Financial results
Q4 & FY2019/20

8 May 2020

Disclaimer

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“$” means Singapore dollars unless otherwise indicated.

- Q4 & FY2019/20 Financials
- Cash flow and Balance sheet
- Segmental results
- Outlook

Q4 FY2019/20 financial statement

S$M	Q4 FY18/19	Q4 FY19/20	YoY % change
Revenue	**320.7**	**312.2**	**(2.7%)**
Operating expenses	(291.2)	(288.8)	(0.8%)
Profit on operating activities	**30.7**	**21.3**	**(30.6%)**
Share of associated companies & JV	0.0	(0.2)	N.M.
Exceptional items	15.0	(9.4)	N.M.
Income tax expense	(5.0)	(3.2)	(36.1%)
Loss from discontinued operations	(116.5)	-	N.M.
Net profit attributable to equity holders	**(75.1)**	**7.2**	**N.M.**
Underlying net profit	**14.5**	**16.6**	**+14.6%**

Due to a 5.7% decline for the Post and Parcel segment

Largely due to lower contribution from Domestic Post & Parcel as a result of lower letter volumes, and impact of Covid-19

Largely due to impairment and fair value loss, compared to fair value gain last year

Last year included a capital gain tax on divestment of an associated co.

Significant losses from US subsidiaries last year, including impairment

Improvement in UNP largely due to the absence of US losses

N.M. denotes Not Meaningful

Q4 FY2019/20 expenses

S$M	Q4 FY18/19	**Q4 FY19/20**	YoY % change
Volume-related	(167.1)	(173.0)	+3.5%
Admin, selling-related & others	(40.5)	(30.5)	(24.7%)
Depreciation & amortisation	(9.8)	(16.9)	+73.1%
Labour & related	(73.8)	(68.3)	(7.4%)
Operating expenses	**(291.2)**	**(288.8)**	**(0.8%)**

Driven substantially by higher conveyance costs as a result of Covid-19 impact, as well as higher terminal dues for the international business, which came into effect from 1 Jan 2020

Following adoption of SFRS(I) 16 *Leases*,
- reduction of rental costs (under Admin & others)
- increase in depreciation costs (under D&A)

Declined due to Job Support Scheme ("JSS") relief of approx S$5.2m, which helped mitigate the impact of Covid-19

Accordingly, operating expenses declined 0.8% in Q4

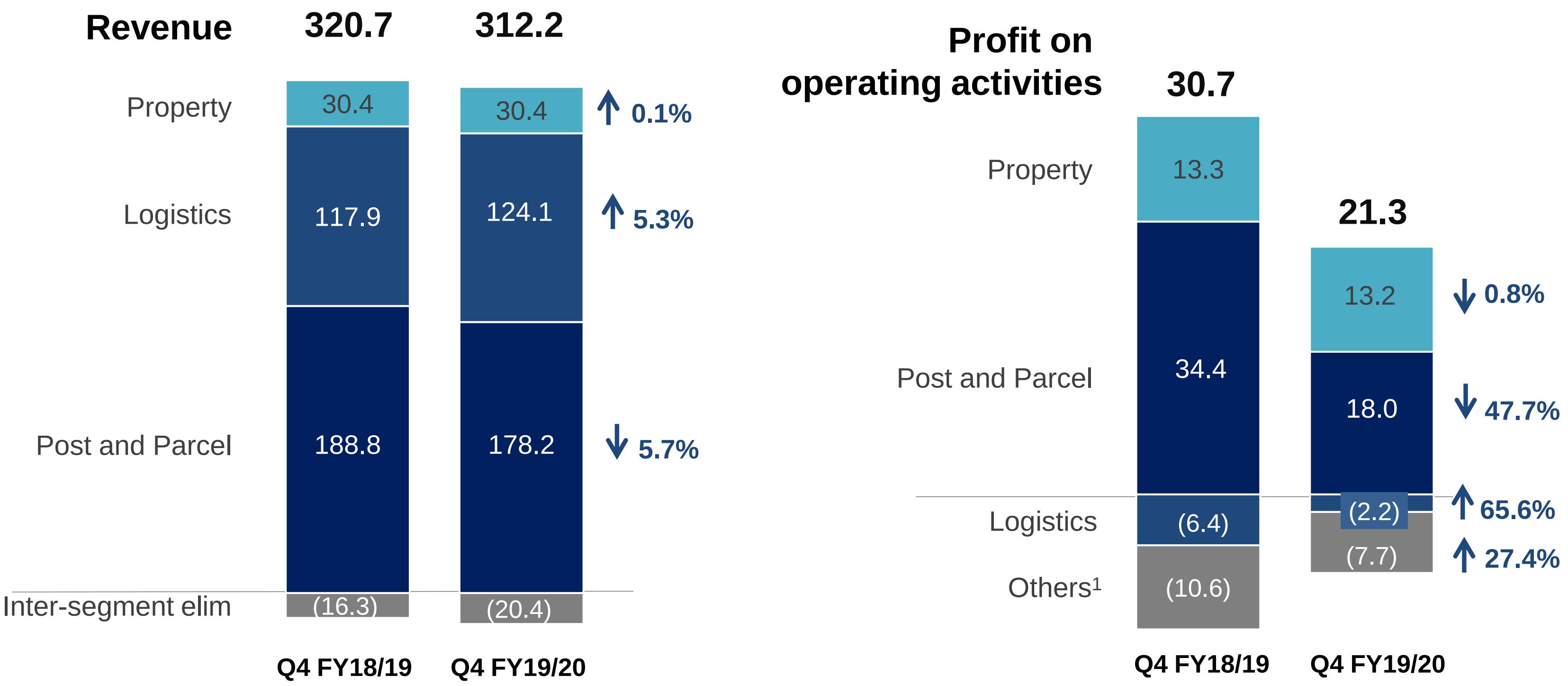
S$M	Q4 FY18/19	**Q4 FY19/20**	YoY % change
Finance expenses	**(2.2)**	**(3.2)**	**+47.9%**

Following adoption of SFRS(I) 16 *Leases*,
- additional cost of financing (under Finance expenses)

1. Refer to Appendix for net impact from adoption of SFRS (I) 16 Leases.

Q4 FY19/20 segment revenue and POA (Continuing operations)

S$M



1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.

FY2019/20 financial statement

S$M	FY18/19	FY19/20	YoY % change	
Revenue	**1,323.3**	**1,313.8**	**(0.7%)**	Marginal decline in Group revenue
Operating expenses	(1,144.4)	(1,174.8)	+2.7%	Lower contribution from Domestic Post & Parcel as a result of lower letter volumes, partly offset by improvement in Logistics segment
Profit on operating activities	**182.5**	**143.6**	**(21.3%)**	
Share of associated companies & JV	(7.1)	(0.1)	(98.4%)	Ceased equity accounting for 4PX and disposed stake in Indo Trans Logistics
Exceptional items	37.9	(9.1)	N.M.	Last year included gain on dilution of stake in 4PX
Income tax expense	(36.1)	(28.3)	(21.5%)	
Loss from discontinued operations	(147.3)	(12.0)	(91.9%)	Significant losses from US subsidiaries last year, including impairment
Net profit attributable to equity holders	**19.0**	**91.1**	@	
Underlying net profit	**100.1**	**100.2**	**+0.1%**	Absence of U.S. losses was offset by lower domestic letter volumes

N.M. denotes Not Meaningful
@ denotes variance exceeding 300%

FY2019/20 expenses

S$M	FY18/19	FY19/20	YoY % change
Volume-related	(679.2)	(710.5)	+4.6%
Admin, selling-related & others	(144.8)	(113.9)	(21.3%)
Depreciation & amortisation	(38.6)	(68.0)	+76.3%
Labour & related	(281.8)	(282.4)	+0.2%
Operating expenses	**(1,144.4)**	**(1,174.8)**	**+2.7%**

S$M	FY18/19	FY19/20	YoY % change
Finance expenses	**(8.3)**	**(12.6)**	**+53.1%**

Largely in line with 5.9% growth in International Post and Parcel revenue

Following adoption of SFRS(I) 16 *Leases*,
- reduction of rental costs (under Admin & others)
- increase in depreciation costs (under D&A)

Stable in spite of additional postmen hired, as well as higher remuneration, as part of initiatives to improve service levels.

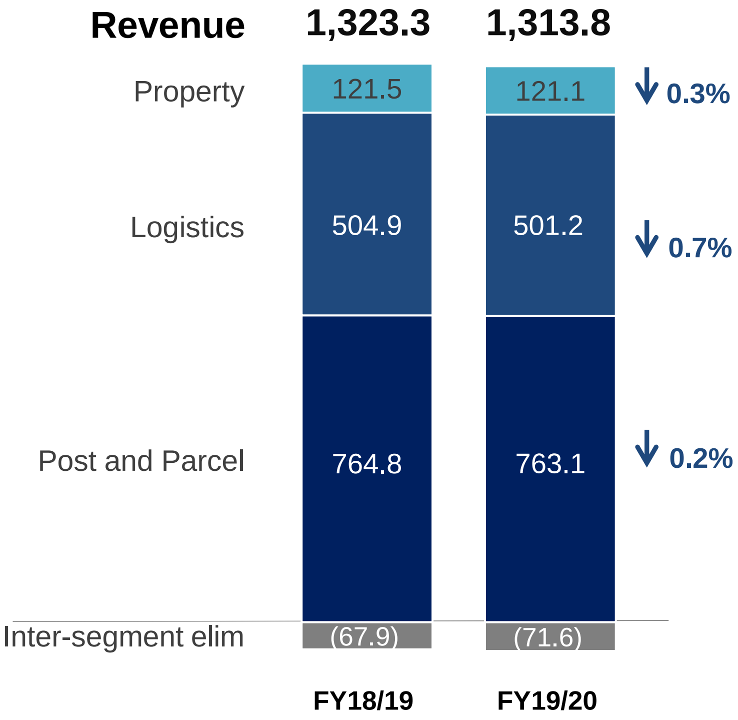
Despite benefits delivered by our cost savings actions taken across the organisation in anticipation of declining letter volumes, Opex rose 2.7% due to investments to improve service levels, as well as the impact of higher terminal dues

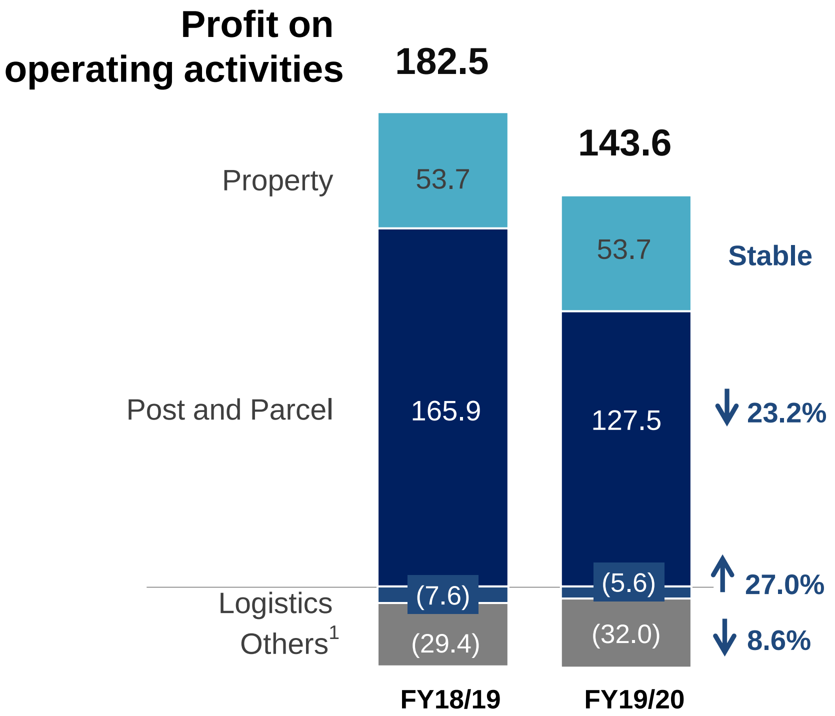
Following adoption of SFRS(I) 16 *Leases*,
- additional cost of financing (under Finance expenses)

1. Refer to Appendix for net impact from adoption of SFRS (I) 16 Leases.

FY19/20 segment revenue and POA (Continuing operations)

S$M





1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.

Cash flow & Balance sheet

Free cash flow

S$M	FY18/19	FY19/20
Operating cash flow before working capital changes	186.8	194.6
Changes in working capital	(3.3)	24.8
Income tax paid	(31.3)	(36.3)
Net cash provided by operating activities	152.2	183.2
Capital expenditure	(31.3)	(27.1)
Free cash flow	**120.9**	**156.0**

- Higher cash flow before working capital changes
- Improved working capital, with positive movement in payables for international postal settlements, partly offset by negative movement in trade receivables for eCommerce deliveries from China
- Improved operating cashflow

Financial indicators

S$M Financial indicators	As at Mar 2019	**As at Mar 2020**
Cash & cash equivalents at end of financial period	392.2	493.0
Borrowings	290.9	364.4
Net cash / (debt) position	101.3	128.6

— Higher cash as a result of cash from operations as well as net proceeds from a bank term loan

— Greater flexibility in managing any uncertainty from Covid-19

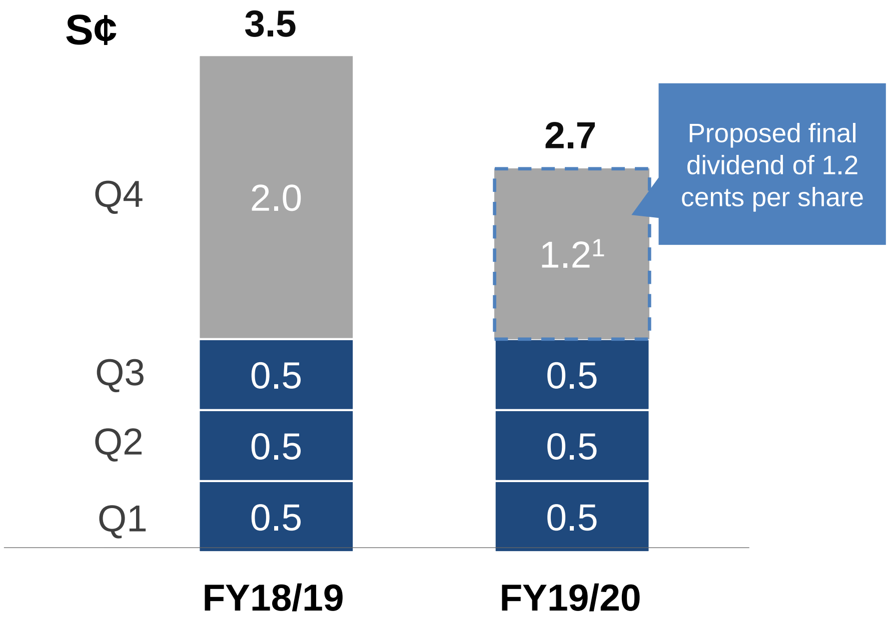
— Improved net cash position

	FY18/19	**FY19/20**
EBITDA[1]	117.9	191.3
EBITDA to finance expense (times)	11.4x	14.2x
Adjusted to exclude impact of SFRS(1) 16 *Leases*	-	20.3x

1. EBITDA is defined as profit before tax, adding back interest and depreciation and amortisation expenses.

60% payout ratio for FY2019/20

Dividend per share



The outlook remains challenging and highly uncertain due to the ongoing Covid-19 situation, and the Group needs to adopt a prudent approach in managing cash flows.

For the financial year ended 31 March 2020, the Board has proposed a final dividend of **1.2 cents** per ordinary share.

Including the proposed final dividend, total dividends for FY19/20 would be **2.7 cents**, which represents a payout ratio of **60%** of underlying net profit, at the lower end of the dividend policy of 60% to 80% of underlying net profit for the FY.

1. Subject to shareholders' approval at the Annual General Meeting of the Company to be convened.

Segmental results

Post and Parcel

S$M Post and Parcel	Q4 FY18/19	Q4 FY19/20	YoY % change	FY18/19	FY19/20	YoY % change
Revenue	**188.8**	**178.2**	**(5.7%)**	**764.8**	**763.1**	**(0.2%)**
Domestic[1]	*68.4*	*57.9*	*(15.4%)*	*280.9*	250.6	*(10.8%)*
International	*120.4*	*120.2*	*(0.1%)*	*483.8*	*512.4*	*+5.9%*
Profit on operating activities	**34.4**	**18.0**	**(47.7%)**	**165.9**	**127.5**	**(23.2%)**
Margin	*18.2%*	*10.1%*		*21.7%*	16.7%	

Revenue held steady for the full year. International revenue rose to a record of over S$500 million on the back of higher cross-border eCommerce related deliveries, which helped offset lower Domestic revenue. However, the above trends were impacted by Covid-19 disruptions in Q4, with Post & Parcel revenue declining 5.7% in Q4.

In Domestic Post and Parcel, admail volumes declined in Q4 in line with a drop in business activities such as sale and promotional events, although the Group had successfully grown admail volumes up to February, prior to the Covid-19 crisis, since making improvements to service quality. Letter volumes continue to decline at double-digit percentage against last year, while Domestic eCommerce volumes continued on a growth trajectory, mainly in the Tracked Package service which SingPost launched in Dec 2019, which saw strong take-ups from eCommerce platforms. On balance, Domestic Post and Parcel revenue declined 15.4% for Q4.

For International Post and Parcel, the disruption of global supply chains due to Covid-19, including postal service suspensions and grounding of flights by airlines, impacted business. In addition, the Group incurred higher costs due to higher terminal dues, which took effect from 1 January 2020.

Due to the above reasons, profit on operating activities declined by 47.7% in Q4 to S$18.0 million. For the full year, profit on operating activities declined 23.2%, led by decline in Domestic letter volumes, as well as the impact of Covid-19 in Q4.

1. Includes products and services transacted at the post offices

Logistics

S$M Logistics	Q4 FY18/19	Q4 FY19/20	YoY % change	FY18/19	FY19/20	YoY % change
Revenue	**117.9**	**124.1**	**+5.3%**	**504.9**	**501.2**	**(0.7%)**
eCommerce logistics[1]	*56.5*	*63.9*	*+13.2%*	*249.8*	255.0	*+2.1%*
Freight forwarding[2]	*61.4*	*60.1*	*(2.0%)*	*255.2*	246.2	*(3.5%)*
Profit on operating activities	**(6.4)**	**(2.2)**	**+65.6%**	**(7.6)**	**(5.6)**	**+27.0%**
Margin	*(5.5%)*	*(1.8%)*		*(1.5%)*	(1.1%)	

Revenue declined marginally by 0.7% for the full year, largely due to the depreciation of the Australian dollar against the Singapore dollar. If the exchange rate had remained unchanged, Logistics segment revenue would have rose 1%.

For Q4, Logistics delivered a resilient performance despite headwinds from Covid-19, with revenue higher by 5.3%. This was driven by growth in Quantium Solutions, which continued its strong operational momentum as revenue rose 28.5% in Q4 with the addition of new customers in Singapore and North Asia. In addition, Couriers Please registered a recovery from the bushfires in Q3, and floods in January, and returned to revenue growth. These helped offset a 2.0% decline in revenue from the freight forwarding business, which was impacted by the global slowdown in trade.

With the improvement in Logistics segment revenue, Profit on Operating Activities registered a lower loss of S$2.2m in Q4, compared to S$6.4m loss in Q4 last year, which had included one-off costs of nearly S$2 million such as relocation and reinstatement costs. Consequently, for the full year, Logistics segment loss from operating activities was S$5.6m compared to S$7.6m last year.

1. Includes Quantium Solutions, Couriers Please and SP eCommerce
2. Famous Holdings

N.M. denotes Not Meaningful

Property

S$M Property	Q4 FY18/19	Q4 FY19/20	YoY % change	FY18/19	FY19/20	YoY % change
Revenue	30.4	30.4	+0.1%	121.5	121.1	(0.3%)
Profit on operating activities	13.3	13.2	(0.8%)	53.7	53.7	+0.0%
Margin	*43.7%*	*43.3%*		*44.2%*	44.3%	

Property segment revenue, which comprises commercial property rental and the self-storage business, remained largely stable for Q4 and the full year as the SingPost Centre retail mall and office remained at close to full occupancy as at 31 March 2020.

As the circuit breaker measures to contain the Covid-19 outbreak were implemented at the end of March 2020, there has been no material impact to its financial performance for Q4 and the full year.

While profit on operating activities remained stable for both Q4 and the full year, the Group does expect a prolonged closure of businesses arising from the circuit breaker to negatively impact its Property segment moving forward.

Outlook

Outlook

Post and Parcel

In FY19/20, the Post and Parcel segment contributed 56% of Group revenue. Post and Parcel operations, comprising Domestic and International businesses, are largely expected to continue given the Essential Service nature of the business.

The segment is well-poised to capitalise on eCommerce growth opportunities once the pandemic is over and global economies recover.

Domestic

- While letter volumes continue to decline at a double-digit percentage, eCommerce growth volumes remain robust, albeit currently forming a relatively small part of the total revenue base.
- Measures such as Singapore’s Circuit Breaker and Malaysia’s Movement Control Order continue to impact costs, if not eased.

International

- The International business will continue to target cross-border eCommerce flows. However, there remains uncertainty in how supply chains and trade flows would be affected, and how Singapore’s position as a transhipment hub could be impacted.
- Any continued international border closures and grounding of airlines would cause further increases in freight costs and service delays, while higher terminal dues are expected to continue to increase costs.

Outlook

Logistics

In FY19/20, the Logistics segment contributed 38% of Group revenue.

As the Logistics segment is highly dependent on volumes and revenue, business might be further impacted by lower overall demand from an economic slowdown in the Asia-Pacific region.

To mitigate this, the Group will increase its focus to capitalise on eCommerce growth trends in key markets.

As the international Logistics businesses largely operate under an asset light model, the Group will tap on its ability to flex its cost base in line with revenue movement.

Property

In FY19/20, the Property segment contributed 6% of Group revenue.

The Group has provided support via rental and property tax rebates to affected tenants who have to close temporarily due to Circuit Breaker measures, and the cost will be reflected in the new financial year. Moreover, rental renewals will be become increasingly challenging if the situation continues.

The Group remains well positioned in the mid-term due to its location in Paya Lebar, considered an emerging vibrant commercial hub with its recent transformation.

Outlook

Overall

The Outlook remains uncertain, with the Group's performance being affected by factors beyond its control surrounding the global Covid-19 situation.

The duration and extent of control measures undertaken by the Singapore Government – and that of other countries – will impact the global macro-economic environment and the performance of the Group.

Group earnings and operating cashflows will face headwinds from the Covid-19 operating environment. In this challenging climate, the Group is carefully managing operating and capital expenses.

As at 31 March 2020, the Group has completed refinancing of the S$200 million fixed rate notes and further strengthened its balance sheet.

Amid near term challenges, the Group remains well-positioned to capitalise on growth opportunities, such as eCommerce volumes, once measures are lifted and over the long-term.

Longer term focus

While the Group continues to face headwinds in its postal business with declining letter volumes, there are also opportunities arising from the strong growth of eCommerce logistics, in particular in the Asia Pacific region.

Part of this long-term strategy is the fundamental review of Postal operations, brought about by changes in Singapore's postal landscape. This Smart Urban Logistics initiative aims to reinvent a sustainable national mail delivery system, and along with it improve service standards, so as to drive long-term business performance and value creation.

SingPost has earlier in August 2019 unveiled a smart letterbox delivery system prototype, which it will continue to refine. This will enable a best-in-class seamless experience for both mail and parcel delivery and retrieval, as well as address the urban logistics issues confronting Singapore.

Over the years, SingPost had also developed capabilities in the Business to Consumer (B2C) space with its roots as a postal company, and also expanded into the Business to Business (B2B) space, developing new businesses and making acquisitions. In line with the growing trend of customers demanding both B2B and B2C capabilities, this provides a timely opportunity for the Group to further strengthen and scale up its capabilities to build a strong, integrated network that fulfils both B2B and B2C requirements within Singapore and the wider Asian Pacific region.

The review of the postal operations as part of the Smart Urban Logistics project also covers the entire spectrum from back-end processing to front-end deliveries of both letters and parcels. Besides enabling the Group to be more operationally efficient, the move will subsequently free up industrial space for the Group's Property portfolio for more efficient gains.

Thank You

Supplementary information

Impact on adoption of SFRS(I) 16

Following adoption of SFRS(I) 16 *Leases*, there is
- reduction of rental costs (under Admin & others)
- increase in depreciation costs (under D&A)
- and an additional cost of financing (under Finance expenses)

Impact on adoption of SFRS(I) 16	Q4 FY19/20	FY19/20
Admin & others – Operating lease expense	7.4	31.1
Depreciation expense for right-of-use assets	(7.0)	(28.8)
Finance expense for right-of-use assets	(1.0)	(4.0)
Net impact to P&L	**(0.6)**	**(1.8)**

Underlying Net Profit Reconciliation Table

S$'000	Q4 FY18/19	Q4 FY19/20	FY18/19	FY19/20
Profit attributable to equity holders	**(75,108)**	**7,174**	**18,958**	**91,078**
Exceptional items from continuing operations	**(15,023)**	**9,396**	**(37,942)**	**9,122**
Additional provision for contingent consideration of a foreign subsidiary	-	-	2,539	-
Gain on divestment / dilution of interest in associated companies	(5,962)	(86)	(48,624)	(86)
Fair value loss / (gain) on investment properties	(12,088)	1,551	(12,088)	1,551
Fair value (gain) / loss on warrants from an associated company	(624)	-	15,541	-
Impairment of property, plant and equipment and associated companies	1,769	3,882	1,769	3,882
Losses on disposal of property, plant and equipment	302	41	531	55
Professional fees	282	3,065	1,092	3,748
Reversal of provision for contingent consideration of a foreign subsidiary	-	-	-	(971)
Provision for the restructuring of overseas operations	1,298	943	1,298	943
Impairment of goodwill, intangible assets, property, plant and equipment on discontinued operations (net of tax)	**101,578**	**-**	**101,578**	**-**
Capital gain tax on divestment of an associated company	**3,007**	**-**	**3,007**	**-**
Non-controlling interests' share of gain on dilution of interest in an associated company	**-**	**-**	**14,505**	**-**
Underlying net profit	**14,454**	**16,570**	**100,106**	**100,200**