S&P Global Ratings

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Singapore Post Ltd.

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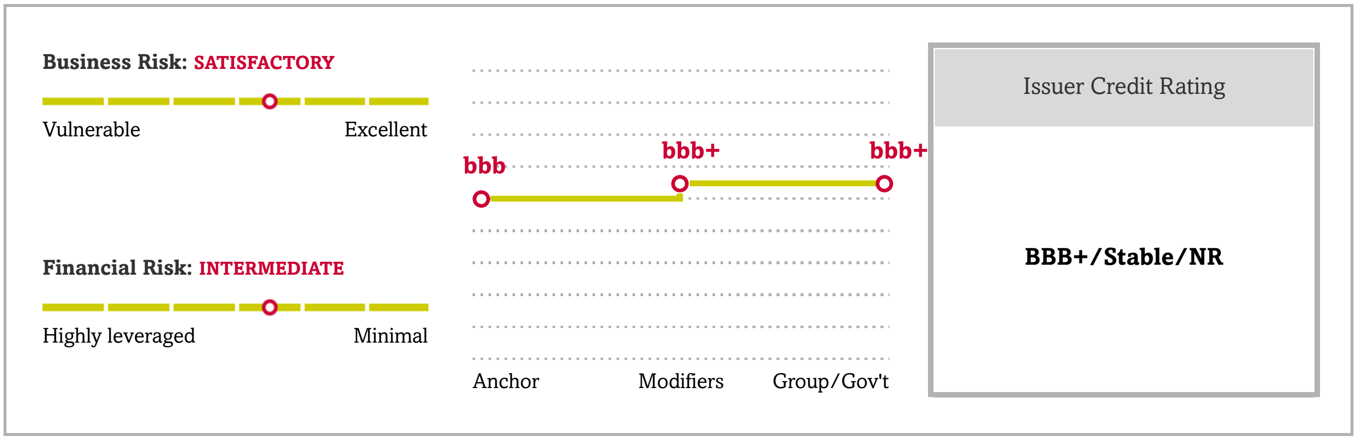
Singapore Post Ltd.



Credit Highlights

Overview

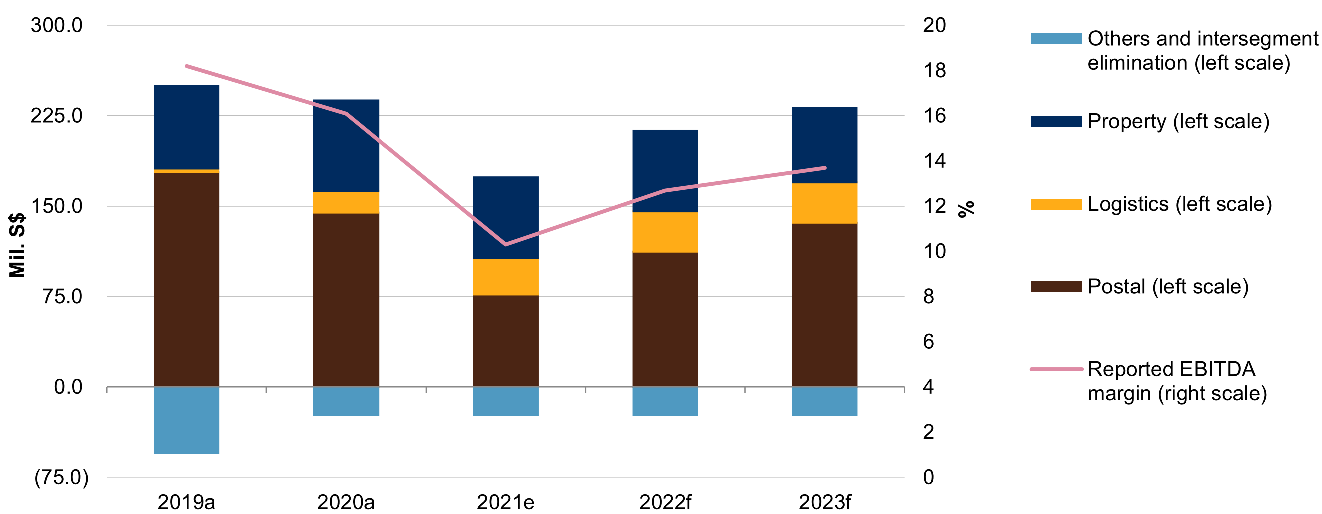
Key strengths	Key risks
Dominant market position in Singapore.	Long-term structural decline in the postal industry.
Established postal infrastructure and license which provide some competitiveness.	Less established presence in logistics compared with the postal business.
Margin visibility driven by portfolio diversification into the property segment.	Margin erosion in the postal business due to higher operating expenses during the pandemic.

Higher operating expenses due to COVID-19 will continue to weigh on Singapore Post Ltd.'s (SingPost) postal and logistics earnings. An increase in international conveyance and air freight costs will continue to pressure SingPost's profitability and offset the benefit from an increase in e-commerce related volume. We expect SingPost's EBITDA margins to remain suppressed at 10.0%-11.0% for the remaining of its fiscal year ending March 31, 2021 as low air traffic and border closures increase the company's operating expenses. Easing travel restrictions and a gradual recovery in air traffic will likely support the recovery in SingPost's margin to 11.0%-13.0% in fiscal 2022 and 12.0%-14.0% in fiscal 2023.

SingPost's property segment will provide some earnings resilience as the company's key business segments weaken. SingPost Centre Mall, a retail and office space building, is SingPost's key earnings driver in the property segment, backed by its high occupancy rates, steady contract renewal rate, and multiyear rental contracts. We forecast steady EBITDA of Singapore dollar (S$)60 million-S$70 million from the property segment until fiscal 2023. This will account for about 44.0% of SingPost's total EBITDA in fiscal 2021, and 30.0%-35.0% in fiscals 2022-2023.

Chart 1

Higher Operating Expenses In Fiscal 2021 Will Strain SingPost's EBITDA
We expect EBITDA from the postal segment to recover as air freight costs fall on rising air traffic



The fiscal year end is March 31. a--Actual. e--Estimate. f--Forecast. S$--Singapore dollar.
Source: S&P Global Ratings.
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SingPost's recent acquisition has narrowed the company's rating headroom while the benefits from business integration will take some time to materialize. SingPost acquired a 38% stake in Australia-based Freight Management Holdings Pty. Ltd. (FMH) in October 2020 as part of the company's strategy to establish a second home base. The acquisition coincided with a subdued earnings outlook. Our base case sees limited near-term rating headroom because the debt-funded acquisition cost of S$84.1 million will temporarily push SingPost's debt-to-EBITDA ratio modestly above 2.5x in fiscal 2021, before recovering to about 2.1x in fiscal 2022.

Refinancing risk has subsided following the company's issuance of Singapore dollar-denominated senior unsecured notes. SingPost issued S$250 million notes on Nov. 19, 2020 to refinance its 15-month bridging loan facility, which was to mature in June 2021. The new issuance, which will mature in 2030, has lengthened the company's debt maturity profile to 4.1 years from 1.6 years.

Outlook: Stable

The stable outlook reflects our expectation that SingPost will sustainably manage the structural deterioration in the postal industry over the next 12-24 months. We anticipate the company's logistics business will become a more meaningful earnings contributor, and earnings from the property business will remain steady. We also expect SingPost to have a prudent approach to investment.

Downside scenario

We could lower the rating if SingPost's debt-to-EBITDA ratio increases beyond 2.5x on a sustained basis. This could happen primarily if the company faces more revenue and cost pressures in its mail business and fiercer competition in the non-mail business than we anticipate. The scenario also includes, but is not limited to, SingPost's pursuit of large investments that swiftly diminish the debt headroom without material earnings generation capability.

Upside scenario

An upgrade looks unlikely for SingPost over the next two years, given the company's exposure to declining mail volumes and strong competitive pressures in the logistics and express delivery businesses. We may raise the rating if the company establishes a record of consistent governance and successful strategy execution. We would also expect to see a reduction in leverage, with the debt-to-EBITDA ratio sustainably well below 2.0x.

Our Base-Case Scenario

Assumptions

- Global real GDP to have contracted by 4.0% in 2020, before recovering to growth of 5% in 2021 and 4% in 2022. Singapore real GDP to have shrunk by 6.1% in 2020, before expanding by 6.0% in 2021 and 3.0% in 2022. Stable economic growth will support consumer consumption and consequently e-commerce transactions.
- SingPost's revenue growth of about 11.5% in fiscal 2021 due to high e-commerce volume. Revenue growth will normalize to 1.5%-2.0% from fiscal 2022 as Singapore eases lockdown restrictions.
- Adjusted EBITDA of about S$150 million in fiscal 2021, increasing to S$190 million-S$210 million in fiscals 2022 and 2023, on declining operating expenses.
- Annual capital expenditure (capex) of about S$15 million in fiscal 2021, S$25 million-S$45 million in fiscals 2022-2023, and S$75 million in fiscal 2024. Most of the spending will be for SingPost's "smart letterbox" initiative.
- Acquisition of FMH of which the first tranche of S$59.2 million was paid in fiscal 2021, and the second tranche of about S$25.9 million will be paid in fiscal 2022.
- No other meaningful acquisitions in the next 12-24 months.
- Dividend policy of 60%-80% of underlying net profit. We estimate this will translate into 2.4 Singapore cents per share in fiscal 2021, and about 3.5 Singapore cents per share from fiscal 2022.

Key metrics

Singapore Post Ltd.--Key Metrics*

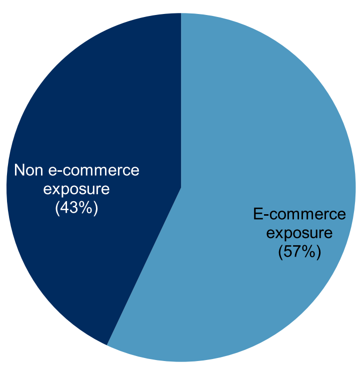
	--Fiscal year end March 31--			
	2020a	2021e	2022e	2023e
Revenue growth (%)	(0.7)	10.0-11.0	1.6-2.0	1.6-2.0
EBITDA margin (%)	16.4	10.0-11.0	11.0-13.0	12.0-14.0
DCF (Mil. S$)	52.2	45.0-50.0	40.0-45.0	35.0-40.0
Debt/EBITDA (x)*	2.0	2.5-2.7	1.8-2.2	1.7-2.0

*S&P Global Ratings' fully adjusted figures. a--Actual. e--Estimate. DCF--Discretionary cash flows (cash flow from operations minus gross capital expenditure minus dividends). S$--Singapore dollar.

Strong postal revenue trend in fiscal 2020 will gradually subside from fiscal 2021. E-commerce transactions, typically driven by consumer consumption, decoupled from economic trends in most of fiscal 2020. This was because some in-store purchases were shifted to online platforms during the city lockdowns and amid limited regional and international travels. Consequently, e-commerce volume accounted for 65% of SingPost's total revenue in the first half of fiscal 2021. This was an increase of about 8.0 percentage points from a year earlier. We expect the trend to continue until the end of fiscal 2021.

Chart 2a

E-commerce Related Revenue Typically Accounts For About Half Of SingPost's Revenue
SingPost's e-commerce exposure as of Sept. 30, 2019



Source: Capital IQ.
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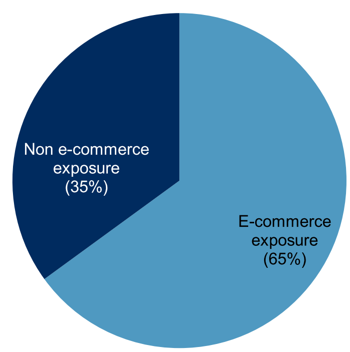
Chart 2b

Singapore's Lockdown And Travel Restrictions Led To Increased Online Purchases
SingPost's e-commerce exposure as of Sept. 30, 2020



Source: Capital IQ.
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As Singapore gradually relaxes its lockdown measures, we expect a proportion of consumer purchases to shift back to the offline platform. Accordingly, the growth rate of e-commerce transactions should ease, thereby moderating SingPost's e-commerce volume. This will result in SingPost's revenue normalizing to about 2.0% in fiscals 2022-2023.

The COVID-19 pandemic will have a temporary adverse impact on SingPost's operating costs. We estimate SingPost's EBITDA margins will fall to 10.0%-11.0% in fiscal 2021, from 16.3% in the previous year. Reduced air traffic due to travel restrictions has tripled conveyance costs for international volume, which accounts for most of the company's e-commerce volume. In addition, border closures between Singapore and Malaysia translated into additional operating expenses for SingPost, given that the company had to pay for temporary accommodation for its Malaysian employees.

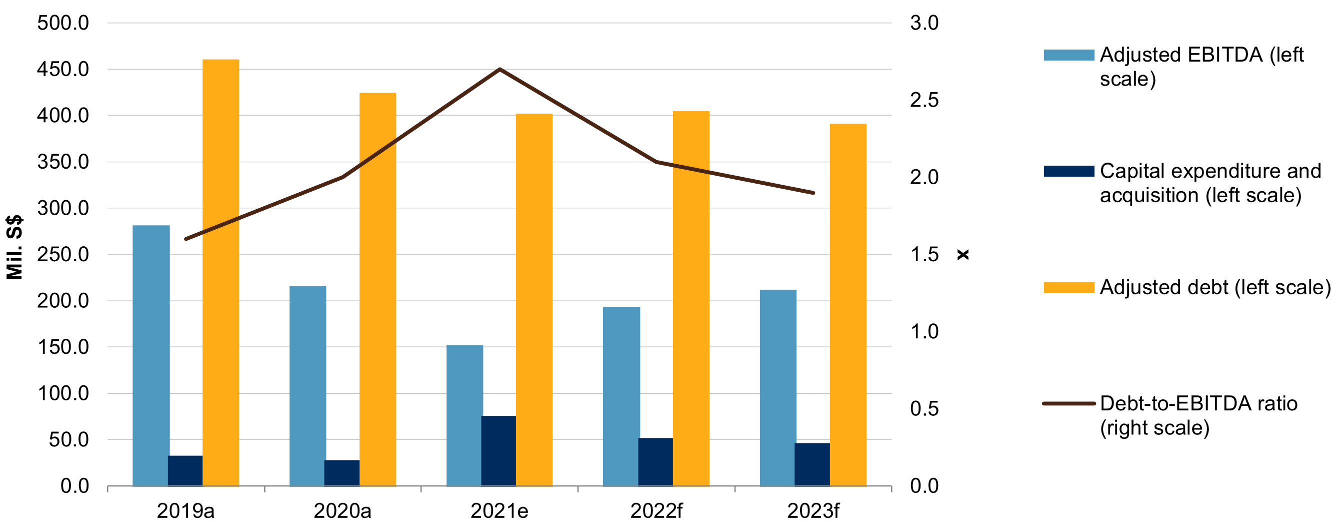
The latter will be partially offset by the Singapore government's support via the Jobs Support Scheme.

Margin pressure will ease from fiscal 2022 while moderate spending will keep SingPost's debt-to-EBITDA ratios at close to 2.0x over the next one to two years. We expect a gradual recovery in SingPost's margins to 11.0%-14.0% from fiscal 2022. This incorporates our view that operating expenses will gradually decrease as the availability of COVID-19 vaccines will likely lead to increased air traffic and border reopenings.

Our expectation of an earnings recovery will be important in restoring some buffer against increasing leverage due to higher investment spending. In addition to the acquisition of FMH, SingPost will proceed with its smart letterbox initiative. We estimate the investment in that initiative could be S$25 million-S$45 million in fiscals 2022-2023 and up to S$75 million by fiscal 2024. This will keep the company's debt-to-EBITDA ratio at 1.6x-2.0x in fiscals 2022-2024.

Chart 3

SingPost's Spending Amid Weak Earnings Will Elevate Its Leverage Level
We expect its debt-to-EBITDA ratio to be close to 2.0x over the next one to two years



The fiscal year end is March 31. Adjusted debt includes SingPost's S$350 million in perpetuity securities.
a--Actual. e--Estimate. f--Forecast. S$--Singapore dollar. Source: S&P Global Ratings.
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Earnings stability will come from the property segment amid postal industry headwinds. SingPost's property segment, with full occupancy and a steady renewal rate, will account for about 40% of the company's total EBITDA in fiscal 2021. This will provide earnings stability for SingPost during a period when postal margins are weak. As the company's earnings recover, EBITDA contribution from the property business will likely stabilize at 30%-35% from fiscal 2022.

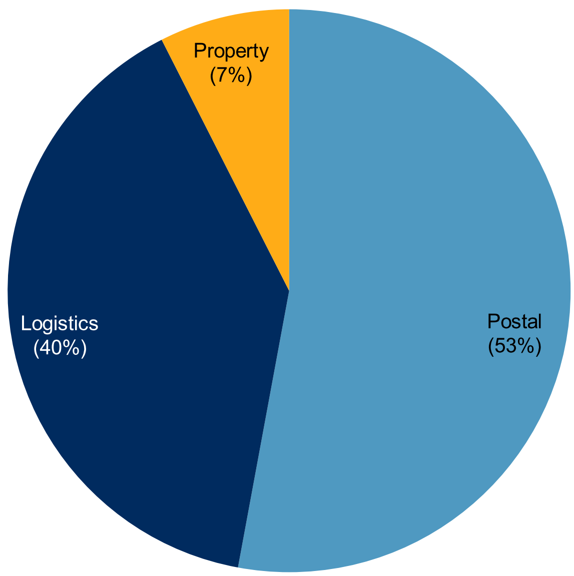
Dividend received from newly acquired business will remain minimal over the next two to three years. Given that FMH is currently in operation and generates earnings, the business will be immediately earnings accretive to SingPost upon the acquisition. Based on SingPost's 38% minority stake in FMH, our base case considers the potential for modest dividends from FMH of S$2 million-S$5 million annually. We do not expect the benefits of business integration to be material in the next 12-18 months.

Company Description

SingPost, founded in 1819, provides postal and logistics services in Singapore and internationally. For the six months ended Sept. 30, 2020, the company had revenues of S$707.8 million, an increase of about 9.6% from a year ago. SingPost is listed on the Singapore Exchange, with Singapore Telecommunications Ltd. (Singtel) holding a 22.0% stake and Alibaba Investment Ltd. a 14.6% stake.

Chart 4

Postal Services Remains Key Revenue Driver For SingPost
Revenue by segment as of Sept. 30, 2020



Source: Capital IQ.
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Peer Comparison

Table 1

Singapore Post Ltd.--Peer Comparison					
Industry sector: Miscellaneous transportation					
	Singapore Post Ltd.	**Australian Postal Corp.**	**New Zealand Post Ltd.**	**Royal Mail plc**	**PostNL N.V.**
Ratings as of Jan. 28, 2021	BBB+/Stable/NR	A+/Negative/A-1	A/Stable/A-1	BBB/Negative/A-2	BBB/Stable/A-2

Table 1

Singapore Post Ltd.--Peer Comparison (cont.)

	--Fiscal year ended--				
	March 31, 2020	June 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019
(Mil. Mix currencies)	S$	A$	NZ$	£	€
Revenue	1,313.8	7,453.6	941.0	10,840.0	2,844.0
EBITDA	214.9	542.6	82.0	692.0	297.0
Funds from operations (FFO)	147.7	478.4	56.0	570.0	249.0
Interest expense	27.6	54.2	22.0	56.0	14.0
Cash interest paid	31.0	52.0	26.0	53.0	14.0
Cash flow from operations	159.1	577.8	71.0	903.0	213.0
Capital expenditure	27.1	316.1	34.0	342.0	66.0
Free operating cash flow (FOCF)	132.0	261.7	37.0	561.0	147.0
Discretionary cash flow (DCF)	52.2	240.7	37.0	314.0	76.0
Cash and short-term investments	502.5	775.3	272.0	1,670.0	480.0
Debt	423.7	1,479.5	197.2	1,183.1	611.0
Equity	1,295.5	2,203.1	1,248.0	5,621.0	(18)
Adjusted ratios					
EBITDA margin (%)	16.4	7.3	8.7	6.4	10.4
Return on capital (%)	8.6	2.1	2.8	1.0	20.7
EBITDA interest coverage (x)	7.8	10.0	3.7	12.4	21.2
FFO cash interest coverage (x)	5.8	10.2	3.2	11.8	18.8
Debt/EBITDA (x)	2.0	2.7	2.4	1.7	2.1
FFO/debt (%)	34.9	32.3	28.4	48.2	40.8
Cash flow from operations/debt (%)	37.5	39.1	36.0	76.3	34.9
FOCF/debt (%)	31.1	17.7	18.8	47.4	24.1
DCF/debt (%)	12.3	16.3	18.8	26.5	12.4

S$--Singapore dollar.

We chose Australian Postal Corp., New Zealand Post Ltd., Royal Mail plc, and PostNL N.V. as SingPost's peers.

Most postal providers are taking measures to preserve their margins while evolving into e-commerce and logistics businesses amid the structural decline in the postal industry. Compared to its peers, SingPost has managed to sustain higher EBITDA margins given the company's cost structure which consists of a larger proportion of variable volume-based costs. The company's more diversified portfolio and other productivity enhancement programs also cushion it from increasing headwinds.

SingPost and its peers are commercially run businesses that provide essential public services. They therefore hold dominant market positions in their respective home countries. Unlike most of its peers, however, the Singapore government has an indirect ownership in SingPost via Singtel. In addition, SingPost does not have the same onerous obligation to maintain and protect job security as its Australian counterpart. In our view, this reflects less obligation, and hence a more distant relationship, with the Singapore government, similar to Royal Mail's relationship with the U.K. government. As a result, we do not consider SingPost a government-related entity.

SingPost is more geographically diverse than its peers, with a high proportion of overseas revenue, notably from Australia and Hong Kong. PostNL shares this attribute as the Netherlands-based company has expanded its global network through partnership and enjoys continual growth in Italy and Germany. Other operators, on the other hand, benefit from population density in their home countries, which supports revenue generation.

SingPost has lower leverage than its Australian and New Zealand peers, given the company's prudent approach in spending and deconsolidation of unprofitable business. In our view, most peers are experiencing smaller debt headroom given weak earnings during the pandemic and the industry's need to pursue inorganic growth to counter the structural decline in the postal business.

Business Risk: Satisfactory

In our view, the operational leverage from SingPost's license and efficient infrastructure will continue to underpin the company's earnings quality. Business synergies with strategic partners will support steady earnings generation. Undermining these strengths are suppressed margins due to the COVID-19 outbreak and the long-term structural decline in the postal industry, as well as untested new initiatives and investments.

SingPost's status as the sole Public Postal Licensee in Singapore will continue to provide the company some degree of competitiveness in the domestic postal industry. SingPost is the only postal service provider with access to letterboxes at the nation's public housing buildings. This enables the company to better control its last-mile delivery cost, compared with the doorstep delivery other domestic players are required to comply with.

SingPost's well-established postal infrastructure and nationwide network will continue to enable the company to maintain about 95% of the domestic market share. In addition, SingPost's relationship with business partners such as Alibaba ensures steady cross-border volumes as transactions continue to grow.

We believe SingPost's diversified portfolio will provide it some cushion against headwinds from the pandemic and the early stage of structural decline in the postal industry. The company has diversified its business portfolio into the property segment since 2017. High occupancy rates and steady renewal rate support, mainly at SingPost Mall, ensure revenue stability and preserve the company's overall EBITDA margins at 16%-20% throughout the industry cycle. This solidifies the company's earnings generation capability while its peers are navigating through industry disruptions that erode their margins.

How SingPost will meaningfully address the industry's structural decline in the long term remains to be seen, in our view.

The company has pursued some initiatives and acquisitions to strengthen its earnings quality, but the benefits will take some time to materialize. For its postal business, SingPost plans to launch its smart letterbox across Singapore as part of the company's efforts to reduce doorstep deliveries for packages and increase efficiency. The smart letterbox will store and automatically sort letters and packages for residents in public housing buildings. This will further reduce the cost of last-mile delivery for packages that are initially too large for traditional mailboxes. Given that the company has just started the trial for this initiative in December 2020, it will take at least a couple of quarters to gauge the early results of its automated letterboxes.

Beyond its postal business, the acquisition of FMH complements SingPost's long-term strategy to build a second home base and enhance its existing supply chain in Australia. SingPost targets to use FMH's expertise as a fourth-party logistics services provider to build an integrated business-to-business-to-customers network. The acquisition also aims to strengthen SingPost's existing logistics infrastructure in Australia. The full benefit of business integration and synergies will take some time to materialize.

Financial Risk: Intermediate

SingPost's financial profile is supported by its financial policy and our view of the management's long-term commitment to prudent financial management. We believe the company can maintain its debt-to-EBITDA ratio at below 2.5x. That said, SingPost is currently operating with diminished rating headroom, given its elevated investment plan amid a period of weak earnings. In our opinion, this leaves limited rating headroom to withstand any unexpected deterioration in industry conditions, unless the company adjusts its spending or dividend payment.

We anticipate SingPost's discretionary cash flows will decline and debt headroom will be stretched over the next two to three years. Despite facing a period of softer earnings, SingPost will likely enter a heavy investment phase to upgrade its postal infrastructure in Singapore. Our base case envisages that, if the trial of the smart letterbox is successful, SingPost will proceed with a nationwide rollout of these automated letterboxes. The company will also pursue the redevelopment plan of SingPost Centre Mall and other efficiency improvement initiatives. These investment plans will bring its capital spending to S$45 million-S$50 million in fiscal 2023 and about S$75 million in the subsequent year. This is a material increase from our expectation of annual capex of S$15 million-S$25 million in fiscals 2021-2022.

SingPost's spending plan will erode its cash flows adequacy from fiscal 2023. We expect the company's discretionary cash flows to be US$45 million-US$50 million in fiscals 2021-2022, declining to US$30 million-US$40 million in fiscals 2023-2024 as spending increases.

In addition to its capital spending plan, the S$84.1 million acquisition of FMH over fiscals 2021-2022 will leave SingPost with limited debt headroom to cushion against any earnings adversities. We expect the company's debt-to-EBITDA ratio to be 2.5x-2.7x in fiscal 2021 and 1.7x-2.2x in fiscals 2022-2023.

In our view, SingPost's financial policy remains a supportive rating factor. SingPost's long-term commitment to financial discipline and lower leverage level compared with its global peers support our assessment of a positive comparable rating analysis. SingPost has maintained a strong balance sheet over the past few years, demonstrated by its prudent approach in balancing its investment appetite, dividend payment, and leverage level. The company's S&P Global Ratings-adjusted leverage has remained at 1.5x-2.0x since 2017. The deconsolidation of its unprofitable U.S. business in 2019 and a more cautious dividend payout in the first half of fiscal 2021 attest to the company's flexibility and willingness to adjust its spending plan should operating conditions change.

Financial summary

Table 2

Singapore Post Ltd.--Financial Summary

Industry sector: Miscellaneous transportation

	--Fiscal year ended March 31--				
	2020	**2019**	**2018**	**2017**	**2016**
(Mil. S$)					
Revenue	1,313.8	1,323.3	1,464.1	1,348.5	1,151.5
EBITDA	214.9	280.4	236.4	234.5	251.4
Funds from operations (FFO)	147.7	216.7	176.6	171.5	190.7
Interest expense	27.6	30.5	30.8	31.7	29.4
Cash interest paid	31.0	32.3	28.7	32.5	30.1
Cash flow from operations	159.1	163.4	212.5	210.0	140.3
Capital expenditure	27.1	31.3	62.1	199.8	279.7
Free operating cash flow (FOCF)	132.0	132.0	150.4	10.2	(139.4)
Discretionary cash flow (DCF)	52.2	22.8	89.0	(109.4)	(306.4)
Cash and short-term investments	502.5	399.5	316.0	370.6	134.8
Gross available cash	502.5	399.5	316.0	370.9	134.8
Debt	423.7	459.3	445.2	551.1	635.7
Equity	1,295.5	1,313.6	1,443.1	1,410.9	1,214.7
Adjusted ratios					
EBITDA margin (%)	16.4	21.2	16.1	17.4	21.8
Return on capital (%)	8.6	10.3	7.3	7.7	12.4
EBITDA interest coverage (x)	7.8	9.2	7.7	7.4	8.5
FFO cash interest coverage (x)	5.8	7.7	7.2	6.3	7.3
Debt/EBITDA (x)	2.0	1.6	1.9	2.3	2.5
FFO/debt (%)	34.9	47.2	39.7	31.1	30.0
Cash flow from operations/debt (%)	37.5	35.6	47.7	38.1	22.1
FOCF/debt (%)	31.1	28.7	33.8	1.8	(21.9)
DCF/debt (%)	12.3	5.0	20.0	(19.8)	(48.2)

S$--Singapore dollar.

Reconciliation

Table 3

Singapore Post Ltd.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. S$)

	--Fiscal year ended March 31, 2020--							
Singapore Post Ltd. reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**
Reported	364.4	1,599.4	211.6	143.6	12.6	214.9	183.2	94.6
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(36.3)	--	--

Table 3

Singapore Post Ltd.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. S$) (cont.)								
Cash interest paid	--	--	--	--	--	(16.1)	--	--
Reported lease liabilities	86.2	--	--	--	--	--	--	--
Debt-like hybrids	346.8	(346.8)	--	--	14.9	(14.9)	(14.9)	(14.9)
Postretirement benefit obligations/deferred compensation	1.6	--	0.0	0.0	0.0	--	--	--
Accessible cash and liquid investments	(376.9)	--	--	--	--	--	--	--
Share-based compensation expense	--	--	2.8	--	--	--	--	--
Dividends received from equity investments	--	--	0.5	--	--	--	--	--
Nonoperating income (expense)	--	--	--	5.8	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(9.2)	--
Noncontrolling interest/minority interest	--	42.9	--	--	--	--	--	--
Debt: Contingent considerations	1.6	--	--	--	--	--	--	--
Total adjustments	59.3	(303.9)	3.4	5.8	14.9	(67.2)	(24.1)	(14.9)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends paid**
Adjusted	423.7	1,295.5	214.9	149.4	27.6	147.7	159.1	79.7

S$--Singapore dollar.

Liquidity: Adequate

We view SingPost's liquidity as adequate. The company's sources of liquidity will likely cover needs by more than 1.2x in the 12 months to Sept. 30, 2021. SingPost has well-established relationships with domestic and international banks, as well as a solid standing in domestic capital markets. The company demonstrated its ability to raise funding when it issued an unrated S$250 million 10-year bond at a fairly low coupon rate of 2.53% in November 2020.

Given the recent bond issuance and steady earnings projection, we expect SingPost to be able to absorb high-impact, low-probability events without much need for refinancing. We forecast liquidity sources will exceed uses even if EBITDA declines by 15%.

Principal liquidity sources	Principal liquidity uses
• Cash and equivalents of S$458.7 million as of Sept. 30, 2020.	• Short-term debt maturities of S$57.1 million as of Sept. 30, 2020.

- Cash funds from operations of S$115 million-S$120 million in the 12 months to Sept. 30, 2021.

- Capex of about S$15 million in fiscal 2021 and about S$25 million in fiscal 2022.
- Dividends, including cash distributions to perpetual securities' holders, of about S$93 million in the 12 months to Sept. 30, 2021.

Debt maturities

Table 4

Singapore Post Ltd.--Debt Maturities*

Year	Amount (Mil. S$)
2021	157.0
Thereafter	207.5
Total	364.4

*As of March 31, 2020, Fiscal year ending March 31. Debt maturities profile excludes the S$350 million in senior perpetual securities.
S$--Singapore dollar.

Environmental, Social, And Governance

Governance risk is most significant to our rating on SingPost.

SingPost's exit from the U.S. market and refocus on its Asia-Pacific base marked an improvement in the company's business oversight and risk management. SingPost's setback in the U.S. business was partly due to disruptions in the company's oversight following the abrupt departure of the CEO who was behind the transactions and the overall business vision. At the same time, there was evidence of inaccurate disclosure of conflict of interest at the board level in 2016-2017. During the same period, SingPost's board of directors failed on its mission to determine the company's strategy and execution thereof. Lack of business controls and personnel management at the company's core postal business also resulted in a lapse in services.

In our view, SingPost has taken several measures to improve its corporate governance and overcome its patchy corporate governance practice. The company has implemented a comprehensive Corporate Governance Review, Anti-Bribery, and Corruption Policy as well as Code of Business Conduct and Ethics for directors and employees. SingPost also complies with the Personal Data Protection Act and has had no data breach in the past few years.

The company has also improved significantly in its business oversight. SingPost implemented service improvement measures following sizable fines by the Infocomm Media Development Authority for failing to meet service quality standards in 2017-2018. This helped the company adhere to all of the standards for the delivery of local and international basic letters, with only a slight setback on the delivery standard for local registered letters from January-December 2019. Its operations faced little disruptions during the peak of the pandemic in early 2020, reflecting an effective business continuity plan, in our view.

Social risk and environmental risk are moderate for SingPost. The company is one of the largest employers in Singapore, with 4,183 employees in fiscal 2020. As part of its fair employment practices, SingPost conducts regular training to ensure that employees are equipped with skills and knowledge to efficiently fulfil the company's business goals. SingPost has also initiated a salary structure review to ensure adequate remuneration for its postmen--a measure that should improve service quality and efficiency. On par with the global environmental standard, the company has set a target of a 35% reduction in its absolute greenhouse gas emissions from its fiscal 2018 baseline level by fiscal 2030. SingPost tracks this performance in its annual sustainability report.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of Sept. 30, 2020, SingPost had S$263.6 million in reported financial debt, of which S$61.7 million was secured. The major portion of unsecured borrowing comprised S$200 million of long-term loan facility which the company used to redeem its 10-year senior unsecured notes that matured in March 2020. SingPost issued S$250 million of 10-year senior unsecured notes in November 2020 to repay its loan facility. This extended the company's maturity profile to 4.1 years. SingPost also had S$350 million in senior perpetual securities, which we consider debt-like.

Analytical conclusions

The rating on SingPost's perpetual securities is one notch lower than the issuer credit rating because they present deferability of payments at the company's discretion.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/NR

Business risk: Satisfactory

- **Country risk:** Low
- **Industry risk:** Low
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Positive (+1 notch)

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry, Feb. 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Railroad And Package Express Industry, Aug. 12, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of January 29, 2021)*

Singapore Post Ltd.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	BBB
Issuer Credit Ratings History	
09-Nov-2016	BBB+/Stable/NR
24-Feb-2016	A-/Stable/NR
06-Nov-2015	A/Watch Neg/NR

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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