SingPost profits from Australia logistics growth as parcels drop

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Singapore Postâ€™s investments in Australia are paying off with profitable growth to offset weaker business in its home market, half-year results released today showed.

At the same time, the group performed better last quarter (July – September) than in the first three months of the current business year.

Revenues up, profits down

SingPost's half-year revenue rose 31.1% to S$958.9 million – the highest revenue recorded in the Group's history within any half year – led by growth in the Logistics segment which included the consolidation of 51% owned Freight Management Holdings Pty Ltd (FMH) in Australia. However, Group operating profit declined 19.1% to S$41.3 million as higher Logistics profit was offset by the weaker performance in Post and Parcel segment and the Group recorded an underlying net profit of S$13.2 million.

More positively, the Group's second quarter performance showed a strong improvement over the first quarter, with operating profit tripling first quarter's performance.

Strategic transformation

Vincent Phang, Group CEO, said: "The Group is evolving into a global logistics player with digitally-enabled capabilities and sustainable cost-effective solutions. We continue to execute our transformation efforts with investments made in Australia, executing our Future of Post strategy for our Domestic business, and reigniting the International business.

"In Australia, we are building a technology-led integrated B2B and B2C logistics business, where revenues now make up over 42% of the Group's, up from 17% a year ago."

Fair value charge

However, due to a fair value charge of S$21.0 million arising from the higher put option redemption liability on FMH as a result of a higher valuation of the company, the Group recorded a net loss of S$2.4 million for the first half and a net loss attributable to equity holders of S$9.9 million.

Group CFO Vincent Yik explained: "The strong performance of FMH in the near term has led

to a higher valuation of FMH. We expect the performance of FMH to continue the growth trajectory. With this, our investment value has increased, therefore the consequent effect is the fair value charge to the P&L."

Source: CEP-Research

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