CEO’S BUSINESS REVIEW

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NG YAT CHUNG
Chief Executive Officer

The last Financial Year (FY) has been challenging for SPH. We continued to be impacted by media disruption. Global trade tensions between the United States and China, protests in Hong Kong and risk of a no-deal Brexit weighed on the overall economic outlook and roiled financial markets.

Under such challenging economic climate, our operating profit was S$186.9 million for the year ended 31 August 2019 (FY2019) as operating revenue declined S$23.3 million or 2.4% to S$959.3 million. The Group’s net profit attributable to shareholders fell S$65.2 million or 23.4% to S$213.2 million.

Despite facing economic uncertainties and technological disruptions to the media business in the last FY, SPH stayed focused in strengthening its fundamentals and seizing growth opportunities for transformation.

GROWING DIGITAL MEDIA

Over the past FY, we have been constantly innovating and expanding our product offerings and services to acquire and retain customers.

The Straits Times’ (ST) premium subscription packages launched last year continued to gain momentum with a total of 23,000 new subscriptions as at 31 August 2019, a growth of 8% year-on-year. #readwithST Campaign, a movement that encourages families to get together by reading and sharing the real life stories in ST which ran for three months, successfully garnered 6,900 new sign-ups.

In March 2019, SPH launched an innovative news tablet app via the Samsung Knox solution for our Chinese news products. With the news tablet, subscribers were able
to enjoy easy no-login access to e-paper editions of Lianhe Zaobao, Lianhe Wanbao and Shin Min Daily News, which would be updated automatically daily. The device allows users to read in an offline mode and encourages social sharing. A total of 10,000 subscribers signed up for this package as at mid-October 2019, a record high for digital packages for Chinese publications. There are plans to roll out our news tablets to other newspaper titles in the new FY.

A revamped biometric login was launched for SPH subscribers to seamlessly log in on their SPH mobile and tablet apps using Touch ID or Face-ID. Users are no longer required to re-enter their passwords for subsequent logins. The revamped login system resulted in better usability for users and shortened login time. It also allows for seamless biometric payment for mobile ecommerce in future.

The SPH Rewards programme launched a mobile app to reward loyal subscribers with exclusive benefits and privileges ranging from retail giveaways to wellness getaways.

We also strengthened our vending machine network with an additional 65 machines this year. Readers can now purchase one of our daily newspapers from any of the 115 machines that are conveniently located island-wide.

SPH is now developing a subscription propensity model to identify news readers who would likely buy a subscription. A conversion score is generated by taking into consideration several metrics from the users’ actions on our website. This score can then be used to segment these users and present unique experiences on the page as they continue their user journey, so as to increase the conversion rates of those who show a higher tendency to subscribe.

Digital media remains on the upswing with newspaper digital ad revenue rising 6% compared to a year ago.

We have come up with new initiatives and innovations to drive business value and provide media solutions for customers.

A new online ad format called “social cards” was launched. A first of its kind in Singapore, it allows any social media posts to be displayed as a normal online display ad for brands to extend their reach on Facebook and Instagram.

To better monitor advertisers and sales activities, we adopted the Salesforce CRM system which allowed the sales teams to have a comprehensive view of each customer and collaboration across divisions. AdPoint, a sales selling integrated solutions system which went live in February 2019, helped staff to take in bookings for all four platforms. It is linked to Salesforce to monitor sales activities, as well as to integrate with the pagination and scheduling systems for print and digital platforms.

The Agency Self-Service Portal (Addy), launched in July 2019, was conceived to consolidate the many sales systems and sites that our agency partners access on a daily basis. They can access Addy for
all matters relating to ad booking, bidding for premium advertisement positions and packages, transmission of materials, finance / accounts, rate cards, latest promotions and campaign brief templates.

Transforming newsrooms

The newsrooms at English, Malay and Tamil Media (EMTM) Group underwent significant physical and organisational revamps to meet the new demands of consumers. The new set-up allows journalists and editors from different desks to collaborate and work more seamlessly across platforms, producing content for digital, mobile, video, radio and print products.

EMTM podcasts’ monthly downloads rose from 5,000 in October 2018 to over 20,500 in July 2019. SPH secured US$100,000 in funding from Google to build its podcast infrastructure, split equally between EMTM and the Chinese Media Group (CMG). EMTM’s social media continued to grow with Instagram followers surging from 103,000 in May 2018 to more than 217,000 in August 2019. Facebook followers grew from 1.2 million in 2018 to 1.3 million in August 2019.

Berita Harian (BH) is forging ahead as the voice of the Malay community and the go-to platform for Singaporean Malays. Its podcast series #NoTapis climbed to No.3 on Spotify within 2 months after launch. BH is also gearing up for a website and app revamp at the end of the year.

Tamil Murasu (TM) refreshed its digital identity and unveiled a new website in January 2019. The site’s user base grew more than threefold (to about 63,000) and pageviews increased more than fourfold (to about 240,000) between September 2018 and July 2019.

CMG restructured its newsrooms last year, embedding digital capabilities into the core of its Lianhe Zaobao and Lianhe Wanbao NewsHub workflow to facilitate digital content creation across desks and drive audience-centric content development and delivery. CMG also set up an Audiences Development team to grow new audiences and deepen audience engagement across its platforms.

CMG was the sole winner from Singapore in the first Google News Initiative (GNI) Asia Pacific Innovation Challenge, which aims to support digital innovations and new business models in news organisations.
Zaobao.sg explored different storytelling elements and new interactive techniques to engage readers. It developed memorable characters in “Ah Boy & Friends”, a short-form video series to highlight Singapore’s customs and traditions, and used 3D technology to create a virtual museum in “Treasures Before Us”, a video series which mark Singapore’s Bicentennial.

In the era of fake news, our journalists continued to produce quality journalism and trusted media products, sweeping local and global accolades for their editorial excellence. The Straits Times Asia Report bagged two top honours at the prestigious International News Media Association (INMA) Global Media Awards 2019. Our financial journalists from Lianhe Zaobao and The Business Times also clinched awards for excellent reporting at the SIAS Investors’ Choice Awards 2018.

Innovative initiatives from magazines

Our magazines have also been developing digital media content. For example, Augmented Reality (AR) technology was used in Nuyou magazine for a more immersive storytelling. Brand Lab, SPH Magazine’s in-house boutique content agency, was repositioned to deliver more video-centric solutions for advertisers.

SPH Magazines also continued to expand its distribution networks and platforms for retaining existing and attracting new readers. WIFI Library, SPH Magazines’ proprietary solution which allowed out-of-home establishments to serve magazine content free to their customers while logged into their Wi-Fi network, had since been rolled out successfully in Singapore, Malaysia, Indonesia, Thailand and the Philippines.

More listeners on digital radio

Audiences are spending a longer time listening to SPH Radio, and more of them are tuning in digitally. The five radio stations maintained their overall share of audience in the first half of 2019, based on the findings of Nielsen radio diary survey. The half-yearly survey, which measures the listenership of traditional analog radio stations, also showed that audiences are tuning in to SPH Radio’s stations for a longer duration each time.

SPH Radio’s listenership continued to expand at a healthy rate. Analytics tracked by SPH showed that most of its stations registered double-digit growth in digital audiences over the last half-year in 2019. More than 890,000 people tuned in digitally through either the SPH Radio app or website to at least one of SPH’s radio stations in May 2019, up 10% from October 2018. Podcasts are also emerging as a highly popular format among listeners, as total downloads increased by 45% across all five stations, as compared to October 2018.

Boosting print technology

The new Digital Inkjet Press System at Print Centre enabled SPH to expand its print capabilities beyond newspaper production to include digital print solutions for SPH’s internal products, advertisers and brand owners.

The new digital press provided greater content customisation across text, graphics and images and delivered more targeted ads to readers via personalised messages, wraparound and unique codes.

In terms of cost savings, the manpower requirement to operate the digital printing system is around 35% as compared to that of a single newspaper press. SPH can now in-source print jobs. The digital printing system reduces cash outflow from the company by allowing SPH to be a vendor for the business consumers to consider printing products other than newspapers.
CEO’S BUSINESS REVIEW

SPH signed a memorandum of understanding with Times Printers on 31 July 2019 to further strengthen our printing capabilities in digital and offset printing and post-finishing production, pooling together relevant expertise and resources. With combined experience and sales network, this partnership allows both parties to achieve a comprehensive and cost-effective commercial print service.

EXPANDING PBSA PORTFOLIO AND OTHER PROPERTY ASSETS

Since our initial acquisition of Purpose-Built Student Accommodation (PBSA) in September 2018, we have grown our portfolio significantly. Our latest acquisition was in April this year, adding £133.7 million ($236.5 million) worth of assets, bringing our total portfolio to 5,059 beds across 20 assets in 10 cities in the United Kingdom (UK).

The Assets Under Management (AUM) for PBSA are now in excess of $600 million, establishing SPH as a leading PBSA player in the UK. We recognised a fair value gain on investment properties of $35 million on our PBSA portfolio. The gain comes within a year of the Group’s expansion into the student accommodation sector, reflecting strong investor demand for the assets.

The growth was supported by positive demand-supply dynamics in the UK, driven by an increase in the number of 18-year-olds as well as demand from international students. Applications from China rose more than 30% last year to a record high, fuelled by United States’ visa restrictions over students from China. Another factor supporting growth has been the attractive value of Sterling.

We started operationalising our asset management capabilities for PBSA under the new Capitol Students brand. It has a dedicated team of five in the UK and eight in Singapore overseeing the portfolio together with more than 100 employees managing these assets.

There are plans to ramp up marketing capabilities in China through partnerships. We have also transformed our PBSA’s operational capabilities by building Capitol Students into a brand of choice in the PBSA sector. We aim to establish service differentiation and brand presence in the competitive industry.

Riding on the growth of our PBSA portfolio, we will continue to seek international acquisitions and cash-yielding property investments in defensive sectors with strong recurring income potential.

Back on the home front, we launched The Woodleigh Residences together with Kajima Development in May 2019. The development, which is Singapore’s only premium integrated development that combines Japanese design and quality, is around 20% sold as of September 2019.

SPH also invested US$60m for a 7.38% stake in the Prime US REIT IPO and a 20% stake in the REIT manager. The forecasted 2019 distribution yield of Prime US REIT is 7.4% based on IPO price of US$0.88. We divested our investment in
Chinatown Point and recognised a S$10.4m gain in May 2019.

In the face of a challenging retail environment, SPH REIT turned in a commendable performance this FY. Its net property income (NPI) for FY2019 was S$179.8 million, an increase of S$13.8 million or 8.3% compared to last year.

Paragon and The Clementi Mall continued to deliver steady performance and contributed an increase in NPI of approximately S$2 million.

SPH REIT expanded overseas for the first time by acquiring an 85% stake in Figtree Grove Shopping Centre in Australia in December 2018, following its acquisition of The Rail Mall in June 2018. For FY2019, NPI contribution from The Rail Mall and Figtree Grove Shopping Centre were S$3.8 million and S$8.5 million, respectively.

SPH REIT established a S$1 billion multi-currency debt issuance programme in August 2019. The debt programme involved the REIT issuing notes and perpetual securities. It was very well received with a good mix of both institutional and private investors. Net proceeds will be used for general working capital, capital expenditure, corporate requirements such as acquisitions and investments, and refinancing borrowings.

SPH REIT’s properties maintained high occupancy at 99.1% as at FY2019. Paragon continued to record positive rental reversion of 9.7% for new and renewed leases. This represented 26.6% of Paragon’s net lettable area. The Clementi Mall and The Rail Mall recorded positive rental reversion of 5% and 9.4% respectively. The overall portfolio registered a positive rental reversion.
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of 8.4%. The newly-acquired Figtree Grove enjoyed a high occupancy rate of 99.2%.

SPH REIT will continue to explore growth opportunities in Singapore and the Asia-Pacific region. It will adopt a disciplined approach to invest and grow recurring income in Singapore and beyond.

INVESTING IN TECHNOLOGY

To transform SPH into an innovative, tech-savvy and progressive company, SPH announced the merger of the Information Technology Division and the technology unit of Digital Division to form SPHTech in 2018.

With an increasing pressure to ensure organisational cybersecurity and protection of customers’ data against cyber attacks, the Group has implemented a series of IT programmes such as source code scanning tools, secure coding benchmarking system and the integration of a gamified secure coding training platform to increase our proficiency in dealing with cyber threats.

The Mainframe Replacement Project was successfully completed, facilitating improvements in operational performance and scalability, and ensuring future growth and stability of our core media business. SPHTech also created new apps such as eClaims, eMemo and eCSAR to promote environmentally friendly practices and improve internal workflow efficiencies.

For external audiences, the team developed innovative products such as news tablets to enhance users’ experience and Photonico, an award-winning website offering high-quality stock images on Asia.

On 19 August 2019, SPHTech organised the inaugural SPHTech Day to raise the awareness on technology disruption and help staff understand new tech trends, embrace the right technologies and develop new business models.

BUILDING DIGITAL BUSINESSES

On 7 January 2019, SPH and Keppel Corporation, through our joint venture company, Konnectivity Pte Ltd, made a formal Voluntary Conditional General Offer for all the issued and paid up ordinary shares in the capital of telco M1 Limited. The Offer closed successfully on 18 March 2019. SPH’s stake in Konnectivity is 20% and effective stake in M1 is 16% post transaction.

The successful execution of the general offer was followed by the delisting of M1 on 24 April 2019. SPH and Keppel are working closely with M1 on a multi-year transformational journey to enhance its competitiveness, creating greater value for M1’s customers. We will fully leverage synergies between Keppel and SPH’s comprehensive suite of product offerings with M1’s mobile platform to offer on demand and ready digital content to better serve our customers.

FastJobs strengthened its market foothold in the region with more than 2.5 million downloads across Singapore, Malaysia and the Philippines, and gained industry recognition with three awards at the HR Vendors of the Year 2018, Singapore.

OctoRocket was launched as a joint venture with Y3 Technologies in January 2019 to enable cross-border trade between suppliers and buyers from Singapore, Indonesia, Malaysia, Thailand and Vietnam.

Seven regional media publishers and marketplace owners were added to Singapore Media Exchange (SMX). The expansion offers advertisers increased options to reach audiences in the region.

SPH Ventures continued to invest in promising startups in sectors such as Digital Media, Marketing Technology and Consumer Internet. Its investments include SoCash and Pouchnation. SoCash enabled Buzz convenience stores to conduct cash services, attracting footfall to the stores.

STRENGTHENING AGED CARE BUSINESS

Orange Valley (OV) Nursing Homes leveraged on its market positioning as one of Singapore’s largest private sector players to pilot new initiatives. It focused on enhancing operational capabilities and rationalising costs to be more efficient.

OV continued to improve bed occupancy rate supported by 2.5% year-on-year growth in average bill size. It introduced age-care technologies for its smart nursing home in Balestier. Partnering StarHub, the Balestier Care Centre commenced a living lab concept involving installation of the Fall & Motion sensors on residents’ beds.
The Balestier Care Centre also launched the Longevity Day Care services for the elderly to care for and engage them with activities in the day. The Day Care programmes include coordinated activities and a dementia centric therapy programme known as Namaste Care, targeted at clients with dementia. OV also renovated its facilities at the Changi branch.

**VALUING OUR HUMAN CAPITAL**

We invest in the training and development of our staff. This includes helping them to strengthen their multimedia competencies in the face of the changing demands from a new generation of media consumers.

In FY2019, close to 700 staff attended digital-based courses such as WOW Innovation Foundation training, Google Analytics, Digital Marketing and Social Media Content training.

We will continue with our Innovation Foundation Training. We have developed 30 practitioner-level employees from over 300 employees who went through the training programme. Out of the 30 staff, three will be developed as coaches. These employees will form the backbone of the company’s transformational efforts.

The emphasis over the next few years is to roll out core skills training to all staff to equip them with the relevant skills to take on challenges in the media industry.

We will also continue to refresh and update our on-boarding and induction programmes, on-the-job training, soft skills training, functional skills training, managerial and leadership development programmes to meet the training needs of employees. An updated career and training roadmap was launched for the newsrooms in 2019. We are currently reviewing the training roadmaps for the other media and SPHTech divisions.

SPH participated in the Singapore-Industry Scholarship (SgIS) scheme, supported by IMDA to build a talent pipeline for SPHTech and Production divisions by sponsoring undergraduates to study technology or engineering in local universities. We actively participated in career talks and fairs at junior colleges and universities in Singapore to create awareness and highlight career opportunities in the company.

SPH also provided bond-free scholarships to deserving children of employees and newspaper vendors for higher education.

**LOOKING AHEAD**

We will continue to execute our media transformation strategy, grow our recurring income and diversify our revenue streams. We have been reviewing our existing businesses and investments regularly with a view to recycling capital and enhancing capital management to deliver sustainable shareholder returns.

We strive to strengthen our management bench with strategic new hires, review overall cost structure and exercise cost management where necessary and relevant.

I would like to take this opportunity to thank shareholders, readers, advertisers, colleagues, unions and other stakeholders for your unstinting support as we continue to seize opportunities to transform for greater growth.

Ng Yat Chung
Chief Executive Officer