**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 (the "**Company**") is pleased to announce the acquisition (the "**Acquisition**") of a portfolio comprising seven purpose-built student accommodation assets (the "**PBSA Portfolio**") in the United Kingdom (more particularly described in paragraph 2 below).

The Company has, through its wholly-owned subsidiary, Straits Ten Pte. Ltd. (the "**Purchaser**"), entered into a sale and purchase agreement ("**SPA**") on 20 December 2019 with Charles Edward Cade, Robert Patrick Kelvin Clarkson, Sir Charles William Dunstone, John Haden Eckbert, John Gildersleeve, Jacqueline Hawthorn, Timothy Simon Morris, Peter Morton, Roger William Taylor and Sam Dance (collectively, the "**Vendors**") to acquire all the shares in Student Castle Investments Holdco Limited (the "**Target Company**"). The Target Company (together with its subsidiaries, collectively, the "**Target Group**"), own and manage the PBSA Portfolio.

The Acquisition is in the ordinary course of business of the Company and therefore would not constitute a "transaction" as defined under Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**").

## 2. INFORMATION ON THE PBSA PORTFOLIO

The PBSA Portfolio comprises seven properties (collectively, the "**Assets**", and each, an "**Asset**") across seven cities in the United Kingdom. The Assets include five stabilised assets in York, Cambridge, Bath, Edinburgh and Durham, and two development assets in Brighton and Oxford (the "**Development Assets**"). The PBSA Portfolio will have a total capacity of 2,383 beds for student accommodation, following completion of development of the Development Assets. The Assets are situated in established university towns and cities with large full-time student populations, with 84% of the beds in close proximity to top-ranked and Russell Group universities including University of Oxford and University of Cambridge.

The Assets are operated and managed by Student Castle Limited, a wholly-owned subsidiary of the Target Company.

The Acquisition is in line with the Company's strategy of acquiring purpose-built student accommodation assets that complement its existing portfolio of purpose-built student accommodation assets.

## 3. SALIENT TERMS OF THE ACQUISITION

### 3.1 Consideration

The aggregate consideration payable by the Purchaser in connection with the Acquisition is the sum of £411,048,682.30 (approximately S$739,888,000) (the "**Total Consideration**"). The Total Consideration comprises of:

(a) the payment of the aggregate sum of £260,748,539.80 to the Vendors for their shares in the Target Company;

(b) the payment of the aggregate sum of £131,923,343.94 to HSBC UK Bank plc, being the outstanding amount required to discharge in full the principal amounts owing by the Target Group to HSBC UK Bank plc in respect of the existing loan facilities; and

(c) the Rental Guarantee Amount (as defined in paragraph 3.3 below), Income Support Amount (as defined in paragraph 3.4 below) and the Construction Costs Amount (as defined in paragraph 3.5 below).

The Total Consideration was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between the Purchaser and the Vendors, taking into account, amongst others, the valuation of the Assets, historical performance of the Assets, rent levels and operating budgets of the Assets, market capitalisation rates, and the costs to complete the development of the Development Assets of approximately £37 million.

The Total 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 19 December 2019 ("**Valuation Report**") which was commissioned by the Purchaser, the aggregate market value of the Assets as at 31 October 2019 is £448,000,000 (approximately S$806,400,000), on the assumption that the Development Assets have been completed and are operational. The valuation was conducted using a discounted cash flow analysis and has taken into consideration the income support and the total transaction cost (assumed to be at 1.8% for the Acquisition).

Unless indicated otherwise, the indicative £-to-S$ exchange rate used for the purposes of this announcement is £1: S$1.80.

### 3.2 Locked Box

The Total Consideration is computed based on the market valuation of the Assets taking into consideration the costs to complete the development of the Development Assets and the locked box accounts date of 30 June 2019.

The SPA provides that each of the Vendors:

(a) warrants, covenants and undertakes to the Purchaser that there will be no leakages (including any unauthorised cash extraction from the Target Group which is not in the ordinary course of business) during the period commencing on 1 July 2019 and ending on the date of completion ("**Completion**") of the Acquisition (both dates inclusive) (the "**Locked Box Period**"); and

(b) undertakes to indemnify the Purchaser for any such leakages arising during the Locked Box Period.

3.3 Rental Guarantee

The SPA provides for a rental guarantee ("**Rental Guarantee Arrangement**"), with a capped liability equal to the escrow amount of £5,216,837.43 ("**Rental Guarantee Amount**"), to be held in an escrow account ("**Rental Guarantee Escrow Account**"). The Rental Guarantee Arrangement operates in the following manner:

(a) In each calendar month during the period from the date of Completion to 31 December 2020 ("**Rental Guarantee Period**"), if the aggregate rental income for all rented units in the Developments Assets up to and including that current month in the Rental Guarantee Period ("**Aggregate Rental Income**") exceeds the Rental Income Threshold, the Vendors will receive a sum equal to "A" from the Rental Guarantee Escrow Account, where:

*A = (Aggregate Rental Income minus Rental Income Threshold) minus Returned Amount*

"**Rental Income Threshold**" means 50% of the aggregate projected rental income in respect of the Development Assets, for the Rental Guarantee Period.

"**Returned Amount**" means any amount released from the Rental Guarantee Escrow Account to the Vendors from time to time in accordance with the terms of the escrow agreement relating to the Rental Guarantee Arrangement.

(b) Any amount remaining in the Rental Guarantee Escrow Account at the end of the Rental Guarantee Period shall belong to the Purchaser.

3.4 Income Support

The SPA provides for an income support arrangement ("**Income Support Arrangement**") for the amount of £10,000,000 ("**Income Support Amount**"), to be held in an escrow account ("**Income Support Escrow Account**"). The Income Support Arrangement operates in the following manner:

(a) During the period commencing on the date of Completion up to (and including) 31 August 2020 ("**Construction Period**"), a fixed sum of £675,000 shall be released to the Purchaser (or such entity as it may direct) on the first business day of each calendar month, provided that the maximum amount to be released from the Income Support Escrow Account during the Construction Period shall not exceed £5,400,000.

(b) In each calendar month for (i) the period commencing on 1 September 2021 up to (and including) 31 August 2022 ("**AY2021/2022**"); and (ii) the period commencing on 1 September 2022 up to (and including) 31 August 2023 ("**AY2022/2023**"), if the aggregate rental income for all rented units in the Development Assets up to and including that current month in AY2021/2022 or AY2022/2023 (as the case may be) ("**Development Assets Rental Income**"):

(i) is less than the Income Support Rental Threshold, the Purchaser (or such entity as it may direct) shall be entitled to direct the escrow agent to release a sum in the Income Support Escrow Account up to a cap of £2,300,000 for each of AY2021/2022 and AY2022/2023, and provided always that the maximum amount to be released from the Income Support Escrow Account during the period commencing on the date of Completion up to (and including) 31 August 2023 ("**Income Support Guarantee Period**") shall not exceed the Income Support Amount; or

(ii) exceeds the Income Support Rental Threshold, the Purchaser (or such entity as it may direct) will receive a sum equal to "B" from the Income Support Escrow Account, where:

*B = Projected Rental Income minus Development Assets Rental Income*

*provided always that "B" cannot be less than zero.*

"**Income Support Rental Threshold**" means a sum equivalent to approximately 80% of the Projected Rental Income, for each of AY2021/2022 and AY2022/2023; and

"**Projected Rental Income**" means the aggregate projected rental income for all the units in the Development Assets, for each of AY2021/2022 and AY2022/2023.

(c) Where, during the Income Support Guarantee Period, the aggregate rental income for any of the Assets in the PBSA Portfolio (other than the Development Assets) is below the level forecasted by the Purchaser, the Purchaser may, to the extent there are any amounts standing to the credit of the Income Support Escrow Account at the end of a calendar month following any release pursuant to paragraphs 3.4(a) and (b) above, direct the escrow agent to release a sum equal to the amount of such shortfall to the Purchaser (or such entity as it may direct).

(d) Any amount remaining in the Income Support Escrow Account at the end of the Income Support Guarantee Period shall belong to the Purchaser.

3.5 <u>Construction Escrow</u>

The SPA provides for a sum of £3,159,961.12 ("**Construction Costs Amount**"), being an aggregate sum equivalent to 10% of the estimated remaining amounts due to the respective building contractors of the Development Assets as at 30 November 2019, to be held in an escrow account ("**Construction Escrow Account**"). The construction escrow operates in the following manner:

(a) In the event that there is any reduction in the outstanding sum due to the building contractors in respect of the Development Assets after the date of the SPA, then a sum equal to 7.5% of such reduction shall be released to the Vendors from the balance of the Construction Costs Amount.

(b) Within 2 business days of the issue of the relevant payment certificate by the respective employer's agent of each of the Development Assets, the Vendors will receive from the Construction Escrow Account a sum equal to: (i) 7.5% of the sum payable in each month under the Brighton building contract and Oxford building contract (as the case may be) ("**Development Works Payment**"); less (ii) any cost overrun amount included within the corresponding Development Works Payment.

(c) Following the issuance of the final section completion statement in respect of each of the Development Assets, the escrow agent shall release out of the Construction Escrow Account (to the extent of any remaining balance, and as evidenced by reference to the relevant certificates issued by the respective employer's agent of each of the Development Assets):

(i) to the Purchaser, a sum equal to any cost overrun amount (being the amount (if any) by which the contract sum has (or is to be) increased following the date of the SPA due to any claim by the building contractors for any additional cost) for each of Brighton and/or Oxford (as the case may be); and

(ii) to the Vendors, a sum equal to the balance of the Construction Costs Amount remaining in the Construction Escrow Account.

3.6 Completion

Completion of the Acquisition occurred simultaneously with the signing of the SPA on 20 December 2019.

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

4.1 Rule 1013(1) of 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 directors of the Company are of the view that the Rental Guarantee Arrangement and Income Support Arrangement are on normal commercial terms and are not prejudicial to the interests of the Company and its shareholders.

4.3 The Rental Guarantee Arrangement will provide support of up to 50% of the projected income for the first year of operations of the Development Assets.

4.4 The Income Support Arrangement will provide regular income streams during the construction phase of the Development Assets. The fixed payment amount was determined based on the projected monthly net operating income of the Development Assets. The Income Support

Arrangement also provides support of up to approximately 20% of the projected income for the second and third year of operations. The projected income for the Rental Guarantee Arrangement and Income Support Arrangement was determined on the assumption that the occupancy rate of the Development Assets for each academic year is 100%.

4.5 The information referred to in paragraph 4.1(c) above is set out in paragraphs 3.3 and 3.4 above.

4.6 Each of the Rental Guarantee Amount and Income Support Amount will be held back from the consideration paid to the Vendors and placed in separate escrow accounts.

## 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 Company considers that the Acquisition dovetails with the Group's ongoing strategy of expanding the Group's asset management business to acquire cash-yielding assets in multiple defensive sectors.

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

The Acquisition demonstrates the Group's intent to build its PBSA portfolio into a sizeable platform, whilst developing its strong domain expertise and on-ground capabilities in the United Kingdom.

(c) *Boost the Group's capabilities within the PBSA sector*

The Acquisition allows the Group to add an established premium brand (i.e. "Student Castle") and a portfolio that complements its existing PBSA business. In addition, the Acquisition includes the operating platform, proprietary booking system, and management team. This will boost the Group's operational capabilities and synergies across its PBSA business.

## 6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 The Acquisition is regarded as being in the ordinary course of business of the Company and the Company is therefore not required to disclose the illustrative financial effects of the Acquisition as prescribed in Chapter 10 of the Listing Manual. However, the pro forma financial effects of the Acquisition, using the audited consolidated financial statements of the Group for the financial year ended 31 August 2019 ("**FY2019**") and based on the guidelines in Chapter 10 of the Listing Manual, are set out in the illustrative examples below for shareholders' reference and ease of comparison.

6.2 **For illustrative purposes only,** the financial effects of the Acquisition on the Company as set out below are prepared based on 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 FY2019; and

(b) the effect of the Acquisition on the Company's earnings per Share ("**EPS**") for FY2019 is based on the assumption that the Acquisition had been effected at the beginning of FY2019.

6.3 The financial effects as set out below, which are based on the assumptions set out in paragraph 6.2 above, 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$'000) | 3,347,259 | 3,347,259 |
| Number of Shares (excluding treasury shares) ('000) | 1,611,865 | 1,611,865 |
| NTA per Share (S$) | 2.08 | 2.08 |

(b) EPS

| | **Before the Acquisition** | **After the Acquisition** |
|---|---|---|
| Profit after taxation attributable to shareholders (S$'000) | 213,211 | 231,754 |
| Accrued distribution for perpetual securities | (1,688) | (1,688) |
| Weighted average number of Shares (excluding treasury shares) ('000) | 1,613,808 | 1,613,808 |
| EPS (S$) | 0.13 | 0.14 |

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

Based on the Group's audited consolidated financial statements for FY2019, the relative figures for the Acquisition as computed using the applicable bases of comparison 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 | 7.6(1) |
| (c) | Aggregate value of the Total Consideration, compared with the market capitalisation of the Company based on the total number of issued shares excluding treasury shares and management shares | 21.3(2) |
| (d) | Number of equity securities issued by the Company as consideration for the Acquisition, | Not applicable |

| | | |
|---|---|---|
| | compared with the number of equity securities previously in issue | |

*Notes:*

*(1)* *The relative figure for Rule 1006(b) was computed based on (i) the Group's profit before taxation for FY2019 of approximately S$298,282,000; and (ii) the profit before taxation attributable to the Assets, which is the subject of the Acquisition, of approximately S$22,556,000.*

(2) *The relative figure for Rule 1006(c) was computed based on (i) the market capitalisation of the Company of approximately S$3.5 billion (which was determined by multiplying 1,594,563,380 issued shares (excluding treasury shares and management shares) of the Company by the weighted average price of approximately S$2.18 per share transacted on 19 December 2019, being the market day immediately preceding the date of the SPA); and (ii) assumes that the Total Consideration is approximately S$739,888,000.*

Notwithstanding the computation under Rule 1006(c), the Acquisition is in the ordinary course of business of the Company and the Company is therefore not required to disclose the Acquisition and seek the approval of its shareholders as a major transaction under Chapter 10 of the Listing Manual.

## 8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors of the Company has any interest, direct or indirect, in the Acquisition. The Company has no controlling shareholders (as defined in the Listing Manual).

## 9. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Acquisition.

## 10. DOCUMENT FOR INSPECTION

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

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