FINANCIAL REVIEW AND OUTLOOK

GROUP	Financial Year ended 31 March 2022 S$'000	2021 S$'000	Change %
Revenue	**1,665,579**	1,404,681	18.6
Operating profit	**112,074**	79,332	41.3
Share of profit of associated companies and joint venture	**4,847**	989	@
Profit after tax	**87,743**	47,010	86.6
Exceptional items, net of tax [1]	**1,858**	(12,491)	N.M.
Net profit attributable to equity holders	**83,112**	47,620	74.5
Underlying net profit [2]	**81,254**	60,111	35.2
Basic earnings per share (S cents)	**3.09**	1.46	111.6
Underlying earnings per share (S cents) [2]	**3.01**	2.01	49.8

Note:

(1) Exceptional items comprised one-off items such as asset impairment, fair value changes on investment properties, fair value gain upon gaining control of an investment, gains or losses on sale of investments and property, plant and equipment, M&A related expenses and others.

(2) Underlying net profit is defined as net profit before exceptional items, net of tax. Underlying earnings per share has been re-presented to exclude the underlying net profit attributable to perpetual securities holders of the Company.

@ Denotes variance more than 300%.

N.M. Not meaningful.

REVENUE	Financial Year ended 31 March 2022 S$'000	2021 S$'000	Change %
Post and Parcel	**622,334**	743,882	(16.3)
Logistics	**998,530**	618,075	61.6
Property	**114,906**	115,428	(0.5)
Inter-segment eliminations	**(70,191)**	(72,704)	3.5
	1,665,579	1,404,681	18.6

OPERATING PROFIT	Financial Year ended 31 March 2022 S$'000	2021 S$'000	Change %
Post and Parcel	**24,851**	43,502	(42.9)
Logistics	**44,295**	11,256	293.5
Property	**52,867**	50,013	5.7
Others #	**(9,939)**	(25,439)	60.9
Operating profit	**112,074**	79,332	41.3

Others refer to unallocated corporate overhead items

FINANCIAL REVIEW AND OUTLOOK

Group

Group revenue rose 18.6% for the full year ended 31 March 2022. This was largely driven by higher revenue from the Logistics segment, including Freight Management Holdings ("FMH") which became a subsidiary after we increased our stake to 51% in November 2021, offsetting a decline in revenue from the Post and Parcel segment.

Group operating profit increased 41.3% for the full year, despite the absence of approximately S$24.5 million in Jobs Support Scheme ("JSS") reliefs recognised in the last year. This was mainly due to higher contributions from the Logistics segment and lower corporate overhead expenses.

Post & Parcel

In the Post and Parcel segment, revenue declined 16.3% for the full year, due to the continued impact of COVID-19 on air freight capacity which resulted in lower International Post and Parcel volumes.

In Domestic Post and Parcel, eCommerce logistics volume grew 24% for the full year, which largely offset the continued decline in volumes of letters and printed papers. As a result, Domestic revenue was relatively stable.

With the lower International revenue and the absence of significant JSS relief recognised by Post and Parcel last year, operating profit declined 42.9% for the full year.

Logistics

In the Logistics segment, revenue rose 61.6% for the full year, mainly driven by strong international freight forwarding volume growth and the first-time consolidation of FMH with effect from December 2021. FMH has continued to perform well since our acquisition in November 2021 and was less affected by these disruptions given its focus on B2B and interstate deliveries.

Famous Holdings continued to benefit from higher sea freight volume and rates on the back of global supply chain logistics disruptions, leading to revenue growth of 69.6% for the full year.

In Australia, CouriersPlease recorded revenue growth of 7.5% for the full year, but incurred higher costs due to COVID-19 related disruptions, as well as extreme weather events in eastern Australia.

With higher freight forwarding revenue and significant new contributions from FMH, Logistics operating profit grew to S$44.3 million for the full year, up from S$11.3 million last year.

Property

Despite a challenging leasing market due to the economic environment and COVID-19 related restrictions, occupancy in the SingPost Centre retail mall and office remained high at 100% and 93.5% respectively as at 31 March 2022.

For the full year, Property revenue was stable due to lower rental rebates provided for eligible tenants as well as higher receipts from carpark and other service charges, offsetting the divestment of General Storage Company ("GSC"). Correspondingly, operating profit grew 5.7% for the full year.

Others

Expenses under this segment were lower by 60.9% for the full year, mainly due to stringent control of corporate costs, lower leave provisions as well as reversal of share option costs.

FINANCIAL REVIEW AND OUTLOOK

Operating Expenses

Total operating expenses rose 16.9% for the full year, on the back of higher international freight forwarding volume and higher delivery volume in Singapore and Australia.

Volume-related expenses, which include conveyancing costs and outpayments for international postal terminal dues, rose 24.8% for the full year. This was in line with the higher volumes as described above, partly offset by lower International Post and Parcel volume.

Labour and related expenses rose 1.9% for the full year. This was mainly due to the absence of JSS reliefs, the consolidation of FMH and higher costs incurred by CouriersPlease due to COVID-19 related disruptions, partly offset by the reversal of share option costs.

Administrative expenses rose 6.1% for the full year mainly due to higher utilities expenses and the consolidation of FMH.

Depreciation and amortisation expenses rose 8.3% for the full year with the consolidation of FMH.

Selling-related expenses fell 21.6% for the full year. The higher expenses last year were due to increased compensation for delayed deliveries caused by COVID-19 disruptions.

Other Income

Other income fell 31.2% for the full year, mainly because the prior year had included settlement of a late payment interest from a customer.

Share of Results of Associated Companies and Joint Venture

The share of profit from associated companies and joint venture rose to S$4.8 million for the full year compared to S$1.0 million last year, largely due to higher contribution from FMH as an associate from April to November 2021.

Exceptional items

The Group recorded an exceptional gain of S$1.9 million for the full year, largely due to fair value gain upon gaining control of FMH when we increased our stake from 28% to 51%, offset by impairment charges, provisions and loss on disposal/liquidation of subsidiaries.

Interest Income and Finance Expense

For the full year, interest income and investment income fell 3% to S$3.4 million as a result of lower interest income.

Finance expenses rose 34.0% for the full year due to higher interest expenses and higher borrowing costs.

Income Tax Expense

Income tax expense increased 48.0% for the full year largely due to higher profit before tax in line with higher revenue as well as higher tax expenses from income generated by foreign subsidiaries.

Non-controlling Interest

Non-controlling interest increased to S$4.6 million for the full year largely attributable to FMH.

FINANCIAL REVIEW AND OUTLOOK

Net Profit and Underlying Net Profit

Net profit attributable to equity holders of the Company rose 74.5% to S$83.1 million for the full year, despite the absence of JSS reliefs that were recognised last year. This was predominantly driven by higher contribution from the Logistics segment, including new contributions from the consolidation of FMH.

Excluding exceptional items, underlying net profit rose 35.2% to S$81.3 million for the full year.

CASH FLOW	Financial Year ended 31 March 2022 S$'000	 2021 S$'000	 Change %
Net cash inflow from operating activities	**89,526**	215,433	(58.4)
Net cash used in investing activities	**(53,303)**	(67,517)	21.1
Net cash used in financing activities	**(255,767)**	(139,701)	(83.1)
Net (decrease) / increase in cash and cash equivalents	**(219,544)**	8,215	N.M.
Cash and cash equivalents at beginning of year	**501,212**	492,997	1.7
Changes in cash and cash equivalents transferred to assets held for sale	**(1,230)**	-	N.M.
Cash and cash equivalents at end of year	**280,438**	501,212	(44.0)
Free cash flow	**65,268**	193,572	(66.3)
Cash capital expenditure as a percentage of revenue	**1.5%**	1.6%	

N.M. Not meaningful.

Operating activities

For the year ended 31 March 2022, operating cash flow before working capital changes was S$169.1 million, compared to S$141.5 million last year, mainly due to higher profit.

Changes in net working capital of S$55.5 million was mainly due to movements in trade receivables and trade payables, resulting in net cash inflow of S$89.5 million from operating activities for the full year. Cash generated from operating activities was lower compared against S$215.4 million last year, due to movement in trade receivables for eCommerce deliveries from China in the prior year.

Investing activities

Net cash outflow for investing activities was S$53.3 million for the full year, mainly due to capital expenditure and the acquisition of FMH, partly offset by the divestment of GSC. This was lower than the outflow of S$67.5 million last year which was mainly due to the initial investment in FMH in December 2020.

Financing activities

Net cash outflow from financing activities amounted to S$255.8 million, compared to outflow of S$139.7 million last year. This was mainly due to the redemption of S$350 million in perpetual securities, offset by net proceeds from bank loans and the issuance of S$100 million in senior notes.

Free cash flow

For the financial year ended 31 March 2022, the Group's free cash flow (operating cash flow less capital expenditure) amounted to S$65.3 million, compared to S$193.6 million in the previous financial year.

FINANCIAL REVIEW AND OUTLOOK

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	**2022 S$'000**	2021 S$'000	Change %
Total debt	**517,008**	322,312	60.4
Cash	**280,438**	501,212	(44.0)
Net debt / (cash)	**236,570**	(178,900)	N.M.
Total shareholders' equity	**1,142,101**	1,671,423	(31.7)
Perpetual securities	**-**	346,826	N.M.
Net debt / (cash) plus perpetual securities to total shareholders' equity (%)*	**20.7%**	10.0%	
EBITDA to finance expense (number of times)	**13.1**	12.4	

* Presented for comparative purposes.
N.M. Not meaningful.

Total borrowings increased from S$322.3 million as at 31 March 2021 to S$517.0 million as at 31 March 2022. EBITDA to interest expense stood at 13.1 times, compared to 12.4 times in the previous year.

The Group was in a net debt position of S$236.6 million as at 31 March 2022, compared to a net cash position of S$178.9 million as at 31 March 2021, mainly due to the redemption of perpetual securities and issuance of senior notes in March 2022.

Subsequent to the financial year end, S$250 million of new perpetual securities were issued in April 2022 which would bring the Group back to a net cash position on a pro forma basis based on the Group's balance sheet as at 31 March 2022.

The restructuring of the Group's debt and equity profile was undertaken to manage overall financing costs and optimise the balance sheet to support future growth and investment.

Total shareholders' equity stood at S$1.1 billion as at 31 March 2022, lower compared to S$1.7 billion as at 31 March 2021, mainly due to the redemption of perpetual securities in March 2022. Following the issuance of new perpetual securities, total shareholders' equity increased in April 2022.

FINANCIAL REVIEW AND OUTLOOK

DIVIDEND

The Board of Directors is recommending a final dividend of 1.3 cents per ordinary share for the financial year ended 31 March 2022. Including the interim dividend of 0.5 cents, total dividends for the financial year would be 1.8 cents, which represents a payout ratio of about 50% of underlying net profit.

	cents per share
Interim	0.50
Proposed final	1.30
Total dividends paid and proposed in relation to FY 2021/22	**1.80**

OUTLOOK

The COVID-19 pandemic situation has shown improvements as safe management measures have been eased and more borders reopened. However, disruptions in global supply chain logistics persist due to the pandemic as well as geopolitical tensions around the world. Inflationary cost pressures have also increased across our markets.

Notwithstanding, we continue with our transformation initiatives to reposition the Group as a leading logistics solutions provider in the Asia Pacific region, tapping on the accelerated eCommerce growth brought on by the pandemic. We are committed to our Purpose - Making Every Delivery Count for People and Planet.

Given the developments in sustainability trends globally, we are enhancing our approach to sustainability guided by material factors identified in consultation with our stakeholders. This includes a net zero carbon emissions target for Singapore operations by 2030 for scopes 1 and 2, and for our global operations by 2050 for scopes 1, 2 and 3.

In Singapore, while the pace of eCommerce growth may moderate post pandemic, the long-term market outlook remains positive. However, the eCommerce logistics market is highly competitive. We continue to invest in enhancing service quality and customer experience to offer higher value delivery solutions. This is part of our transformation initiative to develop a smart and environmentally sustainable urban logistics ecosystem that will create value for businesses, customers and residents in Singapore. The property business is expected to remain resilient despite a challenging leasing market.

With the acquisition of a majority interest in FMH in November 2021, we are well positioned to capitalise on the growing logistics market in Australia. The Group will focus on driving synergies among its Australian businesses, particularly CouriersPlease and FMH, as well as explore opportunities to build scale and a comprehensive logistics platform.

We are taking measures to strengthen our capabilities as well as to improve cost efficiency with the integration of the Group’s various international businesses to provide better cross-border solutions for our customers.

With the relaxation of Singapore’s travel restrictions from 1 April 2022 and as more borders reopen globally, increased international air freight out of Changi Airport over the year is expected to support a recovery in the Group’s International business. On the other hand, any improvement in the global supply chain logistics bottleneck situation is expected to lower sea freight rates in our freight-forwarding business.

The Group remains prudent in managing its costs and liquidity. Capital expenditure is expected to be higher with the investment into the electrification of its delivery fleet in Singapore over the next five years and infrastructure investment in both Singapore and Australia. We continually review our asset portfolio to assess strategic fit with core business, and invest in strategic initiatives that support long-term growth.