SingPost H2 FY24/25 Results Briefing, 15 May 2025

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SingPost Participants

Mr Isaac Mah – Group CFO

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 H2 & Full Year FY24/25 Results Presentation.)

Selena Chong, VP (IR)

Good morning. Thank you everyone for joining us today. This is the second half and full Year results for FY24/25 for SingPost.

This session is webcast and recorded. Today we have our Group CFO Isaac JMah who will first bring us through the presentation before we open for Q&A.

So now, I'll hand over the session to Isaac.

Isaac Mah, Group CFO

Slide 3: Overview

Thank you Selena. Good morning everyone, and thank you for joining us today..

Over the past year, there has been a significant shift by the Group marked by a major structural change and divestments. I would like to begin by providing an overview of these key developments before walking through the financial highlights.

One, we completed the sale of SPAI which held the Group's Australia business comprising FMH and subsidiaries. This was transacted at an enterprise value of A$1 billion and generated a gain on disposal of S$302 million for SingPost.

Two, SPAI was formerly the largest segment contributing over 50% of the Group's revenue and operating profit. This divestment was a major milestone and has changed the Group's profile and scale. We will need to reset the Group's strategic direction and are in the process of doing so.

Three, given the change in the Group's profile, we have also recalibrated the organisation structure to realign the cost base with the scale and structure of the business post divestment. Duplicate functions at the corporate level were removed, and operational functions reorganised to improve operating efficiency across the organisation. These actions are necessary to preserve financial agility and support sustainable performance.

Four, separate to the Group strategy reset, we shared that we were reviewing the International business. We assessed the long-term viability of the cross-border business amidst a difficult trade environment, evolving global regulations and other challenges such as the competitive landscape.

Given developments in global commerce such as the trade tensions, we made the decision to reintegrate the international cross-border business into the Singapore postal and logistics business. This move is expected to achieve business synergies and improve operational efficiency for SingPost going forward

Five, The post office network remains loss-making, and SingPost is engaged with the Singapore Government on the future operating model that will place the postal service on a profitable and sustainable footing.

Slide 4: H2 & Full Year FY24/25 Financial Highlights

Moving on to the financial results.

What is important to note is that with the sale of SPAI, we have deconsolidated the business in the full year results upon completion of the transaction on 27th March 2025. Discontinued operations reflect the performance of the divested business, while continuing operations cover the current businesses in the Group's portfolio.

We faced a challenging operating environment in the second half, particularly for the International cross-border business and in the Australia market. However, two of the Group's businesses - property and freight forwarding - performed well. This resulted in a marginal loss of half a million dollars in the second half.

For the full year, while revenue was lower largely due to the International business, operating profit grew by about 31% year on year.

After-tax profit came in at S$245.1 million on the back of the exceptional gain from the sale of SPAI. Excluding such one-off items, the underlying net profit was lower year on year, due to higher finance and tax expenses, and lower interest income, and lower contributions from the discontinued operations.

Slide 5 - H2 & Full Year FY24/25 Segment Revenue

In the following few slides, we discuss the segmental performance.

To recap, at the start of this financial year, we changed the segmental reporting to the three segments of Singapore, International and Australia.

With the sale of SPAI which held the bulk of our Australia business, the Australia segment now comprises the remaining business of Quantium Solutions in that market. This table shows the performance of the remaining business, that is, excluding the discontinued operations.

Overall, Group revenues were lower in the second half and full year amidst the challenging environment. The Singapore segment registered a modest revenue increase of 2.9%, underpinned by the Property business which recorded a strong 11.9% growth.

Slide 6 - H2 & Full Year FY24/25 Segment Operating Profit

On the operating profit, Property and freight forwarding improved in the second half, though this was offset by lower profit from Singapore postal and logistics, and losses at International cross-border business.

For the full year, the higher Group operating profit was due to the increases from Singapore and property which outweighed the lower performance in the other segments.

On the full year performance as well, we've presented a proforma table to show how it would look if previously unallocated business related corporate overheads were allocated into the postal and logistics business. As you see in the table, if the disposal of SPAI had taken effect on 1 April 2024, the postal and logistics business would have made a loss. However, we've taken steps to right size the cost base.

Slide 7 - H2 & Full Year FY24/25 Singapore Segment (Singapore Business)

Going into the segments.

In Singapore postal and logistics, the second half performance was weaker mainly due to lower delivery volumes and lower contributions from other services such as financial services, mailroom and warehousing, some of which ceased during the year.

While this was largely reflected in the full year, the benefit of the postage rate increase in the first half helped to mitigate the overall performance. As a result, full year revenue was relatively steady while operating profit improved.

Slide 8 - H2 & Full Year FY24/25 Singapore Segment (Property)

The other business in the Singapore segment, property leasing, comprises mainly SingPost Centre. Revenue and profit at SingPost Centre showed a good performance.

Rental income was higher on the back of increased occupancy at both the retail and office space. Overall occupancy rate of the property rose 2 percentage points - it is at 98.2% compared to 96.2% last year.

Slide 9 - H2 & Full Year FY24/25 International Segment (International and Freight forwarding)

In the International segment, the results were mixed.

As mentioned earlier, the International cross-border business has been facing significant challenges - in its competitive operating environment, currency and air freight cost volatility, as well as geopolitical risk. Cross-border delivery volumes have been declining amidst these challenges, resulting in the decline in revenue and profit performance.

On the other hand, the freight forwarding business under Famous Holdings has done relatively well on the back of higher sea freight rates during the period, although overall profit was down for the full year on margin compression.

Slide 10 - H2 & Full Year FY24/25 Australia Segment

Finally, in the Australia segment, as I've mentioned earlier, this comprises only QS Australia. Revenue has come down mainly due to the streamlining of the operations including the cessation of the QS New Zealand business.

Slide 11 - Financial Position

I would like to highlight a few points on the financial position of the Group.

The Australia divestment has significantly enhanced the Group's financial standing, supported by the proceeds and disposal gain.

As we've indicated previously, the unlocking of value of our assets will go towards debt reduction, shareholder returns, strengthening the balance sheet and funding future growth of the business. All the Australian dollar denominated borrowings have since been repaid. The remaining borrowings on our books now comprise the Singapore dollar medium term notes totalling S$350 million.

The net cash proceeds have boosted the cash position to almost S$700 million. This cash position is before accounting for the proposed special dividend.

Slide 12 - Proposed Special Dividend

To return value to shareholders, the Board has proposed a special dividend of 9 cents per share for shareholders' approval at the forthcoming AGM. This amounts to S$202.5 million, which represents approximately two-thirds of the S$302 million gain on disposal.

Slide 13 - Outlook

Allow me to speak on what's ahead before we open for questions.

Operating Environment
Uncertainty in the global economy has intensified, with ongoing trade tensions and unsettled supply chains disrupting international commerce. These pressures are further exacerbated by geopolitical tensions.

These challenging conditions intensified in the second half and are expected to continue in the financial year ahead.

Group's Business Outlook
The impact is expected to be pronounced in the logistics sector, and it is particularly challenging for the cross-border business.

Sharpening Focus on Core Strengths, Reinforcing Resilience
We are responding to these challenges by sharpening our focus on the core business while reinforcing resilience to navigate the evolving landscape.

Operations are being streamlined to improve efficiency. The international cross-border business is being reintegrated into the core Singapore postal and logistics business to optimise resources and drive operational synergies.

That said, the cross-border logistics service remains a highly relevant and valued component of our service offering. It will continue to be delivered as part of SingPost's integrated solutions, leveraging the international postal network.

We are also working to strengthen the Singapore postal and logistics capability and enhance efficiency. We have announced a S$30 million investment to expand processing capacity for small parcels at the Regional eCommerce Logistics Hub and this is targeted for completion by mid 2026.

On the post office network, this remains loss-making, and we are engaged with the Singapore Government on the future operating model that will place the postal service on a profitable and sustainable footing.

Preserving Financial Strength
We remain focused on disciplined capital management, prudent cost management, and protecting cashflows to maintain financial strength.

As I've shared, we are realigning the cost base to reflect the structure and scale of the post-Australia divestment organisation. This will help us preserve financial agility and support sustainable performance in the challenging environment ahead.

The Group also continues to explore opportunities to progressively divest and unlock the value of non-core businesses and assets.

Resetting Group strategy
Resetting the Group's strategy post-divestment of the Australia business represents a significant step forward in our journey. This is ongoing and we will update as appropriate.

With that, I've come to the end of my presentation. Happy to open the floor for questions. Thank you.

Selena Chong (VP, IR): If anyone has any questions, you may raise your hand.

Jarick Seet (Maybank): Just wanted to check on your second half. Likely the weakness is likely to persist into next year. So basically for the full year, your core business should likely break even to slight losses. Is that correct to assume?

Isaac Mah (Group CFO): So we have already taken action to right size and streamline the structure of the business as well as to unlock business synergies. So a lot of these actions, we have actually started taking at the start of the year, which was the fourth quarter. And these actions continue into this -- into the current financial year as well. What we have shown previously in terms of the pro forma, that was on the basis of the full year impact of costs in 24/25. So given the activities that we have done in the last quarter, we should see a lot of this savings in the new financial year.

Jarick Seet (Maybank): How much? Can you quantify how much is the savings roughly, let's say, half a year, or per year?

Isaac Mah (Group CFO): So at this point, we are not able to share that yet, but most definitely, you see this in the first half results. But maybe one way to look at it as well is that, compared from the prior year to this year, that cost has already come down, and it will continue to come down, going forward as well.

Jarick Seet (Maybank): Any rough sense, like a range? Because if not, it's very hard for us to quantify what kind of cost savings and then the only way we will know this is six months later, because in the first quarter you also only update on the EBIT? So is there any range that we can roughly know what kind of range of cost savings there is at least. Because it's hard for us to actually even model anything based on this.

Isaac Mah (Group CFO): Yes so I think what I can say is that it will be a material number. I think where we are today with the business is that we are undergoing a board transition as well as a reset of the strategy, right. So I think it becomes very difficult for me to give you any sense at this point of time. But rest assured, there has been a lot of action taken, and we're continuing to do that work while the board transition is ongoing at the moment that will then facilitate the acceleration of the established strategy. As you have seen in our announcements, we have recently appointed three new directors, and we will be sharing more information on this transition in the coming weeks as we move into the AGM.

Jarick Seet (Maybank): I understand. And for FY25 revenue, how much of it is from the business that we sold off?

Isaac Mah (Group CFO): So the way that we have shown our results, the full SGD813 million or SGD814 million revenue is from continuing operations. So, the way that we've presented our accounts does not include the revenues of the discontinued operations. The discontinued operations, the profits are shown as a single line. But if you were to look in the notes of the accounts, you will see that for the current year, I believe the discontinued operations had revenues of about SGD1.1 billion.

Jarick Seet (Maybank): Got it. Any updates also on the Freight holdings because I think previously this was one of the assets listed for sale and we understand that talks are ongoing but any updates on that?

Isaac Mah (Group CFO): So Famous, which is a freight forwarding business, this continues to be identified as a non-core business. So discussions with potential parties to acquire the business are ongoing. Unfortunately, at this point in time, there's nothing additional to that that I can share with you. But we are quite pleased with the performance of the business in the prior year and it continues to generate value for us going forward.

Jarick Seet (Maybank): So I mean previously I think I remember the business was guiding for slight, some decline but actually the business performed well, better than what all of us expected, right. I think it was quite soft or flat. So would that be able to get you a better pricing in terms of selling the business, more than what you previously expected?

Isaac Mah (Group CFO): So I think that is one factor to consider but you will also need to consider other factors like the volatility in the market as well. So that space right now is facing quite a bit of uncertainty just because of the geopolitical situation. Fortunately for Famous, its exposure is somehow managed, just because of the trade flows or the lanes that it's more involved in. However, if there were to be an escalation in terms of this geopolitical tensions, I don't think any freight forwarding company will be spared.

Jarick Seet (Maybank): Understand. And assuming, let's say, the buyer, so how does he value the company, value by estimated profits forward, or he looks at your historical last year's numbers to give you a value? Like how?

Isaac Mah (Group CFO): Most typical buyers will look at both. So they will look at the historical performance as well as the potential to generate cash flows going forward, as well as what the market comps are trading at. So it typically would -- this will be kind of the various angles a buyer would come from.

Jarick Seet (Maybank): Okay, understand. Because I understand that you have been talking on, I mean, you have been discussing this for quite a while, right, so last year. Now that the numbers are slightly better than expected, would any pricing change? Because then the forward will be adjusted costing upwards and your historical. So the pricing should be either going up or they buy cheaper in the PE multiple.

Isaac Mah (Group CFO): But as I shared, right, that is only one factor. So we need to look at where the market comps are and what's the volatility going forward. So there are a few factors involved.

Jarick Seet (Maybank): I understand.

Isaac Mah (Group CFO): And you know, I think on top of that, there's also deal specific factors, like certainty of closing, and what are the tail end risks if any - always will need to be considered in totality, when we consider any offer from a buyer.

Jarick Seet (Maybank): Understand. So the estimated pricing still remains the same range?

Isaac Mah (Group CFO): Yes. It's not changed. They're still within the range.

Jarick Seet (Maybank): Okay. Got it. Thank you so much.

Paul Chew (Phillip Capital): Thanks for the presentation. I think just on your exposure to either Asia to China route or Asia or China to the U.S. route, can you maybe just share like what's the exposure at the group level or even international basis?

Isaac Mah (Group CFO): So at the group level, the predominant, our exposure is predominantly Asia. So while we do have some exposure to the U.S., at this point, it is not material to our overall trade flow. But as I said, as I was sharing with Jarick, as well, if there is any impact on the kind of U.S.-China trade flow, it will essentially shape -- it will likely reshape what the rest of the world looks like.

Paul Chew (Phillip Capital): On the cost savings, where is the source of this cost savings coming from?

Isaac Mah (Group CFO): So I think it's twofold. Firstly, we are looking at collapsing the corporate structure and that has mostly already been executed. As you would have seen, a number of my colleagues have exited the business. And we continue to look for ways to include efficiencies within the business.

Secondly, we are also looking at unlocking business synergies by relooking some of our processes as well. So that's ongoing and that can also be seen with the reintegration of the international business into the Singapore business.

Paul Chew (Phillip Capital): This is the last one. I noticed the Singapore e-commerce was [inaudible]. Is that reflection of what's -- of the industry, or was it more specific?

Isaac Mah (Group CFO): So I think as we shared in the last quarter, we did have some service issue with one of our customers. I'm glad to say that we have already recovered from those service issues. But more generally, the market is also a bit softer just because of the economic uncertainty, so definitely that has kind of impacted the market. But we are also starting to recover and we should see improvements.

Lleyleythan Tan (UOB KayHian): Hi, Isaac. Just one question. So, I see that the post office network is still loss making. So, I understand that the review with the government is still going on, would it basically affect this cost line or? So I see that for the second half, it kind of improved 10% from previous years so was there some rationalisation of the post offices as well?

Isaac Mah (Group CFO): So, unfortunately, in the last year, we have not been able to make too many changes with the network. That slight improvement that you've seen in there is actually the wage credit. So there was a wage credit last year that was recognised just across, unfortunately, it was kind of recognised for two years in the financial period. So that was a bit of an artificial dip.

But we are continuing to engage the government, and this is one of the core focuses of my colleague Su Yin in terms of engaging the government to address this. I know we have been saying for a while now that we are engaging with the government for a sustainable model, but we will continue to persist but I think this is something that is at the top of our list.

Lleyleythan Tan (UOB KayHian): To follow-up to the question. So does the cost savings, they do not come from this line? It's just basically from the postal and logistics side, not the postal network side.

Isaac Mah (Group CFO): Yes, not the post office. So that savings have not fully materialised yet.

Lleyleythan Tan (UOB KayHian): Then what's the view on another postal rate hike? Is the government... so, do you think that it's possible? Is that one of the plans?

Isaac Mah (Group CFO): That is one of the areas where we're engaging the government.

Lleyleythan Tan (UOB KayHian): Okay, thanks.

Nicholas Yon (LimTan Research): What's the longevity of the business like? How do you see it two to three years, now you don't have the Australia asset, Singapore also not doing so well...[inaudible]. What will we look like in the two to three years? What's the plan?

Isaac Mah (Group CFO): So first off, I think we are very committed to our plan to continue to unlock value for shareholders. And what that has done is that not only have we crystallised value creation and brought forward the unlocking of value, and return capital to shareholders, but we have also strengthened our balance sheet. So base off disposal of SPAI, we have paid down approximately (AUD)600 million of debt. We are currently in a net cash position, so we are very well-positioned for the next phase of growth.

We believe that the business in Singapore is a sustainable one, and there is room for growth. However, at this point in time, while we are looking through the strategy reset as well as the refresh of the Board, I'm unable to share further details with you. But in the coming months, as we complete that transition and the reset of strategy, then we'll be able to come back with more.

Lleyleythan Tan (UOB KayHian): A question on the -- basically, finance expense. So, of course, we've left for the SGD 350 million debt on the balance sheet. I remember the interest rate is about 2%.

Isaac Mah (Group CFO): So the remaining MTNs of SGD350 million will cost us approximately SGD10 million in interest expenses a year.

Lleyleythan Tan (UOB KayHian): Yes So it's basically...[inaudible]. But it's not shown in this full year results...[inaudible].

Isaac Mah (Group CFO): No. So full year results, if I recall, our finance expense is about SGD26 million, but that includes the amounts paid on the Australian dollar funding for acquisitions. So that number should drop 26 to 10. That's all. But that doesn't include the perps.

Ada Lim (BOS): Just trying to get a sense of what actually goes on behind the scenes when you consolidate the Singapore and International businesses together and what sort of synergies we can expect from there?

Isaac Mah (Group CFO): Right. So, previously, the two teams were run by separate management teams. Right now, given that the structures have been collapsed, they are working a lot closer in terms of meeting customers, both customers, local as well as international. Previously, the International business focused more on growing, kind of, overseas lanes, which we have found very challenging to grow just because those commercial lanes, we face a lot of competition, right. So where we are refocusing now is where our competitive advantages are, which is within Singapore and the postal network, so providing those type of services where we have profitable lanes to our customers both inside and outside of Singapore, but with a focus more on the product or the solution that's driven through Singapore, if that makes sense.

Ada Lim (BOS): A little bit more looking into the future. Just wondering, I'm not sure whether you can share if there's a timeline for the strategy reset so we know roughly.

Isaac Mah (Group CFO): So I think the first thing that must happen is the transition of the Board. While the management team has already been working on the components that's required to reach the discussion and the reset of the strategy, we believe that it is only fair for the new Board to be fully constituted and then work with management to finally agree on strategy. So what that means is that given the transition of Board is likely to formally occur at the AGM, then that would need to happen before we would come out to announce.

Ada Lim (BOS): Okay. And then the next question for me is, are there any developments or negotiation with the authorities that we have to proceed in the sale of SingPost Centre?

Isaac Mah (Group CFO): So those conversations are ongoing and given the conclusion of the recent general election in Singapore, we have started to pick up pace on some of those discussions. But right now there's nothing that we can share with.

Jarick Seet (Maybank): Sorry, can I check, end of this year, you have a cash of about SGD696.4 million. So if you pay about SGD200 million, you will probably have about SGD496 million. With your ordinary dividend, maybe you got a SGD450 million cash left on your balance sheet. What will be the use of this cash? Because other than your normal operating expenses which don't need to use, actually only less than 20-30% of this cash level, the rest are just sitting there for a long time, not being efficiently used. So your ROE is very low. And this has been actually occurring for a long time, right? I mean about two years ago since you were selling the business. I understand you have capex plans, but the capex plans is only about maybe SGD30 million, SGD 40 million, right? So, it doesn't even move the needle. So what's the rationale of keeping so much cash on the balance sheet rather than like you say paying off debt or more debt so that the interest cost will be lower? Or you know --

Isaac Mah (Group CFO): So as we shared in my presentation, the cash will go towards repayment of debt, in terms of shareholder, future growth as well as balance sheet management. So in terms of balance sheet management, on the books, we do have quite a significant current liability in terms of the terminal dues. So as at year end, that amount is about SGD160 million and those are current. So it's always prudent to have about that amount there.

On top of that, you know, we've announced, some of the plans that we announced include the SGD 30 million investment. On top of that, if you look at our debt profile, we do have SGD100 million of MTNs coming due next year. So these are just some of the considerations.

On top of that, as part of the strategy reset, we're also looking at opportunities. So, I believe that while I take your point on the fact on yield and kind of return on equity - and that is definitely something that we take into consideration - what we are comfortable paying out, what we can expect now, does give us space to do what we need to do. I think a lot of this will be clearer once the reset strategy has been announced.

Jarick Seet (Maybank): I understand. Got it. And let's say after the strategy reset, you all deem that you have more cash than you need, will you then declare more dividend to shareholders, or it really depends?

Isaac Mah (Group CFO): So that is definitely an option.

Jarick Seet (Maybank): For the current climate right now, with the tariffs and everything, it's actually very hard for you to buy any businesses, I would think so, at the current state. So, when would you think it will be a closest date that you can actually identify some businesses to purchase that will be our thing. And if the Board is setting only in by the AGM - I would think so, right - so, when you think is the earliest that you can actually do any acquisitions?

Isaac Mah (Group CFO): In terms of acquisitions, we're always on the lookout for opportunities that would fit our strategy and bring growth to SingPost. But as I shared, I think there's a few hurdles that we need to cross first, and one is we need the reset of the Board, then the reset of the strategy. Then going forward, we can perhaps share a bit more. But I think that's just a rough indication of where the timeline is.

Jarick Seet (Maybank): Got it. And what would the new sort of admin expenses roughly going to be like for the Group? Because currently, it's at, about SGD116 million roughly *(post meeting clarification: S$110.8 million)*. So what would be the new level?

Isaac Mah (Group CFO): So that SGD116 million actually includes some trading elements as well, so it's not a good reflection of what the central cost is. I think a better number to look at is the unallocated corporate cost, which we have shared in the segmental report. That number, again, as I shared, is a full year number for 24-25, and that is already on a downtrend from 23-24. And as I mentioned earlier, we have already taken action during the last quarter to resize the cost base of which full impact we should see in this fiscal year.

Paul Chew (Phillip Capital): On the International business, how large is the headcount?

Isaac Mah (Group CFO): So the International business used to have its own organisation as well as a sortation or rather, air transit site location at Changi Airport. So that that team has now been collapsed into the Singapore business, so it's a lot more streamlined now. But we do still require a number of people to run the operations on the ground itself.

Paul Chew (Phillip Capital): Just on International business, you deemphasized the overseas part. What is the example of a route -- is it the China to Singapore, then Singapore to Southeast Asia? So, is it a typical route that you probably may not be so focused on?

Isaac Mah (Group CFO): So that's exactly right. So, actually, before COVID, that was the focus for the business, which was kind of from source country to Singapore and then Singapore to the rest of the world, right. Because Singapore has very strong connectivity to many locations as well as frequency, high frequency and well connected..

During COVID, we lost some of that edge and because of that gap in the market, a lot of our customers as well as our competitors went out to develop new solutions and products. We have also tried to do that. However, in that space, we were up against a very intensive competition, and the margins and competition of prices are very, very high. So what we have found in the last, two to three years is that it does not really make sense for us to play in that space given the risk as well as the volatility. So what we are really doing now is going back to where we really shine, which is that from source country into Singapore and then to the rest of the world. So we're really going back to that.

Paul Chew (Phillip Capital): Seems the same - source back to Singapore but now it's from source to...

Isaac Mah (Group CFO): So sorry what I missed in the link was that during COVID, we had to come up with solutions that bypassed Singapore. So we used to, we tried to use other hubs or we used to go direct - commercial solutions - from source country to target country. So that part of the business while it's a very big space globally, we would not -- we didn't have scale, so we lacked scale in that space, so we were not able to really complete effectively as far as we tried. So now we have actually, we have decided to move away from that and focus on where we have a strong competitive edge.

Paul Chew (Phillip Capital): Which is Singapore as the hub.

Isaac Mah (Group CFO): Correct, with Singapore as the hub.

Paul Chew (Phillip Capital): And on Famous, is it a really -- what is the -- you don't have to give me the amount, but is it very high - it's a high net debt company or is it a high net cash company or not?

Isaac Mah (Group CFO): It's net cash.

Lleyleythan Tan (UOB KayHian): What are the plans for the SingPost Centre? So why am I asking that it's like -- is there a need to own 100% of SingPost Centre? Why not own 51% and still control the future decisions? Is the hub here going to move to the new hub that I think came out in the news in March. So, what are the plans? I know I should notice, but I kind of forgot.

Isaac Mah (Group CFO): So, the plan really is to centralise our operations in Tampines. But it will take some years for us to move operations. Right now, in the announcement that we made last month, we are starting to build up our sortation capacity in eLog Hub and this SGD30 million investment will increase our sorting capacity from 100 to 400 (thousand parcels a day). So that will enable us to potentially consolidate volumes for Singapore and perhaps even open up our network to partners, right. So that we feel is a very strong push for us because not only will it improve our operations, but we will also bring efficiencies into the Singapore logistics space for eCommerce. So we're quite excited by that investment, and we see that as one of the key, kind of, cornerstones of our Singapore business going forward.

In terms of this building, currently, we still do need it for operations, and as you said, potentially selling part of it is an option. But until we complete the reset of our strategy, no decision has been taken now for partial divestment. That being said, SingPost Centre continues to be identified as a non-core asset so divestment of this building is definitely on the cards.

Lleyleythan Tan (UOB KayHian): So, like the current sorting capacity here will basically be moved to... then that space, what will that space be used for?

Isaac Mah (Group CFO): So the space here, I believe we mentioned in the announcement as well, that when we eventually move out of SingPost Centre, it will free up about 80,000 square feet of space that could be used for other – 83,000 square feet of space for other purposes.

Lleyleythan Tan (UOB KayHian): It's more like, basically, do more commercial than this.

Isaac Mah (Group CFO): Yes, potentially.

Lleyleythan Tan (UOB KayHian): Do you need more special permission from the regulators to sell? Different regulatory -- different building got different types of...

Isaac Mah (Group CFO): So right now, the space that we use for operation is designated as industrial space for postal activities. So, unless you can find another postal user, you definitely need to apply for a change for use.

Lleyleythan Tan (UOB KayHian): Will it be capex intensive to do it, or just maybe apply online...

Isaac Mah (Group CFO): Normally, there will be a charge and it could be quite significant but obviously, when we do come to that point, there will be a whole business proposal and we will need to make the right returns.

Selena Chong (VP, IR): We have time for maybe one more question.

Ada Lim (BOS): ...in terms of trade tariffs, are you seeing more opportunities in terms of localisation of supply chains given that return to more domestic market in Singapore than rest of the world, or do you see more risk to the downside in the near term?

Isaac Mah (Group CFO): Interesting question. It's quite a hard one to answer because there is -- there are just so many variables and we do see players moving in slightly different directions. But we do know that some have chosen to forward base their supply chain. So that would definitely be a big shift, but it could also be a space where we could take advantage of. So we are watching this space very closely, which is why we feel that although the International business has been challenged, it's still a key offering for us, which is why we are now reintegrating into the postal business and offering it as a total offering to our customer. We do definitely see some opportunities there. But, again, this space is one that is quite volatile, so we're tracking it closely.

Kenneth Ong (Lion Global): What do you mean by bringing closer to your supply chain?

Isaac Mah (Group CFO): So it's some players, what they have done is that they have decided to forward base their supply chains. So, for example, if you are selling something from China to Southeast Asia, instead of selling your parcel or goods from China to Malaysia, China to Indonesia, you might forward supply all your goods to Singapore or to Malaysia, and then do your fulfillment from that country outside of the manufacturing country. So it's one of the trends that we are seeing.

Kenneth Ong (Lion Global): Is that to get around tariffs or it's just to have better access?

Isaac Mah (Group CFO): Typically, it's for improved service so then the lead times are faster.

Selena Chong (VP, IR): If there are no more questions, we'll bring the session to a close. We thank everyone for your participation and to our webcast users online too. Thank you.

Isaac Mah (Group CFO): Thank you, everyone.

END