

COMPANY UPDATE

Singapore Post (SPOST SP)

Ignore The Noise; Divestments Still On Track

Following whistleblower reports and investigations, SPOST recently announced the termination of three senior management executives. However, the planned sale of SPOST's Australian business is still on track while the group's strategy to divest non-core assets remains unchanged. We expect the sale of Famous Holdings to take place in the near-medium term, followed by the sale of SingPost Centre. Maintain BUY with an unchanged target price of S\$0.72, which implies 1.0x FY26F P/B.

WHAT'S NEW

- Whistleblower report.** Following whistleblower reports and the completion of internal and external investigations, Singapore Post (SPOST) announced that it has terminated the employment of its Group CEO (GCEO), Group CFO (GCFO) and the CEO of its international business unit (CEOIBU). As a recap, three business managers with various responsibilities in SPOST's IBU unit performed/approved manual updates of "delivery failure" status codes for parcels which SPOST had agreed to deliver to a customer. With no delivery attempt being made and without supporting documents, this was done with the intention to avoid contractual penalties under the customer agreement and not in line with SPOST's standard processes. The three managers directly involved have then been fired while the contract with the customer has been renewed after penalties were paid.
- Changes in management.** Despite the GCEO, GCFO and CEOIBU not being directly involved in the incident, SPOST commenced disciplinary proceedings against the three of them. According to investigations, it was found that in relation to handling of the internal investigations and renewal of the related customer agreement, the three executives were grossly negligent and had omitted to consider material facts that compromised their decision-making, and resulted in failure to perform their duties responsibly. The three executives also accorded undue weight to the misrepresentations from IBU representatives and made serious misrepresentations to the group's audit committee. As a result, SPOST's board had lost confidence and trust in the judgement of the GCEO, GCFO and CEOIBU to perform their duties diligently and thus, the employment of the three executives were then terminated effective 21 Dec 24.
- Leadership succession.** With the removal of the GCEO, GCFO and CEOIBU, it was announced that several candidates had been identified to replace these positions. The current CFO of SPOST's Australia business will return to Singapore to take up the GCFO position, SPOST's ex-Singapore CEO will return to the group to fill up a newly created Group COO role while the current head of SPOST's South District IBU will act as acting-CEOIBU. Mr Simon Israel, the Chairman of SPOST's Board, will also act on behalf of the board, providing increased guidance and exercising greater oversight.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,872	1,687	2,033	865	885
EBITDA	174	173	189	115	117
Operating profit	91	90	101	60	64
Net profit (rep./act.)	25	78	347	35	39
Net profit (adj.)	32	41	62	35	39
EPS (S\$ cent)	1.4	1.8	2.7	1.6	1.7
PE (x)	38.0	29.7	19.9	35.1	31.6
P/B (x)	1.1	1.1	0.9	0.9	0.9
EV/EBITDA (x)	4.0	4.0	3.7	6.1	6.0
Dividend yield (%)	1.1	1.4	2.0	2.0	2.0
Net margin (%)	1.3	4.6	17.1	4.1	4.4
Net debt/(cash) to equity (%)	9.3	25.3	(33.7)	(32.4)	(29.0)
Interest cover (x)	7.0	6.2	12.7	9.9	11.4
ROE (%)	1.8	5.7	22.7	2.1	2.3
Consensus net profit (S\$m)	-	-	205	53	58
UOBKH/Consensus (x)	-	-	0.30	0.66	0.67

Source: SPOST, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.545
Target Price	S\$0.72
Upside	+32.1%

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):	1,226.3
Market cap (US\$m):	897.2
3-mth avg daily t'over (US\$m):	4.5

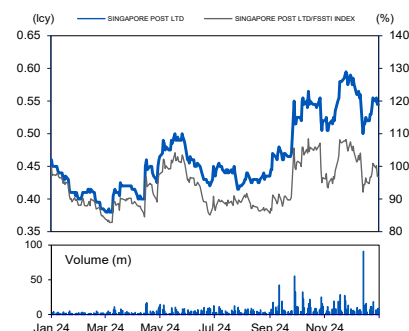
Price Performance (%)

52-week high/low	S\$0.60/S\$0.37				
1mth	3mth	6mth	1yr	YTD	
(5.2)	5.8	26.7	17.2	2.8	

Major Shareholders

	%
Singtel	22.0
Alibaba Group	14.6
FY25 NAV/Share (S\$)	0.63
FY25 Net Debt/Share (S\$)	0.25

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llleythan Tan Yi Rong
 +65 6590 6624
 yirong@uobkayhian.com

STOCK IMPACT

- Australia sale still on track.** Despite the changes in management, the sale of SPOST's Australian business remains on track and is scheduled for an extraordinary general meeting in Feb 25. As a recap, SPOST announced that it had entered a sales and purchase agreement with Pacific Equity Partners (PEP) for the complete sale of its Australian business. PEP shall acquire the Australian business at an enterprise value of A\$1.02b (~S\$897m, around 7-8X EV/EBITDA) whereby SPOST would acquire A\$776m (~S\$683m) in cash and post an expected one-off gain on disposal of around S\$312m upon completion. The group noted that around half of the A\$776m (~S\$683m) cash proceeds would be used to repay its Australian dollar-denominated debt of A\$362m (~S\$321m), and after accounting for future funding needs, the group mentioned that a special dividend would be considered in due course.
- Potential special dividend.** Based on our estimates, assuming that all of the remaining S\$362m cash proceeds are used for a special dividend, this would lead to a special dividend of around 16 S cents/share and a dividend yield of 27%. However, we opine that the group would prioritise future growth opportunities/deleverage its balance over a large special dividend. Using S\$100m of the remaining S\$362m cash proceeds would result in a special dividend of around 4.4 S cents/share and a dividend yield of 8%. Our base case assumes that SPOST maintains its FY26-27 dividends at the same level as FY25's via special dividends.
- Next steps.** In our view, we expect SPOST to continue its monetisation of non-core assets and businesses and maintain our expectations that Famous Holdings would be the next non-core asset to be divested in the short-medium term. We also understand that M&As and divestments are board-driven and that the recent change would not alter the group's strategy to divest non-core assets. However, in our view, we reckon that the timeline and schedule of future divestments may be impacted as the new management executives take over. Assuming a 5x EV/EBITDA multiple, we value Famous Holdings at around S\$130m. Also, we value the SingPost Centre at close to S\$900m and opine that any divestment/sale would likely be a minority stake sale.

EARNINGS REVISION/RISK

- We maintain our FY25-27 core PATMI estimates.**

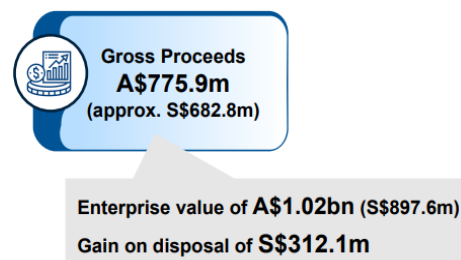
VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged SOTP-based target price of S\$0.72**, implying a 1.0x FY26F P/B. We reckon that there is still potential upside at current price levels, given that the group has yet to monetise both Famous Holdings and the SingPost centre, which would further unlock shareholder value. The change in top management is unlikely to impact the group's divestment strategy which could potentially lead to higher-than-expected special dividends. Also, further clarity on the group's strategy moving forward would be a re-rating catalyst for the stock, in our view.

SHARE PRICE CATALYST

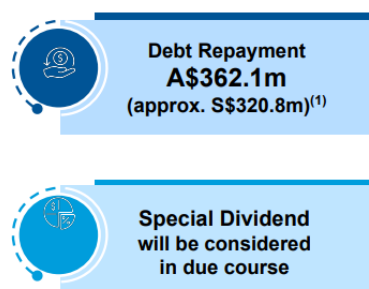
- Divestment of non-core businesses.
- Larger-than-expected special dividend.
- Earnings-accretive acquisitions.

PROCEEDS OF THE TRANSACTION



Source: SPOST, UOB Kay Hian

USE OF PROCEEDS FROM THE TRANSACTION



Source: SPOST, UOB Kay Hian

ESTIMATED TIMELINE

2 Dec 2024	Announcement of Proposed Divestment
Around 28 Feb 2025	EGM to be convened
End March 2025	Completion of transaction

Source: SPOST, UOB Kay Hian

SOTP VALUATION

Business	Valuation (S\$m)	Value ps (S\$)	Remarks
Mail	248.0	0.11	5x FY26F EV/EBITDA
Logistics	131.7	0.06	5x FY26F EV/EBITDA
4PX	83.7	0.04	As of end-1HFY25
Property	914.3	0.41	Cap rate of 5%
Gross value (S\$m)	1,377.7	0.61	
Less: Net debt (cash)	(540.8)		
Less: Perpetuals	251.5		
Less: Minority stake	37.5		
Net value (S\$m)	1,629.4		
No. of shares	2,250		
Target price (S\$)	\$0.72		

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	1,686.7	2,032.5	865.2	885.1
EBITDA	173.3	188.9	114.6	116.6
Deprec. & amort.	83.0	88.2	54.3	52.3
EBIT	90.4	100.7	60.3	64.3
Total other non-operating income	39.2	285.2	0.0	0.0
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	371.0	48.8	54.1
Tax	(18.4)	(24.0)	(13.7)	(15.1)
Minorities	(3.1)	0.0	0.0	0.0
Net profit	78.3	347.0	35.1	38.9
Net profit (adj.)	41.5	61.8	35.1	38.9

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	454.3	316.1	311.8	309.5
Other LT assets	1,920.6	1,452.8	1,452.8	1,452.8
Cash/ST investment	476.7	915.1	891.7	840.2
Other current assets	284.3	338.3	248.6	235.9
Total assets	3,135.9	3,022.3	2,905.0	2,838.4
ST debt	10.3	10.3	10.3	10.3
Other current liabilities	687.7	758.2	645.4	574.5
LT debt	816.8	340.7	340.7	345.8
Other LT liabilities	200.1	200.1	200.1	200.1
Shareholders' equity	1,383.5	1,675.5	1,670.9	1,670.1
Minority interest	37.5	37.5	37.5	37.5
Total liabilities & equity	3,135.9	3,022.3	2,905.0	2,838.4

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	93.4	1,027.4	68.9	34.6
Pre-tax profit	99.9	85.8	48.8	54.1
Tax	(31.0)	(24.0)	(13.7)	(15.1)
Deprec. & amort.	81.0	88.2	54.3	52.3
Associates	1.5	0.0	0.0	0.0
Working capital changes	(34.9)	16.5	(23.0)	(58.2)
Non-cash items	(23.3)	861.0	2.5	1.6
Investing	(145.9)	(43.0)	(41.0)	(41.3)
Capex (growth)	(55.2)	(50.0)	(50.0)	(50.0)
Investment	(123.5)	0.0	0.0	0.0
Proceeds from sale of assets	21.0	0.0	0.0	0.0
Others	11.8	7.0	9.0	8.7
Financing	33.6	(546.0)	(51.3)	(44.8)
Dividend payments	(13.1)	(24.8)	(24.8)	(24.8)
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	(521.2)	(26.4)	(20.0)
Net cash inflow (outflow)	(19.0)	438.4	(23.4)	(51.5)
Beginning cash & cash equivalent	495.7	476.7	915.1	891.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	476.7	915.1	891.7	840.2

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	10.3	9.3	13.2	13.2
Pre-tax margin	5.9	18.3	5.6	6.1
Net margin	4.6	17.1	4.1	4.4
ROA	2.6	11.3	1.2	1.4
ROE	5.7	22.7	2.1	2.3
Growth				
Turnover	(9.9)	20.5	(57.4)	2.3
EBITDA	(0.2)	9.0	(39.3)	1.8
Pre-tax profit	46.9	271.4	(86.9)	10.9
Net profit	217.4	342.9	(89.9)	10.9
Net profit (adj.)	28.1	48.8	(43.2)	10.9
EPS	28.1	48.8	(43.2)	10.9
Leverage				
Debt to total capital	36.8	17.0	17.0	17.3
Debt to equity	59.8	20.9	21.0	21.3
Net debt/(cash) to equity	25.3	(33.7)	(32.4)	(29.0)
Interest cover (x)	6.2	12.7	9.9	11.4

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W