



輝立証券集團

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# Singapore Post Ltd

## Catering for growth with new Regional eCommerce Logistics Hub

SINGAPORE | FREIGHT & COURIER SERVICES | UPDATE

- Developing fully integrated eCommerce Logistics Hub in Singapore to cater to expanding ecommerce logistics business and rapid ecommerce market growth.
- Project is estimated to cost S\$182 million and is expected to complete by end Jan 2016; development will be funded internally from Group's cash holdings.
- We viewed the new hub development positively, indicating huge growth potential in SingPost's ecommerce logistics business.
- Maintain TP at S\$2.07; revised rating to Accumulate as share price moved closer to our TP since our initiation on 12 Sep-14.

### What is the news?

SingPost has recently announced it will be developing a fully integrated regional eCommerce Logistics Hub to cater to its expanding ecommerce logistics business as well as to address global growth in ecommerce market. Located in Tampines LogisPark, the 553,000 sqf hub comprises 3-storey integrated centre, with fully automated parcel sorting facility and 2 warehousing floors, and an adjoining 8-storey office block to house SingPost's local and regional logistics operations. The logistics hub and adjacent office building will be built on land leased from JTC corporation for 30 years. Construction of the new hub is expected to complete by end Jan 2016. The development cost for the new hub is estimated to cost S\$182 million and will be funded internally from the Group's cash holdings.

### How do we view this?

SingPost has a net cash of S\$210m (ex S\$350m perpetual securities) as of end Jun-14, giving an excess of S\$28m after internal financing of the new logistics hub. With an estimated FY15F cash flow from operations (over S\$200m) more than sufficient to meet both dividends to shareholders as well as distributions to perpetual securities holders, we think SingPost would unlikely be gearing up in the short run as it continues its ongoing S\$100 investment in postal service and infrastructure enhancement. We view the new eCommerce Logistics Hub development positively, signalling significant growth potential in SingPost ecommerce business.

### Investment Action

As the hub would only be ready in 2016, we do not foresee much impact on revenue and margins in the current and the next fiscal year. We make an adjustment on FY15F/16F capex and maintain our TP at S\$2.07. While we continue to be positive on the growth prospects, valuation may seem a little stretched at current share price, with forward PE at ~26.5x (impacted by dilution effects on EPS from new share issuance to Alibaba). We revise our rating to Accumulate.

Rating: **Accumulate**

(Revised from Buy)

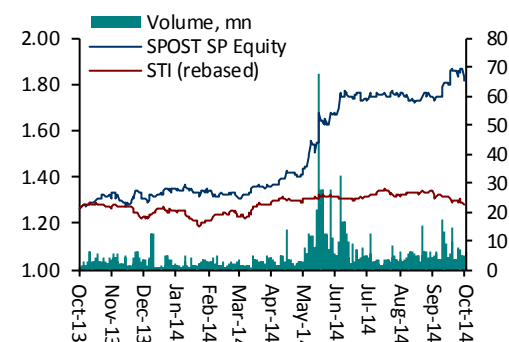
<b>Target Price (SGD)</b>	<b>2.070</b>
Forecast Dividend (SGD)	0.063
Closing Price (SGD)	1.815
<b>Potential Upside</b>	<b>17.5%</b>

### Company Description

Singapore Post Limited 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, letter-shopping, delivery and mailroom management, and others. Singapore Post also offers end-to-end e-commerce logistics solutions

### Company Data

Raw Beta (Past 2yrs weekly data)	0.43
Market Cap. (USD mn / SGD mn)	3019 / 3851
Ent. Value (USD mn / SGD mn)	3128 / 3986
3M Average Daily T/O (mn)	4.99
Closing Px in 52 week range	1.27 - 1.89



<b>Major Shareholders</b>	<b>(%)</b>
1. SingTel Ltd	23.4
2. Alibaba Investment Ltd	10.4
3. Aberdeen Asset Management	2.5

### Valuation Method

DCF (WACC: 6.2%; terminal g: 2.0%)

### Analyst

Colin Tan

**Singapore Post Ltd**  
**15 October 2014**

FYE Mar	FY12	FY13	FY14	FY15F	FY16F
<b>Income Statement (SGD mn)</b>					
Revenue	579	659	821	909	960
EBITDA	216	215	216	228	240
Depreciation & Amortisation	(30)	(36)	(35)	(33)	(38)
EBIT	186	178	181	194	202
Net Finance (Expense)/Inc	(13)	(14)	(7)	(6)	(6)
Associates & JVs	1	2	4	4	5
Exceptional items	0	0	0	0	0
<b>Profit Before Tax</b>	<b>174</b>	<b>167</b>	<b>179</b>	<b>193</b>	<b>200</b>
Taxation	(32)	(30)	(34)	(36)	(37)
<b>Profit After Tax</b>	<b>142</b>	<b>137</b>	<b>145</b>	<b>157</b>	<b>162</b>
Minority interest	(0)	(0)	(2)	(2)	(2)
<b>Net Income, reported</b>	<b>142</b>	<b>136</b>	<b>143</b>	<b>155</b>	<b>161</b>
<b>Net Income, adj.</b>	<b>135</b>	<b>141</b>	<b>145</b>	<b>155</b>	<b>161</b>
Attrib. to perpetual securities	0	15	15	15	15
<b>Attrib. to ordinary shareholders</b>	<b>135</b>	<b>126</b>	<b>130</b>	<b>140</b>	<b>146</b>

FYE Mar	FY12	FY13	FY14	FY15F	FY16F
<b>Per share data (SGD)</b>					
EPS, reported	0.074	0.064	0.067	0.068	0.068
EPS, adj.	0.071	0.067	0.069	0.068	0.068
DPS	0.063	0.063	0.063	0.063	0.063
BVPS	0.166	0.169	0.182	0.172	0.178

FYE Mar	FY12	FY13	FY14	FY15F	FY16F
<b>Cashflow statements (SGD mn)</b>					
CFO					
Profit before tax	174	167	179	193	200
Adjustments	33	42	37	34	40
WC changes	3	24	56	21	12
Cash generated from ops	210	233	271	248	252
Taxes paid	(33)	(30)	(29)	(27)	(37)
<b>Cashflow from ops</b>	<b>177</b>	<b>203</b>	<b>242</b>	<b>220</b>	<b>214</b>
CFI					
CAPEX, net	(26)	(13)	(38)	(125)	(172)
Others	(51)	(39)	0	(14)	0
<b>Cashflow from investments</b>	<b>(77)</b>	<b>(52)</b>	<b>(38)</b>	<b>(139)</b>	<b>(172)</b>
CFF					
Share issuance	1	1	7	4	0
Loans, net of repayments	0	(0)	3	0	0
Dividends paid	(119)	(118)	(119)	(124)	(133)
Others	297	(22)	(319)	(21)	(21)
<b>Cashflow from financing</b>	<b>179</b>	<b>(140)</b>	<b>(428)</b>	<b>(141)</b>	<b>(155)</b>
<b>Net change in cash</b>	<b>279</b>	<b>11</b>	<b>(224)</b>	<b>(60)</b>	<b>(112)</b>
Effects of exchange rates	0	0	0	0	0
<b>CCE, end</b>	<b>617</b>	<b>628</b>	<b>404</b>	<b>345</b>	<b>232</b>

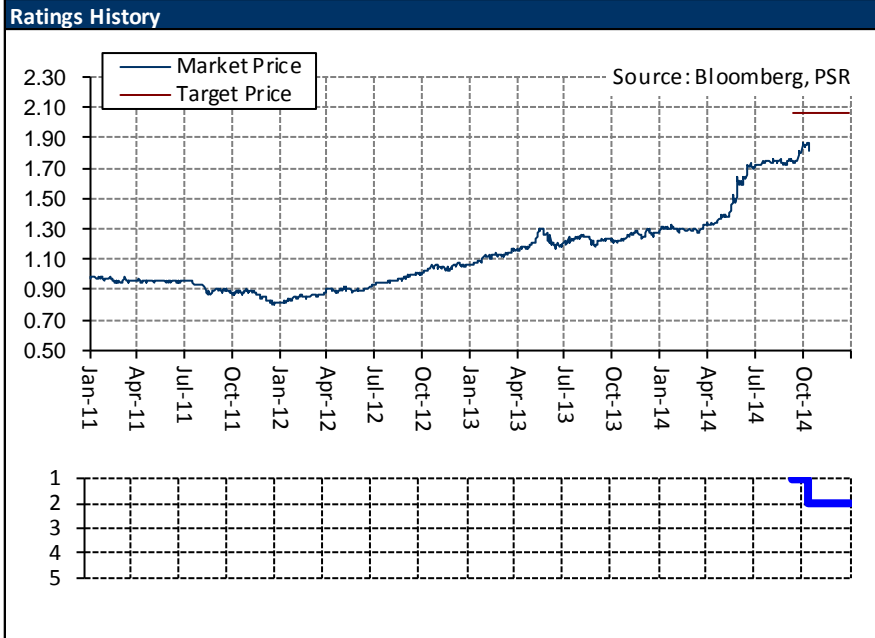
Source: Company Data, PSR est

\*Forward multiples and yields are based on current price; historical multiples and yields are based on historical prices

FYE Mar	FY12	FY13	FY14	FY15F	FY16F
<b>Balance Sheet (SGD mn)</b>					
PPE	238	236	234	329	467
Intangibles	88	186	184	180	176
Associates & JVs	91	94	98	102	107
Long term investments	206	234	243	255	255
Others	8	13	8	10	10
<b>Total non-current assets</b>	<b>631</b>	<b>763</b>	<b>766</b>	<b>876</b>	<b>1,014</b>
Inventories	2	4	5	5	6
Accounts Receivables	95	130	127	146	155
Investments	75	17	6	8	8
Cash	617	628	404	345	232
Others	10	12	13	13	13
<b>Total current assets</b>	<b>799</b>	<b>791</b>	<b>556</b>	<b>517</b>	<b>413</b>
<b>Total Assets</b>	<b>1,430</b>	<b>1,554</b>	<b>1,322</b>	<b>1,393</b>	<b>1,427</b>
Short term loans	0	316	14	14	14
Accounts Payables	211	271	294	335	355
Others	34	32	43	51	51
<b>Total current liabilities</b>	<b>246</b>	<b>620</b>	<b>352</b>	<b>400</b>	<b>420</b>
Long term loans	506	220	220	220	220
Others	19	46	54	56	56
<b>Total non-current liabilities</b>	<b>525</b>	<b>267</b>	<b>274</b>	<b>276</b>	<b>276</b>
Non-controlling interest	(0)	0	2	4	6
Perpetual securities	347	347	347	347	347
<b>Shareholder Equity</b>	<b>313</b>	<b>321</b>	<b>347</b>	<b>367</b>	<b>379</b>

FYE Mar	FY12	FY13	FY14	FY15F	FY16F
<b>Valuation Ratios</b>					
P/E (X), adj.	12.7	18.7	21.3	26.6	26.5
P/B (X)	5.4	7.4	8.0	10.6	10.2
EV/EBITDA (X)	8.9	12.3	13.8	17.5	16.6
Dividend Yield (%)	7.0%	5.0%	4.3%	3.4%	3.4%
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	2.2%	13.9%	24.6%	10.6%	5.7%
EBITDA	-8.1%	-0.8%	0.4%	5.6%	5.3%
EBIT	-11.3%	-4.2%	1.5%	7.4%	3.6%
Net Income, adj.	-9.5%	4.1%	2.9%	6.7%	3.8%
<b>Margins</b>					
EBITDA margin	37.4%	32.6%	26.3%	25.1%	25.0%
EBIT margin	32.2%	27.1%	22.1%	21.4%	21.0%
Net Profit Margin	24.6%	20.7%	17.6%	17.2%	16.9%
<b>Key Ratios</b>					
ROE (%)	42.4%	44.5%	43.5%	43.4%	43.1%
ROA (%)	10.7%	9.4%	10.1%	11.4%	11.4%
Net Debt/(Cash) adj.	235	255	177	236	349
Net Gearing (X)	0.8	0.8	0.5	0.6	0.9

**Singapore Post Ltd**  
**15 October 2014**



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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### PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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