Media Release

Singapore Post net profit up 10.3% to S$27.7 million in Q2

- **Revenue rose 2% to S$324.4 million, led by higher International post and parcel revenue arising from cross-border eCommerce deliveries**
- **Profit on operating activities fell 22.2% due to lower Domestic letter mail volumes and slowdown in the freight forwarding sector**
- **Excluding exceptional items, Underlying Net Profit declined 4.6% as the improved results from associated companies partly offset Post & Parcel segment and freight forwarding business decline**
- **Interim dividend of 0.5 cent per share declared**

Financial Highlights

GROUP RESULTS	Q2 FY19/20 (S$'000)	Q2 FY18/19 (S$'000)	Variance	H1 FY19/20 (S$'000)	H1 FY18/19 (S$'000)	Variance
***Continuing operations*[1]**						
Revenue	324,393	318,063	2.0%	645,648	639,198	1.0%
Operating expenses	(287,586)	(271,396)	6.0%	(567,616)	(545,506)	4.1%
Profit on operating activities	38,664	49,671	(22.2%)	80,965	96,978	(16.5%)
Share of loss of associated companies and joint venture	319	(3,632)	N.M.	64	(7,109)	N.M.
Exceptional items	936	(2,944)	N.M.	985	(8,906)	N.M.
***Discontinued operations*[2]**						
Loss from discontinued operations	(4,528)	(10,236)	(55.8%)	(11,994)	(18,021)	(33.4%)
Group total						
Net profit	27,729	25,149	10.3%	53,411	43,864	21.8%
Underlying net profit	26,793	28,093	(4.6%)	52,426	52,770	(0.7%)
Dividend per share(cents)	0.5	0.5	-	1.0	1.0	-

N.M. – Not meaningful

SINGAPORE, 1 November 2019 – Singapore Post Limited (SingPost) today announced its results for the quarter and half year ending 30 September 2019.

[1,2] SingPost announced on 19 September 2019 that its U.S eCommerce subsidiaries, Jagged Peak and TradeGlobal, filed for voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States.

Following the announcement, SingPost has since deconsolidated the financials for the U.S. businesses from the rest of the Group, and will no longer recognise profit or loss from the U.S. subsidiaries. As such, for the second quarter and half year ending 30 September 2019, the consolidated financial statement of the Group is presented as 'Continuing Operations', which excludes the U.S. subsidiaries. Losses from the U.S. subsidiaries for the same period are presented as a single line item in the financial statement as 'Discontinued Operations'.

Revenue for the quarter rose 2% to S$324.4 million, led by higher International post and parcel revenue arising from cross-border eCommerce deliveries. This is partially offset by a decline in Domestic post and parcel revenue, which is accelerated by a sharp reduction in both business letter volumes and advertising mail, and a drop in freight forwarding revenue as a result of lower volumes from the slowdown in global trade. For H1, revenue was stable against last year.

Net profit attributable to equity holders increased by 10.3% to S$27.7 million for Q2 and 21.8% to S$53.4 million for H1 respectively, due to improved performance from associated companies and joint venture, as well as an absence of exceptional fair value loss on warrants from an associated company incurred last year.

Excluding the impact of exceptional items, underlying net profit slipped 4.6% to S$26.8 million for the quarter, as improved results from associated companies and joint venture remained insufficient to offset the drop in earnings from the Post and Parcel segment and freight forwarding business. Underlying net profit for the first half of the financial year held stable at S$52.4 million.

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Mr Paul Coutts, Group Chief Executive Officer, said: “Domestic letter mail volume continues to decline while eCommerce-related package volume continues to grow, leading to the overall lower blended margins of our financial performance, partly offset by our cost leadership programme.

“To further mitigate the impact of this trend, we have recently announced a streamlining of domestic postal products and an increase in international mail rates that will come into effect from 2 December 2019.

“SingPost remains optimistic in the actions we are taking to reposition ourselves for the future. These initiatives, such as our Smart Letterbox system, will undoubtedly transform Singapore’s postal landscape and position us for the future,” Mr Coutts added.

Performance of Business Segments

In the Post and Parcel segment, revenue rose 5.3% for Q2 and 2.9% for H1. International post and parcel revenue rose on the back of higher cross-border eCommerce related deliveries, but this was partially offset by a decline in Domestic revenue. Profit on operating activities slid 20.8% to S$33.8 million for Q2 and 14.9% to S$71.3 million for H1.

Domestically, the growth from eCommerce-related deliveries was insufficient to offset an accelerated decline in business letter volumes. This is intensified by a further reduction in advertising mail volumes and higher costs incurred for service quality improvements, including the hiring of additional postmen for increased eCommence deliveries and enhancement of their remuneration since the beginning of the financial year.

The Logistics segment saw a decline in revenue by 2.5% in Q2 and 2.4% in H1 respectively, due largely to the depreciation of the Australian dollar against the Singapore dollar for CouriersPlease, our courier delivery service in Australia. Without depreciation of the Australian dollar, the segment would have been largely stable against the previous year.

Overall, losses on operating activities for the Logistics segment widened to S$0.9 million for Q2 and S$2.6 million for H1 respectively. While Quantium Solutions has benefited from the improved operating leverage due to higher revenue, the segment as a whole suffered a wider loss as a result of higher on-boarding costs for eCommerce customers in Asia Pacific and lower freight forwarding volumes due to a global slowdown of trade.

For the Property segment, which comprises commercial property, rental and self-storage business, revenue remained largely stable at S$30.3 million for Q2 and S$60.2 million for H1, with SingPost Centre retail mall and office remaining at close to full occupancy. Profit on operating activities for Q2 rose 3.1% to S$13.8 million, and held stable for H1 at S$26.6 million.

Adjustments to Postal Services

To meet the demands brought about by changes in Singapore's postal landscape, including the growth of eCommerce and falling mail volumes, SingPost is adjusting some of its existing products and services from 2 December 2019. This was announced on 30 October 2019.

The measures include the introduction of two new postal service categories – Basic Package and Tracked Package. They also include the reduction of the maximum allowable weight for Basic Mail (previously known as Ordinary Mail) to 500g, as well as limiting Registered Service (Singapore) to only letters and printed papers.

International airmail rates will also cost $0.10 to $0.20 more, depending on country zones, due to international settlement rate increases made annually by the Universal Postal Union (UPU).

The adjustments follow a full review of SingPost's entire range of products and are part of SingPost's ongoing efforts to meet the fast evolving needs of the local community. In the longer term, SingPost is also looking at reimagining Singapore's postal service by introducing Smart Stamps and Smart Letterbox, which were showcased in September 2019.

Interim dividend

For the second quarter of FY2019/20, the Board of Directors has declared an interim dividend of 0.5 cent per ordinary share (tax exempt one-tier), to be paid on 29 November 2019.

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About Singapore Post Limited

For over 160 years, Singapore Post (SingPost), as the country's postal service provider, has been delivering trusted and reliable services to homes and businesses in Singapore.

Today, SingPost is pioneering and leading in eCommerce logistics as well as providing innovative mail and logistics solutions in Singapore and around the world, with operations in 19 markets.

Building on its trusted communications through domestic and international postal services, SingPost is taking the lead in end-to-end integrated and digital mail solutions. The suite of SingPost eCommerce logistics solutions includes front end web management, warehousing and fulfilment, last mile delivery and international freight forwarding.