CEO’s Business Review

Singapore suffered its worst ever recession on record this year due to the impact of the Covid-19 pandemic. In the second quarter, the economy contracted by 13.2% year-on-year (y-o-y) amid a global economic downturn.

The pandemic has also adversely impacted all our business segments. Our operating profit was S$110.2 million for the year ended 31 August 2020 (FY20) as operating revenue declined S$93.6 million or 9.8% to S$865.7 million.

The effects of Covid-19 will last for some time, but we are prepared for a long road to recovery through prudent management and continued transformation of our businesses.

MEDIA & DIGITAL

MEDIA BUSINESS
Our media business revenue declined S$131.7 million (22.8%), from S$576.9 million in FY19 to S$445.1 million in FY20. Media advertisement revenue fell by S$122.5 million (31.4%), led by a decline of S$99.1 million (32.9%) in newspaper print advertisement revenue.

However, our media products saw digital circulation surpassing the decline in print circulation for the second consecutive year. The average daily circulation at 838,000 copies was 6.1% higher than last year, with an increase of 55.6% in average daily digital circulation, while print circulation declined by 20% y-o-y.

Our publications also achieved higher sales of both print and digital publications from news such as Covid-19, National Budget and General Election 2020 (GE2020). Incremental sales attributable to these events were 16% higher than the periods before the events.

I would like to take this opportunity to thank all stakeholders for your unstinting support as we strive to overcome and emerge stronger from this crisis.
A total of 40,000 subscribers have been enjoying their daily news on the SPH News Tablet. We also introduced several new functions on the news tablet app to improve customer experience.

The overall digital and print circulation growth for English/Malay/Tamil Media sites increased from an average of about 465,600 in August 2019 to 532,300 in August 2020. The Straits Times (ST) led the pack with y-o-y growth of 19%. Overall page views for ST’s website and digital platforms surged 88% to 774 million from 413 million in the last FY. The launch of the ST News Tablet in December 2019 was highly successful. In just six months, subscriptions crossed the 14,500 mark and by the end of the FY, sign-ups hit 17,000.

The Business Times (BT) launched its personal edition in April 2020, its first subscription package targeted at individual readers with no contract lock-in and no expiry, attracting over 2,000 subscribers. The BT website saw the highest traffic this FY in April 2020, with some 2.5 million unique visitors generating 7.9 million page views. BT’s iPhone and Android apps were revamped and cumulatively reached a record high of 43,000 users, generating 3.5 million screen views in June 2020. BT also launched its news tablet on 15 September 2020.

Berita Harian (BH) launched its news tablet in September 2019. Its podcasts enjoyed an upward trend since they started in May 2019, with downloads growing to 10,000 a month.

The Tamil Murasu (TM) + ST News Tablet was launched in May 2020 and the TM website saw a huge surge in monthly overall active users which grew by 347.82% while its Facebook page drew more than 79,000 followers.

The total page views for tnp.sg (TNP) rose by 5 million compared to last year, as did its Instagram account, which went up from 15,000 to 17,200 followers. On Facebook, TNP’s organic reach grew from 107,090 to 124,462.

Chinese Media Group’s (CMG) news products also experienced digital growth in the last FY. Page views of zaobao.sg (excluding zaobao.com) increased 64% y-o-y to 287.7 million. Unique visitors during this period grew 36% y-o-y to 22.5 million users, with an average monthly unique visitorship of 2.7 million. April 2020 saw the highest growth due to heightened public interest on the Covid-19 Circuit Breaker measures, when monthly unique visitors grew to 3.8 million, while page views increased to 39.7 million. The total number of CMG news tablet unique visitors, who can read Lianhe Zaobao, Lianhe Wanbao and Shin Min Daily News on the tablet, increased to 18,807.


We continued to review our core media business and merged SPH Magazines’ and SPH’s media operations on 1 December 2019. The effort consolidated our strengths as a media owner and streamlined media and magazines operations, allowing advertisers to target the audiences of both news and magazine titles with a single campaign buy. It created more magazine content for newspaper audiences and provided magazine advertisers with greater exposure.

In August 2020, we restructured our media sales and magazines operations with 140 staff from Media Solutions Division and SPH Magazines affected by a retrenchment exercise, which was conducted to address the impact of the Covid-19 pandemic on our advertising revenue.
Our newspaper vendor delivery network was seriously affected by the shortage of manpower amidst the Covid-19 outbreak. The call centre was ramped up to handle customer requests and our staff were mobilised to deliver the papers and call up subscribers. As the situation persisted, we introduced deliveries to letter boxes to solve the vendors’ manpower crunch and minimised contact between the vendors and subscribers to ensure their safety. The distribution network is further strengthened by the availability of 115 newspaper vending machines islandwide.

We also partnered the National Library Board (NLB) during this period to provide 3,000 daily digital access across all our publications to their members, who could enjoy online news resources even when the libraries were temporarily closed.

We continued to print and deliver newspapers to our readers in a timely manner during the pandemic outbreak. Our Production workforce was divided into multiple groups and shifts to work in two separate printing plants to mitigate the exposure to the virus.

SPH Radio’s audience share and listenership registered a double digit growth of 13% and 10% respectively in the Nielsen Radio Diary Survey in November 2019. UFM100.3’s listenership grew 27%, the highest amongst all Chinese radio stations in Singapore. 96.3 Hao FM showed the highest growth amongst Chinese radio stations aimed at mature listeners, increasing its listenership by 24% within its core audience aged 40 to 59. Listenership for Kiss92 and ONE FM 91.3 increased by 4% and 6% respectively. ONE FM 91.3 registered the highest growth of 48% in audience time spent listening amongst all English radio stations in Singapore.

In May 2020, Triton Digital reported a y-o-y increase of 72% in overall SPH Radio podcast downloads, where podcasts by MONEY FM 89.3 and 96.3 Hao FM increased by 174% and 141% respectively.

SPH Radio entered a partnership with NTUC Co-operative to exclusively manage FairPrice Finest Radio and market its in-store airtime to advertisers in July 2020. This is SPH Radio’s first foray into an in-store environment, bringing quality programming to a wider audience segment with higher purchasing propensity.

DIGITAL BUSINESS
M1 was awarded the joint rights to operate the upcoming 5G network in Singapore with StarHub. With the 5G network licence granted by Infocomm Media Development Authority (IMDA), M1 has the opportunity to build and operate a state-of-the-art 5G standalone (SA) network infrastructure.

sgCarMart maintained its market position as the leading automotive marketplace with more than 80 times the user engagement and page views against its biggest competitor. Its YouTube channel is the most popular car channel in Singapore and its car selling auction service sgCarMart Quotz set a new record for number of cars transacted.

FastJobs continued to grow its reach across Singapore, Malaysia and the Philippines, reaching 3.3 million downloads. The company ran a series of Virtual Jobs Discovery Fest, attracting more than 1,600 applicants across over 200 vacancies targeted at non-executive jobseekers.

Singapore Media Exchange (SMX), the joint venture with Mediacorp to provide advertisers a brand-safe, premium inventory at scale, further strengthened its position in the Singapore programmatic marketplace, growing its average monthly revenue by 27% in 2019. SMX expanded its Supply-Side Platform partnerships in 2020, making it easier for advertisers and media agencies to access its inventory.

OctoRocket expanded its presence in regional markets through strong partnerships with regional trade ministries in Thailand and Malaysia. The company partnered Sphere Exhibits to power its e-exhibition@ MIFB 2020, showcasing food manufacturers across Singapore, Malaysia, China, Korea, Japan and more.

SPH Ventures continued to invest in promising startups in sectors such as Digital Media, Marketing Technology and Consumer Internet. Notable investments included Partipost, an Asia-focused social media marketing and commerce platform, and Influence.co, a US-based professional network for influencers, creators and the businesses that work with them.

DC Frontiers (Handshakes), which specialises in machine learning and corporate intelligence, gained international recognition when it was appointed by Nikkei Inc. to power and manage scoutAsia, a data and news service developed by Nikkei and the Financial Times. Handshakes’ artificial intelligence (AI) and machine
learning technologies are expected to significantly improve the accuracy and efficiency of scoutAsia’s news monitoring and corporate information search functions.

PURPOSE-BUILT STUDENT ACCOMMODATION (PBSA)

We moved forward to cement our position as a key player in the PBSA sector in the United Kingdom (UK) with the acquisition of seven assets for £411 million (S$743.6 million) in December 2019, expanding our portfolio size to over S$1.4 billion comprising 7,723 beds across 28 assets.

We invested around £10.6 million (S$18.9 million) on asset enhancement initiatives to ensure a consistent level of quality across the portfolio. We integrated existing booking systems under the proprietary Student Castle platform to drive operational synergies. The system supports both the Student Castle and Capitol Students brands and effectively targets international and domestic students.

As part of the Student Castle portfolio acquisition, we also acquired 2 assets under development. We are pleased to announce that Student Castle Oxford achieved its Practical Completion on 7 September 2020, and students have moved in for the Academic Year 2020/2021. Student Castle Brighton was slightly delayed as a result of disruption to the supply of building materials. We have put in place alternative accommodation to ensure minimal disruptions to students who have already booked with us.

The PBSA portfolio achieved 88% of target revenue for Academic Year 2020/2021 as at 9 October 2020.

Amid the Covid-19 outbreak, we have been proactive in rolling out various measures to protect the residents and PBSA staff. We remained vigilant and continued to monitor the evolving situation in UK closely. In April 2020, we offered students the option of refunds if they wished to leave their tenancies before the end of term. The reduction in revenue totaled approximately £4.6 million, a level at the lower end of the £4-8 million range that had been earlier anticipated.

There was minimal disruption to our PBSA development in Bremen, Germany and its universities continued with online classes.

PROPERTY & RETAIL

Our investment properties incurred a fair value loss of S$232 million in FY20, largely arising from a reduction in property valuation of retail malls (S$196.5 million) and PBSA portfolio (S$31.9 million).

Impacted by Covid-19, SPH REIT saw a decline in tenant sales and footfall across its malls in both Singapore and Australia.

In Singapore, the Government legislated rental rebate to assist tenants through property tax rebates and cash grants. Complementing the Government’s schemes, SPH REIT provided its own additional targeted rental relief to assist eligible tenants whose businesses were more impacted.
CEO’s Business Review

SPH REIT aims to work with tenants by lightening the burden of those affected in a targeted manner and supporting them through this difficult time, so that both landlord and tenants can be ready for recovery when the time comes.

In December 2019, SPH REIT acquired Westfield Marion, the largest mall in South Australia, to further diversify its geographical footprint and income streams. With Australia also battling the pandemic, SPH REIT worked with joint venture partners to roll out targeted assistance on a tenant by tenant basis in accordance with the “SME Commercial Code of Conduct and Leasing Principles”.

Despite the challenging retail environment, SPH REIT’s portfolio occupancy rate remained at 97.7% as at end FY20. On the capital market front, we successfully tapped the equity market and raised S$164.5 million in December 2019 from a private placement of 156.6 million new units. The placement was well-received and drew strong participation from new and existing institutional investors.

Armed with a strong balance sheet, prudent and proactive capital management strategy, SPH REIT will continue to work closely with its tenants to overcome the challenges ahead.

On the private property front, The Woodleigh Residences sold 376 units as at 4 October 2020, representing over 56% of the total 667 units. Sales have been encouraging since the lifting of the Circuit Breaker, with over 171 units sold as at 4 October 2020.

AGED CARE

Orange Valley Nursing Homes (OV) reopened Changi Care Village (CCV) after a year-long renovation. With greater emphasis on holistic person-centric care, the home’s enhanced facilities now include unique open outdoor spaces and green features.

OV implemented the Express Admission Programme to allow eligible prospective residents in need of urgent care to be admitted within a day. OV also introduced the CARE20 programme for qualified new residents to enjoy admission fee waiver and quality eldercare at competitive rates during these challenging times.

OV activated its pandemic response plan to safeguard uninterrupted continuity of its services during the Covid-19 pandemic. It implemented various precautionary measures, in compliance with advisories from the relevant authorities, to keep its staff and residents safe.

OV saw its overall Bed Occupancy Rate (BOR) steadily increase despite the challenging operating environment. Growth in the sale of Personal Protective Equipment by its subsidiary, Life Medic (LM) also positively contributed to OV’s financials.

SPH Silver Care expanded its footprint overseas with the acquisition of aged care assets in Japan consisting of a total of 365 beds across five assets. Three of the properties are in Hokkaido, and the others in Tokyo and Nara in the Osaka Metropolitan Region. The total acquisition of S$66 million is in line with our strategy of investing in aged care and healthcare assets, and expanding its business footprint in markets with fast-ageing populations.

Common area in one of the aged care assets in Japan
We will continue to monitor the Covid-19 situation before considering further investments in the aged care segment.

**ASSET AND CAPITAL MANAGEMENT**

On 29 June 2020, we entered into a joint venture (JV) with Keppel Data Centres Holding (KDCH) to jointly develop and operate data centre facilities at 82 Genting Lane. We hold 40% interest in the JV company and KDCH holds the remaining 60%. The JV company acquired the leasehold interest from Singapore News and Publications Limited, a wholly-owned subsidiary of SPH, for a consideration of S$50 million. We recognised a gain of S$25.7 million from the sale. We anticipate that the secular trend towards digitalisation and the movement of data to the cloud will drive strong demand for hyperscale data centres. In addition, the JV will enable us to maximise economic returns and improve the return on capital on an existing asset and to participate in a growing sector.

We divested our 5.29% stake in AXA Tower for approximately S$33.2 million, through our wholly-owned subsidiary PE One Pte Ltd.

On 1 July 2020, we completed the sale of our entire interest in the chain of over 50 Buzz convenience stores islandwide. Following the divestment, we will continue to have access to the Buzz outlets as distribution channels for our publications.

In preparation for a lengthy Covid-19 pandemic recovery, we have ensured sufficient liquidity across our business segments. We are maintaining a weighted average debt to maturity of 3.4 years and a healthy interest coverage ratio of 3.8x.

**HUMAN CAPITAL**

We continued to invest in training and development of our staff due to the challenges confronting the media industry. To help our employees remain relevant and maintain their competitive edge, we constantly evaluate their training needs and update our training programmes.

To future-proof our employees, we will continue to equip them with knowledge and skills required to thrive in the digital realm. Among the more important digital competencies are cybersecurity to protect our digital assets, digital marketing strategies to ensure our products meet the needs of our consumers and advertisers, and the use of AI to stay ahead of the digital transformation.

Due to the Covid-19 pandemic, 95 unique courses, such as Integrated Digital Marketing Strategies, Building a Data Culture with Tableau, Skillsfuture for Digital Workplace, were either delivered virtually by instructors or attended by staff via self-paced eLearning. There was a 400% increase in the number of hours spent on self-paced online learning over the past year.

**LOOKING AHEAD**

It has been an extremely challenging year for all of us in SPH. Many of our staff had to cope with split-team operations and working from home. Despite all the constraints and inconveniences, they still put in their best performance to deliver quality work.

It is heartening to see that our customers continue to show us their support in such critical times. I am confident that we can tide through this difficult period.

I would like to take this opportunity to thank shareholders, readers, subscribers, advertisers, colleagues, unions and other stakeholders for your unstinting support as we strive to overcome and emerge stronger from this crisis.

**NG YAT CHUNG**
Chief Executive Officer