

MITA No. 010/06/2008

4 May 2009

# Singapore Post Ltd

Maintain

## BUY

Previous Rating: BUY

### S\$0.76

### Fair Value: S\$0.91

Stock Code:

Reuters: SPOS.SI

Bloomberg: SPOST.SP

ISIN Code: S08

Event: Results

#### General Data

Issued Capital (m)	1,926
Mkt Cap (S\$m/US\$m)	1,464/ 987
Major Shareholder	
SingTel	(25.7%)
Free Float (%)	74.2
NTA per share (cents)	13.2
Daily Vol 3-mth ('000)	2,876
52Wk High (S\$)	1.150
52Wk Low (S\$)	0.605

## Your dividend's in the mail

**Results in line with expectations.** Singapore Post (SingPost) reported a 2.9% YoY fall in revenue to S\$115.6m and a 2.5% rise in net profit to S\$35.5m for 4Q09, in line with expectations. For the whole year, revenue rose 1.8% to S\$481.1m while net profit was flat at S\$149.5m. Mail revenue was lower due to a decline in international mail contribution while logistics revenue was steady against 4Q08. Rental and property-related income improved with higher rental income from the Singapore Post Centre (SPC) as well as additional income from leasing of space at re-purposed post office buildings. This is commendable performance at a time when the country is facing its worst contraction since independence.

**Capex needs for machines likely to be gradual.** SingPost's mail-processing system cost the group about S\$100m in 1997-98 and it may either have to be replaced or upgraded around 2013-14. However, it is also likely that the group undertakes its capex plans gradually instead of incurring a lump sum expenditure in a single year. Management said they have yet to arrive at a decision and have entertained the option of funding capital needs by a combination of internal resources and additional debt if a huge revamp is needed. SingPost's net gearing is at 0.64x (all borrowings are bonds maturing 2013).

**Impact of competition not great yet.** Despite having new postal service operators coming on stream, the group attributes a large part of the slowdown in earnings growth to the economic downturn rather than new competition. We are optimistic of the group's ability to retain market share given that incumbents (and SingPost being the dominant player) are generally able to fare better than new entrants in a downturn. It is also good to note that most of the group's competitors are also its customers and there is some cooperation among the companies.

**Maintain BUY.** True to its relatively defensive nature, SingPost is paying out a final dividend of S\$0.025 per share, meeting our expectations of a full year payout of S\$0.0625 per share. This comes at a time when most companies are cutting or avoiding dividends altogether. We like SingPost for its strong operating cash flows though we note that it is not immune to the downturn and is likely to continue to feel its impact. Maintain **BUY** with S\$0.91 fair value estimate.

**Low Pei Han**

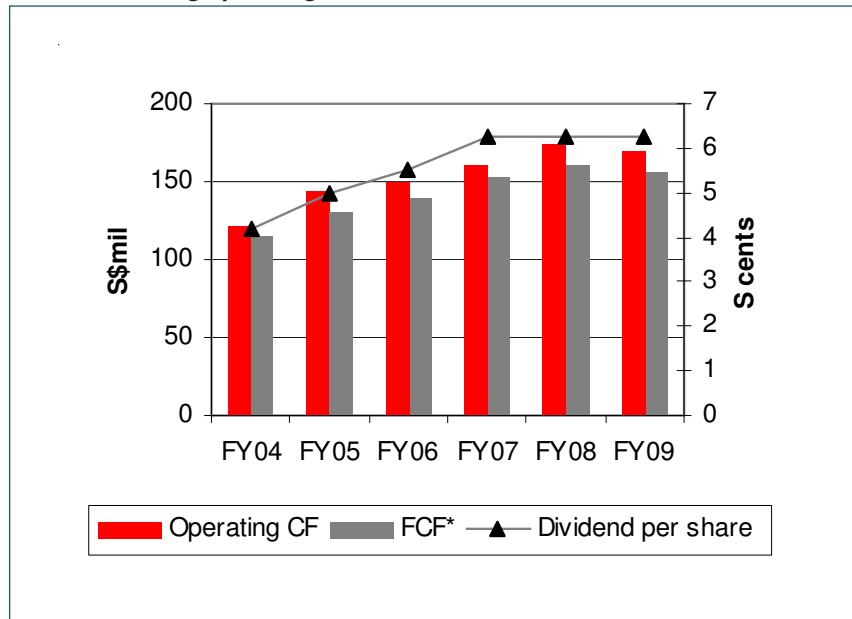
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Year to 31 Mar	Turnover (S\$m)	EBITDA (S\$m)	Net Profit (S\$m)	EPS (cents)	EPS Growth (%)	PER (x)	Net Div Yield (%)
FY 08	472.6	174.3	149.3	7.8	6.4	9.8	8.2
FY 09	481.1	171.6	148.8	7.7	-0.5	9.8	8.2
FY 10F	472.0	157.6	144.2	7.5	-3.1	10.2	8.2
FY 11F	476.9	159.3	148.2	7.7	2.8	9.9	8.2

Please refer to the important disclosures at the back of this document.

Exhibit 1: Strong operating and free cash flows



Source: Company data, OIR

\*Free cash flow (operating cash flow less cash capex)

Note: Additional special dividend of S\$0.10 per share paid out in FY06

Exhibit 2: Significant events in the last quarter

Segment	Initiative
Group	Acquired remaining interest in G3 Worldwide Aspac, exited from G3 Worldwide Mail
Logistics	Launched S <sup>3</sup> (Self-Storage Solutions), a one-stop integrated suite of services
Retail	Partnered United Overseas Bank to distribute HDB Home Loans Opened alternative channel for remittances to Indonesia via SAM
Post offices	Repurposing of post offices completed

Source: OIR

**Spore Post's Key Financial Data**

<b>Spore Post Results</b> Year Ended 31 Mar (S\$ m)	<b>4Q08</b> (S\$m)	<b>4Q09</b> (S\$m)	<b>% Chg</b> (YoY)	<b>3Q09</b> (S\$m)	<b>% Chg</b> (QoQ)
Revenue	119.0	115.6	-2.9%	124.0	-6.8%
EBITDA	40.0	37.4	-6.3%	43.2	-13.3%
Depreciation & amortisation	-6.8	-6.9	1.6%	-6.5	6.3%
Net interest expense	-2.1	-1.9	-8.3%	-1.9	0.4%
Associates	2.9	2.7	-6.3%	1.1	141.9%
Others	1.9	8.6	359.9%	8.9	-3.7%
Pre-tax profit	35.9	40.0	11.4%	44.8	-10.8%
Tax	-1.3	-4.5	244.6%	-8.1	-44.1%
Minority interests	-0.1	-0.1	6.3%	-0.2	-21.2%
Net profit att to shareholders	34.5	35.3	2.5%	36.6	-3.4%

**EARNINGS FORECAST**

<b>Year Ended 31 Mar (S\$ m)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10F</b>	<b>FY11F</b>
Revenue	472.6	481.1	472.0	476.9
Operating expenses	-298.3	-309.5	-314.3	-317.6
EBITDA	174.3	171.6	157.6	159.3
Depreciation & amortisation	-26.4	-26.4	-25.2	-24.4
EBIT	148.0	145.2	132.4	134.8
Net interest expense	-8.1	-7.2	-7.7	-7.4
Associates	8.2	7.8	8.2	8.2
Others	27.5	33.2	35.2	37.2
Pre-tax profit	175.5	179.1	168.2	172.9
Tax	-25.8	-29.6	-23.6	-24.2
Minority interests	-0.5	-0.7	-0.5	-0.5
Net profit att to shareholders	149.3	148.8	144.2	148.2
Earnings per share (cents)	7.8	7.7	7.5	7.7
Fully diluted earnings per share (cents)	7.8	7.7	7.5	7.7

**BALANCE SHEET**

<b>As at 31 Mar (S\$ m)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10F</b>	<b>FY11F</b>
Cash	104.1	139.5	167.4	209.6
Other current assets	77.8	75.7	83.4	82.2
Fixed assets	470.8	457.3	447.9	435.4
Other long term assets	94.7	13.3	13.2	13.2
Total assets	747.4	770.2	796.1	740.4
Current liabilities less debt	201.9	194.4	199.3	201.0
Debt	302.1	303.0	303.0	303.0
Other long term liabilities	17.8	16.6	15.0	13.5
Total liabilities	521.8	514.0	517.2	517.5
Shareholders equity	221.4	251.4	273.5	301.4
Minority interests	4.2	4.8	5.3	5.8
Total equity and liabilities	747.4	770.2	796.1	824.7
NTA per share (cents)	11.6	13.2	14.3	15.8

**CASH FLOW**

<b>Year Ended 31 Mar (S\$ m)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10F</b>	<b>FY11F</b>
Operating profit before working cap. changes	200.5	205.5	193.7	197.4
Working capital changes	4.3	-2.5	2.7	3.0
Income tax	-31.1	-32.7	-24.5	-24.2
Net cash from operations	173.7	170.3	171.9	176.1
Capex	-12.8	-14.5	-12.2	-12.8
Other investing flows	18.1	6.6	-2.7	8.1
Investing cash flow	5.3	-7.8	-14.9	-4.7
Change in equity	5.0	1.5	0.0	0.0
Net change in debt	-20.0	0.0	0.0	0.0
Dividends paid	-120.1	-120.4	-120.4	-120.4
Others	-8.7	-8.2	-8.8	-8.8
Financing cash flow	-143.8	-127.1	-129.2	-129.2
Other adjustments	0.0	0.0	0.0	0.0
Net cash flow	35.2	35.4	27.8	42.2
Cash at beginning of year	69.0	104.1	139.5	167.4
Cash at end of year	104.1	139.5	167.4	209.6

**Key Ratios**

PER (x)	9.8	9.8	10.2	9.9
Price/NTA (x)	6.6	5.8	5.3	4.8
EV/EBITDA (x)	9.5	9.5	10.1	9.8
Dividend yield (%)	8.2	8.2	8.2	8.2
ROIC (%)	20.1	19.4	18.2	18.1
ROE (%)	67.4	59.2	52.7	49.2
Net Debt/Equity	0.9	0.6	0.5	0.3

Source: Company data, OIR estimates

**SHAREHOLDING DECLARATION:**

The analyst/analysts who wrote this report holds NIL shares in the above security.

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