

Q2 & H1 FY2017/18 Financial Results

14 Nov 2017



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Summary

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Q2 FY2017/18 Profit & Loss

Q2 FY2017/18 P&L, \$M

	Q2 FY17/18	Q2 FY16/17	YoY % change
Revenue	354.7	321.7	+10.2%
Other income and gains (net)			
Rental and property-related income	10.6	9.0	+18.2%
Miscellaneous	3.7	1.9	+98.5%
Total expenses	341.4	297.8	+14.7%
Exceptional items	0.9	4.4	(79.6%)
Operating profit	29.9	38.1	(21.6%)
Share of associated companies & JVs	4.9	0.3	@
Net profit attributable to equity holders	28.5	31.4	(9.5%)
Underlying net profit	27.6	27.1	+1.9%

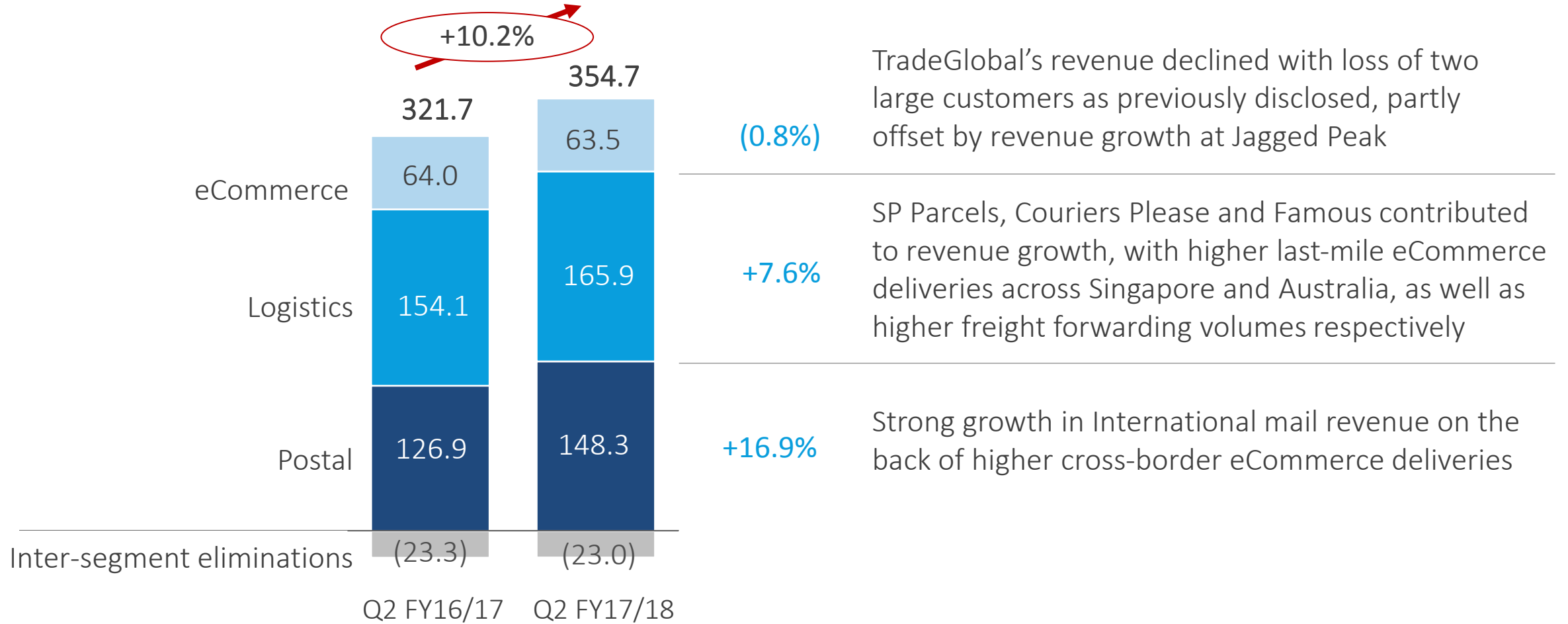
– Led by growth in the Postal and Logistics segments

In Q2 last year, there was an exceptional gain of S\$4.4 million largely due to a gain on dilution of interest in an associated company

Excluding exceptional items, underlying net profit rose 1.9% driven by improved performance from Postal, eCommerce, associates and joint ventures

Revenue movement

Q2 FY2016/17 vs. Q2 FY2017/18 Revenue performance, \$M



Differences in total due to rounding

Operating expenses

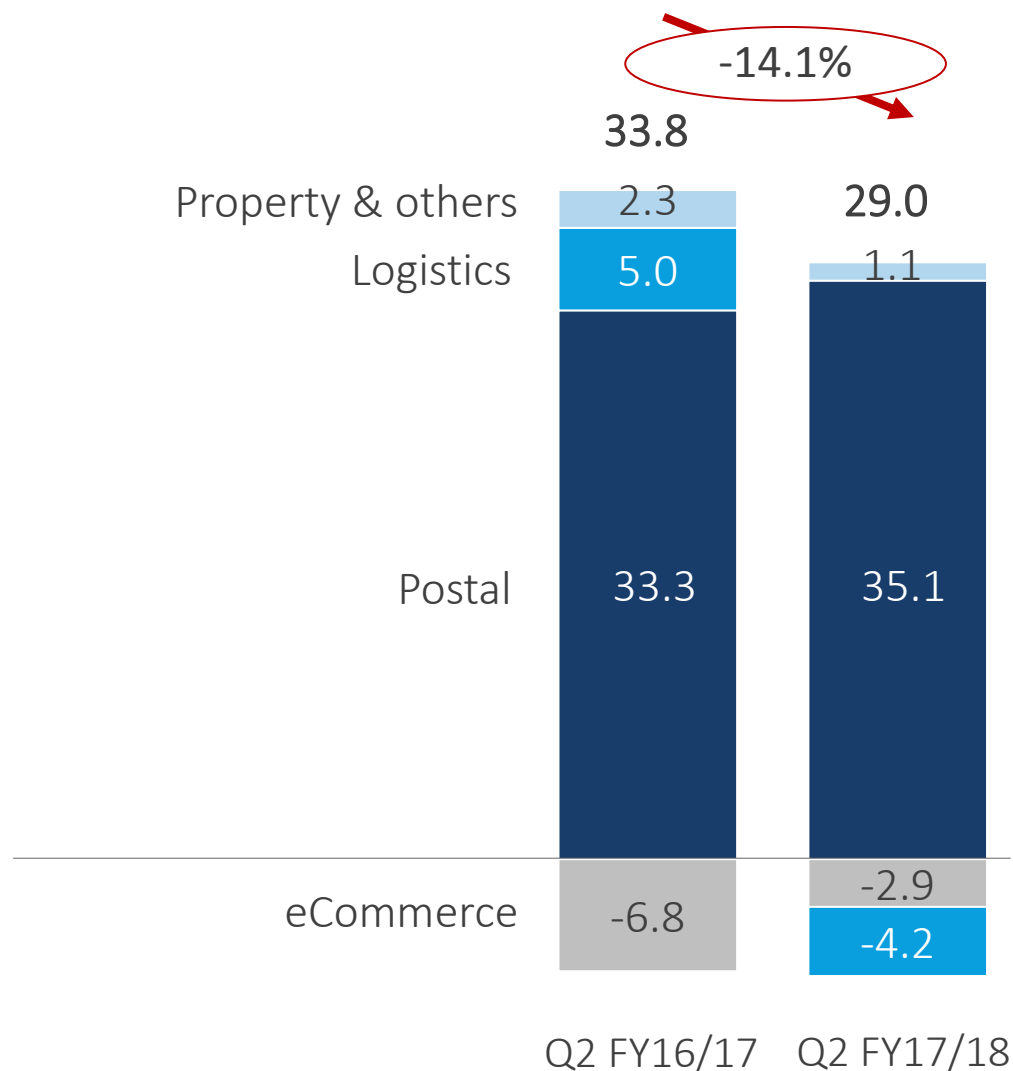
Total expenses Q2 FY2017/18 breakdown, \$M

	Q2 FY17/18	Q2 FY16/17	YoY % change	
Labour & related	90.4	87.7	+3.1%	higher temporary and contract staff to support growth in the business
Volume-related	187.6	161.9	+15.9%	higher International mail terminal dues and conveyance costs
<i>Traffic & related</i>	116.0	85.6	+35.5%	
<i>Outsourcing services and delivery expenses</i>	71.6	76.3	(6.2%)	
Admin & others	38.9	34.9	+11.6%	higher equipment depreciation costs at the Regional eCommerce Logistics Hub, and shortening of amortisation period for intangible assets of TradeGlobal
Depreciation & amortisation	15.2	11.3	+33.9%	
Selling	6.5	1.9	+238.6%	mainly due to doubtful debt provision
Finance expense	2.8	0.1	@	mainly due to unfavourable non-trade related foreign exchange translation differences
Total expenses	341.4	297.8	+14.7%	

Differences in total due to rounding
 @ denotes variance exceeding 300%

Operating Profit before exceptional items

Q2 FY2016/17 vs. Q2 FY2017/18 Operating Profit performance, \$M



(51.5%) Largely due to pre-opening expenses for SingPost Center retail mall

+5.3% Higher International mail operating profit helped offset decline in Domestic mail contribution

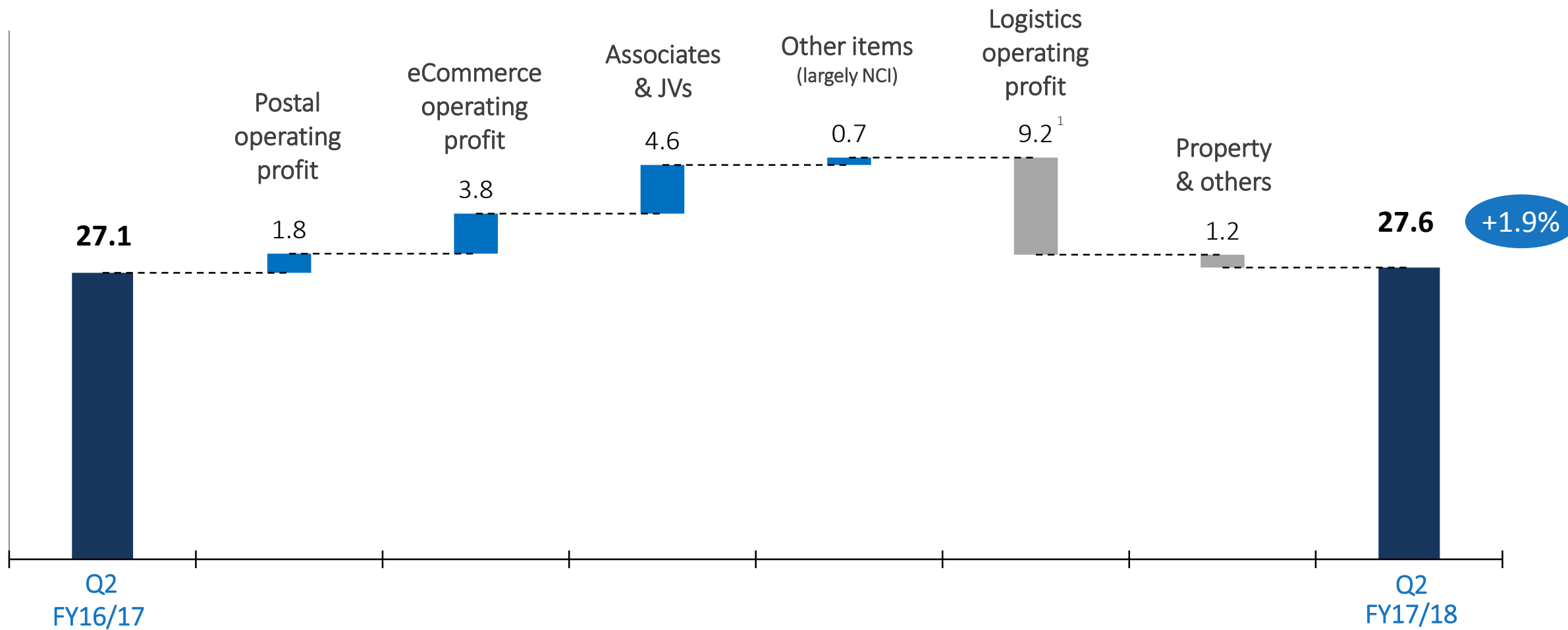
+56.7% eCommerce operating losses narrowed as management continues to execute on the turnaround business plan for TradeGlobal

N.M. Logistics operating loss of S\$4.2 million was due to doubtful debt provision for a key customer of Quantum Solutions Hong Kong. Excluding the provision, operating profit would have been about S\$1.0 million

Differences in total due to rounding

Q2 FY2017/18 Underlying Net Profit movement

Underlying Net Profit performance, \$M



1. Includes doubtful debt provision of around S\$5.2 million
 Chart not shown to scale, differences in total due to rounding

H1 FY2017/18 Profit & Loss

H1 FY2017/18 P&L, \$M

	H1 FY17/18	H1 FY16/17	YoY % change
Revenue	708.8	655.1	+8.2%
Other income and gains (net)			
Rental and property-related income	19.6	18.6	+5.3%
Miscellaneous	6.4	4.2	+52.7%
Total expenses	672.1	595.4	+12.9%
Exceptional items	4.9	4.5	+10.2%
Operating profit	71.8	87.5	(18.0%)
Share of associated companies & JVs	2.1	0.9	132.2%
Net profit attributable to equity holders	59.4	67.3	(11.7%)
Underlying net profit	54.5	62.8	(13.2%)

— Revenue growth was led by the Postal and Logistics segments

Underlying net profit declined largely due to lower operating profit in the Logistics segment

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Cash Flow movement

\$M, unless otherwise stated

	H1 FY17/18	H1 FY16/17
Operating cash flow before working capital changes	94.7	104.9
Changes in working capital	(29.3)	11.4
Income tax paid	(14.9)	(16.4)
Net cash provided by operating activities	50.5	99.9
Capital expenditure	(38.9)	(111.6)
Free cash flow	11.6	(11.8)

Negative movement in working capital due to higher receivables arising from a timing difference in receipts. This has since been reduced in October, post the close of the quarter.

Improved free cash flow due to lower capital expenditure with the completion of Regional eCommerce Logistics Hub

	H1 FY17/18	H1 FY16/17
Net cash provided by operating activities	50.5	99.9
Cash flow used in investing activities	(39.3)	(99.6)
Cash flow (used in) / provided by financing activities	(95.5)	31.1
Net increase / (decrease) in cash & cash equivalents	(84.3)	31.4

Decrease in cash & cash equivalents due to negative movements in working capital, as well as net repayment of short term bank loans compared to loan proceeds last year

Balance Sheet and financial indicators

\$M, unless otherwise stated

Financial indicators	As at Sep 2017	As at Mar 2017	
Cash & cash equivalents at end of financial period	282.3	366.6	Includes cash proceeds from Alibaba to be used in accordance with the investment agreements
Borrowings	306.9	364.0	Lower borrowings with partial repayment of short term bank loans
Net cash / (net debt) position	(24.6)	2.6	While borrowings were lower, cash and cash equivalents also declined
Net debt to ordinary shareholders equity (%)	(1.8%)	Net cash	
EBITDA to interest expense (times)	22.0x	13.3x ¹	Interest coverage ratio remains strong

1. Includes one-off gains and losses.

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Postal: Q2 FY2017/18 Performance

\$M



Postal	Q2 FY17/18	Q2 FY16/17	YoY % change
Revenue	148.3	126.9	+16.9%
Operating profit	35.1	33.3	+5.3%
OP margin	23.6%	26.2%	

Revenue breakdown	Q2 FY17/18	Q2 FY16/17	YoY % change
Domestic mail ¹	55.7	60.4	(7.8%)
International mail	85.6	58.9	+45.2%
Post office products & services ²	7.0	7.6	(7.1%)
Total	148.3	126.9	+16.9%

International mail revenue rose on the back of higher cross-border eCommerce deliveries, in particular with higher volumes from the Alibaba Group. This helped offset the decline in Domestic mail, which reflects continued migration towards electronic statements and bills.

Operating profit rose 5.3%, the first in five quarters. The Postal segment had benefitted from higher International mail operating profit, which helped offset the decline from Domestic mail.

1. Includes Philatelic

2. Includes Agency services, Retail products and Financial services

Postal: H1 FY2017/18 Performance

\$M



Postal	H1 FY17/18	H1 FY16/17	YoY % change
Revenue	298.2	264.0	+13.0%
Operating profit	71.4	75.4	(5.3%)
OP margin	23.9%	28.6%	

Revenue breakdown	H1 FY17/18	H1 FY16/17	YoY % change
Domestic mail ¹	114.1	124.4	(8.3%)
International mail	169.8	124.5	+36.4%
Post office products & services ²	14.3	15.1	(5.0%)
Total	298.2	264.0	+13.0%

The revenue trends for H1 are similar to that for Q2.

In H1, although International mail operating profit rose, this was not sufficient to offset the impact of the decline in Domestic mail operating profit.

Consequently, Postal operating profit declined.

1. Includes Philatelic

2. Includes Agency services, Retail products and Financial services

Logistics: Q2 FY2017/18 Performance

\$M

Logistics	Q2 FY17/18	Q2 FY16/17	YoY % change
Revenue	165.9	154.1	+7.6%
Operating profit	(4.2)	5.0	N.M.
OP margin	(2.5%)	3.2%	

Revenue breakdown	Q2 FY17/18	Q2 FY16/17	YoY % change
Quantium Solutions	22.9	26.5	(13.7%)
Couriers Please	38.5	35.0	+9.9%
SP Parcels	21.1	18.0	+16.9%
Famous	62.3	56.1	+11.0%
Others ¹	21.2	18.5	+14.8%
Total	165.9	154.1	+7.6%

SP Parcels, Couriers Please and Famous contributed to revenue growth, with higher last-mile deliveries across Singapore and Australia, as well as higher freight forwarding volumes respectively. Quantum Solutions faced competitive pressures at its Hong Kong operations.

The operating loss of S\$4.2m was due to doubtful debt provision for a key customer of QS Hong Kong. Excluding the provision, OP would have been about S\$1.0m.

The decline against S\$5.0m last year was largely due to lower contribution from QS with intense pricing competition in HK resulting in the loss of business. It also reflected costs from planned investments such as the Regional eCommerce Logistics Hub.

1. Includes the self storage business under Lock+Store

N.M. denotes Not Meaningful

Logistics: H1 FY2017/18 Performance

\$M

Logistics	H1 FY17/18	H1 FY16/17	YoY % change
Revenue	332.2	310.8	+6.9%
Operating profit	0.2	12.2	(98.5%)
OP margin	0.1%	3.9%	

The revenue trends for H1 are similar to that for Q2.

Due to the operating loss recorded in Q2, operating profit for H1 was significantly lower compared to last year.

Revenue breakdown	H1 FY17/18	H1 FY16/17	YoY % change
Quantium Solutions	46.7	55.0	(15.0%)
Couriers Please	73.3	68.9	+6.3%
SP Parcels	42.7	36.9	+15.8%
Famous	125.2	112.2	+11.6%
Others ¹	44.3	37.9	+17.1%
Total	332.2	310.8	+6.9%

1. Includes the self storage business under Lock+Store

eCommerce: Q2 FY2017/18 Performance

\$M

eCommerce	Q2 FY17/18	Q2 FY16/17	YoY % change
Revenue	63.5	64.0	(0.8%)
Operating profit	(2.9)	(6.8)	+56.7%
OP margin	(4.6%)	(10.6%)	

Revenue breakdown	Q2 FY17/18	Q2 FY16/17	YoY % change
TradeGlobal	26.4	29.7	(11.2%)
Jagged Peak	28.7	24.8	+15.8%
SP eCommerce	8.4	9.5	(11.6%)
Total	63.5	64.0	(0.8%)

Revenue declined marginally in Q2, as TradeGlobal's revenue declined with the loss of two large customers as previously disclosed. This was offset by revenue growth at Jagged Peak with higher volumes and addition of new customers.

The segment operating loss was due largely to TradeGlobal.

The loss of S\$2.9 million in Q2 had narrowed on a quarter-on-quarter basis compared to S\$4.2 million in Q1, as management continues to execute on the turnaround business plan for TradeGlobal.

eCommerce: H1 FY2017/18 Performance

\$M

eCommerce	H1 FY17/18	H1 FY16/17	YoY % change
Revenue	128.2	129.3	(0.8%)
Operating profit	(7.1)	(10.3)	+31.0%
OP margin	(5.5%)	(8.0%)	

The factors are largely similar to that shared for the quarter.

Revenue breakdown	H1 FY17/18	H1 FY16/17	YoY % change
TradeGlobal	55.5	60.5	(8.4%)
Jagged Peak	55.9	50.2	+11.4%
SP eCommerce	16.8	18.5	(9.2%)
Total	128.2	129.3	(0.8%)

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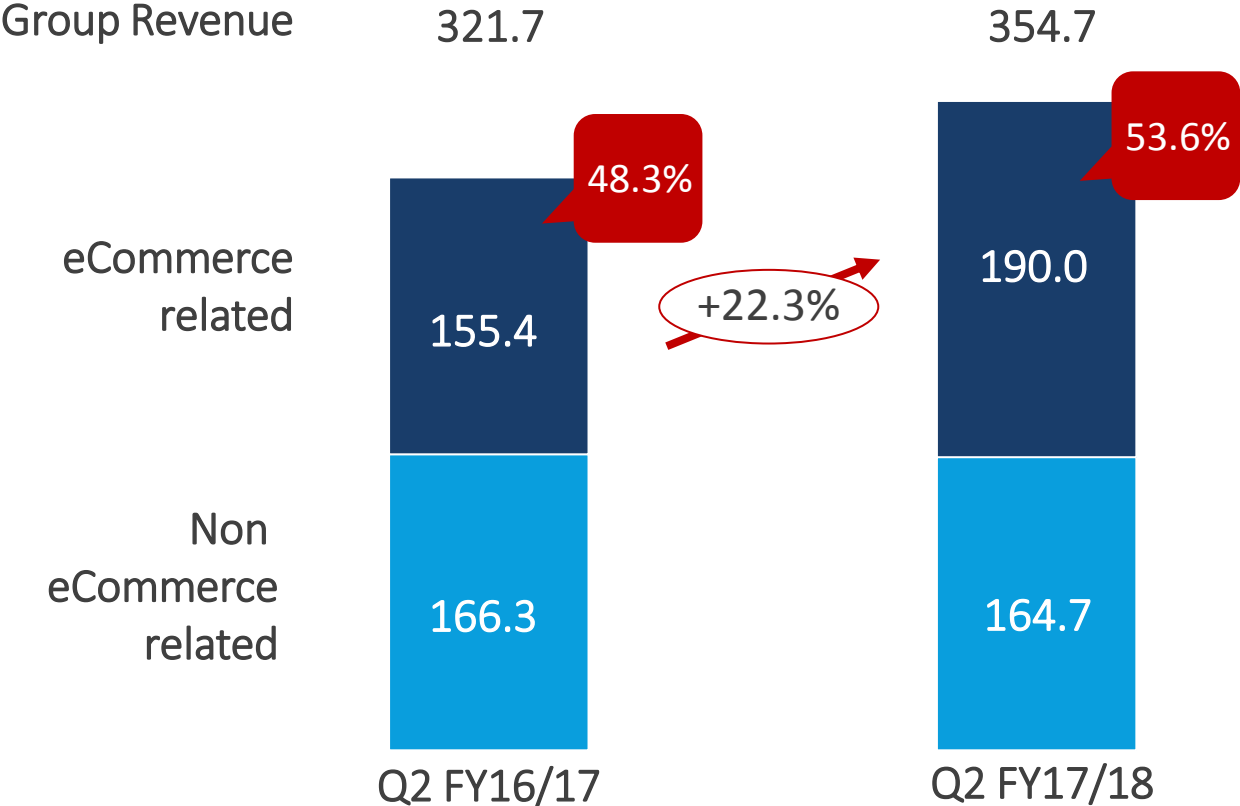
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eCommerce-related revenue

Revenue performance, Q2 FY2016/17 vs Q2 FY2017/18, \$M

eCommerce-related revenue rose 22.3% year-on-year, forming 53.6% of Group revenue



Differences in total due to rounding

SingPost Centre retail mall

Opened on 9 October 2017 after two years of redevelopment



- SingPost Centre aims to enable next generation retail in a Smart Nation, and also houses SingPost’s General Post Office and retail philatelic store.
- Retail floor area doubled from pre-redevelopment, housing up to 130 stores over a net lettable area of 178,000 square feet.
- Committed occupancy as at 30 Sep 2017 was 80.4%, on the back of strong endorsement from tenants as well as our partnership with CapitaLand¹.
- Technology-enabled innovations include:
 - Golden Village’s first all-laser cineplex with award-winning Smart Laser projectors.
 - NTUC FairPrice’s SCAN2GO system that allows customers to scan purchases with a personal handheld scanner as they shop; and “FairPrice@SingPost” mobile app that helps locate products within the store with in-store navigation and provides personalised promotions.
- SingPost is working closely with Lazada and CapitaLand to finalise the details for a ‘click and collect’ service at the mall, which will enable shoppers to collect or return online purchases at a dedicated lounge.

1. SingPost Centre is managed by CapitaLand, under a management contract awarded by SingPost in March this year.

General Post Office (GPO)

Flagship of a new Smart Post Office network that will serve postal needs in the digital age



- The GPO is SingPost's largest post office at 5,328 sq ft. It is the first Smart Post Office, in which traditional brick-and-mortar outlets are augmented by a digital network.
- An enhanced self service area offers 24/7 access to the award-winning¹ new generation SAM kiosks with:
 - a re-designed modern interface
 - new capabilities including a weighing scale that helps senders determine the postage required; and
 - a self-service posting box for registered articles, a first in Singapore
- The self service area will also house the largest POPStation to date, with 143 smart lockers enabling consumers to send, collect and return their parcels at their convenience.
- Opposite the GPO is SingPost's first dedicated philatelic retail store, which offers a wide range of philatelic products and limited edition collectors' items.



1. The SAM omnichannel platform has won two major international awards this year: Retail Customer Access at the World Post and Parcel Awards, and Digital Innovation of the Year at the Postal and Parcel Technology International Awards.

Regional eCommerce Logistics Hub

Automated parcel sorting and warehousing facility to serve the growth of eCommerce in Asia Pacific

Level 2 warehouse



- Automated picking systems
- Improved accuracy and efficiency
- Directly integrated with level 1 sorting facility

Level 1 sorting facility



- OCR technology enables >98% automated processing
- Sort up to 100,000 parcels per day
- 291 chutes for parcel sorting

Direct last mile delivery vehicle capacity



- 150 simultaneous loading bays for direct loading of parcels discharged from chutes
- Can cater up to 600 delivery vans per day

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- As announced in August 2017, the Group CEO and the leadership team are working with the Board to review and update SingPost's strategy, and deliver a roadmap to improve the Group's performance.
- SingPost's strategic vision of transforming from a postal provider to an eCommerce logistics player remains relevant and in the right direction.
- The next phase is to build upon the existing foundation, leverage our assets and strengths, and build new capabilities.
- The key themes are shown in the next slide.

SingPost - connecting communities in an eCommerce world

Win in our home market

- Strive to be the leading eCommerce logistics player in Singapore.
- Build on our strong infrastructure backbone.
- Harness innovative solutions to serve the urban logistics needs of a smart nation.

Deliver full value from overseas investments

- Integration across geographies.
- TradeGlobal turnaround.
- Maximise potential of our overseas investments.

Ignite our future growth engines

- Capture global cross-border eComm flows by strengthening our strategic collaboration with Alibaba and its associated companies.
- Build out our eComm logistics capabilities in Southeast Asia.

Drive cost leadership

- Optimise costs and re-engineer our operations to enhance competitiveness and provide best value for customers.

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- Revenue rose 10.2% with growth in Postal and Logistics segments.
- Underlying net profit rose 1.9% largely due to:
 - improved performance from Postal, eCommerce and associates and joint ventures.
- Cash flow and balance sheet position:
 - improved free cash flow due to lower capital expenditure
 - cash & cash equivalents declined mainly due to net repayment of short term bank loan
- Q2 FY17/18 interim dividend of 0.5 cent per share.

Thank you

