

SINGAPORE POST LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199201623M)

ACQUISITION OF SHARES IN FREIGHT MANAGEMENT HOLDINGS PTY LTD

1. Introduction

Singapore Post Limited (“**SingPost**” or the “**Company**”, and together with its subsidiaries, the “**SingPost Group**”) wishes to announce that its wholly-owned subsidiary, SingPost Logistics Holdings Pte. Ltd. (the “**Purchaser**”), has on 16 October 2020 entered into a conditional sale and purchase agreement with the existing shareholders of Freight Management Holdings Pty Ltd (“**FMH**”) and a share subscription agreement with FMH to acquire an aggregate 38% equity interest in FMH (the “**Acquisition**”). The Purchaser intends to set up a new holding company in Australia to hold its equity interest in FMH on completion of the Acquisition.

2. Information on FMH

2.1 General

FMH is a leading 4th party logistics (“**4PL**”) service company incorporated in Victoria, Australia in 2000. The principal activity of FMH is the provision of integrated supply chain and distribution solutions to customers in Australia through a 4PL technology platform. FMH provides these services under the tradename of ‘**EFM**’ to over 500 businesses across Australia.

FMH is an asset-light, technology-driven ‘control tower’ business. Through the use of proprietary technology including its core 4PL technology platform (OneFlo), FMH manages and executes its customers’ supply chain and distribution requirements.

Utilising its technology, analytics and network, FMH is able to match customers’ freight profile with the optimal carrier, thereby increasing efficiency, utilisation and profitability for both customer and carrier.

FMH has built up a diversified client base across a broad range of industries over the last 20 years. It also has a wide partner carrier base and long-standing relationships with these carriers, with over 150 carriers partnered in the last year.

Mr. Damian Degenhardt, an Australian resident, founded the business in 2000 and is currently the majority shareholder and Managing Director of FMH, with over 20 years of industry experience in Australia. Post completion of the Acquisition, Mr. Degenhardt will continue in his existing role.

FMH has a long-standing business relationship with the SingPost Group, having been a customer of CouriersPlease, a wholly-owned subsidiary of SingPost, for many years.

None of the existing shareholders of FMH are related to the Company, the SingPost Group or the Directors of SingPost.

2.2 Financial Information on FMH

Based on the unaudited consolidated financial statements of FMH for its financial year ended 30 June 2020 (“**FMH FY2020**”, and such financial statements, the “**FMH FY2020 Financial Results**”), the profit before tax (“**NPBT**”) of FMH and its subsidiaries for FMH FY2020 was approximately A\$20.3 million (equivalent to approximately S\$20.1 million) and the net asset value (“**NAV**”) and the net tangible assets (“**NTA**”) of FMH as at 30 June 2020 was approximately A\$26.0 million (equivalent to approximately S\$25.7 million) and approximately A\$13.3 million (equivalent to approximately S\$13.2 million), respectively.

Based on the FMH FY2020 Financial Results, the earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) of FMH and its subsidiaries for FMH FY2020 is approximately A\$26.0 million (equivalent to approximately S\$25.7 million). The net asset value of the Acquisition is A\$9.9 million (equivalent to approximately S\$9.8 million).

Unless indicated otherwise, the indicative A\$-to-S\$ exchange rate used for the purposes of this Announcement is A\$1.00 : S\$0.99.

2.3 Valuation of FMH

The latest valuation of FMH as at 31 July 2020 (“**Valuation Report**”), commissioned by the Company and conducted by PricewaterhouseCoopers Securities Limited, Australia, values FMH at between A\$182 million and A\$217 million or a midpoint valuation of A\$198 million (equivalent to approximately S\$196 million). The valuation is based on two approaches, the income approach which is based on the projected discounted cash flows and the market approach which benchmarks the valuation to market comparables.

3. Consideration and Other Terms

3.1 Total Consideration

The aggregate consideration payable in cash by SingPost in connection with the Acquisition is the sum of approximately A\$85.0 million (equivalent to approximately S\$84.1 million) (the “**Total Consideration**”), which will be paid in two tranches. The Purchaser will acquire the aggregate 38% equity interest pursuant to the Acquisition through a combination of subscription of new ordinary shares to be issued by FMH and the acquisition of existing ordinary shares from certain existing shareholders of FMH.

3.2 Breakdown of Total Consideration

The Total Consideration comprises the following:

(i) Tranche One

The proposed total consideration payable for Tranche One is estimated to be A\$58.8 million in cash (equivalent to approximately S\$58.2 million), the breakdown of which is as follows:

- (a) the payment of an estimated aggregate consideration of A\$28.8 million (equivalent to approximately S\$28.5 million) for the acquisition of ordinary shares in the capital of FMH from certain FMH existing shareholders (“**Tranche One Acquisition**”); and

- (b) the payment of an estimated aggregate consideration of A\$30.0 million (equivalent to approximately S\$29.7 million) to FMH for the subscription of such number of new FMH shares to be issued by FMH ("**Tranche One Subscription**"),

such that the total number of FMH shares to be acquired by SingPost on completion of the Tranche One Acquisition and Tranche One Subscription would be equivalent to 28% of the enlarged issued share capital of FMH on completion of the Tranche One Subscription ("**FMH Enlarged Issued Share Capital**").

(ii) Tranche Two

The payment of an estimated consideration of A\$26.2 million (equivalent to approximately S\$25.9 million) for the acquisition of such number of FMH shares from certain FMH shareholders representing 10% of the FMH Enlarged Issued Share Capital.

Completion of Tranche One is subject to the fulfilment of certain conditions, including but not limited to obtaining regulatory approvals, such as approvals from the Foreign Investment Review Board of Australia. Completion of Tranche Two is expected to take place on or about 12 months following the completion of Tranche One. There are no conditions precedent to be satisfied prior to the completion of Tranche Two.

3.3 **Factors Taken into Account in Arriving at Total Consideration**

The Total Consideration for the Acquisition was arrived at following negotiations on a willing buyer, willing seller basis, taking into consideration, *inter alia*, various factors, including the latest valuation of FMH as at 31 July 2020 as set out in the Valuation Report, the existing assets, financial position and business prospects of FMH and comparable valuation multiples and precedent M&A transactions for similar asset-light transport companies. The Total Consideration for the Acquisition will be funded from the SingPost Group's internal cash resources and external borrowings.

3.4 **Call Option, Initial Public Offering and Balance Interest Acquisition**

Pursuant to the terms of the Acquisition, certain of the FMH shareholders have also granted SingPost a call option (the "**Call Option**") to acquire additional FMH shares, representing approximately 13% of the FMH Enlarged Issued Share Capital (the "**Option Shares**"). The Call Option is exercisable by SingPost at its discretion anytime during a one year period commencing from the date of the second anniversary of the completion of Tranche One. The consideration payable by SingPost on the exercise of the Call Option will be based on an agreed multiple of the actual normalised EBITDA of FMH for its financial year ending 30 June 2023 LESS the actual debt and agreed debt-like items of FMH for its financial year ending 30 June 2023. Assuming that the Call Option is exercised, on completion of the acquisition of the Option Shares ("**Option Interest Completion**"), SingPost would hold in aggregate a 51% interest in the FMH Enlarged Issued Share Capital.

If the Call Option is exercised and Option Interest Completion occurs, SingPost and the shareholders of FMH have also agreed that SingPost will have a period of 90 days ("**Negotiation Period**") commencing from the date of Option Interest Completion to negotiate with the remaining FMH shareholders on the terms of a proposed acquisition by SingPost of all the remaining FMH shares (the "**Balance Interest**", the acquisition of which, the "**Balance Interest Acquisition**"). If SingPost and the remaining FMH shareholders are not able to mutually agree on terms for the

Balance Interest Acquisition, SingPost, the remaining FMH shareholders and FMH would work together to prepare for an initial public offering (“**IPO**”) of FMH. In the event that there is no IPO of FMH within the 12 month period commencing from the end of the Negotiation Period, the Balance Interest Acquisition will occur, with SingPost acquiring the Balance Interest in three tranches over a period of three years, and with the consideration for each tranche to be determined based on an agreed multiple of the actual normalised EBITDA of FMH for the relevant year LESS the actual debt and agreed debt-like items of FMH for the relevant year, multiplied by the corresponding shareholding percentage to be acquired (the “**Balance Interest Acquisition on Pre-Agreed Terms**”). For the avoidance of doubt, SingPost will only be required to undertake the Balance Interest Acquisition on Pre-Agreed Terms if it decides to exercise the Call Option and Option Interest Completion occurs, SingPost and the remaining FMH shareholders are unable to mutually agree terms during the Negotiation Period and where there is no IPO of FMH.

SingPost will assess the applicability of Chapter 10 of the SGX-ST Listing Manual (including compliance with the relevant announcement and/or shareholders’ approval requirements) if and when it decides to exercise the Call Option, and/or if any Balance Interest Acquisition or IPO of FMH occurs.

4. Rationale and Benefits

The Acquisition is in line with the SingPost Group’s strategy to transform into a leading eCommerce logistics solutions provider, focusing on opportunities in the fast growing Asia-Pacific region.

The Acquisition will allow the SingPost Group to:

- further scale its Business-to-Business-to-Consumer (B2B2C) logistics capabilities in Australia;
- capitalise on the growing eCommerce segment in Australia; and
- acquire a complementary 4PL technology platform and distribution management solution.

At the same time, the Acquisition will be immediately earnings accretive.

4.1 Australian Courier, Express and Parcel (“CEP”) Market Offers Attractive Growth Opportunities

Australia is one of the largest and most developed eCommerce markets in the Asia-Pacific region by gross merchandise value, and the overall Australian CEP market is estimated to be worth A\$10 billion today.

COVID-19 has accelerated eCommerce adoption and is pushing retailers to adopt online sales channels more rapidly. Volumes continue to grow, and the CEP market is expected to benefit from these trends.

CouriersPlease, an express parcel delivery company, has benefited from such trends and delivered improved financial performance for the SingPost Group in the current financial year.

4.2 Synergies and Scale with Existing Businesses in Australia

Together with the SingPost Group's other businesses in Australia – CouriersPlease as well as one of SingPost's other Australian subsidiaries, Quantum Solutions Australia, an eCommerce logistics solutions provider – the SingPost Group is able to derive synergistic benefits, grow volumes and build scale.

The combination enables the SingPost Group to provide an end-to-end B2B2C logistics solution for customers serving both Business-to-Business (B2B) and Business-to-Consumer (B2C) channels, and provide a seamless logistics service within Australia and the wider Asia-Pacific region.

This provides a strong platform for the SingPost Group to drive revenue and earnings growth, as well as further its strategic ambition in Australia over the long term.

5. Pro Forma Financial Effects of the Acquisition

5.1 Bases and Assumptions

The pro forma financial effects of the Acquisition have been prepared based on:

- (i) the audited consolidated financial statements for the SingPost Group for the financial year ended 31 March 2020; and
- (ii) the FMH FY2020 Financial Results,

and are purely for illustrative purposes only and do not reflect the future actual financial position of the SingPost Group following closing of the Acquisition.

The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (a) the Acquisition had been effected on 31 March 2020, being the end of the most recently completed financial year of the SingPost Group and of which the statement of financial position of the SingPost Group has been publicly announced, for illustrating the financial effects on the consolidated NTA and NAV of the SingPost Group;
- (b) the Acquisition had been effected on 1 April 2019, being the beginning of the most recently completed financial year for the SingPost Group and of which the profit and loss of the SingPost Group has been publicly announced, for illustrating the financial effects on the consolidated earnings of the SingPost Group;
- (c) the pro forma is for a full 12 month trading period, ignoring the differences in financial year ends between the SingPost Group's and FMH's financial statements; and
- (d) assuming a purchase consideration of A\$85.0 million (equivalent to approximately S\$84.1 million).

5.2 NTA and NAV

For illustrative purposes only and assuming that the Acquisition had been completed on 31 March 2020 and the investment in FMH had been accounted for as an investment in an associated company, the pro forma financial effects on the NTA and NAV of the SingPost Group are as follows:

	Before the Acquisition	After the Acquisition
Net assets (S\$ million)	1,642.3	1,642.3
Less : intangibles (S\$ million)	297.4	297.4
NTA (S\$ million)	1,344.9	1,344.9
Number of issued SingPost shares (excluding treasury shares) as at 31 March 2020 (million)	2,249.6	2,249.6
NTA per SingPost share (S\$ cents)	59.8	59.8
NAV per SingPost share (S\$ cents)	71.1	71.1

As the Acquisition will be accounted for as an investment in an associated company, it is not expected to have an impact on the NTA or the NAV of the SingPost Group.

5.3 Earnings Per Share

For illustrative purposes only and assuming that the Acquisition had been completed on 1 April 2019 and the investment in FMH had been accounted for as an investment in an associated company, the pro forma financial effects on the earnings of the SingPost Group are as follows:

	Before the Acquisition	After the Acquisition
Net profit attributable to ordinary shareholders (S\$ million) ⁽¹⁾	76.2	80.2
Weighted average number of issued SingPost shares for the financial year ended on 31 March 2020 (million)	2,249.8	2,249.8
Basic earnings per SingPost share (S\$ cents)	3.4	3.6

Note:

(1) Figures are arrived after deducting net profit attributable to perpetual securities.

6. Acquisition in the Ordinary Course of Business

The Company is of the view that the Acquisition is a transaction which is in, or in connection with, the SingPost Group's ordinary course of business, for the following reasons:

6.1 Existing Principal Business

The SingPost Group's existing core businesses and principal activities include (a) the operation and provision of post and parcel, (b) eCommerce logistics, warehousing, fulfilment and distribution and freight forwarding services ("**Logistics**") and (c) property. The Logistics business has been disclosed and publicly reported as a core segment and principal business of the SingPost Group since 2003, and is part of the SingPost Group's announced strategy to scale its Business-to-Business-to-Consumer (B2B2C) logistics capabilities and to capitalise on opportunities arising from the strong growth in eCommerce logistics. FMH's principal activity is the provision of supply chain and distribution solutions to customers in Australia. The proposed acquisition of FMH by the SingPost Group is therefore an acquisition of an asset with a core business which is part of, and complementary to, its existing principal business of Logistics, in particular fulfilment and distribution services.

6.2 No Significant Change in the Risk Profile of the SingPost Group

There will be no significant change in the risk profile of the SingPost Group as a result of the Acquisition for the following reasons:

- (i) Based on the SingPost Group's audited consolidated financial statements for the financial year ended 31 March 2020 ("**FY2019/20**") and assuming that the Acquisition had been effected on 31 March 2020, the SingPost Group's net profit remains unchanged, with NAV and NTA also remaining unchanged as the Acquisition would be considered as an investment in an associated company, and accordingly there is not expected to be a reduction in the SingPost Group's net profits or net asset value by 20% or more as a result of the Acquisition;
- (ii) SingPost will be acquiring a profitable business pursuant to the Acquisition. FMH has been consistently profitable over the last few years, with NPBT of approximately A\$8.0 million (equivalent to approximately S\$7.9 million) and A\$12.6 million (equivalent to approximately S\$12.5 million) for its financial years ended 30 June 2018 and 2019 respectively, and NPBT of approximately A\$20.3 million (equivalent to approximately S\$20.1 million) for FMH FY2020;
- (iii) Notwithstanding that part of the total consideration for the Acquisition would be funded through the SingPost Group's external borrowings, the SingPost Group would be in a net cash position before and after the Acquisition and therefore there would no significant impact on the gearing of the SingPost Group as a result of the Acquisition; and
- (iv) FMH operates in the logistics industry in Australia which is not a new jurisdiction for the SingPost Group and the Acquisition is therefore not an expansion into a new jurisdiction that will expose the SingPost Group to any significant new risks. The SingPost Group has had a significant presence in the Australian logistics business over the last five years. Outside of Singapore, Australia is the SingPost Group's largest revenue contributor with approximately A\$176.0 million (equivalent to approximately S\$174.2 million) in revenue for FY2019/20 through Australian subsidiaries, CouriersPlease, Famous Australia and Quantum Solutions Australia.

7. Interest of Directors and Controlling Shareholders

None of the Directors or any controlling shareholders of the Company has any interest (whether direct or indirect) in the Acquisition.

Issued by Singapore Post Limited on 19 October 2020.