

**GENERAL ANNOUNCEMENT::STANDARD & POOR'S BULLETIN ON SINGAPORE POST'S ACCELERATED ACQUISITION EASES PUT- OPTION UNCERTAINTY****Issuer & Securities****Issuer/ Manager**

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Please refer to the attachment.

The views and opinions expressed in this report are those of the authors and do not necessarily reflect the view and position of Singapore Post Limited.

**Attachments**[SnPBulletin\\_20230113.PDF](#)

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## Bulletin:

# Singapore Post's Accelerated Acquisition Eases Put-Option Uncertainty

January 13, 2023

*This report does not constitute a rating action.*

SINGAPORE (S&P Global Ratings) Jan. 13, 2023--Singapore Post Ltd. (SingPost) has ample cash to proceed with the accelerated acquisition of Freight Management Holdings Pty. Ltd. (FMH). The deal will take out most of the put options held by FMH minority investors to sell their remaining stake to SingPost. The aggregate value of these puts moves in tandem with FMH's performance, adding volatility to SingPost's adjusted debt (our adjustments).

We view the transaction as broadly credit neutral. Our base case and adjusted debt already accounted for cash needs that might stem from the trigger of the put. The accelerated transaction replaces a sizable quantum of adjusted debt with on-balance sheet debt and utilizes discretionary cash reserves.

We now estimate SingPost's debt-to-EBITDA ratio will be 3.0x-3.5x in fiscal 2023 (ending March 31, 2023) and 2.3x-2.8x in fiscal 2024 and fiscal 2025. Our base case adds Singapore dollar (S\$) 75 million-S\$100 million to SingPost's adjusted debt; the amount would be sufficient to settle put options on the remaining 12% stake in FMH still held by minority investors.

The post and parcel industry's structural decline continues to undermine the creditworthiness of SingPost (BBB+/Negative/--). This decline could potentially lead to sustained earnings weakness and eroded profitability. Moreover, we expect the company's leverage to remain elevated at more than 2.5x over the next 12-24 months.

In our view, SingPost's decision to accelerate the acquisition removes some uncertainty over the quantum of cash payments that could be triggered by the put option. The payments would have otherwise depended upon: (1) FMH's EBITDA growth trajectory; and (2) timing of when the put options would be exercised.

In the accelerated acquisition plan, SingPost will spend about A\$175.4 million (about S\$160 million) to acquire an additional 37% stake in FMH. The transaction will increase the Singapore-based postal company's ownership in the Australia-based logistics company to 88% by the end of March 2023. The acquisition is pending relevant statutory approvals.

Notwithstanding the increase in ownership and control in FMH, the transaction will not improve SingPost's earnings. SingPost already fully consolidates FMH based on its existing 51% ownership.

In our opinion, the transaction reaffirms SingPost's strategy to transform into a logistics player and its commitment to expand its footprint in Australia. It remains to be seen if Singpost's greater effective control of FMH prompts further investments or raise additional debt at its Australian operations. This will be to accelerate business transformation to compensate for the structural decline in the post and parcel business.

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## **Singapore Post's Accelerated Acquisition Eases Put-Option Uncertainty**

While we believe SingPost will have sufficient cash reserves to fund the transaction with outright cash, the company will likely utilize available bank loans to preserve liquidity. SingPost will also need to preserve some cash to acquire the remaining 12% stake in FMH. That stake will remain under both evergreen call and put option agreements that the existing shareholders or SingPost could exercise during pre-determined months every year. SingPost's cash balance stood at S\$435.8 million as of Sept. 30, 2022.

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