

## LETTER TO SHAREHOLDERS



Dear Shareholders,

Building blocks for the next phase of our transformation have been put in place over the course of the year. Since his appointment as Group CEO in June 2017, Paul Coutts has been working with the Board to reshape the business into one that is more focused, integrated and cost efficient – better positioned to serve our strategic partners and eCommerce. Good progress was made in building out our eCommerce logistics platform, allowing us to scale up, improve profitability and benefit from today's strong growth in global eCommerce and last-mile delivery.

### GROWING THE LAST MILE

In Singapore, we saw strong volume growth in last-mile delivery as we leveraged on our incumbent infrastructure in both postal services and the parcel business. While domestic mail continued to decline, parcel volumes on our Speedpost network were up, with as many as 33,000 parcels processed a day during the peak season. We see opportunities for broader growth in smart urban logistics and Smart Nation projects, including parcel lockers.

Our international mail business grew strongly, with revenue rising 37.4 per cent to a new record of S\$369.0 million. During the quarter ended 31 December 2017, international mail revenue crossed S\$100 million in a quarter for the first time, on higher cross-border eCommerce deliveries – further bolstered by our collaboration with the Alibaba Group during the Double-Eleven event in November 2017.

In the coming year, we are looking to improve our profitability as we continue to transform and position our business for the future.

Margins, however, have reduced as changes in the international terminal dues system took effect on 1 January 2018. We are taking measures to mitigate the higher rates we pay to foreign postal organisations for delivery in their jurisdictions, and will continue to monitor this closely.

### RESHAPING FOR PROFITABILITY

On top of driving growth in our postal network, our relationship with Alibaba continues to advance. The joint venture formed around our Quantum Solutions business is being reshaped in terms of scope, business model and capabilities, to better serve both Alibaba's and SingPost's eCommerce businesses. We experienced some pain around customer attrition, bad debt, costs of the SingPost Regional eCommerce Logistics Hub as well as that of onboarding new customers. While this is an on-going challenge, we do expect performance to improve.

Across our US eCommerce businesses, Jagged Peak performed well, and the turnaround of TradeGlobal is on track. The business has stabilised, cost base restructured and losses significantly reduced. We will be integrating our eCommerce businesses in the US and Southeast Asia, as well as our businesses across the world, which will move us towards eventual profitability.

Our new retail mall at SingPost Centre opened on 9 October 2017, providing new revenue streams. The mall has seen positive take-up by retailers, restaurants and other lifestyle service providers, with committed occupancy achieving 96 per cent of the net lettable area.

### TRANSFORMING THE BOTTOM LINE

Our financial results recorded a net profit of S\$126.4 million for the year ended 31 March 2018. This was 278.4 per cent higher than in the previous year in which there were significant one-off impairments.

Revenue grew 8.6 per cent to S\$1.46 billion, driven by eCommerce-related activities across the Group. Underlying net profit declined 9.2 per cent to S\$105.0 million, reflecting the decrease in our core domestic letter business and the change in blended margins.

SingPost continued to generate robust cash flows, with free cash flow improving as capital expenditure decreased with the completion of the Logistics Hub and SingPost Centre retail mall. Our net cash position improved to S\$70.1 million, from S\$2.6 million as at 31 March 2017.

Over the first three quarters of the financial year, dividends totalling 1.5 cents were paid out. The Board is recommending a final dividend of two cents per share for your approval at the AGM. This is in line with our dividend policy, which links payout to underlying net profit to ensure dividends are sustainable in the long term.

In the coming year, we are looking to improve our profitability as we continue to transform and position our business for the future. With our strategic location and core assets, we are well placed to capitalise on the opportunities of the region's growing eCommerce markets. Initiatives are also underway to improve cost efficiency and enhance our competitiveness in the eCommerce logistics space. Transformation may take several years before scale and profitability are achieved, but for SingPost's long-term success, transformation remains vital.

### APPRECIATION

The Board would like to thank Ms Aliza Knox and Mr Zulkifli Bin Baharudin, who are retiring from the SingPost Board, for their valuable contribution and years of service.

The Board also wishes to express its gratitude to Management and Staff for their dedication, and also to the union, our partners, and customers for their unstinting support.

Yours sincerely,



**SIMON ISRAEL**  
Chairman