# SingPost's H1 FY2022/23 Results Briefing, 3 November 2022



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## SingPost Participants

Mr Vincent Phang – Group CEO
Mr Vincent Yik – Group CFO
Mr Simon Slagter – CEO, FMH Group
Mr Richard Thame – CEO, CouriersPlease
Ms Neo Su Yin – CEO, Singapore
Mr Li Yu – CEO, International
Ms Selena Chong – VP, Investor Relations

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## Start of Transcript

*(This transcript may be read in conjunction with SingPost's H1 FY2022/23 Results Presentation)*

**Selena Chong (VP, Investor Relations):**

A very good morning and thank you for joining us for SingPost's Group Results Briefing for the first half of FY22/23. I'm Selena Chong from SingPost's Investor Relations. Our Results Briefing today with the analysts and investors is held online via Teams and Webcast live. We also welcome viewers joining us on the webcast. The session is recorded for playback purposes.

Allow me to introduce our management in the session today. Mr Vincent Phang, Group CEO; Mr Vincent Yik, Group CFO; our Australian colleague, Mr Simon Slagter, FMH Group CEO; Mr Richard Thame, CouriersPlease CEO. They're joining this session from Australia. On the call also from Singapore are Mr Li Yu, CEO for International, and Ms Neo Su Yin, CEO for Singapore.

We have a set of presentations that management will bring us through, and we'll open the floor for questions after that. I'll now hand over the session to our Group CEO, Vincent.

**Vincent Phang (Group CEO):**

(Slide 3)

Thank you, Selena. Good morning everybody, and greetings from Australia. It is significant that we are conducting our results briefing from down-under here as this market becomes a significant pillar for our Group. I'm pleased to have our Australian colleagues join us today, Simon Slagter CEO for FMH, and well as Richard Thame, CEO of CouriersPlease. Both Simon and Richard will speak about the development in

Australia later. We have just concluded the Group's 1H Board Meeting with the entire Board of Directors here in Australia. The Board has visited various operations and also involved in strategy reviews with our Australia team.

Our first half results demonstrate that we are gaining traction in our transformation efforts. When we last spoke, I highlighted what our transformation journey is – diversifying our revenue base to more logistics and more international, while continuing to serve our own market in Singapore. Logistics is now a clear revenue and profit driver, as you can see from the results, with Australia as a major contributor. At the same time, we continue to invest into our Singapore operations through our Future of Post Programme, so we can uphold service quality and ensure relevance to our market.

With this, we are certainly positioning the Group for growth, and will continue to invest in strategic initiatives across its strategic pillars of Australia, International and Singapore.

Let me elaborate on the Group's transformation in the next couple of slides.

(Slide 4)

To drive our assets, we've restructured and aligned the organisation over the past year to focus on our strategic pillars. We have brought on more key executives with deep industry experience as part of our transformation journey.

Let me introduce you to the new members of the leadership team. I'd first like to introduce Simon Slagter who has been with the Group for more than seven years. Simon has been instrumental to the rapid growth of FMH's team, building the team, architecting the technology, driving the 4PL business and making targeted acquisitions to grow the business.

Next is Richard Thame, who joined us earlier in the year. Richard has solid experience, spending more than 10 years in the couriers and delivery logistic space in Australia, and has deep relationships with customers in the B2C space.

We've also recently announced the appointment of Li Yu, our CEO for International business. Prior to joining us, he spent more than a decade at a leading global express company where he held various international assignments in the Americas, China and notably, overseeing APAC global logistics and distribution.

We have previously also announced Noel Singgih, who joined us earlier in the year as our Group CIO. And prior to joining us, Noel spent more than a decade too at another global supply chain company, where he was the CIO for Asia Pacific.

With the breadth of experience and industry knowledge on our management team, I'm confident that we are in a good position to drive the execution of our strategic initiatives.

(Slide 5)

Now our transformation journey; I want to emphasise this because this is where the rubber hits the road. Through the transformation journey, the Group will evolve into a global logistics player with a strong suite of digitally enabled capabilities. The pandemic has had a profound impact on our business, and further accelerated postal volume declines. Our investments into new growth areas in logistics will increasingly yield benefits. Our first half results indicate the start of this change, with the Group hitting the highest revenue of any half year.

The strategic acquisition of FMH was a key move to launch the Group forward in the overseas logistics space in the attractive Australian market that is structurally profitable and stable. The acquisition has given us an important asset in this technology platform which underpins FMH's successful digitally enabled 4PL businesses. With this network, we continue to bolt-on logistics assets that increase our capabilities for this market.

In the near term, this will allow us to build and scale the technology-led integrated B2B and B2C logistics business in the Australian market. Simon and Richard are collaborating to create this seamless value proposition for our customers' omni-channel needs: freight from warehouses, delivered multi-modally into store, into homes. All these powered by a digital solution.

Over the longer-term, we will be able to expand this digitally enabled B2B2C logistics capability into other key markets, and help our customers evolve their supply chains. Additionally, we will continue to look at opportunities for strategic investments for growth.

The potential of the global eCommerce logistic market continues to be strong. A recent market research by Vantage Research, titled "Cross-border B2C eCommerce market size", projects continued growth of cross-border eCommerce at 25% CAGR from now till 2028, with the Asia-Pacific region capturing the majority of that growth opportunity. We are optimistic of our market opportunities in the region, as well as in Singapore.

The positive long-term outlook for eCommerce forms the basis for our strategic intent in the International and Singapore pillars.

In the International space, although our business has met with significant pandemic-related challenges, we see opportunities to build new markets and trade lanes. We've embarked on this reorientation, positioning our assets and operations globally to focus on the cross-border supply chains and build a significant cross-border eCommerce logistics business. Li is spearheading this development.

As for Singapore, this remains a core market to us. As we continue this transformation to build on eCommerce while maintaining our postal obligations, we are investing in our Future of Post Programme for a smart and environmentally sustainable urban logistics ecosystem that will enable us to reap benefits in the longer term. These investments will also add to our operating leverage. Su Yin continues the good work of upholding our best-in-class service levels to ensure our relevance, resilience and reliability for our home market.

(Slide 6)

As we continue with the transformation of the Group, the earnings profile is changing.

Prior to the transformative acquisition in Australia, revenues and profits were largely from Singapore. In the first half, there is a change, a very decided change – away from Postal and Singapore. Compared to last year, Australia increased from 17% of the overall revenue pie to 42%, while Singapore is now at 15%, down from 24% previously. Our International business was impacted by the exceptional challenges that our cross-border business had to deal with in the last few years, but we expect this to gradually recover.

You can expect this profile to continue to evolve, with further expansion in logistics and in overseas markets.

(Slide 7)

Let me speak to each of our strategic pillars, starting with Australia.

Since our acquisition of FMH, first as an associated company in 2020, and then as a 51% subsidiary, the company has been growing well and delivering value. Over the last few years, FMH's CAGRs are around 30% and 50%, for revenue and profit respectively. Contributions are strong, with good organic business growth and strategic bolt-on acquisitions that it has undertaken to build up this network. In the first half, FMH largely accounted for the 235% increase in our Australian revenue.

As approved by shareholders at the EGM last November, SingPost has granted offers to buy to FMH shareholders, that could further increase our stake in the Company eventually to 100%.

We are combining the capabilities of our Australian businesses, leveraging each of their capabilities. For instance, CouriersPlease is utilising solutions from FMH's tight platform, which optimises routes and saves costs. We are also increasing eCommerce logistics volumes through Quantum Solutions into CouriersPlease's network – with a new cross-border service.

I'll now hand over to Simon, who will provide you with a little bit more colour on FMH, and also his plans, and then to Richard who will speak about the B2C market in Australia.

**Simon Slagter (CEO, FMH Group):**

(Slide 8)

Thanks, Vincent.

So we're definitely innovating our integrated logistics in Australia with a logistics ecosystem that's underpinned by our technology. Through our tech platform, we serve customers who require logistic solutions as well our carrier partners who provide a wide array of logistics offerings. In terms of value to customers, our technology provides automation and visibility. And to our carriers we provide them with purpose, freight that actually fits perfectly into their network, so it creates value on both sides of the equation. This obviously improves the utilisation of the carriers, profitability for both customers and carriers, and enables truly efficient and sustainable supply chains.

Success of this has been demonstrated in our continued growth in the 4PL business over the past decade, with new business wins and customers up-trading. FMH is a market leader for 4PL services in Australia, with over 150 carriers and more than 500 customers across a wide range of sectors.

We continue to innovate to maintain our competitive edge. We're currently rolling out an enhanced tech platform that will further improve outcomes for everybody in the supply chain. This is proprietary technology – multi-carrier, multi-user platform providing end-to-end visibility and detailed insights and reporting that will continue to underpin our leading market position.

So now adding 3PL, and why. As part of our logistic ecosystem, we've been growing our inhouse 3PL business to extract maximum value from our network and our service offering. Our inhouse logistics business comprises warehousing services as well as specialist carriers in various geographies across various different sectors and services. This 3PL business consists of strategic bolt-on acquisitions that we made to fill out network gaps that we saw, as well as adding our end-to-end B2B2C network that we are building.

The slide in front of you provides a visual of the network of our inhouse logistics, as well as now including CouriersPlease. Together with CouriersPlease, we have 39 facilities nationwide and presence in key cities across Australia. The potential for the B2B2C logistic ecosystem is very exciting and we're pushing ahead with our strategic plan to build and expand our business and network in this space.

So at this point, I'm going to hand across to Richard Thame, to speak more about the B2C business in Australia.

**Richard Thame (CEO, CouriersPlease):**

Good morning everyone, and thank you Simon.

It's an exciting time for us at CouriersPlease, already one of Australia's most successful and reliable parcel-delivery brands. Demand for eCommerce deliveries is expected to grow over the long term. The eCommerce market in Australia is already reported to be worth some AUD63 million, with four out of five households buying something online last year. Today, the last-mile delivery market in Australia is estimated at AUD10.6 billion, and our market share today is around 3%. We're certainly optimistic about the potential of this market.

CouriersPlease operates an asset-like franchise model which sets us apart from other players. This allows us to scale without adding fixed costs. We have a wide network covering 90% of the population today, with more than 800 franchisees across nearly 850 territories around the country. In particular we have a strong fleet in the capital cities of Australia, where the majority of eCommerce deliveries are made.

This is a solid foundation that we're now building on to add scale and grow our B2C market share. It is certainly exciting that this critical last-mile piece is being plugged into a whole B2B2C logistics ecosystem to create that end-to-end integrated logistics capability for the Australian market.

Thank you, and I'll hand back to Vincent Phang.

**Vincent Phang:**

(Slide 9)

Thanks Richard, and thanks Simon, for the update on Australia.

Let me now touch on the International pillar next. The International business was a significant contributor to our revenue and earning pre-COVID, as you're aware, and the impact of COVID has been nothing short of profound. That said, I'm glad to report that, following the exceptional circumstances in the first quarter, the International Post and Parcel business is now stabilising and improving, as we actively address the issues. Vincent Yik will elaborate on that a little bit later.

Conveyance cost, both in air and sea freight, have also started to moderate. We are cautiously optimistic of the situation; it looks more stable now, but we note that air capacity out of Changi Airport is yet to be back at pre-COVID levels, when the business thrived on the tremendous skill and connections available then.

As we re-ignite this business, we will be looking at resilience, reliability and sustainable cost-effective solutions to serve our global customers. Specifically these are a few things that we'll do:

- Our International operations have been re-organised and strengthened with various operations and services now integrated and centralised.

- We continue to review our network for new hubs and connections, for example, with our Extraterritorial Office of Exchange in the UK, which in essence is an overseas commercial office by SingPost, we have a new hub in Europe for volumes originating from the West.

  The cross-border eCommerce logistics business has traditionally benefited from East to West volumes, that is from generally China to the rest of the world. We see opportunities in new eCommerce origin markets, and we are focusing on growing cross-border supply chains with Australia and Asia, specifically South-East Asia being core destination markets.

(Slide 10)

Moving onto the Singapore pillar.

Volumes have certainly come off a high base during the pandemic, as experienced by the industry at large. That said, excluding a major customer who has insourced part of his own logistics, we have actually grown our eCommerce logistic volumes by 14% in the first half, increasing volumes with current customers, as well as winning new accounts. While we reached a high of 42% of eCommerce contribution to revenue during the pandemic, the near-term pullback has us at 36%, and that ratio is now growing again.

Operating costs have increased in this inflationary environment, and this has had impact on the cost of maintaining our service obligations, such as the post office network – such is the operating leverage of our operations in the home market. As Vincent Yik will also share later, there is a high cost to serve from a national postal obligation standpoint, which will then better inform you of the margins and the earnings within the Post and Parcel segment.

More importantly, despite the worst of conditions through the last two years, we have continued to uphold the best-in-class services levels across the Group. It is only with this consequence in performance that we can continue the strong legacy and legitimacy of the country's postal service, which is an essential service. In the first half, we've delivered CDC, NS50 vouchers, ART test kits to households across Singapore, and our post offices helped to relieve the search in passport applications and collections experienced by the ICA.

The same reliability and excellence we expect from the postal service is, and will be, the basis of our development of eCommerce logistics.

Singapore continues to provide the test bed for innovation in urban logistics, developing new concepts of automation and smart technology to improve productivity and efficiency. As part of our Future of Post programme, we are investing to develop a cost and carbon-efficient high service quality footprint. This covers a range of initiatives, including reviewing our network footprint and asset deployment, and leveraging technology to reduce manpower needs.

Some of these initiatives, introduced in the first half, which you may have already read in the news, include:

- new nodes in the network with POPStop - these are new eCommerce service centres and kiosks to be deployed at SMRT stations;
- the new POPDrop, a smart dropbox for eCommerce first mile deliveries. This is a self-service drop-off box with an inbuilt tracking capability that will enable our trackable products to be tracked right upon drop off;
- we've also added on a network of locker stations in condominiums island-wide with the acquisition of Parcel Santa.

Such initiatives, plus more in the next few months you will hear of, will enable us to provide a cost-efficient high-quality service enabled by technology, as well as a most carbon-efficient one in time to come.

(Slide 11)

On the sustainability front, we are implementing initiatives to achieve our net zero targets, which we have announced previously. We are tracking towards this relentlessly and have good progress on various projects, such as the full electrification of our fleet targeted by 2026 and incorporating green requirements in our buildings.

I'd also like to share the recognition that we have received our governance standards, with an award in diversity and continued high ranking on the Singapore Governance Transparency Index.

We continue to embed sustainability across our organisation as part of our transformation.

(Slide 12)

These are very dynamic times for SingPost, with change positively underway. The transformation is starting yield results and we continue to position the Group for growth.

Transformation is a process that requires us to methodically reorientate, restructure, refocus and execute with discipline, the strategies that we have outlined. This process is increasingly becoming digital in nature. It is certainly well underway; and the first half results clearly show you the orientation and offer an early view of how the Group's operations and performance will be. I would encourage analysts and investors to view us through that lens.

A lot has been done across the Group and more is in the pipeline. We are pursuing growth in Australia, rebuilding our International business, and enhancing infrastructure in Singapore. Alongside that is the embedment of sustainability, as we transit to a low-carbon world. This is how we're a purpose-driven organisation: Making every delivery count for people and planet.

At this point, as we invest further for long-term growth, we are also reviewing our assets for opportunities to unlock value, to support our growth pursuits.

With this, let me hand over to our Group CFO, to bring you through the financials. Thank you, and over to you, Vincent.

**Vincent Yik (Group CFO):**

Thank you, Vincent. Good morning everyone, and greetings from Melbourne, Australia.

As CEO has highlighted, Singapore Post is undergoing a much-needed transformation, and doing it during very turbulent times. So while it has been challenging, there have been some green shoots of encouraging results. So I'll now take you through the financials and give you some highlights and context to the numbers.

(Slide 14)

So again, there are a few key notes that I'd like to highlight regarding our first half results.

Firstly, the changing revenue and profit profile of our business, with growing Australian contributions. I should also note that this is the highest revenue we have ever reported in any half year.

Number 2, an improvement in the Post and Parcel segment in Q2, after a very challenging first quarter.

Three, underlying net profit of S$13.2 million, after you take off exceptional items.

And in particular, there was an exceptional charge of S$21 million, which arose because of the higher valuation of FMH. And I'll elaborate on this in the next few slides.

(Slide 15)

First, on the quarterly performance. It is really a story of two quarters and the second quarter was significantly better than the first. In our Q1 Business Update, we had shared that Post and Parcel segment had faced some exceptional challenges during the period. There was strong improvement since then, as can be seen in the higher operating profit in Q2 - so operating profit grew three times to S$30.7 million; it was S$10.6 million in the first quarter.

In the second quarter, there was an exceptional item totalling S$24 million in the P&L. In particular, there was a S$21 million increase in the redemption liability on the offer to buy granted to FMH shareholders. The strong performance of FMH in the near term has led to a higher valuation of FMH. We expect the performance of FMH to continue on this growth trajectory. And with this, our investment value has increased. Therefore, the knock-on effect is that the increase in value is a fair value charge to the P&L. So as the value of FMH has increased, we take the charge to the P&L.

So excluding these exceptional items, we have recorded underlying net profit of S$13.2 million.

(Slide 16)

As mentioned, there has been a very deliberate and significant shift in both the revenue and earnings profile of the Group. In particular, the share of Australian revenue and profit, as shown by the red segments in the chart, has increased significantly, due to the transformative acquisition of FMH. The shift is significant, it shows the Group emerging as a global logistic operator, with contributions beyond the traditional postal business and beyond just Singapore.

(Slide 17)

Now onto the segmental breakdown.

Here, you can see there's strong growth in the logistic segment. So this was again due to FMH and also the freight-forwarding business under Famous Holdings. Logistics is now the largest contributor of both revenue and profits for our Group. The share of Post and Parcel revenue has decreased, and in the first half recorded an operating loss.

I'll touch on each of these segments in the next few slides, starting with our Logistics business.

(Slide 18)

Revenue in this segment has increased nearly 80%, with the Australian business contributing the bulk of this growth. This was due to FMH and I'll share more about this in the next slide.

CouriersPlease's revenue declined marginally from a high base from the COVID bump, largely due to the pullback of eCommerce delivery volume. We continue to gain market share with higher volumes from customers, but the total eCommerce volume has moderated somewhat from the peak of COVID.

Freight forwarding revenue continued to improve year-on-year, though we are also starting to see some moderation in sea freight rates. This will likely lead to a softening in the freight forwarding market. In the first half, Logistics operating profit was up 156% to S$41.5 million.

(Slide 19)

As you can see from the next slide, FMH has performed well since the initial investment in 2018. Its revenue comes from two main segments, as Simon had touched on, the 4PL segment as well as the 3PL business. We're seeing good momentum in both businesses, with customer wins and up-trading as we gain more of our customers' share of the wallet, as well as inorganic contributions from acquisitions in the 3PL businesses.

Revenue has doubled over the last three years, while operating profit has tripled. With its largely asset-like model and capital cost management, operating margins have also improved to high-single digits. And it is precisely this growth that led to the higher valuation of FMH, and the consequent fair value charge in the P&L.

(Slide 20)

Moving onto the Post and Parcel segment.

As mentioned, operating conditions were far better in Q2 than Q1. Overall, for the first half, revenue was down by 19.6%. eCommerce logistic volume was lower in both the IPP and DPP businesses. And with the escalation in operating cost, the segment reported operating loss in the first half.

In the IPP business, the first quarter saw air conveyance rates still at very elevated levels, and new disruptions when various cities in China started going into lockdowns. As the bulk of our cross-border eCommerce logistic volumes originally from China, there was a significant impact on both volumes as well as cost.

We took measures to manage our conveyance costs, such as an extensive evaluation of cost-effective airlines and working with charters to reduce the reliance on air freight links. We added transit hubs in other locations and introduced direct injection solutions into key markets, thereby reducing transhipping through the Singapore airport. And with these measures, margins in the IPP business have stabilised in Q2.

In DPP, cost challenges remain an issue. In this inflationary environment, the cost of maintaining the postal infrastructure and service obligations has certainly increased and will continue to increase.

For instance, for those of you who drive, you will know firsthand how fuel price has increased significantly. In fact, fuel costs for the delivery fleet have risen continually over the last few years. In the first half of this year, the increase was about 18% and this was on top of the previous year's 20% increase. Other costs such as utility at the delivery bases and across our post office network, rental and labour costs have also gone up over the past years.

On the volume front, the contraction in letter mail volume continues. Average letter volume per quarter has declined from some 112 million about three years ago to now 75 million in Q2. That's down by one-third, resulting in both lower revenue as well as margins.

With the higher operating cost and lower postal delivery volume, it is now no longer able to fully offset the cost of running a fixed post office network.

While eCommerce logistic volumes has helped to provide replacement revenue through the last two years, the down-trade from the major customer has impacted us in Q1. Since then, we have replaced some of these volumes with new wins in Q2. As you can see, the operating leverage can significantly benefit our eCommerce business with incremental volume gains.

So that said, as mentioned earlier, we are working towards reaping benefit in the longer term, as we transform the Postal infrastructure into one that is cost efficient, digitally enabled, as well as sustainable.

(Slide 21)

Moving onto the Property segment.

Property revenue improved with positive rental reversions in SingPost Centre. Footfall has also increased significantly as the market opened up. Occupancy is at nearly 90% on the property. The commercial leasing market has been relatively buoyant, and there is a healthy interest and demand for space in this Paya Lebar precinct. We are optimistic on the demand for the office and retail leases at SingPost Centre, that will be expiring in the next financial year.

Excluding the self-storage business that has been sold, operating profit from the Property segment is relatively flat as higher costs, particularly the utility costs took a bite out of the increase in revenue.

(Slide 22)

Moving onto our financial position next.

Operating cash flow was lower with the drop in profit and higher tax paid. Investing cash flow was largely for acquisitions, as well as for additions to our property, plant equipment. These were slightly offset by proceeds from financial assets that matured, asset disposal of an associated company, and of course from interest received. Financing cash flow, cash inflow was from the proceeds from the perpetual securities that we issued in April this year. So as a result, the Group's net cash position increased to S$435 million from S$280 million as at the end of the last financial year.

(Slide 23)

Now to dividend – for the first half, the Group will be paying out an interim dividend of 0.18 cents per share. So this payout is similar to the interim payout for last year, at 30% of the underlying net profit for the first half.

With that I conclude my presentation. We'll open the floor for Q&A. Thank you.

**Selena Chong:** Thank you gentlemen. Management will now take some questions. If you would like to pose a question, please use the icon to raise hand and I'll call on you to unmute yourself. May we request that you state your name and organisation before posing your question. May we have the first question?

Yes. Chu Ping, you may unmute yourself.

**Vincent Phang:** Hi Chu Ping.

**Chu Ping (OCBC):** Hi. This is Chu Ping from OCBC. So I have three questions. The first one is on the eCommerce growth – so with the slower economic growth, how do you see the trend going forward? Are you expecting weaker demand, or what's the demand like now? Then my second question, so what's your priorities in the near term, and also the strategy over the longer term? And third question is do you face any labour shortage in your Singapore and Australian operations? Yes, thank you.

**Vincent Phang:** Okay, Chu Ping. I think I managed to get most of what you're saying – your question was about the International business, is it?

**Chu Ping:** It's for the eCommerce.

**Vincent Phang:** eCommerce, okay. Right, so let me attempt to give you a bit of colour. So your first question is about the demand for eCommerce. Needless to say, we're all reading literature that across the globe, there's softening consumer sentiments, the economies around the world, are not exactly going well, everybody's tightening their belts. So there is suddenly a short-term view that there is some pullback then, and that's across everybody within the industry.

In terms of medium to long-term outlook, as I mentioned earlier, we maintain our optimism with that. I think the signs are there that there are some conversions of supply chains from the traditional retail to future, and we're talking about five years out. I think the trends will continue, this is what we see.

There's also opportunity for us, right now, to take stock of what's gone on in the last two years, so clearly there's been a bump due to COVID across our markets. And we have, to an extent, struggled to keep up with that kind of growth. So having the chance to take stock and to plan out, we've seen the future, if anything, how do we invest in the right areas to make sure that we capture those opportunities, I think will be the strategy that we apply. And that kind of answers your second question, I believe.

Labour, and here maybe I'll invite both Richard, Simon, and even Su Yin if you have any comments to just jump on after I'm done. Clearly labour is tight across all our markets – it's not an easy time. With the opening of our borders, clearly that has helped. But in Singapore that has elevated, but at the same time there is strong demand for any kind of jobs, labour everywhere, the whole industry is feeling the pinch.

For us I think far more important – the most important thing for our entire Group, the CEOs on the call will attest to that, is the focus on service quality. We will not deprioritise what we think is the customer promise, and we continue to discharge our obligations to the best we can, and the indications are that we have done that through the worst of times over the last two years. Delivery performance has been upheld, and even been improved in some instances. So, tough – certainly something to be mindful of, watching very closely, investing for a future, investing in the right way, and improving productivity and ultimately reducing the reliance on labour.

Anybody else to answer here? Richard?

**Richard Thame:** Yes, I think you're absolutely right, Vincent. There's no question that access to labour is going to continue to be a challenge both in the short and medium term. But at the same time, I think there are some valuable lessons that we've taken out of that enormous shift in volume that we saw throughout COVID, and I think part of that question was around our investment in automation, so that's certainly something that's on the radar for business here in Australia, and I know other parts of the world as well.

And to your point about the eCommerce volumes; certainly they have taken off recently, but there's no doubt at all that they've settled at an elevated level. So we do expect that trend to continue. And I think the good thing from a labour perspective, is that we are now in a position where we can plan sensibly. And the great thing, certainly here in the Australian market, is that we're able to attract terrific talent and we are an asset-like model, so we're able to – we have the agility to be able to adapt to some of the changes that we're starting to see in the market post-COVID.

**Vincent Phang:** Thanks, Richard. If I could just segue this to a side point, and I'll ask Simon to comment on this, to give you a bit more colour. So at a time of disruption, at a time of – when the challenges were seen in the pandemic, and even now with the labour shortages with opening of borders, the ability for our business, especially Simon's business in helping customers address the supply chain challenges – we're a 4PL, we are able to help them with their needs by tapping on the broader supply base is actually one of the reasons why the business has grown quite strongly. So, I'll let Simon speak a little bit to that.

**Simon Slagter:** Definitely we've seen a massive shift in mindsets to outsourcing logistics functions through the pandemic which has really benefited our business significantly. I think to the question about labour shortages, when you have unemployment rates around 3.5%, access to labour across all industries and all roles is pretty tough. But when there are experts in your industry, you're able to attract specific roles a lot easier because you're an employer of choice in that space.

So, as an example, if I'm a retailer and operate my own warehouse, it's far more difficult for me to attract talent than it is if I'm a 3PL provider. So, we're able to almost nail the two problems with one solution where the customers are outsourcing their problems to us, and then we have the ability to attract what little talent there is in the market at the moment a lot easier, so it provides a win-win solution for everyone.

**Vincent Phang:** Chu Peng, hopefully that addresses your questions?

**Chu Peng:** Yes, thank you, that's very helpful.

**Selena Chong:** We have the next question from Llelleythan. Llelleythan, you may unmute yourself.

**Llelleythan Tan (UOB KayHian):** Good morning, everyone, so thanks for the presentation. I just have a few questions. The first one will be I just want to understand more about the charge. So, I think I heard that as FMH grows its revenue and operating profit, valuation increases. So looking forward, do we look at - do we foresee further charges or basically any additional charges as FMH grow?

Secondly is, the eCommerce volumes, I just want to check how much was volumes from the major customer, excluding this volume, did eCommerce actually grow the volumes, the domestic one?

For the third question, at what level - sorry, air conveyance costs are still around 200% from what I see from the slide. So, at what level do you think there will be a ramp up in - not say a ramp up but an improvement in international cross border volumes?

And just one more, what are future plans for the SingPost Centre, as the SingPost Centre is doing well, it's a strong contributor, it's consistent, but will there be plans to maybe say for divestment? Maybe you could invest more into Australia seeing that Australia is such a strong growth driver. So I'm just curious on what the plan is for that.

**Vincent Phang:** Thanks, Llelleythan, all very good questions. So, if I may I'll ask Vincent, CFO, to address the issue on the fair value charge and at the same time talk about the SPC development, that was a question. After that I will provide a bit of colour for the two other questions you raised, the domestic volume issues, and I will invite Su Yin to make a comment, and I'll also address your air conveyance question.

But before I hand over to Vincent, just a small point on the fair value charge. It's one of those things that you do well, and you have to pay more for it. So, I guess that's the spirit of what we're talking about, and the reason why we have the obligation is because we do have the options to acquire more of the business, which is a good thing for the business. But it is the nature of the business so, Vincent, do you want to take that question?

**Vincent Yik:** Sure, thank you, ... so essentially the concept is this, … because we did not have 100% ownership of FMH, so for the 49% we do not yet own, there is a liability on our books that we carry since inception. As at every reporting cycle, we actually revalue the liability. So, as FMH improves its performance, the value of FMH increases and the increase in value then becomes a charge to the P&L because now we need to pay more for the remaining 49% that we do not yet own. So, that's the concept behind it.

To your question whether will the number go up or not, it is predicated largely on two things. One, is the amount of shares that we do not yet own. So, as we increase our stake going forward, then the amount left on the liability becomes smaller. The revaluation then doesn't hit the P&L as we go on, so that's the first point.

The second point is dependent on the FMH performance. So, as Vincent Phang alluded to, as the performance increases going forward, then the number goes to the P&L going forward, but I should note that it is always a value as a certain reporting date. The valuation is at a certain point in time, so we always value that at a certain point in time. I hope that answered your questions.

**Vincent Phang:** On the other side, the investment value increases. You can talk about SPC now.

**Vincent Yik:** So, I'll talk about SPC. I think that the asset itself as you rightly pointed out, is a significant asset on our books. It continues to do really well. Occupancy is close to 97%, retail mall is 100%, but it is still an operating asset for us. As part of our continuing review of operations, we do look at our entire footprint, we do look at our entire assets and what we can optimise with. It is an opportunity that we continue to explore, not just SPC. It is certainly the biggest asset. We are mindful that it is our biggest asset and contributes a significant amount of operating profit to the Group. So, we do look at it carefully and it is something that we are starting to take I suppose renewed interest to make sure that it is efficient, and we are able to at some point have a good review and proposal at some point.

**Vincent Phang:** Thanks, then I'll talk a bit about the two other questions – volume, domestic volume growth. Frankly, the market, as we sit, is softening. It is certainly pulling back as a general, and if you look at data across the globe, you will see that in most markets, it's not uncommon to see 20%, 30% drop in volume. You see that here in Australia as well, post the high base coming off the pandemic.

What I'm very pleased about is that for us, excluding that one single major customer who has chosen a different strategy, we have actually grown volumes on the rest. Now, the market in Singapore is quite organised in the sense that a few players are very dominant in terms of their influence on volumes and such, such is the state of play.

But if you had net the effect off, what we have actually done, is grew wallet share and grew market share, based on what I just told you. I think one of the strong reasons for that is clearly the operating leverage that we continue to have with the postal network. It hit us in Q1, you can see that very, very quickly, all the losses in Post and Parcel were in Q1; and we are profitable, albeit marginally but certainly the needle's going the right way for Q2.

The leverage that we have also means that once those volumes go, it's painful; but with that it also means the opportunity for us from that point to get any volume becomes very significant. So here, I'm going to turn over to Su Yin a quick update, if she can maybe give you colour about why her service, her service for Singapore as well as strategies is yielding the benefit. Sue Yin, over to you.

**Su Yin:** Hi, I think Vincent's covered, I think primarily the fact that we have a very strong infrastructure strategy, so I think that's always been a factor in our performance. I think it's beginning to bear fruit, especially I think the strength of our delivery network with the letterboxes has started to reap a lot more benefits now and I think even our customers are seeing the benefit of the efficiency and service quality that we can deliver in this network.

So, I think we will continue to stay focused in driving this strategy. We have acquired quite a number of new customers along the way, and I think even the share of wallet has grown with existing customers in view of the strong service quality that we continue to provide. So, I think the continued investment in this area and in addition I think to the earlier question about manpower, I think this is always very clear in our minds, in Singapore primarily we will always be challenged by manpower, so this is the investment we are putting in terms of innovation for the future of post. This continues to be part of the whole infrastructure strategy as we automate and build innovation to relieve ourselves of the overdependency on manpower, while upholding the highest service quality for Singapore.

**Vincent Phang:** Thanks, Su Yin. Finally on the air conveyance, the cost. This is an interesting one. Our tickets to Australia were very expensive when we flew here. I think it continues to be very expensive. If you have bought any travels for yourself for the December holidays, I think you will be surprised at the cost, if you haven't done that already.

I think it's a function of supply and demand. Clearly, there's a lot of the demand even with that opening up of the supply base, that's the reason why the rates continue to be high. But it is moving in the right direction, we see it move in the right direction. It's moved enough for us to actually improve margins adequately, to start thinking about what we need to do in the future. So, in the sense margins have generally stabilised, it's going the right way, the needle's pointing in the right direction, gives us a chance to work on revenue now.

So, for the analysts and for our investors, one of the challenges we had with the high cost is we had to trim our trade lanes, because it was just not profitable doing those. Once the margins start to be rectified, stabilised, and we're in the black again for some of these trade lanes, we expect that the revenues will come back, it gives us a chance to go back at those trade lanes, and that will add to the bulk revenue and profit growth again.

Hopefully that gives you a bit of colour, Llelleythan.

**Llelleythan Tan (UOB KayHian):** Thanks for the very clear answers, answered my question. Yes, you are right, I'm going to Melbourne on December and that's cost me $1300, so they're just robbing us. Okay, I'll stop here.

**Vincent Yik:** I should clarify that we bought our tickets a long time ago, so it was much cheaper then.

**Selena Chong:** Thank you, Llelleythan. We have the next question from Paul Chew. Paul you may unmute.

**Paul Chew (Phillip Capital):** Thanks so much for taking my question. Just a couple. The first one, can I get a better understanding of the translation of the lower freight rates on the freight forwarding business? I can understand revenue will be coming down, but just the dynamics for the margins or profitability. That's my first question.

My second question is just on FMH, I'm just trying to separate how much growth came from pandemic? Again, I can understand the outsourcing part but maybe on outsourcing, what was the new business that came from outsourcing and what could be the future business for outsourcing? That would be helpful.

Sorry bear with me, just two more questions. The third one would be just on postal prices, whatever you can share, what are the moving parts on Singapore postal prices? Obviously, everything has increased, just whatever you can share? Any chance of it rising.

My last one, just on the accounting, I don't want to pull my hair here, but why is there a need to revalue the minority interest? I thought the minority interest is supposed to be book value. I guess the accounting treatment here is to revalue minority interests if I'm not mistaken? Thanks for taking my questions.

**Vincent Phang:** Thank you, Paul, great questions, especially the last one. Anyway, let me cover the first one on your freight rates question. I'll get Simon to speak a bit about FMH and I'll answer your postal question and finally, Vincent will take the accounting one.

Okay, for our Famous business, it's a freight forwarding business and generally ocean freight forwarding, how the business works is it trades on a margin on top of the work that we do for the customers. So in a sense, once the sea freight rates, the carrier rates are up, and they have been ridiculously high through the pandemic, it was like more than $10,000 to ship a container when it could have been just a couple of

thousand dollars pre-pandemic. So, there's been a very, very huge upward revision in carrier rates. We make a margin on that. That margin is generally fixed, so if we do the work for a customer, it is generally a percentage of that. So the dollar's increased. When that comes down, the reasons why it will come down, twofold: first is the rates are coming down, carrier rates are generally moderating; 2) volumes are moderating as well because a lot of conflicts in the world and the geopolitical issues and all the supply and demand issues, so consumer sentiment's not fantastic right now. So, due to that, clearly the impact to our business, we will start to see.
Now the way I see this is, it's not time to panic in the sense, if you go back in time, you will have seen that our Famous business pre-COVID was always humming along at a certain growth rate, and a certain contribution margin. We believe that it continues to be stronger than that, but there was a basis of what is pre-pandemic, we'll just have to see whether it goes back to those kinds of numbers again in the past. Of course, certainly true, the last few years, we have also grown and a bit more significant in the business footprint that we have. That's one impact.

The other impact is the ocean freight rate impact to us is also the inverse impact on air freight rates to us. Air freight, in that sense, the question on air conveyance, if that moderates, our margins go up, we get more revenue. So, the impact of the two kind of nets each other out, and through pandemic you could see the big swing between the two. Was good that we had a diversified business, it allowed us to stay in the game somewhat. So, that's the question on the freight forwarding.

I'll turn it over to Simon now to talk a bit about how the FMH business has benefited from COVID and the pandemic and also what are the ingredients that the business has that continues the growth. But before I actually hand over to him, one of the reasons why we are here is to fully explore with the Australian colleagues that we have, including the Board that's here as well here as well, to understand what potential we have, this acquisition of ours and the capabilities that we have unique to the market, unique in the ability for us to put both the B2B and the B2C businesses together and then shaping it with a digital solution. I think there's a lot more that we need to go through, I'm not sure whether this call itself is sufficient to address all that. I will encourage that maybe at some point in time we could do a bit more roadshow around this thing, understanding what capability this is and how we can leverage that for our business altogether. But over to you, Simon, if you want to give a bit of colour.

**Simon Slagter:** Our concern on revenue was that during the pandemic period, so this is calendar year '20 and calendar year '21, there was - so obviously with borders being closed and the government stimulus, there was a lot of free cash within the economy which stimulates a lot of retail shopping, spending on services and the like domestically, which really drove volumes. So, volumes increased tremendously over that two-year period.

I guess the concern coming out of a lockdown period once borders opened, was that that spending would moderate somewhat and that could obviously impact on volumes. So, I think the pleasing sign of the last half is that that hasn't necessarily happened. There's certainly a big tail of supply issues that are now resolving themselves, which is still creating a lot of volume movement across the country, which is still keeping volumes pretty buoyant, which is obviously really, really pleasing to see.

I think you also need to bear in mind that we've done two acquisitions over the period. So one was on 1 February which was an acquisition of a business called Formby and the other one was called Spectrum on 1 July, so those would obviously be contributing to the revenue increase year-on-year.

But I think that from a volume perspective, it's really been pleasing to see that volumes have held up and it's purely volume-related growth. That again is across existing and new business. So existing volumes have been stabilised and then we've had a number of new business wins. In fact, we've had the best new business season we've ever had in the history of our business.

So, that has been good and then we haven't seen the inflationary pressures hit our revenue line as yet because in our industry most of the inflationary type price increases come through in this quarter that we're currently in, so that hasn't been reported through the numbers.

**Vincent Phang:** Thanks, Simon, hopefully that gives a bit of information. But like I said, I think there is the opportunity for us to deep dive into what this business is, maybe not on this call, but we can speak to you offline.

Okay, now onto the million-dollar question on postal prices. We continue to be in discussions with our regulator, you know that this is regulated pricing. It is a conversation we've always had. Every year we have those discussions, and I know that they take a keen interest in how we do, how we perform. Obviously, our service quality is a very key consideration for them. We need to continue to uphold that. But it is a discussion and beyond that you know I can't say much, and anyway I don't have any more information than this. If there is something that comes about, clearly the market will know about it and we will inform everybody. Then of course, to the other million-dollar question, which is the accounting treatment, I'll let Vincent answer.

**Vincent Yik:** I will give a go at this. First, I should clarify that it is not a revaluation of the minority interest; it is a revaluation of the value of FMH and in particular the portion of FMH that we do not yet own. So if I can give a simple example, if the entity is worth $100 million, we have 49%, it's worth $49 million. If the $49 million increase of the entity goes up to let's say $110 million, so your $49 million goes up 49% of $110 million, so a little bit more than $50 million.

The difference then goes to P&L and that's the charge that we're talking about. So the increase in value of the shares that we do not own, that is the charge that goes to P&L and that will disappear when our stakes increase - reduce when our stake increase, because the amount that we revalue, the liability that we pay, to be paid, becomes smaller. So I hope that clarifies.

**Paul Chew (Phillip Capital):** Just one quick follow-up. In terms of the revenue, you mentioned the FMH, the volumes have held up - pardon the ignorance here, are you referring to eCommerce volumes? Sorry, maybe I didn't really understand.

**Simon Slagter:** Referring mainly to B2B so eComm volumes and Richard will be better placed to talk to that, but that's certainly softened somewhat because of the fact that we're not in a lockdown situation. So Melbourne particularly last year had some severe lockdowns, I think we were the most locked down city in the world and that really stimulated a lot of eComm volume movements. So I think without lockdowns, certainly that would soften up.

**Paul Chew (Phillip Capital):** Okay, thanks again for taking my questions.

**Selena Chong:** Thank you, Paul. We have another question from KC. KC, please proceed.

**Ong Khang Chuen (CGS CIMB):** Hi, morning, thanks for taking my question. I have four questions, maybe I'll just run them through one by one. Firstly, I think SingPost has in the past indicated definitely interest to acquire more stakes in FMH and I think that the revaluation of the put option also reflects that. Just wondering, are there any discussions ongoing right now for further stake increases? Or are there any plans for IPO - any updates, that would be helpful.

**Vincent Phang**: Sure, KC, so you want to take one at a time, right, okay. So Vincent, do you…

**Vincent Yik:** If you understand the structure of the transaction, the vendors at the moment have two put options that they can elect to put the remaining shares back to SingPost. So that's 23% this (year) currently and then another 23% in the next financial year. There is certainly discussion, the put options are live, so the vendors or the existing shareholders can put those back to us, so there is always discussion about increasing our stake in the entity. So any time from now till the next one or two years, discussions are ongoing and can quite quickly and rapidly change, because once they serve notice, we have a fixed amount of time, once they exercise the put option, then we will come to market and notify accordingly.

**Ong Khang Chuen (CGS CIMB):** Okay, got it. Second question is on the operating profit improvement on a quarter-on-quarter basis. I think we are seeing some $20 million incremental profit growth Q-on-Q second quarter versus first quarter, so congrats on that. We've seen from the slides that $12 million is driven by Post and Parcel business, so can we attribute the rest of the improvement to Logistics, given that properties is quite a stable profit generator typically? So what are the key drivers for logistics? Is this seasonal? Can we expect further improvements from here?

**Vincent Phang:** Okay, a great question. Yes, so I'll try and provide a bit more colour to the numbers and hopefully that gives you more understanding of how things have progressed.

Clearly there is, like Vincent mentioned, a tale of two quarters in the first half. The second quarter does not look like the first quarter and we have explained the reasons. The circumstances in the first quarter were extremely challenging. On hindsight, if we think about it, when the rest of the world was coming out of the lockdown situation, things were opening up, consumer sentiments would have changed, you suddenly had China go into lockdown with multiple cities, one you probably remember March, April, May timeframe, they had a massive problem so they were going in the other direction. With our eCommerce origin markets being generally China, we took a bit hit from there and getting any volumes out was virtually impossible and even if we could do it, it was at a very high cost. So got hit in revenue and got hit in cost, that was one of the reasons.

The other impact was the domestic issue, as we mentioned. We were scaled for certainly a lot more given the high base and all of a sudden, that went away. There was a major customer who rethought their supply chain strategies – that impacted us. Then from there we clawed our way back to Q2. So in the Post and Parcel segment, there certainly has been a very decided change in the cost base and also the revenue profile for between Q1 and Q, between two quarters.

For the rest of our business in logistics, it's a matter of being disciplined with the execution of our strategy. We have said it before, we have three pillars. There's a Singapore business, there's an International business that's made up of a fair bit of diversified entities in there – the International Post and Parcel business; we have Quantium Solutions, we have CouriersPlease, we have an Australia business, so we're trying to organise this in a way that unlocks some value, take out some of the cost. So that has obviously contributed to some of that growth, in the profit margins stabilising, not to mention the general air conveyance rates have moderated, which helps us.

Finally, the pillar of Australia is steaming away, is growing, fast growth. We saw the growth rates, not just in terms of the revenues but also in terms of the synergies that we put together and this is where I say we do need to deep dive a little bit so that analysts can understand what this business is about. There's a strong B2B component and Australia has the land mass the size of a continent running logistics at a continental level. We also have a couriers business, a B2C business. Between the two, we can certainly offer customers a choice of whether to ship into stores, or to ship into establishments, enterprises, and to ship into homes. This is a very powerful proposition that allows us to unlock some of the value that we see in this market of ours. So that's one of the other reasons why you will start to see incremental improvement from the performance. Hopefully that makes sense.

**Ong Khang Chuen (CGS CIMB):** Yes, sorry, can I again be a bit more specific? So the $7.5 million improvement, is it purely from Logistics? Given how freight costs have moderated slightly in the second quarter, does that mean that the bulk of the profit improvement is really coming from Australia? Is it just purely from the synergistic effects from a combination of two businesses over there? Or are there also other factors in play?

**Vincent Yik:** A few things I suppose to highlight as well. Other than those things that we have highlighted for Q1, I think we should also look at Q1 was also the impact where the Russian-Ukraine war impact was most strongly felt, not in terms of operation but really in terms of cost. So you will see the cost hitting, spiked up very suddenly during the period, so our conveyance costs spiked up significantly during that period. So that has moderated once the market gets used to it.

I think in terms of your second question, in terms of the performance, it is mostly due to logistics volume. Rates have improved, so that has helped our freight forwarding business in that quarter also done relatively well. While conveyance cost has gone up, particularly air conveyance, our freight forwarding margins were good during that period as well, so that has helped significantly.

**Vincent Phang:** I don't have the actual breakdown, but all the lines performed better in Q2 versus Q1, every single business, every single one. As far as the Post and Parcel business, I think we want to give a bit more colour and that's the reason why Vincent had showed that number earlier – there was a loss for the first half, it's entirely in the first quarter. So we were profitable in the second quarter for Post and Parcel, so that even that had a massive change. I think we lost about $12 million in the first quarter.

**Ong Khang Chuen (CGS CIMB):** Got it, thanks. Another question is on generally just the freight costs. Definitely I guess freight costs moderating, that's a negative impact on the freight forwarding business, but of course we should see a positive impact flow through to your IPP business. So in the near term, can we just have a big picture impact on let's say near term versus longer term? How would this impact the Group's profitability, the freight forwarding cost moderating?

**Vincent Phang:** There is some data that I guess if you backtrack to pre-COVID times, you can see there is an impact between the Famous business, the logistics business versus the postal business. I said earlier that the impact to the IPP business because of the pandemic is nothing short of profound. It literally destroyed the business because we couldn't get anything out from Changi Airport. That wiped out the business in full.

Now we're starting to see the green shoots of margins recovering, costs being low enough for us to eke out a living. We can now grow trade lanes again. However, we need to balance that optimism with some realism. Some of these trade lanes may move and may have changed permanently, and our ability to get them back depends on the appetite from the customers and what we can offer. But we pride ourselves on being able to do this through a multitude of options, but going through Changi Airport, for example, gave us the opportunity to reach everywhere in the world with the overnight service. So coming in, sort them out and then out it goes, 200 flights to different destinations in the world overnight. That must be the service proposition, we will obviously try to gain back as much of that as possible but it remains to be seen how those may have been permanently changed.

With the slowdown, the contraction, the softening of the ocean freight rates, the impact to Famous will certainly be negative and we will expect that, we have to expect that. So in the second half, it remains to be seen. Hopefully in the next quarter, it will become a bit clearer, and in our business update in Q3, we will give some colour.

**Ong Khang Chuen (CGS CIMB):** Okay, so I guess general impact to margins from the trends is still a bit unclear for second half, when the IPP recovery is still slow, I guess.

**Vincent Phang:** If I sound hesitant to give you a number it's because, if I can be open, …we are very surprised at the performance of the freight forwarding business in the first half. We had thought that with all these disruptions and the softening of demand, the impact in Europe because of the war, that consumer sentiment would soften and they did soften. That all these rates would come off and we would have seen the impact a bit earlier. It's held up, it actually was held up in the first half. We're seeing some softening. In Q3 I think we will have a better idea, so maybe that explains a bit better, we just don't know. It's one of those things that hopefully it doesn't swing too much but we shall see.

**Vincent Yik:** Perhaps I can add a comment to that as well. The freight forwarding business that we run is a relatively stable margin business. So more the rates come off, suddenly the revenue and total number will come off, but it is a positive margin business. So as the rates come off, the margin will be - we believe the margin will be relatively stable but over obviously a smaller revenue basis. So that's one. I think we touched on the idea that it is in that sense, offset by what we think the air freight air conveyance opportunities will be. So when we see that come off, hopefully they will replaced by the air side of the business going up, the IPP business going up.

**Ong Khang Chuen (CGS CIMB):** Got it. My last question is on Singapore. How should we be thinking of the network infrastructure in Singapore? Because I see that currently as part of your strategy you are adding more drop-off points, including POPStops in MRTs, smart dropbox, et cetera, I guess mainly to drive volume growth. But definitely this will come with additional costs and with just generally volumes right now seeing some softening, would we be possibly reducing our postal centres count to reduce some costs? How should we think of it, in general?

**Vincent Phang:** Great question, so let me give you a bit of colour then. I'll invite Su Yin to chime in and speak about our strategies. Clearly, we've got to work on customer proposition, the service and experience and with every one of these things that we implement, there's a huge improvement in the digital nature of it. So when you drop off something, it's tracked, so it takes out the uncertainty of whether an item is being registered the moment you actually put it in. So no more is this just a standard kind of service, it's a tracked service.

The other thing is we're always guided by improving productivity and the investments we make into infrastructure, all have a positive business case and a positive return, in the sense that we reduce the reliance on labour. We improve the productivity and finally, there is a huge benefit to the sustainability effort that we are driving.

I can share with you that we've done some studies. Deliveries to doorsteps, as you know, isn't the most carbon friendly. With our own network, our studies showed that if it's deliveries into infrastructure - and here in Singapore, it's perfect because it's all urban, high-density apartments. Going up the lift, staircases, knocking on doors, not the best way to use a delivery man's time. Letterboxes, locker systems – which is why we are making those investments – we can improve carbon effectiveness by 50 to 60 times. So imagine if it weighs 200 grams of carbon to deliver something to your doorstep, it's only four grams to deliver to the letterbox. So it's a huge impact to our customers who are now asking this. So the payback in terms of the infrastructure that we're investing in is not only for the labour, but in time to come when the carbon tax increases, it's also a huge revenue driver for us.

Su Yin, do you want to speak a bit about maybe a bit of colour about what you are doing with the infrastructure?

**Su Yin:** Yes, thanks, KC, for the question we...are making investment into innovation, looking at the POPStop, box drops are really driving a lot more self-service. I think as what Vincent already mentioned, we do want at the same time provide customer service and customer experience by being a very pervasive network. But a pervasive network can also in turn be something that's a little bit more self-service rather than to be too dependent on manpower or huge footprints.

So this is where I think the effort to review all our footprints now and find the most efficient way to continue to connect with our customers, create that stickiness, especially on the first mile component. I think while we think that the last-mile delivery is an important, actually the first mile part where we connect with the sellers is also critical for business growth. So that is where we are really putting our effort in terms of looking at the infrastructure, how that supports both the first mile and the last mile network, but in a more efficient, less manpower dependent, as well as more carbon friendly manner.

**Selena Chong:** Thank you, Su Yin, thank you, gentlemen. We've come to the end of this session, now there's no more queueing for questions. So we want to thank you for joining us today and we'll see you at our next results briefing.

## End of Transcript