FINANCIAL REVIEW AND OUTLOOK

FINANCIAL REVIEW

Group	Financial Year ended 31 March 2018 S$'000	2017 S$'000 Restated	Change %
Revenue	**1,464,099**	1,347,764	8.6
Operating profit	**158,028**	58,357	170.8
Share of loss of associated companies and joint venture	**(3,099)**	(1,177)	(163.3)
Net profit	**126,400**	33,403	278.4
Exceptional items, net of tax [1]	**21,449**	(82,209)	N.M.
Underlying net profit [2]	**104,951**	115,612	(9.2)
Basic earnings per share (S cents)	**4.92**	0.85	@
Underlying earnings per share (S cents)	**4.63**	5.28	(12.3)

Note:

(1) Exceptional items comprised one-off items such as asset impairment, fair value changes on investment properties, gains or losses on sale of investments and property, plant and equipment and M&A related professional fees.

(2) Underlying net profit is defined as net profit before exceptional items, net of tax.

N.M Not meaningful.

@ Denotes variance exceeding 300%

Group revenue grew 8.6% for the full year ended 31 March 2018, with growth from the Postal and Logistics segments.

Revenue	Financial Year ended 31 March 2018 S$'000	2017 S$'000 Restated	Change %
Postal	**625,900**	544,141	15.0
Logistics	**663,891**	636,801	4.3
eCommerce	**265,611**	266,344	(0.3)
Inter-segment eliminations	**(91,303)**	(99,522)	8.3
	1,464,099	1,347,764	8.6

In the Postal segment, revenue rose 15.0% for the full year as strong growth in International mail revenue was driven by higher cross-border eCommerce deliveries, in particular from the Alibaba Group. This was partly offset by lower Domestic mail revenue due to lower letter mail volumes with the continued migration towards electronic forms of communication.

Logistics revenue increased 4.3%, driven by higher last-mile eCommerce delivery volumes in Singapore and Australia for SP Parcels and Couriers Please respectively, as well as higher freight forwarding volumes for Famous Holdings, offset by a decline in Quantium Solutions.

In the eCommerce segment, revenue from Jagged Peak's merchant of record ("MOR") service is presented on a net basis, compared to a gross basis previously. Figures for prior year have been adjusted to be consistent with the current presentation.

FINANCIAL REVIEW
AND OUTLOOK

Other Income

Rental and property-related income increased 29.9% due to rental income from the SingPost Centre retail mall which opened in October 2017.

Miscellaneous other income was a gain of S$11.3 million for the full year, compared to S$9.8 million last year due to higher gains on trade-related foreign exchange differences.

Total Expenses

Total expenses increased 11.1%, largely due to the increase in volume-related expenses. This was due to higher International mail terminal dues and air conveyance expenses in line with higher volumes, as well as higher outsourced services mainly due to the US businesses.

Administrative and other expenses rose 7.2% largely due to higher professional fees.

Depreciation and amortisation expenses were higher due largely to depreciation costs at the Regional eCommerce Logistics Hub and higher amortisation of intangible assets for TradeGlobal with the shortening of amortisation period of customer relationships from 18 years to 7 years.

Finance expenses rose to S$13.4 million for the full year due largely to unfavourable non-trade related foreign exchange differences.

	Financial Year ended 31 March		
	2018	2017	Change
Operating Profit	**S$'000**	S$'000	%
Postal	**144,627**	150,707	(4.0)
Logistics	**10,386**	23,596	(56.0)
eCommerce	**(16,696)**	(33,790)	50.6
Property	**36,331**	31,097	16.8
Others *	**(31,142)**	(24,600)	(26.6)
Operating profit before exceptional items	**143,506**	147,010	(2.4)
Exceptional items	**14,522**	(88,653)	N.M.
Operating profit	**158,028**	58,357	170.8

* Others refer to unallocated corporate overhead items and trade-related translation differences.
N.M Not meaningful.

Operating profit before exceptional items declined 2.4% for the full year.

Postal operating profit declined 4.0% for the full year, largely due to the decline in contribution from Domestic mail, and changes in the international terminal dues system that took effect from January 2018 which impacted the margin for the International mail business as the industry went through a period of adjustment.

In Logistics, operating profit declined 56.0%, impacted by the competitive pressures at Quantium Solutions Hong Kong, as well as a doubtful debt provision for a key customer. These were partly offset by growth in last-mile delivery volumes for SP Parcels on increased collaboration with some of the top eCommerce market-places in Singapore and the region. At the Regional eCommerce Logistics Hub, parcel sorting utilisation levels rose with higher daily parcel volumes, while warehousing and fulfilment activities rose with continued addition of new customers and expansion for existing ones.

FINANCIAL REVIEW AND OUTLOOK

Operating losses from eCommerce segment narrowed significantly by 50.6% to S$16.7 million for the full year. The US businesses' performance improved as management executed on the turnaround business plan for TradeGlobal, which grew revenue and demonstrated good cost controls, in particular over the peak period.

Under Property, operating profit rose 16.8% to S$36.3 million, boosted by rental income from the SingPost Centre retail mall which re-opened on 9 October 2017 after a period of redevelopment.

In the Others category, the movement was due largely to higher professional fees.

Exceptional items

For the full year, the Group recorded an exceptional gain of S$14.5 million largely due to fair value gains on investment properties, mainly for SingPost Centre building.

Share of results of associated companies and joint venture

Share of results of associated companies and joint venture declined for the full year, largely due to losses of 4PX, which incurred higher expenses as it continues to invest for growth.

Net Profit and Underlying Net Profit

Net profit attributable to equity holders rose 278.4% to S$126.4 million in the absence of impairment charges in exceptional items.

Excluding exceptional items, underlying net profit declined 9.2% to S$105.0 million for the full year, largely due to lower operating profit from the Logistics segment.

	Financial Year ended 31 March		
Cash Flow	**2018 S$'000**	2017 S$'000 Restated	Change %
Net cash inflow from operating activities	**198,243**	200,066	(0.9)
Net cash used in investing activities	**(48,757)**	(172,867)	71.8
Net cash (used in)/provided by financing activities	**(202,050)**	212,775	N.M.
Net (decrease)/increase in cash and cash equivalents	**(52,564)**	239,974	N.M.
Cash and cash equivalents at beginning of year	**366,614**	126,640	189.5
Cash and cash equivalents at end of year	**314,050**	366,614	(14.3)
Free cash flow	**136,100**	299	@
Cash capital expenditure as a percentage of revenue	**4.2%**	14.8%	

N.M. Not meaningful.
@ Denotes variance exceeding 300%

FINANCIAL REVIEW AND OUTLOOK

Operating activities

Net cash inflow from operating activities for the full year was largely stable at S$198.2 million, compared to S$200.1 million last year.

Investing activities

With the completion of the SingPost Centre retail mall redevelopment and the Regional eCommerce Logistics Hub, capital expenditure declined to S$62.1 million for the full year, compared to S$199.8 million last year.

As a result, net cash outflow for investing activities for the full year declined to S$48.8 million compared to S$172.9 million last year.

Financing activities

Net cash outflow from financing activities for the full year was S$202.1 million, compared to inflow of S$212.8 million last year. This was due to net repayment of short-term borrowings of S$118.9 million, compared to net inflow from borrowings last year. Last year, the Group also recorded proceeds from issuance of ordinary shares and partial divestment of interest in a subsidiary to the Alibaba Group.

Free cash flow

For the financial year ended 31 March 2018, the Group's free cash flow (operating cash flow less capital expenditure) increased to S$136.1 million, compared to S$0.3 million in the previous financial year, as a result of lower capital expenditure.

CAPITAL MANAGEMENT

The Group is committed to an optimal capital structure and constantly reviews its capital structure to balance capital efficiency and financial flexibility.

	Financial Year ended 31 March		
Group Debt And Perpetual Securities	**2018 S$'000**	2017 S$'000	Change %
Total debt	**243,978**	363,985	(33.0)
Net cash	**(70,072)**	(2,629)	@
Total debt plus perpetual securities *	**590,804**	710,811	(16.9)
Net debt plus perpetual securities *	**276,754**	344,197	(19.6)
Net debt plus perpetual securities to ordinary shareholders equity (%) *	**19.7%**	25.3%	
EBITDA to interest expense (number of times)	**25.2**	13.3	

* Presented for comparative purposes.
@ Denotes variance exceeding 300%

Total borrowings decreased from S$364.0 million as at 31 March 2017 to S$244.0 million as at 31 March 2018. Interest coverage ratio increased to 25.2 times, compared to 13.3 times last year. The increase was due to lower interest on borrowings incurred for the current period, as well as exceptional loss for the comparative period last year.

FINANCIAL REVIEW AND OUTLOOK

DIVIDEND

The Board of Directors is recommending a final dividend of 2.0 cents per share for the financial year ended 31 March 2018. Together with the interim dividend payments of 0.5 cent per share for the first three quarters, the annual dividend in respect of the current financial year would amount to 3.5 cents per share.

	Cents per share
Interim Q1	0.5 cent
Interim Q2	0.5 cent
Interim Q3	0.5 cent
Proposed final	2.0 cents
Total dividends paid and proposed in relation to FY 2017/18	3.5 cents

The dividend policy is based on a payout ratio ranging from 60% to 80% of underlying net profit for each financial year.

OUTLOOK

The Group is well-positioned to benefit from the strong growth in global eCommerce and last-mile deliveries.

The Group expects to further benefit from the integration of its eCommerce businesses.

Domestic mail volumes are expected to trend downwards while International mail is expected to grow on the strength of eCommerce. Blended margin is expected to decline with the change in mix.

The Group is undergoing structural cost transformation to optimise its cost base.