



# GNAM Investment Competition

## Top Investment Idea



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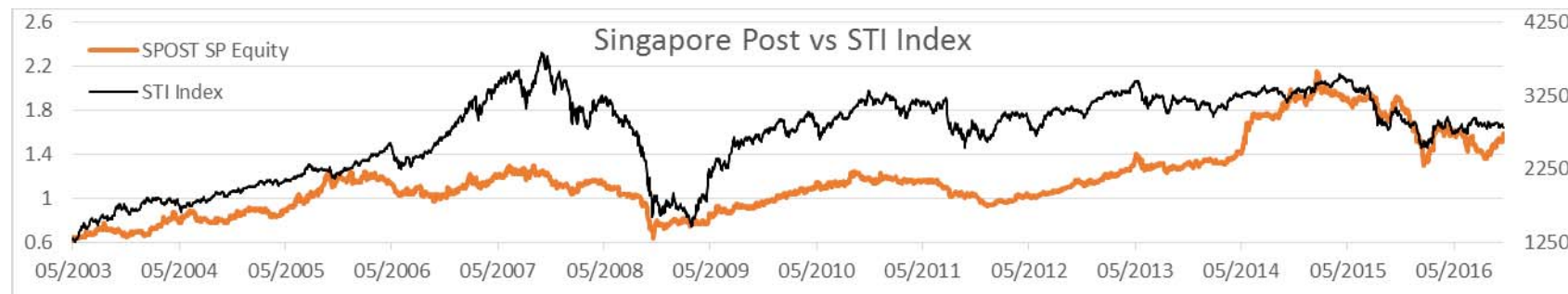




## Executive Summary

**Singapore Post Ltd (SingPost)** is the country's postal service provider with over 150 years' history. Deliver trusted and reliable services to homes and business. Top shareholders: Temasek Holdings 22.83%, Alibaba 10.17%

- Now pioneering and leading in eCommerce logistics, with operation in 19 markets. Transforming from local postal group into int'l eCommerce giant.
- New retail mall under construction, with integrated eCommerce logistic solutions to provide next-gen O2O shopping experiences.
- Perfect timing to capture growth at attractive valuation.

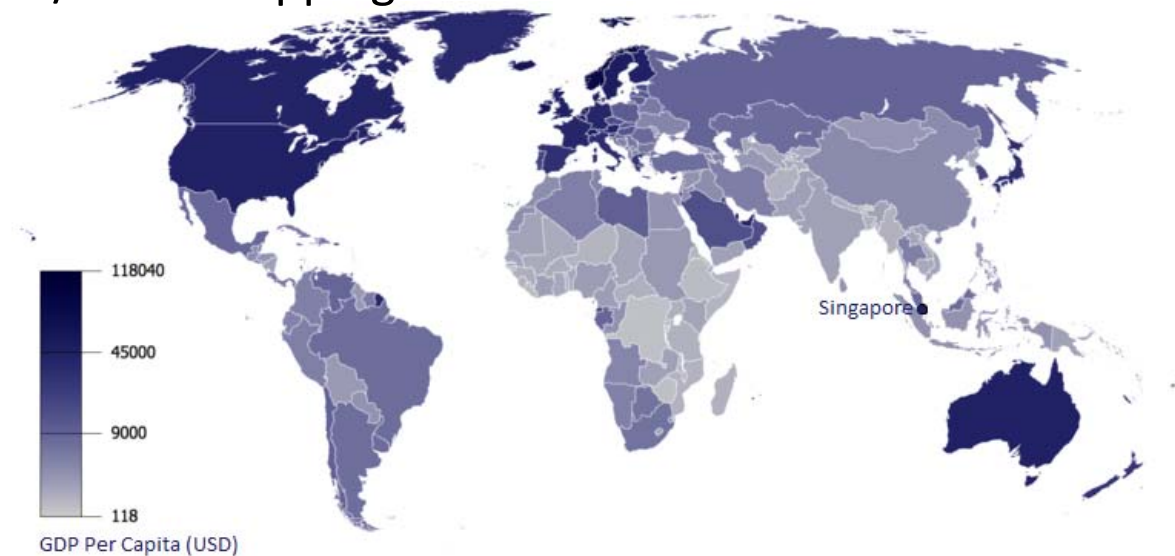




# Singapore's Business Climate

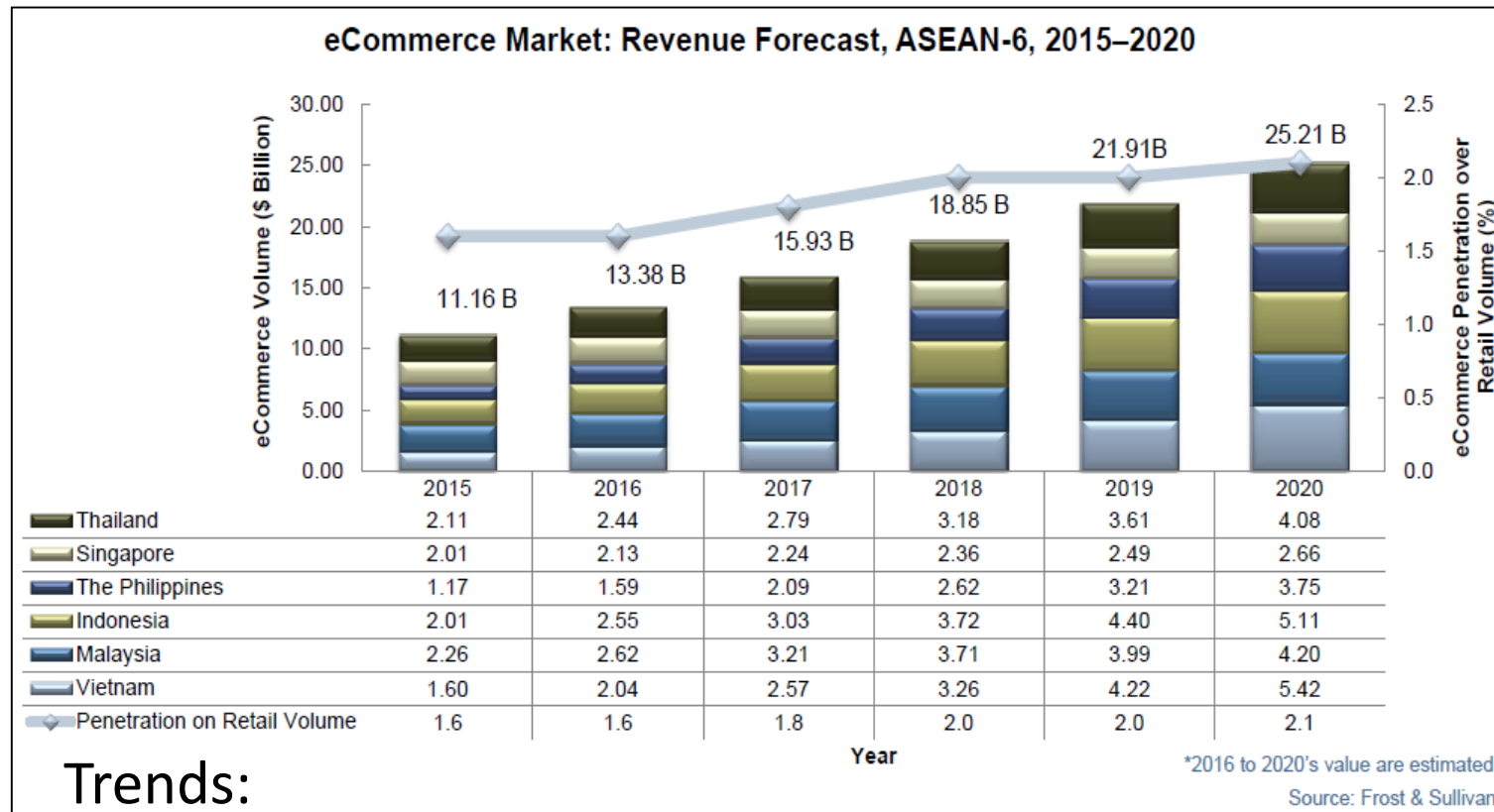
Singapore is positioned perfectly for a company looking to grow in the eCommerce sector:

- Top 10 GDP per capita (52,888.70 USD)
- 27<sup>th</sup> globally in monthly disposable income
- 3<sup>rd</sup> in Asia in consumer goods spending
- 70% of population likes/loves shopping
- Low unemployment





# E-commerce is rapidly growing globally



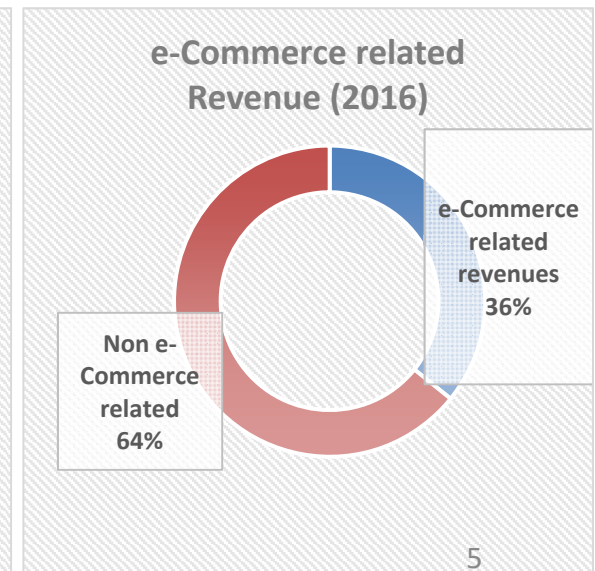
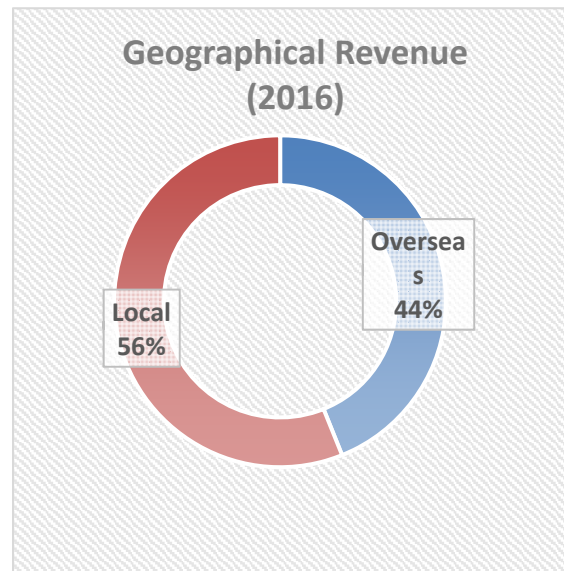
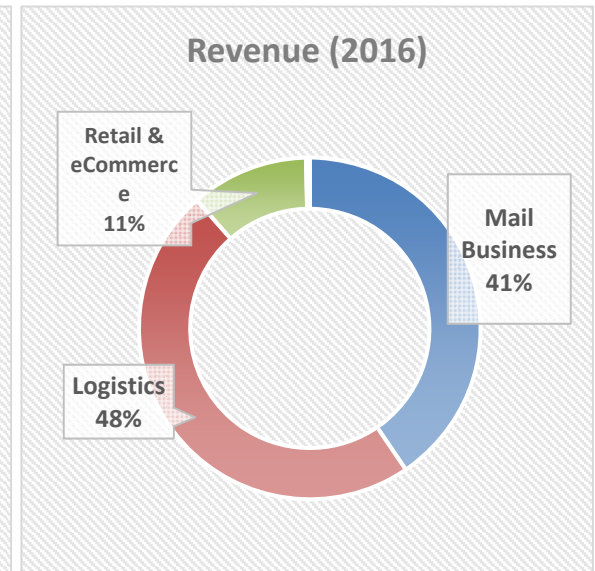
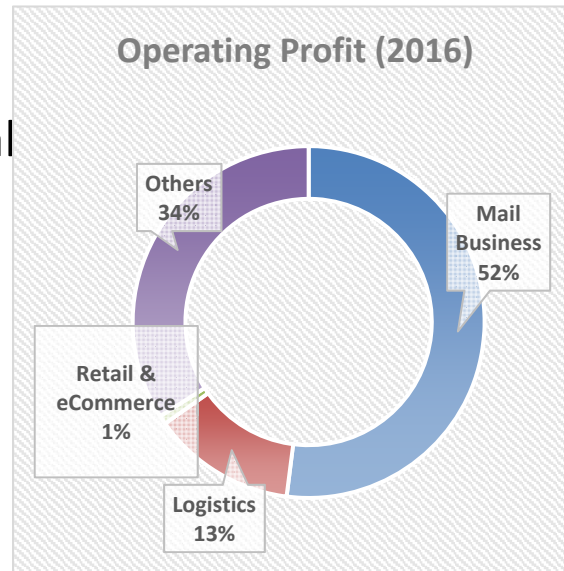
ASEAN, in particular, is expected to double in 4 years

- Complexity of Local Markets and Advantage of Local Players
- Increase Need for Service Differentiation
- Growth of Cross-Border Transactions



# SingPost Limited

- Singapore's national postal service provider for 150 years, pioneering into eCommerce Logistics space
- Listed in Singapore Exchange in 2003
- Oct 28, 2016 Market cap: S\$3.44B
- 2016 Revenues grew by 25.2% to S\$1.15B despite economic slowdown





## SingPost Limited: Growth

- 3 Business Pillars : Postal Service / Logistics / eCommerce



- Acquired US eCommerce logistics firms and launched “SP eCommerce”
- Conditional Joint Venture agreement with Alibaba Investment Limited
  - 34% stake in Quantum Solutions International Pte Ltd (logistics leg)
- Alibaba to further raise stake in Singpost (news on evening Oct 27, 2016)
  - Alibaba got nod to raise stake in SingPost from 10.2% to 14.4%. The S\$187.1m investment was targeted to be completed by Feb 28, 2017
  - Share price of SingPost surged 5% right after the news.



## SingPost Limited: Growth

### Next generation O2O shopping experience

- In Q3 2015, SingPost started constructing the new retail mall, which will integrate e-commerce logistics solution by combining both online and offline shopping. The mall is scheduled to be completed in mid-2017





## Trading comparables analysis

- Trades at a valuation in par with peer postal companies
- Offers higher ROE, ROA and dividend yield

	Country	Mkt Cap (SGD)	1-year Px chg (%)	2016E EV / EBITDA	2016E P/E (x)	2016E P/B (x)	ROE (%)	ROA (%)	Dvd Yld (%)
<b>Singapore Post Ltd</b>		<b>3,441</b>	<b>(16.5)</b>	<b>17.4</b>	<b>20.1</b>	<b>2.2</b>	<b>20.2</b>	<b>7.3</b>	<b>4.3</b>
Deutsche Post Ag-Reg	Germany	51,976	1.0	7.8	13.5	2.9	15.1	4.6	3.3
Pos Malaysia Berhad	Malaysia	1,049	12.2	14.2	30.1	1.9	5.6	3.6	4.3
Gulf Warehousing Company	Qatar	1,267	(6.6)	14.8	16.8	2.2	16.2	7.3	2.6
Oesterreichische Post Ag	Austria	3,253	(6.9)	6.5	13.9	3.2	10.6	11.0	5.8
Ctt-Correios De Portugal	Portugal	1,380	(42.3)	5.9	12.7	3.9	28.8	6.9	5.3
Yamato Holdings Co Ltd	Japan	12,997	6.0	8.1	24.0	1.7	7.1	3.7	1.2
Postnl Nv	Netherlands	2,855	10.5	4.6	9.1	na	na	8.2	na
Aramex Pjsc	UAE	2,068	20.0	9.9	14.1	2.4	14.4	9.4	4.7
XPO Logistics Inc	US	5,264	27.2	7.3	35.2	1.3	(11.5)	(0.1)	na
CJ Korea Express Corp	South Korea	5,922	4.8	17.4	38.0	1.7	2.0	1.0	na
<b>Mean</b>		<b>8,803</b>	<b>2.6</b>	<b>9.6</b>	<b>20.7</b>	<b>2.4</b>	<b>9.8</b>	<b>5.6</b>	<b>2.7</b>
<b>Median</b>		<b>3,054</b>	<b>5.4</b>	<b>7.9</b>	<b>15.4</b>	<b>2.2</b>	<b>10.6</b>	<b>5.8</b>	<b>3.0</b>





# Valuation

- Estimated valuation:  
**34% upside**
- Model used: Perpetuity Growth Model
- DCF assumptions:
  1. Cash flows forecast based on historical average growth rates and broker estimates
  2. Perpetuity growth rate of 2.1%
  3. WACC of 5.5% (based on CAPM)

Perpetuity Growth Method - Value per Share	
Free Cash Flow at Year 5	194
WACC	5.5%
Perpetuity Growth Rate	2.1%
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Perpetuity Value at End of Year 5	5,811
Present Value of Perpetuity (@ 5.5% WACC)	4,452
(+) Present Value of Free Cash Flows (@ 5.5% WACC)	645
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<b>(=) Current Enterprise Value</b>	<b>5,097</b>
Short Term Debt	71
(+) Long Term Debt	209
(-) Cash and Marketable Securities	135
(-) Current Net Debt	146
(-) Current Preferred and Minority Interest	358
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(=) Equity Value	4,594
Shares outstanding	2,164
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<b>Estimated Value per Share (SGD)</b>	<b>2.12</b>
Current Price (SGD)	1.59
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<b>Estimated Upside</b>	<b>34%</b>



## Risk Analysis

- Profit Sustainability Risk
  - 34% of operating profits this year was caused by one-time gains from divestment
  - Positive signal that the corporation is actively revising its business strategy
- Reputation Risk
  - Undergoing a special audit carried out by the ACRA to investigate if the company has breached the Companies Act
  - Changed the Directors of its board committee and promises to actively cooperate with the investigation
- General Economy Risk