



# Financial results Q2 & H1 FY2019/20

1 Nov 2019



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that could cause actual results, performance or events to differ materially from those in the statements as originally made.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

- Q2 & H1 FY2019/20 Financials
- Cash flow and Balance sheet
- Segmental results
- Highlights
- Outlook



# Q2 FY2019/20 financial statement

S\$M	Q2 FY18/19	Q2 FY19/20	YoY % change	
<b>Revenue</b>	<b>318.1</b>	<b>324.4</b>	<b>+2.0%</b>	— Largely led by International post & parcel, offset by lower Domestic post & parcel and freight forwarding
Operating expenses	(271.4)	(287.6)	+6.0%	— Due to higher volume-related expenses
<b>Profit on operating activities</b>	<b>49.7</b>	<b>38.7</b>	<b>(22.2%)</b>	— Largely due to lower domestic letter mail volumes and slowdown in the freight forwarding sector
Share of associated companies & JV	(3.6)	0.3	N.M.	— Ceased equity accounting for 4PX and disposed stake in Indo Trans Logistics
Exceptional items	(2.9)	0.9	N.M.	— Absence of exceptional losses after sale of GD Express warrants
Income tax expense	(9.2)	(8.3)	(9.9%)	
Loss from discontinued operations	(10.2)	(4.5)	(55.8%)	— Deconsolidation of U.S. business segment with effect from September following Chapter 11 filings
<b>Net profit attributable to equity holders</b>	<b>25.1</b>	<b>27.7</b>	<b>+10.3%</b>	
<b>Underlying net profit</b>	<b>28.1</b>	<b>26.8</b>	<b>(4.6%)</b>	— Improved results from associates & JV partly offset Post & Parcel and freight forwarding decline

# Q2 FY2019/20 expenses

S\$M	Q2 FY18/19	Q2 FY19/20	YoY % change
<b>Operating expenses</b>	<b>(271.4)</b>	<b>(287.6)</b>	<b>+6.0%</b>
Volume-related	(158.9)	(170.6)	+7.4%
Labour & related	(68.1)	(71.7)	+5.2%
Admin, selling-related & others	(34.9)	(28.3)	(18.8%)
Depreciation & amortisation	(9.5)	(17.0)	+79.1%

S\$M	Q2 FY18/19	Q2 FY19/20	YoY % change
<b>Finance expenses</b>	<b>(1.9)</b>	<b>(3.2)</b>	<b>+67.4%</b>

Reflects costs to support the higher revenues at International post and parcel

Additional postmen hired for the Singapore postal operations, as well as higher remuneration

Following adoption of SFRS(I) 16 Leases,
 

- reduction of rental costs (under Admin & others),
- increase in depreciation costs (under D&A);
- and an additional cost of financing (under Finance expenses).

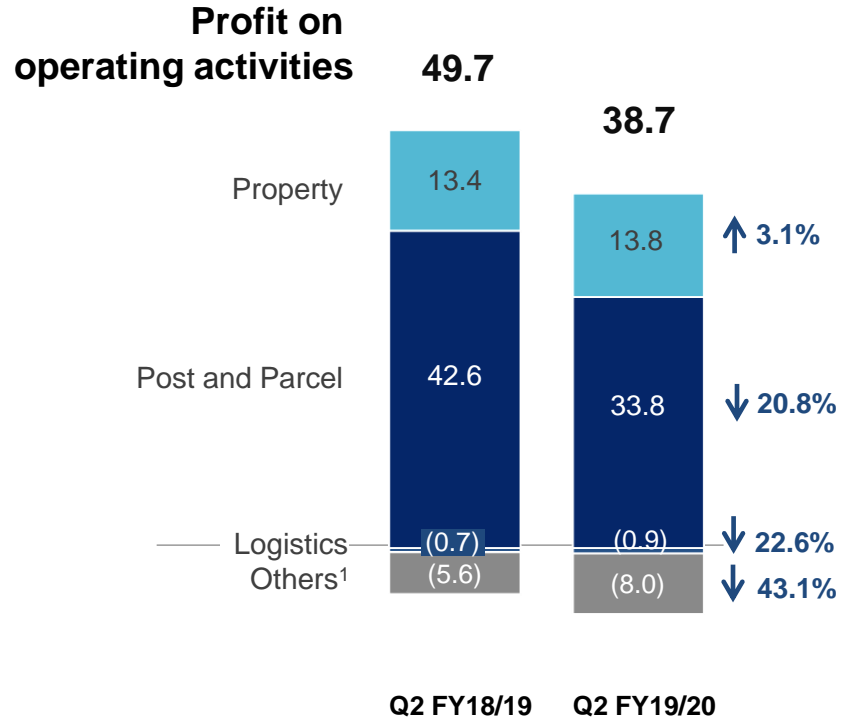
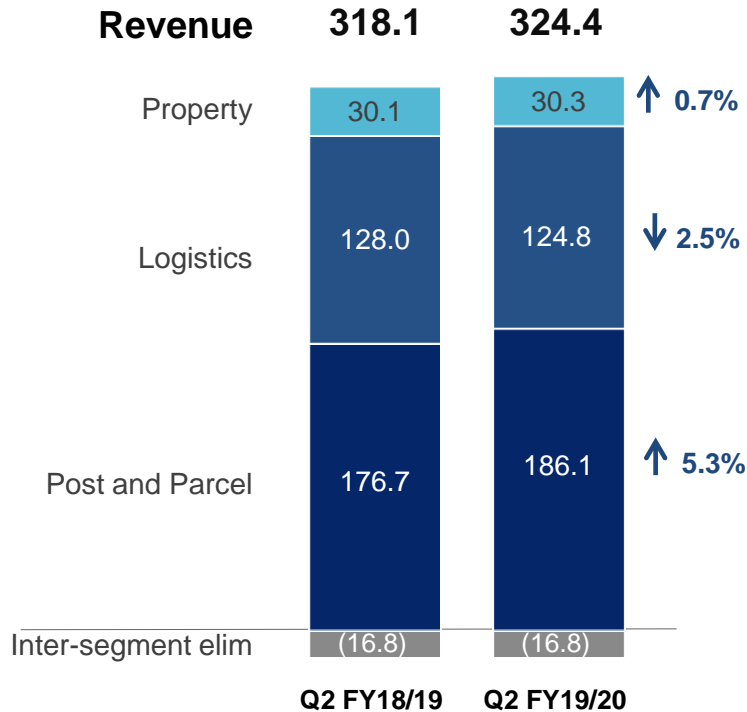
Impact on adoption of SFRS(I) 16	Q2 FY19/20
Admin & others – Operating lease expense	8.3
Depreciation expense for right-of-use assets	(7.8)
Finance expense for right-of-use assets	(1.0)
<b>Net impact to P&amp;L</b>	<b>(0.5)</b>



# Q2 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	H1 FY18/19	H1 FY19/20	
Operating cash flow before working capital changes	105.1	104.8	— Stable operating cash flow before working capital changes
Changes in working capital	(76.0)	(47.7)	— Negative capital movement for H1 due largely to international postal settlements, and higher receivables for cross-border eCommerce deliveries. In H1 last year, there was a larger unfavourable movement for international postal settlements
Income tax paid	(17.3)	(18.4)	
Net cash provided by operating activities	11.8	38.7	
Capital expenditure	(18.8)	(6.9)	
<b>Free cash flow</b>	<b>(7.0)</b>	<b>31.8</b>	— Improved free cash flow due to higher cash provided by operating activities, as well as lower capital expenditure



# Financial indicators

S\$M	Financial indicators	As at Mar 2019	As at Sep 2019
	Cash & cash equivalents at end of financial period	392.2	325.4
	Borrowings	290.9	286.1
	Net cash / (debt) position	101.3	39.3

— Lower compared to March 2019<sup>1</sup>, due to payment of dividends, outpayments for international postal terminal dues, as well as net repayment of a bank term loan

		H1 FY18/19	H1 FY19/20
	EBITDA <sup>2</sup>	91.8	105.2
	EBITDA to finance expense (times)	19.0x	14.6x
	Adjusted to exclude impact of SFRS(1) 16 Leases	-	17.4x

— Higher EBITDA for the period

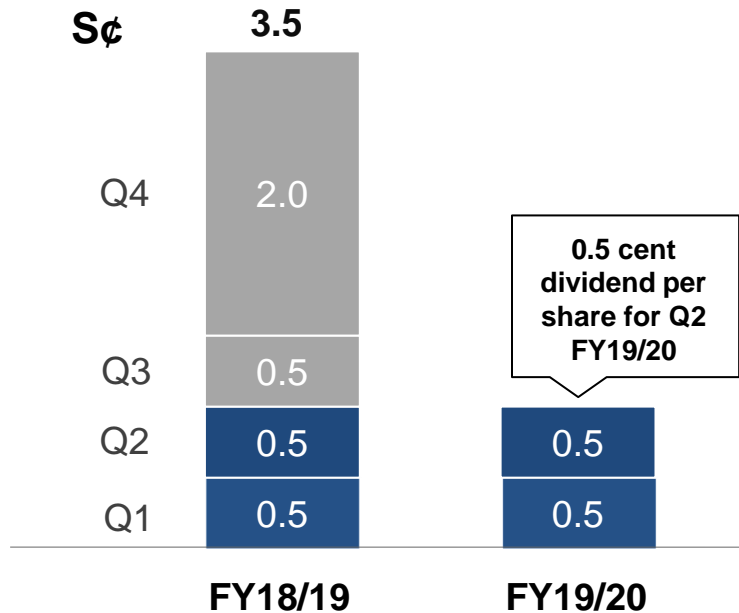
— Increase was due to adoption of SFRS(I) 16 Leases

1. Cash & cash equivalents of S\$325.4m as at Sep 2019 is higher compared against S\$285.2m as at Sep 2018

2. EBITDA is defined as profit before interest, tax, depreciation and amortisation

# Maintained dividend for Q2 FY2019/20

## Dividend per share



Books closure: 19 Nov 2019  
Payment date: 29 Nov 2019

Our dividend policy is based on a payout ratio ranging from **60% to 80%** of **underlying net profit** for each financial year.

# Segmental results

# Post and Parcel

S\$M

Post and Parcel	Q2 FY18/19	Q2 FY19/20	YoY % change	H1 FY18/19	H1 FY19/20	YoY % change
<b>Revenue</b>	<b>176.7</b>	<b>186.1</b>	<b>+5.3%</b>	<b>362.7</b>	<b>373.4</b>	<b>+2.9%</b>
<i>Domestic<sup>1</sup></i>	68.6	63.7	(7.2%)	139.0	129.4	(6.9%)
<i>International</i>	108.1	122.4	+13.2%	223.7	244.0	+9.1%
<b>Profit on operating activities</b>	<b>42.6</b>	<b>33.8</b>	<b>(20.8%)</b>	<b>83.8</b>	<b>71.3</b>	<b>(14.9%)</b>
<i>Margin</i>	24.1%	18.1%		23.1%	19.1%	

International revenue rose on the back of higher cross-border eCommerce-related deliveries. This was partially offset by a decline in Domestic revenue, where growth from eCommerce-related deliveries was insufficient to offset an accelerated decline in business letter volumes, plus a reduction in admail volumes.

Profit on operating activities declined for Q2 and H1. The lower volumes were exacerbated by higher costs incurred for initiatives to improve service quality standards, such as hiring of additional postmen to provide for the additional workload associated with increasing eCommerce deliveries, and enhancement of their remuneration.

1. Includes products and services transacted at the post offices

S\$M

Logistics	Q2 FY18/19	Q2 FY19/20	YoY % change	H1 FY18/19	H1 FY19/20	YoY % change
<b>Revenue</b>	<b>128.0</b>	<b>124.8</b>	<b>(2.5%)</b>	<b>250.2</b>	<b>244.3</b>	<b>(2.4%)</b>
<i>eCommerce logistics<sup>1</sup></i>	62.0	61.9	(0.1%)	125.1	120.3	(3.8%)
<i>Freight forwarding<sup>2</sup></i>	66.0	62.9	(4.8%)	125.2	123.9	(1.0%)
<b>Profit on operating activities</b>	<b>(0.7)</b>	<b>(0.9)</b>	<b>(22.6%)</b>	<b>(1.6)</b>	<b>(2.6)</b>	<b>(60.2%)</b>
<i>Margin</i>	(0.6%)	(0.7%)		(0.7%)	(1.1%)	

Revenue was lower due largely to the depreciation of the A\$ against the S\$ for Couriers Please, our parcel delivery service in Australia. Without the depreciation of the A\$, Logistics segment revenue would have been stable for Q2 and H1. Quantum Solutions showed improved operational momentum in Q2 with the addition of new customers, which helped offset a decline in freight forwarding revenue from a slowdown in global trade activities.

Losses on operating activities stood at S\$0.9 million for Q2 and S\$2.6 million for H1. Quantum Solutions benefited from improved operating leverage from higher revenue. However, this was offset by onboarding costs for eCommerce customers in Asia Pacific, as well as lower profits from the freight forwarding business due to lower volumes.

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



S\$M

Property	Q2 FY18/19	Q2 FY19/20	YoY % change	H1 FY18/19	H1 FY19/20	YoY % change
Revenue	30.1	30.3	+0.7%	60.4	60.2	(0.4%)
Profit on operating activities	13.4	13.8	+3.1%	26.5	26.6	+0.4%
Margin	44.3%	45.4%		43.9%	44.3%	

Property segment revenue, which comprises commercial property rental and the self-storage business, remained largely stable for Q2 and H1, with SingPost Centre retail mall and office remaining at close to full occupancy.

Profit on operating activities rose 3.1% to S\$13.8 million in Q2, with higher contribution from the SPC retail mall. For H1, profit on operating activities was stable at S\$26.6 million.




# Highlights



# New package categories and adjusted postal products from 2 Dec 2019 to meet eCommerce demand



- New **Basic Package** and **Tracked Package** categories, delivered to letterboxes, to meet eCommerce demand
- Ordinary Mail renamed as **Basic Mail** and will only accept letters and printed papers up to 500g; **Registered Service (Singapore)** to be limited to letters and printed papers up to 500g<sup>1</sup>
- Airmail rates for letters sent overseas to increase by 10 to 20¢, and Registered Service (International) fee revised from \$2.50 to \$3.60 to mitigate increasing postal settlement rates<sup>2</sup>

	 <b>BASIC MAIL</b> ≡ LETTERBOX ≡			 <b>BASIC PACKAGE</b> ≡ LETTERBOX ≡	 <b>TRACKED PACKAGE</b> ≡ LETTERBOX ≡
	Mail (Letter / Postcard / Printed Paper)				
	Standard Regular	Standard Large	Non-Standard		
Weight	≤ 40g	≤ 500g	≤ 500g	≤ 2kg	≤ 2kg
Type of Delivery	<b>Letterbox</b>	<b>Letterbox</b>	<b>Letterbox</b>	<b>Letterbox</b>	<b>Letterbox</b> (with Tracking)
Delivery Standard	Letters: Next working day	Letters: Next working day	Letters: 2 working days	2 - 4 working days	2 - 4 working days

1. No change to Basic Mail rates  
 2. No change to international surface mail rates, as well as airmail rates for packages

# Future of Post - Transforming Singapore's postal landscape with 'Smart' Shared Letterboxes



Modular lockers for parcels

Be notified when your items arrive

Automated in-feed module for letters and packets

Smart letterbox with automated sorting and storage

Dispenser for letters and packets

Significantly reduces postmen's workload and minimises misdeliveries



# Outlook





In Singapore, domestic letter mail volume continues to decline while eCommerce-related packet and parcel volumes continue to grow. This is reflected in lower blended margins. The Group's cost leadership program continues to help mitigate the impact. An increase in international letter mail rates and a streamlining of domestic postal products will come into effect from 2 December 2019.

International mail continues to grow. The Universal Postal Union's member countries have reached an agreement on postal remuneration rates which will accelerate rate increases for the delivery of international bulky letters and small packets.

The Property segment is expected to remain largely stable, and a significant contributor to Group operating profit for the financial year.

Thank You



# Supplementary information



# H1 FY2019/20 financial statement

S\$M	H1 FY18/19	H1 FY19/20	YoY % change
<b>Revenue</b>	<b>639.2</b>	<b>645.6</b>	<b>+1.0%</b>
Operating expenses	(545.5)	(567.6)	+4.1%
<b>Profit on operating activities</b>	<b>97.0</b>	<b>81.0</b>	<b>(16.5%)</b>
Share of associated companies & JV	(7.1)	0.0	N.M.
Exceptional items	(8.9)	1.0	N.M.
Income tax expense	(21.7)	(16.8)	(22.8%)
Loss from discontinued operations	(18.0)	(12.0)	(33.4%)
<b>Net profit attributable to equity holders</b>	<b>43.9</b>	<b>53.4</b>	<b>+21.8%</b>
<b>Underlying net profit</b>	<b>52.8</b>	<b>52.4</b>	<b>(0.7%)</b>

# H1 FY2019/20 expenses

S\$M	H1 FY18/19	H1 FY19/20	YoY % change
<b>Operating expenses</b>	<b>(545.5)</b>	<b>(567.6)</b>	<b>+4.1%</b>
Volume-related	(318.5)	(338.8)	+6.3%
Labour & related	(137.7)	(141.0)	+2.4%
Admin, selling-related & others	(70.1)	(53.7)	(23.4%)
Depreciation & amortisation	(19.2)	(34.2)	+78.4%

S\$M	H1 FY18/19	H1 FY19/20	YoY % change
<b>Finance expenses</b>	<b>(3.9)</b>	<b>(6.3)</b>	<b>+64.4%</b>

Impact on adoption of SFRS(I) 16	H1 FY19/20
Admin & others – Operating lease expense	16.0
Depreciation expense for right-of-use assets	(15.0)
Finance expense for right-of-use assets	(2.0)
<b>Net impact to P&amp;L</b>	<b>(1.0)</b>



# Underlying Net Profit Reconciliation Table

S\$'000

	Q2 FY18/19	Q2 FY19/20	H1 FY18/19	H1 FY19/20
<b>Profit attributable to equity holders</b>	<b>25,149</b>	<b>27,729</b>	<b>43,864</b>	<b>53,411</b>
<b>Exceptional items</b>	<b>2,944</b>	<b>(936)</b>	<b>8,906</b>	<b>(985)</b>
<i>Losses / (gain) on disposal of property, plant and equipment</i>	67	35	43	(16)
<i>Professional fees</i>	138	-	166	2
<i>Fair value loss on warrants from an associated company</i>	2,739	-	8,697	-
<i>Reversal of over-provision of contingent consideration in a foreign subsidiary</i>	-	(971)	-	(971)
<b>Underlying net profit</b>	<b>28,093</b>	<b>26,793</b>	<b>52,770</b>	<b>52,426</b>

On 19 September 2019, the Group announced that Jagged Peak, Inc., TradeGlobal North America Holding, Inc. and TradeGlobal LLC (the “U.S. Subsidiaries”) have filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court.

Following that, the Group deconsolidated the financials for the U.S. Subsidiaries with effect from the month of September. Moving forward, the Group will no longer recognise profit or loss from the U.S. Subsidiaries. Based on current estimates, there was no material net financial impact arising from the deconsolidation of the U.S. Subsidiaries.

For the second quarter (“Q2”) and half year (“H1”) ended 30 September 2019, the consolidated income statement of the Group is presented as “Continuing Operations”, which excludes the U.S. Subsidiaries.

Losses from the U.S. Subsidiaries for the period prior to deconsolidation are presented as a single line item in the income statement - “Discontinued Operations”.