The last financial year (FY2018) was faced with many challenging circumstances, not least being the digital disruption to our media business. We continue to embark on our digital transformation plans and seek alternative pillars of growth.

Our operating profit held firm at $206.3 million for the year ended 31 August 2018 (FY 2018) cushioned by cost savings even as operating revenue declined $50 million or 4.8 per cent to $982.6 million. Higher investment income of $115.2 million boosted the performance across all reporting segments by 24 per cent to $321.5 million. Net profit attributable to shareholders fell $69 million or 19.7 per cent to $281.1 million, partly due to the absence of the one-off gain on divestment of a joint venture seen in FY2017. Excluding one-offs, net profit attributable to shareholders improved by 2.4 per cent.

Our strategy to digitise our media business saw an increase in digital subscriptions and e-paper readership. We will accelerate our digital and innovative capabilities to capture new opportunities in the evolving media landscape and to stay at the forefront of emerging trends.

We are also growing our digital portfolio to complement and synergise with our media business. By leveraging our strengths in the media sector, we aim to be a key player in the local online markets.
Our efforts to diversify our revenue stream also produced commendable results, particularly in our property portfolio.

We will soon be launching our integrated development – The Woodleigh Residences and The Woodleigh Mall – following the successful tender for the mixed development site at Bidadari estate with Kajima Development in June 2017.

We are also acquiring cash-yielding assets in defensive sectors. The recent acquisition of a portfolio of Purpose-Built Student Accommodation (PBSA) in the United Kingdom (UK) is one example. We will expand our real estate asset management portfolio beyond SPH REIT and actively seek other growth areas.

SPH ventured into the aged care sector with the acquisition of the Orange Valley Nursing Homes in 2017. We will sharpen our Singapore brand and operating capabilities to ride the fast growing potential of the Asia Pacific aged care markets.

In September, SPH announced that it will join Keppel Corporation in making a pre-conditional general offer for M1. As part of this, SPH will roll-over its existing 13.45 per cent stake in M1 into the offeror, Konnectivity Pte Ltd which is majority-held by Keppel. There is potential for long term value creation in M1 from the growth and business transformation initiatives to be undertaken post close of the offer.
THE YEAR IN REVIEW

Growing Property and Real Estate Assets

Following the successful tender for the mixed development site at Bidadari estate with Kajima Development in June 2017, the groundbreaking of the site was held in March 2018.

The project consists of The Woodleigh Residences, a 667 unit condominium and The Woodleigh Mall, a 28,000 square metre retail/commercial mall. The collaboration with Kajima brings together Japanese craftsmanship and Singaporean retail expertise into the homes and shopping mall.

The Woodleigh Residences, in particular, will be a showcase of thoughtful Japanese architecture with modern conveniences. It will boast clean-cut designs and meticulous attention to details, as well as space-maximising functions. The development will include community spaces such as a Japanese-inspired sunken courtyard, a Japanese onsen and a rooftop farm to keep the “kampung spirit” alive.

With the residential units overlooking Alkaff Lake and Bidadari Heritage Walk, coupled with the retail/commercial component, the development will provide a much sought-after lifestyle for families to live, shop and explore the natural environment surrounding it.

It will have direct access to Woodleigh MRT Station and Singapore’s first air-conditioned basement bus interchange. As part of community building, we will work with the People’s Association (PA) and the Singapore Police Force (SPF) to build a 6,000 square metre Community Club and a 2,200 square metre Neighbourhood Police Centre.

The development is located in the heart of the Bidadari Estate Master Plan and can be considered as the Jewel of the Master Plan, as it plays a key role in the “community in a garden” concept.

The fast-changing retail environment and e-commerce challenged the retail business. However, Paragon continued to achieve a high occupancy of 99.6 per cent while The Clementi Mall maintained its 100 per cent occupancy. The Seletar Mall enjoyed an occupancy of 99.5 per cent.

We increased our stake in Chinatown Point to 30.68 per cent. SPH REIT also acquired The Rail Mall, a retail strip with a 360-metre prominent road frontage along Upper Bukit Timah Road, comprising 43 single-storey shop units and 95 private carpark lots. It has a total net lettable area of approximately 50,000 square feet.

Beyond Singapore, we purchased a portfolio of PBSA from the UK’s largest PBSA manager and developer, Unite Group, for approximately S$321 million in September 2018. It comprises 14 properties across six towns and cities in the UK and has a total capacity of 3,436 beds for student accommodation.

This recent acquisition is just the start of our overseas expansion. We have employed two staff in the UK to source for cash-yielding deals and to be on the constant lookout for more opportunities to build up a sizeable portfolio of real estate assets. We will also strengthen and deepen our capabilities in the PBSA sector. Building on SPH’s strong track record in asset management, we will establish more investment vehicles for other asset sectors in the medium term.
Transforming and Digitalising Media

Over the past year, SPH’s media business sought to capture growth opportunities with various digital initiatives and new partnerships including the launch by The Straits Times (ST) of its new all-digital subscription plans. We will continue investing in further digital initiatives, embracing data analytics, artificial intelligence and other advanced automation technologies to enhance the readership experience.

The demand for our news products continued to rise in FY2018. Total daily average newspapers circulation reached 964,400 copies in August 2018, representing an increase of 4 per cent compared to August 2017. Daily average digital circulation, in particular, grew strongly by 37 per cent in the same period to reach 391,200 copies. Our digital revenue from media and online classifieds increased to 15 per cent of our media revenue.

Our media business made significant strides this year in our ongoing digital drive to create market-leading news and advertising products. The Straits Times (ST) launched a digital news paywall model that allowed paying subscribers access to exclusive, award-winning content including first-hand reporting, in-depth commentaries and immersive interactive graphics.

The Chinese Media Group (CMG) was restructured in December 2017, forming the CMG NewsHub to pool news reporting resources from Lianhe Zaobao (ZB), Lianhe Wanbao (WB) and CMG Digital to provide news coverage for Chinese print, digital, and radio platforms including zaobao.sg and zaobao.com.
Berita Harian (BH) and Tamil Murasu (TM) also moved towards a digital focus, planning workflows and content around digital audiences. TM revamped its website to produce more digital-only content and undertake research into the viability of a digital news subscription product.

In July 2018, The Business Times (BT) officially launched its Asean Business website section, its first product targeted at regional audiences. It also caters to Singapore-based readers who track regional news, as well as to firms and entrepreneurs looking to broaden their regional footprint. As part of its ongoing efforts to spotlight trends and focus on areas of readers’ interests, BT also launched its first Startups page with news, insights and in-depth reports.

In October 2017, The New Paper (TNP) became Singapore’s only free print newspaper after Today became a digital-only product. In January 2018, it ceased its Saturday edition, becoming a weekday-only publication. The move was to better focus its resources on the weekday operations as a large portion of TNP’s readers are Professionals, Managers, Executives and Technicians (PMETs) working five-day work weeks.

We strengthened the management bench for digital transformation. Mr Ignatius Low, formerly head of media solutions, was named Chief Marketing Officer and is tasked with spearheading the group’s integrated marketing strategy, where we upsell and cross-sell across SPH’s multiple media platforms to increase average spending per customer and campaign.

With Mr Low at the helm, Integrated Marketing Division (IMD) accelerated its push to provide clients with cross-platform solutions across the print, digital, radio and outdoor formats. The total number of integrated marketing campaigns and revenue generated more than doubled compared to the previous financial year. With content marketing playing an integral role to many marketing campaigns today, we launched Sweet in June 2018 to combine the storytelling, video and creative capabilities of SPH’s ContentLab and CreativeLab, together with Brand New Media, a subsidiary specialising in video content marketing.

We also appointed Mr Glen Francis as Chief Technology Officer and Mr Gaurav Sachdeva as Chief Product Officer. Mr Francis is responsible for the technological and digital capabilities for SPH’s businesses, while Mr Sachdeva is helping with the development and monetisation of SPH’s digital media content and products. Together, they will help introduce fresh perspectives, increase innovation and new capabilities to enhance our media business, and to better serve our readers and advertisers.

One of the key milestones of our digital business was our collaboration with Mediacorp to launch the Singapore Media Exchange (SMX), a Programmatic Digital Ad Exchange which started operating in May 2018 and has been gaining momentum in reaching the Singapore digital population.
Our total digital revenue has been growing at a compound annual growth rate (CAGR) of 17% from FY2013 to $103 million in FY2018.

Our online job app FastJobs consistently topped the lists in the Google Play store and iTunes app store in Singapore. It also opened offices in Philippines and Malaysia, and has seen significant growth in both markets. The app has achieved more than a million downloads in the region.

SgCarMart continued to dominate the cars vertical in Singapore and deepened its offerings across the car buying and selling space. The business has seen revenue growth and profits over the years.

SRX became the first local property portal to utilise MyInfo for home loan applications with banks and other financial institutions. The company has an advanced artificial intelligence engine that helps users identify their preferred loan, along with the best rates offered by partner banks.

ZomWork, a business services marketplace in partnership with Chinese unicorn, Zhubajie.com, was launched in April 2018. With close to 300 vendors onboard, ZomWork is actively involved in driving the conversation around how companies can make better use of the gig economy to build their business.

SPH and Focus Media Holding (FMH) formed a joint venture company, Target Media Culcreative Pte Ltd, to develop a smart in-lift media delivery platform that will improve audience engagement efforts for community and commercial segments. The partnership will leverage on FMH’s expertise on in-lift media technologies and our wealth of news and localised lifestyle content. The in-lift media delivery platform will add a new dimension to our media offerings and expand our audience reach.

We also entered into a joint venture with MM2 Asia, the region’s leading player in the media entertainment industry, to operate a lifestyle entertainment and news portal under the “AsiaOne” brand name. With this partnership, AsiaOne aims to introduce more digital video-based content centred upon lifestyle and entertainment to the 23-year-old online news site, to grow its audience both locally and regionally.

Apart from digital transformation, we continue to develop and improve our print products. We inked an agreement with HP to enhance our newspaper products with digital printing. We purchased a new digital press, the HP PageWide Web Press T240 HD, which will run alongside the existing newspaper presses. This new digital press is an intersection of print and digital, enabling customisation of print advertisements. It is scheduled to be operational in 2019, making SPH the first media organisation in South-East Asia to own this digital press, which can be used to print some of the magazines and books that are currently handled by third party printers.

Making Radio Waves
SPH Radio added two new stations – 96.3 Hao FM and MONEY FM 89.3. 96.3 Hao FM, launched on 8 January 2018, targets at bilingual Singaporeans aged 45 years and above. In the latest Nielsen Radio survey, 96.3 Hao FM debuted as the Chinese station with the second-longest time spent listening. Audiences spent 11 hours 5 minutes, compared to the average of 9 hours 56 minutes for other Chinese stations.
MONEY FM 89.3, Singapore’s first and only business and personal finance radio station in English, was launched on 29 January 2018. It targets educated English speakers aged 35 years and above who are interested in personal finance matters like retirement planning, sensible investing and responsible saving. It reached more than 50,000 listeners upon its launch.

SPH Radio did well in the Nielsen Radio survey in May 2018, with more than 600,000 people tuning in digitally to at least one of its five radio stations, through either the SPH Radio app or website. This represents a rise of more than 40 per cent from December 2017.

Our radio stations also attracted the most engaged audiences, with Kiss92 and ONE FM 91.3 emerging tops in total time spent listening, according to a separate radio survey by Nielsen. Listeners tuned in to Kiss92 and ONE FM 91.3 for an average of 5 hours 41 minutes and 5 hours 40 minutes respectively during the survey period of 19 March to 13 May 2018, compared to the average of 4 hours 21 minutes for English stations.

**Strengthening Book and Magazine Publishing Business**

SPH Magazines undertook a company-wide reorganisation to accelerate its digital transformation and strengthened its position as the number one digital network in the magazine space. The custom publishing business was consolidated under Focus Publishing, the contract publishing subsidiary of SPH’s Chinese Media Group. The editorial division launched shared digital desks while the respective sales teams were also unified under a single sales force - renamed Business Solutions and organised by industry sectors - offering advertisers a full suite of 360-degree multi-touch point solutions.

SPH Magazines also strengthened its digital strategies by tying up with Snappar, a visual search and shopping app. In addition to the more than 80 magazines circulated on digital newsstands in Singapore and the region, SPH Magazines’ digital content was also re-purposed by interest areas for further discovery through new channels such as MyReadingRoom.online and WiFi Library. herworld.com and hardwarezone.com continued to reign as the number one digital brands in both the women’s and tech space respectively.

Our book publishing subsidiary, Straits Times Press (STP) made a foray into commercial fiction this year, with Janice Tay’s historical samurai romance The Memory Eaters and Raju Chellan’s Organ Gold. It also introduced expatriate fictional work, Travails of A Trailing Spouse, by newcomer Stephanie Suga Chen. The book hogged the fiction bestseller’s list and had its second print run within weeks.

**Extending Reach with Outdoor Media**

SPHMOBO entered into a collaboration with HDB through the development of a mega LED screen at Bedok Town Square. It has also been appointed by Corwin Holdings, owner and developer of the new Tekka Place (formerly The Verge) to be its exclusive outdoor media representative for one of the largest billboards in Singapore when the construction of the new retail and serviced residential complex is
completed in 2019. Also adding to its product portfolio is a 54 metre wallscape at the busy underground commuter walkway in One Raffles Quay, the longest in Singapore.

Making Headway in Aged Care
Following the acquisition of Orange Valley (OV) Nursing Homes, a subsidiary of Invest Healthcare Pte Ltd (formerly known as Orange Valley Healthcare Pte Ltd) in 2017, we opened a new branch in Balestier in May this year.

The six-storey nursing home offers 118 beds, including two beds for quarantine and isolation purposes. Besides open wards, there are single, two-bed and four-bed rooms as well as two deluxe suites to satisfy evolving needs. The Balestier branch is also OV’s first “smart” nursing home, adopting the latest silver care technology to enhance clinical care for its residents and improve its operations.

Our focus is on building OV’s operational capabilities. We are also leveraging on OV and Singapore’s reputation in healthcare to seek overseas growth opportunities in the retirement and aged care sector to capture the aging population markets.

Spurring Growth in Education
SPH acquired a 75 per cent stake in HAN Culture and Education Group. The acquisition laid the ground for our Chinese Media Group to develop quality Chinese language and culture educational programmes for students, youths, and adults.

The education group launched a series of new initiatives, including News in Education into its curriculum to make news and current affairs a part of Chinese language learning for students. It also partnered SkillsFuture Singapore to offer Chinese language and business culture courses for adults.

SPH’s associate company, MindChamps Preschool, was listed on the Mainboard of the Singapore Exchange on 24 November 2017 with a market capitalisation of more than $200 million. SPH recorded a profit of $6 million upon the IPO. Our shareholding in MindChamps is now 20 per cent.

Venturing Abroad with Events and Exhibitions
Sphere Exhibits (Sphere) organised more than 30 events in Singapore, Malaysia and Thailand across sectors such as Food & Beverage, Premium Gifts, Office Solutions, Print Pack & Signage, Festival and Technology. Among these events was Beerfest Asia, which returned for the 10th year as the biggest beer festival ever. We are looking at overseas expansion with Beerfest Shandong making its debut in China in October 2018.

LOOKING AHEAD
We will continue to step up our media capabilities to meet the changing needs of our readers, subscribers and clients. We are seeing encouraging results from our digitalisation and transformation efforts.

We will also search for new growth opportunities, including expanding our property, digital and aged care businesses.

With the hard work, dedication and commitment of our staff at all levels, I am confident that we can create better value for the Group. I would like to take this opportunity to thank our shareholders, readers, advertisers, colleagues, unions and other stakeholders for the support in the past year. We will be celebrating our 35th anniversary next year, and look forward to your continued unstinting support in the years to come.

Ng Yat Chung
Chief Executive Officer