be architected in a way that is more pervasive, more digital, it is more automated, it is more optimised, it could even be more convenient to people. Why restrict it in the few post offices that we have? Why not rethink the whole thing altogether and change how that looks without actually affecting service obligations. Does it make sense? I can't share more than that. We are very excited about all those plans. All I can say is it's better than hope. It's not a case of 'we hope it goes away'. We have plans to change this.

[Inaudible question – microphone inaccessible]

Vincent Yik: We don't have a lot of big assets, so we have maybe three, four [inaudible], the largest by far is the SingPost Centre. We have is the Log Hub which is the next largest, followed by a couple of delivery bases that we own, because the rest are all leases. We have probably about 11 post offices…22 post offices that we own so the numbers are not huge, by far the largest is SingPost Centre.

Vincent Phang: Maybe I can provide some colour. I guess and I hope that you don't just read between the lines because we want to be very specific. We aim to be a pure play logistics operator, which means anything that we hold as an asset needs to be aligned with the strategies that we talked about. So we talk about the operating assets that we have, the Logistics Hub that we have, we own it because we want to automate it. If we can't automate it, it is something we lease, we want it to be ours so we can do the right thing, design it the right way to fit our operations. Same thing for delivery bases. We use that for operational outcome. If there are assets that we have that no longer serve any operational outcome, we will look at recycling it. So it all starts with the opportunity of the cost of running the post office, so if we can do it in a way that minimises that cost and at the same time, if it frees up an asset, then that asset is not an operational asset, then that asset will be recycled. Hopefully that makes sense.

[Inaudible question – microphone inaccessible]

Vincent Phang: When we do it this way, the logistics operations, every single business has to stand on its own, money is fungible, we hold the [inaudible], that is why some of the non-core assets are held centrally. I hope that helps to give you an idea.

Analyst: Can I check what's your financing cost in terms of percentage average blended, and also in absolute amounts, what's your financing cost if you can share that?

Vincent Phang: Maybe good for Vincent to share some of the capital management strategies we had through the last 18-24 months, the debt restructuring against the interest rates and all that.

Vincent Yik: I will not talk specific numbers but just to give you a [inaudible]. We look at funding sources through a couple of things [inaudible], so if you look at the balance sheet, we do a mixture of MTNs, we

have preference issues as well. So these two are, the third one being bank direct. So we use it for multiple reasons. The first is we are in a position where we have been able to access liquidity at good rate. We have done very well over the last couple of years when we went to market. We have been able to, both MTNs and net loans, come in at very strong cost of funds. So I can tell you right now we are much better [inaudible] cost. So, for example, last year our MTNs [inaudible]…so our blended rate is actually good. We carry on our books also quite a fair bit of deposits, close to S$450 million. Given the current deposit rates, we actually don't have negative carry. So it's quite good in that regard.
We have balance sheet debt on the books is also to hedge FX exposure. So the only reason why we carry a significant amount of debt that is primarily Aussie dollar that we use to hedge Australia exposure. We have been able to make sure that that helps to mitigate the exposure. What we do ensure for example for the Border Express acquisition, it's funded totally onshore, we do it not only for FX but also for tax measures. So we want to make sure that loans are carried in the country [inaudible]… so we can get the deductions that are necessary. So with all of these things, on balance, I will say that in terms of funding we are okay for the mid term [inaudible]…we are fairly comfortable. We have a fair amount of cash sitting on the balance sheet that we can deploy any time. We have access to quite a number of facilities available that we have not drawn down. So from a funding perspective we are actually looking pretty good, I would say. So on that basis, cost of funds, I will just go to say that if you take 3.23% which is roughly S$200, $250 million, and there's another S$400 million below that, so on that basis, that gives you a sense of where we are, so we are actually quite comfortable. I would go so far as to say that we are in a good position in terms of cost of funds.

[Inaudible question – microphone inaccessible]

Vincent Yik: Because the loan quantum has increased, so we increased the borrowings to fund a couple of things. If you recall over the year, we increased our stake in FMH from 51% to 100%. So that is largely funded by debt. Then the Border Express acquisition as well, that it is funded purely by the onshore Australia. So when we look at net returns, we look at including funding, capital employed. So that's net funding cost, so that actual increase in funding cost is to account for the higher debt.

Analyst: What's the amount of borrowings you have now on the balance sheet? Don't have to be exact, I'm just trying to understand.

Vincent Yik: Close to S$800m? Large part of it in Aussie dollar, to fund Border Express and FMH. So clearly I could have taken out cash to pay for that but why will I do it if my deposit rates are much higher? The Sing dollar is a lot stronger, my exposure in Australia, my exposure is in Aussie dollar, so on the balance of things, you would want to carry a fair degree of Aussie dollar debt in your balance sheet in Australia to hedge exposure.

[Inaudible question – microphone inaccessible]

Vincent Yik: In what sense, from balance sheet exposure? From an operating perspective, FX is almost impossible to hedge. If you are operating in a foreign currency, you would expect operating cashflow to also be in FX. But the onshore balance sheet [inaudible] is the main reason why we carry a fair amount of Aussie dollar debt because of the number of Australian assets that is sitting there. So rather than look at Aussie dollar debt exposure in itself, we look at it net, the equity that we require. So if you think of it from the perspective that look, the actual cash outlay to pay for FMH is relatively small, but the net returns that's generated from these businesses, net of funding costs, is very attractive. We're looking at double digit numbers, fairly significant].

[Inaudible question – microphone inaccessible]

Vincent Yik: From a capital management perspective, it's always good to have a degree of debt. Equity is most expensive, least fungible, least options, least flexible. A degree of debt is useful, given the global tax environment as well, so the debt carried onshore has got a couple of very good things. So one, is FX exposure, it balances your liabilities and assets. When one depreciates, the other goes up. So for example, if your asset value declines because of FX, your liability will depreciate as well [inaudible].

The interest deductibility [inaudible]. In a tax environment like Australia [inaudible]…where thin cap rule is very prevalent. By thin cap, which means that the shareholders funds brought to fund Australia assets is non (fully) tax deductible, the impact is very significant. So the net returns from tax perspective becomes very important. So to be able to fund the balance sheet onshore becomes critical because the net returns are subject to significant [inaudible]. So on the balance of things, I would say in most cases where you have a good operating asset onshore, you'll want to fund it with onshore debt in local currency.

[Inaudible question – microphone inaccessible]

Vincent Yik: I would say at the moment now we are close to 70% funded debt in Australia. It depends on how the currency moves, it depends on the returns, it depends on the interest rate environment as well. I would imagine we want to keep as high a ratio as feasible for the business, so that the net exposure is low but the net return back to me is high. So you really don't look at it [inaudible].

Analyst: I am asking about that because [inaudible], constant currency….[inaudible]

Vincent Yik: That is a slightly different conversation. So what I spoke about was around capital management, around matching my assets and liabilities, matching my obligations to pay in local currency.

The constant currency is slightly different. Constant currency is operational in nature. So that essentially is – revenue, expenses that we incur in overseas markets. For example, in Australian currency, Australia has declined fairly significantly over the last two, three years, last year [inaudible] …

Every dollar I make in Australia would be 10 cents lower when I convert and report it in Sing dollar. So the way we hedge that to make sure that my revenue and costs are in the same currency. In Australia it's less of an issue. So for example, if you look at this slide, the net profit is S$89m. In Aussie dollar [inaudible] so if that declined [inaudible]. But the impact is [inaudible] because you're now operating in multiple currencies. So you will hope that Australia comes down maybe US dollar would have gone up, Sing dollar would have gone us so there's a balance of portfolio. You will hope that it balances out, that's what diversification is rather than a single currency exposure. That comes with the territory of going overseas.

The important thing to note is, we will try to match our revenue to our cost base so that your amount that is exposed to volatility is reduced to a minimum. That's how we always try to achieve it. You have a problem when your revenue and cost is in different currency and there is a mismatch [inaudible]… which is slightly different from balance sheet, this is pure P&L.

Vincent Phang: Just to complete that conversation, we see the same impact in the International business. Very unfortunately, as you start to see in the International segment, the numbers are subject to the fact that we are reporting in a very strong Singapore currency. So we will try to give as much colour to the market as possible in terms of constant currency so that you can have the assessment of, if it were in the same currency, how would it perform revenue relative to the year before. So that's the colour.

Vincent Yik: So the constant currency issue is operationally [inaudible].

Ong Khang Chuen, CGS: Thanks for the presentation. The assets that you have earmarked as non-core, like Famous Holdings and SingPost Centre which are some of the highest margin business and profitability contributor to the Group. While you have done a lot to fix your Singapore and International business margins and returned them to profitability over the past two years, revenue growth there has been a bit lagging from past years. So in the event of a successful divestment or Australia equity financing happens, how confident are you in [inaudible]. So as a follow up to that, maybe can you provide guidance on how much revenue and cost synergies can be derived in the next couple of years for your Australia businesses and an update on the International side, whether the 4PL platform is able to help you catch up with growth or more needs to be done.

Vincent Phang: I will try but if I forget a key question just remind me again. So, the first question was about the non-core assets that we are holding centrally. The first thing is these numbers are from a year ago. So yes, we are very happy with our performance for the real estate business, in which case for us clearly it's a good annuity with what we have here at SingPost Centre. But that also offers itself as a pot of value for us to monetise it if we so choose to do it. For Famous, those numbers are from a year ago. As we've said again and again, those numbers have moderated very significantly. That is a windfall from the pandemic, so it's not anywhere close to those numbers you see on the slides.

We have been very conscious of how we grow and balance the portfolio. So I guess it's not as straightforward as a decision on moving on with some of these potential divestments. It's also to do with the replacement revenue, the replacement operating profits. So, in this case, as you see, Border Express coming into the business, coming into the value, was very critical for us to generate options for us to do other things. The Border Express incremental operating profit is 30 over, 40 million dollars, which generates us the opportunity to then go and monetise some of our non-core assets. I will see that as an opportunity that now comes about without which we would be a bit more restricted in our movements. So hopefully that answers a little bit of management's train of thought. I can't say specifically timing and I can't speak specifically to projects but I can speak about the thought process.

For the last question, please.

Vincent Yik: Maybe I'll take this one. Just to provide a little bit of colour to what Vincent said. If you look at this set of numbers, Famous Holdings was about 418 million last year [inaudible]. We reported that it has declined significantly to the tune of 50% or so. If you look at the proforma unaudited numbers of Australia, how much how much revenue Border Express brought in, roughly 400 million, roughly 40 million of profit. The important clarification, the important thing to note is Famous at its peak, was running at this number with limited upside but only downside. Border Express, at this revenue number, is only the start, before synergies, only up from here.

To your point around synergy numbers, we currently run three different back offices, three different operations. We have redundancy and vacancies across three different areas, being CouriersPlease, FMH, Border Express, across all the different lines right now that we have not fully utilised. Customers have not been fully shared across the 3 different areas. So the synergies, you look across the three, just shutting down the three different back office alone, just making sure that we are running from X number of vacancies to almost full capacity, leveraging off that, alone the synergies are in millions of dollars. So there are opportunities that we can leverage off that. So if you look at this set of numbers, it'll give you a bit of colour how we think, where the growth is, why we are investing…[inaudible].

Vincent Phang: The numbers you see in Australia are sum of parts, and it was a strategic decision for us not to force the integration on the businesses because we wanted to bed down the immediate acquisitions that we were doing. We always had CouriersPlease, it's a B2C delivery business; we've got FMH which is the core, 4PL, but basically a B2B business. But they kind of stood alone. Now with Border Express which comes in and really beefs up the 3PL offering, the B2B service. It now gives us the chance to stitch everything together. So whatever you see, is clearly before synergies.

What do I mean by synergies? As I explained to some of you earlier, maybe there are two trucks, they run separate, we can put it on the same truck. Maybe there are two warehouses, we can put them in the same warehouse, we can retire one lease. Logistics is all about making it efficient and as effective as possible. If a truck is 70%, it doesn't profit; but if the truck is at 85%, it is profitable. So these are all the opportunities that we can start to see. Not to mention all the back office.

The other thing that is synergistic is revenue synergies. At this moment, we may be entertaining RFPs in serving customers that either procure the B2B business or B2C business but we are now able to go to market and say we can do both together.

As you know, Australia has slightly better eCommerce penetration than here, maybe due to the theory of distances. 80% of goods are sold offline, 20% sold online, so if you are a shop, you are one of the big retailers, you would want to have a service provider that helps not just deliver to my shop but also deliver to my customers. If possible, don't even have it in my shop. So from your distribution centre you 80% - eight out of ten times, you deliver to me, my store, two out of ten times you deliver straight to the custojmer. So there is an opportunity there to now bring to the market, otherwise … so the combination of the B2B and the B2C business, we use this term and hopefully we can use this term more and more as we engage each other going forward, is the term B2B2C. So It's not a B2B, it's not just a B2C, it's the fact that it's a single network, it's a single supply chain that does this all. Once again that brings a level of opportunity.

I think the last question was how to capture the growth rate of the international cross-border. We went through a very tough period. I'll be honest with you, I'll not be saying this any other way. Through the pandemic, we had a huge problem, a very profound problem on this business, because it was predicated on Changi Airport being able to fly to every destination in the world. It's a hub, that hub went away, we couldn't fly. So a lot of the revenues that we lost as a result, we at first stabilised it, we intend to grow this again. Clearly the supply chains have morphed and customers have started to be smarter in doing their own things and that involves skipping Singapore.

We believe that there's a play. We've been working with customers to bring back those supply chains. So it's the same idea as say in the port of Singapore. Do you tranship, do you bring ship full of cargoes, containers into a central position to break into the different liners going everywhere else or do you go directly? Is there a play for Singapore being a hub for such things. With the sufficient volumes, which is why I was quite clear in my discussion earlier that we were focused on picking the trade lanes that matter to us. What are those lanes that can benefit from such an arrangement. But at the same time we are also going beyond moving things from China to the rest of the world, that was generally the play that we had pre-pandemic. Increasingly, we are looking at going both ways. So we aim to be an Asia kind of setup going both ways - exporting to the west, at the same time also helping imports from the US, from UK …[inaudible] offering the same proposition [inaudible]. It is pretty much that growth potential that we are looking at.

We have spent the last few years firstly dealing with a structural decline in the domestic postal business. I would say we are not completely clear of the path ahead but I think we've got a very good rationale, a very good sense of where we stand at this moment going forward. We have the opportunity to build a very large Australia business, which we now are, putting into focus the next step. The next venture for us will be in Internation. Those are all very methodical things that we are trying to do. Hopefully you can see that, gives you a bit of the colour.

Liu MiaoMiao (Phillip Capital): Thanks for taking my question, just two. Are there any additional capex and headcount required for the reorganisation and do you plan to have a separate legal entity for the Australia and international holdings and do you intend to sell something, some assets?

Vincent Phang: Certainly we continue to be investing. We're not shy of our investing, as we've demonstrated we have good capex where we can generate returns. I think the focus is can we generate the adequate return. It was always difficult when you are undergoing a structural decline but we also know that now that the business has stabilised, for example, in the domestic business, we need to put in the capex so that we revamp what we have. I talked about the post office as being something we could rationalise or automate and optimise and that requires a level of capex at the same time. It all goes back to – with a new platform can we generate a return, or do we go back to the same old same old and have a large bunch of properties, very high cost, big drag on our balance sheet, how are we going to make that work from our side.

So capex, yes. Headcount, I'll be candid. We are growing, we are growing. We continue to need people. Can we do more with the people that we have? Absolutely, we're trying to do our best to orientate that. But we are a growth business and in logistics you need to continue to invest through smart capex, hopefully making all the smart decisions around generating the right returns from using that right capex, controlling three critical areas, real estate, fleet and manpower. If we can control these three items with capex, grow the headcount in the right way or do more with what we have, that would be our primary concern. That's the first answer.

The second one is in Australia, I believe you were asking about what we intend to do. Yes, we did say earlier that we are working to deleverage the debt that we have, the acquisition debt that we took to acquire the business. We are looking at opportunities to invite partnerships. That also gives us an opportunity to truly benchmark the value of that business. Remember we bought these businesses, we have some businesses from a long time, putting it together and realising our operational synergies. What does this do to its value. I think the proof is getting a benchmark in there, getting an equity partner, if possible. That helps us in achieving that objective.
Analyst: Sorry can I check, third quarter, on the Border Express acquisition, how much will it add to your operating profit?

(Overspeaking)

Vincent Phang: We completed end of Feb so for this FY it's only the one month. But I think what we're trying to show more directionally, had this been added to last year's numbers, what it would have looked like, more proforma.

Analyst: What is your effective tax rate based on overall blended for other countries? [Inaudible] So can I actually use your third quarter number and add on what I think is appropriate operating profit for Border Express and then I minus off your effective finance cost which is 3% [inaudible] and then I minus off your effective tax rate, that would be net profit based on current [inaudible].

Vincent Yik: You can make some assumptions, but I would think that you reference back to our previousl announcements and get some guidance around [inaudible].

Vincent Phang: I think if I can be candid, you've got to be mindful of the seasonal impact. So one quarter doesn't make a full year, but there are some directional trends that should be constant. I think we don't want to – unfortunately we can't show you because that's the problem right, at the full year maybe it will be a lot clearer. But the narrative is all businesses are profitable; you have the aggregate numbers that we said; you have an idea of what Border Express could potentially add as a result. That should give the directional view of what it looks like. Q3 was always going to be a big quarter for us, it's the year end quarter, but it also offer some glimpses how directionally things should be.

[Inaudible]

Vincent Phang: Well when you are going through a pandemic obviously it was a fabulous business. We collected a margin above the cost of freight, that's how the industry works right. So freight rates went 10x, 20x through the pandemic so the same whatever, 3%, 5% margin that you collect just rolls up the dollars. So yes, it's a business that has seen very good days, it is also a business that's challenged with how freight rates are going. You heard from the industry, all the freight carriers, their fortunes also go through the ups and downs. So freight forwarding is a business that follows a bit of that.

But the issue for us is the businesses that we have carved out. The Singapore business clearly is a dominant, home market domestic player that has the best innovation, the most connectivity, the most assured service to customer. That's the domestic business. Then there's Australia business which is the same in its own way, technology driven, very big Australian [inaudible]. Then the International business which is more cross-border. But our cross-border was built on eCommerce growth. eCommerce growth is not shipped in large sea-freight containers. eCommerce growth is probably shipped more point to point, it's more shipped with, on specific items, it's more air, it's less sea freight kind of thing.

So we had an investment thesis at a time when we acquired Famous. We've seen things change obviously over the last few years, so it's something that we need to rationalise whether that still fits the strategy that we're talking about, does it dovetail, and if it doesn't, then it's one of those non-core assets that we will then seek to divest.

Analyst: [Inaudible]

Vincent Phang: We are going through a process. As I said we don't comment specifically on any milestone or any specific projects or specific timelines but what I can share is the thinking behind how we plan. It's something that sequentially we will do very soon because the strategy, we are very excited to announce this to the market, basically this is how we're going to operate the 3 different businesses and anything else is a test, does it fit, does it fit, if it doesn't fit then it's out here. When it's out here, then we make decisions. And the decisions, if I may as well, about the specific decisions, it's also back to the timing, do we get the right value, is there the right interest, do we have a replacement, what are we going to do with the proceeds, so on and so forth. So while it's in this bucket we also have certain considerations how we go about treating this bucket, non-core assets. Hopefully that makes sense.

Shekar Jaiswal, RHB: [Inaudible] understanding of the seasonality and … sense of how seasonality works… in Australia.

Vincent Yik: Just a few comments here. This number, for FY22/23, obviously there's still tailwind from Covid. So revenue, operating profit is high; there is fuel surcharges and few other benefits coming through. You would have known that the last 12 months, the Australia market has moderated quite a fair bit, so [inaudible] so the number [inaudible] will moderate just purely on market conditions.

[Over speaking]

Vincent Yik: What we have been able to do in our businesses, we have been able to replace that with new customer win so there's less impact. The Borders Express business clearly would have moderated a little bit lower (inaudible). The Border Express business is less seasonal compared to [inaudible]. It has got some seasonality in it (inaudible) but Border Express business has less volatility, seasonality [inaudible].

Vincent Phang: The numbers also had a forex impact. So the year before versus the year now, we also adjusted for the currency, so there could be some, about 9% impact.

Jarick Seet, Maybank: Following up on the previous question, so for the proforma operating profit of $89 million, this year should be lower?

Vincent Yik: Just a little bit lower.

Vincent Phang: I think I propose we can wrap up if there are no other questions. Thank you for the interest from the audience.

If I may I just want to add a few concluding words. What is it that we stand here in front of you telling you - we are not a postal organisation, we have made the change, we have progressively made the change to a logistic enterprise, we have to be seen as a logistic enterprise. The journey has been very tough for us, very profound. Thanks for the patience for those who have invested in us. There were things that were probably outside of our control, the structural decline of mail and the entire network that was predicated on delivering letters was severely, severely disrupted. We're not making excuses but it is the way for the entire global postal organisations around the world.

Not helped by the pandemic, it accelerated the declines and brought a very profound impact to us. Over the last few years, we were very, very focused on ensuring consistent profit no matter what. We deployed our firepower, we built a business in Australia, we created a success, which gave us another foot, another leg to stand on.

Now that we have done what we can to rectify the near-term economics of the postal business domestically, it gives us the platform and the chance to move forward with the changes have also been as I've said earlier, it's now at a time where I believe we can make the change. A 10% decline in mail can be replaced by a 10% increase in eCommerce. If anything, going forward, riding that wave, we believe we will even see growth back into the business despite the fact that mail continues to drop.

From a returns standpoint, we are no longer a public utility, and by that I say we were very, very profitable as a public utility going back a number of years. That was the reason why we were listed, I guess. But things have changed significantly. We are not just a public utility. We have the public utility obligations at its roots, we continue to serve that obligations, but our interpretation of this is at least in the domestic market, we deliver letters along with the eCommerce network that we have, and not the other way around.

We are focused on growth now. We are back in growth mode and we will see the numbers going to growth. If we were to strip out the numbers, there is a regulated business that has its own economics, there is the growth part of the business, and the way I see it is the tale of 2 different businesses altogether. I would like maybe the investment community to see that growth potential and what we have brought together as a logistic enterprise.

On that note, the milestones that we have said in the past we will do, the postage review with the government, the growth of our Australia business so that it becomes sizeable to the extend we will now integrate and then bring to bear in the results of that to the market, invite strategic investments, invite partnership, to offer that benchmark, the top five logistics companies in Australia with those returns and operating margins, attracts a lot of attention.

Finally, on the international business, we said that we will rectify it, stabilise it and put it on a growth path again. A lot has changed on us. We are building the business all over again but that's where the growth potential is. All 3 counts we delivered over the last 12 months.

What are we going to do next moving forward? Focus on returns, margins, right, we will translate into the margins immediately, creating the value and then unlocking the value through those options that we have, because now we have options, in the past we were a bit [inaudible].

Finally, on very disciplined capital management to ensure we always bring that benefit back to shareholders. As we go forward, we will continue to share the progress as we… [inaudible]. Once again, thank you for your patience and thank you for hearing our story.

Selena Chong: Thank you for joining us today. We also thank the viewers who are joining us on the webcast. Thank you.

End of Transcript