November 25, 2024

Maybank

Singapore Post Ltd (SPOST SP)

Unlocking intrinsic value

BUY

Share Price	SGD 0.54
12m Price Target	SGD 0.74 (+38%)

Initiate with BUY and SOTP of SGD0.74

We believe SingPost is deeply undervalued, and now that management has moved to monetize and streamline its businesses, we see significant potential value from the sale of: 1) Famous Holdings & its Australian business; 2) SingPost Centre and post offices over the next 1-2 years. Our SOTP valuation is SGD0.86/share, and our SGD0.74 TP is based on a 15% holding co. discount. We expect further sharp rises in earnings and dividends from synergies and cost optimisation, as seen in 1H25. The conclusion of SGX's review may also be a catalyst. Initiate coverage with BUY and TP of SGD0.74. Risks to our BUY rating are economic recession, rise in labour costs, asset monetization pricing not optimal and FX risks.

Asset monetisation will be key driver

Management is moving to unlock the value of SingPost assets with proceeds used to pare down debt and any excess likely to be returned to shareholders. A strategic review of its Australian business is likely to be concluded by year-end. It's also expected to sell its freight-forwarding business. This could generate about SGD0.9-1.1b of proceeds. This would significantly reduce finance costs and bump up future profitability. Many of Singapore's listed GLCs have undergone restructuring like Keppel Corp and Sembcorp Industries and share prices have risen at least 18-150% since then. We believe SingPost will follow suit.

Optimising Singapore postal business - 2025-2026

Management is finalising its operating model with the local authorities to ensure long-term commercial viability of its postal services. It has 40-plus post office locations in Singapore which could be reduced by more than 50% and replaced by touchpoints at MRT stations and supermarkets. This will reduce SingPost's costs and allow them to monetize several post office assets that it doesn't require of which more than 50% are self-owned and booked at cost. SingPost may also merge its mailing services at SingPost Centre with its logistics centre at Tampines.

Earnings and dividends likely to surge

We expect significant improvement in earnings and dividends, as seen in 1H25, even more so if it manages to sell assets and reward shareholders with special dividends as well.

FYE Mar (SGD m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	1,872	1,687	1,958	2,064	2,176
EBITDA	176	166	226	242	255
Core net profit	25	42	63	72	77
Core EPS (cts)	1.1	1.8	2.8	3.2	3.4
Core EPS growth (%)	(70.3)	68.1	52.9	13.2	6.8
Net DPS (cts)	0.6	0.7	1.3	1.5	1.6
Core P/E (x)	45.6	22.8	19.0	16.8	15.7
P/BV (x)	1.0	0.8	1.1	1.1	1.1
Net dividend yield (%)	1.2	1.8	2.5	2.8	3.0
ROAE (%)	2.0	6.9	5.6	6.3	na
ROAA (%)	0.9	1.4	2.0	2.3	2.4
EV/EBITDA (x)	7.1	8.0	6.9	6.4	6.1
Net gearing (%) (incl perps)	9.4	24.7	25.1	24.6	24.3
Consensus net profit	-	-	63	77	89
MIBG vs. Consensus (%)	-	-	0.7	(6.8)	(13.9)

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Company Description

Singapore Post is a leading postal and eCommerce logistics provider in Asia Pacific.

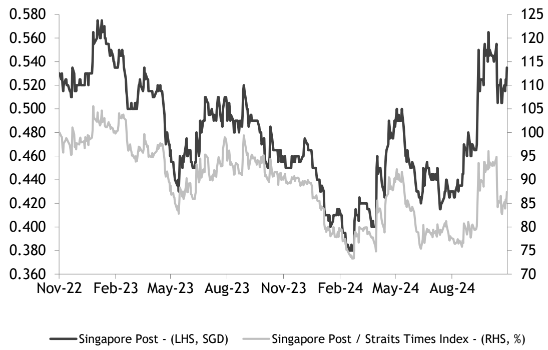
Statistics

52w high/low (SGD)	0.57/0.38
3m avg turnover (USDm)	3.5
Free float (%)	60.7
Issued shares (m)	2,250
Market capitalisation	SGD1.2B
	USD892M

Major shareholders:

Singapore Telecommunications Ltd.	21.7%
Alibaba Group Holding Ltd.	14.4%
The Vanguard Group, Inc.	2.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	24	16
Relative to index (%)	(5)	12	(3)

Source: FactSet

Other companies mentioned

Keppel Corp (KEP SP, CP SGD6.68, NR)
Singtel (ST SP CP SGD3.06, BUY TP SGD3.65)
Sembcorp Industries (SCI SP, CP SGD5.50, NR)
Alibaba (9988 HK, CP HKD84, NR)
Seatrium (SMM SP, CP SGD1.91, NR)

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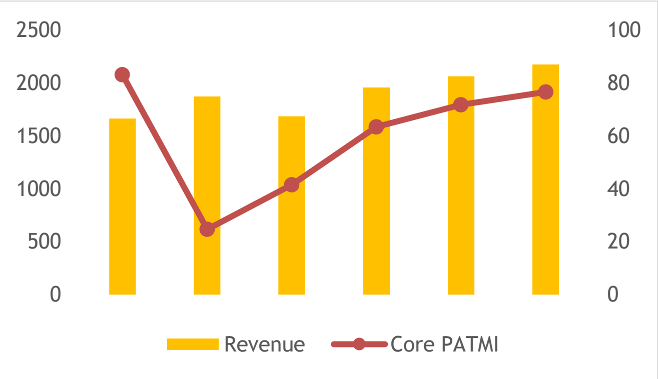
Tear Sheet Insert

Co. Reg No: 198700034E
MICA (P) : 099/03/2012

Value Proposition

- SingPost is the 4th-largest logistics player in Australia.
- Significantly undervalued with net assets worth an estimated SGD0.90/share.
- Profitability and dividends likely to surge in next few years.
- Asset monetisation will return significant value to shareholders.
- Beneficiary of higher e-commerce volume.

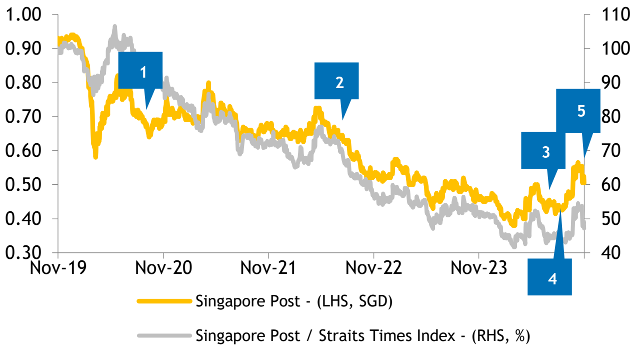
SingPost's revenue and core PATMI



Source: Company

Price Drivers

Historical share price trend



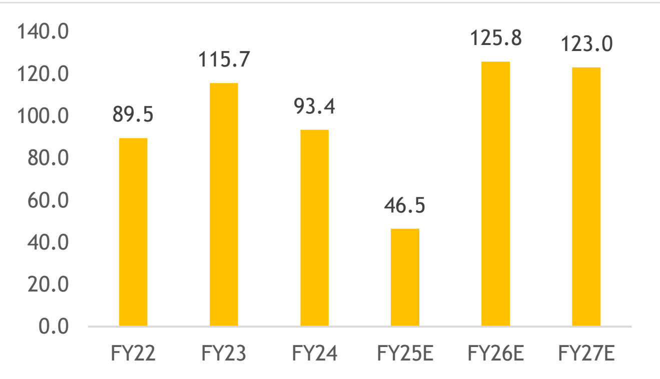
Source: Company, Maybank IBG Research

1. Covid-19 lockdown affecting its international freight and logistics business.
2. Results disappointed as they missed expectations.
3. Alibaba sold SingPost shares at SGD0.46 each.
4. Newsflow of bidders for its Australian business.
5. 1H24 results were below expectations due to higher financing costs.

Financial Metrics

- We expect dividends and profit to increase over the next few years.
- We expect debt to slowly be pared down over the years, especially if it sells assets.
- Interest expense should slowly decrease over the years too.
- We expect operating cashflow to remain strong.

Net cash from operating activities



Source: Company

Swing Factors

Upside

- Asset monetisation that unlocks value.
- Financial performance improves, especially FY25E.
- Dividends improve concurrently with performance and asset sales.
- Core business doing well with Singapore postal business also turning around.

Downside

- Lower consumer spending would result in lower logistics and postal volume.
- High interest expense of about SGD49m annually.
- Assets sold at lower-than-our expected valuations.

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Risk Rating & Score[1]	NA
Score Momentum[2]	NA
Last Updated	NA
Controversy Score[3]	NA

Business Model & Industry Issues

- SingPost faces several ESG-related risks, including potentially stranded assets, higher financing costs for non-sustainable projects, and stringent regulatory requirements. To mitigate these risks, SingPost enhances its sustainability practices, invests in green technologies, and strengthens internal controls by adopting frameworks like the Singapore Green Bond and utilizing ESG Registry. These efforts are complimented by engaging stakeholders and employees in its sustainability initiatives, ensuring a comprehensive approach to managing ESG impacts and improving long-term profitability.
- According to Sustainalytics, SingPost has an ESG score of 16.4, ranking 47th out of 407 companies in the transportation industry group. This ranking demonstrates that SingPost is effectively managing its ESG risks relatively well. Compared to the broader sector, SingPost's proactive measures in adopting the Singapore Green Bond Framework and leveraging the ESG registry under project Greenprint, has helped it stay ahead in addressing sustainability issues. The company's ESG performance is bolstered by its efforts to improve transparency and adopt sustainable practices, helping it align with global trends in the transportation and logistics sector.
- With SingPost adopting the Singapore Green Bond Framework, ESG registry under Project Greenprint, recycling initiatives and strong advocacy for diversity, it indicates a strong commitment to sustainability and transparency. SingPost can further invest in green technologies, such as increasing the number of electric vehicles (EVs). Currently, 37% of SingPost's delivery fleet has been converted to EVs. Another area of greater focus would be community engagement, investing in community projects and funding non-profits is a great way to enhance the reputation of SingPost and community culture.

Material E issues

- SingPost is advancing sustainability with a goal of net-zero carbon emissions by 2030 in Singapore and 2050 globally. Efforts include electrifying its Singapore delivery fleet, installing solar panels at SingPost Centre to power 3.7% of its annual needs, and implementing efficient cooling systems. These initiatives have reduced electricity use from 135,000 GJ to 133,000 GJ and cut scope 1 emissions from 33,861 tCO_2e to 29,267 tCO_2e between 2022 and 2023.
- SingPost's logistics operations made significant carbon emissions, with 2023 recording 29,237 tCO_2e (scope 1), 15,933 tCO_2e (scope 2), and over 1,600 tonnes of waste. To address this, SingPost introduced sustainable packaging like recycled SmartPac, recyclable polymailers (80% LDPE), reusable options in 2023, electric vehicle deliveries, and climate risk assessments to mitigate key market risks.

Material S issues

- Social responsibility builds trust, boosts reputation, and drives sustainable development. SingPost demonstrates this by supporting worker health through screenings and trade union consultations. The company promotes gender diversity, maintaining 30% female workforce as a benchmark, with 49.1% achieved in 2023. Initiatives include volunteering at Willing Hearts to aid over 400 households and launching stamps with the Purple Parade to support inclusivity for persons with disabilities.
- SingPost faces a diversity imbalance in senior management, with only 36% female representation in FY23/24. To address this, it introduced a Diversity and Inclusivity policy and signed the Employers' Pledge of Fair Employment Practices, ensuring equal opportunities and eliminating discrimination in the selection process.

Key G metrics and issues

- In 2021, former SingPost senior vice president Liang An Wey was charged with fraudulently securing a SGD15,000 monthly salary for over four years using falsified job application documents. He was also accused of seeking an SGD1m bribe from a subcontractor's CEO for construction projects and attempting to solicit a bribe from the CEO of Bintai Kindenko in March 2015.

- SingPost strengthened internal controls and due diligence, emphasizing employee credential verification. SingPost also increased the frequency of audits and process reviews to identify and mitigate potential vulnerabilities.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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	Quantitative Parameters (Score: 28)					
	Particulars	**Unit**	**2019**	**2020**	**2021**	**TPIA IJ (2021)**
E	Scope 1 emissions	tCO2e/million hour	3,922	33,681	29,267	22,585
	Scope 2 emissions	tCO2e/million hour	16,226	17,187	15,933	156,866
	Total	**tCO2e**	**20,148**	**50,868**	**45,200**	**179,451**
	Scope 3 emissions (operational)	tCO2e	NA	NA	427,484	NA
	Total	**tCO2e**	**20,148**	**50,868**	**45,200**	**179,451**
	GHG intensity (Scope 1 and 2)	tCO2e/million hour	NA	50868.00	45200.00	8.700
	Direct Energy consumption	GJ/million h	NA	479,400	417,300	7,355.60
	Indirect Energy consumption	GJ/million h	NA	135,000	133,000	NA
	Total Diesel consumption	litres	15,497	10,234	8,772	NA
S	% of women in senior management	%	36.0%	37.0%	36.0%	26.0%
	cases of corruption	days	0	0	0	0
	Total training hours	Hours	35,286	40,506	46,573	1,033,283
	Accident frequency rate	%	2.27	1.61	1.72	1.18
	Accident severity rate	%	1.13	0.8	0.86	0.59
G	% of women in senior management	%	36.0%	37.0%	36.0%	26.0%
	cases of corruption	days	0	0	0	0
	Total training hours	Hours	35,286	40,506	46,573	1,033,283
	Accident frequency rate	%	2.27	1.61	1.72	1.18

Qualitative Parameters (Score: 83)

a) Is there an ESG policy in place and is there a standalone ESG Committee or is it part of the Risk committee?
Yes

b) Is the senior management salary linked to fulfilling ESG targets?
No

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?
Yes.

d) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?
Yes. SingPost scope 3 parameters encompasses all indirect emissions from both the upstream and downstream activities of a company's value chain, from purchased goods and services to end-of-life treatment of sold products.

e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?
SingPost has been progressively replacing its traditional delivery fleet with electric vehicles. In addition, SingPost has been exploring and adopting renewable energy to power its facilities, such as solar photovoltaic systems, which can generate 19% of the Regional eCommerce Logistics Hub's total energy need. SingPost is actively promoting a circular economy within its industry by identifying and minimizing waste in logistics, particularly through optimizing packaging solutions and exploring environment friendly alternatives to enhance sustainability across operations and customer offerings. Hazardous waste is collected, treated and decontaminated, before being safely disposed of by a licensed contractor.

f) Does carbon offset form part of the net zero/carbon neutrality target of the company?
Yes.

Target (Score: 67)		
Particulars	**Target**	**Achieved**
Aim to reduce carbon footprint	1	1
Zero confirmed incidents of corruption	0	0
Zero cases of non-compliance with all applicable laws and regulations	0	0
Carbon neutrality/net zero	0%	nil

Impact

NA

Overall Score: 51

ESG score	Weights	Scores	Final Score
Quantitative	50%	28	14
Qualitative	25%	83	21
Target	25%	67	17
Total			**51**

As per our ESG assessment, PCHEM has an established framework, internal policies, and tangible mid/long-term targets but needs to make headway in improving its quantitative "E" metrics YoY. PCHEM's overall ESG score is 69, which makes its ESG rating above average in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

1. Investment thesis

1.1 Asset sales will help boost price discovery

We believe the main way to unlock shareholder value would be the sale of various SingPost assets. Management is keen to unlock shareholder value and is actively exploring options to sell assets. For its Australian business, SingPost is currently conducting a strategic review and would likely sell a minority stake or a 100% stake in the business depending on the offers received. We value the business at around SGD1.1b. There's about AUD600m of debt tied to the Australian business at 5% interest expense annually. A stake sale would lighten SingPost's debt burden and interest expense significantly. SingPost incurs about SGD50m in interest expense annually, more than the profit generated by the Australian business in FY24.

SingPost is also looking to sell its freight-forwarding business (Famous Holdings) which we estimate is worth SGD80-100m. Last but not least, management is finalising its operating model with the local authorities to ensure long-term commercial viability of the postal services in Singapore after the asset sales. SingPost has 40-plus post office locations in Singapore. These will be reduced by more than 50%, and will be replaced by touchpoints at MRT stations and supermarkets. This would lower costs and monetize several post offices it does not require. Currently, more than 50% of the post offices are self-owned. In addition, SingPost may also merge the mailing services at SingPost Centre to its logistics centre at Tampines Logistics Park. It can then close the Singpost Centre, which has an estimated market value of around SGD1.2b. As a result, any of these asset sales will bring in significant cash returns to shareholders and also increase profitability if debt was pared down. Our SOTP values the net assets at SGD0.87/share, a significant premium to its current share price.

We expect the review of Famous Holdings and the strategic review of its Australian business to be concluded by the end of 2024, which could potentially be a key catalyst to re-rate the stock.

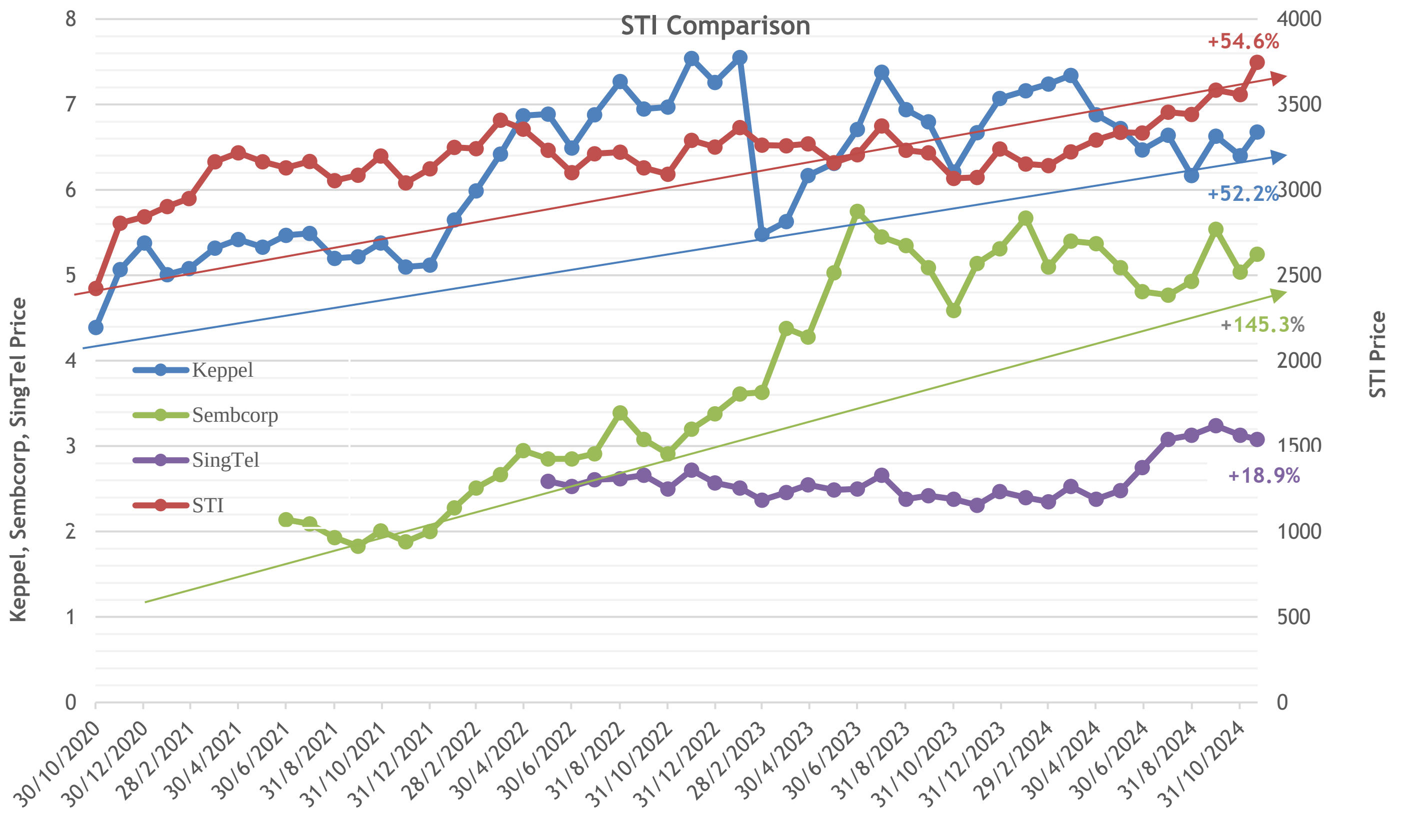
Fig 1: Estimated assets per share

Assets	SGD m
Singpost Centre	1200
Australia business	1100
Famous Holdings	80
Post offices	300
Cash	428.4
Total	3108.4
Debt as of 1H25 + Perps	1143.2
Net Assets	1965.2
Number of shares	2249.9
Net Assets/share	**0.87**

Source: Company, Maybank IBG Research

Several Singapore-listed GLCs have undergone restructuring and asset monetisation in the past 3-4 years like Keppel Corp, Singtel and Sembcorp Industries and their share prices have risen at least 18-150% since then. We believe the same will likely happen for SingPost.

Fig 2: STI Comparison



Source: Bloomberg, Maybank IBG Research

1.2 Synergies to drive profitability for its Australia business

With the acquisition of Borders Express, SingPost is moving forward to integrate CouriersPlease into the FMH Group to drive synergy across its Australian business units. This move will improve efficiency and bring greater value to customers and partners. We estimate about SGD10-15m of costs savings and efficiency gains annually over the next few years if management is successful in executing these initiatives. Currently, the Australian business is estimated to generate about SGD75-85m EBIT annually, which could substantially increase if these initiatives are successful.

1.3 Closing post offices to reduce costs and enable asset-monetisation

Management is finalising its operating model with the local authorities to ensure long-term commercial viability of the postal services after the asset sale. SingPost has 40-plus post office locations in Singapore. These will be reduced by more than 50% and will be replaced by touchpoints at MRT stations and supermarkets. This will allow SingPost to lower its cost base as well as to monetize several of the post office assets that is does not require. Currently, more than 50% of the post offices are self-owned and we believe it could generate around SGD300m of asset sales if these properties were to be monetised. In addition, losses of the Singapore business have narrowed and are likely to turn profitable once the right-sizing has been completed, likely in FY26E.

Fig 3: SingPost's key properties

Name	Address	Title	Years	With Effect From	Land (sqm)	Building GFA (sqm)
Airmail Transit Centre	21 North Perimeter Road	Leasehold	30	25.09.00	2,890	8,862
Ang Mo Kio Central Post Office	Blk 727 Ang Mo Kio Ave 6 #01-4246	Leasehold	86	01.10.93	-	218
Bedok Central Post Office	Blk 218 Bedok North St 1 #01-49	Leasehold	86	01.10.92	-	284
Bukit Merah Central Post Office	Blk 165 Bukit Merah Central #01-3689	Leasehold	86	01.03.96	-	232
Bukit Panjang Post Office	10 Choa Chu Kang Road	Leasehold	99	31.03.92	3,264	2,015
Clementi West Post Office	Blk 727 Clementi West Street 2 #01-266	Leasehold	85	01.11.95	-	153
Geylang Post Office	447 Geylang Road	Leasehold	99	01.03.92	449	804
Ghim Moh Estate Post Office	Blk 21 Ghim Moh Road #01-225	Leasehold	82	01.04.94	-	213
Jurong Delivery Base	2 Kian Teck Way	Leasehold	30	16.10.95	4,008	3,574
Jurong West Post Office	Blk 492 Jurong West Street 41 #01-42/44	Leasehold	91	01.01.94	-	120
Kallang Delivery Base	18 Jalan Lembah Kallang	Leasehold	30	16.09.92	2,761	6,872
Katong Post Office	373 Tanjong Katong Road	Leasehold	99	31.03.92	772	616
Killiney Road Post Office	1 Killiney Road	Leasehold	99	31.03.92	1,029	555
Lim Ah Pin Road Post Office	11 Lim Ah Pin Road	Leasehold	99	31.03.92	669	243
Loyang Delivery Base	25 Loyang Lane	Leasehold	30	16.10.95	3,519	3,225
MacPherson Road Post Office	70 MacPherson Road	Leasehold	30	31.03.92	1,918	315
5 Mandai Road	5 Mandai Road	Leasehold	99	31.03.92	2,124	468
Pasir Panjang Post Office	396 Pasir Panjang Road	Leasehold	99	31.03.92	1,726	318
Paya Lebar Delivery Base	755 Upper Serangoon Road	Leasehold	99	01.03.92	1,353	3,012
Serangoon Central Post Office	Blk 261 Serangoon Central Drive #01-05/07	Leasehold	99	01.07.89	-	120
Serangoon Garden Post Office	54 Serangoon Garden Way	Leasehold	99	31.03.92	1,215	341
Siglap Post Office	10 Palm Ave	Leasehold	99	31.03.92	986	270
Sinarang Bedok Post Office	350 Bedok Road	Leasehold	99	31.03.92	1,129	378
Singapore Post Centre	10 Eunos Road 8	Leasehold	60	31.08.86	32,738	137,134
SingPost Regional eCommerce Logistics Hub	37 Greenwich Drive	Leasehold	30	16.11.14	32,494	51,358
16 Still Road	16 Still Road	Leasehold	99	31.03.92	506	201
Tampines Delivery Base	29 Tampines Street 92	Leasehold	30	16.10.95	5,000	12,358
Tanglin Post Office	56 Tanglin Road	Leasehold	99	31.03.92	2,643	2,678
Tanjong Pagar Post Office	Blk 1 Tanjong Pagar Plaza #01-01	Leasehold	82	01.01.94	-	151
Teban Garden Post Office	Blk 38 Teban Garden Road #01-316/317	Leasehold	71	01.01.94	-	134
38 Toh Guan Road East	38 Toh Guan Road East	Leasehold	30	01.01.94	10,064	18,126
Towner Post Office	Blk 101 Towner Road #01-204/206	Leasehold	86	01.10.92	-	337
Woodlands Delivery Base	9 Woodlands Walk	Leasehold	30	16.10.95	3,040	2,393

Source: Company

Potential share buyback

SingPost will be able to generate a considerable amount of cash through these sales and pare down debt significantly. As management also believes the company is significantly undervalued, we believe it will follow other Temasek-owned entities like Keppel (KEP SP, CP SGD6.68 NR), Seatrium (SMM SP, CP SGD1.93, NR) and SATs (SATS SP, CP SGD3.80, NR) and undertake a share buyback on top of more dividends to return value to shareholders.

1.4 Debt likely to be pared down and reduce finance costs

SingPost incurred about SGD24.6m in finance expenses in 1H25, which should pro-rate to be around SGD49.2m annually, more than its FY24 net profit. 60-70% of its SGD891.6m of borrowings are in AUD at around 5% annual interest rate, and the rest are SGD-denominated at around 3% interest rate annually. If management is successful in monetising some of these assets, we believe debt will be pared down significantly, which would in turn reduce finance costs considerably and bump up profitability.

Fig 4: Composition of its debt (as of 30 Sep'24)

Debt breakdown as of 30 Sept 2024	Amount (SGD)	Amount (AUD)
Current Liabilities (m)		
Borrowings (secured)	***5.4***	
Non-current liabilities (m)		
Borrowings (secured)	**217.0**	
Secured by trade receivables	105.6	
Secured by PPE	110.7	
Borrowings (unsecured)	**669.3**	
10-year Notes	250.0	
5-year Notes	100.0	
5-year loan facilities		362.1
Total debt	891.6	

Source: Company

Fig 5: Estimated finance cost savings

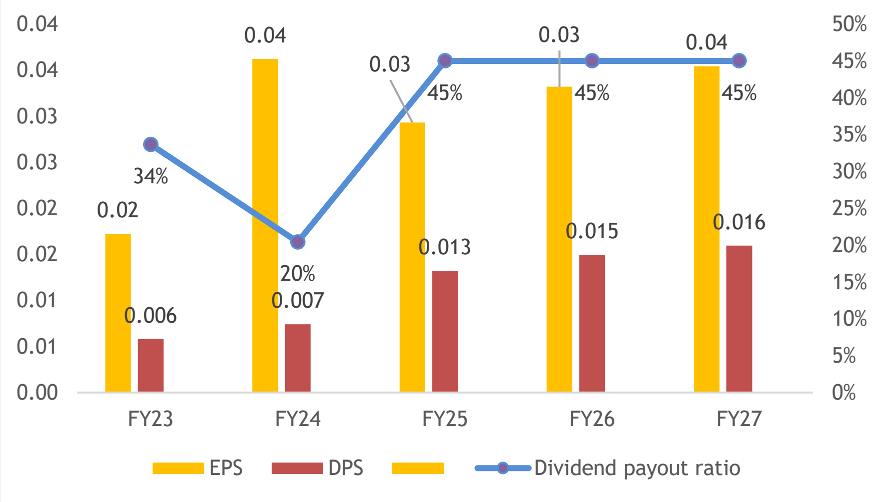
Total debt (SGDm)	891.6m
Blended Finance Cost	5.50%
(SGDm) of debt pared down	Finance cost (m)
100	5.5
200	11
300	16.5
400	22

Source: Company

1.5 Dividends to potentially increase with profitability

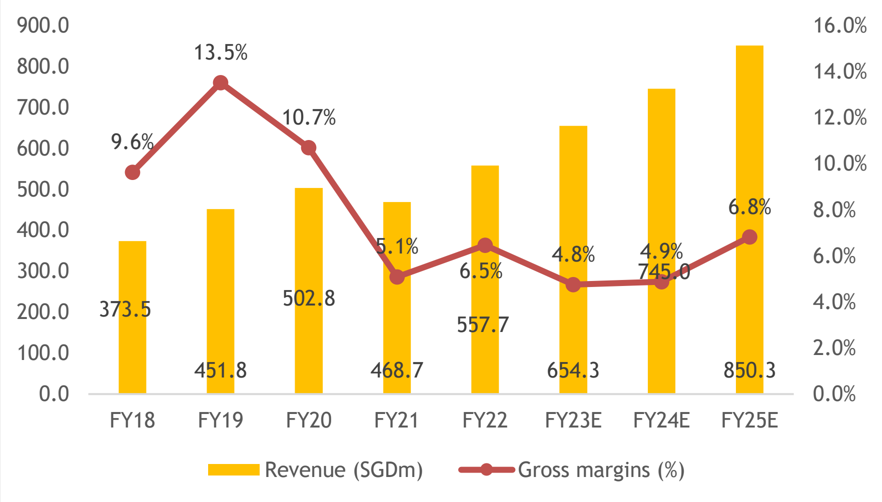
With the cost synergy and efficiency gains from its Australian business, costs optimisation of its local postal business, coupled with organic growth from its Australian business and turnaround of its international logistics business, we expect profitability to surge in FY25 by 53% YoY and in FY26 by 13% YoY. As SingPost typically pays out about 30% of its profits, we expect dividends to increase accordingly. We estimate 2.6% yield for FY25. Special dividends would also be possible if the assets are monetised.

Fig 6: Projected dividends and payout ratio (%)



Source: Maybank IBG Research

Fig 7: Projected revenue and gross margins



Source: Maybank IBG Research

1.6 International business turned around and growing well

SingPost's international business, which was badly hit by Covid-19, has turned around and has fared well, with 1HFY25 EBIT up 43.3% YoY from SGD3.0m to SGD4.3m despite increased competition and lower volumes. Cost management and focus on yields have helped to improve margins and management will continue to rationalise its operation and networks for greater operational efficiency.

1.7 MAS's review could bode well for mid-caps like SingPost

The Monetary Authority of Singapore (MAS) has established a task force to try to bolster Singapore's stock market. We believe this will be beneficial for quality small-mid cap names like SingPost and could help to improve its valuation and bring it closer to its intrinsic value. The review should be completed by Aug'25, which could be a catalyst.

2. Corporate information

2.1 Provider of holistic postal and e-commerce solutions

SingPost is a dynamic force in the realm of global logistics, offering a comprehensive suite of services tailored to meet the evolving needs of businesses in Southeast Asia and beyond. With a seamless integration of postal delivery, e-commerce solutions, warehousing and fulfilment services, SingPost provides clients with unparalleled convenience and efficiency.

Fig 8: SingPost's milestones

Source: Company

2.2 Logistics services

Leveraging advanced tracking technology, SingPost provides customers with real-time monitoring of their mail items, ensuring transparency and peace of mind throughout the delivery process. In 2020 alone, SingPost handled approximately 155m domestic mail items and 68m international ones, reflecting the extensive reach and scale of its postal network.

Internationally, SingPost connects Singapore with over 220 countries and territories, enabling the smooth exchange of mail items across borders. SingPost's international mail delivery service is supported by advanced customs clearance procedures and security checks, ensuring compliance with international regulations and standards.

In addition, SingPost provides warehousing and fulfilment management solutions, customisable and scalable to clients' preference. With an efficient Warehouse Management system and Transportation Management System, coupled with 14 warehouses across 9 countries in the Asia Pacific Region bolstered by Quantum Solutions, a SingPost Group company, SingPost is able to move goods and ensure timely order fulfilments across 200 countries.

Fig 9: SingPost Centre

Source: Company

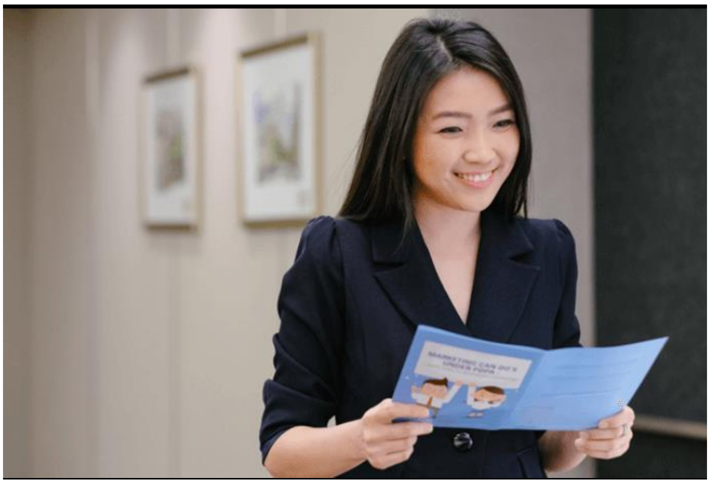
Fig 10: SingPost's logistics hub

Source: Company

2.3 Marketing solutions

SingPost's marketing solutions encompass a comprehensive suite of services tailored to help businesses effectively engage their target audiences. Leveraging its extensive postal network and digital capabilities, SingPost offers direct mail services for personalized messaging and promotions, coupled with data analytics to identify and target specific audience segments. Additionally, SingPost provides digital marketing solutions, including email marketing and social media advertising, to expand brand reach online. By integrating both traditional and digital channels, businesses can create cohesive cross-channel marketing campaigns for maximum impact. SingPost also emphasizes measurement and optimization, providing tools to track campaign performance and refine strategies for better results.

Fig 11: Marketing business with mail



Source: Company

Fig 12: Advertising at post offices

Source: Company

2.4 Mailing services

At the heart of SingPost's operations lies the fundamental essence of posting and mailing. It offers customers, be it for corporate or personal purposes, the option to post mail with varying amounts of volume domestically or internationally.

Furthermore, SingPost provides a secure and efficient payment service called SAM. By paying through Self-Automated Machines (SAM) kiosks situated island-wide, post offices, through a website or mobile app, payments are made more convenient, simple, cost effective, reliable and secure.

Fig 13: Mailing

Source: Company

2.5 Property solutions

SingPost Property Solutions is a part of SingPost with a focus on leveraging its extensive real estate portfolio to offer innovative property solutions tailored to the needs of businesses and communities. With a diverse range of properties, including retail spaces, industrial estates, and commercial developments, SingPost Property Solutions aims to create vibrant environments that foster growth and collaboration. By combining strategic location with modern amenities and sustainable design principles, SingPost Property Solutions seeks to provide value-added spaces that enhance the overall experience for tenants and visitors alike.

Fig 14: SingPost office and retail spaces for lease

Source: Company

2.6 Artificial Intelligence solutions

In 4Q23, SingPost unveiled its innovative 4^{th} party logistics (4PL) platform, ARRIV, designed to meet the evolving needs of e-commerce and logistics. As shippers and merchants increasingly demand comprehensive multimodal logistics solutions — encompassing warehousing, international shipping, customs clearances, and diverse consumer expectations — ARRIV was developed to significantly enhance e-commerce logistics and operational efficiency. By harnessing advanced digital technologies and smart data analytics, the platform offers integrated supply chain solutions that elevate customer experience through improved connectivity and visibility.

This strategic shift reflects SingPost's transition from traditional mail services to a stronger focus on logistics, driven by e-commerce trends. In FY22/23, logistics accounted for 70% of the group's SGD1.9b revenue, a significant increase from 38% in 2020. Notably, 86% of this revenue at the group level was generated from international logistics, underscoring the global reach and impact of SingPost's logistics operations. In 1HFY23/24, there was a growth in 4PL business wins, which offset weaker 3PL due to softer volumes and lower fuel surcharge.

Since its launch, the ARRIV platform has significantly improved operational efficiency, customer satisfaction, and connectivity in logistics operations. The integration of this 4PL system offers customers the ability to select routing options that balance cost efficiency, speed, and carbon footprint. By providing the most eco-friendly routes alongside the most cost-effective and fastest alternatives, ARRIV empowers users to make informed delivery decisions. This capability allows SingPost to calculate the carbon impact of the entire end-to-end supply chain, giving users access to detailed data and enabling them to manage their environmental footprint more effectively.

Overall, the ARRIV platform is a key driver of SingPost’s expansion into new markets, particularly through strategic partnerships that enhance its global ecosystem. This is evident in SingPost’s growing presence in Australia and other international markets, where logistics operations now represent 91% of the total operating profit. Alongside improved customer satisfaction and experience, ARRIV also contributes to greater sustainability, highlighting both the financial and environmental advantages of the platform.

Fig 15: Workflow of 4th Party logistics (4PL)

Source: Company

2.7 Freight Management Holdings (FMH)

FMH has been pivotal in expanding SingPost's market presence within Australia's competitive logistics sector. Fully acquired by SingPost in 2023 after a phased purchase beginning in 2020, FMH specializes in 4PL services, including freight forwarding, warehousing, and distribution. This acquisition aligns with SingPost's vision to become a leader in technology-driven logistics, enabling it to deliver end-to-end solutions across both B2B and B2C channels while increasing operational efficiency and customer satisfaction.

Since FMH's integration, SingPost has observed tangible financial growth. In 1HFY23/24 alone, FMH contributed to a 6% revenue increase and an 11% boost in operating profit from Australia-based operations, adding an estimated AUD50m in incremental revenue. Additionally, these efforts led to a 9% YoY EBIT increase across SingPost's Australia portfolio, attributed to higher demand for FMH's comprehensive logistics services and improved operational efficiency. FMH's increased productivity and technological upgrades have reduced delivery times by 15% on average, strengthening SingPost's competitive edge.

The 2023 acquisition of Border Express, a prominent logistics provider with 16 facilities, over 700 vehicles, and 1,300 employees, has further solidified SingPost's foothold in the Australian market. Purchased for up to AUD210m (approximately SGD184m), Border Express brought new capabilities that complemented FMH's existing offerings, enhancing SingPost's ability to deliver integrated, end-to-end solutions across Australia. This acquisition has positioned SingPost as a key player in the region, boosting its service portfolio and extending its B2B2C operations to a wider customer base.

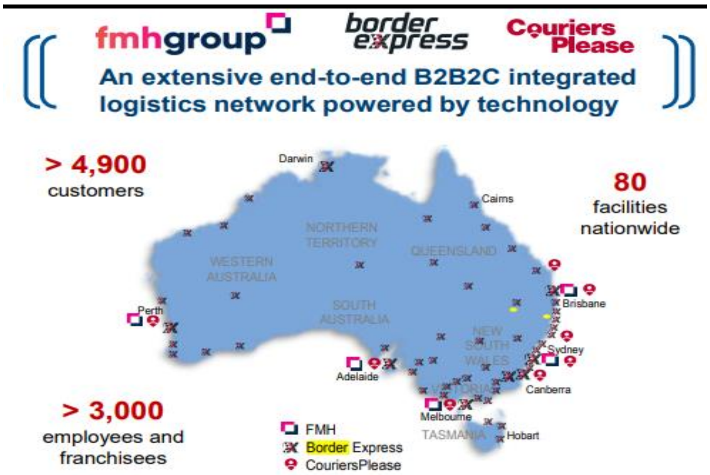
In 1QFY24/25, Border Express reported a 5.3% YoY revenue increase, driven by successful customer acquisition efforts, and an impressive 24.4% growth in operating profit through effective cost management strategies. These results contributed to SingPost's consolidated EBIT growth of 12% YoY, demonstrating the strong synergy between FMH and Border Express in driving financial performance.

With the logistics sector increasingly driven by e-commerce growth and the shift towards sustainable practices, SingPost's investments in FMH and Border Express align with industry trends. FMH has leveraged advanced logistics technologies, including automated warehousing systems, AI-driven route optimization, and IoT-enabled tracking, reducing logistical errors by 20% and enhancing customer service responsiveness. These innovations have cut overall operational costs by 8% while enabling faster, more reliable deliveries, meeting the demand for eco-conscious, technology-enabled logistics solutions.

In FY24, FMH and its subsidiaries contributed significantly to SingPost's AUD921.3m revenue in Australia, demonstrating the acquisition's scale and market impact. FMH also experienced an 8% volume growth from 1HFY22/23 to 1HFY23/24, while CouriersPlease, another subsidiary, reported an impressive 18% YoY increase in volume, underscoring SingPost's improved capacity to meet demand. Since the integration, SingPost has reported that average order fulfilment speed has improved by 20%, contributing to higher customer satisfaction and retention rates.

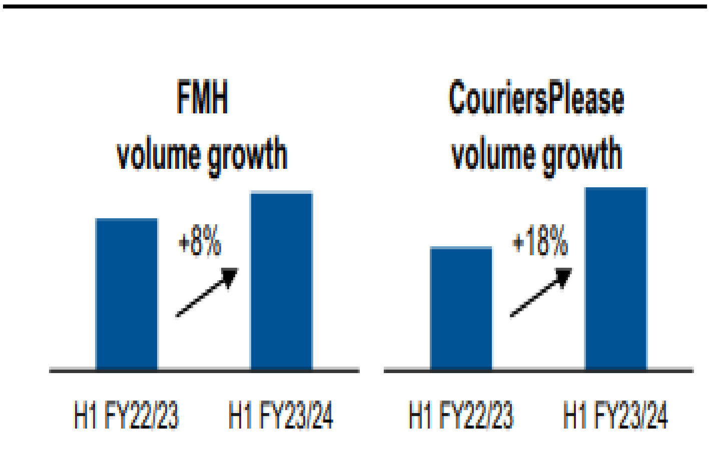
The expansion of SingPost's logistics network through FMH and Border Express has significantly boosted its market share in the Australian logistics sector, adding an estimated 3% growth in market share within the past year. By offering a wider range of end-to-end services and increasing delivery capacity by 30%, SingPost now supports over 5,000 businesses in Australia, from retail and technology to heavy industry. Enhanced customer satisfaction is evident, with client retention rates improving by 12% since the integration of Border Express, as SingPost meets evolving client demands with greater speed and reliability.

Fig 16: Result of acquisition of Border Express



Source: Company

Fig 17: Result of acquisition of Border Express

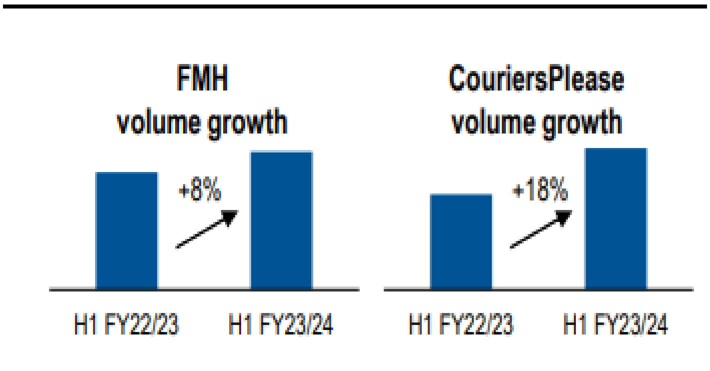


Source: Company

Fig 18: A Border Express truck

Source: Company

Fig 19: Result of acquisition of Border Express



Source: Company

3. Valuation

3.1 Initiate coverage with BUY and TP of SGD0.74

We initiate coverage of SingPost with BUY and a TP of SGD0.74, based on a 15% discount to our SOTP valuation of SGD0.87/share. We value its Australian business and its stake in Famous Holdings at around SGD1.1b (around 8x FY25E EBITDA) while we estimate SingPost Centre to be worth around SGD1.2b and 20 plus of its post office locations and logistic centres it owns to be worth around SGD300m. It's trading at 15.8x FY26E P/E, below the average for global peers of 19.8x.

Most importantly we believe management has shown intention to help realise shareholder value as it also believes SingPost is significantly undervalued. Management has taken steps to realise this value by conducting a strategic review of its Australian business, which may involve selling a minority stake or 100% interest in the business. Management is also speaking to authorities in Singapore to right-size the local postal business, which will allow it to reduce the number of post office locations and sell these properties (about half of its current portfolio) that are just booked at cost in its books. Last but not least, we also expect management to consolidate its Singapore operations into its Tampines facility, which will then free up SingPost Centre (debt free) to be unlocked and realise its value to shareholders.

Key re-rating catalysts include: 1) asset monetisation resulting in potential special dividends and share buybacks; 2) margin improvement due to costs optimisation and synergies across its acquisitions; 3) core dividends to increase due to improving financial performance; 4) debt to be lowered after asset monetisation, which would also reduce its hefty finance costs.

Fig 20: SOTP valuation

Assets	SGD m
SingPost Centre	1200
Australia business	1100
Famous Holdings	80
Post offices	300
Cash	428.4
Total	3108.4
Debt as of 1H25 + Perps	1143.2
Net Assets	1965.2
Number of shares	2249.9
Net Assets/share	**0.87**
Holding Co Discount	15%
Target price	**0.74**

Bloomberg, Maybank IBG Research

Fig 21: Peer comparison

Ticker	Name	P/BV FY2025	Div Yld FY2025	ROE 2025	P/E 2025
SPOST SP Equity	SINGAPORE POST LTD	1.0	3.0	5.2	**15.8**
Global peers					
000088 CH Equity	SHENZHEN YAN TIAN PORT HLD-A	3.4	1.1	7.7	18.4
600125 CH Equity	CHINA RAILWAY TIELONG CONT-A	6.0	1.8	7.7	13.4
MAHLOG IN Equity	MAHINDRA LOGISTICS LTD	79.2	0.5	17.3	32.2
002930 CH Equity	GUANGDONG GREAT RIVER SMAR-A	6.9	2.1	12.0	15.4
FDX US Equity	FEDEX CORP	126.6	1.9	18.3	12.7
UPS US Equity	UNITED PARCEL SERVICE-CL B	22.5	5.1	40.2	15.1
DSV DC Equity	DSV A/S	512.3	0.6	12.0	24.1
KNIN SW Equity	KUEHNE + NAGEL INTL AG-REG	29.2	2.6	36.7	19.7
002352 CH Equity	S F HOLDING CO LTD-A	22.0	1.2	11.1	18.4
CHRW US Equity	C.H. ROBINSON WORLDWIDE INC	14.1	2.5	32.9	23.1
XPO US Equity	XPO INC	18.1		26.2	33.9
9064 JP Equity	YAMATO HOLDINGS CO LTD	1790.9	2.6	5.8	15.7
2618 HK Equity	JD LOGISTICS INC	8.9		8.7	14.8
Average		203.1	2.0	18.2	**19.8**

Source: Bloomberg, Maybank IBG Research

4. Risks

Cybersecurity threat

SingPost stores sensitive customer data and operates digital platforms for e-commerce and logistics. The company faces cybersecurity threats, such as data breaches, cyberattacks, and theft of intellectual property, which could compromise customer trust and lead to financial losses. With the integration of blockchain technology, any potential vulnerability can be exploited to manipulate transactions or access sensitive information.

Financial risk

The Group has diversified global businesses that are partially funded by external debts and shareholders' funds. This exposes the Group to liquidity risk, unfavourable movements in foreign exchange rates and interest rates that may result in potential financial losses.

Bad weather/natural disasters/pandemic will impact operations

As SingPost operates freights, bad weather conditions may affect its operations and put the safety of workers at risk despite safety measures and protocols. In addition, a lockdown similar to Covid-19 would halt activities like it did during 2020 and cause utilization of its fleet to decline sharply, impacting profitability significantly.

Exposure to changes in government regulation

As SingPost operates in a few other countries such as the UK and China, changes in government regulations may affect SingPost's operations. Government regulations are crucial, especially when it is an important sector like logistics, and companies have to conform to rule changes to operate in the country. In 1Q22/23, strict measures taken by China caused international post and parcel volume to decrease by 20.5% YoY.

Geopolitical risks in the APAC region

SingPost operates in various countries in the APAC region, including China and Australia. Geopolitical tension in this region, such as between China and Taiwan, could indirectly impact SingPost's operations. Heightened conflict and instability could lead to disruptions in supply chains, increased regulatory scrutiny, and potential sanctions, which may adversely affect SingPost's logistics and e-commerce solutions.

Decline in postal volume

The decline in postal volume at SingPost is primarily caused by the decreasing amount of traditional mail, such as letters and printed materials, as digital communication becomes more prevalent. This shift has led to reduced revenue of the postal business. Additionally, rising costs associated with maintaining postal infrastructure, labour, utilities, and transportation, exacerbates the financial strain.

FX Risks

As a significant amount of revenue is generated in Australia, a depreciation of AUD against SGD will be negative for Singpost. Currently they have 600+m of AUD debt hence there's some natural hedging but the FX risks could increase once the debt is pared down.

5. Key Management

Phang Heng Wee, Vincent - CEO

Mr Vincent Phang was appointed Group Chief Executive Officer (GCEO) of SingPost on 1 September 2021. He leads and oversees the transformation and development of the Group, driving its international growth as a leading logistics provider in Asia Pacific. Under his leadership, the Group has expanded into Australia and developed its cross-border e-commerce logistics business globally. Vincent first joined SingPost in 2019 as the Chief Executive Officer for Postal Services and Singapore, which comprises Post, Parcel, and Logistics business in Singapore. With over 20 years of regional experience in the supply chain, logistics, industrial and manufacturing industries in Asia, he has held prior senior leadership roles at ST Logistics and Toll. Vincent holds a Master of Engineering (1st Class Hons) Aeronautic from the Imperial College, United Kingdom, and a Post Graduate Diploma (Distinction) in Flight Test Engineering from International Test Pilots School, United Kingdom. He has also attended the Advanced Management Programme at Harvard Business School, United States in 2014.

Mr Vincent Yik – Group Chief Financial Officer

Mr Vincent Yik joined SingPost in December 2021 and is the Group Chief Financial Officer, responsible for overall financial matters of the Group, including financial and management reporting, taxation, investment management, risk management, treasury and other corporate matters. Vincent has more than 20 years of finance-related experience and before assuming the current role, he served as Chief Financial Officer at OUE Lippo Healthcare Limited. Prior to that, Vincent also previously held key executive roles, including as CFO of Far East Orchard Limited (a member of Far East Organization), Chief Operating Officer, Australia Properties of Far East Organization, Sydney, as well as CFO, Australia & New Zealand Banking Group, Singapore Branch. Vincent holds a Bachelor of Commerce from the University of Queensland, Australia. He is also a member of CPA Australia as well as the Institute of Singapore Chartered Accountants.

FYE 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	53.6	13.4	19.0	16.8	15.7
Core P/E (x)	45.6	22.8	19.0	16.8	15.7
P/BV (x)	1.0	0.8	1.1	1.1	1.1
P/NTA (x)	1.3	1.2	1.6	1.6	1.6
Net dividend yield (%)	1.2	1.8	2.5	2.8	3.0
FCF yield (%)	7.8	4.0	nm	6.3	6.1
EV/EBITDA (x)	7.1	8.0	6.9	6.4	6.1
EV/EBIT (x)	13.4	15.7	11.6	10.6	10.1
INCOME STATEMENT (SGD m)					
Revenue	1,872.3	1,686.7	1,958.3	2,063.7	2,175.9
EBITDA	175.7	166.0	225.7	242.4	254.6
Depreciation	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	93.2	84.9	133.6	145.5	152.4
Net interest income /(exp)	(17.5)	(20.3)	(41.6)	(41.6)	(41.6)
Associates & JV	0.0	(1.5)	(1.5)	(1.5)	(1.5)
Exceptionals	(7.7)	36.8	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	68.0	99.9	90.4	102.3	109.2
Income tax	(29.2)	(18.4)	(24.4)	(27.6)	(29.5)
Minorities	(14.1)	(3.1)	(2.5)	(2.9)	(3.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	24.7	78.3	63.4	71.8	76.6
Core net profit	24.7	41.5	63.4	71.8	76.6
Preferred Dividends	0.0	0.0	0.0	0.0	na
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	495.7	476.7	479.9	486.3	491.2
Accounts receivable	229.8	252.4	293.1	308.8	325.6
Inventory	0.5	0.3	0.3	0.3	0.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	386.9	454.3	424.4	399.8	379.5
Intangible assets	501.0	636.3	636.3	636.3	636.3
Investment in Associates & JVs	31.9	23.1	23.1	23.1	23.1
Other assets	1,191.9	1,292.8	1,292.8	1,294.7	1,294.7
Total assets	**2,837.8**	**3,135.9**	**3,149.9**	**3,149.3**	**3,150.7**
ST interest bearing debt	1.4	10.3	10.3	10.3	10.3
Accounts payable	632.5	605.6	688.8	724.1	763.8
Insurance contract liabilities	30.0	28.2	28.2	28.2	28.2
LT interest bearing debt	623.0	816.8	816.8	816.8	816.8
Other liabilities	177.0	254.0	222.0	186.0	148.0
Total Liabilities	**1,463.5**	**1,715.0**	**1,766.4**	**1,765.8**	**1,767.2**
Shareholders Equity	1,130.2	1,131.9	1,131.9	1,131.9	1,131.9
Minority Interest	(7.4)	37.5	(0.0)	(0.0)	(0.0)
Total shareholder equity	**1,122.8**	**1,169.4**	**1,131.9**	**1,131.9**	**1,131.9**
Perpetual securities	251.5	251.5	251.5	251.5	251.5
Total liabilities and equity	**2,837.8**	**3,135.9**	**3,149.9**	**3,149.3**	**3,150.7**
CASH FLOW (SGD m)					
Pretax profit	68.0	99.9	90.4	102.3	109.2
Depreciation & amortisation	(82.6)	(81.0)	(92.2)	(96.9)	(102.2)
Adj net interest (income)/exp	12.1	18.9	0.0	0.0	0.0
Change in working capital	(8.2)	(34.9)	(123.8)	(51.1)	(56.5)
Cash taxes paid	(32.8)	(31.0)	(24.4)	(27.6)	(29.5)
Other operating cash flow	31.9	(17.9)	24.4	27.6	29.5
Cash flow from operations	115.7	93.4	46.5	125.8	123.0
Capex	(28.4)	(55.2)	(50.0)	(50.0)	(50.0)
Free cash flow	87.2	38.2	(3.5)	75.8	73.0
Dividends paid	(43.3)	(18.5)	(31.7)	(35.9)	(38.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Perpetual securities	249.0	0.0	0.0	0.0	0.0
Change in Debt	128.8	193.0	0.0	0.0	0.0
Perpetual securities distribution	(8.2)	(10.9)	0.0	0.0	0.0
Other invest/financing cash flow	(198.3)	(220.8)	38.4	(33.6)	(29.8)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	215.3	(19.0)	3.2	6.4	4.9

FYE 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	12.4	(9.9)	16.1	5.4	5.4
EBITDA growth	(5.8)	(5.6)	36.0	7.4	5.1
EBIT growth	(16.9)	(8.8)	57.3	8.9	4.8
Pretax growth	(36.7)	46.9	(9.5)	13.2	6.8
Reported net profit growth	(70.3)	217.4	(19.0)	13.2	6.8
Core net profit growth	(70.3)	68.2	52.9	13.2	6.8
Profitability ratios (%)					
EBITDA margin	9.4	9.8	11.5	11.7	11.7
EBIT margin	5.0	5.0	6.8	7.0	7.0
Pretax profit margin	3.6	5.9	4.6	5.0	5.0
Payout ratio	52.9	21.3	46.8	46.8	46.8
DuPont analysis					
Net profit margin (%)	1.3	4.6	3.2	3.5	3.5
Revenue/Assets (x)	0.7	0.5	0.6	0.7	0.7
Assets/Equity (x)	2.5	2.8	2.8	2.8	2.8
ROAE (%)	2.0	6.9	5.6	6.3	na
ROAA (%)	0.9	1.4	2.0	2.3	2.4
Liquidity & Efficiency					
Cash conversion cycle	nm	nm	nm	nm	nm
Days receivable outstanding	44.6	51.5	50.1	52.5	52.5
Days inventory outstanding	nm	nm	nm	nm	nm
Days payables outstanding	nm	nm	nm	nm	nm
Dividend cover (x)	1.9	4.7	2.1	2.1	2.1
Current ratio (x)	1.1	1.1	1.0	1.0	1.0
Leverage & Expense Analysis					
Asset/Liability (x)	1.9	1.8	1.8	1.8	1.8
Net gearing (%) (incl perps)	9.4	24.7	25.1	24.6	24.3
Net gearing (%) (excl. perps)	11.5	30.0	30.7	30.1	29.7
Net interest cover (x)	5.3	4.2	3.2	3.5	3.7
Debt/EBITDA (x)	3.6	5.0	3.7	3.4	3.2
Capex/revenue (%)	1.5	3.3	2.6	2.4	2.3
Net debt/ (net cash)	128.7	350.4	347.2	340.8	335.9

Source: Company; Maybank IBG Research

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