



SINGAPORE PRESS HOLDINGS LIMITED

(Registration No. 198402868E)

Incorporated in the Republic of Singapore

ACQUISITION OF PURPOSE-BUILT STUDENT ACCOMMODATION PORTFOLIO IN THE UNITED KINGDOM

1. INTRODUCTION

Singapore Press Holdings Limited ("**SPH**" or the "**Company**") is pleased to announce the acquisition (the "**Acquisition**") of a portfolio comprising operating assets for purpose-built student accommodation (the "**PBSA Portfolio**") in the United Kingdom (more particularly described in paragraph 2 below).

The Company has, through its wholly-owned subsidiaries, Straits One (Jersey) Limited, Straits Two (Jersey) Limited ("**Purchaser 2**") and Straits Three (Jersey) Limited (collectively, the "**Purchasers**"), entered into a sale and purchase agreement ("**SPA**") on 7 September 2018 with USAF No. 1 Limited Partnership ("**Seller 1**"), LDC (Radmarsh Road) Limited, USAF No. 8 Limited Partnership, LDC (Portfolio) Limited, USAF No. 10 Limited Partnership, Unite Capital Cities Two LP and USAF No. 14 Limited Partnership (collectively, the "**Vendors**") in respect of the Acquisition.

2. INFORMATION ON THE PBSA PORTFOLIO

The PBSA Portfolio comprises 14 properties across 6 towns and cities in the United Kingdom, and has a total capacity of 3,436 beds for student accommodation. The properties include 10 freehold assets and 4 leasehold assets (collectively, the "**Assets**") and are situated in established university towns and cities with large full-time student populations, including London, Birmingham, Bristol, Huddersfield, Plymouth and Sheffield.

In connection with the Acquisition, the Purchasers will enter into an operating management agreement with Victoria Hall Management (UK) Limited ("**Victoria Hall**"), a professional operator of student accommodation in the United Kingdom, to manage the Assets. The employment of the employees who work wholly or mainly at or in connection with the Assets will be transferred to Victoria Hall. This will facilitate continuity in the management and business operations of the Assets.

3. SALIENT TERMS OF THE ACQUISITION

3.1 Consideration

The aggregate consideration payable by the Purchasers in connection with the Acquisition is the sum of £180,503,354 (approximately S\$321,025,215) (the "**Consideration**"), subject to adjustments as provided in the SPA. The Consideration includes fees payable to the current operator of the Properties, Unite Integrated Solutions Plc, for transitional services provided by the operator in respect of the Assets (the "**Transition Fees**").

The SPA contains the following adjustment mechanisms in respect of the Consideration:

- (a) the Consideration is subject to adjustments downwards if, as at 30 November 2018, the actual Income (as defined below) in respect of certain Assets (the "**Particular Assets**") is lower than 95% of the estimated Income for those Assets (the "**Rental Income Adjustment**"). Total adjustments for the Particular Assets are subject to a cap of £13,700,000 (approximately S\$24,365,450).

"**Income**" refers to rent due, paid or payable in respect of shorthold tenancies or other short-term licence arrangements relating to any part of the period from and including 1 September 2018 up to and including 15 September 2019 (the "**Relevant Period**"); and

- (b) the Consideration is subject to adjustments upwards or downwards depending on whether the actual number of lettable rooms in the Properties is more or less than the number of lettable rooms warranted by the Sellers in the SPA.

In addition, the Sellers have also provided a rent guarantee capped at £2,500,000 (approximately S\$4,446,250) (the "**Rent Guarantee**"). The Rent Guarantee will cover, up to the amount of the Rent Guarantee, the shortfall between the estimated Income and actual Income of the Assets as at 30 November 2018.

The Consideration was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between the Purchasers and the Vendors, taking into account, amongst others, the valuation of the Assets, historic performance of the assets, rent levels and operating budgets of the Assets and market capitalisation rates.

The Consideration payable to the Vendors will be fully satisfied in cash and funded through internal as well as external resources.

Based on the Cushman & Wakefield valuation report dated 5 September 2018 which was commissioned by the Purchasers, the aggregate market value of the Assets as at 31 July 2018 is £180,035,000 (approximately S\$320,192,248).

Unless indicated otherwise, the indicative £-to-S\$ exchange rate used for the purposes of this announcement is £1: S\$1.7785.

3.2 Conditions Precedent to the Acquisition of the Assets

Completion of the sale and purchase of the Assets (other than Central Point (as defined below)) is conditional upon the Sellers obtaining the release of the financial charges to which the Assets are subject and surrendering the management leases of the Properties (the "**Conditions**").

Completion of the sale and purchase of the leasehold property at Royal Parade, Plymouth ("**Central Point**") is conditional upon Seller 1 obtaining written consent to the assignment of the lease under which Seller 1 holds its interest in Central Point as required from Zurich Assurance Ltd, in accordance with the terms of such lease (the "**Central Point Consent**"). If the Central Point Consent has not been obtained within 12 months from the Main Completion Date (as defined below), Seller 1 or Purchaser 2 may, by written notice, terminate the provisions in the SPA (in so far as they relate to Central Point only) in accordance with the provisions of the SPA.

3.3 Completion

Subject to satisfaction of the Conditions, completion of the sale and purchase of all of the Assets (other than Central Point) will take place on 13 September 2018 (the "**Main Completion Date**").

Completion of the sale and purchase of Central Point will take place 5 working days after the satisfaction of the Central Point Consent, or such earlier date as may be agreed between the Purchasers and the Vendors.

4. **DISCLOSURE UNDER RULE 1013 OF THE LISTING MANUAL**

4.1 Rule 1013(1) of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**") provides, *inter alia*, that where an issuer enters into a discloseable transaction and accepts a profit guarantee (or any covenant which quantifies the anticipated level of future profits) from a vendor of assets/business, the issuer's announcement in Rule 1010 must contain information on the profit guarantee, including the following:

- (a) the views of the board of directors of the issuer in accepting the profit guarantee and the factors taken into consideration and basis for such a view;
- (b) the principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee is based;
- (c) the manner and amount of compensation to be paid by the vendor in the event that the profit guarantee is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and
- (d) the safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee is not met, if any.

4.2 The Board of Directors of the Company is of the view that the provision of the Rent Guarantee and the right to make downward adjustments to the purchase price of the Particular Assets pursuant to the Rental Income Adjustment are beneficial to the shareholders of the Company as this will effectively reduce the Consideration paid for the Assets and provide income stability for the Relevant Period.

4.3 The quantum of the Rent Guarantee and the Rental Income Adjustment takes into account, amongst others, the current occupancy levels and the change from the nomination agreement model to a direct-let model in respect of the Particular Assets.

4.4 The information in paragraph 4.1(c) above is set out in paragraph 3.1 above.

4.5 A sum of between £13,700,000 (approximately S\$24,365,450) and £14,500,000 (approximately S\$25,788,250) will be placed by the Vendors in an escrow account and the Purchasers may withdraw monies from the account in accordance with the terms of the SPA.

5. RATIONALE FOR AND BENEFITS OF THE ACQUISITION

The Company believes that the Acquisition will be beneficial to the Company and its subsidiaries (the "**Group**"), for the reasons set out below.

(a) *Dovetails with the Group's acquisition strategy*

The Acquisition expands the Group's real estate asset management portfolio and positions the Group favourably amidst the rising demand for purpose-built student accommodation ("**PBSA**") in the United Kingdom.

The Company considers the Acquisition to dovetail with the Group's strategy of transformation by branching into new areas through the acquisition of suitable assets.

(b) *Expanding the Group's geographical reach*

The Acquisition will establish the Group as an overseas owner of PBSA in the United Kingdom. This will provide a platform to pursue other growth opportunities in the PBSA sector.

6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 **For illustrative purposes only**, the financial effects of the Acquisition on the Company as set out below are prepared based on the Group's audited consolidated financial statements for the financial year ended 31 August 2017 ("**FY2017**") (being the latest announced consolidated full-year financial statements of the Group) and subject to the following key assumptions:

- (a) the effect of the Acquisition on the Company's net tangible assets ("**NTA**") per share in the capital of the Company ("**Share**") is based on the assumption that the Acquisition had been effected at the end of FY2017; and
- (b) the effect of the Acquisition on the Company's earnings per Share ("**EPS**") for FY2017 is based on the assumption that the Acquisition had been effected at the beginning of FY2017.

6.2 The financial effects as set out below, which are based on the assumptions set out in paragraph 6.1, are theoretical in nature and are therefore not necessarily indicative of the future financial position and earnings of the Company or the Group.

(a) NTA per Share

	Before the Acquisition	After the Acquisition
NTA (S\$'000)	3,283,955	3,283,955
Number of Shares (excluding treasury shares) ('000)	1,614,974	1,614,974
NTA per Share (S\$)	2.033	2.033

(b) EPS

	Before the Acquisition	After the Acquisition
Profit after taxation attributable to shareholders (S\$'000)	350,085	362,179
Weighted average number of Shares (excluding treasury shares) ('000)	1,615,083	1,615,083
EPS (S\$)	0.217	0.224

7. RELATIVE FIGURES OF THE ACQUISITION UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the Group's audited consolidated financial statements for FY2017, the relative figures of the Acquisition as computed on the bases as set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the Assets, compared with the Group's net profits	6.0 ⁽¹⁾
(c)	Aggregate value of the Net Consideration (as defined below), compared with the market capitalisation of the Company based on the total number of issued shares excluding treasury shares and management shares	7.2 ⁽²⁾
(d)	Number of equity securities issued by the Company as consideration for the Acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) The relative figure for Rule 1006(b) was computed based on (i) the Group's net profits attributable to the shareholders of the Company for FY2017 (excluding gain on divestment of a joint venture) of approximately S\$200,395,000; and (ii) the net profits attributable to the Assets, which is the subject of the Acquisition, of approximately S\$12,094,000.

- (2) *The relative figure for Rule 1006(c) was computed based on (i) the market capitalisation of the Company of approximately S\$4.4 billion (which was determined by multiplying 1,598,353,733 issued shares (excluding treasury shares and management shares) of the Company by the weighted average price of approximately S\$2.75 per share transacted on 6 September 2018, being the market day immediately preceding the date of the SPA); and (ii) assumes that the net consideration payable to the Vendors, being the Consideration (without any adjustments) less the Transition Fees, is £178,049,354 (approximately S\$316,660,776) (the "**Net Consideration**").*

As each of the relative figures under Rules 1006(b) and 1006(c) exceeds 5%, the Acquisition will constitute a discloseable transaction as defined in Chapter 10 of the Listing Manual.

8. INTERESTS OF DIRECTORS

None of the Directors of the Company has any interest, direct or indirect, in the Acquisition. The Company has no controlling shareholders.

9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract will be entered into between the Company and any such person.

10. DOCUMENT FOR INSPECTION

The valuation report is available for inspection at the Company's registered office at 1000 Toa Payoh North, Singapore 318994 during normal business hours for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD

Ginney Lim May Ling
Khor Siew Kim
Company Secretaries

10 September 2018