Media Release

SPH to restructure media business into not-for-profit entity

- Listed company model no longer financially sustainable for SPH Media
- Access to additional sources of funding as a not-for-profit will support SPH Media in providing quality journalism
- Lifting of regulatory restrictions on SPH will unlock value for shareholders

Singapore, 6 May 2021 --- As part of the Strategic Review announced on 30 March 2021, Singapore Press Holdings Limited ("SPH") said today that it will be transferring its media business to a not-for-profit entity amidst the ongoing challenge of falling advertising revenue.

The exercise involves transferring the entire media-related businesses of SPH including relevant subsidiaries, relevant employees, News Centre and Print Centre along with their respective leaseholds, as well as all related intellectual property and information technology assets to a newly incorporated wholly-owned subsidiary, SPH Media Holdings Pte Ltd ("SPH Media").

SPH will provide the initial resources and funding by capitalising SPH Media with a cash injection of $80 million, $30 million worth of SPH shares and SPH REIT units[1], as well as SPH's stakes in four of its digital media investments.

Under the restructuring proposal, SPH Media will eventually be transferred to a not-for-profit entity for a nominal sum. The not-for-profit entity will be a newly formed public company limited by guarantee ("CLG"). More information about the CLG will be announced in due course.

After the transfer of SPH Media to the CLG, SPH will no longer be subject to shareholder and other relevant restrictions under the Newspaper and Printing Presses Act ("NPPA").

Rationale

The media industry has faced unprecedented disruption in recent years. SPH's operating revenue has halved in the past five years due largely to a decline in print advertising and print subscription revenue.

SPH's media business has since fallen into the red. It recorded its first-ever loss of $11.4 million for the financial year ended 31 August 2020. If not for the Jobs Support Scheme (JSS), the loss would have been a deeper $39.5 million. For the six months ended 28 February 2021, pre-tax profit before tax fell 71% to $3.1 million compared to the same period last year. Again, if not for the JSS grant, the media business would have incurred a pre-tax loss of $9.7 million.

Even with the resumption of business activities post-lockdown, the decline in advertising revenue is expected to continue at a similar pace to the last five years.

Over the past 5 years, SPH increased its spending in technology, product development and data analytics talent by 48%, to more than $20 million a year and invested $35 million in digital content and audience development talent in the newsrooms. Beyond manpower, SPH also increased spending on new consumer-facing digital platforms and products, averaging more than $20 million a year over the past 5 years.

Due to this digital transformation effort, SPH's average monthly unique audience across all SPH titles over the past two years has nearly doubled to a record 28 million. Digital circulation has surpassed print circulation.

However, digital subscription and digital advertising have been unable to offset the decline in print advertising and print circulation revenues. As a result, the losses of the media business are likely to continue and widen. In a highly competitive media landscape, further investment will be needed to strengthen digital content creation and product development capabilities. These investments will take more time to show results.

SPH has undertaken strict cost management measures in recent years to mitigate the effect of the declining advertising revenue. However, there is little scope for further cost cuts without impairing its ability to maintain quality journalism.

SPH's media business plays a critical function in Singapore with the provision of quality news and information to the public, in particular in the vernacular languages. Given this public role, winding up the media business or selling it off are not feasible options.

However, remaining part of a publicly listed company where it is subject to expectations from shareholders of profitability and regular dividends is no longer a sustainable business model. Hence, a not-for-profit structure that allows SPH Media to seek funding from a range of public and private sources with a shared interest in supporting quality journalism and credible information is the optimal solution.

Not-for-profit model

SPH approached the Ministry of Communications and Information ("MCI") with a restructuring proposal to put the media business on a long-term sustainable financial footing.

While such a model may be unfamiliar in Singapore, many news organisations overseas are operating under these funding structures. These include the Guardian in the United Kingdom that has been controlled by the Scott Trust since 1936 and the Tampa Bay Times in the United States that is owned by the non-profit Poynter Institute.

Taking the interests of staff, shareholders, business partners together with the Singapore community as a whole, structuring SPH's media business as a not-for-profit entity is the best and most appropriate option for these stakeholders.

Looking ahead

Dr Lee Boon Yang, Chairman of SPH said, "With the resources that SPH is providing upfront and the prospects for public-private partnership funding going forward, we anticipate that SPH Media will have a more sustainable financial future. It will have the resources to focus on transformation efforts and quality journalism, as well as to invest in talent and new technology to strengthen its digital capabilities. This will ensure that the public will continue to benefit from quality information and credible news from trusted media titles and newsrooms, across different platforms and in vernacular languages."

With the removal of the NPPA restrictions after the restructuring of the media business, Dr Lee concluded, "The exercise will give SPH greater financial flexibility to tailor its capital and shareholding structure to seize strategic growth opportunities across the other businesses in order to maximise returns for shareholders."

Conditions to the Proposed Restructuring

The transfer of the media assets to the CLG is subject to SPH's shareholders' approval at an extraordinary general meeting to be convened at a later date ("the EGM Approval").

MCI which regulates SPH under the NPPA, has indicated its support for this restructuring. MCI has also given its in-principle approval for the shareholding and other relevant restrictions under the NPPA provisions to be lifted from SPH upon the closing of the proposed restructuring.

Shareholders should note that under the Newspaper and Printing Presses Act, Chapter 206 of Singapore no person shall, without the approval of the Minister:
(i) become a substantial shareholder of SPH; or
(ii) enter into any agreement or arrangement (whether oral or in writing, express or implied) to act together with any other person with respect to the acquisition, holding or the exercise of rights in relation to, in aggregate more than 5% of the Shares.
In the event that shareholders wish to deal in the Shares, they should seek their own professional advice and consult with their own stockbrokers.

Financial Effects of the Proposed Restructuring

	FY2020	
	Before Proposed Restructuring	After Proposed Restructuring
Net tangible assets per share	$1.98	$1.82
Earnings per share after restructuring adjustments	($0.07)	($0.20)

Credit Suisse (Singapore) Limited and Allen & Gledhill LLP have been appointed as financial advisors and legal advisors to SPH.

--- Ends ---

[1] Based on 5-day volume weighted average price (VWAP) prior to the Strategic Review announcement on 30 March, 2021

Issued by Singapore Press Holdings Ltd

Co. Regn. No. 198402868E

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About Singapore Press Holdings Ltd

Incorporated in 1984, main board-listed Singapore Press Holdings Ltd (SPH) is Asia's leading media organisation, engaging minds and enriching lives across multiple languages and platforms. SPH's core business is in the publishing of newspapers, magazines and books in both print and digital editions. It also owns other digital products, online classifieds, radio stations and outdoor media.

On the property front, SPH owns 66% in SPH REIT whose portfolio comprises three properties in Singapore, namely Paragon, The Clementi Mall and The Rail Mall. In Australia, SPH REIT holds an 85% stake in Figtree Grove Shopping Centre and a 50% stake in Westfield Marion Shopping Centre. SPH also owns and operates The Seletar Mall and is developing an integrated development consisting of The Woodleigh Residences and The Woodleigh Mall. It is also an owner, manager and developer of a portfolio of Purpose-Built Student Accommodation (PBSA) in the United Kingdom and Germany. It currently operates two distinctive brands, Student Castle and Capitol Students.

SPH is in the aged care sector in Singapore and Japan, and owns Orange Valley, one of Singapore's largest private nursing homes. It also invested in the education and events business.

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