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## Group CEO Review



This year, we marked the 160<sup>th</sup> anniversary of postal services in Singapore. For over a century, SingPost has been connecting communities and this remains our mission today.

At the same time, we must continue to adapt and transform ourselves to play a major part in Singapore's Smart Nation and Smart Urban Logistics plans – and continue to reshape the Group.

### Financial Performance

The financial year saw us facing headwinds in a number of areas and investing in others to strengthen our capability and infrastructure. Amid the downward trend of traditional mail volumes, eCommerce volumes coming through the postal system continues to grow rapidly. We are working to ensure that we are well-positioned to manage this accelerated trend and anticipate the changing needs of our customers.

Strong international mail revenue growth brought about by higher cross-border eCommerce-related delivery volumes drove the revenue of the Post and Parcel segment. The recent integration of our domestic Post and Parcel divisions has helped improve our profit on operating activities.

The Logistics business saw a marginal decline in revenue for the full year. Although the increase in freight rates contributed to the Group's freight forwarding business recording higher revenue, the revenue was offset by the exit of unfavourable customer contracts for Quantum Solutions and the strengthening of the Singapore dollar against the Australian dollar for CouriersPlease. At the same time, we substantially reduced the operating losses for the Logistics segment this year.

After an improved financial performance in the US last year, SingPost faced further challenges in the midst of intensifying margin and cost pressures – plus an increase in customer bankruptcies in the industry. Coupled with the increased emphasis to focus our energies on Asia Pacific and home markets, the Management and Board reached the decision to sell our US eCommerce businesses.

On the Property front, profitability continues to grow as both revenue and profit on operating activities rise. The business is boosted largely by rental income from the SingPost Centre retail mall that boasts a committed occupancy of 98.9 per cent as at 31 March 2019.

Overall, whilst we experienced growth and our full year revenue rose, our net profit fell

due to impairment charges for the US eCommerce businesses.

### Focus on Strengthening our Core

Postal services remain the core of our business. Our focus for the coming year will be raising service standards as well as keeping operational issues at bay. We are tightening our processes, training new postmen and streamlining our product offerings to win back the trust of our customers.

Digitalising our postal operations, we started SmartPost by equipping all of our postmen and postwomen with a mobile phone that interacts with Near Field Communication (NFC) tags installed at about 15,000 delivery points. The system allows the tracking of deliveries and electronic signing-over of registered mail in the current phase.

We also introduced a new proprietary logistics software Last Mile Platform (LaMP) this year, a technology-agnostic platform that is able to weave the assets of partner providers with SingPost's POPStations, parcel lockers and brick-and-mortar collection points, into a unified network. A first for the industry, LaMP leverages artificial intelligence to determine precise delivery times and allows recipients to alter collection point addresses, times, orders and sequences.

### The Future of Post

The success of SingPost has been built over the years with the passion, commitment, experience and hard work from all our staff – Mr Woo Keng Leong is one of them, who joined us in 1980 on a posting as a Public Service Commission scholar. Mr Woo has been instrumental in the transformation of SingPost's postal business into one of the most efficient, profitable and admired postal service providers in the world. Mr Woo has decided to retire this year as our CEO of Postal Services but will continue to be our Postal Advisor to ensure a smooth transition. I would like to thank him for his dedication and contribution to SingPost over the last 40 years.

Taking over the reins is Mr Vincent Phang, who has been appointed as our new CEO for Postal Services and Singapore. Vincent has more than 20 years of experience and has held various senior leadership positions in the supply chain, logistics, industrial and manufacturing industries in Asia. He is currently taking the lead in addressing the service issues that have surfaced over the past few months.

We are concurrently working on a few new initiatives to boost our service standards, starting with a new islandwide initiative called *Know Your Postman* that aims to foster a stronger sense of community and kampong spirit with the postman. A trial begins in July, with the islandwide rollout in October 2019.

We are also commencing the trial for vertical and horizontal deliveries to optimise the job functions of our postmen in the next three months as well as deliveries in the evenings to increase the rate of successful deliveries.

With the streamlining of our product offerings, there are plans to introduce the first trackable mailbox delivery product that will be trialed in August 2019, pending approvals from the regulator. At the same time, we are working closely with government agencies such as IMDA, HDB and our town councils to explore replacing non-HDB letterboxes.

### Looking Ahead

We remain steadfast in pursuing the three core pillars of our strategy: winning in the home market, igniting future growth engines and extracting full value from our investments. Post and Parcel remain the key component in our strategy to winning in the home market, and we taking affirmative steps to enhance our service levels, as well as boost customer trust and confidence.

We are also priming our Logistics and eCommerce units to ride the eCommerce wave that is sweeping over Asia Pacific through leveraging technology and collaborating with partners, locally and on the international front. We will continue maximising our returns from our investments made in building the SingPost Centre Mall as well as Regional eCommerce Logistics Hub to further boost the performance of our Property segment and generate healthy income.

Yours sincerely,



**Paul Coutts**

Group Chief Executive Officer