GENERAL ANNOUNCEMENT::SINGPOST BUSINESS UPDATE FOR 3RD QUARTER ENDED 31 DECEMBER 2022

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Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the attachment.

Attachments

Q3_FY23_Business_Update.pdf

Total size =119K MB

Business Update for 3rd Quarter ended 31 December 2022

All figures disclosed in this business update are unaudited.

GROUP FINANCIAL HIGHLIGHTS

(Unaudited)

S$ million	**Q3 FY22/23**	Q2 FY22/23	**QoQ Change**	Q3 FY21/22	**YoY Change**
Group Revenue	**495.1**	483.6	**+2.4%**	436.6	**+13.4%**
Group Operating Expenses	**(460.8)**	(454.4)	**+1.4%**	(399.6)	**+15.3%**
Group Operating Profit	**33.9**	30.7	**+10.3%**	37.5	**(9.7%)**

Continued growth in logistics and overseas contributions as Group accelerates transformation

The Group's diversification into logistics and overseas markets continues to yield results. Group revenue increased by 13.4% YoY in Q3, as growth in Logistics revenue continues to offset the decline in Post & Parcel contributions. The third quarter is the seasonal peak for the Group's businesses across the various markets.

The increase in Logistics revenue was mainly due to 4PL operator Freight Management Holdings ("FMH") in Australia. FMH continued to perform well, driven by business growth and inorganic contributions. Momentum in FMH's B2B business remains strong, with increasing volumes from customers and acquisition of new customers. This helped to offset the impact from the eCommerce pullback in CouriersPlease's B2C last-mile delivery business. The freight forwarding business, Famous Holdings, recorded lower revenue in Q3 in tandem with the decline in sea freight rates.

In the Post & Parcel segment, the high conveyance costs faced by International Post & Parcel ("IPP") have abated with greater air capacity coming onstream. This has helped to improve margins and stabilise IPP's performance since Q1. However, cross-border eCommerce logistics volumes, as well as domestic volumes, are showing a decline amidst a slower eCommerce retail market after coming off a high base last year that was boosted by the volume surge during pandemic restrictions.

Property revenue declined YoY, largely due to the deconsolidation of General Storage Company which was divested in December 2021.

Group operating expenses increased by 15.3%, mainly due to higher volume related and labour related expenses from the consolidation of FMH.

The Group's operating profit improved 10.3% QoQ, benefitting from the seasonal boost, but was lower by 9.7% YoY.

SELECTED BALANCE SHEET ITEMS

(Unaudited)

	As at Dec 2022 S$ million	As at Mar 2022 S$ million	Change
Cash and cash equivalents at end of financial period	**460.0**	280.4	+64.0%
Borrowings	**475.4**	517.0	(8.0%)
Net cash / (debt) position	**(15.4)**	(236.6)	
Total Assets	**2,792.6**	2,679.4	+4.2%
Total Liabilities	**1,452.0**	1,537.3	(5.6%)
Total Equity	**1,340.7**	1,142.1	+17.4%

Total borrowings were lower as at 31 December 2022 with the repayment of short-term loans.

The Group was in net debt position of S$15.4 million compared to S$236.6 million as at 31 March 2022. This was largely due to the increase in cash holdings following the issuance of perpetual securities in April 2022.

OPERATIONAL INDICATORS

	Q3 FY22/23	Q2 FY22/23	**QoQ Change**	Q3 FY21/22	**YoY Change**
Australia					
No. of consignments (mil)	**8.6**	7.3	**+18.1%**	8.8	**(1.7%)**
International					
IPP eCommerce outbound [1] (mil kg)	**2.7**	2.4	**+15.3%**	3.0	**(9.9%)**
Singapore					
DPP eCommerce logistics (mil items)	**7.9**	8.2	**(3.7%)**	15.1	**(47.8%)**
DPP Letters & printed papers (mil items)	**102.1**	98.6	**+3.5%**	108.1	**(5.5%)**

	Dec 22	Sep 22	Dec 21
Property - Committed Occupancy			
SPC Mall	**100%**	99.7%	100%
SPC Office / Enrichment	**98.3%**	95.5%	95.7%
SPC Total [2]	**98.8%**	96.7%	92.1%
Others [3]	**98.7%**	98.2%	98.4%

[1] Restated, excludes inbound volume and outbound letter mail & printed papers
[2] Excludes SPC industrial space
[3] Smaller properties such as shophouses and portion of delivery bases leased to external tenants

Australia:

FMH continued to record higher volumes on the back of business growth and new customers. Delivery volumes at CouriersPlease ("CP") were lower compared to the previous year. CP had benefited from the surge in eCommerce logistics volumes during COVID-19 lockdowns in the previous year. Overall, total volume declined marginally YoY.

International:

In IPP, cross-border eCommerce logistics volumes were higher by 15.3% QoQ on the back of the seasonal peak, but declined by 9.9% YoY.

Singapore:

DPP eCommerce logistics volume fell by 3.7% QoQ and 47.8% YoY, due to a slower eCommerce retail market and lower volumes from a major eCommerce customer who has insourced part of its logistics. There was also a higher base effect from the strong Q3 in the previous year. Nevertheless, we continued to grow our share of volumes with other customers – volumes from our top three eCommerce customers increased by 3% YoY during the period.

Letters and printed papers continued to decline, down by 5.5% YoY in Q3. Compared to Q2, volume was higher due to the seasonal increase and distribution of CDC voucher notices to households in Q3.

Other (Property):

Overall occupancy at SingPost Centre ("SPC") was higher at 98.8% compared to 96.7% at end-Q2 and 92.1% as at Dec 2021, due to higher take-up of office space. Retail mall space was fully occupied as at Dec 2022.

MOVING FORWARD

The operating environment for 2023 is expected to continue to be challenging due to the weak global economic outlook amidst high inflation and tight financial conditions. eCommerce volumes across our markets have since pulled back with the normalising of shopping to offline channels and weaker consumer spending. In the IPP business, while air conveyance costs are trending downwards with greater air capacity, cross-border eCommerce volumes continue to be weak. Sea freight rates are also declining and will have an impact on Famous' freight forwarding revenue.

Notwithstanding the macroeconomic challenges ahead, the Group will remain vigilant and maintain financial prudence even as we continue to accelerate the Group's transformation into a global logistics enterprise.

Our Australia business continues to drive the Group's growth. In January 2023, we announced the accelerated acquisition of additional interest in FMH, raising our stake from 51% to 88%. We are pushing ahead to drive the development of a digitally enabled, integrated B2B2C logistics business and establish a deeper presence in the Australian market.

We continue to explore opportunities to divest non-core assets and redeploy capital into transformation initiatives for growth.