

Q3 & 9M FY2016/17 Financial Results

10 February 2017



Q3 & 9M FY2016/17 Financials

eCommerce-Related Revenues

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Supplementary Information

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that could cause actual results, performance or events to differ materially from those in the statements as originally made.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.

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Q3 FY2016/17: Underlying net profit declined 28.5%, due largely to investments in business transformation and decline in domestic letter mail volumes

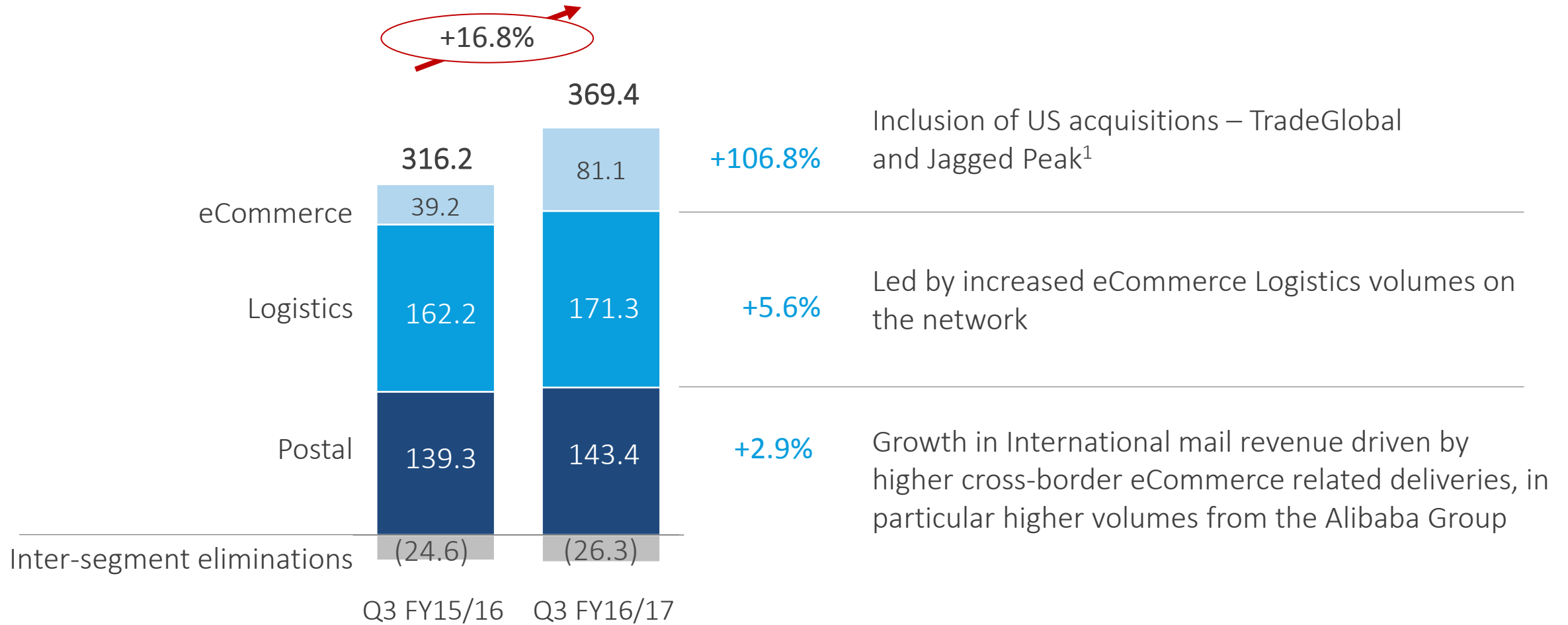
Q3 FY2016/17 P&L, \$M

	Q3 FY16/17	Q3 FY15/16	YoY % change	
Revenue	369.4	316.2	+16.8%	Revenue growth due to inclusion of US eCommerce acquisitions
Other income and gains				
Rental and property-related income	9.1	9.3	(1.4%)	
Miscellaneous	(1.8)	3.0	N.M.	Underlying Net Profit declined 28.5% due to operating losses in the US eCommerce business, costs related to the new Regional eCommerce Logistics Hub, as well as lower domestic letter mail volumes.
Total expenses	337.0	273.3	+23.3%	
Operating Profit	37.3	54.6	(31.7%)	
Share of associated companies & JVs	(0.2)	0.2	N.M.	
Net profit attributable to equity holders	31.4	43.5	(27.9%)	
Underlying Net Profit	31.4	43.9	(28.5%)	

N.M.: Not meaningful

Revenue movement

Q3 FY2015/16 vs. Q3 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 Q3 FY2016/17 breakdown, \$M

	Q3 FY16/17	Q3 FY15/16	YoY % change	
Labour & related	88.4	74.0	+19.4%	— Higher headcount post acquisitions
Volume-related	196.2	151.9	+29.2%] Largely due to higher International mail terminal dues
<i>Traffic & related</i>	105.9	92.3	+14.7%	
<i>Outsourcing services and delivery expenses</i>	90.3	59.6	+51.6%	
Admin & others	37.7	33.7	+11.9%	— Largely due to cost of sales and outsourced services related to TradeGlobal & Jagged Peak respectively
Depreciation & amortisation	12.9	10.2	+26.3%] Depreciation on Regional eCommerce Logistics Hub ¹
Selling	3.5	3.2	+11.1%	
Finance expense	(1.7)	0.4	N.M.	— Favourable non-trade related forex translation differences compared to same period last year
Total expenses	337.0	273.3	+23.3%	

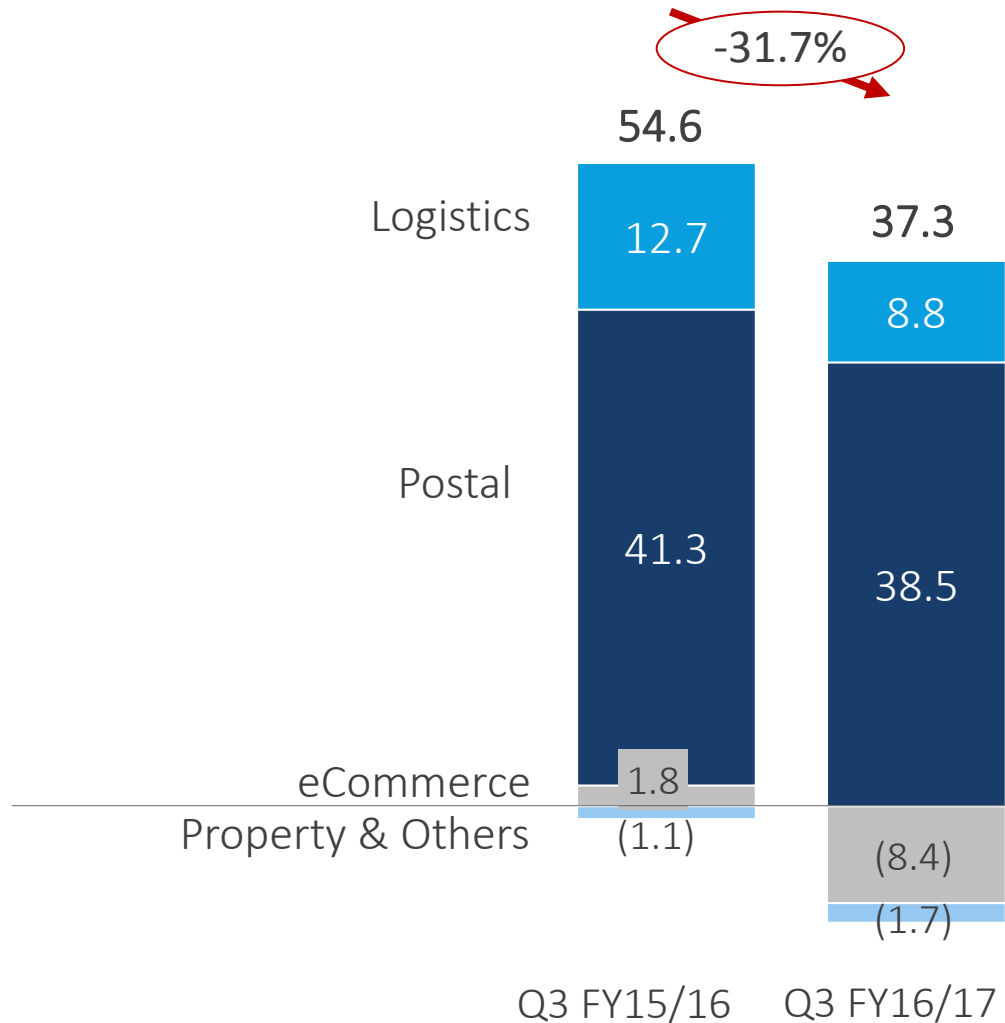
N.M.: Not meaningful

Differences in total due to rounding

1. The building obtained Temporary Occupation Permit or TOP in April 2016, and was officially opened on 1 November 2016

Operating Profit

Q3 FY2015/16 vs. Q3 FY2016/17 Operating Profit performance, \$M



(30.2%) Reflects costs incurred in relation to the Regional eCommerce Logistics Hub, as well as pricing pressures in the eCommerce Logistics space

(6.6%) Largely due to a decline in Domestic mail operating profit in line with lower letter mail volumes

N.M. Impacted by higher costs and challenges in the US eCommerce business.¹

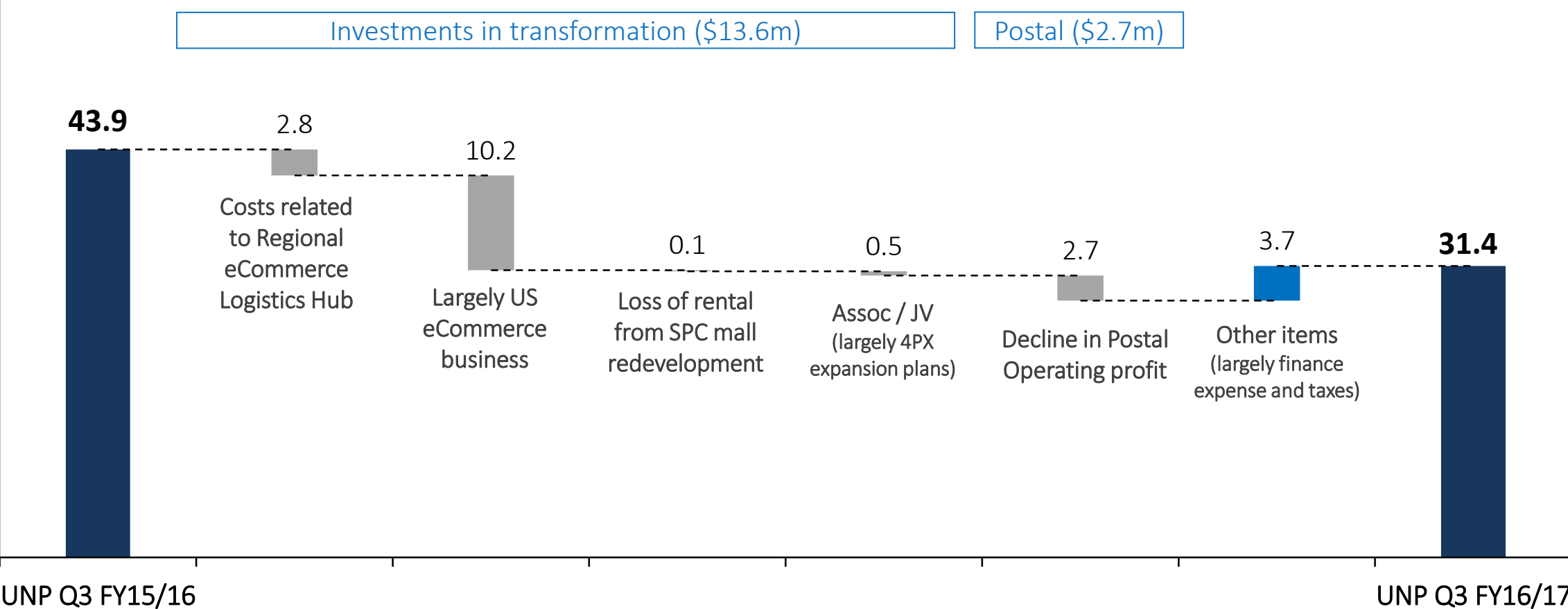
(48.9%) Mainly due to unrealised trade-related forex translation differences

N.M.: Not meaningful
 Differences in total due to rounding
 1. Details are listed on slide 18

Q3 FY2016/17 Underlying Net Profit movement



Q3 FY2015/16 vs. Q3 FY2016/17 Underlying Net Profit performance, \$M



Differences in total due to rounding

9M FY2016/17 Profit & Loss Statement



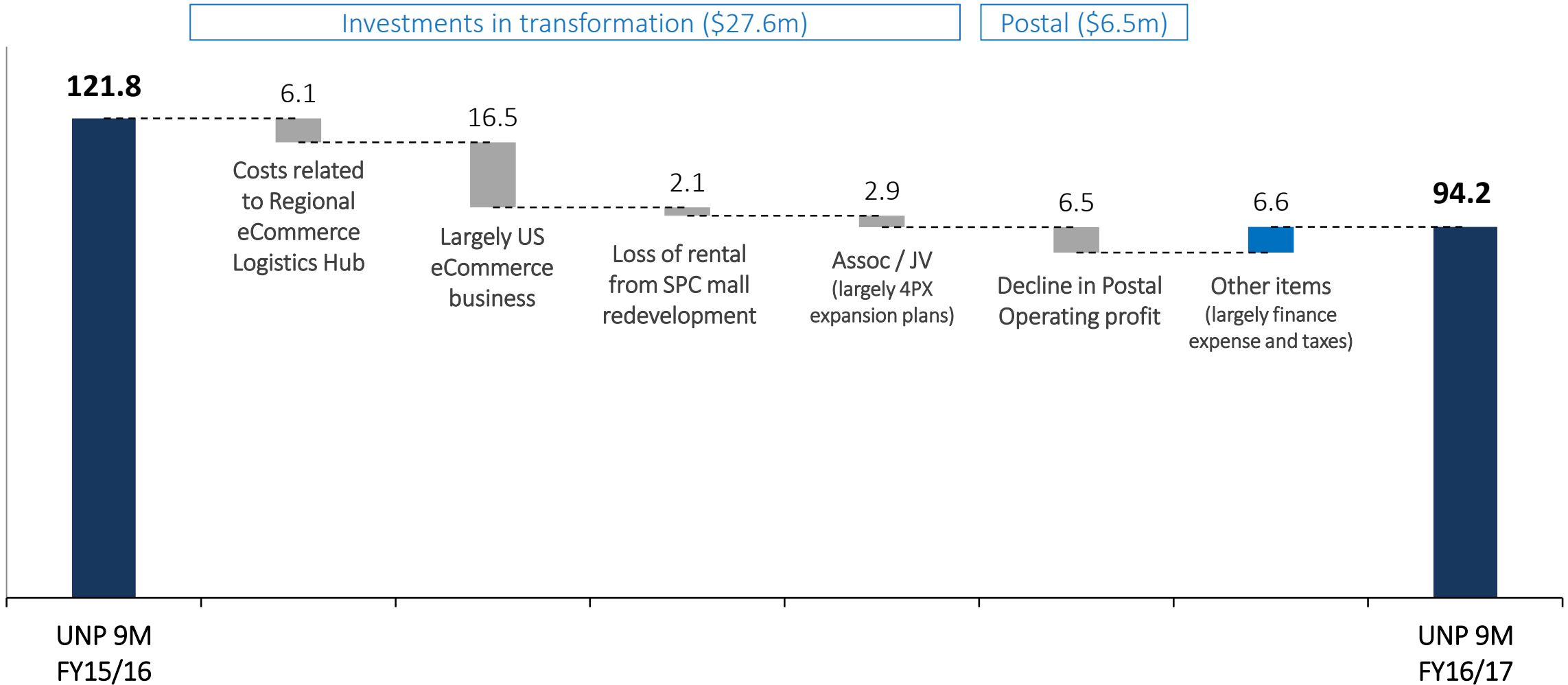
9M FY2016/17 P&L, \$M

	9M FY16/17	9M FY15/16	YoY % change	
Revenue	1,024.5	834.0	+22.8%	Revenue growth driven by the inclusion of US acquisitions
Other income and gains				
Rental and property-related income	27.8	29.9	(7.1%)	Operating Profit and Net Profit declined due largely to one-off gains from divestments last year
Miscellaneous	7.3	46.2	(84.1%)	
Total expenses	932.8	737.1	+26.6%	Underlying Net Profit declined 22.6% due to operating losses in the US 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.
Operating Profit	124.8	176.8	(29.4%)	
Share of associated companies & JVs	0.7	3.6	(80.5%)	
Net profit attributable to equity holders	98.6	143.5	(31.3%)	
Underlying Net Profit	94.2	121.8	(22.6%)	

9M FY2016/17 Underlying Net Profit movement



9M FY2015/16 vs. 9M FY2016/17 Underlying Net Profit performance, \$M



Differences in total due to rounding

Balance sheet & financial indicators

\$M, unless otherwise stated

	Cash flow	9M FY16/17	9M FY15/16	
Operating cash flow (before working capital changes)		158.1	162.3	Net cash from operating activities rose to \$152.5million, boosted by positive changes in working capital
<i>Changes in working capital</i>		24.0	(60.7)	
Net cash provided by operating activities		152.5	72.0	
Cash flow used in investing activities		(65.4)	(463.9)	Included capital expenditure for the Logistics Hub and SPC retail mall, partially offset by proceeds from partial divestment of Quantum Solutions International
Cash flow (used in) / provided by financing activities		15.4	(7.1)	
Net increase / (decrease) in cash & cash equivalents		102.4	(399.1)	
		As at	As at	
Financial indicators		Dec 2016	Mar 2016	
Cash & cash equivalents at end of financial period		229.1	126.6	Increased borrowings with cash and short-term funds utilised for committed capital expenditure
Borrowings		414.9	280.3	
Net debt position		185.8	153.6	Interest coverage ratio remains strong. Including one-off divestment gains, the ratio in March was 42.1x
EBITDA to interest expense (times)		24.7	29.8 ¹	
Net debt to ordinary shareholders equity (%)		14.9%	12.8%	Higher due to increased borrowings

1. Excludes one-off divestment gains

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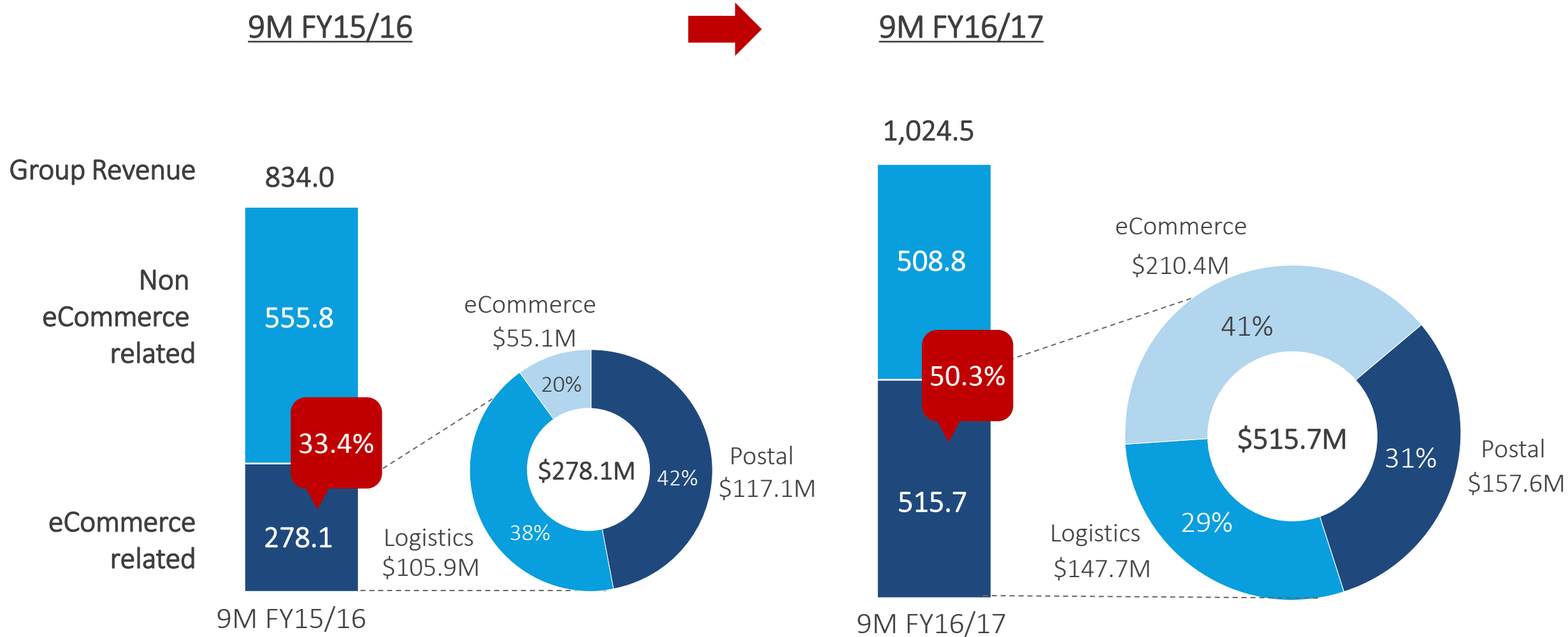
Supplementary Information

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eCommerce-related revenues now 50.3% of Group revenue

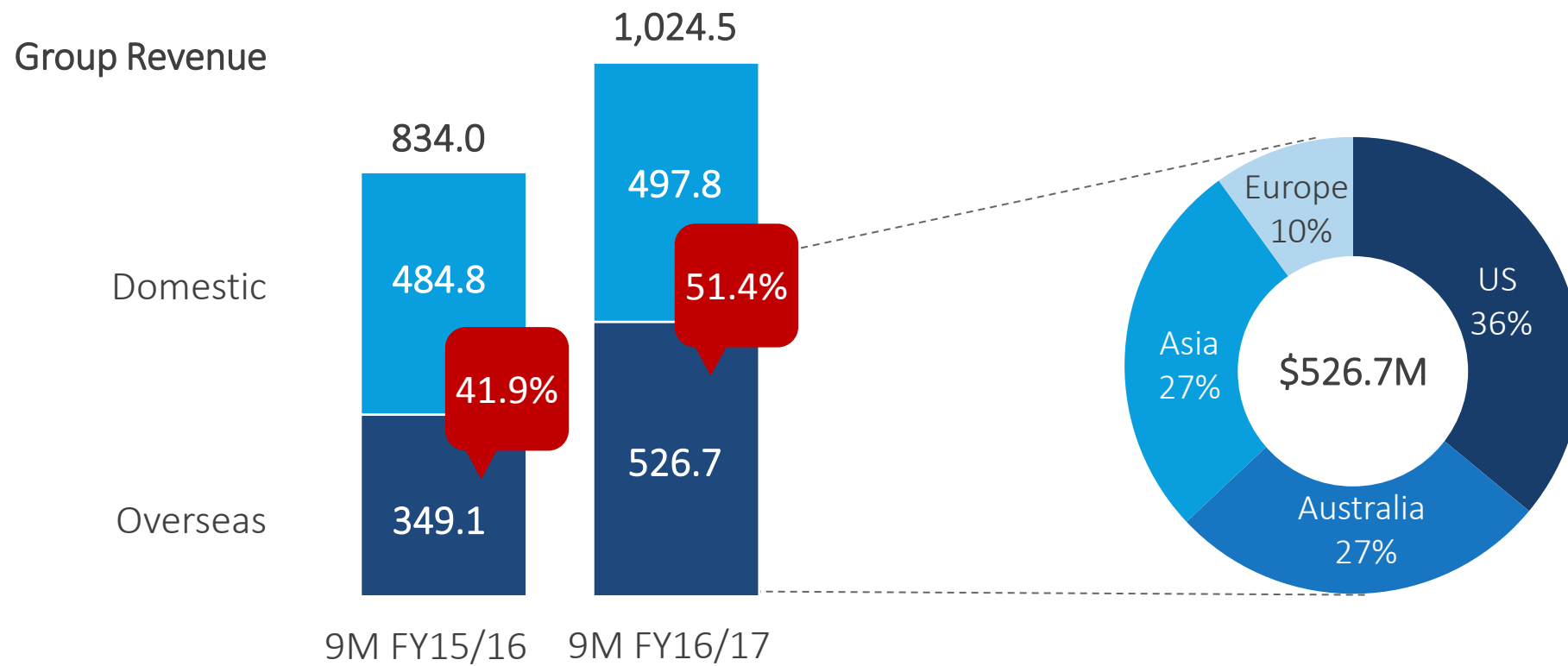
Revenue performance, 9M FY2015/16 vs 9M FY2016/17, \$M



Differences in total due to rounding

Overseas revenue now 51.4% of Group revenue

Group revenue footprint 9M FY2015/16 vs 9M FY2016/17, \$M



Differences in total due to rounding

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Postal: Q3 FY2016/17 Performance

\$M



Postal	Q3 FY16/17	Q3 FY15/16 ¹	YoY % change
Revenue	143.4	139.3	+2.9%
Operating profit	38.5	41.3	(6.6%)
OP margin	26.9%	29.6%	

Revenue breakdown	Q3 FY16/17	Q3 FY15/16 ¹	YoY % change
Domestic mail ²	62.9	64.9	(3.1%)
International mail	73.0	65.8	+11.0%
Post office products & services ³	7.5	8.7	(13.6%)
Total	143.4	139.3	+2.9%

Domestic mail revenue and OP declined in line with lower business letter mail volumes, in particular with financial institutions pushing e-statements.

International mail revenue growth was driven by cross-border eCommerce-related deliveries, in particular higher volumes from Alibaba Group.

Postal Operating profit declined 6.6%, largely due to the decline in contribution from Domestic mail.

Decline in OP margins reflect the shift in mix from Domestic mail to lower margin International transshipment 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

Logistics: Q3 FY2016/17 Performance



\$M

Logistics	Q3 FY16/17	Q3 FY15/16 ¹	YoY % change
Revenue	171.3	162.2	+5.6%
Operating profit	8.8	12.7	(30.2%)
OP margin	5.2%	7.8%	

Revenue rose 5.6%, driven by higher contribution from Couriers Please and Quantum Solutions from increased eCommerce-related activities.

Revenue breakdown	Q3 FY16/17	Q3 FY15/16 ¹	YoY % change
Quantum Solutions	29.5	26.6	+11.0%
Couriers Please	38.5	32.8	+17.4%
SP Parcels	21.3	22.1	(3.4%)
Famous	60.8	59.2	+2.7%
Others ²	21.1	21.6	(2.1%)
Total	171.3	162.2	+5.6%

Despite depressed freight rates and volumes in the industry, Famous revenue rose, driven by higher contribution from Europe.

Decline in Logistics OP largely reflects incremental costs incurred in relation to the Regional eCommerce Logistics Hub, which was officially opened on 1 Nov 2016, as well as pricing pressures in the eCommerce Logistics space.

On a quarter-on-quarter basis, OP rose 78% against Q2, driven by strong peak volumes.

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

2. Includes the self storage business under Lock+Store

eCommerce: Q3 FY2016/17 Performance

\$M

eCommerce	Q3 FY16/17	Q3 FY15/16 ¹	YoY % change
Revenue	81.1	39.2	+106.8%
Operating profit	(8.4)	1.8	N.M.
OP margin	(10.4%)	+4.6%	

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

TradeGlobal faced cost pressures and challenges, while Jagged Peak exceeded revenue and operating profit targets. Please refer to slide 18 for details.

Revenue breakdown	Q3 FY16/17	Q3 FY15/16 ¹	YoY % change
TradeGlobal	41.2	29.4	+40.1%
Jagged Peak	32.4	-	N.M.
SP eCommerce ²	7.6	9.8	(23.2%)
Total	81.1	39.2	+106.8%

N.M.: Not meaningful

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

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

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Jagged Peak : a successful holiday season

- We had good growth in volumes and revenue, and generated positive earnings for the Group.
- Jagged Peak also achieved new customer wins.

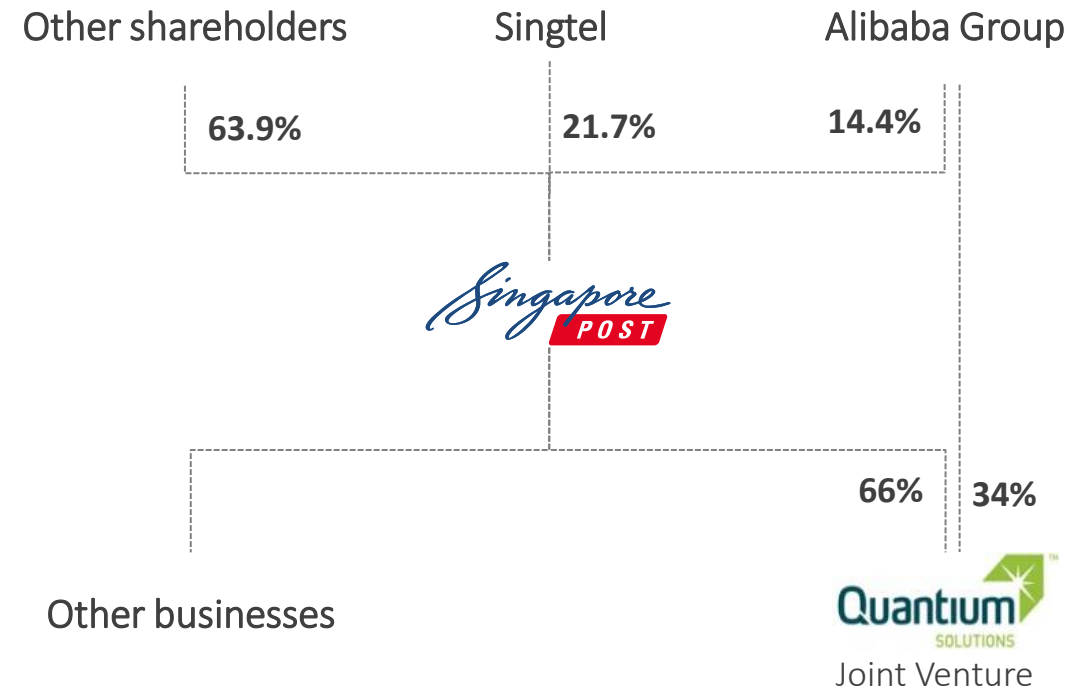
TradeGlobal – delivered customer satisfaction; revenue and operating profit impacted by challenges in the operating environment

- We prioritised customer satisfaction over the peak period, which is critical to the long-term success of the business. We succeeded and achieved good service level performance in fulfilling peak period orders.
- Revenue and operating profit were impacted by developments at two of our key customers:
 - One of TradeGlobal's largest customers faced financial difficulties, and we reduced our business with them as part of risk mitigation. The customer has since filed for bankruptcy under Chapter 11 of the US Bankruptcy Code.
 - Another key customer had decided to in-source its eCommerce freight operations.
- Cost pressures:
 - Due to labour shortage in the Cincinnati area, higher costs were incurred for temporary fulfilment labour.
 - Warehouse automation and new customer implementation efforts took longer than expected, which impacted productivity.

Deepening strategic partnership

- On 27 October 2016, Alibaba invested S\$86.2 million for a 34% stake in Quantum Solutions International, with SingPost owning the remaining 66%.
- On 11 January 2017, SingPost completed the issuance of 107,553,907 new shares to Alibaba Investment Limited for S\$187.1 million, which increased their stake in SingPost from 10.2% to 14.4%.

Structure upon completion



Appointment of Group CEO

Mr Paul Coutts was appointed as Group CEO, and as a Non-Independent Director of the SingPost Board effective 1 June 2017.

- More than 20 years of experience in C-suite positions at major global logistics and postal companies.
- Well positioned to provide overall leadership, integrate SingPost's eCommerce logistics platform and build out a globally competitive business.

Working experience over the past 10 years

- **February 2013 - Present** Toll Global Forwarding, Chief Executive Officer
(Based in Singapore)
- **August 2009 - January 2013** Toll Global Forwarding Global Products, Marketing and Sales Director (COO)
(Based in Singapore)
- **January 2007 - August 2009** DPWN Managing Director, Marketing and Sales, Europe, DHL Express
(Based in Brussels, Belgium)
- **April 2006 - December 2006** DPWN Chief Executive Officer, DHL Global Mail Europe
(Based in Bonn, Germany)



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Revenue rose with the inclusion of US eCommerce acquisitions.

Underlying net profit declined largely due to

- operating losses in the US eCommerce business;
- costs related to the new Regional eCommerce Logistics Hub; and
- lower Postal operating profit due to lower domestic letter mail volumes.

Q3 FY16/17 interim dividend of 0.5 cent per share

SingPost continues to build its capabilities to transform from a Singapore postal company into a leading eCommerce logistics provider, which is fundamental to securing its future. SingPost has been working to integrate acquisitions and this will remain a priority.

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.

While the Logistics segment is expected to benefit from growing eCommerce trends, the industry faces tight operating margins. The focus is to increase volumes on the network so as to derive operating leverage from economies of scale but this will take time.

The Regional eCommerce Logistics Hub obtained TOP in April 2016 and enhanced SingPost's eCommerce logistics capabilities in the region. The facility has resulted in higher depreciation and operating expenses. This is a long-term investment, and there will not be any immediate benefits to the bottom line.

The eCommerce segment operates in an environment where margins are under pressure amid intense competition and changing consumer behaviour. The Group is facing challenges in the operating environment in the US. For the nine months ended 31 December 2016, TradeGlobal has not achieved the underlying profit assumptions of the business plan which supported the investment.

TradeGlobal incurred a significant loss instead of a projected profit in the third quarter peak season and it is expected to make a loss for the full year. The business is being restructured to improve its performance.

Due to the poor performance of TradeGlobal, the Board of SingPost is of the view that there is a risk of significant impairment to TradeGlobal's carrying value. The Board will also be conducting a review of all the investments of SingPost. Impairments, if any, will be assessed based on the full financial year results and future plans for the businesses.

- The redevelopment of SPC retail mall is expected to be completed around mid-2017, and leasing of the mall is on track. The Group continues to forgo rental income during the redevelopment.
- For the rest of FY2016/17, there will be residual capital expenditure committed for the redevelopment of the SPC retail mall.
- On 11 January 2017, SingPost completed the issuance of new shares to the Alibaba Group. This increased Alibaba's stake in SingPost to 14.4 per cent, up from 10.2 per cent, and has deepened the strategic partnership.

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Postal: 9M FY2016/17 Performance

\$M



	Postal	9M FY16/17	9M FY15/16 ¹	YoY % change
Revenue		407.3	400.3	+1.8%
Operating profit		113.9	120.4	(5.4%)
OP margin		28.0%	30.1%	



Revenue breakdown	9M FY16/17	9M FY15/16 ¹	YoY % change
Domestic mail ²	187.3	195.6	(4.3%)
International mail	197.5	165.4	+19.4%
Post office products & services ³	22.6	28.0	(19.4%)
Novation Solutions/DataPost ⁴	-	11.3	N.M.
Total	407.3	400.3	+1.8%

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

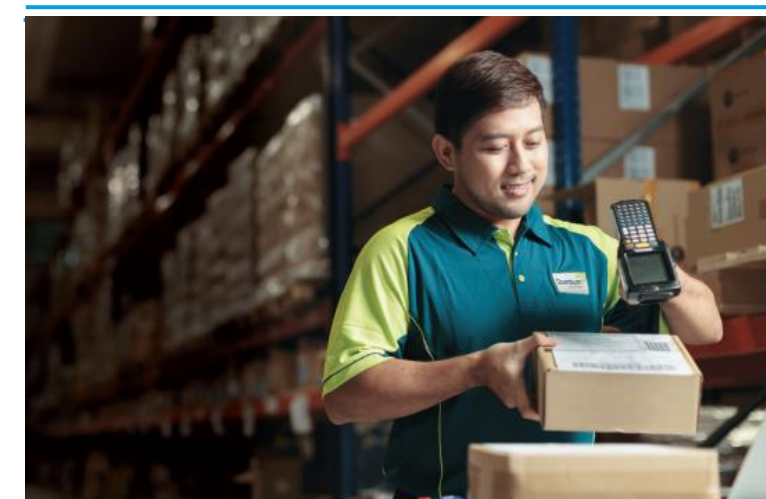
4. Novation Solutions was divested in Q1 FY15/16 and DataPost was divested in Q3 FY15/16

Logistics: 9M FY2016/17 Performance

\$M

Logistics	9M FY16/17	9M FY15/16 ¹	YoY % change
Revenue	482.1	458.4	+5.2%
Operating profit	21.0	27.2	(22.7%)
OP margin	4.4%	5.9%	

Revenue breakdown	9M FY16/17	9M FY15/16 ¹	YoY % change
Quantium Solutions	84.4	80.8	+4.5%
Couriers Please	107.4	93.3	+15.1%
SP Parcels	58.2	59.4	(2.1%)
Famous	173.0	166.8	+3.7%
Others ²	59.0	58.1	+1.5%
Total	482.1	458.4	+5.2%



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

2. Includes the self storage business under Lock+Store

eCommerce: 9M FY2016/17 Performance

\$M

eCommerce	9M FY16/17	9M FY15/16 ¹	YoY % change
Revenue	210.4	55.1	+281.7%
Operating profit	(18.7)	(2.2)	@
OP margin	(8.9%)	(4.0%)	



Revenue breakdown	9M FY16/17	9M FY15/16 ¹	YoY % change
TradeGlobal	101.7	29.4	+246.1%
Jagged Peak	82.6	-	N.M.
SP eCommerce ²	26.1	25.7	+1.3%
Total	210.4	55.1	+281.7%

N.M.: Not meaningful

@ denotes variance exceeding 300%

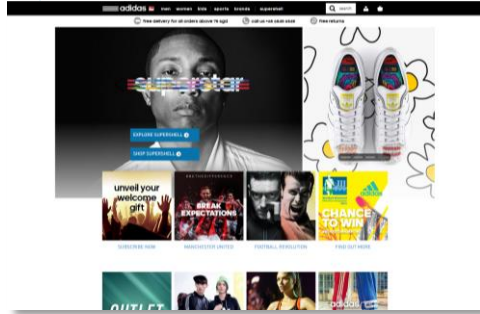
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eCommerce Logistics Network Development



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

