

**GENERAL ANNOUNCEMENT::STANDARD & POOR'S BULLETIN ON SINGAPORE POST'S PROPOSED ACQUISITION WILL DELAY DELEVERAGING**

## Issuer &amp; Securities

## Issuer/ Manager

SINGAPORE POST LIMITED

## Securities

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## Designation

Company Secretary

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

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

[SnP\\_Bulletin20231103.PDF](#)

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**Bulletin:**

# Singapore Post's Proposed Acquisition Will Delay Deleveraging

November 3, 2023

This report does not constitute a rating action.

SINGAPORE (S&P Global Ratings) Nov. 3, 2023--Singapore Post Ltd.'s (SingPost) proposed acquisition of BEX Group will increase leverage of the Singapore-headquartered postal and logistics service provider. The transaction adds incremental ratings pressure given our negative outlook on the 'BBB' long-term issuer credit rating as SingPost navigates a structural decline in the postal services business. The deal also heightens integration and execution risk during a phase of business transformation.

The BEX Group acquisition is in line with SingPost's goal of becoming a global logistics player. BEX Group's delivery fleet will complement SingPost's existing Australian business, Freight Management Holdings Pty. Ltd. (FMH), which is a fourth-party logistics company. BEX Group will enhance FMH's in-house logistics capabilities.

If successfully integrated, the acquisition could improve the profitability and operating efficiency of SingPost's logistics business. In addition, earnings accretion from BEX Group will add incremental scale to SingPost's presence in Australia. We expect SingPost's EBITDA, including contribution from BEX Group, to be S\$160 million-S\$210 million in fiscals 2024 and 2025.

That said, we believe SingPost's market share in Australia's logistics market will remain modest even after the acquisition. This is due to the industry being highly competitive and fragmented.

We estimate the ratio of debt to EBITDA for SingPost will be 4.0x-4.7x in fiscal 2024 (year ending March 31, 2024), assuming the acquisition goes through. This compares with our previous forecast of 3.0x-3.5x. Still, we expect leverage to improve over time, with debt-to-EBITDA to recover to below 3x by fiscal 2026, according to our projections. Our adjusted debt includes reported lease liabilities, incremental lease liabilities, and contingent consideration payable.

Contributing to the elevated leverage is SingPost's weak earnings for the first half of fiscal 2024. This stems from the normalization of sea freight rates and foreign currency weakness, particularly the Australian dollar and Chinese renminbi, against the Singapore dollar. SingPost's

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## **Singapore Post's Proposed Acquisition Will Delay Deleveraging**

stable operating performance in Australia and higher domestic postage rates from Oct. 9, 2023, partly offset the weak earnings.

Our negative rating outlook reflects the increasing risk of a downgrade due to persistent weakness in SingPost's post and parcel business, and its shifting portfolio mix. The company expects to complete its strategic review within the current financial year, i.e., by March 2024.

On Nov. 1, 2023, SingPost announced the acquisition of BEX Group for a maximum consideration of A\$210 million. The company expects to complete the acquisition by end-November 2023. At the same time, minority shareholders of FMH have exercised their put options to sell their shares to SingPost. Upon completion, SingPost will fully own FMH. The company valued the put option redemption liability at S\$75 million as of Sept. 30, 2023.

## Singapore Post's Proposed Acquisition Will Delay Deleveraging

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