FINANCIAL REVIEW AND OUTLOOK

GROUP	Financial Year ended 31 March 2020 S$'000	 2019 S$'000	Change %
Revenue	**1,313,783**	1,323,285	(0.7)
Profit on operating activities	**143,605**	182,479	(21.3)
Share of loss of associated companies and joint venture	**(114)**	(7,061)	98.4
Profit on continuing operations	**100,274**	174,124	(42.4)
Loss from discontinued operations	**(11,994)**	(147,271)	91.9
Exceptional items, net of tax (1)	**9,122**	81,148	(88.8)
Net profit attributable to equity holders	**91,078**	18,958	@
Underlying net profit (2)	**100,200**	100,106	0.1
Basic earnings per share (S cents)	**3.39**	0.18	@
Underlying earnings per share (S cents)	**4.45**	4.43	0.4

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.

@ Denotes variance more than 300%

During the financial year, the Group announced that Jagged Peak, Inc., TradeGlobal North America Holding, Inc. and TradeGlobal LLC (the "U.S. Subsidiaries") have filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court.

Following that, the Group deconsolidated the financials for the U.S. Subsidiaries with effect from the month of September 2019. The Group no longer recognises profit or loss from the U.S. Subsidiaries. Based on current estimates, there was no material net financial impact arising from the deconsolidation of the U.S. Subsidiaries.

On 2 December 2019, the bankruptcy court entered orders approving the sale of substantially all of the assets of Jagged Peak, Inc. (the "Jagged Peak Sale") and the sale of substantially all of the assets of TradeGlobal LLC (the "TradeGlobal Sale"). On 12 December 2019 (U.S. time), the U.S. Subsidiaries filed notices with the bankruptcy court that the closing of the Jagged Peak Sale and the TradeGlobal Sale had occurred. SingPost does not expect any material financial impact to the SingPost Group from the Jagged Peak Sale and the TradeGlobal Sale.

For the full year ("FY") ended 31 March 2020, the consolidated income statement of the Group is presented as "Continuing Operations", which excludes the U.S. Subsidiaries.

Losses from the U.S. Subsidiaries for the period prior to deconsolidation are presented as a single line item in the income statement – "Discontinued Operations".

Continuing Operations

REVENUE	Financial Year ended 31 March 2020 S$'000	 2019 S$'000	Change %
Post and Parcel	**763,079**	764,751	(0.2)
Logistics	**501,223**	504,934	(0.7)
Property	**121,095**	121,457	(0.3)
Inter-segment eliminations	**(71,614)**	(67,857)	(5.5)
	1,313,783	1,323,285	(0.7)

FINANCIAL REVIEW AND OUTLOOK

PROFIT ON OPERATING ACTIVITIES	Financial Year ended 31 March 2020 S$'000	2019 S$'000	Change %
Post and Parcel	**127,450**	165,864	(23.2)
Logistics	**(5,566)**	(7,627)	27.0
Property	**53,677**	53,664	0.0
Others*	**(31,956)**	(29,422)	(8.6)
Profit on operating activities	**143,605**	182,479	(21.3)

* Others refer to unallocated corporate overhead items and trade-related foreign exchange translation differences.

Group

For the full year ended 31 March 2020, Group revenue declined marginally by 0.7%.

Group Profit on operating activities declined 21.3% for the full year. These were largely due to lower contribution from Domestic Post & Parcel as a result of lower letter volumes, partly offset by improvement in Logistics segment.

Post & Parcel

In the Post & Parcel segment, revenue held steady for the full year. International revenue rose to a record of over S$500 million on the back of higher cross-border eCommerce related deliveries, which helped offset lower Domestic revenue. However, the above trends were impacted by COVID-19 disruptions in the fourth quarter.

In Domestic Post and Parcel, admail volumes declined in line with a drop in business activities such as sale and promotional events, although the Group had successfully grown admail volumes up to February, prior to the COVID-19 crisis, since making improvements to service quality.

Letter volumes declined at a double-digit percentage against last year, while Domestic eCommerce volumes continued on a growth trajectory, mainly in the Tracked Package service which SingPost launched in December 2019, which saw strong take-ups from eCommerce platforms.

For International Post and Parcel, the disruption of global supply chains due to COVID-19, including postal service suspensions and grounding of flights by airlines, impacted business. In addition, the Group incurred higher terminal dues, which took effect from 1 January 2020.

Due to the above reasons, profit on operating activities declined 23.2% for the full year, led by decline in Domestic letter volumes, as well as the impact of COVID-19 in the fourth quarter.

Logistics

In the Logistics segment, revenue declined marginally by 0.7% for the full year, largely due to the depreciation of the Australian dollar against the Singapore dollar. If the exchange rate had remained unchanged, Logistics segment revenue would have rose 1%.

Logistics delivered a resilient performance despite headwinds from COVID-19, driven by growth in Quantium Solutions, which continued its strong operational momentum with the addition of new customers and higher revenue from existing customers in Southeast Asia and North Asia.

Consequently, Logistics segment loss from operating activities narrowed to S$5.6 million from S$7.6 million last year, which included one-off costs of nearly S$2 million such as relocation and reinstatement costs.

FINANCIAL REVIEW AND OUTLOOK

Property

Property segment revenue, which comprises commercial property rental and the self-storage business, remained largely stable for the full year, as the SingPost Centre retail mall and office remained at close to full occupancy as at 31 March 2020.

As the circuit breaker measures to contain the COVID-19 outbreak was implemented at the end of March 2020, there has been no material impact to its financial performance for the full year.

While profit on operating activities remained stable for the full year, the Group does expect a prolonged closure of businesses arising from the circuit breaker to negatively impact its Property segment moving forward.

Others

For the full year, Others rose by 8.6% or S$2.5 million, to S$32.0 million, largely due to negative trade-related foreign exchange differences, as well as higher corporate costs related to governance and compliance.

Operating Expenses

Volume-related expenses, which reflect outpayments for international postal terminal dues and mail conveyancing costs, remain the largest cost component for the Group. For the full year, volume-related costs rose 4.6% or S$31.3 million, largely in line with the 5.9% growth in International Post and Parcel revenue over the same period.

Selling-related expense declined 9.0% for the full year, due to lower cost recovery for international postal items compared to the corresponding period last year.

Impairment loss on trade and other receivables was higher at S$1.5 million for the full year, largely due to higher provisions for bad debt in relation to the International Post & Parcel, and Logistics businesses.

In the fourth quarter, the Group recognised part of the Job Support Scheme ("JSS") relief, which is one of the Government of Singapore's measures in helping businesses cope with the impact from COVID-19. This has helped the Group mitigate the impact of COVID-19.

For the full year, labour and related expenses was stable, in spite of additional postmen hired for the Singapore postal operations, as well as higher remuneration, as part of initiatives to improve service levels.

Following the adoption of SFRS(I) 16 Leases on 1 April 2019, operating lease commitments are now recognised as right-of-use assets as well as lease liabilities on the statement of financial position. In the consolidated income statement, there is a reduction of rental costs (under Administrative and other expenses), increase in depreciation costs (under Depreciation and amortisation expenses), and an additional cost of financing (under Finance expenses).

The impact of adoption of SFRS(I) 16 Leases are as follows:

The Group	Full year FY2019/20 S$'M
Administrative and others – Operating lease expense	31.1
Depreciation expense for right-of-use assets	(28.8)
Finance expense	(4.0)
Net impact to P&L	**(1.8)**

Largely as a result of the above, Administrative and other expenses declined 23.5% for the full year, while Depreciation and amortisation expenses rose 76.3% for the full year.

Total operating expenses rose 2.7% for the full year, despite benefits delivered by cost savings actions taken across the organisation in anticipation of a declining letter volume environment.

FINANCIAL REVIEW AND OUTLOOK

The increase was largely driven by significant investments to improve service levels, as well as the impact of higher terminal dues for the international business.

Other Income

For the full year, other income was S$4.6 million compared to S$3.6 million in the same period last year, due to late payment interest received, offset by unfavourable trade-related foreign currency exchange difference.

Impairment

The Group recorded the following impairment or fair value loss under Exceptional items:

- Impairment for associated company Morning Express & Logistics Limited of S$1.5 million. Factors surrounding the business climate in Hong Kong have had a material impact on Morning Express's business outlook.
- Impairment for its investment in Efficient E-Solutions Berhad of S$2.3 million, which reflects the decline in its market value as traded on Bursa Malaysia.
- Fair value loss on Ayer Rajah distribution base of S$1.5 million, due to the diminishing underlying land lease to expiry.

Exceptional items

For the full year, the Group recorded an exceptional loss of S$9.1 million, due to professional fees not within the ordinary course of business, as well as an impairment of S$5.3 million mentioned above, partly offset by a reversal of provision for contingent consideration of a foreign subsidiary in Q2.

For the last financial year, the Group had recorded an exceptional gain of S$37.9 million, largely due to a gain on dilution of interest in 4PX, the fair value gain on investment properties, and gain on divestment of interest in Indo Trans Logistics Corporation, partly offset by fair value losses on GD Express warrants.

Interest Income and Finance Expense

For the full year, interest income and investment income rose to S$6.9 million, largely due to favourable non-trade related foreign currency translation movement.

Finance expenses rose to S$12.6 million for the full year, due to higher finance costs of around S$4.0 million for the full year from the adoption of *SFRS(I) 16* Leases accounting treatment.

Share of Results of Associated Companies and Joint Venture

With effect from Q3 last year, the Group had ceased equity accounting for 4PX and disposed of its stake in Indo Trans Logistics Corporation ("ITL").

Accordingly, the share of loss from associated companies and joint venture was S$114,000 for the full year, compared to S$7.1 million loss in the corresponding period last year, which still included 4PX and ITL results.

Income Tax Expense

For the full year, income tax expense declined 21.5%, from S$36.1 million to S$28.3 million, largely due to lower profit before tax and the capital gain tax recorded last year.

Discontinued Operations

The Group had deconsolidated the financials for the U.S. Subsidiaries with effect from September 2019. Based on current estimates, there was no material net financial impact arising from the deconsolidation of the U.S. Subsidiaries.

FINANCIAL REVIEW AND OUTLOOK

Loss for the full year was S$12.0 million compared to S$147.3 million last year.

Losses from Discontinued Operations in the corresponding period last year included impairment of S$101.6 million for the U.S. subsidiaries.

Net Profit and Underlying Net Profit

For the full year, net profit rose to S$91.1 million, from S$19.0 million last year.

Excluding exceptional items, underlying net profit was stable at S$100.2 million for the full year.

The absence of losses from the U.S. Subsidiaries compared to the corresponding period last year, was offset by lower profit for Post and Parcel due to lower domestic letter volumes.

Underlying Net Profit Reconciliation Table	**Financial Year ended 31 March**	
	2020	2019
	S$'000	S$'000
Profit attributable to equity holders	**91,078**	18,958
Exceptional items from continuing operations	**9,122**	(37,942)
Impairment on discontinued operations (net of tax)	–	101,578
Capital gain tax on divestment of an associated company	–	3,007
Non-controlling interests' share of gain on dilution of interest in an associated company	–	14,505
Underlying Net Profit	**100,200**	100,106

Cash Flow

	Financial Year ended 31 March		
	2020	2019	Change
	S$'000	S$'000	%
Net cash inflow from operating activities	**183,162**	152,180	20.4
Net cash (used in) / provided by investing activities	**(17,763)**	12,349	N.M.
Net cash used in financing activities	**(64,622)**	(86,359)	25.2
Net increase in cash and cash equivalents	**100,777**	78,170	28.9
Cash and cash equivalents at beginning of year	**392,220**	314,050	24.9
Cash and cash equivalents at end of year	**492,997**	392,220	25.7
Free cash flow	**156,037**	120,857	29.1
Cash capital expenditure as a percentage of revenue	**2.1%**	2.4%	

N.M. Not meaningful.

Operating activities

For the financial year ended 31 March 2020, operating cash flow before working capital changes was S$194.6 million, compared to S$186.8 million last year.

Working capital movement for the year was positive S$24.8 million, with the positive movement in payables for international postal settlements partly offset by the negative movement in trade receivables for eCommerce deliveries from China.

Consequently, net cash inflow from operating activities for the year rose to S$183.2 million, compared against S$152.2 million in the corresponding period last year.

Investing activities

Net cash outflow for investing activities was S$17.8 million for the year, compared to inflow of S$12.3 million in the corresponding period last year, due largely due the absence of proceeds from disposal of an associated company in the same period last year. Capital expenditure declined to S$27.1 million compared to S$31.3 million last year.

Financing activities

Net cash outflow from financing activities for the year amounted to S$64.6 million, compared to outflow of S$86.4 million in the same period last year. The difference was largely due to net receipt of bank loan of S$73.1 million, compared to net proceeds of S$47.5 million in the corresponding period last year.

Free cash flow

For the financial year ended 31 March 2020, the Group's free cash flow (operating cash flow less capital expenditure) amounted to S$156.0 million, compared to S$120.9 million in the previous financial year, due to the positive working capital movement as mentioned above.

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	**2020 S$'000**	2019 S$'000	Change %
Total debt	**364,424**	290,876	25.3
Cash	**492,997**	392,220	25.7
Net cash	**128,573**	101,344	26.9
Total shareholders equity	**1,642,318**	1,660,463	(1.1)
Perpetual securities	**346,826**	346,826	–
Net cash plus perpetual securities to total shareholders equity (%)*	**13.3%**	14.8%	
EBITDA to finance expense (number of times)	**14.2**	11.2	
– Adjusted to exclude impact of SFRS(I) 16 *Leases*	**20.3**	N.A.	

* Presented for comparative purposes.

Total borrowings increased from S$290.9 million as at 31 March 2019 to S$364.4 million as at 31 March 2020. EBITDA to interest expense stands at 14.2 times, compared to 11.2 times for the corresponding period last year.

FINANCIAL REVIEW AND OUTLOOK

DIVIDEND

The Board of Directors is recommending a final dividend of 1.2 cents per share for the financial year ended 31 March 2020. 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 2.7 cents per share. This represents a payout ratio of 60% of underlying net profit, at the lower end of the dividend policy of 60% to 80% of underlying net profit.

	cents per share
Interim Q1	0.50 cent
Interim Q2	0.50 cent
Interim Q3	0.50 cent
Proposed final	1.20 cents
Total dividends paid and proposed in relation to FY 2019/20	2.70 cents

OUTLOOK

The Outlook remains uncertain, with the Group's performance being affected by factors beyond its control surrounding the global COVID-19 situation.

The duration and extent of control measures undertaken by the Singapore Government – and that of other countries – will impact the global macro-economic environment and the performance of the Group.

Yet, amid near term challenges, the Group remains well-positioned to capitalise on growth opportunities, such as eCommerce volumes, once measures are lifted and over the long-term.

Post and Parcel

In FY 2019/20, the Post and Parcel segment contributed 56% of Group revenue. Post and Parcel operations, comprising Domestic and International businesses, are largely expected to continue given the Essential Service nature of the business.

The segment is well-poised to capitalise on eCommerce growth opportunities once the pandemic is over and global economies recover.

Domestic

- While letter volumes continue to decline at a double-digit percentage, eCommerce growth volumes remain robust, albeit currently forming a relatively small part of the total revenue base.

- Measures such as Singapore's Circuit Breaker and Malaysia's Movement Control Order continue to impact costs, if not eased.

International

- The International business will continue to target cross-border eCommerce flows. However, there remains uncertainty in how supply chains and trade flows would be affected, and how Singapore's position as a transhipment hub could be impacted.

- Any continued international border closures and grounding of airlines would cause further increases in freight costs and service delays, while higher terminal dues are expected to continue to increase costs.

FINANCIAL REVIEW AND OUTLOOK

Logistics

In FY 2019/20, the Logistics segment contributed 38% of Group revenue.

As the Logistics segment is highly dependent on volumes and revenue, business might be further impacted by lower overall demand from an economic slowdown in the Asia-Pacific region.

To mitigate this, the Group will increase its focus to capitalise on eCommerce growth trends in key markets.

As the international Logistics businesses largely operate under an asset light model, the Group will tap on its ability to flex its cost base in line with revenue movement.

Property

In FY 2019/20, the Property segment contributed 6% of Group revenue.

The Group has provided support via rental and property tax rebates to affected tenants who have to close temporarily due to Circuit Breaker measures, and the cost will be reflected in the new financial year. Moreover, rental renewals will become increasingly challenging if the situation continues.

The Group remains well positioned in the mid-term due to its location in Paya Lebar, considered an emerging vibrant commercial hub with its recent transformation.

Overall

Group earnings and operating cashflows will face headwinds from the COVID-19 operating environment. In this challenging climate, the Group is carefully managing operating and capital expenses.

As at 31 March 2020, the Group has completed refinancing of the S$200 million fixed rate notes and further strengthened its balance sheet.