

Chairman's Statement



We are facing unprecedented challenges from the ongoing Covid-19 pandemic, global economic uncertainties and disruptions to the media industry. However, I believe we will be able to weather this crisis and **emerge resilient** with your unstinting support.



This year will be long remembered as the pandemic year. The Covid-19 pandemic infected millions and killed more than a million people globally. It caused unprecedented economic disruptions and brought many businesses to a standstill. We also witnessed escalating tensions between China and the United States over trade and national security which contributed to further volatility and uncertainties.

Faced with such massive disruptions, SPH could not avoid being hit. Our results for the financial year ended 31 August 2020 highlighted the adverse impact of the pandemic across all our business segments, including media advertising revenue, footfall and sales at retail malls, and occupancy at Purpose-Built Student Accommodation (PBSA) assets in the United Kingdom.

Against this challenging backdrop, SPH reported an operating profit of \$110.2 million for the year ended 31 August 2020 (FY 2020), down from \$186.9 million registered in the preceding year. Net loss attributable to shareholders was \$83.7 million, largely due to a non-cash \$232.0 million decline in valuation of investment properties as a result of the impact of Covid-19. Other information on the Group is set out in this report.

The Board has proposed a final dividend of 1 cent per share in respect of the financial year ended 31 August 2020. We had earlier declared and paid an interim dividend of 1.5 cents per share.

The Group is focused on sustaining a resilient balance sheet with sufficient liquidity across our businesses as buffer against the uncertainties in the economy.

Jobs Support Scheme (JSS) grants by the Government. The JSS grants provided some cushion from the Covid-19 fallout. To address the adverse impact, the Board and Management are actively exploring options to ensure media sustainability for the longer term.

SPH's newspaper print ad revenue was down 32.9% year-on-year in FY2020, with the pandemic accelerating the decline. We restructured our media sales and magazines operations for greater efficiency and synergy in August 2020. Notwithstanding the JSS, we regrettably had to retrench 140 staff from Media Solutions Division and SPH Magazines to contain cost.

However, circulation continued to grow. While daily average print circulation copies declined 20.0% year-on-year, daily average digital circulation copies grew 55.6% to 423,400 in August 2020. Combined, print and digital circulation rose 6.1% to 838,000 copies.

We continue to strengthen our media business with quality products and content across multiple platforms to grow our audience. Our comprehensive and timely coverage of Covid-19 and the mid-year General Elections had led to an increase in digital subscription and readership across all SPH publications. In particular, during the Circuit Breaker period, more people turned to our publications, apps and social media feeds for reliable and timely news.

We offered strong content across different platforms, formats and genres to engage our audience. #StayHomeWithSPH is a one-stop digital platform featuring lifestyle video content from The Straits Times (ST), Lianhe Zaobao, SPH Magazines and SPH Radio stations to keep viewers informed and entertained.

ST Schools clinched first place in the new Best Initiative in response

to Covid-19 category at the 84th International News Media Association (INMA) Global Awards for its campaign to tailor pandemic news for school children, rallying them to be ambassadors within their families and friends' network.

Our digital strategies and journalists continued to receive accolades, including the Asian Media Awards and Asian Digital Media Awards. Such recognition shows our endeavours are gaining traction and maintaining our strong reputation locally and in the region.

We invested in a new business this year to develop and operate data centre facilities in Genting Lane under a joint venture with experienced industry player Keppel Data Centres Holding Pte Ltd. This investment will maximise the return on an existing asset, as well as capture secular growth trend of the digital economy.

Our associate company M1 was awarded the joint rights to operate the upcoming 5G network in Singapore with StarHub. Our media business also leveraged M1's mobile platform to offer a special promotion to subscribers of the recently launched The Business Times News Tablet.

PROPERTY AND ASSET MANAGEMENT

Excluding the reduction in valuation of investment properties as a result of the Covid-19 pandemic, Property remains the Group's largest profit segment.

But this segment also faced significant disruptions as a result of the Covid-19 pandemic. Fortunately, the situation has seen some return to stability.

We continue to adopt a disciplined approach to investment as we look for opportunities internationally and in cash-yielding defensive sectors to grow our recurring income base.

We completed the acquisition of five aged care assets in Japan this year,

Despite these difficulties, we remained conscious that as a good corporate citizen, we must continue to support the less able and underprivileged in our community through our charitable foundation, SPH Foundation. For example, we have donated \$100,000 to The Courage Fund to support the battle against Covid-19.

MEDIA AND DIGITAL

The media industry is going through a very difficult time. There is heightened competition for audiences and advertisers amid a weak macroeconomic environment. Worldwide advertising, including print ads, declined as companies cut back on spending due to Covid-19. These effects are likely to be prolonged and extensive.

The media business would have suffered bigger losses if not for the

Chairman's Statement

which marks our first acquisition to pursue growth opportunities in this sector in the country.

As part of our strategy, we constantly review our existing businesses and investments to recycle capital and enhance capital management. In June, we divested our 5.29% stake in AXA Tower for \$33.2 million. The original investment was \$19.3 million.

RETAIL

Retail is one of the sectors that are most severely hit by the pandemic. There was a significant decline in footfall due to safety measures and lockdowns. It has picked up after these regulations have been eased, but has yet to recover to pre-Covid levels.

SPH REIT acquired a 50% stake in Westfield Marion Shopping Centre in Adelaide, Australia last year to further diversify its geographical footprint and income streams.

We are supporting the recovery of our retail operations and providing rental relief to the tenants in Singapore and Australia. For Singapore, this is on top of the government legislated property tax rebates and cash grants.

PBSA

The acquisition of the Student Castle portfolio in December 2019 enabled us to have dual brands (Capitol Students and Student Castle) that target both domestic and international students. We have developed full operating capabilities with our investments and are now able to integrate both platforms in-house to achieve greater efficiency in our operations.

However, the Covid-19 situation in the UK is still a concern for domestic and international students. SPH has

been proactive in rolling out various measures, including strict adherence to UK's National Health Service guidelines to protect residents and staff across our PBSA assets there. We will continue to monitor the evolving situation there.

Students' refunds have reduced revenue for Academic Year 19/20 by approximately £4.6 million, at the lower end of the £4 - 8 million range that had been earlier anticipated.

We achieved 88% of target revenue for Academic Year 20/21 as at 9 October 2020, as bookings continued to pick up.

We remain positive on this sector which is backed by promising fundamentals and a supportive regulatory environment as we work towards our vision of being a leading PBSA player in the UK.

THE WOODLEIGH RESIDENCES

We have sold about 56% of total units of The Woodleigh Residences, our joint development with Kajima Development Pte Ltd, as at 4 October 2020. We will continue to do our best to sell the remaining units.

AGED CARE

Operating performance at Orange Valley Nursing Homes has been stable. The emergence of four Covid-19 cases at Orange Valley Simei in May was efficiently and decisively managed. All four have since been discharged and there have been no further cases.

Our aged care acquisitions in Japan also signaled our foray into the global aged market, and we will continue to be selective and disciplined in our internationalisation strategy in this sector.

CAPITAL MANAGEMENT

SPH is prepared for a lengthy recovery from Covid-19. The priority is to conserve cash through an effective cost control programme while adopting a disciplined and prudent approach to capital allocation. The Group is also constantly reviewing its non-core businesses and investments to unlock value strategically. Our resilient balance sheet will help the Group buffer against the long-term uncertainty.

SUSTAINABILITY

Covid-19 has highlighted the importance of sustainable development, especially the social aspects relating to our stakeholders and the community.

Amid the uncertainty, we have taken precautionary measures beyond those prescribed by the Government and the various agencies to ensure that all our stakeholders – employees, customers, suppliers as well as the community at large – remain safe during the pandemic. SPH has remained steadfast in our commitment to our sustainability agenda. We will strive continually to minimise negative social and environmental impacts of our operations.

As one of the leading media organisations in Asia, we provide timely, credible and reliable news in different languages across multiple platforms to educate and inform the community. During the Covid-19 pandemic, SPH recognises the vital role we play in delivering accurate, verified information that does not trigger unnecessary panic among the public. We do not condone the spread of fake news, and have set in place enhanced services such as the



SPH entered into a JV with Keppel Data Centres Holding to jointly develop and operate data centre facilities at 82 Genting Lane

complimentary access to Covid-19 news for all via our multilingual platforms. Besides debunking fake news and myths relating to Covid-19 through the askST column, initiatives such as the video series Come 'n Live by zaobao.sg to encourage Singaporeans to stay active, a dedicated Covid-19 section on the Tamil Murasu website and a series of Facebook Live and podcast episodes by Berita Harian help to reach out to a wider audience and keep the community updated on the latest developments on Covid-19. These channels help to deliver accurate and timely updates in our fight against the coronavirus.

The Board maintains oversight of our sustainability strategy and aims to ensure sustainable growth of the business despite the challenges brought about by the Covid-19 crisis. In particular, the Board Risk

Committee (BRC) monitors and oversees the management of environmental, social and governance (ESG) factors. They are closely supported by the Sustainability Steering Committee (SSC) and the Sustainability Working Committee (SWC). This year, the Board has validated the 11 existing material ESG factors for its continued relevance to SPH Group's business.

The FY2020 Sustainability Report provides readers insights into the Group's wide-ranging efforts across our Media, Properties, Aged Care and PBSA businesses. It also showcases our overall strategy and approach towards sustainability, governance, health and safety, training and development and the local communities amid the pandemic. We continue to align our sustainability efforts with the United Nations Sustainable Development Goals.

This year, we have also synced our environmental efforts with the Sustainable Singapore Blueprint.

You can read more about our Covid-19 initiatives to provide support and relief to the needy and vulnerable in the community in our Report on page 48.

WELCOME AND THANKS

I would like to welcome our new director, Ms Tracey Woon, who joined the Board on 1 July 2020.

Tracey's deep understanding of international capital markets, as well as her wealth of experience and expertise in investment banking, will be invaluable to SPH as we continue to invest, diversify and strengthen our businesses.

We are facing unprecedented challenges from the ongoing Covid-19 pandemic, global economic uncertainties and disruptions to the media industry. However, I am confident that we will be able to weather this crisis and emerge resilient with your unstinting support. I wish to thank CEO Mr Ng Yat Chung and his management team, all our Editors and media teams, staff and employees for their effort and hard work to sustain our businesses through this pandemic and other challenges. Last but not least, I thank all shareholders for your continued confidence and support of SPH.

LEE BOON YANG
Chairman