Financial results
H1 FY2020/21

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that could cause actual results, performance or events to differ materially from those in the statements as originally made.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

H1 FY2020/21 Financials

Cash flow and Financial Indicators

eCommerce Update

Segmental Performance

Strategy & Outlook

Resilient performance amid Covid-19 impact

Group P&L, S$M	H1 FY19/20	H1 FY20/21	% change
Revenue	**645.6**	**707.8**	**+9.6%**
Operating expenses	(567.6)	(670.4)	+18.1%
Profit on Operating Activities	**81.0**	**39.8**	**(50.9%)**
Share of Assoc & JV	0.0	0.3	@
Income tax	(16.8)	(7.0)	(58.4%)
Loss from discontinued operations	(12.0)	-	N.M.
Exceptional items	**1.0**	**(0.5)**	**N.M.**
Net profit attributable to equity holders	**53.4**	**30.9**	**(42.1%)**
Underlying net profit	**52.4**	**31.5**	**(40.0%)**

Led by growth in the Post and Parcel and Logistics segments, with strong eCommerce volume growth across the Group

Profit impacted by Covid-19 related disruptions, partly offset by higher earnings contribution from eCommerce growth in Singapore and Australia

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

Increase in expenses driven by volume growth, exacerbated by Covid-19 related disruptions

Group Expenses, S$M	H1 FY19/20	H1 FY20/21	% change
Volume-related	(338.8)	(429.2)	+26.7%
Labour & related	(141.0)	(149.9)	+6.3%
Admin, Selling-related & others	(53.7)	(58.2)	+8.4%
Depreciation & amortisation	(34.2)	(33.1)	(3.4%)
Operating Expenses	**(567.6)**	**(670.4)**	**+18.1%**
Finance Expenses	(6.3)	(5.1)	(20.2%)

Due to higher eCommerce volumes across the Group, coupled with spike in international conveyance and commercial freight costs as a result of Covid-19 disruption

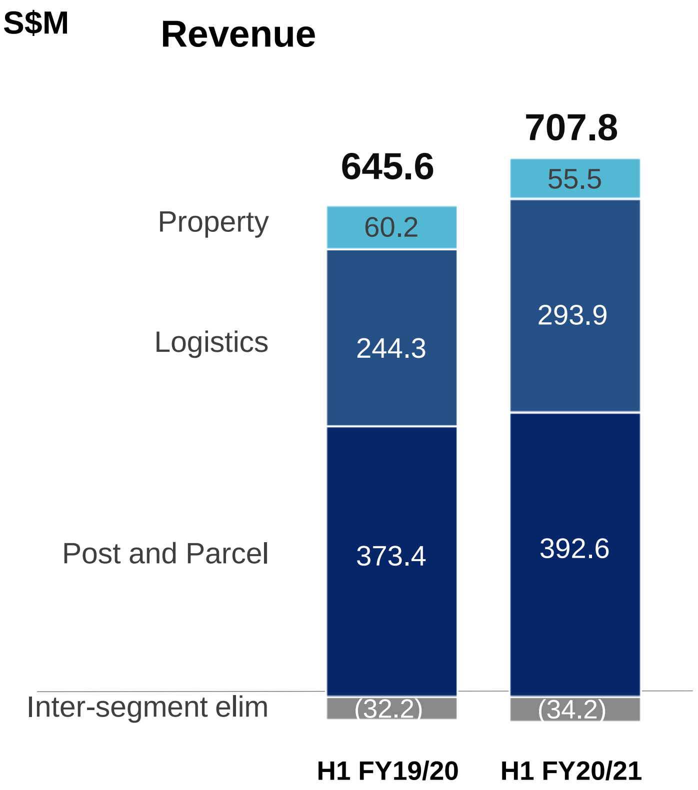
Due to increased eCommerce related deliveries in line with volume growth, as well higher costs in relation to Covid-19 disruptions such as health and safety arrangements, partially offset by JSS

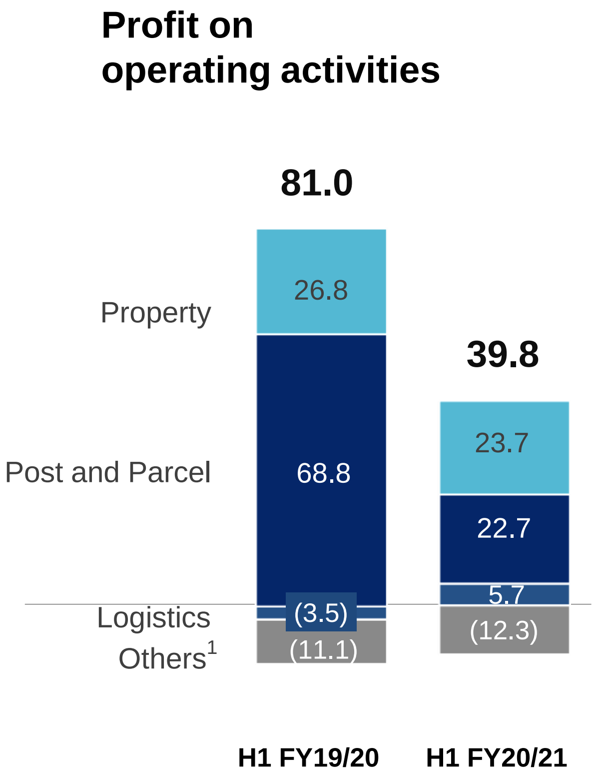
Largely due to higher provisions for bad debt and higher admin expenses in Australia

Lower interest expense

Revenue & POA breakdown by segments

S$M

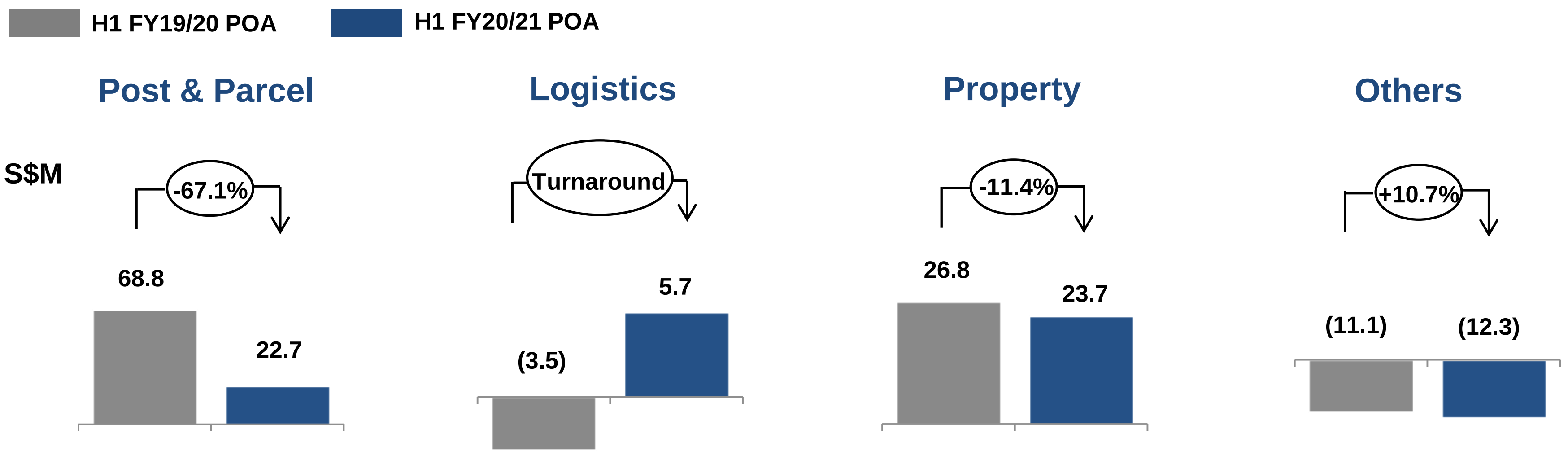




With effect from 1 April 2020, corporate cost allocation has been revised and prior year numbers have been restated for comparative purposes.

1. Refer to unallocated corporate overhead items

Summary of Segmental POA Performance



Post & Parcel: International margins largely eroded due to Covid-19 related air freight disruption; partly offset by strong growth in Domestic Commerce contribution

Logistics: Benefitted from increased adoption of eCommerce activities in Asia-Pacific, as well as the re-engineering of processes to improve customer experience, efficiency & scalability

Property: Largely due to rental rebates provided for eligible tenants which amounted to around $3.2m, as well as lower car-park and atrium sales revenue

Others: Higher by 10.7% due to reversals of one-off expenses amounting to S$1.2m last year. Excluding this, the Others segment remained stable.

With effect from 1 April 2020, corporate cost allocation has been revised and prior year numbers have been restated for comparative purposes.
Others refer to unallocated corporate overhead items

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H1 cash flow reflects resilience of the business

Cashflow, S$M	H1 FY19/20	H1 FY20/21	% change
Operating	38.7	127.1	+228.7%
Investing	(1.8)	(3.3)	+85.4%
Financing	(103.7)	(158.0)	+52.5%
Net increase / (decrease) in cash	**(66.8)**	**(34.3)**	**(48.7%)**

Strong improvement in operating cashflow due to positive movements in working capital

Due largely to net repayment of bank term loans and fixed rate notes of S$101 million

Decline in cash due to net repayment of bank loans, offset by higher cash from operations

Strong financial indicators and liquidity position

	As at Mar 20	As at Sep 20	% change
Cash and cash equivalents	493.0	458.7	(7.0%)
Borrowings	364.4	263.6	(27.7%)
Net cash / (debt) position	**128.6**	**195.1**	**+51.7%**

The Group remains in a net cash position, which further improved compared to the start of the financial year

	H1 FY19/20	H1 FY20/21	% change
EBITDA	116.2	72.6	(37.5%)
EBITDA to finance expense	**18.3x**	**14.4x**	

Lower coverage ratio due to lower EBITDA

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

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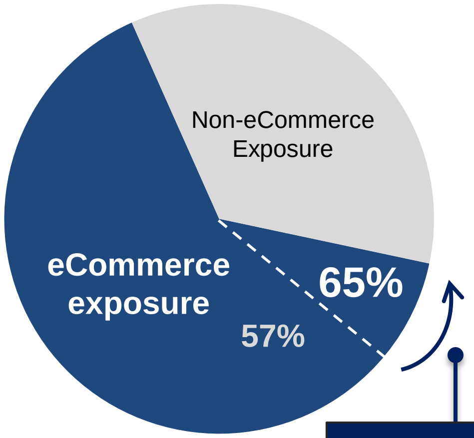
Group: eCommerce now drives 65% of Group revenues

eCommerce related revenues estimated to be around 65% of Group revenue

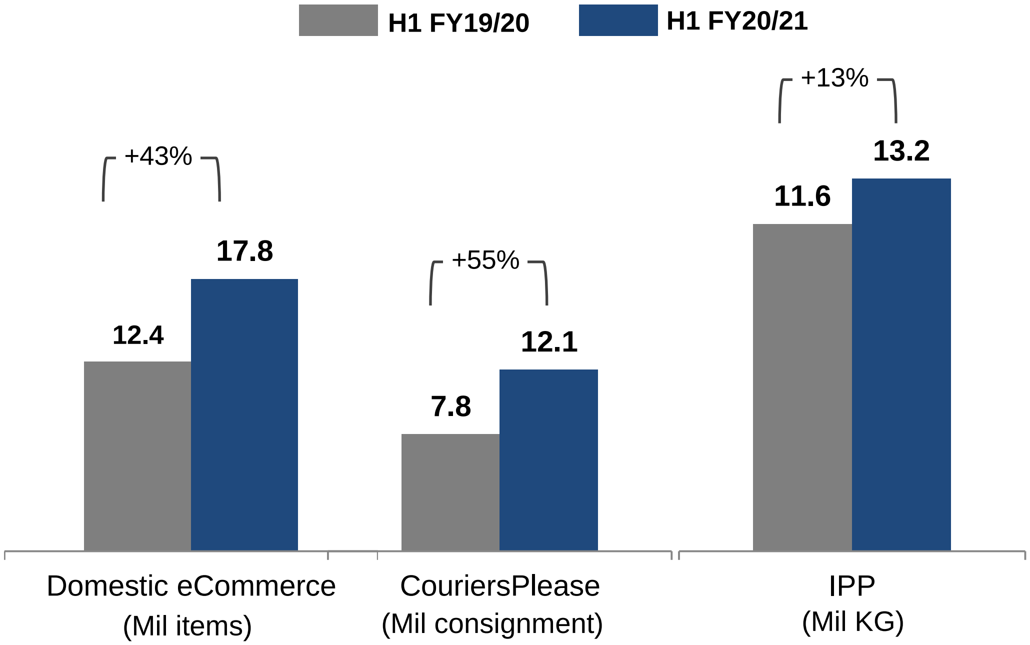


+8 percentage points vs 1H FY19/20

eCommerce exposed entities:
DPP (eCommerce), IPP
CP, QS, SPeC

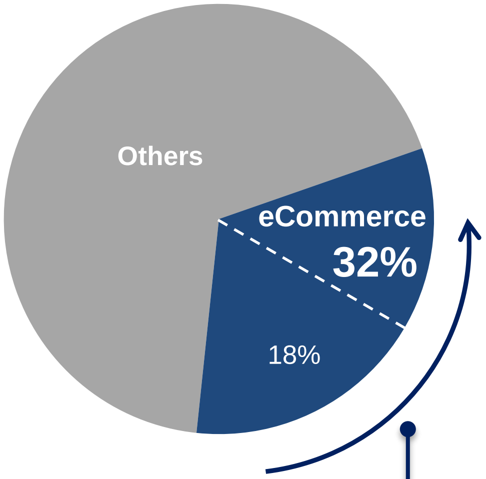
Non eComm exposed entities:
DPP (Mail)
Famous, Property

Strong growth in eCommerce volumes across various segments of the business



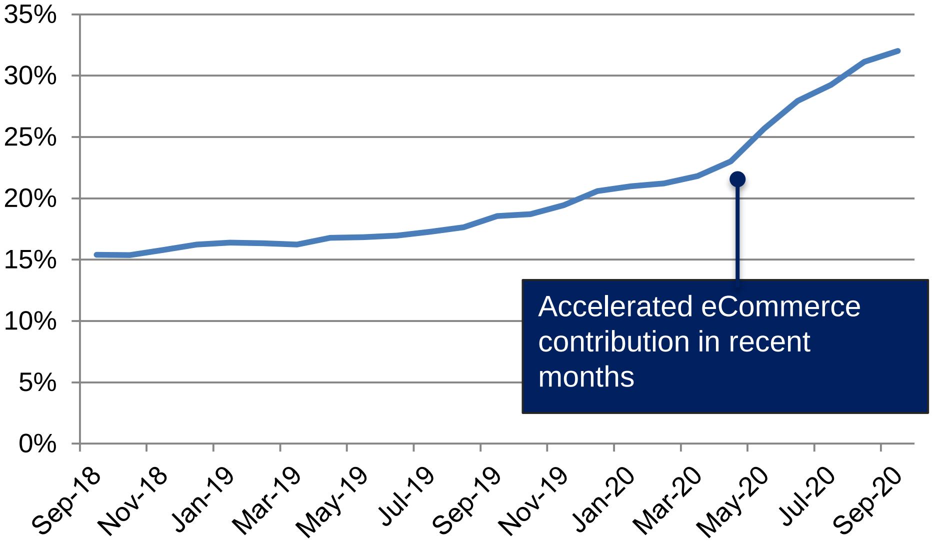
Domestic Post & Parcel: eCommerce has accelerated, and is now one-third of DPP revenue

1H FY20/21
DPP Revenue



eCommerce revenue contribution rose 14 percentage points compared to H1 FY19/20

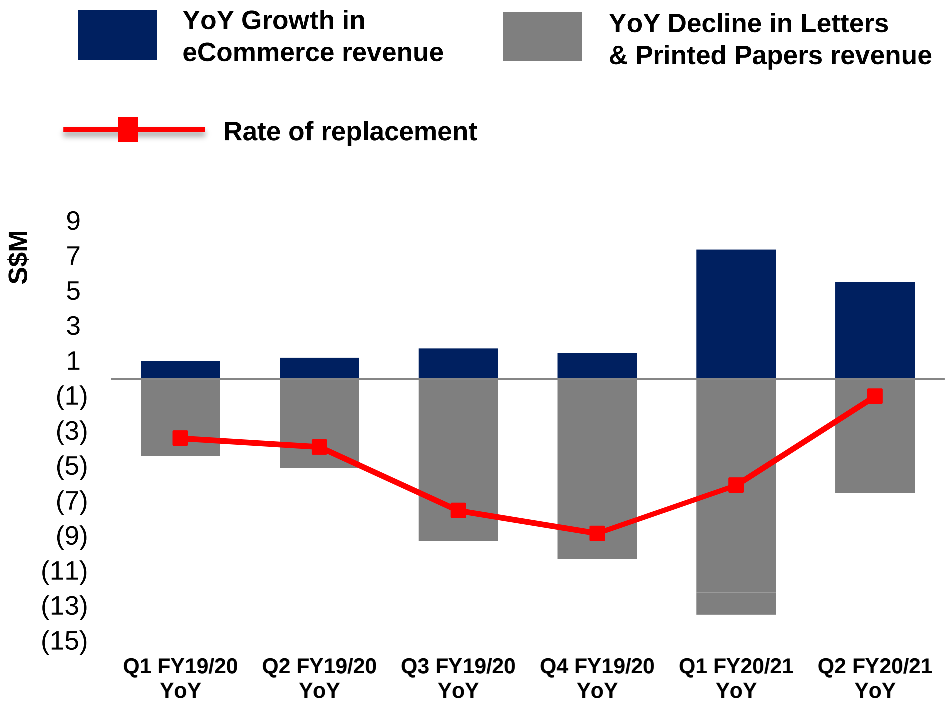
eCommerce revenue as % of Total DPP revenue (rolling 6 months)



Accelerated eCommerce contribution in recent months

Domestic Post & Parcel revenue can be sustained, as eCommerce is starting to cover Letters & Printed Papers decline

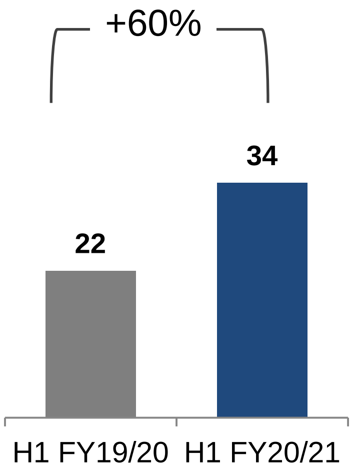
Growth in eCommerce revenue is starting to cover the decline from e-Substitution



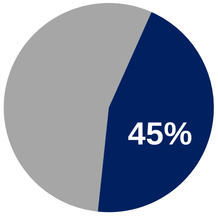
If Domestic Post and Parcel (eCommerce), & International Post and Parcel are standalone businesses

Domestic Post and Parcel (eCommerce)

Revenue

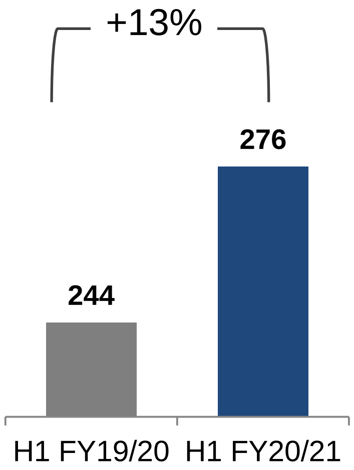


Estimated Market share[1]



International Post and Parcel

Revenue



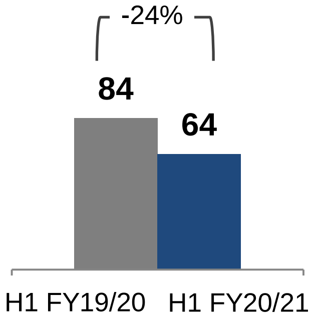
Global destinations

1. Estimated share of Singapore's total eCommerce volumes, including those delivered on Postal network

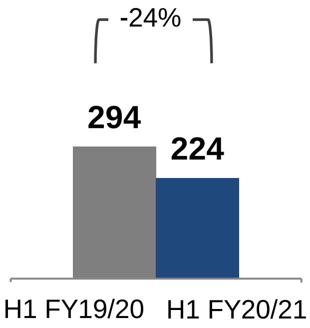
Decline in Letters & Printed Papers continues; Service quality metrics at Domestic Post & Parcel have improved

Revenue & volume trends for Letters & Printed Papers

Revenue

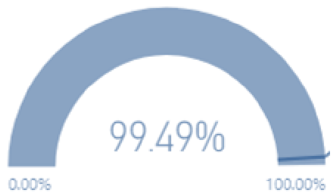


Volume

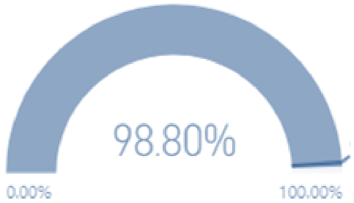


Post & Parcel meeting Service Standards; Ready for peak season

Tracked Postal Products SLA by Month (latest)



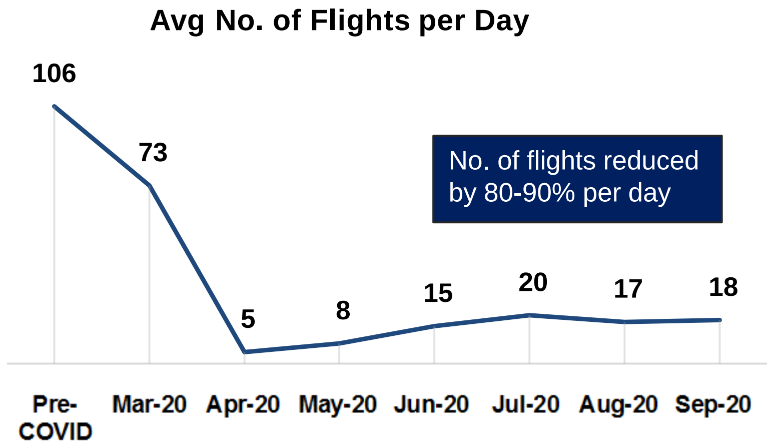
Parcel SLA by Month (latest)



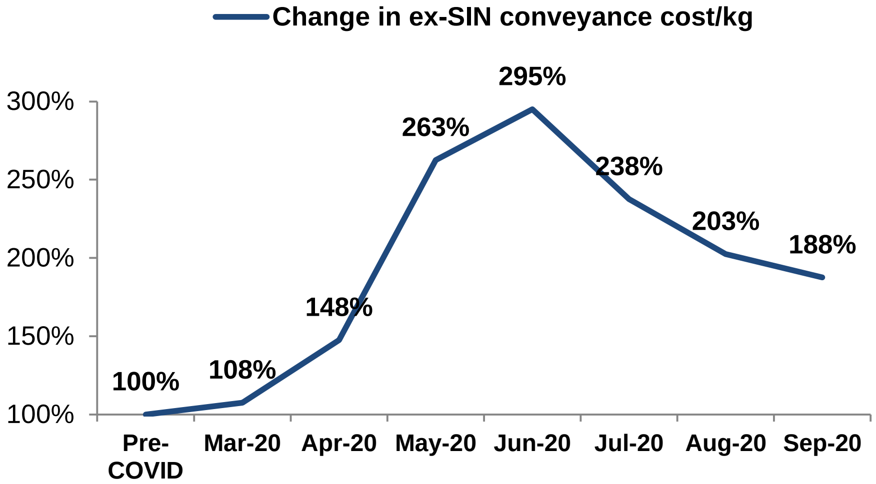
Covid-19 has severely impacted air freight capacity and increased conveyance costs significantly

Reduced flight capacity from Changi Airport

Surge in ex-Singapore Conveyance Costs (S$/KG)



No. of flights reduced by 80-90% per day



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Post and Parcel

Group P&L, S$M	H1 FY19/20	H1 FY20/21	% change
Revenue	**373.4**	**392.6**	**+5.2%**
International	244.0	275.5	+12.9%
Domestic[1]	129.4	117.1	(9.5%)
eCommerce	*21.6*	*34.5*	*+60.0%*
Others	*107.8*	*82.6*	*(23.4%)*
Profit on Operating Activities	**68.8**	**22.7**	**(67.1%)**

Growth in eCommerce revenue, offset by letter decline

International margins largely eroded due to Covid-19 air freight disruption; partly offset by growth in Domestic eCommerce contribution

1. Includes products and services transacted at the post offices

Logistics

Group P&L, S$M	H1 FY19/20	H1 FY20/21	% change
Revenue	**244.3**	**293.9**	**+20.3%**
eCommerce logistics[1]	120.3	167.2	+39.0%
Freight forwarding[2]	123.9	126.7	+2.2%
Profit on Operating Activities	**(3.5)**	**5.7**	**N.M.**

Strong growth as a result of increased adoption of eCommerce activities in Asia-Pacific. In particular, CouriesPlease revenue rose 48% on strong volume growth in Australia. QS and SPeC benefitted from process reengineering initiatives, leading to more customers for eCommerce logistics solutions, such as warehousing, fulfilment & front-end solutions.

Strong turnaround to profit of S$5.7 million

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

N.M. denotes Not Meaningful

Property & Self-storage

Group P&L, S$M	H1 FY19/20	H1 FY20/21	% change
Revenue	**60.2**	**55.5**	**(7.8%)**
Property	49.1	44.6	(9.1%)
Self-storage	11.1	10.9	(1.7%)
Profit on Operating Activities	**26.8**	**23.7**	**(11.4%)**

Impacted by rental rebates provided to eligible tenants of approximately S$3.2 million, as well as lower receipts from car-park and atrium sales

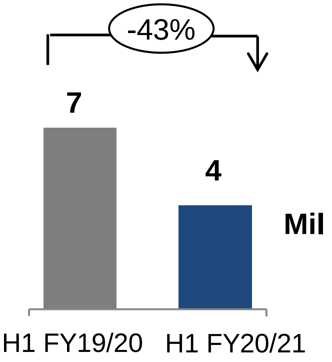
Committed Occupancy

As at	Sep 19	Mar 20	Sep 20
Mall	99.6%	100.0%	100.0%
Office/ Enrichment	95.7%	98.1%	99.1%

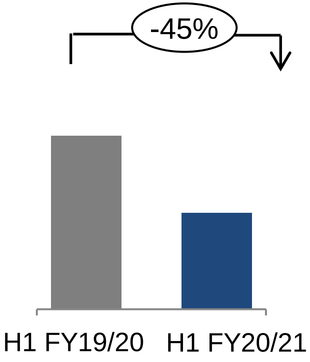
SPC Retail Mall performance

Footfall and Tenant sales remain down on a year-on-year basis

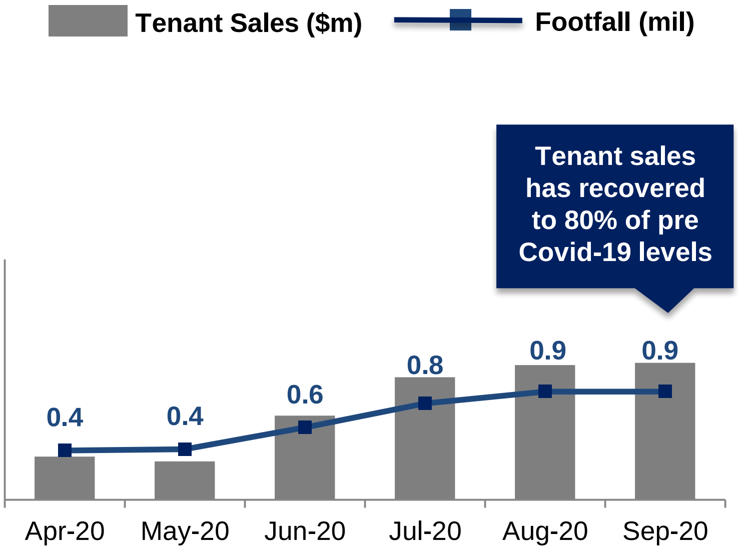
Footfall



Tenant sales



However, there has been a gradual recovery

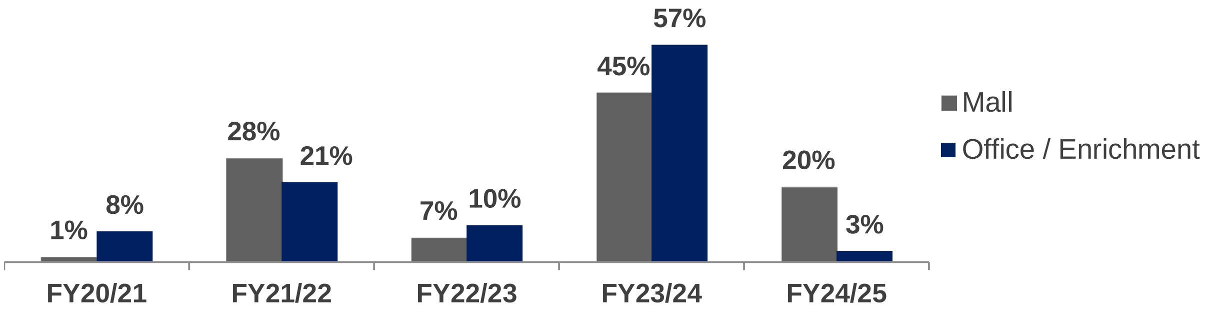


Leases expiring in FY20/21 have been substantially renewed

Lease Expiries & Renewals for FY20/21

	Expiring			Renewed		
	No. of leases	NLA (sq ft)	As % of total NLA	No. of leases	NLA (sq ft)	As % of total NLA
Mall	75	88,878	51.5%	64	83,212	48.2%
Office / Enrichment	12	76,232	17.1%	10	65,694	14.8%

Lease expiry Profile (as at 30 Sept 2020)



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There remains significant uncertainty in the operating environment due to Covid-19. Group earnings and operating cashflows will continue to face headwinds from the disruptions to businesses as detailed above. The extent and duration of the headwinds will depend on when the global pandemic situation will ease up.

The Group is carefully managing its expenses, cashflow and liquidity.

Notwithstanding the immediate challenges, SingPost remains committed to its transformation efforts.

The Group is implementing the Future of Post initiative, which will reengineer the Postal business to capture the broader growing opportunities for smart urban logistics. A key component of this ecosystem, the world's first-ever "Smart Letterbox", will commence public trials by the end of the calendar year.

Meanwhile, Property contribution from SingPost Centre retail mall and office is expected to remain relatively stable.

With a relatively strong balance sheet, the Group will continue to seek out new opportunities that will strengthen its capabilities and competitiveness in key markets.

Outlook

Strategic acquisition in Australia

On 19 October 2020, the Group announced that it has entered into a conditional sale and purchase agreement to acquire an aggregate 38% equity interest in Freight Management Holdings Pty Ltd ("FMH") for an aggregate consideration of approximately A$85.0 million (equivalent to approximately S$84.1 million).

FMH is a leading 4th party logistics ("4PL") service company in Australia. Through the use of proprietary technology, FMH manages and executes its customers' supply chain and distribution requirements.

The acquisition will allow the SingPost Group to further scale its Business-to-Business-to-Consumer (B2B2C) logistics capabilities in Australia, and capitalise on the growing eCommerce segment.

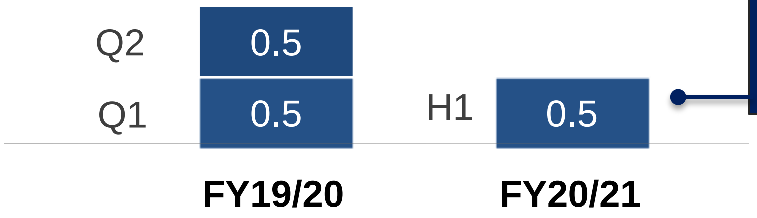
Together with CouriersPlease and Quantium Solutions Australia, the Group aims to derive synergistic benefits, grow volumes and build scale. This provides a strong platform for the SingPost Group to drive revenue and earnings in Australia over the long term.

Prudent approach to dividends given uncertain environment

The outlook remains uncertain due to the ongoing Covid-19 situation, and the Group is adopting a prudent approach in managing cash flows.

For the half year ended 30 September 2020, the Board has announced an interim dividend of 0.5 cent per share.

Dividend per share, S¢

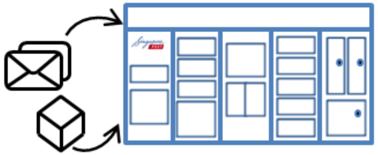


SingPost has moved to half-yearly reporting with effect from FY20/21.

The interim dividend of 0.5 cent represents around 36% of H1 underlying net profit.

Our Strategic Intent – 3 Key Thrusts

Deploying Smart Urban Logistics to Dominate in Singapore

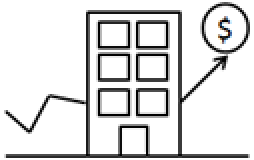


Future of Post - Transforming the national postal system to be THE national delivery infrastructure and network to move and distribute all goods beyond postal items

Build an Integrated B2B2C Network to Tap Growing Demand

Build a strong B2B2C network to exploit growing demand for integrated supply chains, including creating a second home market - targeting a sizeable eCommerce market with high growth potential and adoption in Asia-Pacific

Renewed Focus on Property to Optimise and Grow Returns



Property to play a bigger role - generate significant earnings, while serving as an asset to enable other businesses

Thank You