GENERAL ANNOUNCEMENT::SINGPOST BUSINESS UPDATE FOR FIRST QUARTER ENDED 30 JUNE 2023

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Submitted By (Co./ Ind. Name)

Jonathan Ooi Wei Hsin (Mr)

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the Business Update for First Quarter ended 30 June 2023, as attached.

Attachments

Q1FY24BusinessUpdate.pdf

Total size =114K MB

Business Update for 1st Quarter ended 30 June 2023

All figures disclosed in this business update are unaudited.

GROUP FINANCIAL HIGHLIGHTS

(Unaudited)

S$ million	**Q1 FY23/24**	Q1 FY22/23	**YoY Change**
Group Revenue	**404.1**	475.2	**(15.0%)**
Group Operating Expenses	**(391.9)**	(466.3)	**(16.0%)**
Group Operating Profit	**11.9**	10.6	**+11.8%**

Benefitting from the transformation into logistics and overseas markets

The Group delivered a strong operating performance in the first quarter in line with our continued transformation into a logistics enterprise, offset by the normalising of shipping rates from Famous Holdings post pandemic and the impact of foreign currency translation. The Group achieved revenue of S$404.1 million, 15% lower against last year. Approximately 86% of Group revenue is now generated internationally.

Group operating profit increased 11.8% YoY to S$11.9 million from S$10.6 million. The Australia business continued to perform well, and together with the continuing recovery in IPP's cross-border eCommerce logistics business, helped to mitigate the declines in the freight-forwarding and domestic postal businesses.

The operating profit takes into account impact of the depreciation of AUD[1] and CNY[2]. On a constant currency basis[3], the operating performance of the Australia and International Post & Parcel businesses was significantly stronger, and Group operating profit would have improved by an estimated 40% YoY.

Group operating expenses improved by 16.0% YoY to S$391.9 million from S$466.3 million due primarily to lower volume related expenses such as conveyance costs, as well as prudent cost management.

Logistics

With reduced sea freight rates and volumes, revenue from Famous Holdings was significantly lower, compared to the highs in the previous years and accounted for most of the Group's revenue decline. Accordingly, operating profit from Famous Holdings was correspondingly lower although margins were sustained.

Excluding Famous Holdings whose revenues and profits have contracted in line with the declining sea freight outlook, operating profit in the Logistics segment improved significantly due to the Australia business.

SingPost's Australia business continued to grow, with revenue and operating profit increasing 6.6% and 34.4% respectively YoY, on a constant currency basis. The Australia business continued to post good growth on the back of new customer acquisitions and volume growth in its 4PL and last-mile delivery businesses, notwithstanding revenue pressure from lower fuel surcharge following the decline in fuel levies across the logistics industry.

Post & Parcel

The International Post & Parcel (IPP) business continued to improve with revenue and profit growing QoQ. While IPP revenue was lower from a year ago as a result of the CNY depreciation, profitability and margins improved significantly, turning around from the loss in Q1 last year as air conveyance costs continued to trend

[1] AUD/SGD exchange rate: -9% YoY
[2] CNY/SGD exchange rate: -8% YoY
[3] Assuming constant exchange rates from the corresponding period ended 30 June 2022.

downwards and fell 37.0% YoY. The Group's product mix continued to shift as it rolled out more commercial offerings and new trade lanes, with growth in commercial volumes helping to stabilise its cross-border eCommerce volumes.

In the Domestic Post & Parcel business, revenue was lower as volumes of letters & printed papers and eCommerce deliveries continued to decline, down by 5.3% YoY. Volumes from new customer acquisitions helped to mitigate the normalisation of eCommerce volumes in the market post pandemic. As guided previously, while the Group remains focused on driving eCommerce volumes onto the delivery network and continues to manage costs prudently, the domestic postal business has been undergoing a structural decline and continued to register an operating loss in Q1 due to high operating overheads, particularly in its post office network.

The structural decline in postal services continued to impact revenue and profitability. The commercial viability of the domestic postal service is currently being addressed and the Group is seeking approval from Infocomm Media Development Authority (IMDA) for postage rate increases in the immediate term to reflect the true cost of the letter mail business.

Property

Operating profit was relatively stable as overall occupancy at SingPost Centre remained unchanged at 98.2% compared to 31 March 2023 with the retail mall space at 100% occupancy and the office space occupancy at 97.5%.

SELECTED BALANCE SHEET ITEMS

(Unaudited)

	As at Jun 2023 S$ million	As at Mar 2023 S$ million	Change
Cash and cash equivalents at end of financial period	**483.3**	495.7	(2.5%)
Borrowings	**(621.8)**	(624.4)	(0.4%)
Net cash / (debt) position	**(138.5)**	(128.7)	**7.6%**
Total Assets	**2,782.8**	2,837.8	(1.9%)
Total Liabilities	**1,401.2**	1,463.5	(4.3%)
Total Equity	**1,381.7**	1,374.3	0.5%

The Group's balance sheet remained strong as at 30 June 2023, with key balance sheet items remaining relatively unchanged compared to 31 March 2023.

SUSTAINABILITY

SingPost continues to develop solutions with the aim to be a low carbon logistics provider for our customers in line with our objective to achieve net zero carbon targets. Focusing on reduction or elimination of energy use as a first strategy, we have put in place ongoing efforts to optimise our operations from deliveries to improving the efficiency of our facilities. With the net zero commitment of 2030 for scope 1 and 2 emissions, Singapore operations have achieved 30% reduction to-date from baseline year FY18/19; having converted 32% of the Group's total delivery fleet in Singapore to electric vehicles. In Australia, as we integrate our businesses, we have gained visibility of our carbon footprint for the operations and are working towards reducing them.

Following the introduction of the Group's Human Rights Policy, Diversity & Inclusion Policy, supply chain carbon-related data and increased requirements on cybersecurity, we have refreshed our Supplier Code of Conduct to require the same from SingPost's integrated supply chain.

MOVING FORWARD

The Group will be integrating its Australia businesses to drive greater synergies as it develops its B2B2C network and continues to explore growth opportunities through acquisitions to build scale and a deeper presence in the Australia market.

The recovery in IPP's cross-border eCommerce logistics business is expected to continue as air conveyance costs trend downwards. The Group continues to revamp and strengthen its cross-border capabilities and offerings to tap the global eCommerce logistics market. The Group is focused on building its business pipeline with new customer acquisitions to diversify its customer base, and managing yields as it continues to transform its product mix from postal solutions to more commercial offerings.

In Singapore, the commercial viability of the domestic postal service is currently being addressed and the Group is seeking approval from IMDA for postage rate adjustments in the immediate term to better reflect the true cost of the letter mail business. At the same time, the Group is working with IMDA towards a framework for the long-term sustainability and commercial viability of the domestic postal service. The Group continues to work on enhancing productivity and efficiency, as well as expanding its customer base to drive eCommerce volumes on the delivery network.

Demand for commercial leasing in the Paya Lebar Central region remains healthy, and the Group is actively engaging with tenants and prospects for the renewal and sign up of leases.

With an overarching aim to enhance shareholder returns by ensuring that the Group is appropriately valued, the strategic review of the Group's portfolio of businesses is ongoing and is expected to be completed within the current financial year.

As previously announced, SingPost's strategic review will focus on transitioning the Group to a logistics business over time. The strategic review will identify opportunities in key growth geographies, and assets which are non-core or which are not expected to earn a return above their cost of capital for possible divestments and capital recycling initiatives to support further investments in logistics. The strategic review will also include optimising the Group's balance sheet and structure for its businesses to allow them to be appropriately valued, while creating optionality for the future of these businesses. There is no assurance that SingPost will implement any of the options identified through the strategic review. If and when there are any material developments, SingPost will, in compliance with applicable rules, make further announcements as appropriate.