SINGAPORE POST LTD (SINGPOST)

AN ANALYSIS OF ITS STRATEGIC TRANSFORMATION AND GOVERNANCE

AUG 2024

Corporate Monitor Limited

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This report is based on (i) the Annual Reports of respective firms and other publicly available information and (ii) CML's attendance as a proxy at SingPost's AGM (July 2024)

All questions posed by CML, along with SingPost's responses, are stated in this report.

We appreciate SingPost's engagement with our queries.

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EXECUTIVE SUMMARY

Corporate Monitor Ltd ("CML"), a not-for-profit organization dedicated to researching SGX-listed companies, has been following SingPost for months, and is issuing this initial coverage on SingPost. While we note the 105% rise in Q1 operating profit for Financial Year ending March 2025, we retain our guarded view of the company. For a start, management attributed the rise in Q1 profit to consolidation of Border Express, an Australian logistics business, which SingPost acquired in March 2024. For a group that has relied on acquisitions to grow, such short-term accounting boost is common. Investors should focus on SingPost's long term growth prospects, which CML has strong reservations about. We will explain our reservations in this report.

SingPost has one of the most venerable businesses among the SGX-listed companies, its postal service having celebrated 165 years of continuous history recently. However, it is also the postal service that poses the greatest strategic challenge for SingPost, as technology led to an unrelenting decline in postal services. This was well known to SingPost, which in 2010 resorted to a blitz of overseas (mostly US) acquisitions to create a new engine of growth. Unfortunately, despite more than 20 acquisitions, the transformation failed badly. The new board and management, installed in 2021/22, employed the same acquisition playbook, this time in Australia. In Singapore, SingPost tried to grow the eCommerce delivery service to offset the sharp decline of the Post & Parcel business.

Today, SingPost has three businesses, all of which have little connection and synergies with each other. The acquired Australian businesses are doing fine but do not fully offset the decline of the Post & Parcel business, contributing only S$67m in operating profit in FY2024. (This is still substantially lower than the operating profits of S$166m that Singapore Post & Parcel business achieved back in 2019.) Moreover, the Australian business has a market share of 1%, despite being the number 5 player, in a highly fragmented market. In this business, growth is a necessity rather than an option, since scale is critical to service clients' needs, and to afford the technology investments. The Australian business requires financial resources that SingPost may not be able to provide, due to its highly leveraged balance sheet.

The Singapore Post & Parcel business went into a loss in 2023 and reported a small profit of S$7.5m in 2024 after the government agreed to a hike in the postal rate. The company acknowledged that significant growth in this business is challenging. Avoiding loss may be the best outcome. SingPost has tried to grow the e-commerce logistics business to compensate for the postal woes. However, this is facing severe market challenges. Large e-commerce clients are increasingly building in-house delivery logistics capabilities. As a result, SingPost's competitors in e-commerce logistics are resorting to price competition to cater to the remaining customers. The market leaders, J&T Express and NinjaVan, have seen their own losses widen. We doubt SingPost is able to buck the trend. So taken as a whole, this business is at best able to eke out marginal growth.

Property contributes close to 50% of SingPost's operating profits, but is designated non-core. SingPost revalued its flagship property, Singapore Post Centre ("SPC"), in FY2024 to S$1.1b, and recorded a valuation gain. While investors may see a tantalizing prospect of SingPost realizing the gain, such a sale is unlikely to result in meaningful distributions to shareholders. SingPost has a highly leveraged balance sheet, so proceeds from property sale will most likely go towards de-leveraging.

However, SingPost does not have the luxury of time to sell SPC. Firstly, if the losses on Post & Parcel business continue to widen faster than the growth of the Australian business, overall EBITDA will decline. The Debt to EBITDA ratio, which lenders and rating agencies focus on, will deteriorate in this scenario. This will expose

SingPost to higher financial risks. A downgrade by rating agencies is not theoretical. Secondly, with a leveraged balance sheet, SingPost has very limited capacity for more mergers and acquisitions, which will mean its growth will be mostly organic. This is a challenge that the Australian business faces acutely. Without more financial support from SingPost, the Australian business may face a growth bottleneck.

In this context, it is no surprise that SingPost's management is exploring a separate IPO of the Australian business. This could inject more capital into the Australian business, while allowing SingPost to sell a partial stake, with the proceeds to deleverage its balance sheet. A separate listing of the Australian business reinforces the question of why SingPost should continue to be the holding company of these distinct and unconnected businesses. In fact, why should SingPost continue to be listed in SGX if the Australian business is listed on the Australian stock exchange? It is common for a conglomerate discount to apply if SingPost is merely a collection of businesses. It is sub-optimal for shareholder value, a theme we will return to shortly.

On 30 July 2024, The Australian Financial Review reported that Bank of America had been mandated to sell SingPost's Australian assets, and made "overtures to private equity types". In Australia, private equity firms typically look to buy controlling stakes, if not 100% of businesses. Rarely do they buy minority stakes. What is the strategic rationale to sell **both** SPC and the Australian business? The parallel with Singapore Press Holdings comes to mind. Under this scenario, proceeds from these sales could be brought back to reduce debt and allow a distribution of returns to shareholders. The Post and Parcel business could be restructured as part of SingPost's negotiation with the Singaporean government to find a structural solution.

Putting aside this drastic scenario, if SingPost continues to be the holding company of three distinct, separate and unconnected businesses, what is the role of the group management and Board? What value-add does the group management provide? The Australian business appears to be run just fine by the same local management which continued on after the sale to SingPost. Neither the Group CEO nor the Group CFO has any Australian experience. The Australian business' management may well ask themselves why they should remain in SingPost ownership. The Singapore Post & Parcel business is very challenged, due to regulatory and market issues. It is not a business SingPost management could do very much despite the best intentions and efforts. Mergers and acquisitions are largely out of the question too, given the leveraged balance sheet. So in conclusion, if the group management doesn't add value, it is just an additional layer of costs and possibly bureaucracy.

The Board of SingPost likewise does not appear to have much background in Australia or logistics. We note the appointment of a new board member with logistics experience, having worked at DHL. We would like SingPost to accelerate the board renewal in that direction, rather than continuing to make exceptions to its renewal policy. Instead of retiring after 6 years according to its renewal policy, 5 out of 9 directors have served more than 7 years. Two of them were re-elected in the recent AGM. SingPost would not explain exactly what are the critical skillsets that justified their re-elections.

Management of capital is one of the 5 strategic thrusts for SingPost, but it is here that the group has not fared well. Management has stated that the target return on equity (ROE) is in "the teens". However, SingPost's ROE has been below that since 2017. Worse, SingPost didn't even earn its cost of equity, which we conservatively estimate to be 9%. In the last 10 years, SingPost's ROE only exceeded the cost of equity 3 times, and not since 2019. ROE fell to as low as 2% in 2023, and not much better in 2024, at 3.8% after stripping out the valuation gain (which is non-cash) of SPC. While reconstructing its reported ROE, we had also observed that SingPost had selected an approach that wholly excludes its perpetual securities, thus boosting the reported ROE. We would like SingPost's management to articulate a more specific ROE target, and more importantly a road map and timeline to achieve that. Otherwise, talk of an ROE target in "the teens" rings hollow.

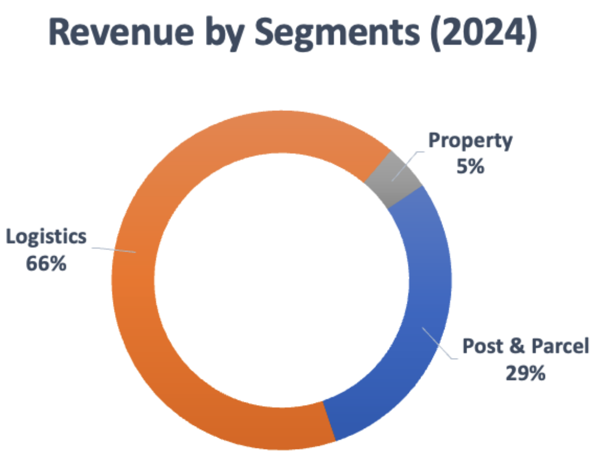
By not achieving ROE above its cost of equity, SingPost has been destroying shareholder value. Admittedly, this is largely due to the rapidly declining profitability of the Post & Parcel business, but management is ultimately responsible.

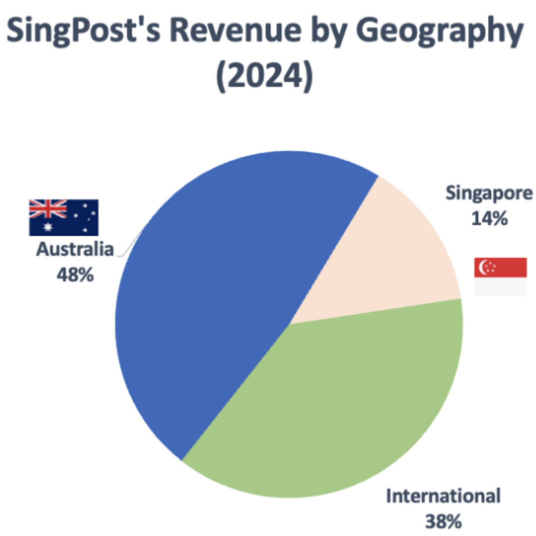
In conclusion, SingPost faces daunting strategic challenges that are inter-connected. The Post & Parcel business continues to be the root of SingPost's problems. The Australian business is doing well but could not make up for the profit that Post & Parcel used to earn. There is no growth in the property business, which is non-core anyway. Finding growth is the biggest problem for the group. Without growth, balance sheet leverage will continue to be a problem and will expose SingPost to financial risks. Without growth, ROE will continue to be depressed. However, a leveraged balance sheet in turn constrains growth, as SingPost lacks the financial resources to fund the Australian business, which is the only one with realistic growth prospects.

1. SINGPOST: BACKGROUND

Singapore Post Ltd (SingPost) has a venerable business, having recently celebrated 165 years of postal services.

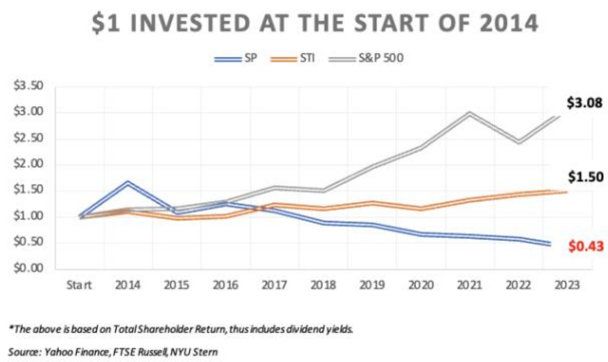
SingPost enjoyed strong and stable profits for decades as the sole holder of Singapore's Public Postal License, with its current License running to 2037[1]. However, it had been clear that technology could permanently displace postal mail and SingPost was confronted with an existential threat to this core business. In response, SingPost attempted in 2010 to transform into an international e-commerce and logistics firm via large acquisitions.





Source: SingPost Annual Report 2024, SingPost 2024 AGM

However, due to significant missteps through its transformation, SingPost shareholders have suffered severe losses. Over the past 10 years, Total Shareholder Return (TSR) has averaged a negative return of 5.4% per year. An investor who invested in SingPost from 2014 would suffer a total loss of 57% at the end of 10 years.



In March 2024, SingPost publicly announced a new strategic transformation plan. Like the first transformational attempt in 2010, SingPost again relied on overseas acquisitions, this time mostly in Australia. The SingPost CEO was candid in saying that the firm "is not out of the woods"[2] and requested for 3 years to execute its 5 strategic thrusts.

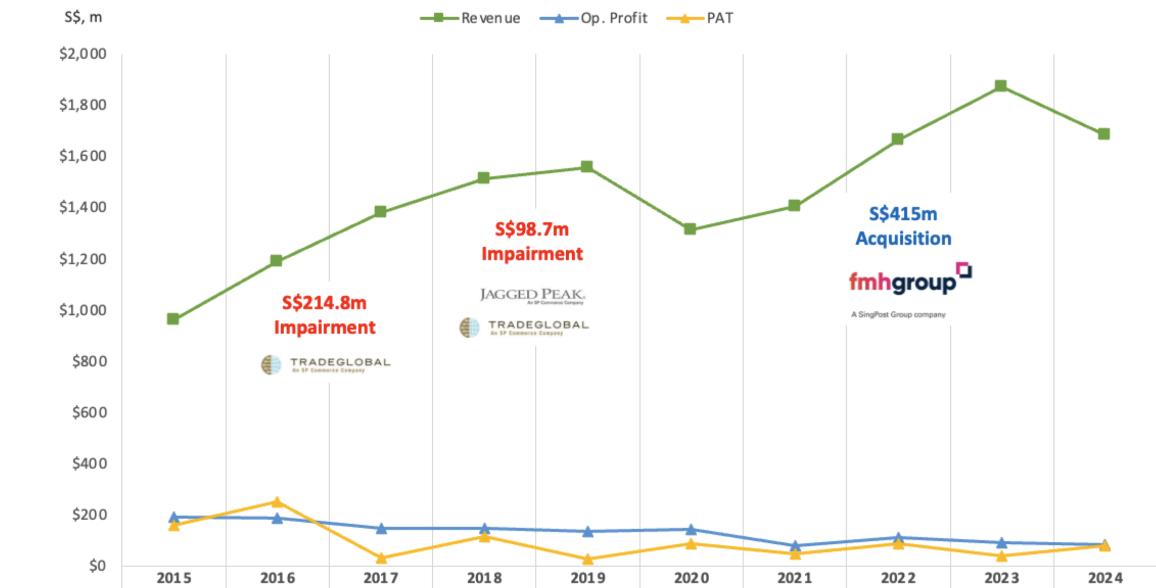
[1] IMDA, "License to Provide Postal Services"
https://www.imda.gov.sg/-/media/imda/files/regulation-licensing-and-consultations/licensing/licensees/lops/singpostppl.pdf
[2] SingPost AGM 2024, Q&A Session (24 July 2024)

This report's objective is to examine SingPost's strategic thrusts. In a nutshell, SingPost is a collection of businesses that, save for the logistic firms within Australia, have little synergies with each other. It is a fair question why they are housed under an SGX-listed entity, especially since Australia will be the dominant profit contributor after SingPost Centre is divested. The question is more acute when the Australian business is separately listed, which SingPost is exploring. Another question is what kind of management and Board SingPost needs, given its disparate businesses. The Australian business seems to be performing well under the local management. The Singapore Post & Parcel business is facing strong regulatory and market challenges and will likely continue struggling for profitability.

2. A DECADE OF UNDERPERFORMANCE

2.1 Revenue, Profits, ROE Performance Disappoint

LOW QUALITY GROWTH: REVENUES RISE, PROFITS DEGRADE

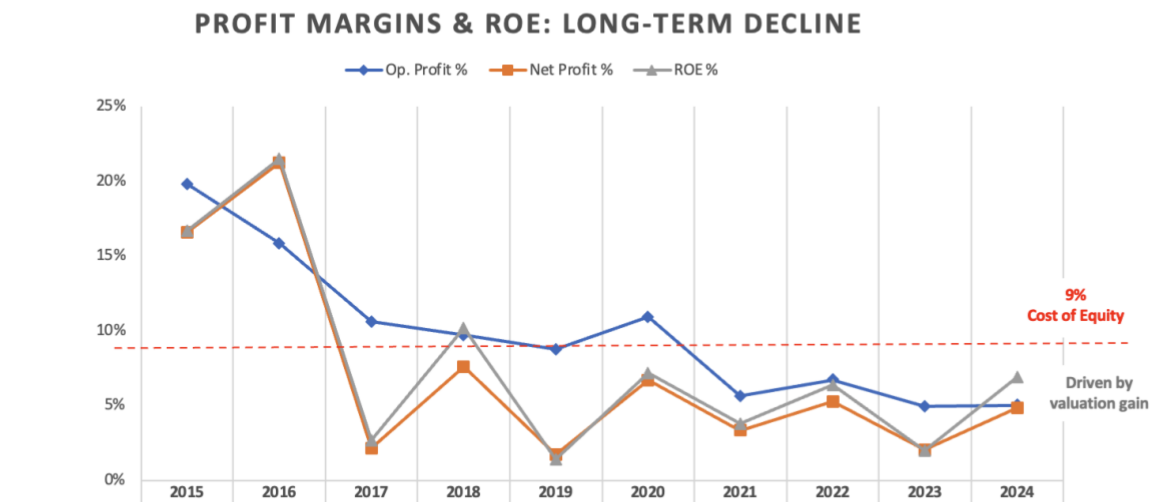


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	964	1,191	1,384	1,513	1,557	1,314	1,405	1,666	1,872	1,687
Op. Profit	191	189	147	147	136	144	79	112	93	85
PAT	160	253	30	115	27	88	47	88	39	81

Source: SingPost Annual Reports

Over the decade, revenues grew due to acquisitions of large US e-commerce firms such as Jagged Peak and TradeGlobal. However, the acquisitions proved to be unprofitable. The large impairment write-downs as shown in the chart, along with Jagged Peak's and TradeGlobal's eventual bankruptcies in 2019, led to a heavy drag on profits. After SingPost's final and full exit from America, its balance sheet was significantly weakened from that debacle.

In a bid to revive its fortunes, SingPost took on more debt and invested heavily in Australia, with the pivotal acquisition of FMH Group, which has been reporting growing revenues and profits. However, the structural decline of Post & Parcel accelerated precipitously, offsetting the growth of the Australian businesses. Overall operating profits for FY2024 are now less than half of FY2015.



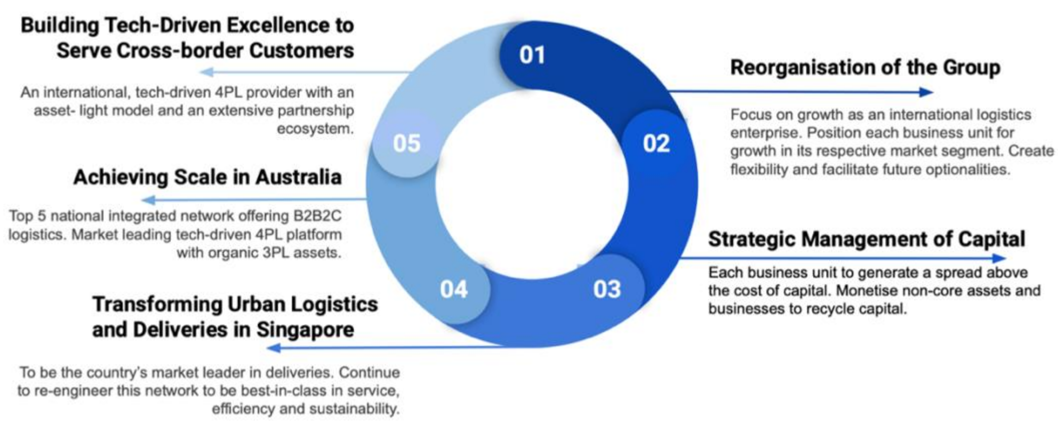
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Op. Profit %	19.8%	15.9%	10.6%	9.7%	8.8%	10.9%	5.6%	6.7%	5.0%	5.0%
Net Profit %	16.6%	21.2%	2.2%	7.6%	1.7%	6.7%	3.3%	5.3%	2.1%	4.8%
ROE %	16.7%	21.5%	2.7%	10.2%	1.4%	7.2%	3.8%	6.4%	2.0%	6.9%

Source: SingPost Annual Reports

The failed e-commerce acquisitions, Post's structural decline and the intense price wars within parcel logistics led to a choppy, inexorable decline in margins. The trough years of 2017 and 2019 were marked by the heavy investment impairments, while 2023's trough was marked by the Post & Parcel segment suffering its first ever operational loss.

While it seems that SingPost's Net Profit % and ROE recovered in 2024, this was only due to the exceptional gains from SingPost Centre's revaluation. Such underwhelming performance prompted SingPost to embark on its most recent Strategic Review.

3. Strategic Review: 5 Strategic Thrusts, 3 Years Deadline

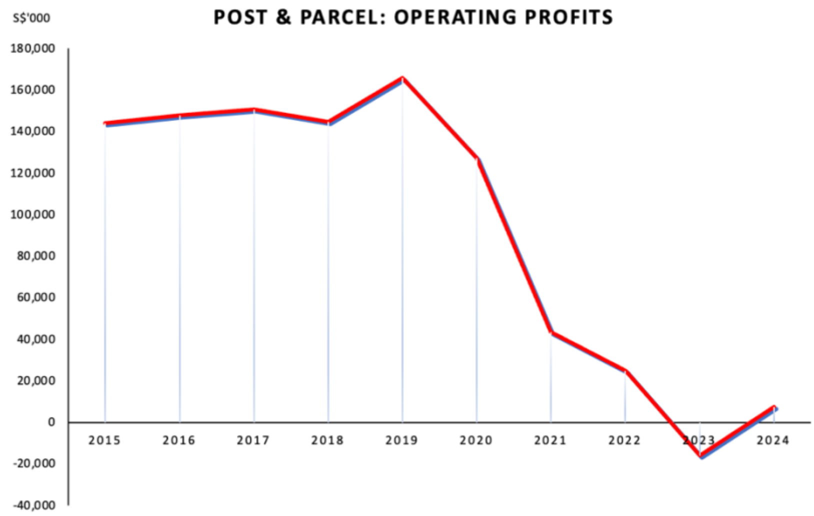


Source: SingPost Strategic Review Presentation (March 2024)

In March 2024, SingPost presented the strategic roadmap above and committed to show results within 3 years. This report examines the key thrusts of (i) Transforming Urban Logistics and Deliveries in Singapore, (ii) Achieving Scale in Australia and (iii) Strategic Management of Capital. The fifth thrust of serving cross-border customers (its International segment), is discussed within the Appendix.

4. Strategic Thrust: Transforming Urban Logistics and Deliveries in Singapore

4.1 Postal: A Structural Problem, Yet No Structural Solution



As recently as 5 years ago, Post & Parcel was once highly lucrative, generating more than a hundred million in Operating Profit.

It has now become a weight that is dragging SingPost downwards, with 2023's operating loss being reversed in 2024, only due to the government's approval of postal rates increasing by 65% [3].

POST & PARCEL (S$'000)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	500,252	499,802	544,141	625,900	764,751	763,079	743,882	622,334	521,347	514,100
Op. Profits	143,989	147,775	150,707	144,627	165,864	127,450	43,502	24,851	-15,874	7,500
Op Profit %	28.78%	29.57%	27.70%	23.11%	21.69%	16.70%	5.85%	3.99%	-3.04%	1.46%

The government's approval of postal rate increases will only provide short-term relief, as it may accelerate the decline of mail volume due to customers being deterred by higher postage.

Since 2023, SingPost publicly acknowledges that postal "is a structural issue and requires a structural solution"[4]. A year later, we note the absence of any structural solution, with the latest Annual Report still speaking of SingPost working on the problem.

"SingPost is ***working on a framework for the domestic postal service's long-term commercial viability*** *while offering customers greater convenience and cost-effectiveness"*

SingPost Annual Report 2024

[3] Channel News Asia, "SingPost increases postage rate for standard regular mail by 65% amid rising costs" https://www.channelnewsasia.com/singapore/singapore-post-singpost-postage-rates-increase-20-cents-65-cent-rising-cost-3781176
[4] Business Times, "Postal decline 'is a structural issue and requires a structural solution': SingPost chairman https://www.businesstimes.com.sg/companies-markets/postal-decline-structural-issue-and-requires-structural-solution-singpost

While SingPost could not control the postage rates and volume, it can do a better job managing the Post assets.

POST & PARCEL (S$'000)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Segment Assets	153,296	104,445	148,449	225,865	244,199	278,842	182,720	140,154	240,885	212,092
Op Profit/Assets %	93.93%	141.49%	101.52%	64.03%	67.92%	45.71%	23.81%	17.73%	-6.59%	3.54%

With the decline in volumes, return on postal assets is now in single digits, compared to 141% in 2016. The network of 51 physical post offices[5] are now under-utilized and given the high operating costs, have been confirmed by management to be making significant losses.[6] These post offices are capital intensive, as shown by the upward trend in reported segment assets (see above).

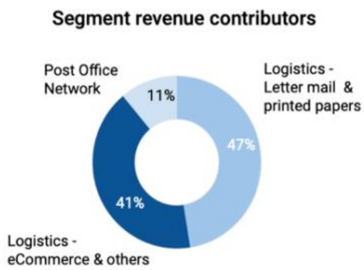
Such low return on more than S$200m of postal assets contribute indirectly to SingPost's leverage and low ROE. SingPost needs to rationalize the physical post offices, working with regulators to roll out asset-light alternatives that maintain service levels.

4.2 Postal: Singapore E-Commerce

"A 10% decline in mail can be replaced by a 10% increase in e-Commerce."

SingPost CEO, Strategic Review Q&A (March 2024)

As seen, SingPost tries to present e-commerce as a "one-for-one" replacement of Post. For FY2024, SingPost provided the breakdown of Post & Parcel revenue on the right, giving the sense that e-commerce has been "replacing" letters.[7] While that may be true in terms of revenue, it is not true for profits.



CML does not share SingPost's sanguine assessment. As our analysis shows, e-commerce logistics are increasingly in-sourced by large clients, with the logistics players suffering due to that.

4.2.1 Large Customers Taking Logistics In-House

According to McKinsey, with the current pressure on wages and increased final-mile costs, logistics costs may increase to 15 to 25 percent of e-commerce revenues in the near future[8]. This has compelled e-commerce platforms to gain greater control over this vital cost by bringing it in-house.

Shopee, a major customer that withdrew its business from SingPost in FY23, created its in-house logistics (SPX Express) and now performs the majority of its order deliveries in Asia. Shopee has also leveraged its full control over the logistics function into a differentiator, providing features of next-day delivery and seamless returns and refunds. This has forced other e-commerce platforms to match its offerings, pressuring them to follow suit in bringing logistics in-house. [9] This trend is borne out by how Lazada has more than 400 logistics facilities in

[5] SingPost, 'List of Post Office Locations'
https://www.singpost.com/list-of-post-offices
[6] *SingPost,* H2 and Full Year Results Briefing, 10 May 2024
[7] SingPost, Unaudited Condensed Interim Financial Statements For The Second Half Year And Full Year Ended 31 March 2024 And Dividend Announcement
[8] McKinsey, 'The Promise and Challenge of Multi-Client Fulfilment for E-Commerce'
https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/the-promise-and-challenge-of-multi-client-fulfilment-for-e-commerce
[9] Business Times, 'Shopee's In-house Logistics Giving It a Leg Up'
https://www.businesstimes.com.sg/startups-tech/startups/shopees-house-logistics-giving-it-leg-next-step-keeping-edge

South-East Asia, while TikTok had established in-house logistics for its burgeoning USA business and is anticipated to do so in more markets.[10]

As the in-house logistics of such firms mature and gain economies of scale, they risk developing into logistics competitors that wrestle into SingPost's market share. Such developments threaten SingPost's 3PL business and by logical extension, its 4PL business too.

While we are not able to get specific numbers related to Shopee's withdrawal, SingPost does disclose a trending decrease in revenues from its largest customer. This long-standing client whom SingPost services for cross-border eCommerce logistics also seems to be steadily finding alternative solutions to its needs.

Year Ending 31 March	**2020**	**2021**	**2022**	**2023**	**2024**
Revenue from Major Customer	$221m	$326m	$232m	$174m	$173m

Source: SingPost Annual Reports, SingPost AGM 2024

To the withdrawal of e-commerce platforms, SingPost's response is that it can focus on the "long tail of customers", namely, servicing the B2C activities of non-platform vendors. While it has landed headline customers, such as Shein[11], the competition in this area is brutal, as discussed next.

[10] Wall Street Journal, 'Tik-Tok is Bringing Logistics to the E-Commerce Dance'
https://www.wsj.com/articles/tiktok-brings-logistics-to-the-e-commerce-dance-b43d884d
[11] SingPost, 'SingPost Powering E-Commerce Logistics for Shein in Singapore'
https://www.singpost.com/about-us/news-releases/singpost-powering-ecommerce-logistics-shein-singapore

4.2.2 E-Commerce Delivery Is a Struggle for Most

The large e-commerce platforms have not just reduced reliance on SingPost, but on all other logistic firms as well. As such, all these firms are left to compete over a reduced market. Two major Singapore players in this landscape, NinjaVan and J&T Express, are operating at large losses.

J&T Express

A sprawling last-mile delivery juggernaut, it has aggressively entered South-East Asia and Singapore. As possessing economies of scale is the playbook to achieving eventual profits, its strategy is to endure several years of losses so as to scale up.

J&T Express	FY2021	FY2022	FY2023
Revenues	US$4.85bn	US$7.27bn	US$8.85bn
Operating Profit	-US$1.65bn	-US$1.39bn	-US$1.77bn

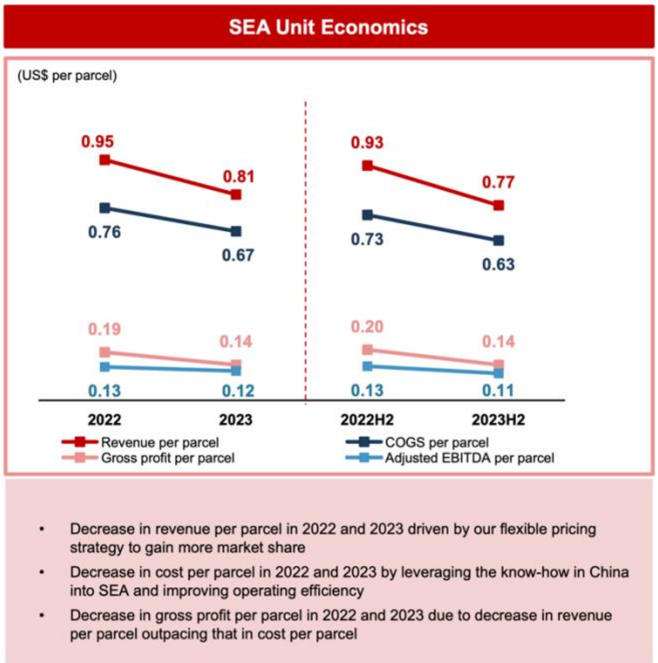
Source: J&T Annual Reports and IPO Filing

To gain market share in Singapore, J&T sparked a price war, dropping prices by up to 20%.

While it does not break down the Singapore segment's results, the J&T's graphic on the right shows the dynamics within Southeast Asia, whereby it had dropped its revenue per parcel from $0.95 to $0.81.

The market share gained looks to have given it the scale to push costs down, as shown by the drastic 11% reduction in COGS. [12]

Competitors are compelled to engage in the price wars, with its accompanying losses. Otherwise, they risk losing significant market share and economies of scale, leading to probable elimination from the industry.



NinjaVan

The industry's harsh economics are further evidenced by widening losses in NinjaVan over the recent 3 years.

NinjaVan	FY2021	FY2022	FY2023
Revenues	S$912.6m	S$1.1bn	S$1bn
Net Profit	-S$102m	-S$250.2m	-S$326.8m

Source: TechInAsia, Business Times

For 2023, it attributed losses to e-commerce platforms taking logistics in-house, combined with the price wars within the market. [13] This necessitated two rounds of lay-offs[14] and a diversification into B2B and cold-chain logistics. Its CEO, Lai Chang Wen, spoke of the inherent difficulties within this industry, saying "*Our mistake was thinking [ecommerce] was our only path*" [15]

[12] J&T Express, '2023 Results Presentation'
https://ir.jtexpress.com/uploads/2024/f34530b60680bd07d135d85184f1e106.pdf
[13] TechInAsia, 'NinjaVan Eyes Path Beyond E-Commerce as Price War Dents FY23 Earnings'
https://www.techinasia.com/ninja-van-eyes-path-ecommerce-price-war-dents-fy23-earnings
[14] Business Times, 'NinjaVan Slashes More Tech Roles In Second Round of Layoffs'
https://www.businesstimes.com.sg/startups-tech/startups/ninja-van-slashes-more-tech-roles-second-round-layoffs
[15] TechInAsia, 'NinjaVan Lays Off About 10% of Regional Tech Team'
https://www.techinasia.com/ninja-van-lays-10-regional-tech-team

Despite its losses, NinjaVan made clear that it would not be exiting the parcel deliveries industry as that provides the base-load economics for all other ventures. Both NinjaVan and J&T are digging in their heels and fighting it out for market share, meaning that the industry would be highly competitive for years to come.

4.2.3 Singapore's Post & Parcel Is Not an Engine for Profitability and Growth

"By itself, the postal-only business is structurally challenged. Similarly, the eCommerce delivery industry in Singapore does not yield an attractive return."

SingPost CEO, AGM 2023 Q&A

CML thinks that the above quote is a fair assessment.

Barring a major regulatory change in SingPost's favor, Post's structural decline means that a mere break-even would be considered a favorable end-state. As for e-commerce deliveries, one has to ask if SingPost can be much different from J&T and NinjaVan, which are seeing increasing losses.

We believe Post & Parcel in Singapore will be unable to make meaningful profit contributions, given the various regulatory and market challenges. SingPost's fortunes, in effect, largely rest upon Australia as the engine for growth.

5. STRATEGIC THRUST: ACHIEVING SCALE IN AUSTRALIA

5.1 Logistics: Burgeoning Revenues, Slightly Volatile Profits

*"In Australia, our business is generating a **ROE that exceeds those of comparable logistics enterprises**, which average around 10%."*

SingPost CEO, Strategic Review Q&A (March 2024)

LOGISTICS										
Financial Year	2020		2021		2022		2023		2024	
	S$ ('000)	Segment %	S$ ('000)	Segment %	S$ ('000)	Segment %	S$ ('000)	Segment %	S$ ('000)	Segment %
Revenue	501,223	36%	618,075	42%	998,530	58%	1,322,358	69%	1,165,300	66%
Op Profit	-5,566	-3%	11,256	11%	44,295	36%	84,742	75%	67,400	58%
Op Profit %	-1.11%		1.82%		4.44%		6.41%		5.78%	

Segment % shows its proportion against the total of the 3 segments - Post, Logisitics and Property.
This does not include the "all other segments", which is for corporate overheads.

Due to the failed US acquisitions in e-commerce, the Logistics segment suffered losses from 2017 to 2020. From 2021, its turnaround was assisted by solid growth in its Australia investments (FMH, Couriers Please). As SingPost ventured deeper into Australia over the following years, acquiring established firms that are profit accretive, we see its operating profits improving significantly, SingPost's CEO even stated that ROE on Australia's business outperforms its peers.

It is noteworthy that the Logistic segment is still far from replacing the struggling Post & Parcel segment, which in its heyday, had operating profits of S$166m. The following examines the key strategic thrust of Australia being the lynchpin of SingPost's Logistics business.

5.2 Australia: FMH, The Crown Jewel?

FMH's ACQUISITION

FMH Group is a fully owned SingPost subsidiary, with asset-light 4PL and 3PL capabilities. It is the leader in 4PL within Australia and has sizable 3PL firms within its stable such as Border Express (pallet & parcel distributor) and Couriers Please (last-mile delivery). It exceeds AU$1bn in revenue and its market share places it within the Top 5 firms in the Integrated Logistics industry.

Perhaps mindful of its poor M&A track record and citing the need for risk management, SingPost contracted to acquire FMH in tranches, with each tranche's valuation being anchored on a 9.6x multiple of the most recent "Normalized EBITDA".

Date	31-Dec-20	30-Nov-21	31-Mar-23	6-Dec-23	Total
% Stake Purchased	28%	23%	37%	12%	100%
Purchase Price (S$'m)	$59.2	$113.8	$173.4	$67.0	**$413.4**
Valuation of FMH (S$'m)	$211.4	$495.0	$468.6	$558.3	

Source: SingPost's Announcements on SGX

The strong growth of FMH meant that the final tranche's valuation (S$558.3m) was more than double that of the start (S$211.4m). However, staging this over 3 years meant the risk of a botched acquisition is reduced.

FMH's PERFORMANCE

Year Ending 30 June, (A$, '000)	2020	Y-o-Y %	2021	Y-o-Y %	2022	Y-o-Y %	2023*	Y-o-Y %
Revenue	249,391	-	347,092	39%	524,226	51%	651,370	24%
Op. Profit	16,885	-	27,923	65%	48,209	73%	66,684	38%
PAT	11,152	-	17,334	55%	35,604	105%	48,399	36%
Op. Profit %	6.77%		8.04%		9.20%		10.24%	
PAT %	4.47%		4.99%		6.79%		7.43%	
RoE %	47.22%		24.79%		35.37%		38.81%	
Op. Profit / Assets %	20.18%		12.71%		18.55%		22.75%	

2023 was extrapolated from audited financial statements that ended in 31 Mar 2023 (9 months)

Source: FMH's ASIC Filings

Based on the regulatory filings of FMH, the table shows a firm that has swiftly grown its revenues and profits. FMH's business is asset-light, as shown by its attractive Return on Assets and ROE, which far surpasses SingPost's overall returns.

FMH's growth had been supplemented by its acquisition of various logistic firms, with acquisitions amounting to A$85m from 2020 to 2023.

As the acquisition value of FMH increases in lockstep with its EBITDA, FMH's management is strongly incentivized to increase EBITDA. A legitimate concern arises over the sustainability of its profits and whether this was inflated by acquisitions.

FMH's PERFORMANCE – SUSTAINABLE?

To examine its sustainability, we had asked SingPost for further details on FMH's 4PL business in Australia.

CML'S AGM QUESTION:
Can SingPost provide more details on the 4PL revenue, market size and market share of FMH in Australia?

SINGPOST'S AGM REPLY:
"FMH's 4PL revenue in FY23/24 amounted to A$406 million. This has grown organically from A$249 million in FY19/20. The Group believes that it is the leading 4PL operator in the Australia market. There is significant growth potential for 4PL solutions with the conversion of customers' traditional practice of directly engaging 3PL solutions in the integrated logistics market which is estimated at over A$100 billion."

As FMH also carries out 3PL activities, it is puzzling that FMH's entire 2020 revenue of A$249m is attributed to 4PL (as per regulatory filings). A caveat should be made on the revenue figures as SingPost and FMH do not clearly explain whether 4PL revenue is measured on a gross or net basis.[16]

That aside, should we take the numbers provided at face value, it is noteworthy that organic 4PL revenue grew from A$249m to A$406m, implying an impressive 13% CAGR. As organic growth is often seen as more sustainable compared to growth from acquisitions, this provides stakeholders with some assurance.

We did a comparison of FMH's 2023 margins, as a test for reasonableness. As similar-sized comparators are rare, large firms are used. Such firms are predominantly 3PL with 4PL as a smaller part of its offerings. To remove the effects of varying capital structures, Operating Profit is used.

2023	CH Robinson	DSV	Kuehne + Nagel	UPS	DHL	FMH
Op. Profit %	2.92%	11.75%	7.98%	10.05%	7.76%	10.24%
Op. Profit / Assets %	9.84%	12.05%	17.35%	12.90%	9.50%	22.75%

Source: FY2023 Annual Reports of Respective Firms

FMH's operating profit margin is within range. While it earns a superior return on its assets, this can be attributed to the greater weightage FMH has towards its asset-light 4PL model.

Overall, while it is too early to form a conclusion on the success of this acquisition, there are no glaring contradictions to FMH's positive set of results.

Should the earnings prove to be sustainable, the total purchase price of S$413.4m, when compared to the 2023 PAT of S$43.6m (A$48.399m, S$0.9 : A$1), works out to a seemingly reasonable P/E of 9.5x.

[16] 4PLs, as orchestrators, utilize agents to fulfil the customers' logistical needs. DHL and UPS clearly state whether they measure revenue based on gross or net amounts. For example, DHL states that when using agents, revenue is "limited to the amount of the commission to be received". SingPost and FMH do not explicitly disclose such matters. FMH, in past Annual Reports, did mention that "Revenue is net of amounts collected on behalf of third parties", alluding to a possible net approach – more disclosure from SingPost is vital.

Informational Point

What are 3PL and 4PL logistics providers?

3PL (Third-Party Logistics)
3PLs are outsourced logistic providers that support a firm's supply chain. They can provide services such as warehousing, inventory management, courier and order fulfilment. An example of that in Singapore is NinjaVan or J&T Express.

4PL (Fourth-Party Logistics)
4PLs do not need to own assets or directly handle logistics operations. Rather, they oversee and manage the entire supply chain for their clients. They act as a single point of contact for the client, designing and optimising the entire supply chain for them. 4PLs would select the best logistic routes and providers, so as to furnish clients with an optimal solution.

In the industry, they are often termed as "orchestrators".

The increasing complexities and risks within the supply chain, along with the need to constantly invest in new technologies, mean that an increasing number of firms are looking for a 4PL to care for the entire supply chain process. Analysts at Polaris Market Research have projected the 4PL sector to significantly grow for the next few years at rates of 7% p.a.

5.3 Australia: Border Express, Consolidating for Scale and Synergies?

Year Ending 31 Mar, (A$, '000)	2021	2022	2023	2024
Revenue	341,298	368,302	416,000	381,826
PBT	5,965	27,045	35,000	49,497
Net Profit	4,236	19,315	24,500	31,183
Op Profit %	1.7%	7.1%	8.4%	13.0%
Net Profit %	1.2%	5.1%	5.9%	8.2%

Source: Border Express Audited Financial Statements (2021 - 2022), SingPost Annual Report 2024, Pg 226
SingPost, SGX Announcement 1 Nov 2023 (Proposed Acquisition Of Shares In M J Luff Pty Ltd)

To widen its service offerings and attain synergies, the A$210m acquisition of Border Express was made in 2024 via FMH. Border Express is the 6th largest national transport and distribution services company in Australia.

From the limited public information available, we observe a firm that is optimizing its operational margins, while growing revenue. Should this performance be sustainable, the A$210m price works out to 7x PE.

While there are clear revenue and cost synergies in acquiring a large 3PL provider, investors should be aware of the risk that it is a double-edged sword.

CML'S AGM QUESTION:
By investing in 3PL players like Border Express, FMH can reap synergies along the supply chain offerings. However, it loses independence as a 4PL orchestrator – customers wonder if their business is truly routed to the best offering (rather than FMH's own services) and 3PL suppliers are fearful of joining FMH's platform as it involves revealing sensitive information on pricing and routes to a potential competitor. How is FMH handling this contradiction and how does it align with its 4PL strategy?

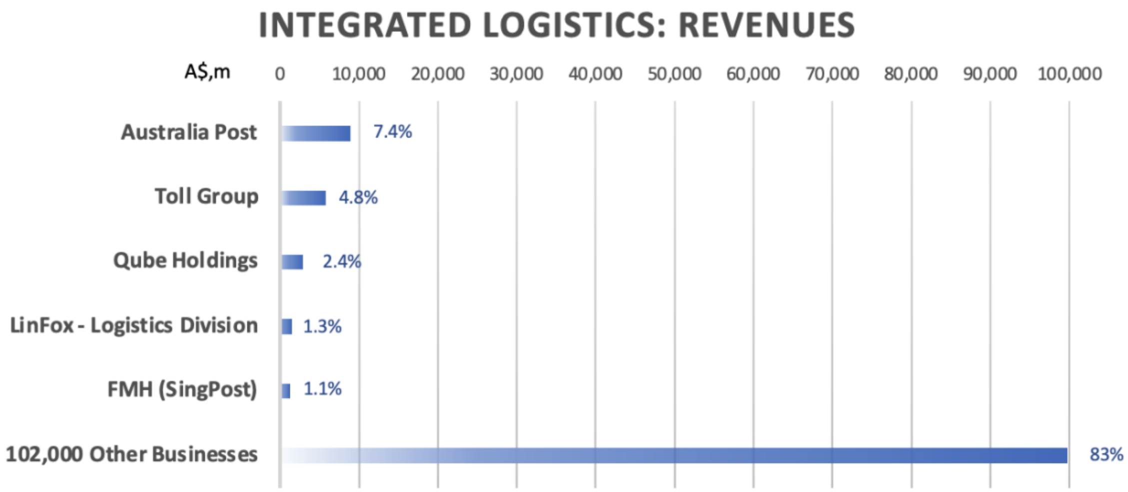
SINGPOST'S AGM REPLY:
"By investing in 3PL, the Australia business is able to secure supply as well as reap synergies from bringing 4PL volumes into its sister 3PL network. FMH aims to drive customer satisfaction and retention as well as profitability in both its 4PL and 3PL businesses. It creates mutually beneficial situations where customers receive a superior experience, transparency in service and rates and hence value on spend; while carrier partners get volumes where they need, improving their fleet utilization, while also assisting them in technology enablement through our platform.

The use of analytics in FMH's technology platform ensures the most effective logistics solutions are offered from multiple 3PL partners, including its own. The independence of its 4PL operation, providing transparency to customers, ensures this business model provides the right customer experience at all times. FMH has been acquiring companies since 2020 and there have been no issues with suppliers"

While SingPost currently reports no issues with its strategy, healthy skepticism is warranted. The underlying concept of "platform neutrality" is vital in many industries. A future 4PL entrant may use "neutrality" as a differentiator, potentially setting it as an industry norm. That would place FMH's business model in an unfavorable position.

5.4 Australia: An IPO Listing May Be A Strategic Necessity

While FMH is doing fine, future growth may depend on its ability to continue consolidating the market. The A$120bn Integrated Logistics market is very fragmented, with the following table showing the market share of the Top 5 participants. FMH has a small market share of 1%, despite its label as a Top 5 firm[17].



	102,000 Other Businesses	FMH (SingPost)	LinFox - Logistics Division	Qube Holdings	Toll Group	Australia Post
Revenues (A$,m)	99,709	1,299	1,500	2,827	5,800	8,865

Source: Australia Post, Qube, The Australian, SingPost, IBIS World Pty Ltd

[17] SingPost had publicly identified itself as a Top 5 player within Integrated Logistics. A caveat should be made as most players within are 3PL businesses, while FMH has a dominant 4PL business. The revenue figures of FMH do not clearly state whether 4PL revenue is measured on a gross or net basis, which could affect comparability.

Industry observers have noted that consolidation will be the next competitive step, due to customers wanting logistics suppliers to care for the end-to-end complexities of the supply chain[18]. The economies of scale needed to be competitive in each sub-segment of the supply chain, along with the investments in technologies and climate initiatives, mean that consolidators require a strong balance sheet.

FY2023 (AU$,m)	Revenues	Op Profit	Op Profit %	Net Profit	Net Profit %	PE	Market Cap	Nature of Firm
FMH (SingPost)	1,299.3	107.2	8.25%	*75	5.77%	?	?	3PL, 4PL
Freightways	1,019.7	121.8	11.95%	68.5	6.71%	18	1,230	3PL, 4PL, express packages, cold chain logistics
K&S Corporation	848.9	44.0	5.18%	28.6	3.37%	15	435	Contract logistics, warehousing and distribution, and fuel distribution
Lindsay	676.3	59.2	8.76%	34.5	5.10%	8	297	Agricultural logistics
CTI Logistics	302.0	28.5	9.44%	17.0	5.63%	7	109	3PL, 4PL, warehousing, e-commerce fulfillment

**FMH's Net Profit is estimated from disclosures within SingPost's 2024 Annual Report*

Source: Annual Reports of respective firms, Yahoo Finance (July 2024)

SingPost is exploring a listing of its Australian business[19] which could bring in new capital to fund FMH's future growth. This will also allow SingPost to partially sell down its stake, with proceeds to de-leverage the Group's balance sheet. It may also be valuation accretive to SingPost, which has a current PE of 14. The table above shows ASX-listed peers trade between 7 to 18x PE. Larger companies like FMH should trade higher given its economies of scale and capacity to invest in expensive technologies like smart warehousing and artificial intelligence.

Given the IPO is a strategic necessity, investors need to closely watch whether the Australian IPO occurs.

Assuming an IPO of the Australian business takes place, it raises the question on the value of SingPost retaining its listing in Singapore. After all, investors now can gain direct exposure to the growth and upside of the Australian assets, while avoiding the struggles of Singapore's Post & Parcel. In addition, a conglomerate discount will apply to SingPost's share price, making it sub-optimal for SingPost shareholders.

5.5 Australia: Surprise Sale of the Entire Business?

On 30th July 2024, the Australian Financial Review reported that Bank of America had been mandated to sell SingPost's Australian assets and had made, to quote, "overtures to private equity types"[20]. Private equity investors in Australia typically acquire a controlling stake, if not the entire firm. This development, if true, would be contrary to SingPost's constant claim that it is focused on Australia and building it as its engine for growth.

A local observer may also see clear parallels with Singapore Press Holdings. What could be the strategic rationale to sell ***both*** SPC and the Australian business?

<u>A Parallel: Singapore Press Holdings (SPH)</u>

With its core media business in structural decline, SPH initiated a Strategic Review in March 2021 to unlock and maximise long-term shareholder value. This led to SPH's media business being spun off into a not-for-profit entity (SPH Media Trust), which then received substantial governmental funding. This was since the government deemed it to be a "critical public good"[21].

SPH's non-media assets, comprising mainly of real estate, were sold off in a bidding war between Keppel Corp and Cuscaden Peak.[22] The winning bid from Cuscaden Peak was at a 60% premium over SPH's undisturbed price.[23]

[18] DHL, 'Logistics and Delivery Trends for 2023' https://www.dhl.com/discover/en-us/global-logistics-advice/logistics-insights/logistics-and-delivery-trends-2023
[19] Business Times, 'SingPost Appoints Financial Advisor for Strategic Review of Australia Business' https://www.businesstimes.com.sg/companies-markets/singpost-appoints-financial-adviser-strategic-review-australia-business
[20] Australian Financial Review, 'Alibaba-Backed Singapore Post Shops Australian Assets' https://www.afr.com/street-talk/alibaba-backed-singapore-post-shops-australian-assets-20240730-p5jxpr
[21] Today Online, 'SPH Media Put Government Funding to Good Use' https://www.todayonline.com/singapore/sph-media-put-government-funding-good-use-it-still-has-considerable-catch-do-josephine-teo-2373896
[22] Straits Times, 'SPH Shareholders Vote Overwhelmingly for Cuscaden Offer to Buy The Company' https://www.straitstimes.com/business/companies-markets/sph-shareholders-vote-overwhelmingly-for-cuscaden-offer
[23] Straits Times, 'Cuscaden Raises Offer for SPH to $2.40 per Share, Enters into Implementation Agreement' https://www.straitstimes.com/business/companies-markets/cuscaden-raises-offer-for-sph-to-240-per-share-enters-into-implementation

Like the newspaper business, Post is in structural decline and could be deemed a "critical public good" by the Singapore government, so a takeover by the government could make sense. This is consistent with SingPost's often stated aim of finding a structural solution for the Post business. The remaining key assets, being SingPost Centre and the Australian business, would then be sold off, with shareholders being given an exit.

While we acknowledge that SPH's playbook is but one scenario, a high-level estimate of the financial consequences is presented. Using a conservative PE of 13x for the Australian business, we observe the possibility of the proceeds being roughly equivalent to SingPost's current market capitalization, just based on the divestment of the 2 key assets alone.

	Value			
SingPost Center	S$1,100m	**based on valuation as at Sept 2023*		
Australia Business (FMH)	S$975m	**based on estimated Net Profit of $75m and a PE ratio of 13*		
Less: Borrowings	(S$876m)			
Less: Perpetual Securities	(S$252m)			
Proceeds for Shareholders	S$947m		**Current Market Capitalization (19 August'24)**	S$978m

**This high-level estimate (i) does not include all other assets, such as Famous Holdings, and (ii) assumes that the 2 key assets can be liquidated at the above values.*

In the spirit of exploring all strategic options, we think SingPost should include this scenario. If this is clearly not on the table, then SingPost should publicly communicate this. SingPost shareholders should evaluate the potential financial consequences.

5.6 Australia: What Risks Should Management Focus On?

SHAREHOLDER'S AGM QUESTION:
What are the challenges ahead and how have you strategised to deal with those challenges?

SINGPOST'S AGM REPLY:
You asked about the primary challenges facing the group. So we talked about Australia, and there is no big challenge about Australia. It's a very attractive market structurally. We have a good strategy. We're executing well, so I just exclude Australia from the picture. It's more about opportunity than it is about challenges, if you will. So let's come back to Singapore.

While we agree that the Singapore business requires more management focus, we do not think the Australian business is without risks.

1) **Execution Risk –** While SingPost had been in Australia since 2014, with its A$95m acquisition of CouriersPlease[24], its operations were relatively small in scale. The large acquisitions of FMH (A$460m) and Border Express (A$210m), mean the integration and running of a firm that is many times the size of CouriersPlease. With the Board residing in Singapore and lacking direct Australian experience, this may be a challenge.

[24] Straits Times, 'SingPost Buys Australian delivery company CouriersPlease'
https://www.straitstimes.com/business/companies-markets/singpost-buys-australian-delivery-company-couriersplease

Many studies have shown that 70-90% of M&As fail.[25] Although the current management is not involved in SingPost's past M&A debacles, it has not demonstrated a track record of integrating acquisitions either.

2) **Australia's Economy and Industry –** Australia's economy had weakened[26] and there are heightened concerns of a recession occurring in 2024[27]. With government statistics showing the last Australian recession being 27 years ago[28], FMH and its umbrella of firms are unlikely to have the experience of weathering through a recession and will find themselves having to navigate through "uncharted waters" should it occur.

Meanwhile, the logistic industry continues to be fragmented and highly competitive. There is overcapacity, especially in the last-mile segment, and higher operating costs due to inflation.[29] Labour shortages[30] along with consolidation pressures, mean that there's a myriad of issues that can trip up a firm. SingPost, a firm conditioned to the advantages of incumbency, must now pit itself against the giant incumbent that is 7 times as large - Australia Post.

3) **FX Risk –** For FY2024, SingPost's operating profits dropped by S$14m, or about 15%, due to currency volatility. This was especially since the Singapore dollar appreciated 6% to 7% against the AUD and Yuan.[31]

SingPost had engaged in a natural hedge for its Australian business, with a 5-year loan of A$362.1m. However, SingPost carries an even heavier financing load in SGD (S$350m loan notes + S$250m perpetuals).

With the impending loss of SGD income from the divestment of SingPost Centre and the profitability struggles of the Singapore Post & Parcel, overseas earnings will be leaned on heavily to service SGD-denominated financing, increasing the sensitivity of the firm to currency volatility.

Investors should thus watch for the proportion of divestment proceeds used to pay down SGD-denominated debt and SingPost's consequent reliance on foreign currency earnings.

[25] Harvard Business Review, 'Don't Make This Common M&A Mistake'
https://hbr.org/2020/03/dont-make-this-common-ma-mistake
[26] KPMG, 'Australia Economic Outlook: Q1 2024'
https://kpmg.com/au/en/home/insights/2024/05/economic-outlook-australia-q1-2024.html
[27] The Guardian, 'Australia is on the Brink of Recession'
https://www.theguardian.com/business/grogonomics/article/2024/jun/06/australia-gdp-figures-recession-fears-rba-spending-too-much
[28] Parliament of Australia, '27 Years and Counting Since Australia's Last Recession'
https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/LastRecession
[29] S&P Ratings, "Singapore Post Ltd. 'BBB' Rating Affirmed on Financial Flexibility; Outlook Negative", June 4, 2024
[30] MHD Supply Chain News, 'Unveiling Trending Logistics Issues in Australia'
https://mhdsupplychain.com.au/2023/07/21/unveiling-trending-logistics-issues-in-australia/
[31] SingPost, 'H2 and Full Year Results Briefing', 10 May 2024

6. STRATEGIC THRUST: STRATEGIC MANAGEMENT OF CAPITAL

SingPost spoke of the "Strategic Management of Capital" thrust being focused on delivering returns that are above the cost of capital. To that end, it has the supporting goals of divesting non-core assets for growth and maintaining its credit rating. This section will examine the divesting of property, how SingPost risks a credit rating downgrade and where it currently stands on delivering returns.

6.1 Subpar ROE: SingPost Destroys Shareholder Value

Analyst: What are the ROE targets set?

*SingPost CEO: So without commenting specifically about any individual business segment or ROEs, we are looking at **probably in the teens**.*

Analyst: That is aggregated?

SingPost CEO: That is aggregate.

SingPost Presentation, Strategic Review (19 March 2024)
*Emphasis ours

CML Comments: We would like SingPost to be more specific on the ROE target, including a road map and timeline to achieve that.

Cost of Debt	Cost of Perpetuals	Cost of Equity	Return on Equity (2024)	Adjusted Return on Equity (2024)
~3.0%	~4.35%	9%	6.9%	3.8%

Source: SingPost FY2023/24 Full Year Results Briefing, SingPost Annual Report 2024

As it stands, SingPost has been destroying value. Since 2019, its ROE has consistently been below its cost of equity, which we conservatively estimate to be 9%. In fact, its management acknowledged that its ROE ought to be "in the teens". 2024's ROE rebound was mainly due to the valuation gains from SingPost Centre. Adjusting for that exceptional gain, ROE was only 3.8%.

While reconstructing SingPost's reported ROE, we realized SingPost excluded the dividend distributions on its perpetual securities, resulting in a higher ROE numerator. It also excluded the perpetual securities from its equity base, giving a lower ROE denominator.[32] This leads to a higher reported ROE.

As SingPost had relied on the perpetual securities to generate its returns, it is appropriate that the perpetual securities be factored within ROE calculations. We compared this to other SGX-listed firms[33] with perpetual securities and note that this variant of ROE calculation does not appear to be the market practice.

[32] SingPost's reported ROE can be reconstructed by taking "Profit Attributable to Equity Holders / Average Ordinary Equity"
[33] For its ROE, Frasers Property's and OCBC's Annual Report explicitly states that it uses net profit ***after*** distributions to perpetual securities. Keppel, while not explicitly stating its ROE derivations within its Annual Report, indicates to have **included perpetual securities** within its equity base (denominator).

Financials	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ROE %	16.7%	21.5%	2.7%	10.2%	1.4%	7.2%	3.8%	6.4%	2.0%	6.9%

Source: SingPost Annual Reports

Judging by the management's own yardstick, SingPost has not hit its ROE target since 2017. Management needs to spell out a specific target ROE. More importantly, SingPost needs to outline a road map and timeline to achieve such a target. Otherwise, all the talk of being focused on ROE just rings hollow.

Informational Point

Why Is Return on Equity (ROE) So Important?

When shareholders invest in a firm, they are (i) taking on risk and (ii) giving up the opportunity to invest elsewhere. The required return to make this worthwhile is known as the Cost of Equity. This is compared with the firm's Return on Equity, in essence, showing if the firm can generate a return that satisfies the requirement of shareholders.

Should a firm be unable to generate a Return on Equity that meets the Cost of Equity, it is destroying shareholder value. This is because it does not meet the requirements of shareholders, who would be better off investing their funds elsewhere.

6.2 Property: Non-Core and to be Divested

PROPERTY Financial Year	2020		2021		2022		2023		2024	
	S$ ('000)	Segment %	S$ ('000)	Segment %	S$ ('000)	Segment %	S$ ('000)	Segment %	S$ ('000)	Segment %
Revenue	121,095	9%	115,428	8%	114,906	7%	76,600	4%	77,700	4%
Op Profit	53,677	37%	50,013	63%	52,867	47%	44,012	47%	42,200	50%
Op Profit %	44.33%		43.33%		46.01%		57.46%		54.31%	

***Revenue dip due to sale of General Storage Company**

To get a better sense of operating profit margins, revenue includes inter-segment transactions (which SingPost declares are at arms-length)

Property, while a small revenue segment, accounts for an average of 49% of SingPost's operating profit. While it had faced challenges from COVID and the lowered demand for office space due to the subsequent work-from-home trend, Property has proved resilient and is a valuable bulwark to SingPost's earnings.

In FY 2022, SingPost had divested General Storage Company, a large self-storage supplier in Singapore. Bought in 2012 for S$37m[34], it was later sold in 2021 for S$85m.[35] General Storage was deemed as non-core and of low margins. As seen, operating profit from Property fell by S$8m after its divestment, but the poor performance of Post & Parcel meant that Property still anchors 47% of the total operating profits.

The Property segment now mainly comprises the SingPost Centre (SPC), a well-located complex with a mix of office and retail space. This is slated for divestment.

[34] SingPost, 'Acquisition of 100% of General Storage Company Pte. Ltd.' https://www.singpost.com/sites/default/files/upload/sgx-announcement/ann20121224.pdf
[35] Business Times, 'Singapore Post to Sell General Storage Company S$85.1 Million' https://www.businesstimes.com.sg/companies-markets/singpost-to-sell-general-storage-company-for-s85.1-million

> *"For us, property is a non-core business. We are not a property company. We just happen to own property. And while it's a nice annuity, it's not a growth business. "*
>
> **SingPost Chairman, AGM 2024**

SingPost Center Occupancy %	2022	2023	2024	3-Year Industry Average	
Office	93.50%	96%	94.80%	87.78%	*Average of "Category 2" Offices*
Mall	100%	100%	99.6%	94.04%	*Average of "Outside Central Area" Malls*
Overall	95.8%	98.2%	96.2%		

Source: URA Real Estate Statistics, SingPost Annual Reports

As seen in the table, SPC enjoys an office and mall occupancy rate that is higher than its peers. Management had stated that SPC is valued at $S1.1bn as at September 2023[36] and has described the investment property as non-core and awaiting divestment.

This divestment is consistent with SingPost's strategic decision to fully transition into a pure-play logistics company that is focused on growth. It must be noted that divesting an asset, which has steadily provided about 49% of operating profits, will materially heighten the business risk of SingPost and fully expose it to the competitive volatilities of the Australian logistics market.

Optimism of the lucrative sale should also be tempered by the challenges faced. Aside from regulatory and shareholder approvals, Cushman and Wakefield's Industrial Q2 2024 report on Singapore speaks of a slow-down in demand and higher supply for suburban business parks. It also observed that high financing costs are causing assets owners (such as REITs) to reduce debt by divesting their properties.[37] Selling SPC for its S$1.1bn price-tag is not a walk in the park.

SingPost's Chairman, Simon Israel, had alluded that conditions might not be right for an immediate sale when saying at the recent AGM, *"It's no sense…if the timing is wrong…if we see softening of interest rates as being predicted early next year, perhaps there's a window that begins to open"*[38]

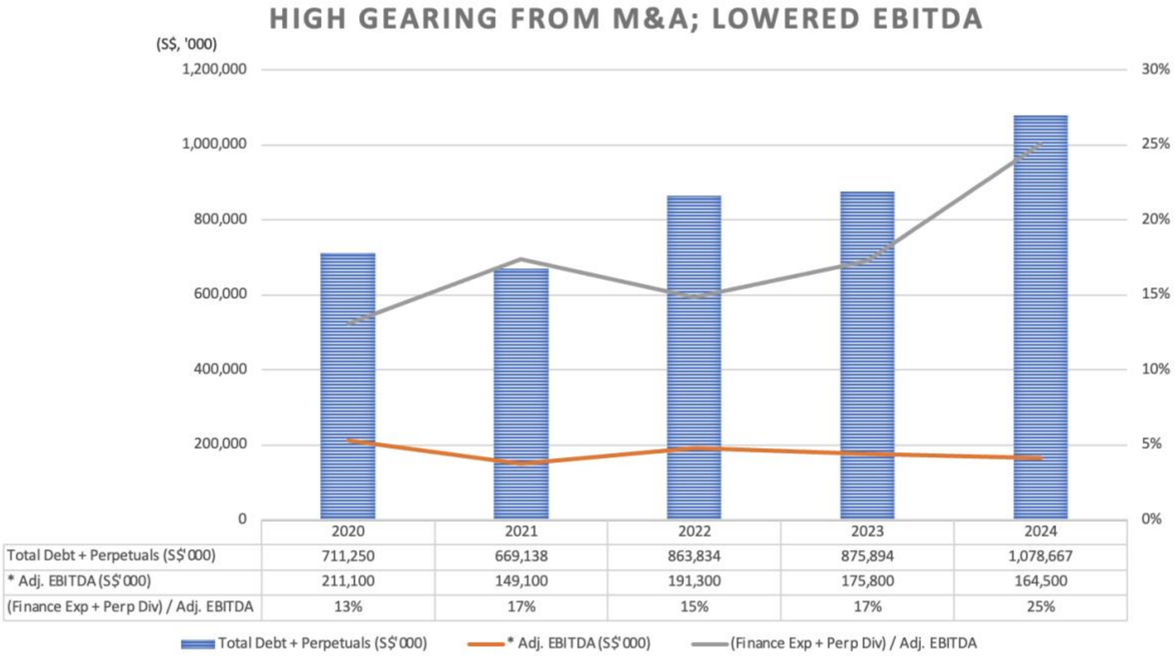
After the sale of SPC, SingPost's operating expense could go up. This is because SPC houses the General Post Office and other postal facilities. As shown by the Annual Report extract on the right, the sale of SPC would mean that inter-segment rental expenses of S$20m or more will have to then be incurred with external parties, reducing profits and cashflows.

	Post and Parcel S$'000	Logistics S$'000	Property S$'000
Group			
Full year ended 31 March 2024			
Revenue:			
– External	**499,440**	**1,131,263**	**56,040**
– Inter-segment	**14,664**	**34,027**	**21,640**
	514,104	**1,165,290**	**77,680**
Operating profit / (loss)	**7,496**	**67,370**	**42,228**

Should there be a divestment though, the funds will provide resources for growth in Australia and needed relief to the high gearing that SingPost has, as discussed next.

[36] Straits Times, 'SingPost Sets 3-Year Deadline for Transformation Into a Logistics Player' https://www.straitstimes.com/business/singpost-sets-three-year-deadline-for-transformation-into-a-logistics-player
[37] Cushman & Wakefield, 'Marketbeat Singapore Industrial Q2 2024' https://cw-gbl-gws-prod.azureedge.net/-/media/cw/marketbeat-pdfs/2024/q2/apac-and-gc/singapore-industrial-mb-2q2024.pdf?rev=97dc94123a9544d8894b2eeeef7cbb0c
[38] SingPost AGM 2024, Q&A Session (24 July 2024)

6.3 SingPost's Gearing, At Risk of Credit Downgrade



	2020	2021	2022	2023	2024
Total Debt + Perpetuals (S$'000)	711,250	669,138	863,834	875,894	1,078,667
* Adj. EBITDA (S$'000)	211,100	149,100	191,300	175,800	164,500
(Finance Exp + Perp Div) / Adj. EBITDA	13%	17%	15%	17%	25%

Adjusted EBITDA is after adjusting for Exceptional Items

The failed acquisitions and lost opportunities of the prior decade saddled SingPost with a debt-laden Balance Sheet.

From 2020 to 2024, with the Australian acquisitions of FMH and Border Express, SingPost's debt and perpetual securities increased by 50%. Unfortunately, the acquired profits were insufficient to offset the plunge in the Post segment, resulting in the steadily decreasing Adjusted EBITDA.

As at FY24, servicing debt and perpetual securities account for 25% of Adjusted EBITDA, placing financial stress on SingPost. SingPost would be at heightened risk in the event of a recession. The firm has thus declared that the proceeds from the future divestment of non-core assets will be used to reduce debt.

S&P Global Ratings has expressed serious concerns about SingPost's gearing, formally placing it on a negative outlook and threatening a ratings downgrade.

*"We may **downgrade** SingPost if the company fails to dispose of noncore assets in a **timely manner**, or if business conditions weaken such that we expect the debt-to-EBITDA ratio to remain above **2.5x** on a sustained basis."*

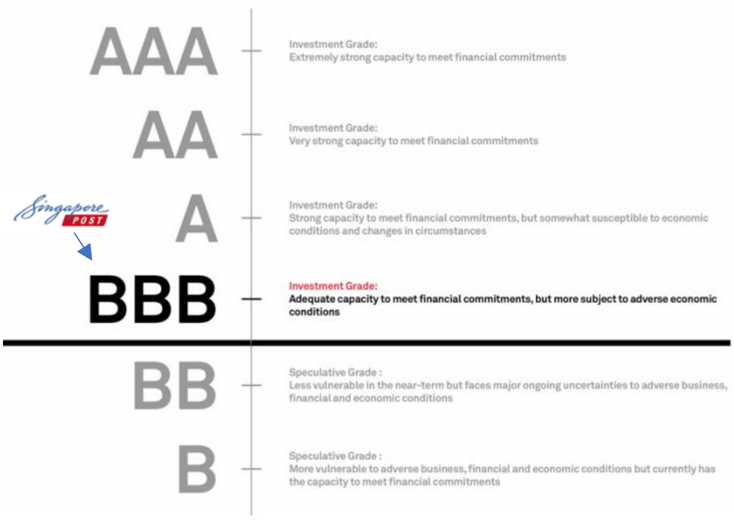
S&P Global Ratings, 2024

**Emphasis ours*

Currently, SingPost holds an S&P credit rating of "BBB".

It is instructive that this is contingent on factors such as SingPost's planned divestment of non-core assets and using the proceeds to pare down its debt. S&P expects such divestments to be done in a "timely fashion", with S&P leaving a strong hint in its report that it expects this to be done by mid-2025.[39]

S&P had also consistently drawn the debt-to-EBITDA ratio of 2.5 as a red-line, to which it requires SingPost to show substantive progress so as to avoid a downgrade.



SingPost's ratio performance, as per S&P's calculations, is shown in the table below.

SingPost does not have the luxury of waiting for an opportune time to sell its properties. Until SingPost deleverages, further acquisitions are off the menu. Unless organic growth of the Australian business is able to offset the declines of Singapore's Post & Parcel business, which we believe is highly unlikely, there can be no growth for SingPost.

				← S&P Projections	→
S&P'S Ratio	**2022**	**2023**	**2024e**	**2025f**	**2026f**
Debt / EBITDA	3.5	3.3	4.1	3.8	3.0

**S&P makes custom adjustments when calculating this ratio*

S&P's projections show it expects SingPost to be able to work through its current situation of high gearing, assuming things go to plan. However, investors ought to be aware that should the risk of a near-term recession occur, SingPost will be caught in a storm whereby it confronts,

i) The inability to divest non-core assets at anticipated prices
ii) Earnings deterioration and difficulties in debt servicing
iii) A credit rating downgrade, further increasing the cost of financing

[39] S&P Global Ratings, 'Singapore Post Ltd. 'BBB' Rating Affirmed On Financial Flexibility; Outlook Negative' https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3190647

7. Governance: Further Transparency Desired

7.1 Contradiction of Tenure Policy

*"The Board Renewal and Tenure Policy provides that **no Director should serve more than six years**, though an additional term of up to a maximum of three years may be permitted to accommodate the transition or the retention of critical skill sets."*

SingPost, Annual Report 2024
**Emphasis ours*

After its corporate governance crisis, SingPost adopted this safeguard against the entrenchment of directors[40] and, in 2016, publicly committed to the Tenure Policy above, reiterating it in successive Annual Reports. However, as at the 2024 AGM, we see that 2/3 of the Board have a tenure of 6 years or more.

Position	Name	Date of Appointment	Tenure of Directorship As At 2024 AGM* (Years)
Chairman	SIMON ISRAEL	11/5/16	**8.21**
LID	FANG AI LIAN	10/10/16	**7.79**
ID	ELIZABETH KONG SAU WAI	10/10/16	**7.79**
ID	BOB TAN BENG HAI	10/10/16	**7.79**
NED	LIM CHENG CHENG	1/4/17	**7.32**
ID	CHU SWEE YEOK	1/9/18	**5.90**
ID	GAN CHEE YEN	31/10/23	0.73
ID	YASMIN BINTI ALADAD KHAN	1/1/24	0.56
CEO	PHANG HENG WEE, VINCENT	1/9/21	2.90

**2024 AGM Date: 24 July 2024*

Despite SingPost's policy pointing to a retirement being due, 2 long-standing Independent Directors (ID), Fang Ai Lian and Elizabeth Kong, were instead re-elected in this AGM for another term.

Furthermore, as the SGX Rulebook deems a director to no longer be independent after 9 years, these 2 directors would have to retire mid-term or be redesignated as non-independent directors. A third Independent Director (Bob Tan) also faces the same situation next year.

A plain reading of SingPost's Board Renewal and Tenure Policy shows that all directors - whether the CEO, Non-Executive Directors (NEDs) or Independent Directors – are expected to retire after 6 years. We believe the intent is to limit the tenure of Non-Executive Directors to 6 years. Even so, the current situation raises these points of concern,

i) How serious is SingPost regarding its Board Renewal and Tenure Policy?
ii) Does the policy contradiction indicate deficits in Board succession planning?
iii) Is SingPost's Board Renewal and Tenure Policy fit for purpose?

[40] Singapore Business Review, 'SingPost Board Remuneration Dropped 14% in 2017 After Revamp' https://sbr.com.sg/transport-logistics/news/singpost-board-remuneration-dropped-14-in-2017-after-revamp

7.2 Absence of Justification for Re-Election

SingPost's Board Renewal and Tenure Policy does permit an exception to the 6-year tenure limit, should there be a need for "the transition or the retention of critical skill sets".

The disclosure on the re-election of the independent directors, Ms Kong and Mrs Fang, who have exceeded 6 years at the recent AGM, provides the following boiler-plate rationale.

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Ms Kong has continued to discharge her duties well and to positively contribute to the Company.	Ms Lim has continued to discharge her duties well and to positively contribute to the Company.	Mrs Fang has continued to discharge her duties well and to positively contribute to the Company.

Source: Annual Report 2024, "Additional Information on Directors Seeking Re-Election", Pg 247

We are of the opinion that SingPost should uphold its commitment in its Tenure Policy as this was provided to help regain investor trust after its corporate governance failings in the past. Given that an exception is to be made for "transition and retention of critical skill sets", it behooves SingPost to further disclose what are the critical skill sets these long-serving directors possess that justify their re-election, which is at variance with the Tenure Policy. Further, we believe that SingPost has had ample time to plan for transition through proper succession planning for board members.

In the recent AGM, Corporate Monitor had invited SingPost to provide further details on the critical skill sets considered, but received additional boiler-plate platitudes, with no direct answer to the question of critical skillsets. (see box below)

CML'S AGM QUESTION:

While a 3-year extension caveat had been placed, we understand that it is meant to be an exception, rather than the rule. We would like to invite SingPost's comments on the contradiction of its Board Renewal and Tenure Policy…(and) to provide further justifications on the "critical skill sets" of the directors seeking re-election.

SINGPOST'S AGM REPLY:

The Board recognises the importance of progressively renewing the Board to address the evolving needs of the Group and is committed to a process of orderly succession planning for Directors. The Board renewal process remains underway with ongoing search for new directors with the appropriate skill sets and experience to contribute to the Board. This involves reviewing the skill sets and capabilities of the Board holistically, embodying diversity and an appropriate balance between functional skill sets, domain expertise and specific skills and capabilities needed to support the Group's strategy and business.

Given SingPost's recent announcements on its strategic review on 19 March 2024 and 21 June 2024 and SingPost emerging from the completion of its transformation, it is essential that the Board provides continuity on the various initiatives arising from the strategy review while the Board continues with its renewal process.

To that end, we call for the disclosure of the Board Composition Matrix, to which SingPost references regularly and through which stakeholders can be informed of the critical skillsets needed and how the Board fulfills them. Such disclosure would also address shareholders' concern on the Board's ability to oversee the Australian businesses.

7.3 A Board with No Direct Experience in Australia

A review of each Director's background, show that none have direct logistics experience in Australia. The closest is Yasmin Binti Aladad Khan, who has experience with DHL within the Asia Pacific region (albeit not Australia specifically). She is the newest addition on the Board, having been appointed in January 2024.

Given that SingPost's future success almost exclusively hinges on Australia, there is insufficient assurance that the Board has the needed competencies and experience. This created visible concern in the recent AGM, where shareholders pressed the Board on its ability to oversee its business in Australia.

The Chairman, while acknowledging the need for further oversight mechanisms in Australia, gave a response that was tentative and lacked clarity, casting doubt on whether the matter of Australian oversight had been thoroughly considered.

SHAREHOLDER'S AGM QUESTION:
On the Board of Directors, do we have the expertise to go into that region (Australia) and then to play and really make the returns?

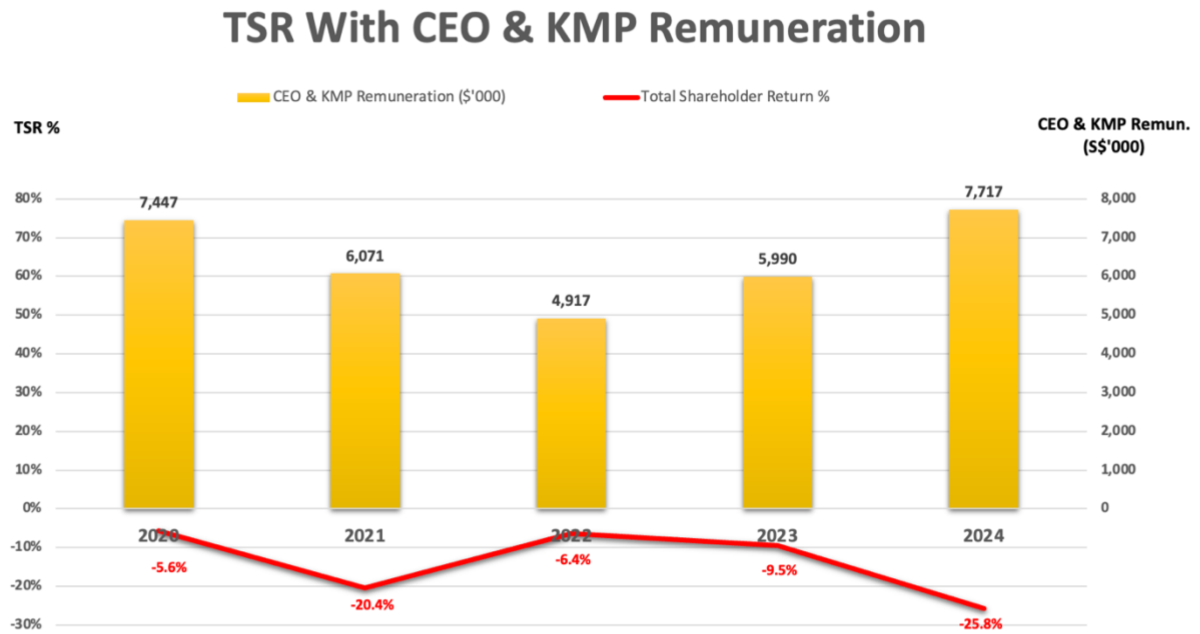
SINGPOST'S AGM REPLY:
As far as Australia's concerned, the Board has quite reasonable oversight of Australia, and we have a good management team in place. ***We have a Board in Australia****. We have an outside director on the Board.*

So it's really about... As we're coming to a point in Australia now where ***we will probably construct a Board*** *within Australia to support the company on growth, which is also a necessary thing to have if you want to have the option of being on the path to an IPO. So I think the Australian business, now that it's reached a certain scale, requires its own Board of a larger size with the right set of experiences in its own right. So that's probably the way in which we will provide the oversight of the Australian business.*

**Emphasis ours*

We call on SingPost to give close attention to this matter. With a new slate of Directors presumably being brought in soon, stakeholders would do well to evaluate each candidate on their ability to contribute to the Australian business.

7.4 KPI Targets Should Be Disclosed for Remuneration



We have combined the remuneration of the CEO and the Top 5 Key Management Personnel, to examine the relationship of Executive Remuneration with Total Shareholder Return (TSR).

It is noteworthy that there is tacit recognition of the dismal TSR performance, with remuneration dipping from 2020 to 2022. There is a clear spike in Executive remuneration in 2023 and 2024, however, this was mainly due to the relatively high compensation and long-term incentives paid to Simon Slagter, the CEO of FMH. With the strong performance of FMH, this is justifiable and supports the retention of Simon Slagter.

SingPost had disclosed in its Annual Report that its executive remuneration incentives are based on the KPIs of Underlying Net Profit, Return on Equity, Total Shareholder Return and CO2 Reduction. SingPost had not awarded any Performance Share Awards in 2024 due to its poor performance, hinting that there are reasonable thresholds for such KPIs. When probed, SingPost had added more color to its incentive plans.

SHAREHOLDER'S AGM QUESTION:

How do TSR, return on average invested capital (ROIC) impact executive remuneration (particularly performance bonus)? Are unrealised property revaluation gains excluded from the calculations of executive bonuses?

SINGPOST'S AGM REPLY:

The short-term incentive for Management is based on the Group Balanced Scorecard which includes financial performance targets, primarily the Group's underlying net profit ("UNP"). UNP takes into account the impact of leverage (i.e. finance costs), and excludes exceptional items such as gains on property revaluation.
The long-term incentive is based on total shareholder return and return on equity. Return on invested capital is not a measure in the remuneration structure.

During SingPost's Strategic Review presentation in March 2024, it spoke frequently about generating returns that cover the cost of capital and focusing on ROE. These are shareholder-pleasing comments. However, without clear disclosure of such KPI targets, it is impossible to validate the commitment the firm and management has towards what is said.

ANALYST QUESTION:
What kind of operating margins would you be hoping to achieve in the next 2 or 3 years in terms of percentage wise?

SINGPOST'S REPLY:
I think rather than answer our operating margins, I'll answer from our new requirement, the return ROE that we want…. More importantly, the target is on the returns that we expect. Every business, firstly must be profitable. Every business must carry its own cost of capital and generate a spread above that as a return from investment. That would be how we focus ourselves going forward.

ANALYST QUESTION:
What are the ROE targets set?

SINGPOST'S REPLY:
So without commenting specifically about any individual business segment or ROEs, we are looking at probably in the teens.

SingPost Strategic Review, 19 March 2024

This report calls upon SingPost to increase its disclosure regarding the exact KPIs set and management's attainment of them. While one may argue that it is not the norm in Singapore to disclose this, it is clearly the norm in Australia and other developed economies like the UK. This would be norms SingPost has to comply with, should it list FMH in Australia too.

The following examples from Australia Post and Qube, both comparators from Australia, show the level of disclosure in remuneration KPIs and management's attainment of them. Stakeholders are thus able to clearly discern the link between remuneration and KPIs.

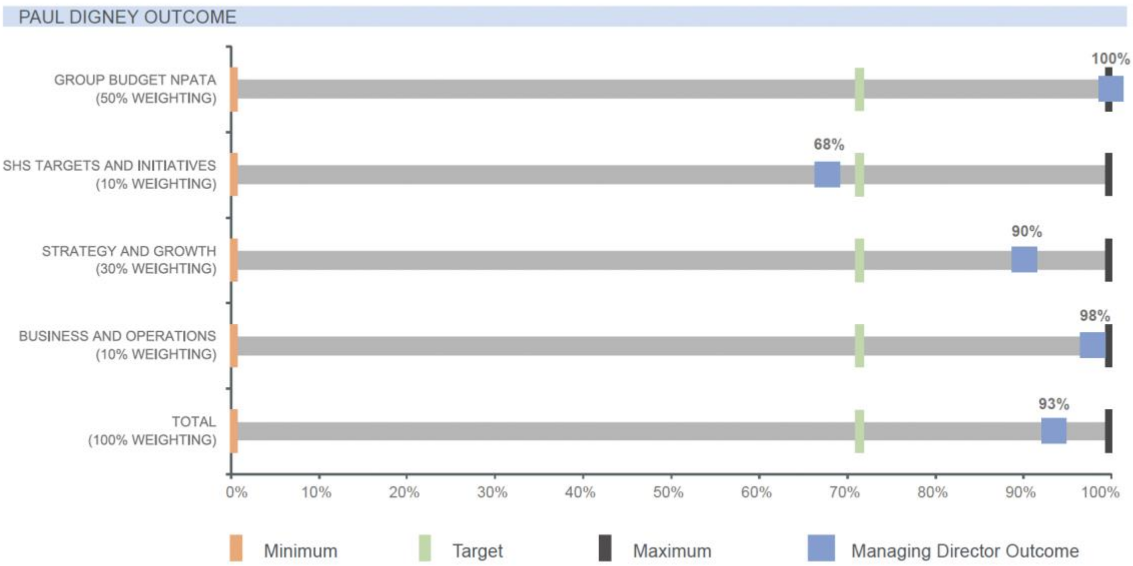
Australia Post: Detailed Disclosure on KPIs and Whether It Was Met

FY23 Performance against the Enterprise Scorecard — Not met / Met Entry / Met Target / Met Stretch

KPI Measure (Performance)	Outcome
Profit Before Tax (PBT) The Group's full year Loss Before Tax of $200.3 million was $255.6 million below last year's PBT. Revenue was below Budget, driven by lower than forecast parcel volumes, offset in part by benefits from yield-increasing initiatives, reductions in variable costs and ongoing focus on cost containment across both operational and support functions. The trading EBIT loss was compounded by higher redundancy provisions from structural changes associated with the Future Operating Model and decisions to exit non-core businesses.	Not met
Group People Engagement The 2023 Our AP Way Say culture and engagement survey took place between 20 and 31 March 2023. The survey had a participation rate of 63 per cent (over 22,000 team members) and resulted in an overall engagement score of 66 per cent. This reflects a one percentage point increase since 2021 and is in line with the Australian average norm. The increase in Enterprise engagement since 2021 was driven by a significant five percentage point uplift in Network Operations engagement, and over 20,000 team members participating in Our AP Way.	Met Entry
Safety Index Australia Post used a proactive and lead safety index to embed behaviours that mitigate the risk of negative safety events. In FY23 these included Hazard and Near Miss reporting, frontline leaders doing safety walks on our critical and high risks (called Go See Walks) and at least 98 per cent of actions from safety events being closed on time. Stretch performance targets were exceeded and 85 per cent of sampled events audited met minimum investigation requirements including actions to mitigate repeat incidence.	Met Stretch

Source: Australia Post Annual Report 2024, "Remuneration Report", Pg 88 -89

Qube Holdings: Detailed Disclosures On Executive Performance, Paul Digney (Managing Director)



Source: Qube Annual Report 2024, "Short-Term Incentive", Pg 42

8. CONCLUSION

It has clearly been a horrible decade for SingPost's shareholders, with its share price falling 80% from its peak in 2014/2015. Operating profit has fallen by 55% and ROE languishes at 3.8% by FY 2024, with damaging attrition to shareholder value. While SingPost's management publicly acknowledges its dismal ROE and the need for a strategic thrust to meet its cost of capital, it should disclose its target ROE and a detailed roadmap to achieving it.

Evaluating its Strategic Review, it is clear that stakeholders should not place hopes upon Singapore's Post & Parcel prospects. We are not sanguine about SingPost's frequent commentary of how Singapore's e-commerce would replace the postal segment, as the industry is facing harsh competition, with the large players enduring substantial and widening losses. Singapore's Post segment used to generate S$166m in operating profits, with e-commerce lacking any viable pathway to replacing that.

Australia clearly holds the key to SingPost's revival, with its respectable growth and margins. While its results show promise, stakeholders must be mindful of the risks inherent in this foreign and highly competitive industry. SingPost should not simply proclaim the sector to be "more about opportunity than it is about challenges" and act promptly to deepen the Australian expertise of both management and Board.

The divestment of the SPC, which currently accounts for half of SingPost's operating profits, will increase SingPost's reliance on and hence fully expose it to the volatilities of Australia. Close attention has to be paid to the use of the divestment proceeds, as SingPost faces the challenges of reducing leverage or to invest for growth. SingPost's credit rating is under pressure and S&P has served notice on what must be done to avoid a downgrade. On the other hand, the Australian business will require capital to grow, whether organically or via acquisitions to consolidate a highly fragmented industry.

SingPost is confronting a catch-22 situation, whereby the firm can't grow due to the high leverage, yet leverage can't be lowered unless the firm grows. An IPO of the Australian business and divestment of non-core assets can break the deadlock.

What the Strategic Review fails to consider, however, is the rationale for SingPost to hold essentially three businesses that have little linkages nor synergies with each other. Should the Australian business be listed on the ASX, what is the rationale of SingPost remaining listed on SGX with a weak Post & Parcel business as the other business (assuming SPC is sold)? Such conglomerate structure further reduces shareholder value as a conglomerate discount is usually applied. Even putting aside the conglomerate structure, shareholders should ask whether the group management and Board have the expertise and experience to add value to the underlying business.

Instead of hastening the renewal of the Board with members possessing relevant experience, SingPost retains most of its directors past 6 years, breaching its own Board Tenure policy. Shareholders deserve detailed information on the critical skill sets required by the Board, such that long-standing directors can be given an exception from complying with its 6-year tenure policy. Such disclosure would help stakeholders to distinguish between mere lip-service and serious intent.

SINGPOST'S 3-YEAR CHECKLIST

TRANSFORMING URBAN LOGISTICS & DELIVERIES IN SINGAPORE

- ☐ *Is Singapore's postal business able to arrive at a long-term structural solution?*
- ☐ *Is the postal business able to rationalize its assets (post-office network)?*
- ☐ *Is Singapore's e-commerce business able to profitably fend off competition?*

ACHIEVING SCALE IN AUSTRALIA

- ☐ *Are the financial results showing signs of successful integration and synergies?*
- ☐ *Is Australia's ROE continually above the industry average of 10%?*
- ☐ *Are the funds raised from an IPO used to deleverage and grow the business?*

STRATEGIC MANAGEMENT OF CAPITAL

- ☐ *Are the divestment proceeds of SingPost Centre and non-core assets being used to deleverage and grow, rather than merely returning cash to shareholders?*
- ☐ *Is S&P changing its outlook on SingPost, indicating a stabilizing of its credit rating?*
- ☐ *Is the firm progressing to a double-digit ROE and generating positive TSR?*

GOVERNANCE

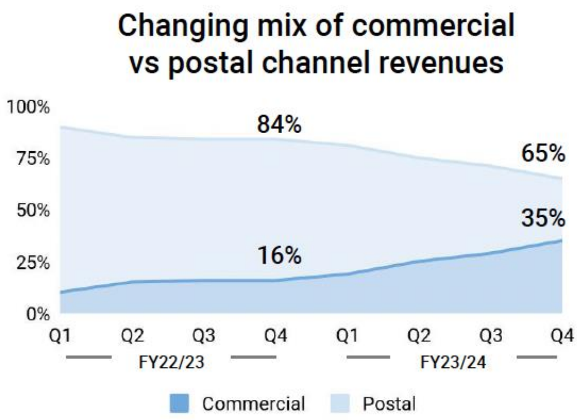
- ☐ *Is there adherence to its Board Renewal and Tenure Policy, where Directors retire after 6 years?*
- ☐ *Is there an increasing proportion of Directors with expertise and experience in Australia?*
- ☐ *Is there fuller disclosure on Executive KPIs and the Board's critical skill sets?*

9. APPENDIX STRATEGIC THRUST: BUILDING TECH-DRIVEN EXCELLENCE TO SERVE CROSS-BORDER CUSTOMERS

9.1 International – Recovering but Does Not Move The Needle

What is the International segment?

The International segment is a broad catch-all for activities that are not based in Singapore or Australia. As per the latest chart provided by SingPost on the right, 65% of this segment is the International Post and Parcel (IPP). A practical example of this is VPost, which allows Singaporeans ship their Black Friday purchases from the USA.



The remaining 35% of the International segment relates to the provision of supply chain services to e-commerce participants that export globally and the asset-light 4PL platform (ARRIV) that was launched in late 2023[41]. SingPost has logistics hubs in Singapore, Hong Kong and Europe to serve such e-commerce flows into, out of and within Asia. The International segment is driven greatly by air conveyancing costs, which spiked and created difficulties in 2021 and 2022. It has only moderated in the past months.[42]

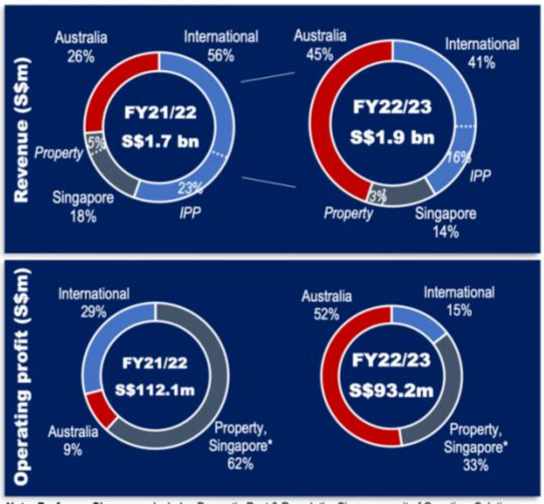
Quantium Solutions is part of the International segment, it is partly owned by Alibaba (34%) and is a provider of end-to-end eCommerce solutions in Asia Pacific. Quantium provides services from order processing to customs management, last-mile delivery and returns management.

9.2 Lacklustre Performance of International

Regrettably, there is a lack of consistent disclosure on the performance of International, as it is not to be an official reporting segment until FY2025. A patchwork of disclosures reveals the poor performance of the International segment, with SingPost placing a much lower emphasis on it (compared to Australia and Singapore) within the Strategic Review.

[41] Parcel and Postal Technology International, 'Exclusive Interview: Li Yu, CEO-International at Singapore Post' https://www.parcelandpostaltechnologyinternational.com/features/exclusive-interview-li-yu-ceo-international-at-singapore-post.html
[42] SingPost, 'H2 and Full Year Results Briefing', 10 May 2024

By strategic pillars



Note: Proforma. Singapore: Includes Domestic Post & Parcel, the Singapore unit of Quantum Solutions, Property. **Australia:** Includes FMH, CouriersPlease, and the Australia and New Zealand units of Quantum Solutions. **International:** Includes International Post & Parcel, Quantum Solutions (excluding Singapore, Australia and New Zealand), and Famous Holdings.
* Including Others which comprise corporate overhead items.

REVENUE

FY (S$m)	Australia	SG (w/o Property)	SG - Property	Int. (w/o IPP)		Int. - IPP		Int. (Total)
21/22	442	221	85	561	+	391	→	**952**
22/23	855	209	57	475	+	304	→	**779**

OPERATING PROFITS

FY (S$m)	Australia	Singapore	International (Int.)
21/22	10.1	69.5	32.5
22/23	48.5	30.8	14.0

The chart shows the latest available breakdown disclosed by SingPost for FY23, with no comparative figures provided in FY24.

We see the International segment struggling in revenues and profits, due to a slow-down in cross-border volumes. When Changi Airport closed due to COVID, this segment was wiped out as much of the transported goods needed to pass through the Singapore hub for processing. After COVID, the lost volumes proved irrecoverable as customers had moved on to other solutions and no longer needed SingPost.

"So fundamentally, what IPP has changed is that…people have started to go direct…people flying out their wares directly out from China to the rest of the world, bypassing Singapore."

SingPost CEO, SingPost's H2 FY2022/23 Results Briefing (11 May 2023)

It is noteworthy that Famous Holdings' freight forwarding income was formerly placed under International, being shifted into the "Corporate" segment only in FY24 due to it being deemed non-core. **Excluding Famous Holdings, the International segment was actually loss-making since COVID and it was disclosed to only return to mild profitability in FY2024.[43]**

[43] SingPost, Unaudited Condensed Interim Financial Statements For The Half Year Ended 30 September 2023 And Dividend Announcement

"Changi closed its doors during COVID. And it's been quite a challenge to rebuild because during that period of time the major customers…invested in doing the things that SingPost used to do for them… Competition in this business is quite cutthroat.. you have currency volatility… this business is somewhat at the mercy of changes in regulations..

So those are probably the primary challenges that the board spends its time thinking about, all of which are being addressed as the board deliberates on <u>what recommendation</u> are we going to make to the shareholders going forward."

SingPost Chairman, AGM 2024
*Emphasis ours

The International segment is thus in recovery, with SingPost's Chairman enumerating the significant challenges it faces and hinting that there might be a "recommendation" on its future.

The International segment gets lesser emphasis within the Strategic Review presentation and other management disclosures, making it hard to analyze. It is clear though, that without Famous Holdings, it is struggling to breakeven and does not have the potential to move the needle on SingPost's prospects. Therefore, the key focus remains on Australia.