

Q2 & H1 FY2014/15 Financial Results

Quarter July – September 2014
Financial year ending 31 March 2015

6 November 2014



- **Executive Summary**
- **Group Financials**
- **eCommerce Business Momentum**
- **Building Our Capabilities**
- **Outlook**

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management’s current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“\$” means Singapore dollars unless otherwise indicated.

- Healthy business performance in Q2 and H1 FY2014/15. Challenges remain, especially declining volumes and rising costs in domestic mail.
- eCommerce business momentum with increased ecommerce related activities – new customers, customer growth, increase in domestic and international ecommerce shipments.
- In the midst of transformation to be regional ecommerce logistics operator. Need for continued investments to tap opportunities and weather challenges. Increase in capital expenditure to build regional ecommerce logistics network.

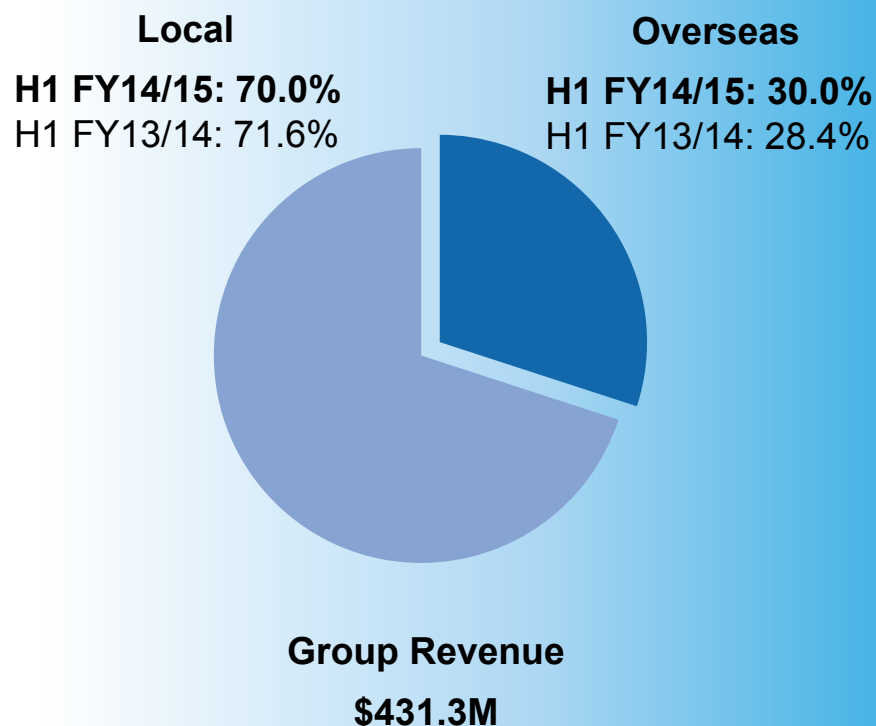
- Healthy business performance achieved in Q2 and H1 FY2014/15.
- Driven by growing ecommerce related activities across the business segments, offsetting declines in traditional postal business.
- Higher expenses due to rising business costs and transformation initiatives.
- Steady profit despite continued investment in transformation.

Continued investments in transformation in FY2014/15

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change	
Revenue	220.3	203.8	+8.1%	Growth in ecommerce & logistics activities
Other income	12.6	9.5	+32.6%	Higher interest income, trade related currency gains
Operating expenses	186.1	169.7	+9.7%	Increased operating costs in service quality improvements in domestic mail, transformation
Operating profit	46.8	43.7	+7.2%	
Share of associated companies & JVs	0.9	1.1	(14.5%)	
Net finance costs	1.7	1.0	+61.0%	
Income tax	8.0	7.7	+4.0%	
Net profit	37.6	35.6	+5.5%	
Underlying net profit	37.5	37.3	+0.8%	Excluding one-off items, namely restructuring costs last FY

Regional Revenue Breakdown

Growing overseas revenue, particularly from Logistics businesses



Overseas revenue amounted to \$129.4M or 30% of H1 revenue

12.3% YoY growth in H1 overseas revenue contributions

Logistics businesses contributed about 90% of overseas revenue

Mail & Digital Services: Q2 FY2014/15 Performance

Mail & Digital Services segment performance

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
Revenue	123.5	119.7	+3.2%
Operating profit	34.1	34.8	(1.9%)
OP margin	27.6%	29.1%	

Mail & Digital Services revenue breakdown

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
Domestic mail	59.9	63.2	(5.2%)
Hybrid mail	11.5	12.9	(10.9%)
Philatelic	1.0	1.3	(23.3%)
International mail	51.1	42.3	+20.7%
Total	123.5	119.7	+3.2%

Significant decline in traditional postal businesses mitigated by international ecommerce transshipment growth

Continued impact of rising manpower costs and investment in service quality for the domestic postal business

Profit margins expected to continue to decline over time

Logistics: Q2 FY2014/15 Performance

Logistics segment performance

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
Revenue	108.9	94.6	+15.1%
Operating profit	5.8	2.6	+123.6%
OP margin	5.4%	2.8%	

Logistics revenue breakdown

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
Famous Holdings	44.2	33.0	+33.8%
Quantum Solutions	43.8	41.1	+6.6%
Logistics	20.9	20.5	+1.7%
Total	108.9	94.6	+15.1%

Good performance in Logistics businesses with growth in ecommerce activities and freight

Higher operating profit from improved business performance; last year included restructuring costs

Need to continue investing to strengthen and expand regional network

Note: "Logistics" line comprises Singapore Parcels and General Storage. Certain logistics revenue was reclassified to Quantum Solutions with the transfer of business lines.

Retail & eCommerce: Q2 FY2014/15 Performance

Retail & eCommerce segment performance

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
Revenue	22.3	21.3	+4.9%
Operating profit	2.6	1.4	+86.8%
OP margin	11.8%	6.6%	

Retail & eCommerce revenue breakdown

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
eCommerce	5.6	4.2	+33.0%
Financial services	6.4	6.3	+1.5%
Agency services & retail products	10.3	10.7	(4.2%)
Total	22.3	21.3	+4.9%

Good traction in ecommerce business with customer acquisitions and volume growth

Increased expenses in ecommerce operations

Rationalisation of products/business lines contributed to profit improvement in the quarter

Operating Expenses: Q2 FY2014/15

Revenue vs operating expenses growth

\$M	Q2 FY14/15	Q2 FY13/14	Amount YoY chg
Revenue	220.3	203.8	+16.5
Operating expenses	186.1	169.7	+16.4

Higher operating expenses in line with revenue growth

Increased costs in productivity and service improvements for postal business, and transformation

Operating expenses breakdown

\$M	Q2 FY14/15	Q2 FY13/14	YoY % change
Volume related	88.2	77.7	+13.5%
Labour & related	62.4	58.5	+6.5%
Administrative & others	26.4	22.7	+16.0%
Depreciation & amortisation	7.5	8.6	(12.8%)
Selling	1.7	2.1	(19.5%)
Total	186.1	169.7	+9.7%

In tandem with growth in international traffic and increased business activities

Salary increments, headcount to support growth initiatives

Higher property related expenses such as warehouse rental costs; higher professional fees for M&A and other growth initiatives

Financial Position and Cash Flow

Balance sheet highlights

\$M	As at Sep 14	As at Mar 14
Ordinary shareholders' equity	670.6	346.8
Borrowings	235.5	234.1
Net cash	449.4	170.3
EBITDA to interest expenses	39.3x	34.6x

Increase in ordinary equity and net cash due to new share issue and transfer of treasury shares to Alibaba Investment Ltd

Cash flow highlights

\$M	H1 FY14/15	H1 FY13/14
Net cash from operating activities	72.2	117.9
Net cash from/(used in) investing activities	(33.5)	3.7
Net cash from/(used in) financing activities	240.3	(382.6)
Net increase/(decrease) in cash	278.9	(261.1)
Cash & cash equivalents	683.4	367.2

Working capital movements as a result of timing differences, business operations

Capex, acquisition of subsidiary, investment in financial assets

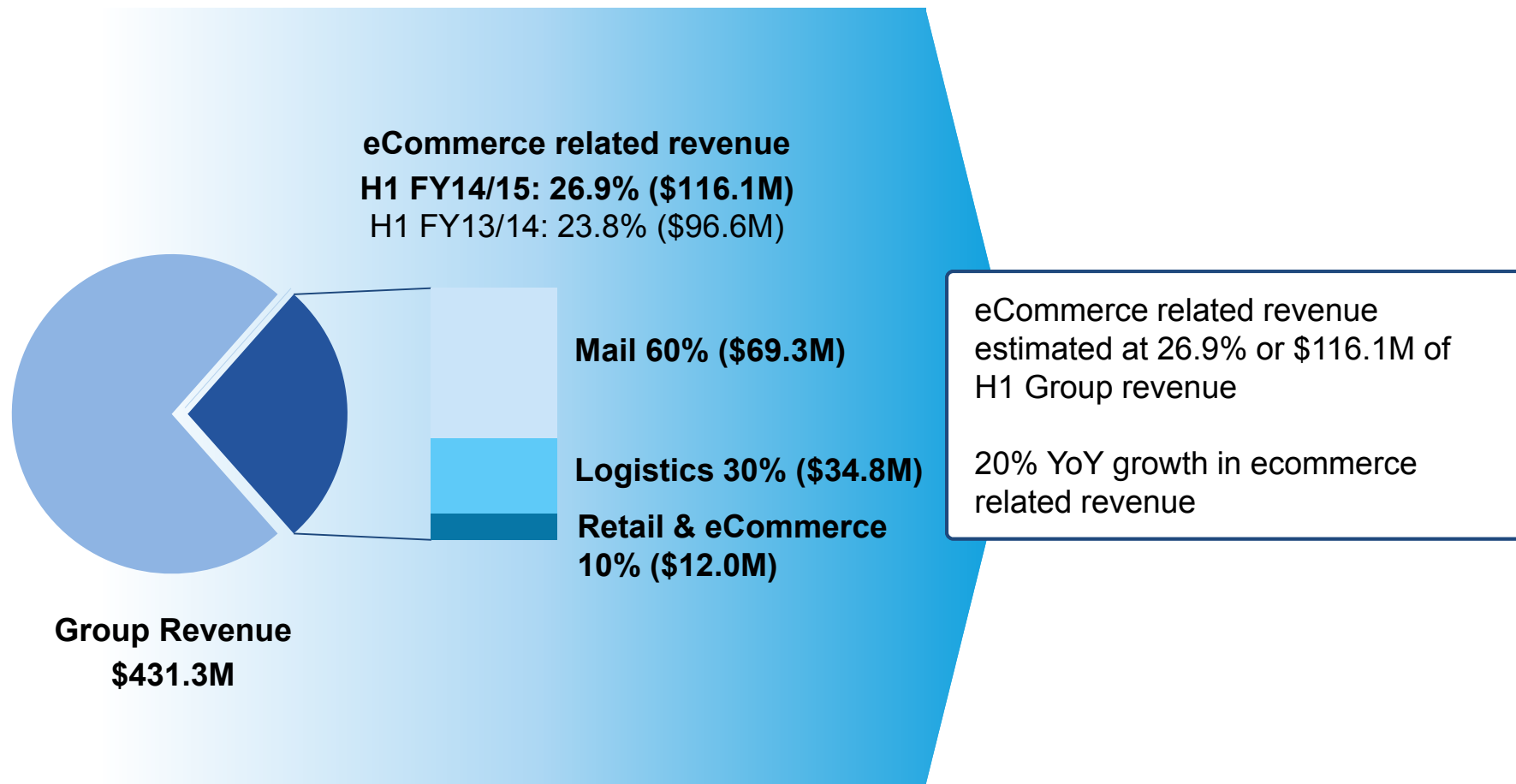
Share issue and transfer proceeds; bond repayment last year

Q2 dividend of 1.25 cents per share; payable 28 Nov 2014

- Good business momentum with growth in ecommerce related activities across the business segments.
- Underpinned by increase in number of customers and their expansion into regional markets.
- Need to invest to capture these future opportunities.

Revenue Breakdown – eCommerce vs Non eCommerce

Continued growth in eCommerce related revenue in H1



Close to 1,000 ecommerce customers across the Group

- Growing number of ecommerce customers across the business segments
- Mono brand sites managed currently include adidas, Levi's, Philips amongst several more, operating across 8 countries in Asia Pacific
- Increase in warehousing and delivery businesses from new customers and customer growth
- POPStation deliveries for Taobao SEA, Xiaomi, Zalora, Rakuten



- Building and strengthening the Group's ecommerce logistics solutions network in Asia Pacific.
- Focusing on development of regional warehousing and last mile delivery networks.
- Increase in capital expenditure and operating costs as the Group builds regional business and network.

Updates on eCommerce Logistics Network Development



Acquisition of FS Mackenzie (UK) by Famous Holdings in Aug 2014; integration of Tras-Inter Co (Japan) acquired in Feb 2014



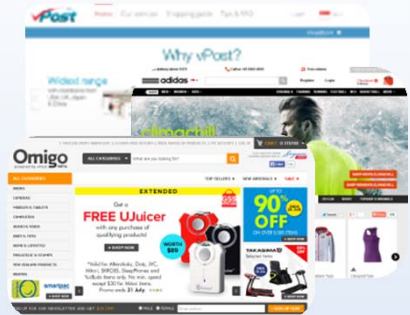
Expanding Quantum Solutions' regional warehousing network

Acquisition of The Store House (HK) by General Storage in Oct 2014; conversion works at Axis Plaza (Malaysia)



Building regional end-delivery network in Southeast Asia

Over 70 POPStations installed in Singapore



Extended SP eCommerce's managed sites across 8 countries

Partnerships with postal operators for vPOST solutions

Investment in Regional eCommerce Logistics Hub

Warehousing Network Development

Warehousing network

Country	Set-up
Asia Pacific	22 warehousing facilities totalling approx. 39,400 sqm
- SE Asia	5 warehouses in Singapore; 6 warehouses in Malaysia, Thailand, Philippines
- North Asia	5 warehouses in Japan, Taiwan, HK
- Pacific	3 warehouses in Australia, New Zealand
- India	3 warehouses; restructuring completed

- Developing regional warehousing network in Singapore and Asia Pacific over last 3 years
- Investing \$182M in fully integrated eCommerce Logistics Hub in Singapore to capitalise on growing ecommerce markets in Singapore and Asia
- eCommerce Logistics Hub to house two modern warehousing floors integrated with parcel sorting facility



Your Asian Fulfilment Partner



Last mile delivery network

Country	Set-up
Singapore	<p>Singapore Parcel network comprising couriers and POPStations</p> <p>More than 70 POPStations installed throughout Singapore</p>
Asia Pacific	<p>Own last mile delivery presence and capability in 6 key cities in Southeast Asia</p> <p>Partnerships and joint venture with delivery partners, e.g. GD Express, ITL, and others</p>

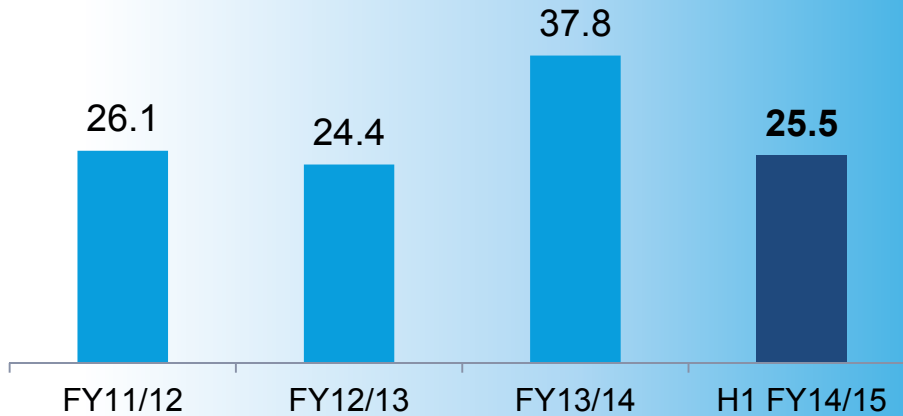
- Developing regional last mile delivery network in selected regional markets
- Rollout of POPStations in Singapore as scheduled; target of 100 POPStations by FY-end, aiming for up to 200
- New eCommerce Logistics Hub to house fully automated parcel sorting system
- Continued enhancement of network coverage in Southeast Asia



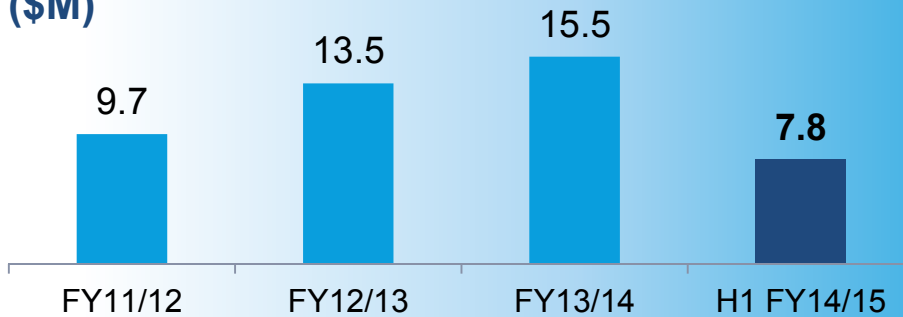
Your Asian Fulfilment Partner

Increased Capex & Costs in the Transformation

Capital expenditure (\$M)



Increased operating costs in transformation (\$M)



Strategic investments in the Group's transformation – infrastructure, technology, operations

Further investments expected over the next few years

- In the midst of transformation to be regional ecommerce logistics operator.
- Strategic investments in M&As, capital expenditure to continue over next few years.
- Cautiously optimistic outlook, barring unforeseen circumstances.

Focused on Executing Transformation Strategy

Regional Leader in eCommerce Logistics & Trusted Communications

Protecting the Core

MAIL

DIGITAL
SERVICES

LOGISTICS

Growing the Wings

eCOMMERCE

RETAIL &
FIN'L
SERVICES

PROPERTY

Challenges of declining traditional postal business, increasing operating costs and competition

Continuing investments to develop, strengthen and expand the regional businesses and network

Pursuing investment opportunities including M&As and infrastructure projects for the Group's businesses

Cautiously optimistic outlook, barring unforeseen circumstances

Increase in capital expenditure over next few years



The complete set of financial statements is available on
SGXNET and our website at www.singpost.com.

APPENDIX



eCommerce Market Potential



2016F Asia Pacific ecommerce logistics market
US\$175 billion

Source: Forrester/Transport Intelligence

2012-2016 CAGR of **20.5%** in Asia Pacific
ecommerce logistics market

Source: Forrester/Transport Intelligence

2016F Asia Pacific B2C ecommerce sales
US\$675 billion

Source: eMarketer

2014 Asia Pacific online population
1.033 billion

Source: Forrester Research

H1 FY2014/15 P&L Highlights

Continued investments in transformation in FY2014/15

\$M	H1 FY14/15	H1 FY13/14	YoY % change	
Revenue	431.3	405.2	+6.4%	Driven by ecommerce activities
Other income	29.0	20.5	+41.7%	Gain on disposal of property, higher interest income, trade related currency gains
Operating expenses	364.0	333.5	+9.2%	Increased operating expenses in the transformation
Operating profit	96.2	92.2	+4.4%	
Share of associated companies & JVs	1.8	1.4	+22.6%	Better performances by associated companies
Net finance costs	2.8	2.5	+10.3%	
Income tax	17.4	17.2	+1.2%	
Net profit	76.8	73.0	+5.3%	
Underlying net profit	73.7	73.5	+0.3%	Excluding one-off items, namely gain on disposal of property

Mail & Digital Services: H1 FY2014/15 Performance

Mail & Digital Services segment performance

\$M	H1 FY14/15	H1 FY13/14	YoY % change
Revenue	246.7	234.4	+5.3%
Operating profit	69.2	71.6	(3.4%)
OP margin	28.0%	30.5%	

Mail & Digital Services revenue breakdown

\$M	H1 FY14/15	H1 FY13/14	YoY % change
Domestic mail	122.4	125.7	(2.6%)
Hybrid mail	21.3	23.7	(10.3%)
Philatelic	1.6	2.0	(18.5%)
International mail	101.4	83.0	+22.2%
Total	246.7	234.4	+5.3%



Logistics: H1 FY2014/15 Performance

Logistics segment performance

\$M	H1 FY14/15	H1 FY13/14	YoY % change
Revenue	206.4	188.4	+9.6%
Operating profit	9.6	5.9	+63.6%
OP margin	4.7%	3.1%	

Logistics revenue breakdown

\$M	H1 FY14/15	H1 FY13/14	YoY % change
Famous Holdings	79.1	66.7	+18.5%
Quantum Solutions	85.9	81.7	+5.2%
Logistics	41.4	40.0	+3.7%
Total	206.4	188.4	+9.6%

Note: "Logistics" line comprises Singapore Parcels and General Storage. Certain logistics revenue was reclassified to Quantum Solutions with the transfer of business lines.



Retail & eCommerce: H1 FY2014/15 Performance

Retail & eCommerce segment performance

\$M	H1 FY14/15	H1 FY13/14	YoY % change
Revenue	45.1	42.1	+7.3%
Operating profit	5.5	4.2	+30.8%
OP margin	12.2%	10.0%	



Retail & eCommerce revenue breakdown

\$M	H1 FY14/15	H1 FY13/14	YoY % change
eCommerce	11.9	8.0	+49.8%
Financial services	12.5	12.2	+2.2%
Retail	20.8	21.9	(5.4%)
Total	45.1	42.1	+7.3%

