

# LETTER TO SHAREHOLDERS



## ***Dear Shareholders,***

SingPost has come a long way since 2003, when the Company was publicly listed on the Singapore Exchange. The Company depended almost fully then on its domestic postal business, which was facing increasing threat from the disruptive technology of the Internet. Despite this 'burning platform', we forged ahead to introduce bold and transformational changes to bring SingPost to where it is today: a national icon and a globally recognised end-to-end eCommerce logistics operator.

FY2015/16 was a significant milestone year for SingPost as the Group crossed the revenue mark of S\$1 billion. We extended our eCommerce logistics footprint globally through pivotal acquisitions of TradeGlobal and Jagged Peak

in the US, the world's second largest eCommerce market after China. This followed a phase of accelerated transformation over recent years, during which we have built and through investments expanded our eCommerce logistics abilities in the Asia Pacific region.

## **FINANCIAL PERFORMANCE**

With the strategic investments and collaborative partnerships made over the last few years, SingPost has morphed into an industry leading eCommerce logistics enabler recognised for powering global online retail operations of some of the world's top brands.

In FY2015/16, revenue continued its growth momentum against a global economic slowdown, rising by 25.2 per cent to S\$1.15 billion. This was driven by the Group's fast growing eCommerce-related activities and contributions from acquisitions. eCommerce-related revenues made up 35.8 per cent of Group revenue, up from 28.0 per cent in the previous year.

Overseas revenue accounted for 43.9 per cent of Group revenue, compared to 32.5 per cent in the previous year.

As we reviewed our portfolio of assets with the view of sharpening our focus on eCommerce logistics, we decided to divest the data printing business and pared the Group's stake in an associated company. Including such extraordinary gains and one-off items, the Group achieved a record net profit of S\$248.9 million, an increase of 57.9 per cent from S\$157.6 million in the previous year.

Underlying net profit declined 4.1 per cent to S\$153.6 million due to the loss of rental income from the Singapore Post Centre retail mall redevelopment and higher finance expenses.

## **DIVIDEND**

Over the years, the Group has consistently committed to – and even grown – its dividend payouts, notwithstanding significant investments in new growth areas. Since our IPO, SingPost has made total dividend payments of 90.4<sup>1</sup> cents per share – compared to the IPO price of 60 cents per share.

The Group aims to make a total annual ordinary dividend payout of 7 cents per share, barring unforeseen circumstances. Taking into consideration factors such as financial performance, capital expenditure and investment requirements, the Board believes that the Group is able to maintain the dividend policy, enhancing shareholder returns while retaining financial flexibility.

SingPost has paid out 4.5 cents per share for the first three quarters of FY2015/16, and the Board is recommending a final ordinary dividend of 2.5 cents per share for shareholders' approval.

## **TRANSFORMATION UPDATES**

### ***Global eCommerce Enabler***

On the business and strategic fronts, it has been a fulfilling year for the Group.

We acquired two eCommerce logistics companies in the US – a 96.4 per cent interest in TradeGlobal and a 71.1 per cent stake in Jagged Peak. With the integration of TradeGlobal and Jagged Peak with our existing eCommerce capability in Asia, we now are able to provide integrated eCommerce logistics solutions to customers across the broader spectrum of the US and Asia Pacific.

### ***Enhanced Logistics Capabilities***

Our eCommerce logistics capability will soon be centralised and strengthened with the Regional

eCommerce Logistics Hub, due to be operational in the second half of 2016. This state-of-the-art facility, topped out in March 2016, will deliver significant efficiencies, improved productivity and lower operational costs through the introduction of advanced and innovative automation systems.

We also strengthened our eCommerce logistics network through a larger holding in Shenzhen 4PX Information Technology, one of China's foremost cross-border eCommerce solutions providers. The strategic investment positions SingPost at the forefront to leverage the world's largest and still fast growing eCommerce markets by tapping into the array of eCommerce logistics capabilities of Shenzhen 4PX Information Technology.

### ***Strong Postal Backbone***

The postal network remains the backbone of our delivery capabilities. While domestic transactional mail continues to decline, in contrast, eCommerce packages delivered through the postal channel are increasing.

The trend is particularly evident in the International Mail business, which has been a conduit for increasing cross-border eCommerce deliveries over the last few years. During the year, we enhanced our collaboration with Alibaba, the largest eCommerce operator in the world, participating for the first time in its Singles' Day promotion on the AliExpress platform. This, together with Black Friday and Cyber Monday promotions, held by other eCommerce operators, contributed to the strong surge in our cross-border eCommerce volumes during the peak shopping season of November and December 2015.

<sup>1</sup> Excluding the proposed final dividend of 2.5 cents per share for shareholders' approval at the 24th Annual General Meeting.

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## **Property**

In October 2015, we commenced the redevelopment of the Singapore Post Centre Retail Mall that will double retail space to around 25,000 square metres. When completed in mid-2017, the new mall will offer a revolutionary O<sup>2</sup> (O-squared) shopping experience converging the best of online and offline platforms, and greater convenience as shoppers can choose to collect purchases at the mall or have them delivered to a POPStation or their homes.

## **Other Initiatives**

During the year, we divested a partial stake in associated company GD Express and recognised a net gain of S\$64.8 million. This was about a five-times return on the initial investment. We also recognised gains of S\$32.9 million from the sale of data printing operations in Novations Solutions and DataPost. The freed-up capital allowed the Group to further strengthen its financial capability while maintaining flexibility for future growth investment.

## **POST-MERGER INTEGRATION**

A key component of our transformation journey is post-merger integration and the extraction of synergies from acquisitions made over the last few years.

We have achieved positive headway in integration across all fronts – business, operations, systems and staff. At CouriersPlease, our parcel delivery company in Australia, the rollout of new international delivery services leveraged SingPost's international network. Besides product offerings, we capitalised on the Group's technological innovations, rolling out POPStations in Australia. We made good inroads in bringing international brands served by TradeGlobal and Jagged Peak in the US, into Asia Pacific markets.

We opened a new head office on a single floor in our flagship building, Singapore Post Centre. The 6,600-square metre space features a modern and open layout, and consolidates over 600 corporate staff, helping to encourage collaboration across departments at our headquarters.

## **CORPORATE GOVERNANCE**

We assure shareholders of our steadfast commitment in upholding ourselves to the highest standards in corporate governance, and will continually work towards improving our policies and processes in this ongoing journey to enhance corporate governance.

To review the Group's governance and processes, we initiated a comprehensive internal review of corporate governance practices in early 2015. We also undertook a thorough Corporate Governance Review in the first half of 2016, to primarily evaluate the processes for, among other matters, the review of directors' independence, board and management succession planning, board renewal and composition. The reviews are ongoing and we have committed to take on board recommendations to achieve best-in-class corporate governance.

We also voluntarily commissioned a special audit to examine disclosures on the acquisitions of Famous Holdings, F.S. Mackenzie and Famous Pacific Shipping (NZ). The special audit has made recommendations to enhance certain processes. The Board is fully committed to implementing what we have learned from the special audit to improve SingPost's corporate governance policies, processes and procedures.

We commit to uphold the best ethical practices of transparency and accountability of good corporate governance and we will always choose to act with the best interest of all stakeholders in mind. SingPost will continue to learn and grow from our experiences.

## COMMITMENT TO STAKEHOLDERS

As the nation's postal service provider, SingPost will continue to deliver the service obligations and service quality standards expected of a Public Postal Licensee. In preparation for the growing demands of eCommerce amid declining traditional mail volumes, we have invested in the upgrading of our postal infrastructure and service quality, including the physical, web and mobile Self-service Automated Machine (SAM) channels, and new generation post offices. This is to bring about greater efficiencies and enhance customer experience to meet changing market conditions and evolving lifestyle and consumer needs.

Our employees form the core of our organisation and are our most valuable assets. We invest in our future by investing in their personal and professional development. Programmes are run to promote higher awareness and participation in various skills upgrading including the national SkillsFuture initiative for our workforce.

We are gratified by the excellent labour management relations with the union and will continue to work with them to benefit our workers. We were recognised for strong relations between management and staff, for which we received 2015 May Day Model Partnership awards, as well as two special recognition awards at the 2016 HRM Awards. These accolades reflect SingPost's long-term commitment to every one of our staff.

SingPost advocates giving back to society, which we do through our adopted charities. With delivery route optimisation measures, and more POPStation smart lockers rolled out across the island, we are doing our part for the environment by reducing our carbon footprint through increasing productivity and efficiency.

## APPRECIATION

It has been a privilege to steer SingPost since its

early days of IPO to where the Company stands now, and to have nurtured a start-up culture as part of the Group's DNA.

I am confident that the Group is ready for takeoff on the next leg of its journey forward and to become a highly successful global eCommerce logistics player under the new leadership at SingPost.

We welcome Mr Simon Israel as the new Chairman of SingPost with effect from 11 May 2016. The Board has strongly and unanimously endorsed his appointment and I am confident he will see SingPost through its continuing transformation.

I wish to express my gratitude to the directors who have stepped down from the Board. My deepest appreciation goes to Mr Keith Tay, for his strategic insights and counsel throughout the transformation of SingPost since its IPO. Dr Wolfgang Baier, who tendered his resignation in December 2015, helped to accelerate the Group's transformation in the last few years, aided by a great team. We sincerely thank these directors for their leadership and support.

On behalf of the Board, I thank Management and Staff for their dedication and contribution in helping drive the Group forward in its transformation. We also express our appreciation to the union, our partners and customers for their continued support.

Last but not least, we thank our esteemed shareholders for your continuing support of SingPost.

**LIM HO KEE**  
CHAIRMAN  
FY2015/16