# Financial results
# Q3 & 9M FY2019/20

7 Feb 2020

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"$" means Singapore dollars unless otherwise indicated.

- Q3 & 9M FY2019/20 Financials
- Cash flow and Balance sheet
- Segmental results
- Outlook

# Q3 FY2019/20 financial statement

| S$M | Q3 FY18/19 | Q3 FY19/20 | YoY % change |
|---|---|---|---|
| **Revenue** | **363.4** | **355.9** | **(2.0%)** |
| Operating expenses | (307.7) | (318.4) | +3.5% |
| **Profit on operating activities** | **54.8** | **41.3** | **(24.6%)** |
| Share of associated companies & JV | 0.0 | 0.0 | +170.6% |
| Exceptional items | 31.8 | (0.7) | N.M. |
| Income tax expense | (9.4) | (8.4) | (10.9%) |
| Loss from discontinued operations | (12.8) | - | N.M. |
| **Net profit attributable to equity holders** | **50.2** | **30.5** | **(39.3%)** |
| **Underlying net profit** | **32.9** | **31.2** | **(5.1%)** |

In spite of record revenue of close to S$150m for International Post & Parcel, this was insufficient to offset the decline in domestic letter mail, as well as lower freight forwarding revenue from a slowdown in global trade

Consequently, profit on operating activities declined

Ceased equity accounting for 4PX and disposed stake in Indo Trans Logistics

Exceptional gain last year largely due to gain on dilution of interest in 4PX

Due to the absence of the significant exceptional gain on dilution recorded last year

The absence of losses from the U.S. Subsidiaries compared to last year, was offset by lower profit for Post and Parcel due to lower domestic letter volumes

N.M. denotes Not Meaningful

# Q3 FY2019/20 expenses

| S$M | Q3 FY18/19 | Q3 FY19/20 | YoY % change |
|---|---|---|---|
| **Operating expenses** | **(307.7)** | **(318.4)** | **+3.5%** |
| Volume-related | (193.5) | (198.8) | +2.7% |
| Labour & related | (70.3) | (73.1) | +3.9% |
| Admin, selling-related & others | (34.2) | (29.7) | (13.2%) |
| Depreciation & amortisation | (9.6) | (16.9) | +75.3% |

| S$M | Q3 FY18/19 | Q3 FY19/20 | YoY % change |
|---|---|---|---|
| **Finance expenses** | **(2.3)** | **(3.1)** | **+38.7%** |

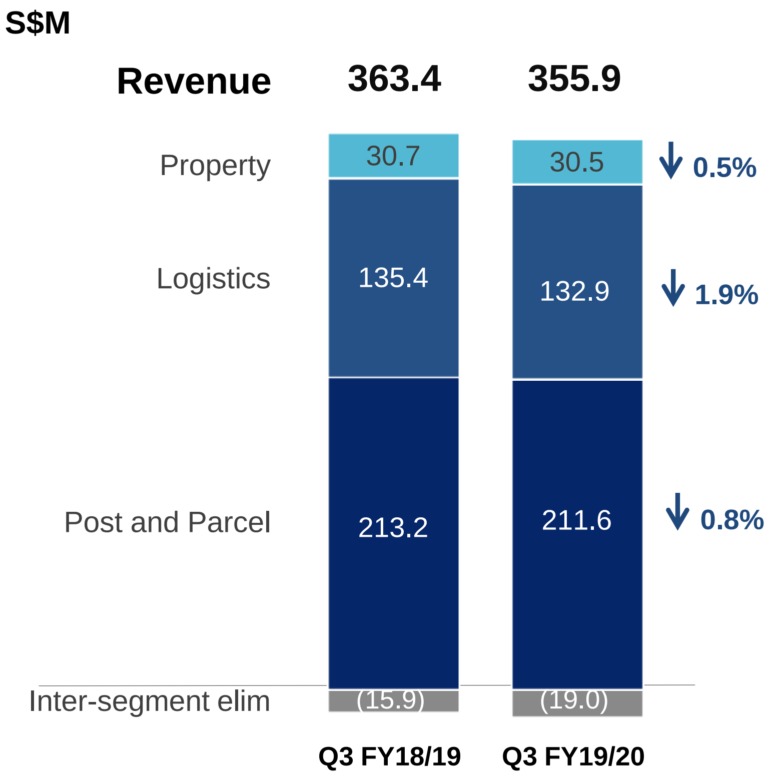
Despite benefits delivered by our cost savings actions, taken in anticipation of a declining mail environment, opex rose 3.5% due to significant investments to improve service levels, as well as the impact of higher terminal dues for the International Postal business

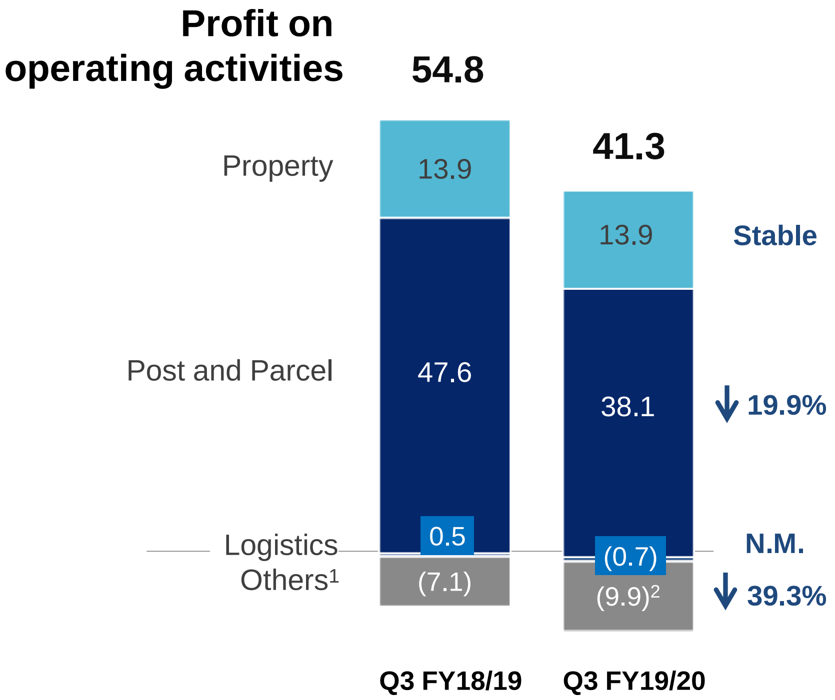
Additional postmen hired for the Singapore postal operations, as well as higher remuneration

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 | Q3 FY19/20 |
|---|---|
| Admin & others – Operating lease expense | 8.1 |
| Depreciation expense for right-of-use assets | (7.3) |
| Finance expense for right-of-use assets | (1.0) |
| **Net impact to P&L** | **(0.2)** |

# Q3 FY19/20 segment revenue and POA (Continuing operations)




1. Refer to unallocated corporate overhead items and trade-related foreign currency translation differences.
2. The increase was largely due to a one-off settlement of professional fees, and higher provision for doubtful debt.

N.M. denotes Not Meaningful

# Cash flow &
# Balance sheet

# Free cash flow

| S$M | 9M FY18/19 | 9M FY19/20 |
|---|---|---|
| Operating cash flow before working capital changes | 159.0 | 160.3 |
| Changes in working capital | (27.0) | (69.5) |
| Income tax paid | (32.7) | (36.0) |
| Net cash provided by operating activities | 99.3 | 54.8 |
| Capital expenditure | (25.4) | (10.4) |
| **Free cash flow** | **73.9** | **44.4** |

— Stable operating cash flow before working capital changes

— Due largely to an increase in trade receivables, as a one-time change in contracting party for eCommerce deliveries from China led to a timing difference in payments received

**Since the close of the period ended 31 December 2019, about S$51 million payment in respect of these trade receivables have been received**

# Financial indicators

| S$M Financial indicators | As at Mar 2019 | As at Dec 2019 |
| --- | --- | --- |
| Cash & cash equivalents at end of financial period | 392.2 | 259.1 |
| Borrowings | 290.9 | 216.3 |
| Net cash / (debt) position | 101.3 | 42.9 |

— Lower compared to March 2019, due to payment of dividends, timing of receivables in respect of International eCommerce deliveries, as well as net repayment of a bank term loan

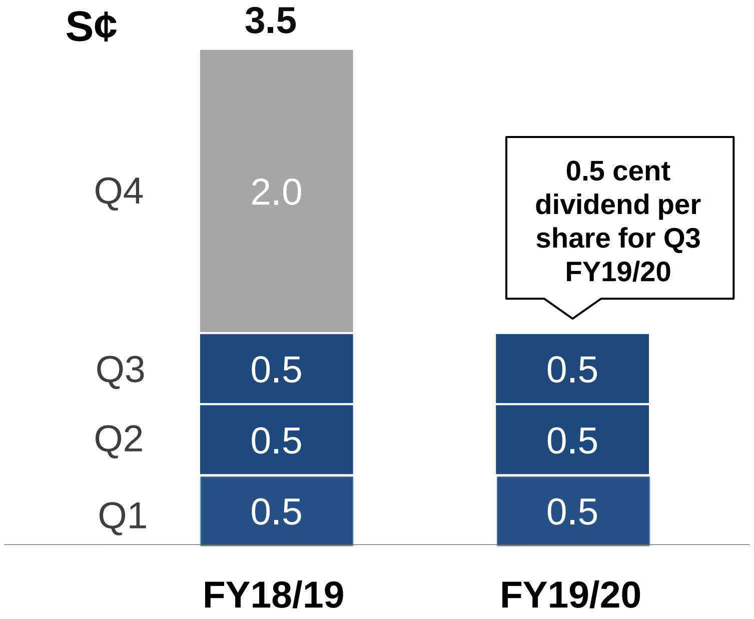
| | 9M FY18/19 | 9M FY19/20 |
| --- | --- | --- |
| EBITDA[1] | 180.5 | 162.7 |
| EBITDA to finance expense (times) | 25.2x | 15.8x |
| Adjusted to exclude impact of SFRS(1) 16 *Leases* | - | 22.3x |

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

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

# Maintained dividend for Q3 FY2019/20

**Dividend per share**




Books closure: 20 Feb 2020
Payment date: 28 Feb 2020

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 | Q3 FY18/19 | Q3 FY19/20 | YoY % change | 9M FY18/19 | 9M FY19/20 | YoY % change |
|---|---|---|---|---|---|---|
| **Revenue** | **213.2** | **211.6** | **(0.8%)** | **575.9** | **584.9** | **+1.6%** |
| *Domestic[1]* | *73.5* | *63.3* | *(13.8%)* | *212.5* | 192.7 | *(9.3%)* |
| *International* | *139.7* | *148.2* | *+6.1%* | *363.4* | *392.2* | *+7.9%* |
| **Profit on operating activities** | **47.6** | **38.1** | **(19.9%)** | **131.5** | **109.5** | **(16.7%)** |
| *Margin* | *22.3%* | *18.0%* | | *22.8%* | 18.7% | |

Revenue remained largely stable in Q3. International revenue rose to a record of close to S$150 million on the back of higher cross-border eCommerce-related deliveries, and this helped make up the decline in Domestic revenue. Domestic eCommerce-related volumes registered strong double-digit percentage growth during the quarter, but was insufficient to offset an accelerated decline to double-digit percentage in letter mail volumes, which continues to form the majority of revenue and volume. For 9M, Post & Parcel revenue rose 1.6%, led by growth in International.

Profit on operating activities declined 19.9% for Q3 and 16.7% for 9M. Domestic earnings declined as growth from eCommerce-related deliveries was insufficient to offset an accelerated decline in letter volumes and the partial cessation of advertising mail volumes. In addition, higher costs were incurred 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

# Logistics

**S$M**

| Logistics | Q3 FY18/19 | Q3 FY19/20 | YoY % change | 9M FY18/19 | 9M FY19/20 | YoY % change |
|---|---|---|---|---|---|---|
| **Revenue** | **135.4** | **132.9** | **(1.9%)** | **385.6** | **377.1** | **(2.2%)** |
| *eCommerce logistics[1]* | *68.2* | *70.8* | *+3.8%* | *193.3* | 191.1 | *(1.1%)* |
| *Freight forwarding[2]* | *67.2* | *62.1* | *(7.6%)* | *192.4* | 186.0 | *(3.3%)* |
| **Profit on operating activities** | **0.5** | **(0.7)** | **N.M.** | **(1.2)** | **(3.4)** | **(180.7%)** |
| *Margin* | *0.3%* | *(0.5%)* | | *(0.3%)* | (0.9%) | |

Revenue was lower by 1.9% in Q3 and 2.2% for 9M, due to a decline in freight forwarding revenue, as well as depreciation of the Australian dollar against the Singapore dollar. For Q3, there was an additional impact of the bushfires. Quantium Solutions continued to deliver good operational momentum as revenue rose 25.6% in Q3 with the addition of new customers in Singapore and North Asia.

Losses on operating activities stood at S$0.7 million for Q3, compared to S$0.5 million profit in Q3 last year. This was largely due to losses at Couriers Please in December, which was impacted by the bushfires in Australia. For 9M, losses were S$3.4 million compared to S$1.2 million in 9M last year. While Quantium Solutions' financial performance improved with improved operating leverage, this was offset by onboarding costs for eCommerce customers in Asia Pacific (SP eCommerce), as well as lower freight forwarding profit due to lower volumes from the slowdown in global trade (Famous Holdings), and to a lesser extent, the Q3 negative impact from Couriers Please.

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

N.M. denotes Not Meaningful

# Property

**S$M**

| Property | Q3 FY18/19 | Q3 FY19/20 | YoY % change | 9M FY18/19 | 9M FY19/20 | YoY % change |
|---|---|---|---|---|---|---|
| **Revenue** | **30.7** | **30.5** | **(0.5%)** | **91.1** | **90.7** | **(0.4%)** |
| **Profit on operating activities** | **13.9** | **13.9** | **+0.0%** | **40.4** | **40.5** | **+0.3%** |
| *Margin* | *45.2%* | *45.4%* | | *44.3%* | *44.7%* | |

Property segment revenue, which comprises commercial property rental and the self-storage business, remained largely stable for Q3 and 9M, with SingPost Centre retail mall and office remaining at close to full occupancy.

Profit on operating activities was stable for both Q3 and 9M.


# Outlook

# Outlook

In Singapore, domestic letter mail volume has shown an accelerated decline, while eCommerce-related packet and parcel volumes continue to grow. The Group has invested significantly to improve service quality, which has shown results over the peak season. The above are expected to result in lower blended margins and lower operating cashflows.

International mail continues to grow on the back of cross-border eCommerce deliveries. However, higher terminal dues has taken effect from 1 January 2020. We will continue to manage our traffic mix in order to mitigate the impact of the increases.

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

The novel coronavirus issue has not had a material impact to the Group results thus far. However, if this situation persists or worsens, it might create further macroeconomic headwinds.


# Thank You

# Supplementary information

# 9M FY2019/20 financial statement

| S$M | 9M FY18/19 | 9M FY19/20 | YoY % change |
|---|---|---|---|
| **Revenue** | **1,002.6** | **1,001.6** | **(0.1%)** |
| Operating expenses | (853.2) | (886.0) | +3.8% |
| **Profit on operating activities** | **151.8** | **122.3** | **(19.4%)** |
| Share of associated companies & JV | (7.1) | 0.1 | N.M. |
| Exceptional items | 22.9 | 0.3 | (98.8%) |
| Income tax expense | (31.1) | (25.2) | (19.2%) |
| Loss from discontinued operations | (30.8) | (12.0) | (61.0%) |
| **Net profit attributable to equity holders** | **94.1** | **83.9** | **(10.8%)** |
| **Underlying net profit** | **85.7** | **83.6** | **(2.4%)** |

N.M. denotes Not Meaningful

# 9M FY2019/20 expenses

| S$M | 9M FY18/19 | 9M FY19/20 | YoY % change |
|---|---|---|---|
| **Operating expenses** | **(853.2)** | **(886.0)** | **+3.8%** |
| Volume-related | (512.1) | (537.5) | +5.0% |
| Labour & related | (208.0) | (214.1) | +2.9% |
| Admin, selling-related & others | (104.4) | (83.4) | (20.1%) |
| Depreciation & amortisation | (28.8) | (51.1) | +77.4% |

| S$M | 9M FY18/19 | 9M FY19/20 | YoY % change |
|---|---|---|---|
| **Finance expenses** | **(6.1)** | **(9.5)** | **+54.9%** |

| Impact on adoption of SFRS(I) 16 | 9M FY19/20 |
|---|---|
| Admin & others – Operating lease expense | 23.7 |
| Depreciation expense for right-of-use assets | (21.9) |
| Finance expense for right-of-use assets | (3.0) |
| **Net impact to P&L** | **(1.2)** |

# Underlying Net Profit Reconciliation Table

| S$'000 | Q3 FY18/19 | Q3 FY19/20 | 9M FY18/19 | 9M FY19/20 |
|---|---|---|---|---|
| **Profit attributable to equity holders** | **50,202** | **30,493** | **94,066** | **83,904** |
| **Exceptional items** | **(31,825)** | **711** | **(22,919)** | **(274)** |
| *Additional provision for contingent consideration of a foreign subsidiary* | 2,539 | - | 2,539 | - |
| *Professional fees* | 644 | 681 | 810 | 683 |
| *Gain on dilution of interest in an associated company* | (42,662) | - | (42,662) | - |
| *Losses / (gain) on disposal of property, plant and equipment* | 186 | 30 | 229 | 14 |
| *Fair value loss on warrants from an associated company* | 7,468 | - | 16,165 | - |
| *Reversal of over-provision of contingent consideration in a foreign subsidiary* | - | - | - | (971) |
| **NCI share of gain on dilution of interest in an associated company** | **14,505** | **-** | **14,505** | **-** |
| **Underlying net profit** | **32,882** | **31,204** | **85,652** | **83,630** |