

COMPANY RESULTS

Singapore Post (SPOST SP)

1HFY25: Results Miss Despite Strong Growth

For 1HFY25, SPOST posted higher core PATMI (+87.6% yoy) on the back of increased contributions from the Australia and Singapore businesses. The Singapore business saw higher profits, driven by the postal rate hike in 3QFY24, while the Australia business posted robust growth due to the consolidation of BEX. The international business faced headwinds which dampened cross-border volumes. Maintain BUY with the same SOTP-based target price of S\$0.61.

1HFY25 RESULTS

Year to 31 Mar (\$m)	1HFY25	1HFY24	yoy % chg	Remarks
Revenue*	992.4	827.3	20.0	
- Australia	574.9	398.9	44.1	Driven by BEX consolidation.
- International	263.9	292.3	(9.7)	
International business	117.9	161.1	(26.8)	
Freight forwarding	148.7	135.6	9.7	Higher sea freight rates.
- Singapore	166.5	147.3	13.0	Driven by postage rate hike in 3QFY24.
Singapore business	129.6	115.3	12.4	
Property	43.0	38.0	13.2	
Operating Profit	51.2	31.4	62.9	
- Australia	30.4	23.3	30.2	Driven by BEX consolidation.
- International	12.7	14.9	(14.7)	
International business	4.3	3.0	43.3	
Freight forwarding	8.4	11.9	(29.2)	Dragged by higher operating costs.
- Singapore	23.0	6.7	243.5	
Singapore business	(0.9)	(14.7)	n.m	Driven by postage rate hike in 3QFY24.
Property	23.9	21.4	11.7	
Operating Margin	5.2	3.8	1.4ppt	
Core PATMI	25.2	13.4	87.6	
Core PATMI Margin (%)	2.5	1.6	0.9ppt	

*Including inter-segment eliminations Source: SPOST, UOB Kay Hian

RESULTS

• **A miss despite strong growth.** Singapore Post (SPOST) reported strong 1HFY25 results whereby overall revenue (+20.0% yoy), operating profit (+62.9% yoy) and core PATMI (+87.6% yoy) grew, forming 50%/41%/35% of our full-year forecasts. However, this was below our expectations as higher-than-expected interest costs (+S\$10m, +69.1% yoy) coupled with softer-than-expected performances from the Singapore letter & mail business and the Australian 3PL business dragged the group's overall performance. The higher interest costs were largely due to increased borrowings from the FMH stake and Border Express (BEX) acquisitions. Assuming stable yoy interest costs, 1HFY25 PATMI would have formed around 45% our full-year forecast and in line with our expectation.

• **Higher dividend.** In line with the stronger 1HFY25 core PATMI, SPOST declared a higher interim dividend of 0.34 S cents (1HFY24: 0.18 S cents), implying a 30% core PATMI payout ratio.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,872	1,687	2,033	2,112	2,192
EBITDA	174	173	230	240	250
Operating profit	91	90	116	128	139
Net profit (rep./act.)	25	78	59	69	78
Net profit (adj.)	32	41	62	69	78
EPS (S\$ cent)	1.4	1.8	2.7	3.1	3.5
PE (x)	36.3	28.3	19.0	17.0	15.0
P/B (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	8.7	8.7	6.6	6.3	6.1
Dividend yield (%)	1.1	1.4	2.3	2.6	3.0
Net margin (%)	1.3	4.6	2.9	3.3	3.6
Net debt/(cash) to equity (%)	9.3	25.3	22.3	15.1	7.9
Interest cover (x)	7.0	6.2	15.5	20.7	24.4
ROE (%)	1.8	5.7	4.2	5.0	5.5
Consensus net profit (\$m)	-	-	71	83	92
UOBKH/Consensus (x)	-	-	0.87	0.83	0.85

Source: SPOST, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.52
Target Price	S\$0.61
Upside	+17.8%

COMPANY DESCRIPTION

Singapore Post (SPOST) is the national postal service provider in Singapore. The company provides domestic and international postal and courier services including end-to-end integrated mail solutions covering data printing.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SPOST SP
Shares issued (m):	2,250.0
Market cap (S\$m):	1,170.1
Market cap (US\$m):	880.4
3-mth avg daily t'over (US\$m):	3.4

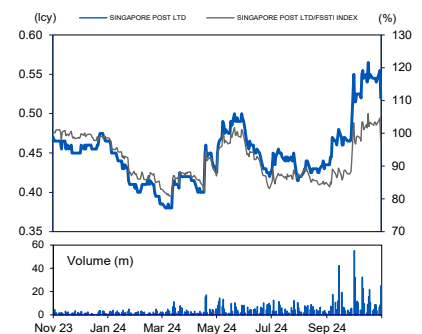
Price Performance (%)

52-week high/low	S\$0.57/S\$0.37				
1mth	3mth	6mth	1yr	YTD	
10.6	25.3	20.9	9.5	9.5	

Major Shareholders

	%
Singtel	22.0
Alibaba Group	14.6
-	-
FY25 NAV/Share (S\$)	0.50
FY25 Net Debt/Share (S\$)	0.14

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Singapore (Postal): Strong growth.** Driven by the postal rate hike in 3QFY24, 1HFY25 revenue from the Singapore postal business was 12.4% higher yoy, led by a sharp 50.7% yoy increase in letter & mail postal revenue. Excluding a S\$1.9m one-off cost, 1HFY25 operating profit was S\$1.0m (1HFY24: S\$14.7m operating loss), slightly below our expectation of S\$7m which we reckon was dragged by higher operating costs and lower-than-expected letter mail volumes (-8.6% yoy). Also, the postal office network, which has been unprofitable, posted an operating loss of S\$8.1m. Management noted that the group is finalising an operating model with the regulatory authorities that would ensure long-term commercial viability of postal services. We reckon that this would likely lead to the rationalisation of the postal office network which would reduce operating costs and improve profitability. Moving forward, we expect a seasonally stronger 2HFY25.
- Singapore (Property): Stable performance.** Above our expectation, 1HFY25 operating profit grew 11.7% yoy to S\$23.9m (1HFY24: S\$21.4m) on improved rental income. Overall occupancy rates at SingPost Centre rose to 98.2% in 2QFY25 (1QFY25: 96.0%).
- International (Postal): Ongoing headwinds.** Despite lower revenue (-26.8% yoy), the international postal business posted higher 1HFY25 operating profit of S\$4.3m (1HFY24: S\$3.0m), in line with our expectation of S\$4m. A weak macroeconomic environment, a strong Singapore dollar against the Chinese yuan and increased competition continued to dampen cross-border postal volumes (-25.1% yoy) in 2QFY25. However, cost-efficiency initiatives and the group's focus on improving yields ensured a better operating margin, leading to operating profit growth. Maintaining our previous expectation, we opine that earnings from the international business bottomed out in 1HFY25 and would grow moving into 3QFY25.
- International (Famous Holdings): Falling margins.** Slightly above our expectation, 1HFY25 revenue grew 9.7% yoy, in line with higher sea freight rates but operating profit fell 29.8% yoy as margins compressed. Earmarked as a non-core asset, we reckon that the divestment of Famous Holdings is likely in the short to medium term.
- Australia: Robust inorganic growth, dragged by 3PL business.** Driven by the consolidation of BEX, both Australia revenue (+44.1% yoy) and operating profit (+30.2% yoy) surged in 1HFY25. However, this was below our expectation as we expected an operating profit of around S\$35m. We reckon that the weakness in the 3PL business led to the softer-than-expected results, offset by organic volume growth from its 4PL business. Also, management guided that operating profit from BEX grew by around 23% yoy in 1HFY25. Based on our estimate, around S\$15m of the S\$30.4m operating profit from Australia was from BEX. Moving forward, we expect BEX to significantly boost segmental annual operating profit in FY25, coupled with organic growth from the Australian 4PL business and the realisation of operating synergies from the ongoing business integration of CouriersPlease and BEX into FMH Group.

EARNINGS REVISION/RISK

- We slash our FY25-27 core PATMI estimates by 13-15%**, on the back of higher interest cost assumptions and lower margin assumptions. We now forecast FY25-27 core PATMI at S\$61.9m (S\$71.0m previously), S\$69.2m (S\$81.2m previously) and S\$78.5m (S\$91.0m previously) respectively.

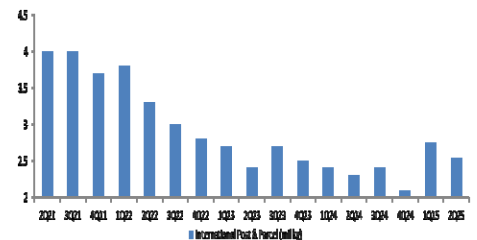
VALUATION/RECOMMENDATION

- Maintain BUY with the same SOTP-based target price of S\$0.61.** Based on our SOTP valuation, we value the property, logistics and postal segments at S\$844.0m, S\$861.3m and S\$271.2m respectively. Given that SPOST's current market cap is around S\$1.18b, we think that the market is severely undervaluing SPOST's businesses. At our target price, SPOST trades at 22x FY25F PE, just above its long-term average mean PE.

SHARE PRICE CATALYST

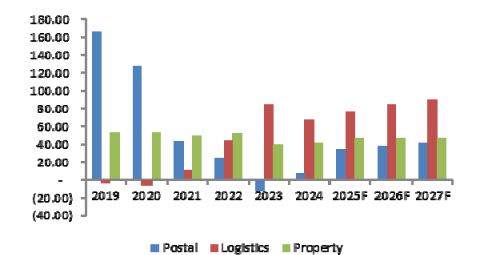
- Potential stake sale of its Australian business.
- Divestment of non-core businesses.

INTERNATIONAL BUSINESS VOLUMES (M KG)



Source: SPOST, UOB Kay Hian

SEGMENTAL OPERATING PROFIT BREAKDOWN (\$M)



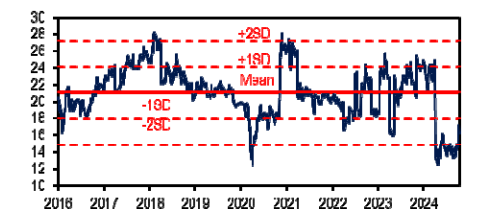
Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

Business	Valuation (\$m)	Value ps (\$)	Remarks
Mail	271.2	0.12	5x FY25F EV/EBITDA
Logistics	861.3	0.38	7x FY25F EV/EBITDA
Property	844.0	0.38	Cap rate of 5.0%
Gross value (\$m)	1,976.5	0.88	
Less: Net debt (cash)	309.1		
Less: Perpetuals	251.5		
Less: Minority stake	37.5		
Net value (\$m)	1,378.4		
No. of shares	2,250.1		
Target price (\$)	\$0.61		

Source: UOB Kay Hian

HISTORICAL FORWARD PE (X)



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	1,686.7	2,032.5	2,111.9	2,192.2
EBITDA	173.3	230.5	239.9	249.5
Deprec. & amort.	83.0	114.2	112.3	110.3
EBIT	90.4	116.3	127.6	139.2
Total other non-operating income	39.2	(20.0)	(20.0)	(20.0)
Associate contributions	(1.5)	0.0	0.0	0.0
Net interest income/(expense)	(28.2)	(14.9)	(11.6)	(10.2)
Pre-tax profit	99.9	81.4	96.1	109.0
Tax	(18.4)	(22.8)	(26.9)	(30.5)
Minorities	(3.1)	0.0	0.0	0.0
Net profit	78.3	58.6	69.2	78.5
Net profit (adj.)	41.5	61.9	69.2	78.5

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	93.4	159.0	198.3	203.7
Pre-tax profit	99.9	81.4	96.1	109.0
Tax	(31.0)	(22.8)	(26.9)	(30.5)
Deprec. & amort.	81.0	114.2	112.3	110.3
Associates	1.5	0.0	0.0	0.0
Working capital changes	(34.9)	(23.8)	10.8	10.9
Non-cash items	(23.3)	10.0	6.1	4.1
Investing	(145.9)	(45.1)	(44.5)	(43.8)
Capex (growth)	(55.2)	(50.0)	(50.0)	(50.0)
Investments	(123.5)	0.0	0.0	0.0
Proceeds from sale of assets	21.0	0.0	0.0	0.0
Others	11.8	4.9	5.5	6.2
Financing	33.6	(91.7)	(57.4)	(112.2)
Dividend payments	(13.1)	(27.5)	(30.9)	(35.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	46.6	(64.2)	(26.4)	(77.0)
Net cash inflow (outflow)	(19.0)	22.2	96.4	47.7
Beginning cash & cash equivalent	495.7	476.7	498.9	595.3
Ending cash & cash equivalent	476.7	498.9	595.3	643.1

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	454.3	390.1	327.8	267.5
Other LT assets	1,920.6	1,920.6	1,920.6	1,920.6
Cash/ST investment	476.7	498.9	595.3	643.1
Other current assets	284.3	277.3	286.9	296.6
Total assets	3,135.9	3,087.0	3,130.7	3,127.9
ST debt	10.3	10.3	10.3	10.3
Other current liabilities	687.7	656.9	677.3	697.9
LT debt	816.8	797.7	797.7	745.8
Other LT liabilities	200.1	200.1	200.1	200.1
Shareholders' equity	1,383.5	1,384.5	1,407.8	1,436.2
Minority interest	37.5	37.5	37.5	37.5
Total liabilities & equity	3,135.9	3,087.0	3,130.7	3,127.9

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	10.3	11.3	11.4	11.5
Pre-tax margin	5.9	4.0	4.5	5.0
Net margin	4.6	2.9	3.3	3.6
ROA	2.6	1.9	2.2	2.5
ROE	5.7	4.2	5.0	5.5
Growth				
Turnover	(9.9)	20.5	3.9	3.8
EBITDA	(0.2)	33.0	4.1	4.0
Pre-tax profit	46.9	(18.5)	18.0	13.4
Net profit	217.4	(25.2)	18.0	13.4
Net profit (adj.)	28.1	49.1	11.8	13.4
EPS	28.1	49.1	11.8	13.4
Leverage				
Debt to total capital	36.8	36.2	35.9	33.9
Debt to equity	59.8	58.4	57.4	52.6
Net debt/(cash) to equity	25.3	22.3	15.1	7.9
Interest Cover (x)	6.2	15.5	20.7	24.4

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