

Investor presentation

CLSA Investors' Forum 2017



Overview

Q1 FY2017/18 Group financials

Q1 FY2017/18 Segmental results

Dividend policy

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods. Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“\$” means Singapore dollars unless otherwise indicated.

SingPost at a glance



Operations in **19** markets
S\$1.35 billion annual revenue¹
>7,500 global workforce
>150 years of experience



Core components of our transformation



Protect the Core

POSTAL



Defend the core Postal Business

Grow the Wings

eCOMMERCE LOGISTICS



Grow a strong eCommerce Logistics network

Unlock Value

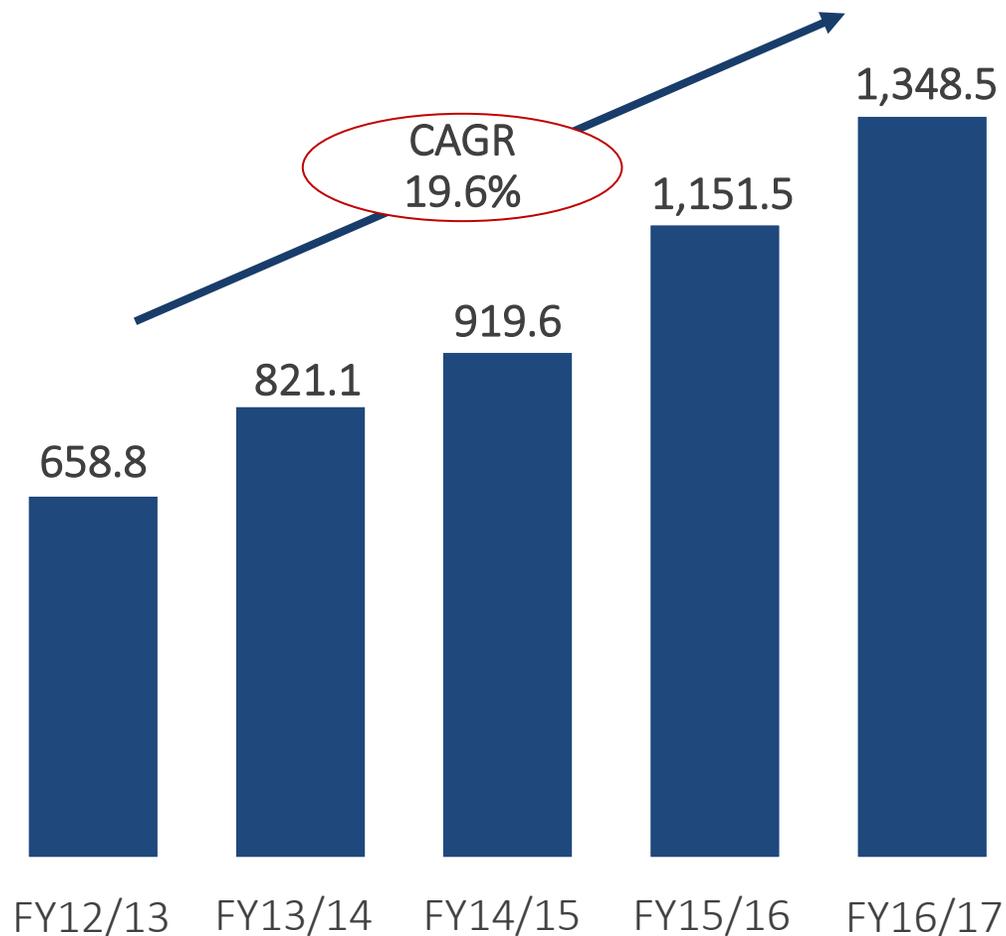
PROPERTY & OTHERS



Unlock value in Property and Non-core assets

Deliver long-term sustainable shareholder value

SingPost Group Revenue



5-Year Total Shareholder Return

Share price at 1 Apr 2012	S\$1.02
Share price at 31 Aug 2017	S\$1.26
Total dividends paid ¹	30.5 cents
Total Shareholder Returns²	53%

1. Dividends for FY12/13 to FY16/17 and for Q1 FY17/18

2. For the period from 1 Apr 2012 to 31 Aug 2017

Strategic review underway

Over the course of the next few months, GCEO and the leadership team will be working with the Board to review and update SingPost's strategy, and deliver a roadmap focusing on improving the performance of the Group.

This strategic roadmap will strengthen the Group's operating platform for today's business while keeping SingPost nimble and agile in an increasingly fast-moving, dynamic market.

Top priorities

1. Integrating SingPost's investments

To create a true network across markets, products & geographies. Focus on driving the synergy benefits from integration.

2. Updating the business strategy

Further define and determine the strategy for the coming years. Once business strategy is updated, ensure all employees are engaged and committed to delivering our goals.

3. Good stewardship

Work for shareholders so that what SingPost is doing today and tomorrow will bear results in the years ahead.

Overview

Q1 FY2017/18 Group financials

Q1 FY2017/18 Segmental results

Dividend policy

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods. Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“\$” means Singapore dollars unless otherwise indicated.

Q1 FY2017/18 Profit & Loss

Q1 FY2017/18 P&L, \$M

	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	354.1	333.4	+6.2%
Other income and gains (net)			
Rental and property-related income	9.0	9.7	(6.7%)
Miscellaneous	2.8	2.4	+16.7%
Total expenses	330.6	297.6	+11.1%
Exceptional items	4.0	0.1	N.M.
Operating profit	41.9	49.4	(15.2%)
Share of associated companies & JVs	(2.8)	0.6	N.M.
Net profit attributable to equity holders	31.0	35.9	(13.6%)
Underlying net profit	26.9	35.8	(24.7%)

– Due to growth in the Postal and Logistics segments

Due to lower domestic mail volumes, costs from planned investments as well as increased competition in the Logistics segment, losses in the US eCommerce business and associates which are investing for growth

Cash flow and financial indicators

\$M, unless otherwise stated

	Q1 FY17/18	Q1 FY16/17
Net cash provided by operating activities	58.4	78.6
Capital expenditure	(26.4)	(64.8)
Free cash flow	32.0	13.7

Improved free cash flow due to lower capital expenditure with the completion of Regional eCommerce Logistics Hub last year

Financial indicators	As at Jun 2017	As at Mar 2017
Cash & cash equivalents at end of financial period	364.4	366.6
Borrowings	331.6	364.0
Net cash / (net debt) position	32.7	2.6
Net debt to ordinary shareholders equity (%)	Net cash	Net cash
EBITDA to interest expense (times)	23.0x	13.3x

Includes cash proceeds from Alibaba to be used in accordance with the investment agreements

Lower borrowings with partial repayment during the quarter

Improved net cash position

Interest coverage ratio remains strong

Overview

Q1 FY2017/18 Group financials

Q1 FY2017/18 Segmental results

Dividend policy

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods. Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“\$” means Singapore dollars unless otherwise indicated.

Our reporting segments

Postal



Comprises the core postal business of the Group. Includes Domestic mail & International mail, as well as products and services transacted at the post offices.



Logistics



Comprises the Logistics businesses of the Group. Includes Quantum Solutions, Couriers Please, SP Parcels, Famous Holdings and other logistics entities.



CouriersPlease®



Famous

Speedpost



eCommerce



Comprises the front-end related eCommerce businesses. Includes SP eCommerce in Asia Pacific and the US, as well as TradeGlobal and Jagged Peak.



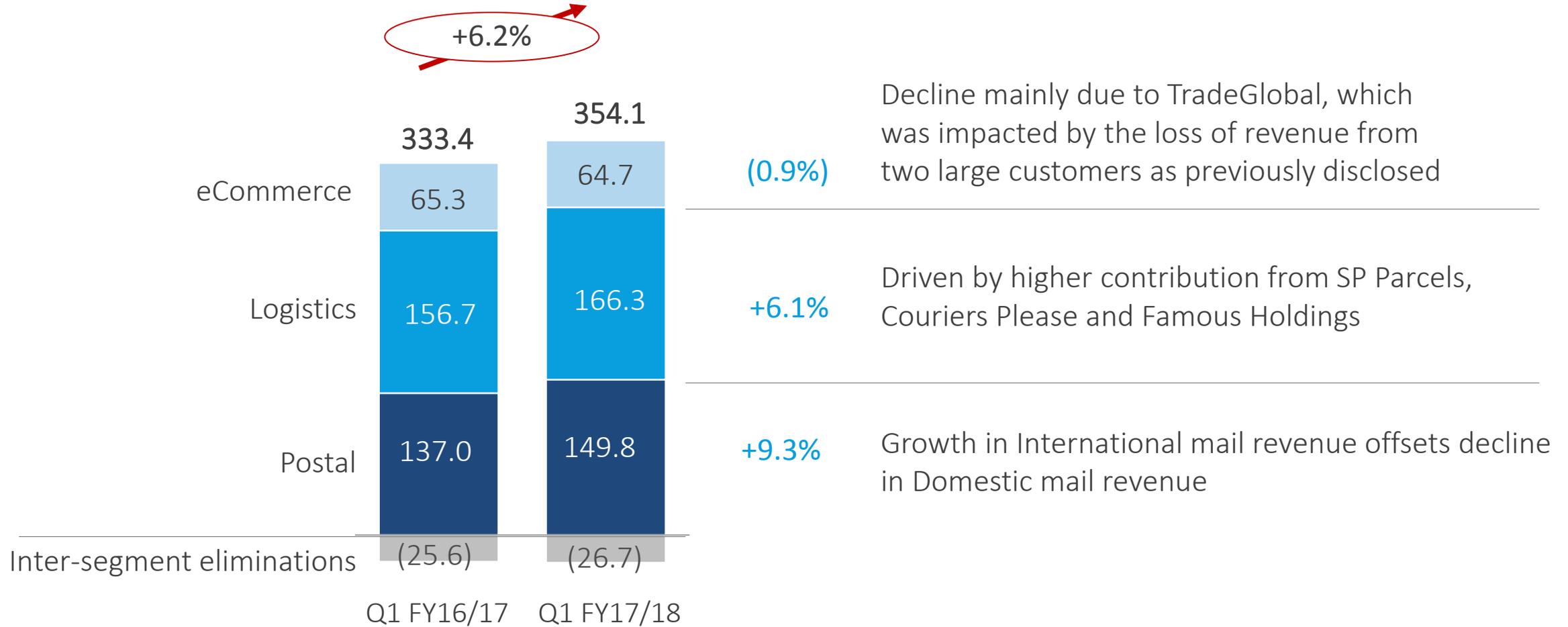
TRADEGLOBAL
An SP Commerce Company

JAGGED PEAK
An SP Commerce Company

spcommerce
A SingPost Group Company

Revenue movement

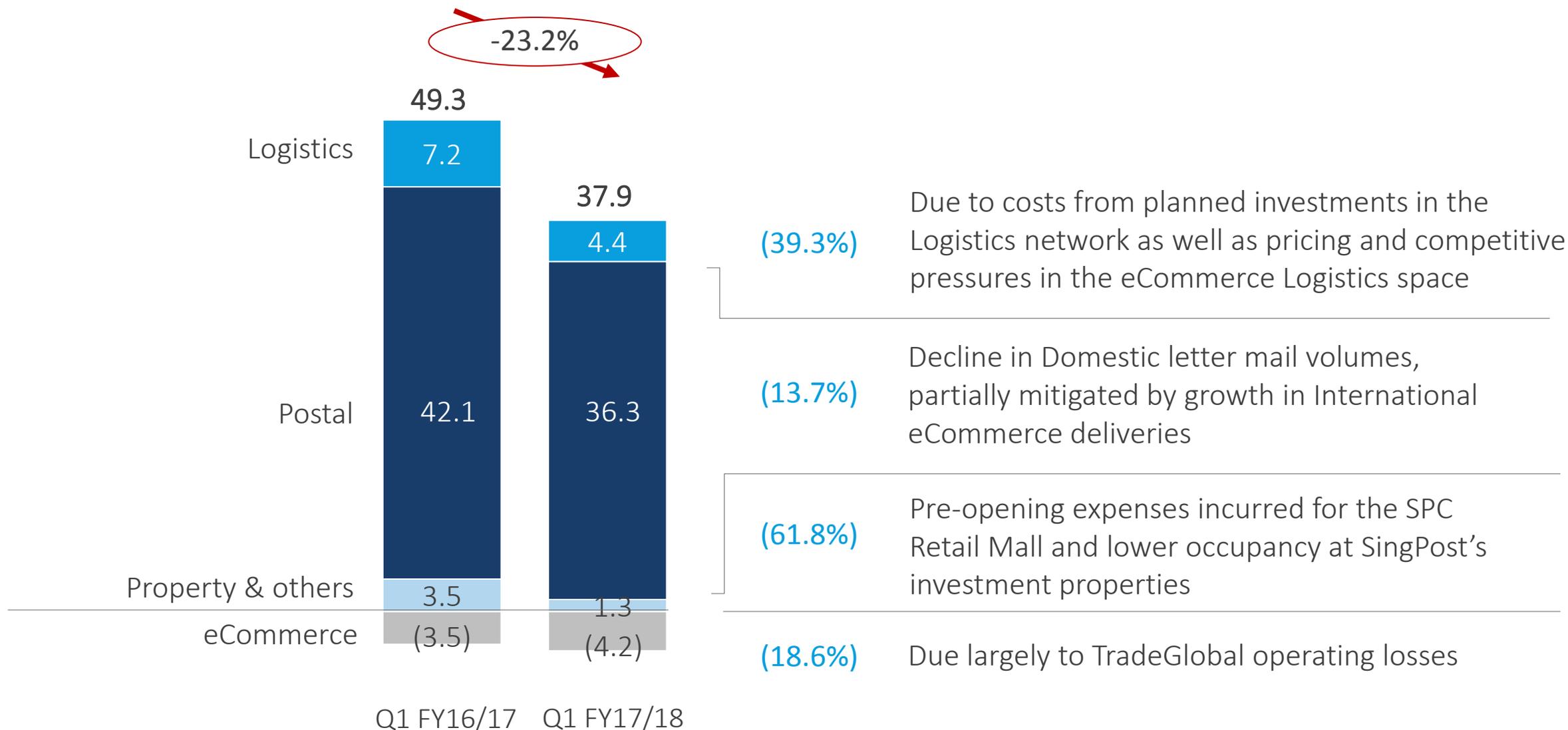
Q1 FY2016/17 vs. Q1 FY2017/18 Revenue performance, \$M



Differences in total due to rounding

Operating Profit before exceptional items

Q1 FY2016/17 vs. Q1 FY2017/18 Operating Profit performance, \$M



Differences in total due to rounding

Postal: Q1 FY2017/18 Performance



\$M

Postal	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	149.8	137.0	+9.3%
Operating profit	36.3	42.1	(13.7%)
OP margin	24.2%	30.7%	

Domestic mail revenue continued to decline with more companies implementing e-statements. This was offset by strong growth in International mail revenue which was driven by higher crossborder eCommerce deliveries, especially with higher volumes from the Alibaba Group.

Revenue breakdown	Q1 FY17/18	Q1 FY16/17	YoY % change
Domestic mail ¹	58.4	64.0	(8.8%)
International mail	84.2	65.5	+28.5%
Post office products & services ²	7.3	7.5	(2.9%)
Total	149.8	137.0	+9.3%

Postal operating profit declined 13.7%, due to the decline in contribution from the Domestic mail business. Although International mail operating profit rose with higher international transshipment mail, this was not sufficient to offset the impact of the decline in Domestic mail operating profit.

1. Includes Philatelic

2. Includes Agency services, Retail products and Financial services

Logistics: Q1 FY2017/18 Performance



\$M

Logistics	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	166.3	156.7	+6.1%
Operating profit	4.4	7.2	(39.3%)
OP margin	2.6%	4.6%	

SP Parcels and Couriers Please recorded higher revenues driven by increased eCommerce deliveries in Singapore and Australia respectively, while Famous Holdings recorded higher revenue with higher contributions from its overseas operations.

Revenue breakdown	Q1 FY17/18	Q1 FY16/17	YoY % change
Quantium Solutions	23.9	28.5	(16.2%)
Couriers Please	34.8	33.9	+2.6%
SP Parcels	21.6	18.8	+14.8%
Famous	62.9	56.1	+12.1%
Others ¹	23.1	19.4	+19.3%
Total	166.3	156.7	+6.1%

The decline in operating profit reflects:

- i) costs from planned investments to build out the eCommerce logistics network;
- ii) non-recurring expenses related to the onboarding of major customers at the Regional eCommerce Logistics Hub during the quarter;
- and iii) pricing and competitive pressures, which impacted the North Asia operations of Quantium Solutions.

1. Includes the self storage business under Lock+Store

eCommerce: Q1 FY2017/18 Performance

\$M

eCommerce	Q1 FY17/18	Q1 FY16/17	YoY % change
Revenue	64.7	65.3	(0.9%)
Operating profit	(4.2)	(3.5)	(18.6%)
OP margin	(6.5%)	(5.4%)	

Revenue declined mainly due to TradeGlobal, which was impacted by the loss of revenue from two large customers as previously disclosed.

Jagged Peak revenue rose as it added new customers and processed increased volumes.

Operating losses from eCommerce segment were S\$4.2 million compared to S\$3.5 million a year ago. This was largely due to operating losses at TradeGlobal, which faced continuing challenges with the loss of key customers. Compared against the March 2017 quarter, eCommerce segment losses had narrowed as management continues to execute on a turnaround business plan.

Revenue breakdown	Q1 FY17/18	Q1 FY16/17	YoY % change
TradeGlobal	29.1	30.8	(5.6%)
Jagged Peak	27.2	25.4	+7.0%
SP eCommerce	8.4	9.0	(6.7%)
Total	64.7	65.3	(0.9%)

Overview

Q1 FY2017/18 Group financials

Q1 FY2017/18 Segmental results

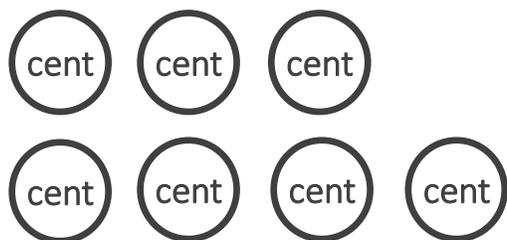
Dividend policy

The following presentation contains forward looking statements by the management of Singapore Post Limited (“SingPost”) relating to financial trends for future periods, compared to the results for previous periods. Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingPost. In particular, such targets should not be regarded as a forecast or projection of future performance of SingPost. It should be noted that the actual performance of SingPost may vary significantly from such statements.

“\$” means Singapore dollars unless otherwise indicated.

Revised dividend policy to ensure sustainability

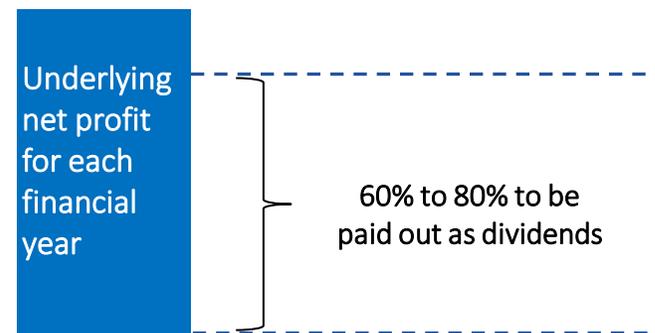
Previous dividend policy



Absolute amount each financial year

- SingPost’s dividends were previously supported largely by the domestic mail business which continues to see declining volumes.
- To provide future sources of earnings, we have made significant transformational investments in eCommerce and eCommerce logistics, as well as in the redevelopment of the SingPost Centre retail mall.
- These investments will impact earnings in the short term, and the revised dividend policy should be understood in this context.

Revised dividend policy



Based on 60% to 80% of underlying net profit for each financial year

- To ensure that the dividends are sustainable, the dividend policy has been changed from an absolute amount to one based on a payout ratio ranging from 60% to 80% of underlying net profit for each financial year.
- For FY16/17, total dividends amount to **3.5 cents**, which represent **66%** of underlying net profit for the year.
- For Q1 FY17/18, an interim dividend of **0.5 cent** had been declared and paid.

Thank you

