Q1 FY2017/18 Financial Results

4 Aug 2017

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"$" means Singapore dollars unless otherwise indicated.

Q1 FY2017/18 Profit & Loss

Q1 FY2017/18 P&L, $M

	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	354.1	333.4	+6.2%
Other income and gains (net)			
Rental and property-related income	9.0	9.7	(6.7%)
Miscellaneous	2.8	2.4	+16.7%
Total expenses	330.6	297.6	+11.1%
Exceptional items	4.0	0.1	N.M.
Operating profit	41.9	49.4	(15.2%)
Share of associated companies & JVs	(2.8)	0.6	N.M.
Net profit attributable to equity holders	31.0	35.9	(13.6%)
Underlying net profit	26.9	35.8	(24.7%)

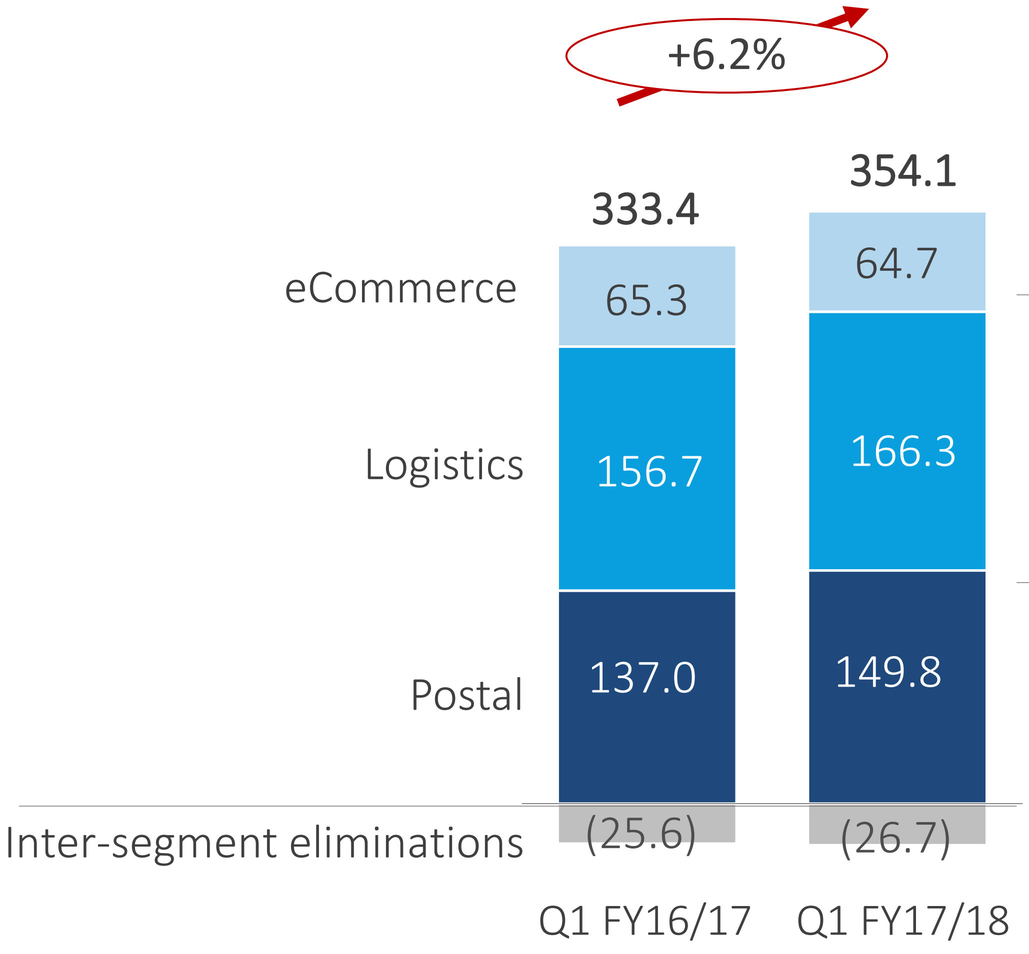
- Due to growth in the Postal and Logistics segments

Largely due to a fair value gain on warrants from GD Express

Due to lower domestic mail volumes, costs from planned investments as well as increased competition in the Logistics segment, losses in the US eCommerce business and associates which are investing for growth

Revenue movement

Q1 FY2016/17 vs. Q1 FY2017/18 Revenue performance, $M



(0.9%) Decline mainly due to TradeGlobal, which was impacted by the loss of revenue from two large customers as previously disclosed

+6.1% Driven by higher contribution from SP Parcels, Couriers Please and Famous Holdings

+9.3% Growth in International mail revenue offsets decline in Domestic mail revenue

Differences in total due to rounding

Operating expenses

Total expenses Q1 FY2017/18 breakdown, $M

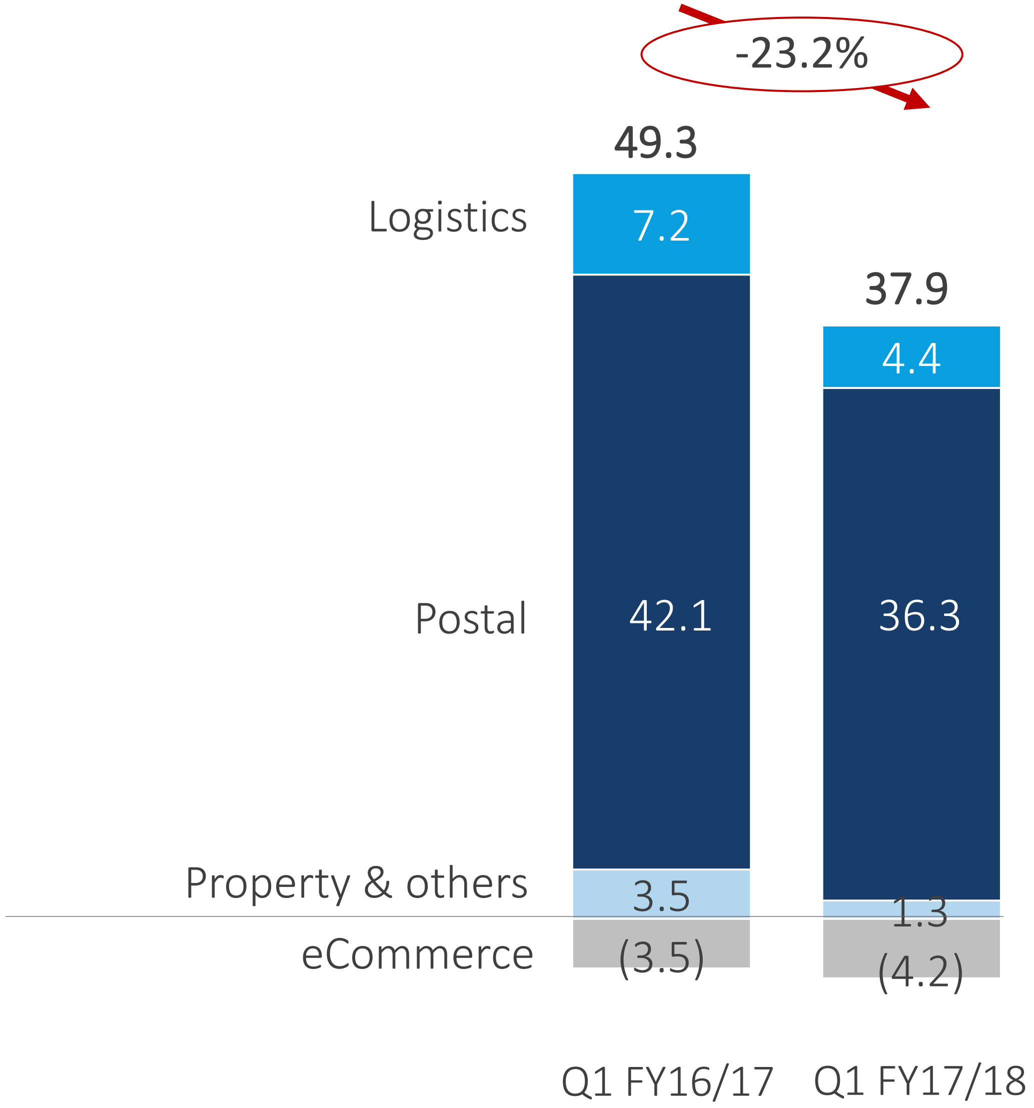
	Q1 FY17/18	Q1 FY16/17	YoY % change
Labour & related	89.4	85.0	+5.2%
Volume-related	185.0	160.9	+15.0%
Traffic & related	*112.7*	*88.5*	*+27.4%*
Outsourcing services and delivery expenses	*72.4*	*72.5*	*(0.2%)*
Admin & others	34.7	35.4	(2.0%)
Depreciation & amortisation	14.6	10.8	+35.1%
Selling	3.1	3.7	(16.5%)
Finance expense	3.9	1.9	+105.6%
Total expenses	330.6	297.6	+11.1%

- higher temporary and contract staff costs to support growth in the business
- higher International mail terminal dues and conveyance costs
- largely due to lower outsourcing and delivery expenses at TradeGlobal
- largely due to higher equipment depreciation costs at the Regional eCommerce Logistics Hub, and shortening of amortisation period for intangible assets of TradeGlobal
- unfavourable non-trade related foreign translation differences

Differences in total due to rounding

Operating Profit before exceptional items

Q1 FY2016/17 vs. Q1 FY2017/18 Operating Profit performance, $M



(39.3%) Due to costs from planned investments in the Logistics network as well as pricing and competitive pressures in the eCommerce Logistics space

(13.7%) Decline in Domestic letter mail volumes, partially mitigated by growth in International eCommerce deliveries

(61.8%) Pre-opening expenses incurred for the SPC Retail Mall and lower occupancy at SingPost's investment properties

(18.6%) Due largely to TradeGlobal operating losses

Differences in total due to rounding

Q1 FY2017/18 Underlying Net Profit movement

Underlying Net Profit performance, $M

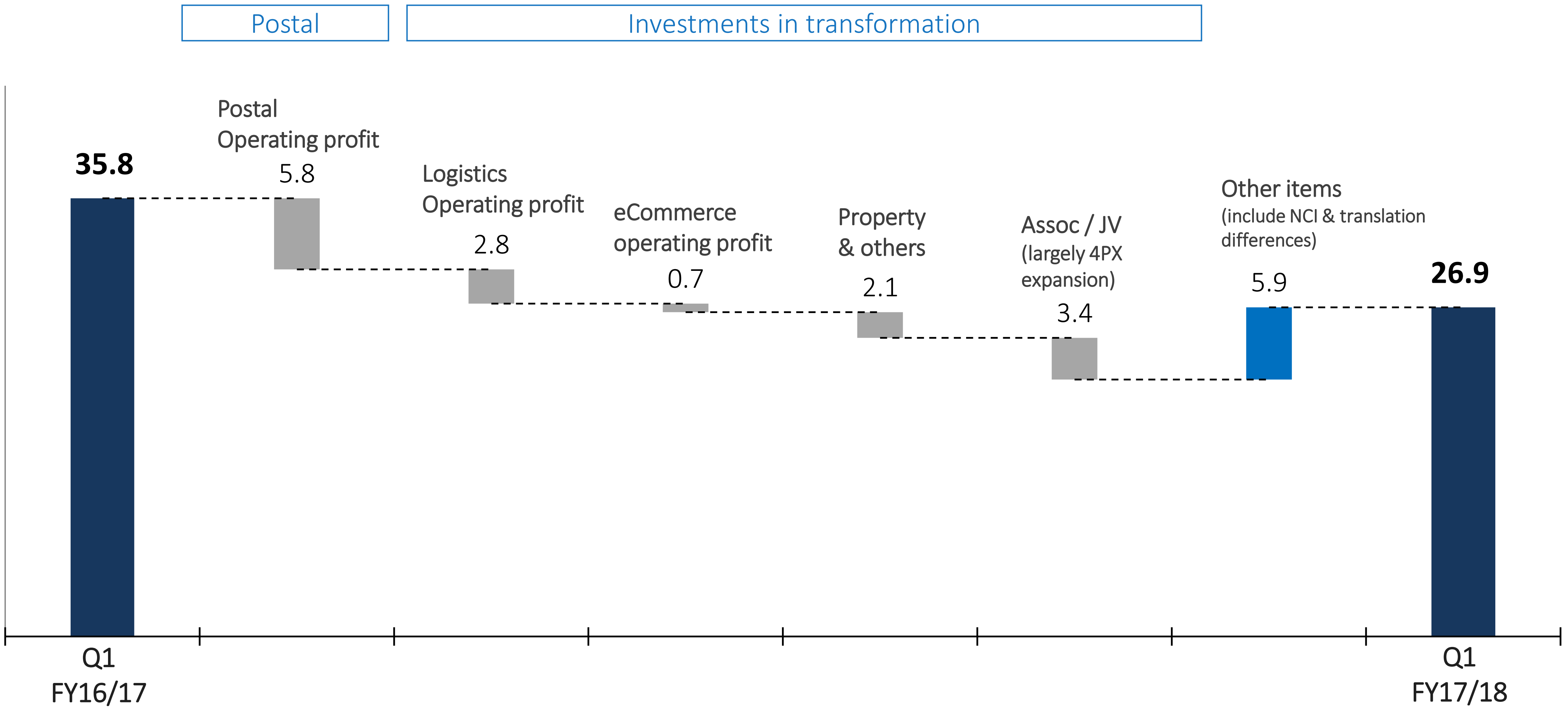


Chart not drawn to scale, differences in total due to rounding

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Cash Flow movement

$M, unless otherwise stated

	Q1 FY17/18	Q1 FY16/17
Net cash provided by operating activities	58.4	78.6
Operating cash flow before working capital changes	*47.8*	*59.6*
Changes in working capital	*11.3*	*20.9*
Capital expenditure	(26.4)	(64.8)
Free cash flow	**32.0**	**13.7**

Improved free cash flow due to lower capital expenditure with the completion of Regional eCommerce Logistics Hub last year

	Q1 FY17/18	Q1 FY16/17
Net cash provided by operating activities	58.4	78.6
Cash flow used in investing activities	(25.3)	(61.2)
Cash flow (used in) / provided by financing activities	(35.4)	88.8
Net increase / (decrease) in cash & cash equivalents	**(2.3)**	**106.2**

Decrease in cash & cash equivalents due to net repayment of bank loans, compared to net proceeds from bank loans in the same period last year

Balance Sheet and financial indicators

$M, unless otherwise stated

Financial indicators	As at Jun 2017	As at Mar 2017
Cash & cash equivalents at end of financial period	364.4	366.6
Borrowings	331.6	364.0
Net cash / (net debt) position	32.7	2.6
Net debt to ordinary shareholders equity (%)	Net cash	Net cash
EBITDA to interest expense (times)	23.0x	13.3x

- Includes cash proceeds from Alibaba to be used in accordance with the investment agreements
- Lower borrowings with partial repayment during the quarter
- Improved net cash position
- Interest coverage ratio remains strong

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Postal: Q1 FY2017/18 Performance

$M

Postal	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	149.8	137.0	+9.3%
Operating profit	36.3	42.1	(13.7%)
OP margin	24.2%	30.7%	

Revenue breakdown	Q1 FY17/18	Q1 FY16/17	YoY % change
Domestic mail[1]	58.4	64.0	(8.8%)
International mail	84.2	65.5	+28.5%
Post office products & services[2]	7.3	7.5	(2.9%)
Total	**149.8**	**137.0**	**+9.3%**

Domestic mail revenue continued to decline with more companies implementing e-statements. This was offset by strong growth in International mail revenue which was driven by higher crossborder eCommerce deliveries, especially with higher volumes from the Alibaba Group.

Postal operating profit declined 13.7%, due to the decline in contribution from the Domestic mail business. Although International mail operating profit rose with higher international transhipment mail, this was not sufficient to offset the impact of the decline in Domestic mail operating profit.

1. Includes Philatelic
2. Includes Agency services, Retail products and Financial services

Logistics: Q1 FY2017/18 Performance

$M

Logistics	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	166.3	156.7	+6.1%
Operating profit	4.4	7.2	(39.3%)
OP margin	2.6%	4.6%	

Revenue breakdown	Q1 FY17/18	Q1 FY16/17	YoY % change
Quantium Solutions	23.9	28.5	(16.2%)
Couriers Please	34.8	33.9	+2.6%
SP Parcels	21.6	18.8	+14.8%
Famous	62.9	56.1	+12.1%
Others[1]	23.1	19.4	+19.3%
Total	**166.3**	**156.7**	**+6.1%**

SP Parcels and Couriers Please recorded higher revenues driven by increased eCommerce deliveries in Singapore and Australia respectively, while Famous Holdings recorded higher revenue with higher contributions from its overseas operations.

The decline in operating profit reflects:
i) costs from planned investments to build out the eCommerce logistics network;
ii) non-recurring expenses related to the onboarding of major customers at the Regional eCommerce Logistics Hub during the quarter;
and iii) pricing and competitive pressures, which impacted the North Asia operations of Quantium Solutions.

1. Includes the self storage business under Lock+Store

eCommerce: Q1 FY2017/18 Performance

$M

eCommerce	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	64.7	65.3	(0.9%)
Operating profit	(4.2)	(3.5)	(18.6%)
OP margin	(6.5%)	(5.4%)	

Revenue breakdown	Q1 FY17/18	Q1 FY16/17	YoY % change
TradeGlobal	29.1	30.8	(5.6%)
Jagged Peak	27.2	25.4	+7.0%
SP eCommerce	8.4	9.0	(6.7%)
Total	**64.7**	**65.3**	**(0.9%)**

Revenue declined mainly due to TradeGlobal, which was impacted by the loss of revenue from two large customers as previously disclosed. Jagged Peak revenue rose as it added new customers and processed increased volumes.

Operating losses from eCommerce segment were S$4.2 million compared to S$3.5 million a year ago. This was largely due to operating losses at TradeGlobal, which faced continuing challenges with the loss of key customers. Compared against the March 2017 quarter, eCommerce segment losses had narrowed as management continues to execute on a turnaround business plan.

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Key developments in Q1 FY2017/18

Lazada Singapore moves entire warehouse operations to SingPost's Regional eCommerce Logistics Hub

With investments by Alibaba in both companies, the move allows Lazada and SingPost to leverage on each other's strengths to meet rising eCommerce demand in Southeast Asia.

This collaboration sees Lazada's eCommerce platform and SingPost's end-to-end logistics capabilities coming together and it will result in scale and efficiencies for both of us.

Opening of the General Post Office

The General Post Office (GPO) at the new SingPost retail mall commenced operations on 17 July 2017.

It combines counter service with technology-enabled innovations such as POPStations and SAM Kiosks to allow postal and eCommerce logistics services outside normal working hours.

It also houses a heritage corner where customers can enjoy a learning journey through SingPost's 150 year history.

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Q1 FY2017/18 Summary

Revenue rose with growth in Postal and Logistics segments.

Underlying net profit declined largely due to:

- lower domestic mail volumes, costs from planned investments as well as increased competition in the Logistics segment, losses in the US eCommerce business and associates which are investing for growth.

Strong cash flow and balance sheet position:

- improved free cash flow due to lower capital expenditure; and
- improved net cash position with repayment of debts during the quarter.

Q1 FY17/18 interim dividend of 0.5 cent per share.

Outlook

In FY2017/18, the Group plans to grow revenue and volumes through new business opportunities, integrating past acquisitions and extracting synergies, as well as leveraging the strategic partnership with Alibaba and its subsidiaries.

Postal

The decline in domestic letter mail volumes accelerated in Q1 FY17/18, due to increasing migration towards electronic communication.

While the decline is expected to continue, the Group is focused on growing the International mail segment to mitigate the drop in contribution from Domestic mail.

Changes in the international terminal dues system will take effect from 1 January 2018. This will affect not just SingPost but all crossborder eCommerce postal deliveries globally. The impact is being assessed.

The International mail transhipment market remains highly competitive, and margins are relatively low. With the shift in mix towards lower margin International mail, blended Postal margin is expected to decline.

The Group will continue to focus on improving productivity and efficiency to mitigate margin pressures while maintaining service quality.

Outlook (continued)

Logistics

While the Logistics segment is expected to benefit from growing eCommerce trends, the industry is likely to continue to experience tight operating margins and intense competition.

Over the past few years, we have built out an eCommerce logistics network spanning 19 markets. Partly as a result of costs from planned investments in our network, Logistics margins have declined.

The focus for SingPost moving forward is to drive traffic and volumes onto our eCommerce logistics network and increase utilisation of existing infrastructure, so as to benefit from greater economies of scale and operating leverage.

It will take time for the Logistics segment to grow its profit contribution while it executes on its plans.

Outlook (continued)

eCommerce

In eCommerce, the Group has acquired technologies, customers and market knowhow which enables SingPost to scale its integrated solutions by offering an omni-channel experience that will drive volumes onto its logistics network.

TradeGlobal and Jagged Peak have a good portfolio of both US and global customers and brands which brings with it opportunities for synergy and growth.

While Jagged Peak is doing well, TradeGlobal faces operational and structural challenges. Management is executing on a turnaround business plan. It will take time for these measures to deliver results. While business and cost initiatives are being put in place to improve performance, TradeGlobal is not expected to be profitable for the financial year ending 31 March 2018.

Property & Others

The retail mall at the new SingPost Centre is expected to open in October 2017. The Group will begin to progressively recognise rental income from the second half of FY2017/18 as occupancy ramps up towards a steady state.

Outlook (continued)

Capital expenditure

Capital expenditure for FY2017/18 is expected to be lower than FY2016/17, as the majority of development projects had been completed.

In FY2017/18, there will be residual capital expenditure committed for the remainder of the SPC retail mall redevelopment works, in addition to the regular maintenance capital expenditure.

With lower capital expenditure, free cash flow is expected to improve in FY2017/18.

Strategic review

Over the course of the next few months, the Group CEO and the leadership team will be working with the Board to review and update SingPost's strategy, and deliver a roadmap focusing on improving the performance of the Group.

Thank you