

# Q2 FY2016/17 Financial Results

4 November 2016



## Overview & Q2 FY2016/17 Financials

eCommerce-Related Revenues

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Supplementary Information

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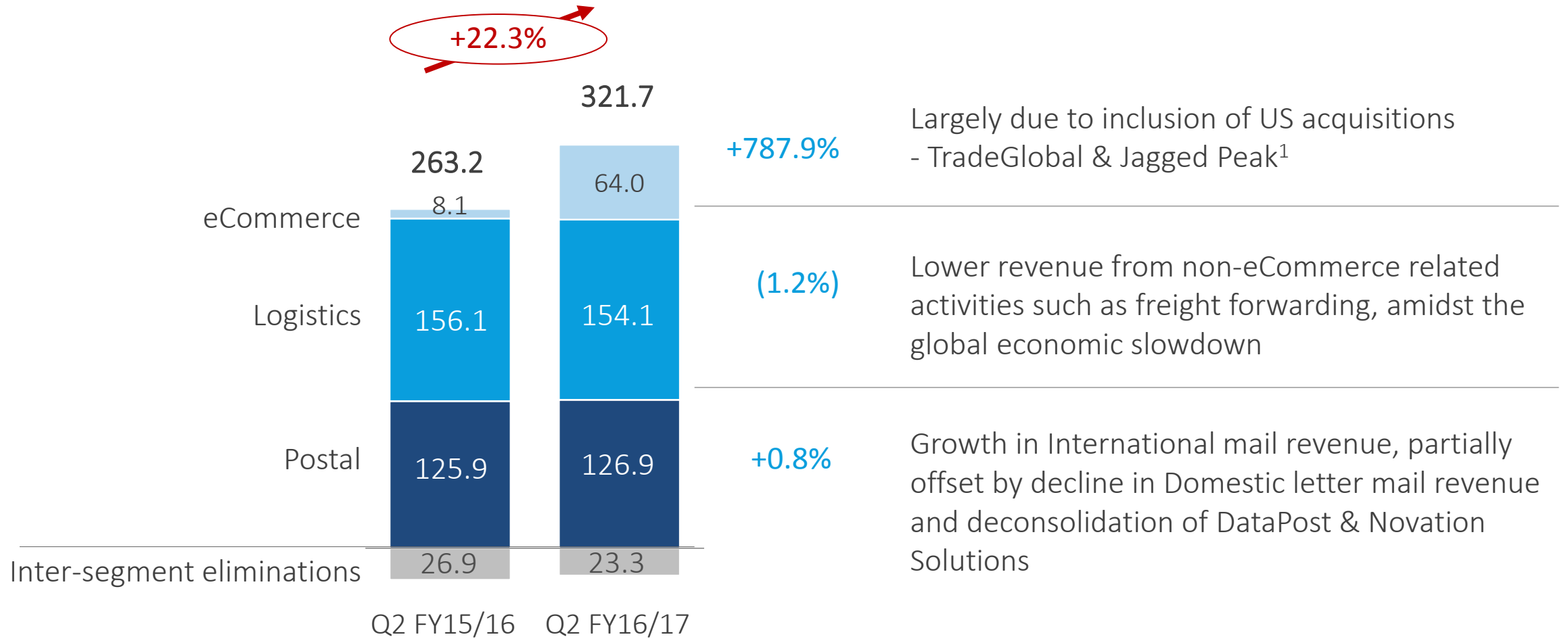
## Q2 FY2016/17: Underlying net profit declined 27.9%, due largely to investments in business transformation

Q2 FY2016/17 P&L, \$M

	Q2 FY16/17	Q2 FY15/16	YoY % change	
<b>Revenue</b>	<b>321.7</b>	263.2	+22.3%	Revenue growth driven by the inclusion of US eCommerce acquisitions
Other income and gains				
Rental and property-related income	9.0	10.0	(10.7%)	Operating Profit and Net Profit declined due largely to one-off gains from divestment of DataPost last year
Miscellaneous	6.7	29.5	(77.3%)	
Total expenses	<b>298.2</b>	241.1	+23.7%	
<b>Operating Profit</b>	38.1	64.5	(40.9%)	Underlying Net Profit declined 27.9% due to higher costs in the eCommerce business, costs related to the new Regional eCommerce Logistics Hub, loss of rental income from SPC mall redevelopment, as well as lower domestic letter mail volumes.
Share of associated companies & JVs	0.3	1.7	(80.2%)	
Net profit attributable to equity holders	31.4	53.4	(41.2%)	
<b>Underlying Net Profit</b>	<b>27.1</b>	<b>37.5</b>	<b>(27.9%)</b>	

# Revenue growth driven by inclusion of US eCommerce acquisitions

Q2 FY2015/16 vs. Q2 FY2016/17 Revenue performance, \$M



Differences in total due to rounding

1. The acquisitions of TradeGlobal and Jagged Peak were completed in November 2015 and March 2016 respectively.

## Increased expenses with consolidation of acquisitions and change in business mix

Total expenses Q2 FY2016/17 breakdown, \$M

	Q2 FY16/17	Q2 FY15/16	YoY % change	
Labour & related	87.7	74.1	+18.2%	— Higher headcount post acquisitions
Volume-related	161.9	116.9	+38.5%	] Higher International mail outpayments partially offset by lower freight forwarding conveyance costs
<i>Traffic &amp; related</i>	89.6	80.8	+10.9%	
<i>Outsourced services</i>	72.3	36.1	+100.3%	
Admin & others	35.3	37.7	(6.2%)	— Largely due to outsourced services engaged by Couriers Please & Jagged Peak, and cost of sales related to eCommerce business
Depreciation & amortisation	11.3	6.6	+72.3%	] Mainly from depreciation on Regional eCommerce Logistics Hub <sup>1</sup>
Selling	1.9	1.8	+9.5%	
Finance expense	0.1	4.0	(98.5%)	— Favourable non-trade related forex translation differences compared to same period last year
<b>Total expenses</b>	<b>298.2</b>	<b>241.1</b>	<b>+23.7%</b>	

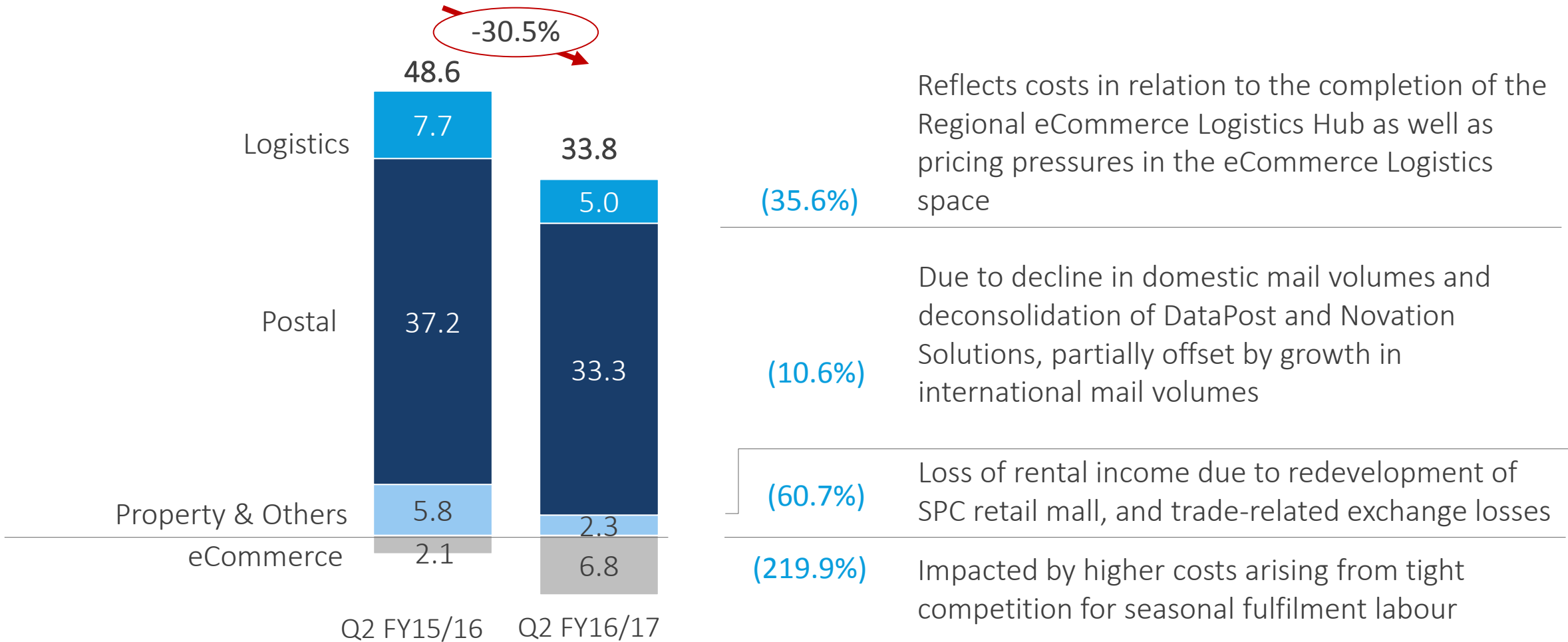
Differences in total due to rounding

1. The building obtained Temporary Occupation Permit or TOP in April 2016



# Underlying Operating Profit

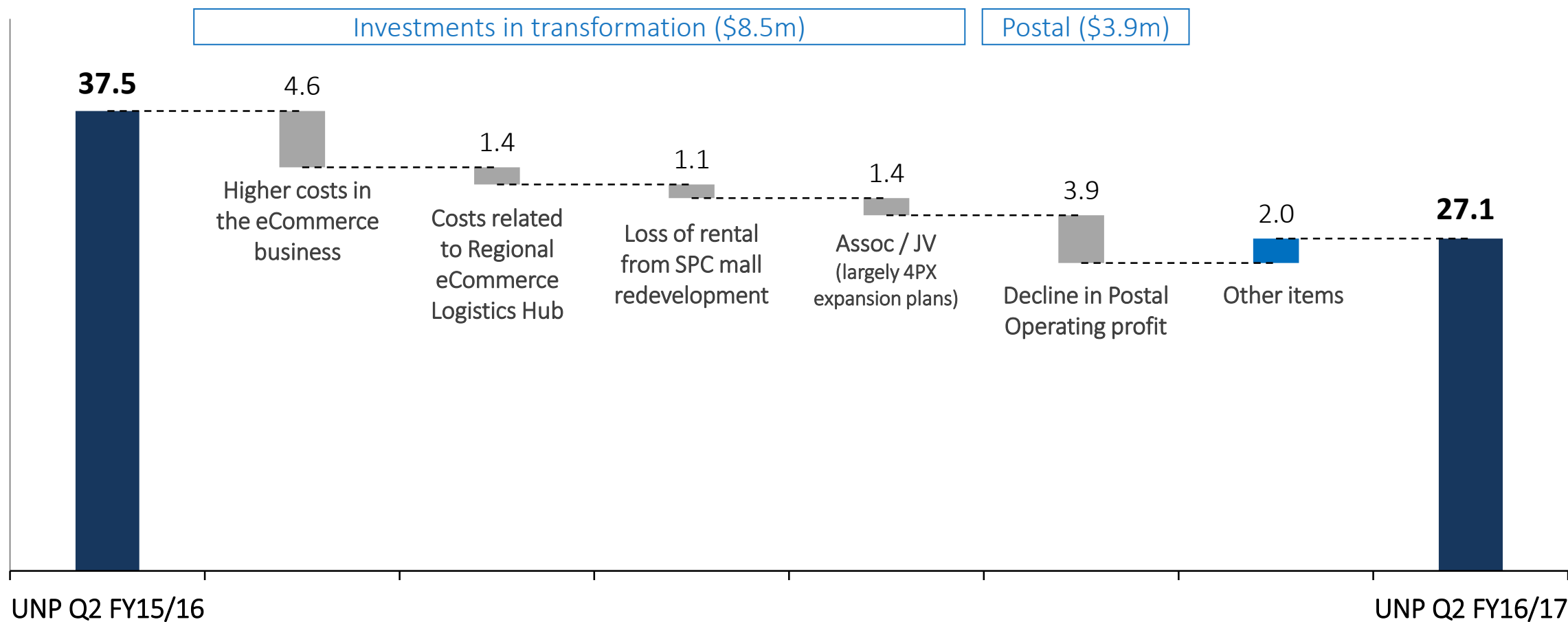
Q2 FY2015/16 vs. Q2 FY2016/17 Underlying Operating Profit performance, \$M



Differences in total due to rounding

# Q2 FY2016/17 Underlying Net Profit movement

Q2 FY2015/16 vs. Q2 FY2016/17 Underlying Net Profit performance, \$M



# H1 FY2016/17 Profit & Loss Statement



H1 FY2016/17 P&L, \$M

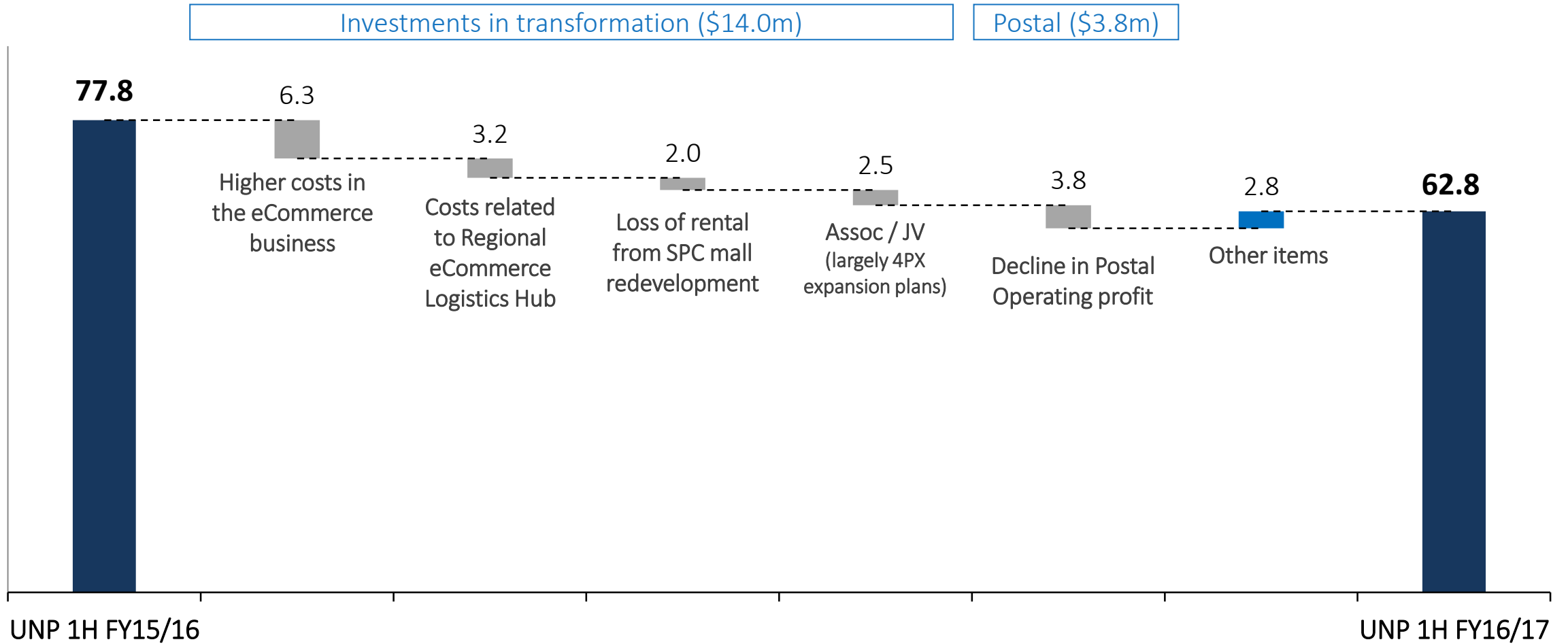
	H1 FY16/17	H1 FY15/16	YoY % change	
<b>Revenue</b>	<b>655.1</b>	517.8	+26.5%	Revenue growth driven by the inclusion of US acquisitions
Other income and gains				
Rental and property-related income	18.6	20.6	(9.6%)	Operating Profit and Net Profit declined due largely to one-off gains from divestments last year
Miscellaneous	9.2	43.2	(78.8%)	
<b>Total expenses</b>	<b>595.8</b>	463.8	+28.5%	
<b>Operating Profit</b>	87.5	122.2	(28.4%)	Underlying Net Profit declined 19.3% due to higher costs in the eCommerce business, costs related to the new Regional eCommerce Logistics Hub, loss of rental income from SPC mall redevelopment, as well as lower domestic letter mail volumes.
Share of associated companies & JVs	0.9	3.4	(72.9%)	
Net profit attributable to equity holders	67.3	100.0	(32.7%)	
<b>Underlying Net Profit</b>	<b>62.8</b>	<b>77.8</b>	<b>(19.3%)</b>	



# 1H FY2016/17 Underlying Net Profit movement



1H FY2015/16 vs. 1H FY2016/17 Underlying Net Profit performance, \$M



## Balance sheet & financial indicators

\$M, unless otherwise stated

	Cash flow	H1 FY16/17	H1 FY15/16	
Operating cash flow (before working capital changes)		105.1	96.3	— Improved operating cash flows, further boosted by positive working capital movement. Net cash from operating activities rose strongly to \$99.9million
<i>Changes in working capital</i>		11.1	(58.8)	
Net cash provided by operating activities		99.9	21.9	
Cash flow used in investing activities		(99.6)	(175.1)	— Included capital expenditure for the construction of the Regional eCommerce Logistics Hub and redevelopment of SPC retail mall
Cash flow (used in) / provided by financing activities		31.1	(104.3)	
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>		<b>31.4</b>	<b>(257.5)</b>	
Financial indicators		As at Sep 2016	As at Mar 2016	
Cash & cash equivalents at end of financial period		158.0	126.6	— Increased borrowings with cash and short-term funds utilised for committed capital expenditure
Borrowings		406.4	280.3	
Net debt position		248.4	153.6	— Interest coverage ratio remains strong. Excluding one-off divestment gains, the ratio in March was 29.8x
EBITDA to interest expense (times)		26.6X	42.1X	
Net debt to ordinary shareholders equity (%)		21.0%	12.8%	— Higher due to increased borrowings

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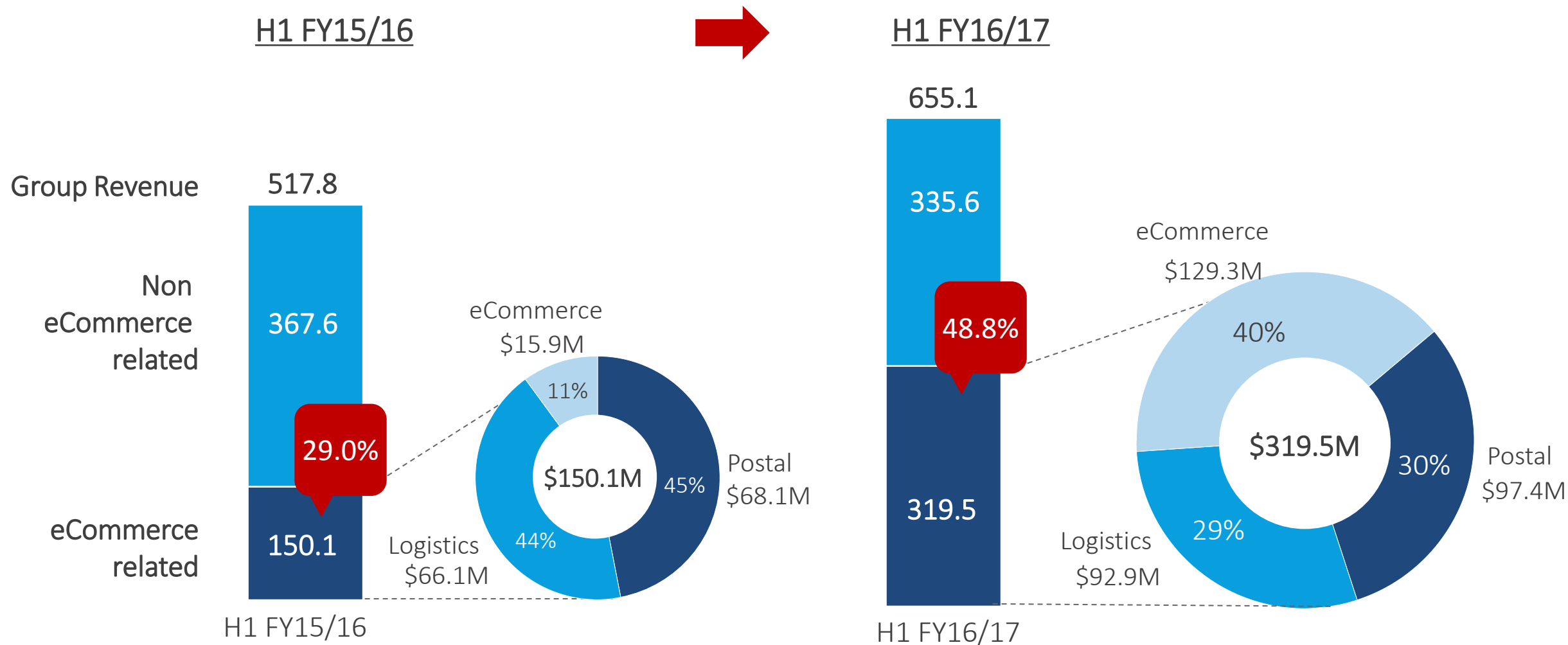
## Supplementary Information

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# eCommerce-related revenues now 48.8% of Group revenue

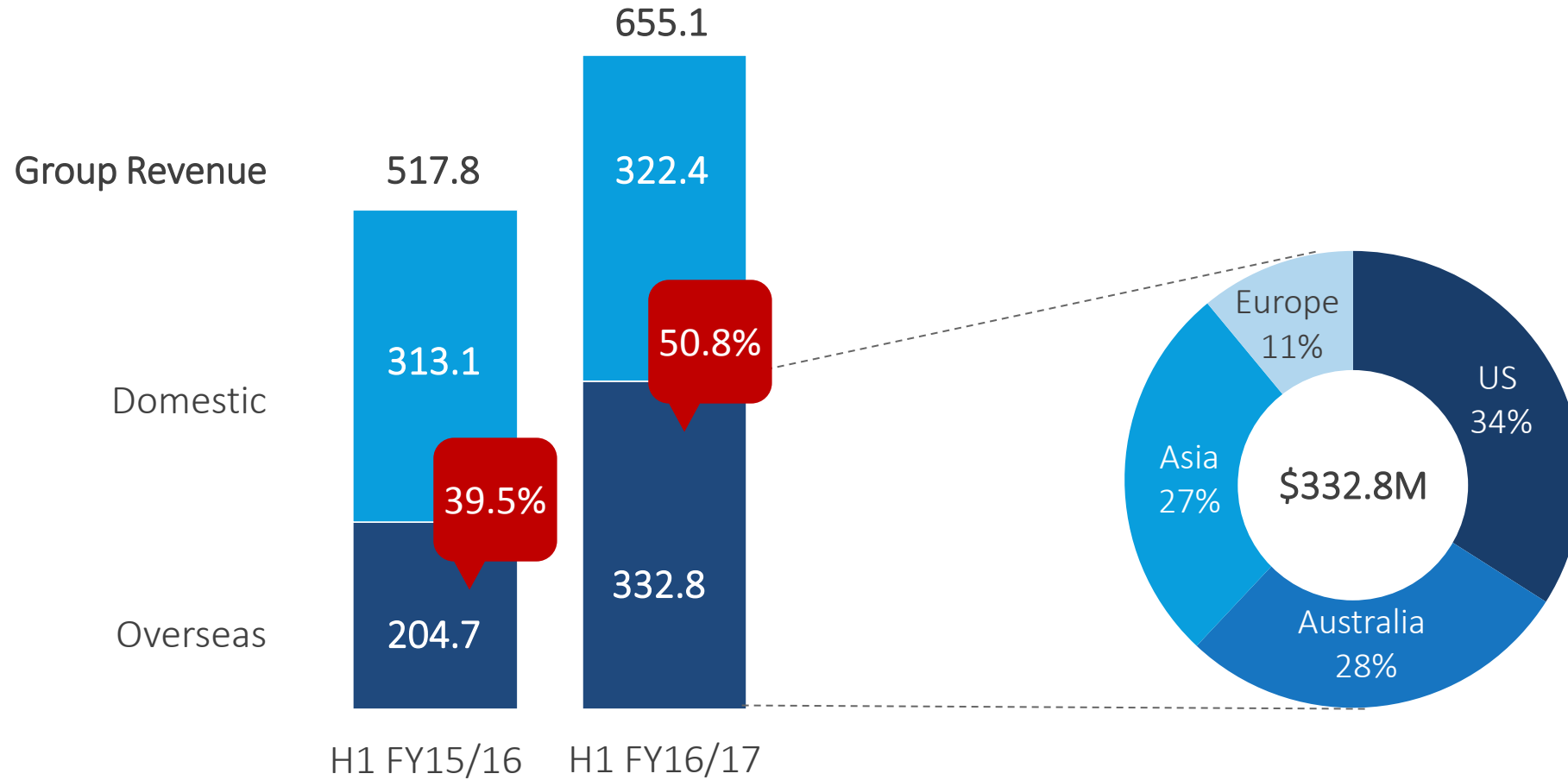
Revenue performance, H1 FY2015/16 vs H1 FY2016/17, \$M



Differences in total due to rounding

# Overseas revenue now 50.8% of Group revenue

Group revenue footprint H1 FY2015/16 vs H1 FY2016/17, \$M



Differences in total due to rounding

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## Postal: Q2 FY2016/17 Performance

\$M



Postal	Q2 FY16/17	Q2 FY15/16 <sup>1</sup>	YoY % change
Revenue	126.9	125.9	+0.8%
Operating profit	33.3	37.2	(10.6%)
OP margin	26.2%	29.6%	

Revenue breakdown	Q2 FY16/17	Q2 FY15/16 <sup>1</sup>	YoY % change
Domestic mail <sup>2</sup>	60.4	63.9	(5.5%)
International mail	58.9	49.3	+19.5%
Post office products & services <sup>3</sup>	7.6	9.4	(19.1%)
Novation Solutions/DataPost <sup>4</sup>	-	3.3	(100.0%)
<b>Total</b>	<b>126.9</b>	<b>125.9</b>	<b>+0.8%</b>

Revenue rose due to strong growth in international cross-border eCommerce related deliveries, partially offset by decline in Domestic mail volumes.

Domestic mail contribution was impacted by one-off postings in Q2 last year for SG50 and General Election 2015, as well as a one-off boost from philatelic sales at the World Stamp Exhibition 2015 which was held in Singapore last August.

Decline in Postal OP is largely due to the drop in Domestic mail OP, while margins reflect the change in mix between Domestic & International mail.

1. Figures in the comparative period last year have been adjusted to be consistent with the current classification

2. Includes Philatelic

3. Includes Agency services, Retail products and Financial services

4. Novation Solutions was divested in Q1 FY15/16 and DataPost was divested in Q2 FY15/16

## Logistics: Q2 FY2016/17 Performance

\$M

Logistics	Q2 FY16/17	Q2 FY15/16 <sup>1</sup>	YoY % change
Revenue	154.1	156.1	(1.2%)
Operating profit	5.0	7.7	(35.6%)
OP margin	3.2%	4.9%	

Revenue declined 1.2%, with lower contribution from non-eCommerce related activities amidst a global economic downturn.

Famous' revenue was impacted by depressed freight rates and lower volumes.

Revenue breakdown	Q2 FY16/17	Q2 FY15/16 <sup>1</sup>	YoY % change
Quantium Solutions	26.5	27.8	(4.6%)
Couriers Please	35.0	31.0	+13.1%
SP Parcels	18.0	18.5	(2.5%)
Famous	56.1	60.9	(7.9%)
Others	18.5	17.9	+3.2%
<b>Total</b>	<b>154.1</b>	<b>156.1</b>	<b>(1.2%)</b>

Couriers Please revenue rose on strong increase in volumes, but OP was impacted by costs incurred to increase handling capacity.

Decline in Logistics OP reflects costs incurred in relation to the completion of the Regional eCommerce Logistics Hub as well as pricing pressures in the eCommerce Logistics space.

1. Figures in the comparative period last year have been adjusted to be consistent with the current classification

## eCommerce: Q2 FY2016/17 Performance

\$M

eCommerce	Q2 FY16/17	Q2 FY15/16 <sup>1</sup>	YoY % change
Revenue	64.0	8.1	@
Operating profit	(6.8)	(2.1)	(219.9%)
OP margin	(10.6%)	(26.0%)	

Revenue breakdown	Q2 FY16/17	Q2 FY15/16 <sup>1</sup>	YoY % change
TradeGlobal	29.7	-	N.M.
Jagged Peak	24.8	-	N.M.
SP eCommerce <sup>2</sup>	9.5	8.1	16.6%
<b>Total</b>	<b>64.0</b>	<b>8.1</b>	<b>@</b>

eCommerce revenue rose with the inclusion of US acquisitions TradeGlobal and Jagged Peak.

SP eCommerce's performance improved year-on-year as it continued to gain traction with customers in Asia-Pacific.

The Group continued to invest in IT and operational capabilities. In particular, tight competition for seasonal fulfillment labour in the US drove up cost significantly.

As a result, operating losses rose to \$6.8 million.

N.M.: Not meaningful

@ denotes more than 300%

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2. Revenue and operating profit contribution of end-to-end eCommerce customers using warehousing, freight, last mile and/or customer care services are reported under the Logistics segment 16

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## A) Regional eCommerce Logistics Hub opened on 1 November 2016



### SingPost's largest eCommerce investment in Singapore

- Total cost S\$182 million.

### Fully automated parcel sorting and warehousing facility

- Total built-up area of 553,000 square feet.
- Two warehousing floors, 150 simultaneous loading bays as well as an office block.
- Ground floor houses a fully automated parcel sorting facility with a capacity of up to 100,000 parcels a day.

### Scalable, provides improvements in cost efficiency

- Scalable and upgradeable for future needs.
- Expected to provide improvements in operating and cost efficiencies.



## B) SingPost strengthens collaboration with Alibaba in eCommerce Logistics



### Completion of Alibaba's investment of S\$86.2 million for a 34% stake in Quantum Solutions International on 27 October 2016

- QSI will be a common platform to grow and enhance eCommerce logistics capabilities in Southeast Asia and Oceania.
- Funds will be used to strengthen QSI's end-to-end eCommerce logistics network, building scale for future profitability.

### Regulatory approval obtained for Alibaba's second investment of S\$187.1 million in SingPost

- Approval from the Info-communications Media Development Authority has been obtained for Alibaba to increase its interest in SingPost to 14.4%, from 10.2% currently.
- Alibaba's further investment is targeted to be completed by 28 February 2017, in light of the timeline required to obtain approvals from:
  - The Singapore Exchange for the listing, quotation and trading of new shares on the Main Board of the SGX-ST.
  - SingPost's shareholders at an Extraordinary General Meeting.





### Recommendations of the Corporate Governance Review have been substantially implemented

Key implementations include:

- The ExCo being reconstituted as a Finance and Investment Committee to enhance financial governance;
- Adoption of a Mergers and Acquisition Policy;
- Adoption of a Market Disclosure Policy; and
- Formation of a Market Disclosure Committee.

An independent party is verifying the implementation, so as to provide assurance to investors.

### Three new Non-Executive, Independent Directors bring broader perspective and diversity

- Mrs Fang Ai Lian, Ms Elizabeth Kong and Mr Bob Tan were appointed to the Board on 10 Oct 2016.
- With these additions, SingPost will have 11 Directors, seven of whom are Independent.

### Update on GCEO search

- The Board expects to make an appointment by the end of this calendar year.

## D) Update on Dividend Review

The Board has completed a review of the dividend policy and has revised the policy to ensure that the dividends are sustainable and paid out of underlying earnings.

Dividends in the past had been largely supported by the domestic mail business, which continues to see declining volumes. To provide future sources of earnings, significant transformational investments have been made in eCommerce, eCommerce Logistics and in the redevelopment of the SPC retail mall.

In the short term, however, these investments will impact earnings. We have raised capital and taken on debt to fund these investments. The need to review the dividend policy should be understood in this context.

The Board's objective is to grow underlying earnings and dividends over time.

### Change in dividend policy

The dividend policy has been changed from an absolute amount to one based on a payout ratio ranging from **60% to 80% of underlying net profit** for each financial year, paid quarterly.

For the second quarter of FY16/17, SingPost has declared an interim dividend of 1.0 cent per share.

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Revenue growth driven by the inclusion of US eCommerce acquisitions.

Underlying net profit declined largely due to investments in business transformation:

- Higher costs in the eCommerce business;
- Costs related to the new Regional eCommerce Logistics Hub;
- Loss of rental income from SPC mall redevelopment;

and

- Lower domestic letter mail volumes.

Q2 FY16/17 interim dividend of 1.0 cent per share

In the Postal segment, Domestic mail remains under pressure with declining volumes but the impact was partially offset by growth from International mail volumes. The shift in revenue mix towards International mail will lead to a decline in margins on a blended basis.

The Logistics segment is expected to continue to benefit from growing eCommerce trends. As the Group scales up the business for future growth, higher operating expenses are expected from investments in further network development. The opening of the new Regional eCommerce Logistics Hub on 1 November 2016 will also result in higher depreciation expenses.

Under eCommerce, the businesses of the US eCommerce entities TradeGlobal and Jagged Peak are highly seasonal and will be entering the holiday peak months of November and December where volumes are expected to pick up. While the businesses have been preparing for the peak period, tight competition for seasonal fulfilment labour is expected to drive up costs significantly. This will impact margins, but will be partly mitigated by investment in automation.

The redevelopment of the Singapore Post Centre (“SPC”) retail mall is expected to be completed around mid-2017, and leasing for the mall has commenced. The Group continues to forgo rental income during this period of redevelopment.

Capital expenditure is expected to remain high in FY2016/17 from committed capital expenditure for the ongoing redevelopment of SPC retail mall.

The share of profit of associated companies and joint ventures will be impacted by a decline in share of profits from GD Express due to a lower equity shareholding percentage following a partial divestment last year.

SingPost will continue to invest in transformation while integrating and extracting synergies from its acquisitions.



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## Postal: H1 FY2016/17 Performance

\$M



	Postal	H1 FY16/17	H1 FY15/16 <sup>1</sup>	YoY % change
Revenue		264.0	261.0	+1.2%
Operating profit		75.4	79.2	(4.8%)
OP margin		28.6%	30.3%	



Revenue breakdown	H1 FY16/17	H1 FY15/16 <sup>1</sup>	YoY % change
Domestic mail <sup>2</sup>	124.4	130.8	(4.8%)
International mail	124.5	99.6	+25.0%
Post office products & services <sup>3</sup>	15.1	19.3	(22.1%)
Novation Solutions/DataPost <sup>4</sup>	-	11.3	(100.0%)
<b>Total</b>	<b>264.0</b>	<b>261.0</b>	<b>+1.2%</b>

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2. Includes Philatelic

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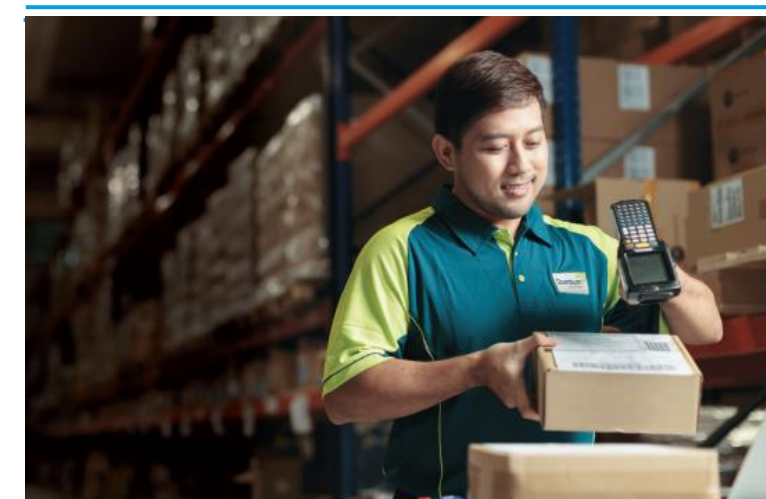
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## Logistics: H1 FY2016/17 Performance

\$M

Logistics	H1 FY16/17	H1 FY15/16 <sup>1</sup>	YoY % change
Revenue	310.8	296.1	+5.0%
Operating profit	12.2	14.6	(16.2%)
OP margin	3.9%	4.9%	

Revenue breakdown	H1 FY16/17	H1 FY15/16 <sup>1</sup>	YoY % change
Quantium Solutions	55.0	54.2	+1.4%
Couriers Please	68.9	60.5	+13.9%
SP Parcels	36.9	37.3	(1.2%)
Famous	112.2	107.6	+4.3%
Others	37.9	36.5	+3.7%
<b>Total</b>	<b>310.8</b>	<b>296.1</b>	<b>+5.0%</b>



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# eCommerce: H1 FY2016/17 Performance



\$M

eCommerce	H1 FY16/17	H1 FY15/16 <sup>1</sup>	YoY % change
Revenue	129.3	15.9	@
Operating profit	(10.3)	(4.0)	(154.5%)
OP margin	(8.0%)	(25.4%)	



Revenue breakdown	H1 FY16/17	H1 FY15/16 <sup>1</sup>	YoY % change
TradeGlobal	60.5	-	N.M.
Jagged Peak	50.2	-	N.M.
SP eCommerce <sup>2</sup>	18.5	15.9	16.5%
<b>Total</b>	<b>129.3</b>	<b>15.9</b>	<b>@</b>

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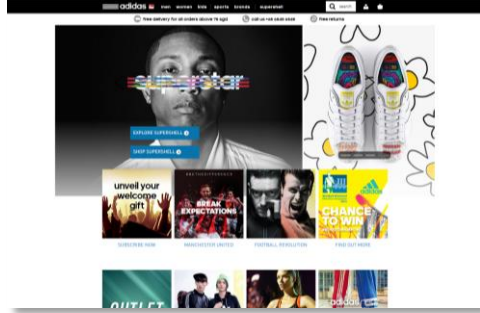
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# eCommerce Logistics Network Development



## 1 eCommerce Services



## 2 Freight, Customs & Regulations Mgmt



## 3 Warehousing & Fulfilment



## 4 Last Mile Delivery & Returns



## Key management

### eCommerce



**Marcelo Wessler**  
CEO,  
SP eCommerce

### Logistics



**Sam Ang**  
CEO,  
Quantum Solutions  
Famous Holdings Group

### Postal



**Woo Keng Leong**  
CEO,  
Postal Services

### International mail



**Goh Hui Ling**  
Deputy CEO,  
International Mail

### Corporate Services, Post-merger integration



**Mervyn Lim,**  
Covering GCEO;  
Group CFO;  
Deputy GCEO (Corporate Services)



Thank you

