

# Corporate Presentation (Covid-19 Updates)

19 May 2020



Business

### Australia media group wants tech giants to pay US\$400m a year



Australia last month announced plans to force Google, Facebook, and other internet firms to share advertising revenues earned from news content featured by their search engines  
AFP/DENIS CHARLET

SYDNEY: A leading publisher called on Thursday (May 14) for Google and other tech giants to pay Australian news outlets some US\$400 million a year under a mandatory code of conduct ordered by the government.

Australia last month announced plans to force Google, Facebook, and other internet firms to share advertising revenues earned from news content featured by their search engines.

In an initiative being closely watched across the world, the government is due to unveil in July details of the mandatory payments as part of a code of conduct for the tech giants' dealings with news media.



**SENIORS SHOULD STAY HOME**

- Avoid visiting markets get others to help
- No dining outside of home
- Don't gather in groups, at home or outside, e.g. at void decks or neighbourhood centres
- Don't go near seniors if you are sick
- Help seniors with their essential needs e.g. buying food and groceries for them

**All must wear a mask when outside their homes**

**If you are sick**

- Wear a surgical mask
- See a doctor
- Stay at home
- DON'T doctor-hop

**Do not spread rumours.**  
Get the latest on COVID-19 by signing up for the Gov.sg WhatsApp channel ([www.gov.sg/whatsapp](https://www.gov.sg/whatsapp))

gov.sg



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# Introduction

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- **Helping investors independently assess and make informed decisions during the Covid-19 outbreak**
  - **More disclosure where warranted**
  - **More frequent updates**

# Outline

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- **Business Review and COVID-19 impact**
  - Media, Telecommunications, Technology
  - Retail, PBSA
  - Aged Care
- **Capital Management**
- **Others**
- **Summary**
- **Analysts' Q&A on Google/Facebook**
- **Annex**

# Update: Media, Retail, PBSA, Aged Care, Capital M'gt

## • Media

- Digital subscriptions up 8% m-o-m; launched ST+Tamil Murasu News Tablet
- Partnering Google to grow digital ad revenue, subscription audiences

## • Retail

- Further rental rebates for Singapore malls with extended circuit breaker period
- Footfall recovering for Australia assets

## • PBSA

- Refunds of £4.6m at lower end of expected range (11 May); ~50% via credits
- Achieved 69% of next Academic Year's (AY20/21) target revenue (11 May)

## • Aged Care

- Nursing home operations are normal with minimum financial impact

## • Capital Management

- SPH REIT secured \$280m refinancing; Group has no loans due till June 2021
- Disciplined management and recycling of capital



# Media

Telecommunications  
Technology

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**THE STRAITS TIMES  
NEWS TABLET**

# Update: Higher reader time, more visitors with Covid-19



## Rise in new subscriptions in April

- 40% rise in rate of new subscriptions for ST; across print, digital, News Tablet

## Increased reader engagement in print\*

- 65% of print subscribers reading newspapers more frequently compared to three months ago
- Close to half of those surveyed spend 30 mins – 1 hour
- Improvement seen across all SPH newspapers

## Increase in digital audience\*

- Visitors to SPH's news sites and apps nearly doubled; page views nearly tripled in April 2020 from a year ago
- Time spent on SPH apps also rose about 30% – 40% in April from the previous year



\* SPH survey in April with >1,200 respondents

# Update: Digital subscriptions growing rapidly despite Covid-19

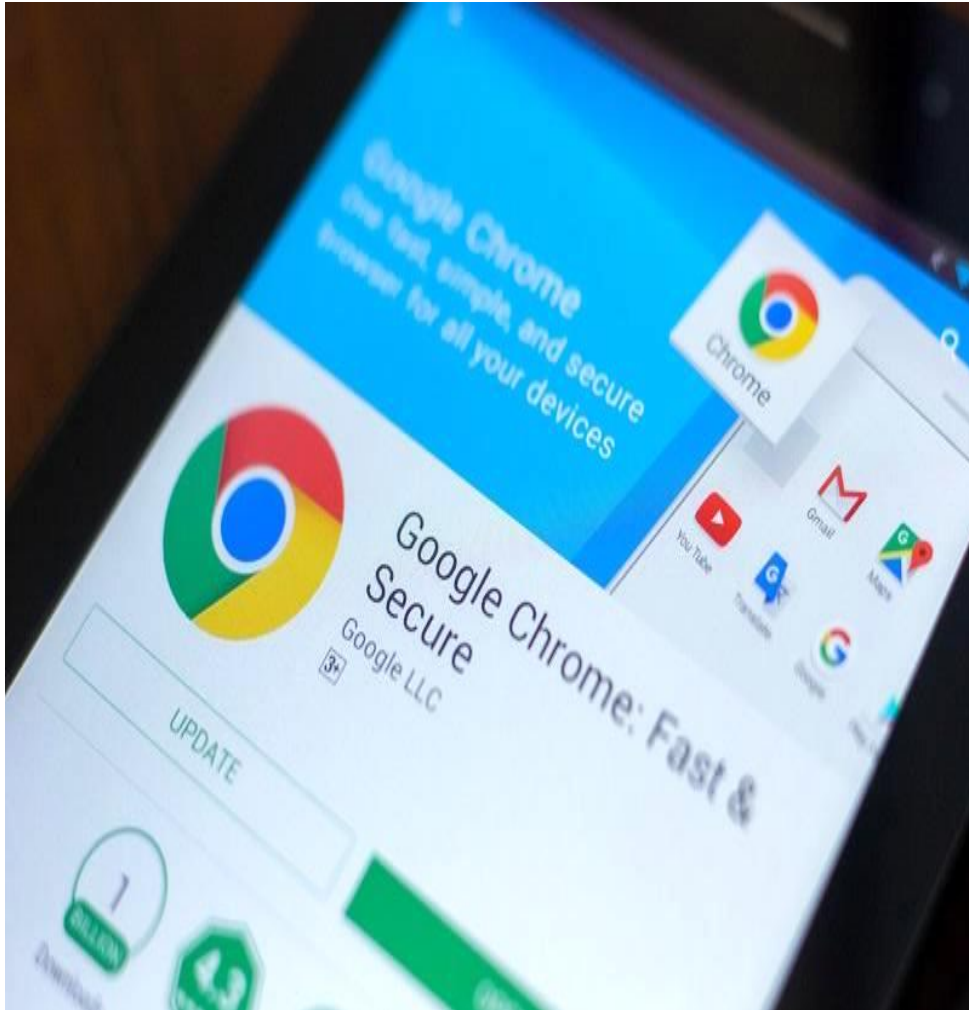


## Latest News Tablet launch – combined Tamil Murasu and The Straits Times

- Expanding publications on News Tablet to Tamil Murasu
- \$29.90/month for both TM and ST, compared with \$24.90/month for only ST
- ST, Berita Harian and Chinese (Zaobao, Wanbao, Shin Min) tablet subscribers rose to ~28k
  - 67% are new subscribers
  - M-o-M increase of 8% compared with 8 Apr



# Update: Partner Google to jointly grow digital revenue



## Signed Joint Business Plan:

- Grow digital ad revenue by improving the programmatic ecosystem and expanding advertisers' budget
- Growing subscription audiences on new platforms
- Developing digital video content business

## SPH to also benefit from longer-term trend when Google phases out third-party cookies by 2022

- Advertisers will have to rely on first-party cookies which are only available by original content providers such as SPH



*Note: Third-party cookies gather data across websites to be used by advertisers*

# Update: Divested Buzz, ceased Malaysia Magazine business



## Divested convenience store chain Buzz

- No impact on distribution with agreement to continue placement of SPH publications at the outlets
- **SPH to continue reviewing non-core businesses and investments as part of disciplined capital allocation**

## Blu Inc Holdings Malaysia ceases operations

- BIHM Group's business challenged by digital disruption over the past few years, further affected by Covid-19
- Integration of SPH Magazine in Singapore with the Media business continues apace
- **Sharpens strategic focus on core Media business in Singapore**



**Retail/  
PBSA**

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# Update: Further rental rebates in Apr, May by SPH REIT



## Landlord actions

- Full rental waiver for Apr and May for eligible non-trading retail and medical tenants at Singapore malls
- Together with the rental rebates granted in February and March, total rebates average 2.3 months (property tax rebates not included)
- Additionally, committed to fully passing on property tax rebates to tenants

# Update: SPH REIT's Australia footfall recovering



## Australia easing restrictions

- Many retailers and shopping centres have started reopening from the week of 11 May 2020
- Footfall at Figtree Grove less affected by Covid-19 than Westfield Marion due to its higher non-discretionary component e.g. supermarkets

## Footfall decline slowing at SPH REIT's Australia malls with easing of restrictions

# Update: PBSA refunds



## Total reduction in revenue from rental refunds of £4.6m (11 May)

- Increase of £0.1m from 20 April due to exceptional cases where refund was given after the deadline
- Smaller proportion to be refunded in cash than earlier reported; £2.39m or 52% of total refunds
- Remainder to be refunded as credit for new AY20/21 term or waived from outstanding payments

# Update: Anticipating universities to start on time



## UK universities looking to open with minimal or no delay

- University cities with SPH PBSA assets including Edinburgh, Sheffield, Glasgow planning for start dates in September
- Other universities including **Oxford, Cambridge, Bristol, Leeds** have no plans to change starting dates

## UK Government support to mitigate disruptions to the higher education sector

- Alternate framework of “**teacher submitted grades**” used for assessment in lieu of ‘A’ Level exam results, **enabling students to be placed at universities on time**
- **Automatic visa extensions** to 31 May 2020 for students whose visas expired after 24 Jan 2020

## Minimal disruption to Bremen PBSA

- Universities in Bremen are continuing with online classes, but **no plans to close its campuses or student halls**
- University-entrance **exams scheduled to proceed May-Jun 2020**

# Update: Next Academic Year bookings



## Bookings are coming in from UK and International students, although slow

- Achieved 69% of target revenue for the next Academic Year (AY20/21), up from 65% on 20 April 2020
- Bookings have slowed since UK lockdown
- Incoming bookings expected to accelerate after mid-May as universities are expected to start making unconditional offers to students



# Update: Construction of UK projects progressing steadily



## Minimal disruption to construction of Oxford and Brighton assets from Covid-19

- Oxford and Brighton assets expected to complete by Q3 of calendar year 2020, ahead of start of the next academic year
- Construction considered as essential business in UK, hence no halt to construction
- Construction partners looking into ways to **expedite construction progress**
- Digital marketing initiatives and outreach are driving sales locally and internationally during this period

# Aged Care

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# Update: Operations as per normal



## Minimal impact from Covid-19

- Safety and testing protocol for residents and staff in line with MOH guidelines

## Maintain operational efficiency

- Overall Bed Occupancy Ratio stable
- Higher average bill size, increased resident numbers
- Significant revenue boost from more sales of Personal Protection Equipment by medical consumables business arm

## Business as usual for Japan Aged Care assets

- Following Government-issued guidelines for infection control in elderly care facilities
- Zero covid-19 cases in our Japan nursing homes

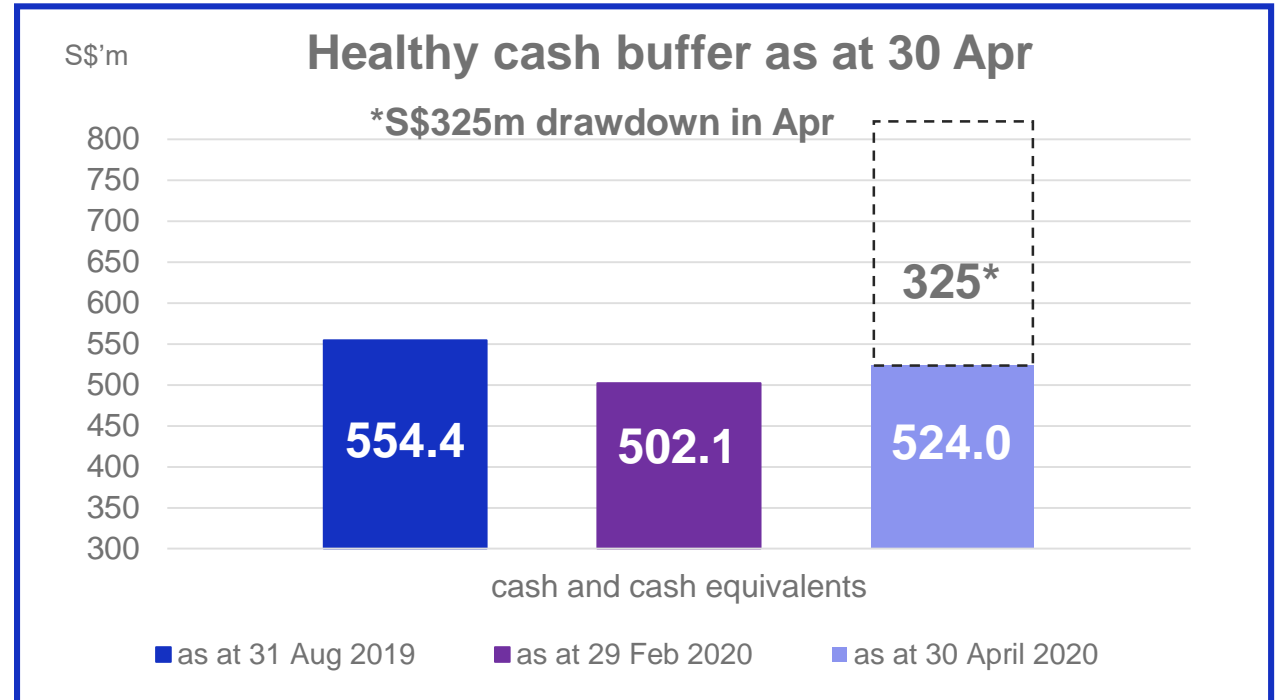
# Capital Management

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# Update: Gearing ratios and cash balances

<b>Net debt / Total asset</b> <b>32% (30 Apr)</b> 32.1% (31 Mar)	<b>Net debt / Equity</b> <b>50.3% (30 Apr)</b> 50.8% (31 Mar)
<b>Weighted average term borrowing to maturity</b> <b>3.7 yrs (30 Apr)</b> 3.3 years (23 Apr 2020)	<b>Interest coverage ratio</b> <b>4.95x (30 Apr)</b> 4.9x (31 Mar 2020)



## % of Term Debt Maturing

<b>0%</b>	<b>17%</b>	<b>83%</b>
In less than 1 year	In 2 years	In 3 years and beyond



Note: Weighted average term borrowing to maturity and % of Term Debt Maturing excludes RCF

**Others**

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NEWS  
CENTRE

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# Update: Divestment of stake in AXA Tower



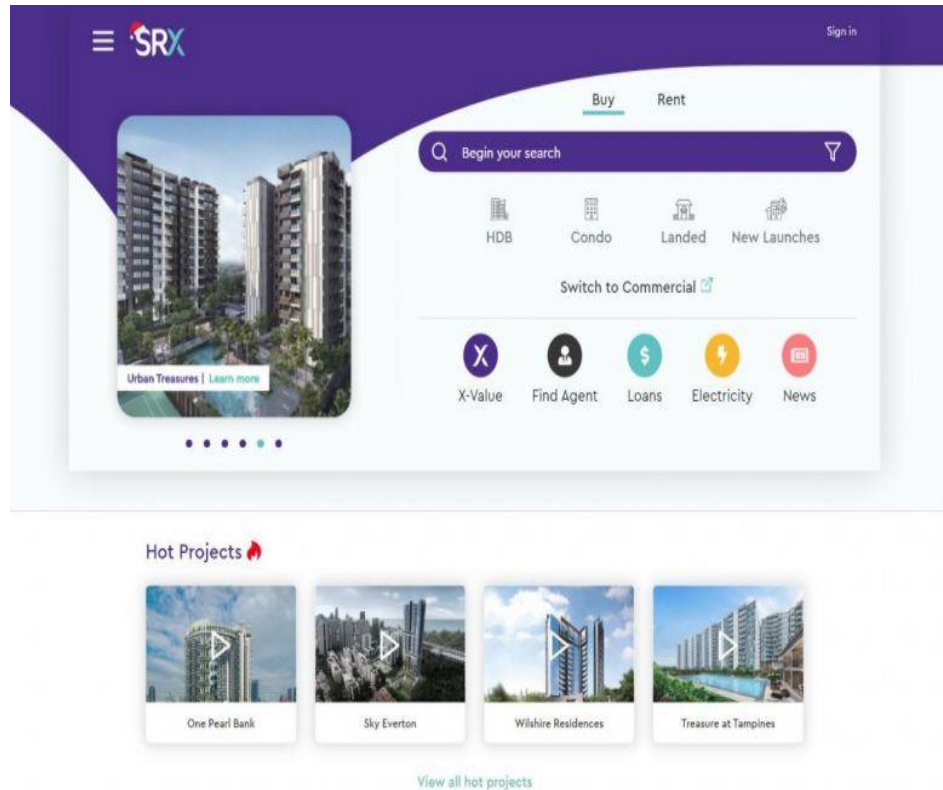
## Divested 5.29% stake in AXA Tower for \$33.2m

- SPH as part of a consortium led by Perennial, entered into a share purchase agreement with a subsidiary of Alibaba Group
- SPH invested \$19.3m in 2015 for the 5.29% stake

## Part of disciplined capital management and capital recycling strategy:

- Continue to review performance of non-core businesses and investments
- Redeploy proceeds into core businesses to create shareholder value

# Update: JM application for Streetsine subsidiaries



## Judicial management application made 19 May

- No material impact on SPH Group's operations for FY2020
  - Not significant subsidiaries based on the below being < 1%
    - Combined net tangible liabilities compared to the SPH Group's consolidated net tangible assets as at 31 Aug 2019;
    - Combined revenue and pre-tax losses compared to SPH Group's consolidated revenue and pre-tax profits for FY2019
- Non-core investment to SPH



# Summary

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# Update: Resilient finances to withstand Covid-19 impact



## Resilient balance sheet

- Healthy cash buffer of >\$800m
- Improved gearing ratios with cost management
- Post refinancing of SPH REIT \$280m loan, no further refinancing at Group level until June 2021

## Capital Management

- Disciplined approach to capital allocation
- Regular review of non-core businesses/investments

# Update: Businesses well-placed amidst Covid-19 disruption



## Media

- Digital (News Tablet) subscriptions show further improvement with 8% growth in April
- Partnership with Google to advance digital transformation

## PBSA

- PBSA refunds cash impact less than expected
- Looking to gradual opening of UK universities as lockdown restrictions ease

## Retail

- Further rental rebates for Apr and May
- Footfall decline slowing for Australia assets as lockdown restrictions ease

# Thank You

Visit [www.sph.com.sg](http://www.sph.com.sg) for more information



# **Analysts' Q&A on Google/Facebook**

**(Simultaneous release)**

Visit [www.sph.com.sg](http://www.sph.com.sg) for more information



## **Qn 1) How do the internet giants Google and Facebook pay SPH for the latter's original content? Is it free?**

**Answer:** SPH content is broadly categorised into 2 segments - part of our content is free to read on digital platforms and some are behind a paywall. Having a paywall does not prevent Google's algorithms from displaying our stories in their search results, nor does it prevent readers from sharing the article on their Facebook pages. Any non-subscriber trying to access our paywalled content will be notified that this is exclusive to subscribers and encouraged to sign up via our online subscription service.

**SPH works closely with all our partners, including Google and Facebook, to extend the reach of our content.** For example, we collaborated with Facebook, SCMP and 7News recently for an exclusive Covid-19 feature which garnered more than 9m views and over 63k reactions on ST Facebook page alone. We also recently announced our Joint Business Proposal with Google to grow our revenue streams and enhance video capabilities.

**Platforms which include Google and Facebook do not directly pay SPH for our content at the moment. New media sites who carry articles based off our original reporting also do not pay for our content.**

## Qn 2) Is First Party Cookie important to SPH? Will it happen in Singapore, if the Australia situation happens (mandating internet giants to pay for news content recently)?

**Answer:** First-party data broadly describes all data collected by SPH directly. This could be information disclosed by users via sign-up forms or by first-party cookies that we drop to keep track of our users' behaviour on SPH websites. First-party data is important for SPH to deliver an enjoyable digital experience and make relevant content recommendations for our readers, which leads to higher reader engagement.

SPH also engages the services of vendors who collect third-party data. These vendors collect user data by embedding their cookies into all of their clients' websites, including SPH. The user data is aggregated to create unique profiles, which is used to supplement the data SPH collects. Third-party data is also widely used for ad targeting by advertisers.

Many browsers, e.g. Apple Safari, have already blocked third-party cookies stating privacy and user experience concerns, and Google's Chrome browser will also do so come 2022. This development is significant because it would result in considerable limitations on the use of third-party cookies globally. This would also lead to a greater reliance on first-party data.

Fortunately for SPH, we have a large reader and subscriber base and have been investing in our own data collection, processing and activation capabilities in the last few years. This means that when advertisers lose access to third-party data, they would likely go directly to publishers who own first-party user data. Publishers with strong data capabilities will benefit. Part of SPH's digital transformation strategy also includes initiatives to enhance our data security infrastructure.

**Qn 3) If Singapore were to follow Australia (in mandating these internet giants to pay for news content), what is the way to estimate how much SPH can charge or earn in terms of revenue?**

**Answer:** There are no details yet on how Australia is planning to charge Google and Facebook, so it would be too early to comment at this juncture. SPH will continue to monitor the situation.

**Qn 4) How does first party cookie and potential charging of news content to these internet giants relate to each other, if any. How does it work?**

**Answer:** These two are not directly related.

Passing the legislation in Australia is one example of how governments are trying to even the playing field that has been tipped heavily in favour of Google and Facebook at the expense of content producers globally.

As mentioned, **publishers like SPH can leverage on our knowledge of our large and engaged reader base i.e. first party data for monetisation, with or without charging platforms for our content.**



# Annex

# Some bright spots in 1H FY2020

- **Media:**

- Straits Times News Tablet, with Zaobao and Berita Harian driving digital circulation growth of 50%, total sales ~25k units@

- **Retail & PBSA: Recurring income up 18%**

- Dec 2019: SPH REIT added second mall in Australia, with 50% stake in Westfield Marion Shopping Centre for A\$670m
- Dec 2019: £448m UK student housing deal, acquiring 2,383 beds and premier Student Castle brand with development capabilities

- **Aged Care: Diversifying away from Singapore**

- Feb 2020: S\$65.8 million deal to acquire 365 beds in Osaka, Hokkaido and Tokyo

- **Strong liquidity position**

- Raised S\$500m from Jan 2020 senior bond issue at 3.2%
- SPH REIT Nov 2019 placement at 5.5% discount, raising S\$164.5m



# 1H FY2020 Group Financial Highlights

	1H FY20 S\$'000	1H FY19 S\$'000	Change %
<u>Operating revenue</u>	<u>471,434</u>	<u>477,643</u>	<u>(1.3)</u>
<u>Total Costs</u>	<u>(377,556)</u>	<u>(365,276)</u>	<u>3.4</u>
Operating profit <sup>#</sup>	102,733	121,303	(15.3)
FV change on investment prop.	10,527	(12,864)	NM
Share of results of associates, JVs	2,479	9,379	(73.6)
Investment income	7,588	2,433	211.9
<u>Profit before taxation</u>	<u>123,327</u>	<u>120,251</u>	<u>2.6</u>
<b>Net profit attributable to shareholders</b>	<b>77,638</b>	<b>85,614</b>	<b>(9.3)</b>

**PBT up 2.6% due to higher contribution from Retail and PBSA, offsetting Media's decline**

**Operating revenue stable despite Media decline, due to higher revenue from Retail and PBSA**

**Total Costs well-controlled, increased by 3.4%**

- In line with operational needs from scaling of Retail and PBSA business
- Lower Media costs due to control measures

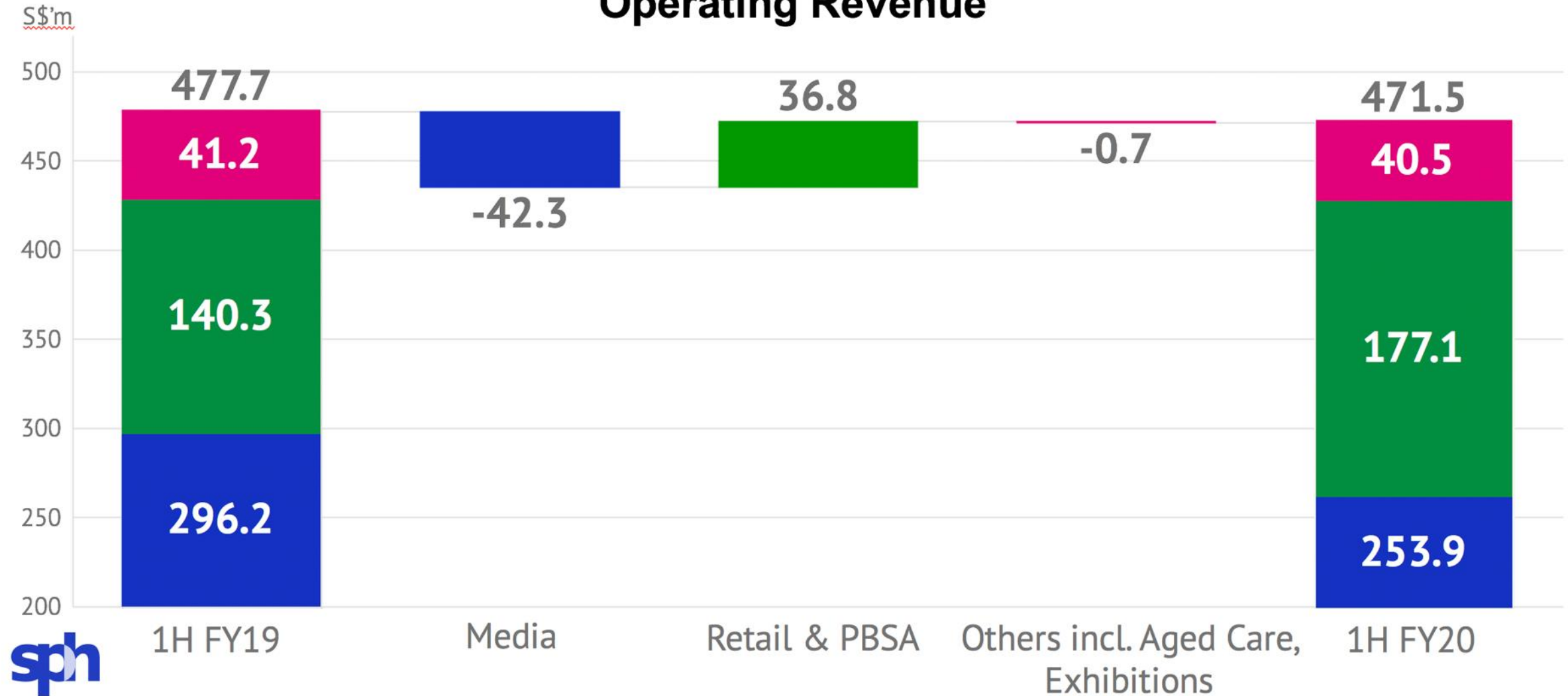


<sup>#</sup> This represents the recurring earnings of the media, property and other businesses.  
 NM: Not Meaningful

# 1H FY2020: Property revenue up 26%

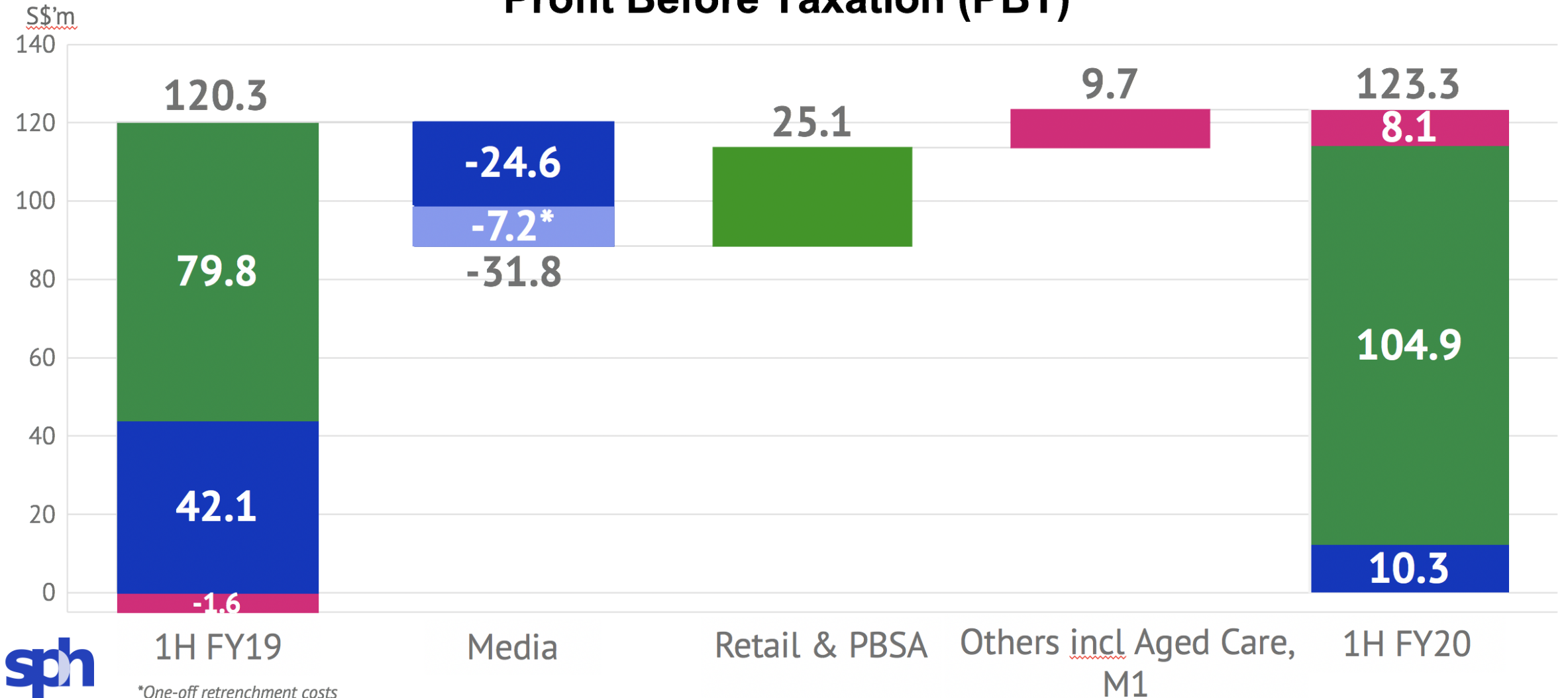
Property-related revenue increases after SPH REIT and PBSA additions

## Operating Revenue



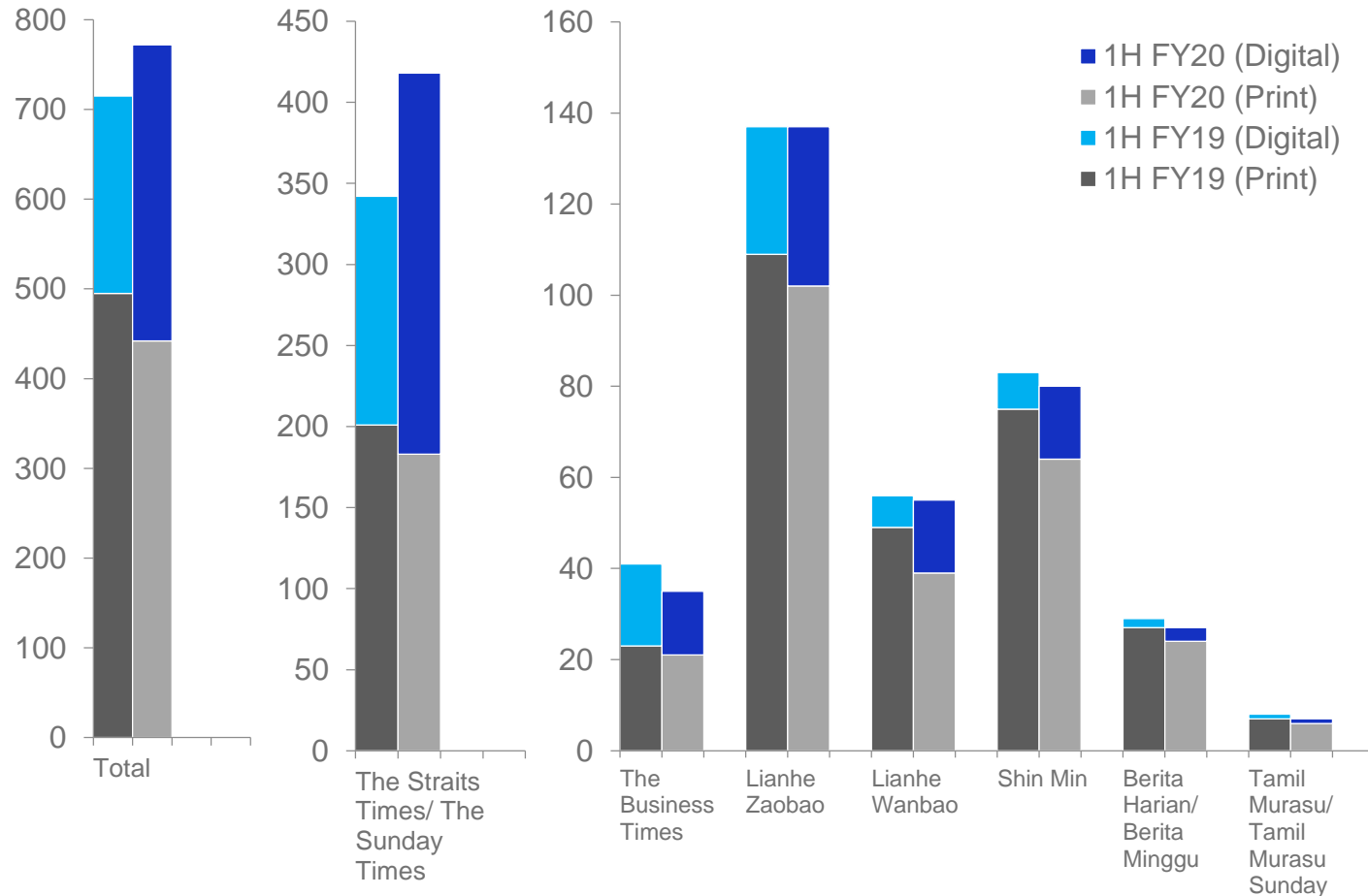
# 1H FY2020: Property profits offset Media decline

## Profit Before Taxation (PBT)



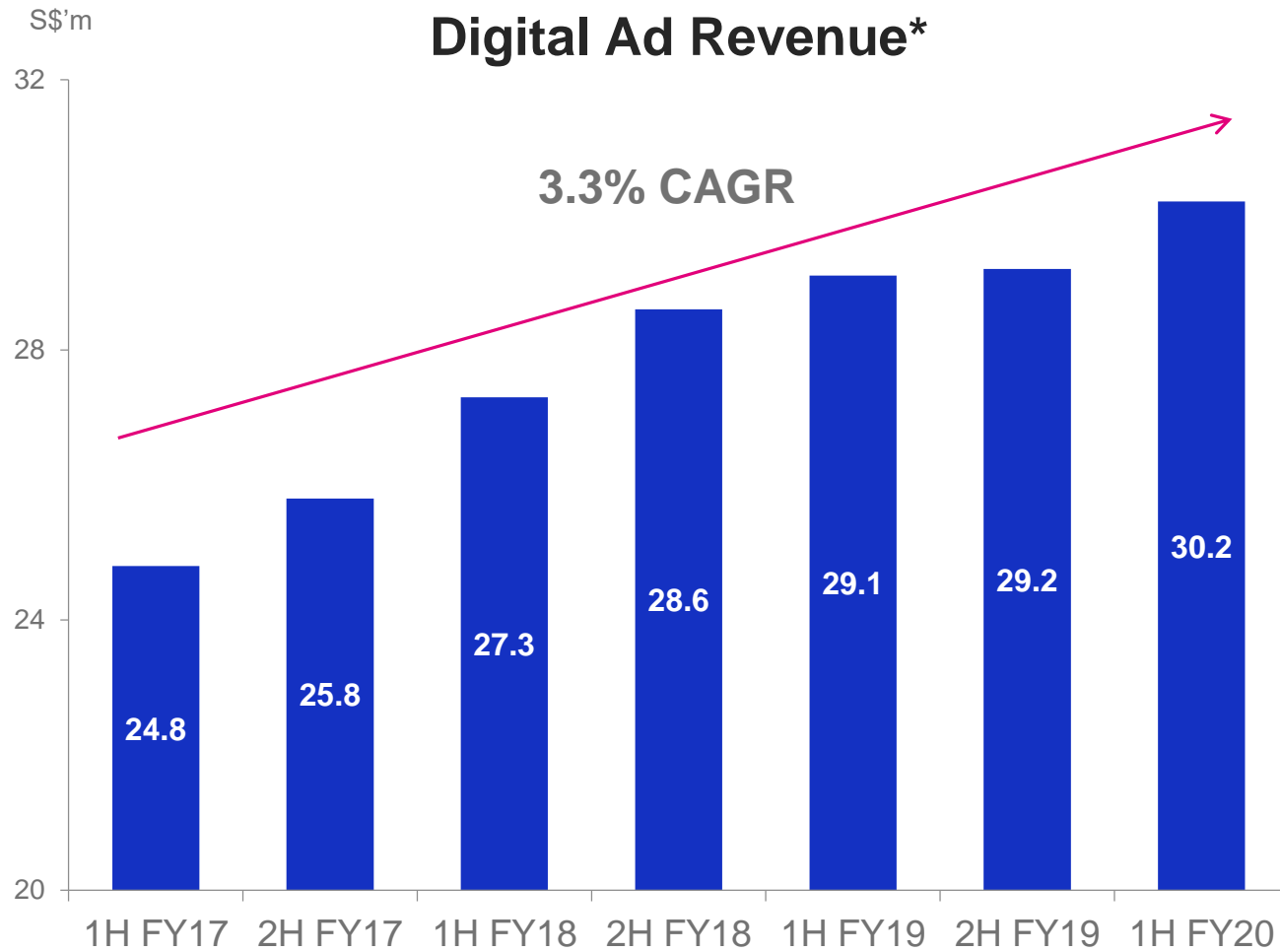
# Digital subs successfully driving circulation growth

Daily Average Newspaper Circulation '000



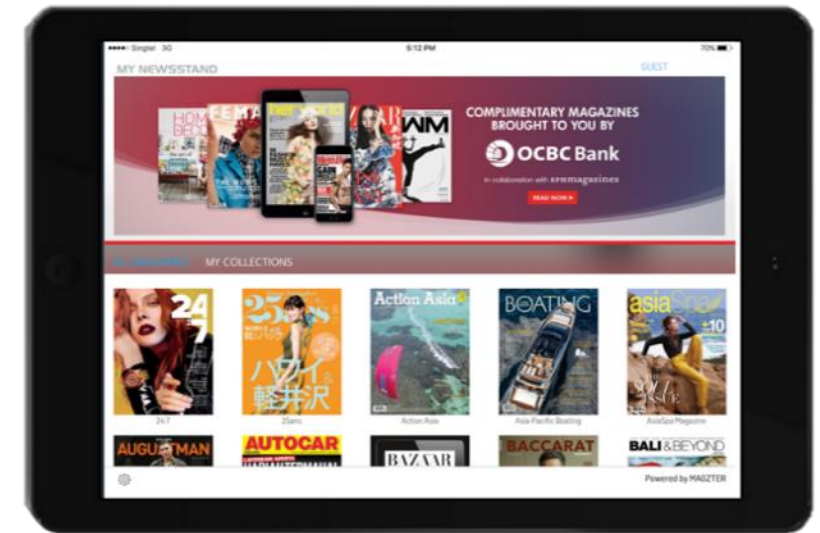
- Strong 8% circulation rise despite print circulation decline
- Digital subscription growth in double digits, driven by News Tablet and other campaigns

# Digital Ad revenue growth of 3.3% CAGR

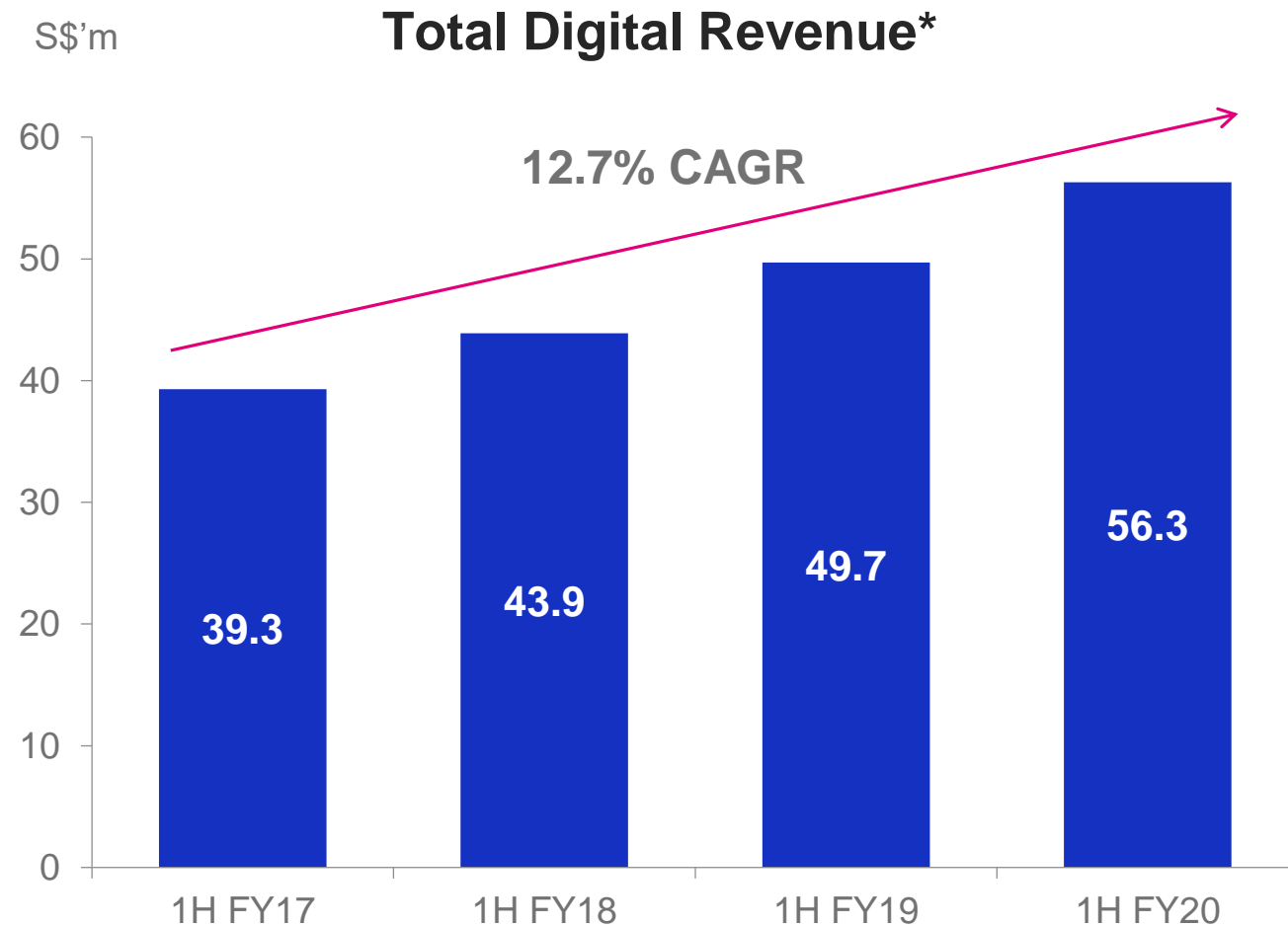


## Digital ad revenue shows 3.3% CAGR since 1H FY2017

- Digital ad revenue holding up despite weaker economic sentiment
- 3.8% rise Y-O-Y, compared to 1HFY19



# Steady growth rate of 12.7% for digital revenue



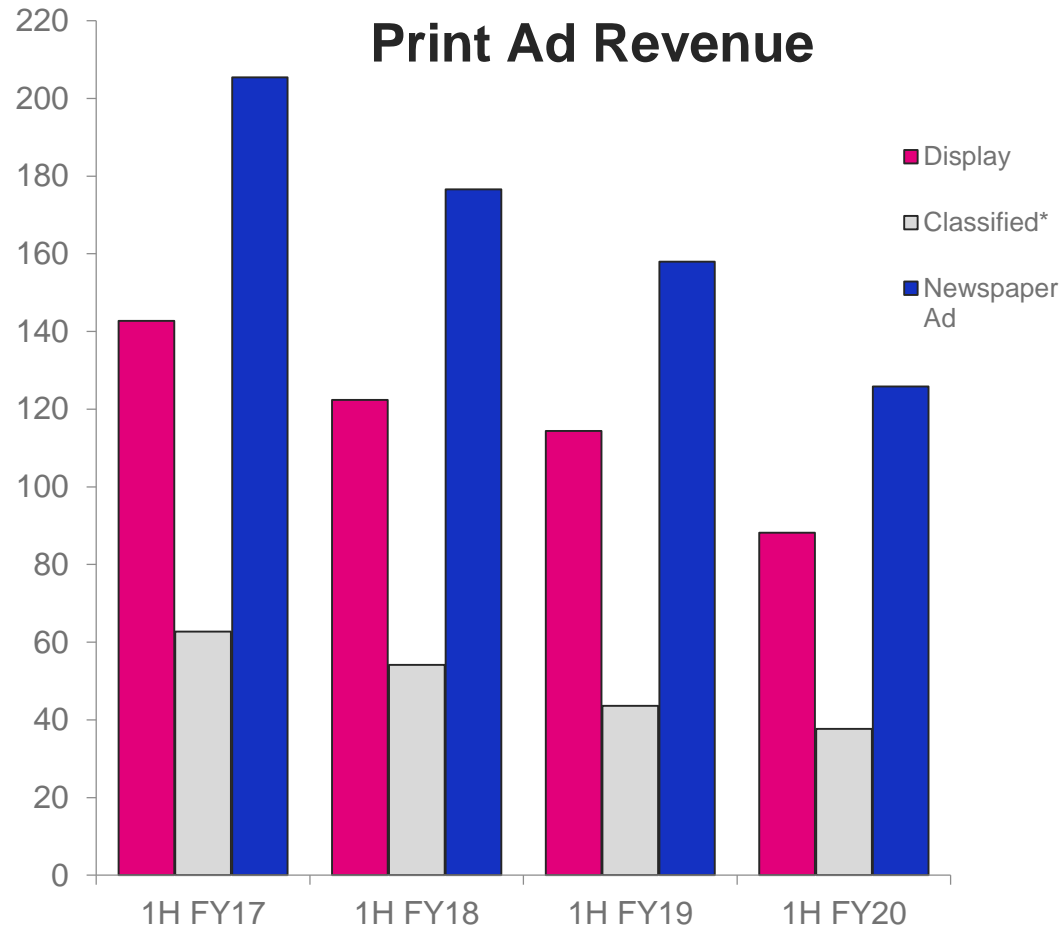
## Led by digital circulation growth

- 1H FY20's digital revenue grew 13.3% vs 1H FY19





# Managing print Media decline; digital continues to grow



## Newspaper Print Ad down worldwide

## SPH gaining market share in local ad market

- Adex down 29% and 25%<sup>@</sup> for Dec 2019 and Jan 2020 respectively but SPH's total ad revenue down less, at 21% and 20%

## Revamped ZB Classified ads displaying positive results

- Overall Classified decline slowed to 13.6% y-o-y



\*Classified includes Recruitment and Notices  
@ Nielsen Advertising Spend