

# SINGAPORE PRESS HOLDINGS LIMITED: PROPOSED RESTRUCTURING OF THE MEDIA BUSINESS

EXTRAORDINARY GENERAL MEETING  
10 SEPTEMBER 2021



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# BRIEFING OUTLINE

1



SPH Strategic Review

2



Proposed Restructuring of the Media Business

3



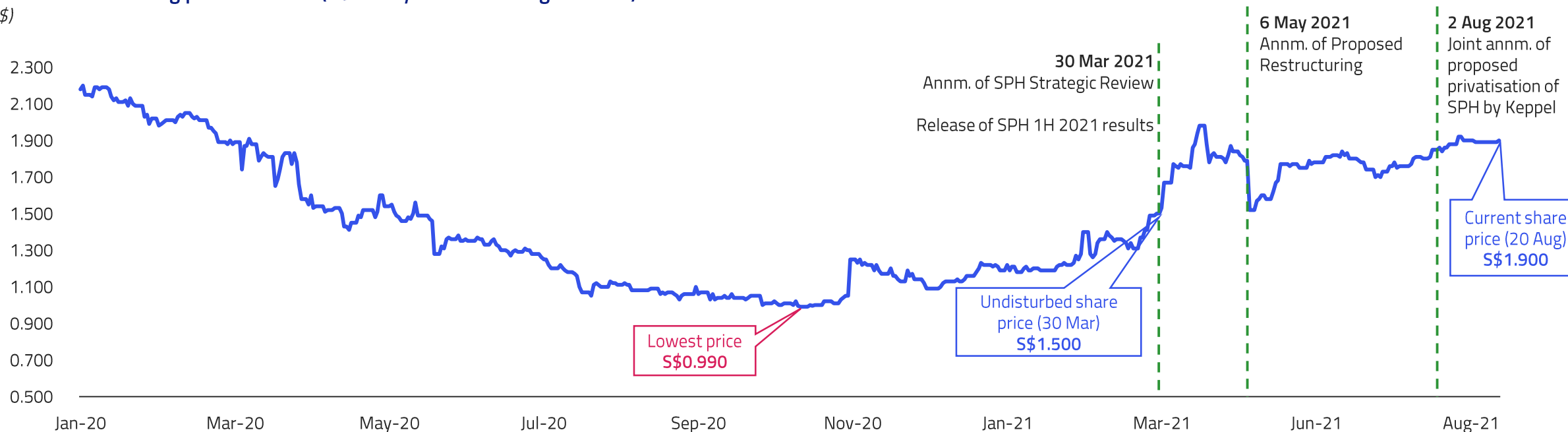
Shareholders' Commonly-Asked Questions

# SPH STRATEGIC REVIEW

- SPH’s financial performance and share price were impacted by the secular decline in print media, accelerated by the outbreak of COVID-19
- On 30 March 2021, SPH announced a strategic review process (“**Strategic Review**”) to maximise shareholder value. The key objectives of the Strategic Review are as follows:
  - I Ensure a sustainable future for SPH Media
  - II Unlock and maximise value for all SPH Shareholders
  - III Deal with the consequences of the lifting of NPPA restrictions<sup>(1)</sup>
  - IV Conduct an orderly process to minimise disruption to SPH operations and various stakeholders

## SPH historical trading price overview (1 January 2020 – 20 August 2021)

(S\$)



Source: Bloomberg.

Note: Secular decline in advertising revenue started before 2020.

All market data as at 20 August 2021.

(1) Restrictions under the Newspaper and Printing Presses Act, including the 5% shareholding cap restriction.

# PROPOSED RESTRUCTURING AND THE PRIVATISATION ARE THE RESULT OF THE BOARD'S STRATEGIC REVIEW



Strategic Review announced on 30 March 2021

## Step 1 – Proposed Restructuring announced on 6 May 2021

- SPH's Media Business to be restructured and transferred to CLG
- Ensures sustainable future for SPH's Media Business
- Funded by resources that SPH is providing upfront, prospects for public / private funding
- SPH's Media Business deconsolidated from SPH; removes need for SPH to fund potential future Media Business losses

First step in overall value unlocking exercise



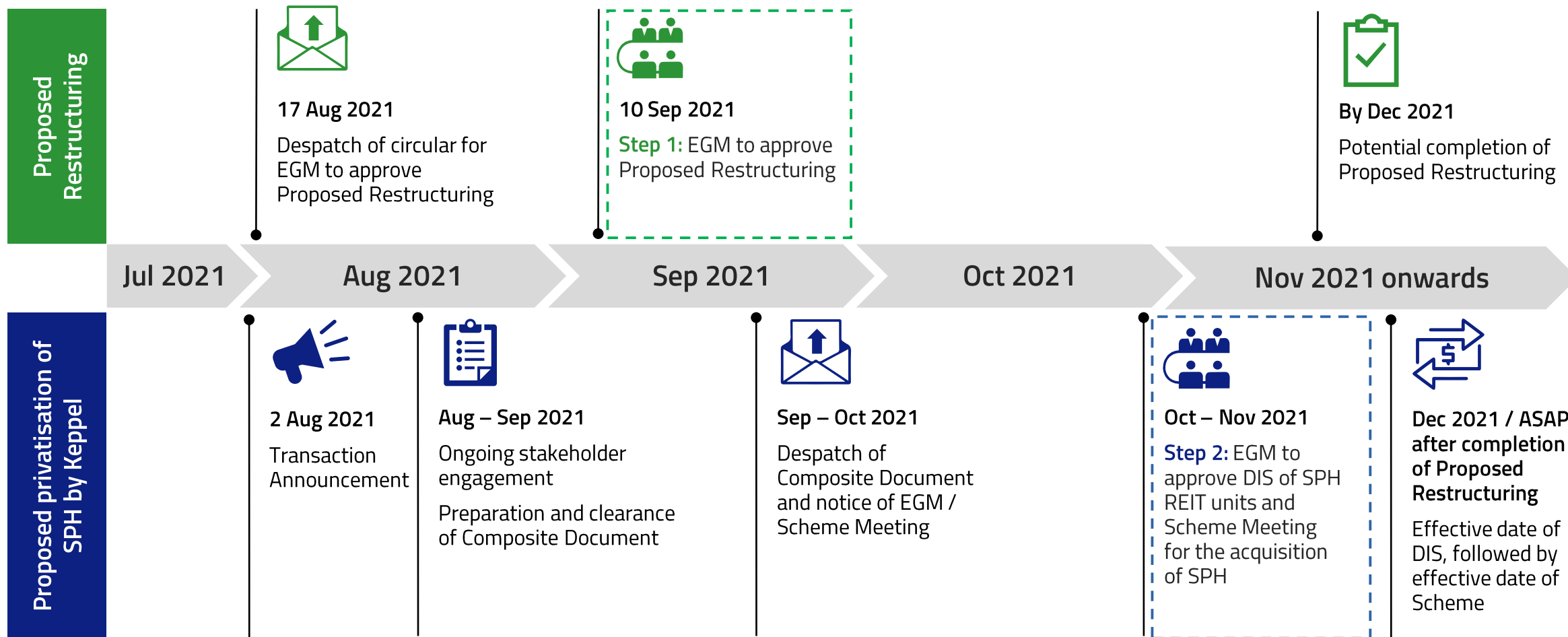
## Step 2 – Proposed privatisation of entire SPH to unlock and maximise value to shareholders, announced on 2 August 2021

- Thorough and orderly 2-stage process to solicit and evaluate proposals from a number of parties
- Process overseen by a Board Steering Committee in consultation with Credit Suisse (Singapore) Limited and Allen & Gledhill LLP, with independent and disciplined review of submitted proposals
- Final closed bids evaluated on:
  - Price
  - Transaction structure and consideration mix
  - Terms, conditions and regulatory approvals

Final step of strategic review process  
(subject to shareholder's approval and contingent on shareholders approving the Step 1 Proposed Restructuring)

Final step of the strategic review process is the proposed privatisation of SPH (post Proposed Restructuring) by Keppel

# INDICATIVE TIMELINE



Completion of the Proposed Restructuring is one of the conditions of the Scheme; if approval for the Proposed Restructuring is not obtained at the EGM to be convened, the Scheme and DIS **will not** proceed

# PROPOSED RESTRUCTURING OF THE MEDIA BUSINESS

- We are now at the critical juncture of [seeking shareholder approval for Step 1 of the Strategic Review](#), the Proposed Restructuring of the Media Business

**RESOLUTION 1:**  
**Proposed Restructuring of the Media Business**

To approve the Proposed Restructuring on the terms and subject to the conditions set out in the Business Restructuring Deed (including, for the avoidance of doubt, the transfer by SPH of the Media HoldCo, which together with its subsidiaries will hold the Media Business, to the CLG for nominal consideration of S\$1)

Ordinary resolution approval threshold:  
**>50%**  
of total number of votes cast by SPH Shareholders voting by proxy at the EGM

**RESOLUTION 2:**  
**Proposed Conversion and Proposed Adoption of a New Constitution**

Subject to the passing of Resolution 1 and Closing of the Proposed Restructuring, to approve (i) the conversion of each Management Share into one Ordinary Share in accordance with the constitution of the Company, and (ii) the adoption of a new Constitution

Special resolution approval threshold:  
**75%**  
of total number of votes cast by SPH Shareholders voting by proxy at the EGM

**Resolution 2 is conditional upon the passing of Resolution 1 and Closing. As such, Resolution 2 will NOT be passed unless Resolution 1 is passed and Closing of the Proposed Restructuring occurs**

# TRANSACTION OVERVIEW AND RECAP OF TERMS

## Proposed transaction

- **Restructuring of Singapore Press Holdings Limited (“SPH”)’s media assets and operations** into a newly incorporated, wholly-owned subsidiary, SPH Media Holdings Pte Ltd (“**SPH Media**”) (the “**Proposed Restructuring**”), which will be transferred to a not-for-profit entity for a nominal consideration
- The **not-for-profit entity** will be a newly formed company limited by guarantee (“**CLG**”)
- Details of CLG will be provided by CLG

## Restructuring scope

- **The entire media-related business of SPH**, including relevant subsidiaries, relevant employees, related intellectual property and information technology assets, SPH Print Centre and SPH News Centre and their respective leases<sup>(1)</sup>, and SPH’s stakes in 4 digital assets, except for certain excluded businesses (collectively, the “**Media Business**”), to be transferred to SPH Media
  - The 4 digital assets are Target Media Culcreative Pte. Ltd. (“**Target Media**”), Singapore Media Exchange Pte. Ltd. (“**SMX**”), AsiaOne Online Pte. Ltd. (“**AsiaOne**”), and DC Frontiers Pte. Ltd. (“**DC Frontiers**”)
- **SPH will further capitalise SPH Media with:**
  - S\$80m in cash
  - 23,446,659 SPH REIT Units<sup>(2)</sup>
  - 6,868,132 SPH Shares<sup>(3)</sup>
- **SPH will also assume certain liabilities, costs and expenses potentially arising from the Proposed Restructuring**

(1) Via asset transfer. Market valuation of SPH Print Centre and SPH News Centre is S\$142.5m as at 4 June 2021, based on independent valuations conducted by Knight Frank Pte Ltd.

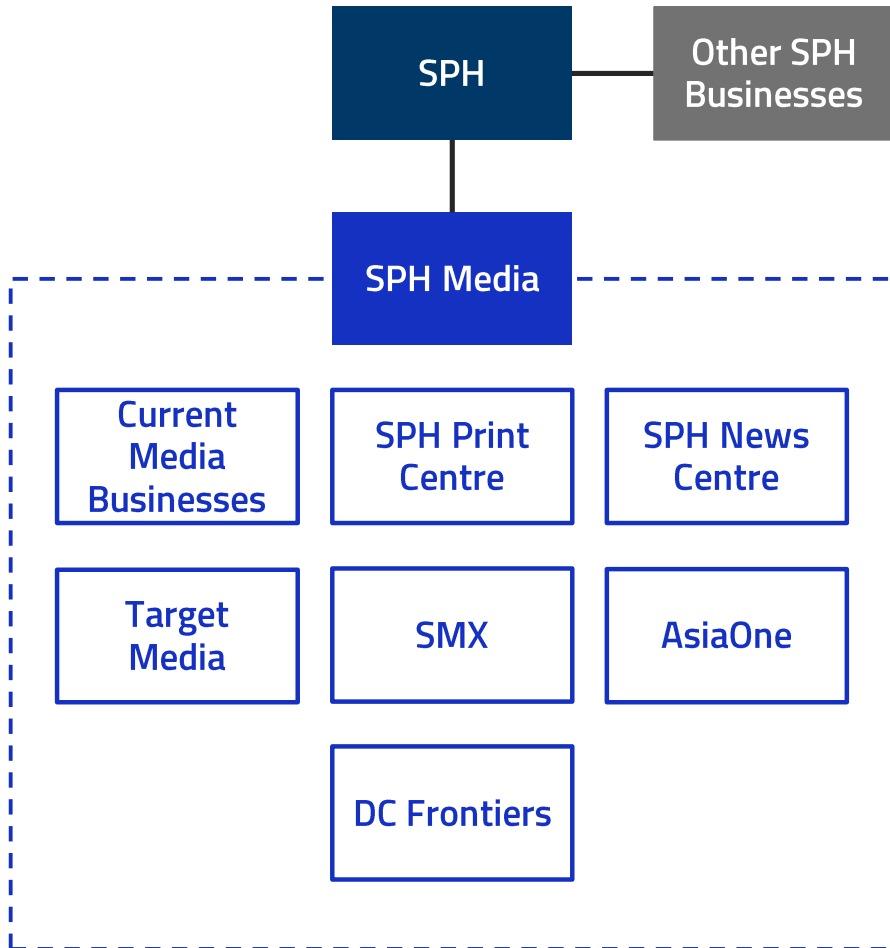
(2) Number of units is based on reference price of S\$0.853 (5-day VWAP up to and including 30 Mar 2021, when the strategic review announcement was made after trading hours). Based on the carrying net asset value of the SPH REIT units as at 28 Feb 2021, the units are valued at S\$21.4m.

(3) To be transferred from SPH’s current treasury share pool. Number of shares is based on reference price of S\$1.456 (5-day VWAP up to and including 30 Mar 2021, when the strategic review announcement was made after trading hours). Based on the carrying net asset value of the SPH shares as at 28 Feb 2021, the shares are valued at S\$14.1m.

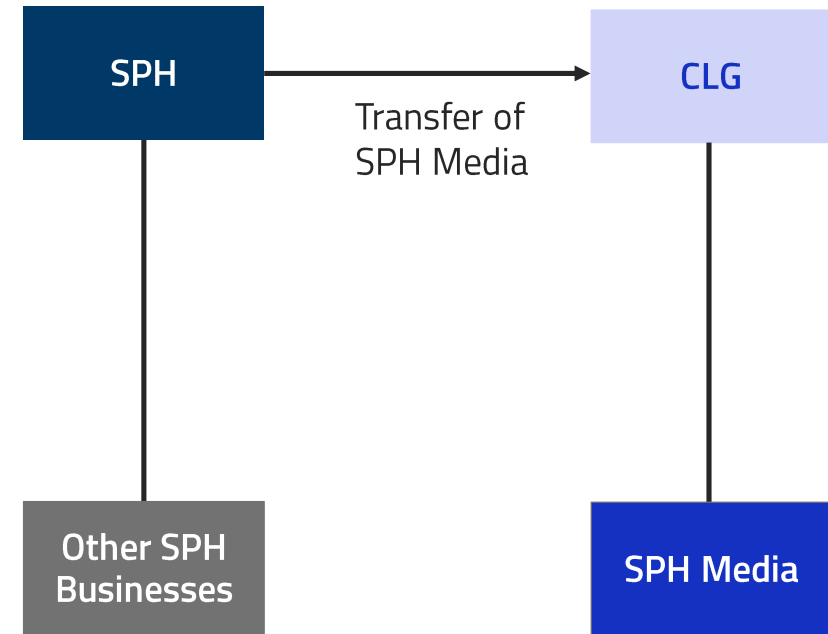


# CURRENT AND POST-RESTRUCTURING STRUCTURE

Current Structure



Post-restructuring and transfer of SPH Media



# THE PROPOSED RESTRUCTURING RECOGNISES THE SIGNIFICANT CHALLENGES IN OPERATING SPH MEDIA UNDER THE EXISTING FRAMEWORK



## Traditional print media is undergoing secular decline

- Shift of consumer preferences in favour of digital media
- Global trend, not unique to Singapore or SPH and further accelerated by COVID-19



## Competition for digital revenue has intensified

- While SPH has succeeded in increasing circulation, monetisation is increasingly challenging
- SPH Media now competes with much larger players
- SPH's media ad revenue has steadily fallen by ~12% from FY2018 to FY2019, and a further ~31% from FY2019 to FY2020



## As a result, SPH Media has faced declining profitability

- Over the past 5 years, SPH Media's operating revenue has halved
- Rate of decline in ad revenue expected to continue at a similar pace to the last 5 years
- SPH Media posted its first-ever loss of S\$11.4m for FY2020, 1HFY2021 pre- JSS grant loss before tax of S\$9.7m



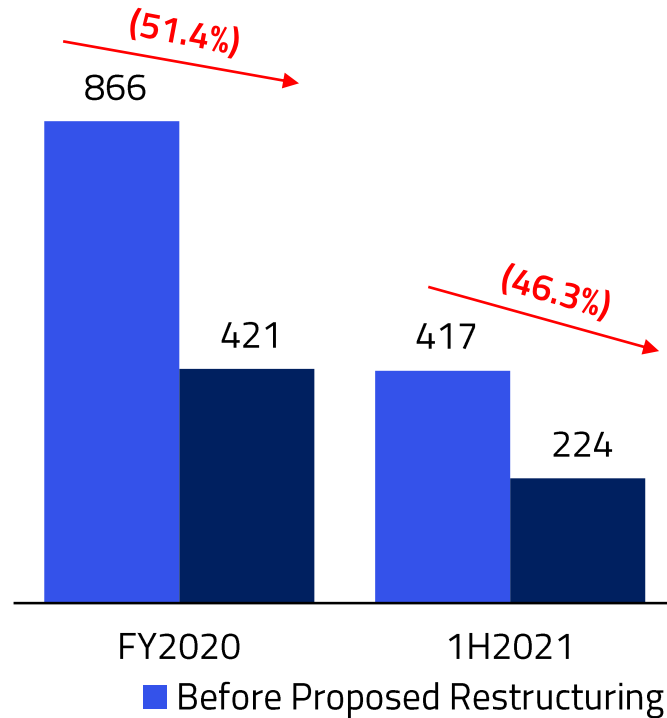
## Running the business under the current ListCo framework is not feasible

- Losses in SPH's media business are likely to continue and widen
- Ongoing digital transformation will require additional investments, time and costs
- Little scope for further major cost cuts without impairing the ability to maintain quality of journalism
- Ring-fences SPH funding for the media business and removes future consolidation of any losses

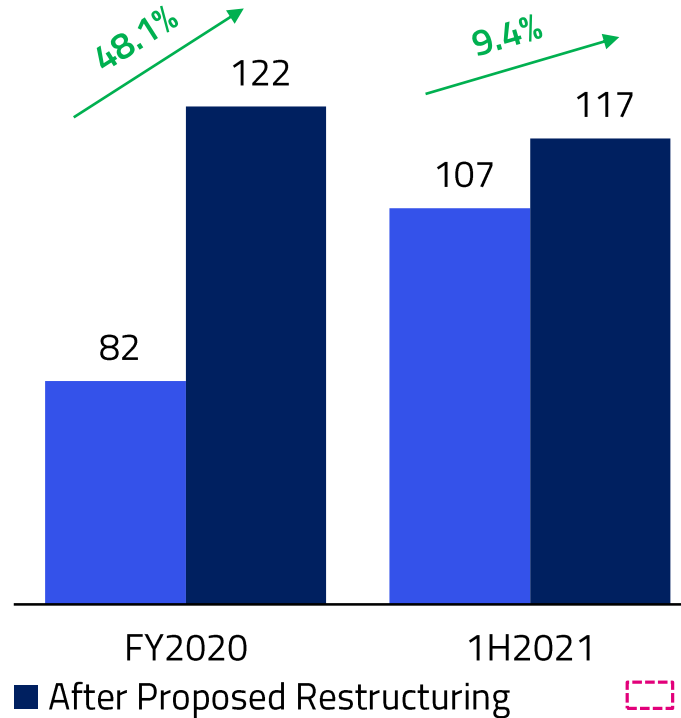
# PRO FORMA FINANCIAL IMPACT OF THE PROPOSED RESTRUCTURING ON SPH



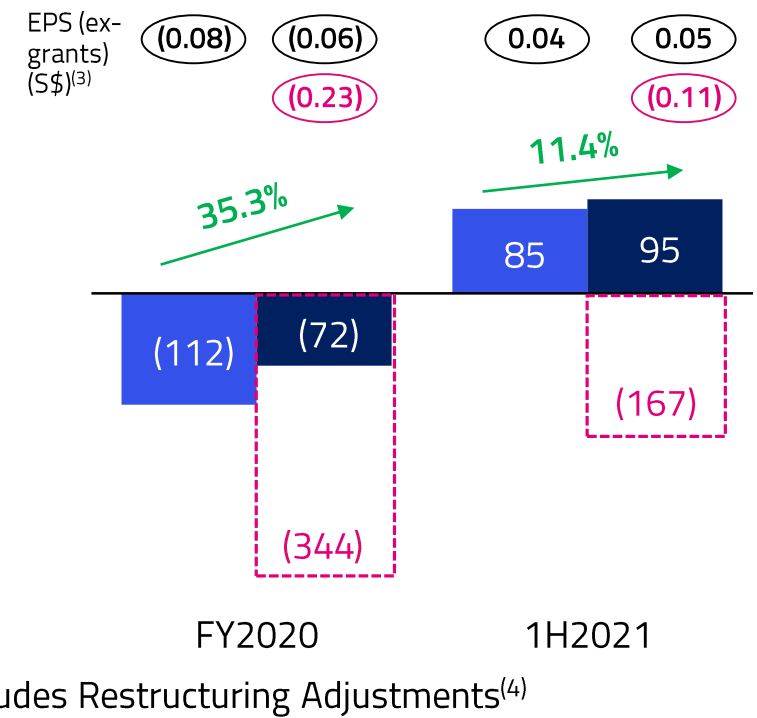
**Operating revenue**  
(S\$m)



**Operating profit (ex-grants)<sup>(1)</sup>**  
(S\$m)



**PATMI (ex-grants)<sup>(1)(2)</sup>**  
(S\$m)



EPS (ex-grants) (S\$)<sup>(3)</sup>

Period	Before Proposed Restructuring	After Proposed Restructuring
FY2020	(0.08)	(0.06)
1H2021	0.04	0.05

Source: Company information.

(1) Excludes Job Support Scheme grant income attributable to the Media Business amounting to S\$28.1m in FY2020 and S\$12.8m in 1H2021.

(2) Profit after tax and minority interests.

(3) EPS calculation includes accrued distribution for perpetual securities for the relevant period. Before the Proposed Restructuring, EPS is calculated based on a weighted average number of shares (excluding treasury shares) amounting to 1,609,413,594 and 1,607,244,446 shares as at 31 Aug 2020 and 28 Feb 2021, respectively. After the Proposed Restructuring, additional SPH shares amount to 6,868,132 shares.

(4) Restructuring Adjustments include the effect of the assumption of certain liabilities, costs and expenses potentially arising from the Proposed Restructuring.

# EVERCORE'S OPINION ON THE PROPOSED RESTRUCTURING

“ Based upon and subject to the foregoing, we are of the opinion that, as at the Latest Practicable Date, the Proposed Restructuring, from a financial point of view, is **IN THE OVERALL INTERESTS of the Company and the Shareholders...**

...Accordingly, from a financial point of view, we **advise the Directors to recommend that the Shareholders VOTE IN FAVOUR of the Proposed Restructuring.** ”

Note: The above is an extract of the Evercore Letter to the Board of Directors of SPH, as set out in Appendix A of the Circular. Shareholders are strongly advised to read and consider the entirety of the Circular and the Evercore Letter. In rendering their Opinion, Evercore has not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, Evercore has advised the Directors to recommend that Shareholders read the Circular carefully, and that any individual Shareholder who may require specific advice in the context of his/her specific investment objectives or portfolio to consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

# THE BOARD'S RECOMMENDATION ON THE PROPOSED RESTRUCTURING

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“ Having reviewed and considered, inter alia, the terms, rationale and financial effects of the Proposed Restructuring, as well as the advice and opinion of Evercore, the Board is of the opinion that the Proposed Restructuring is **in the interests of the Company** and accordingly **recommend that Shareholders vote in favour** of the ordinary resolution relating to the Proposed Restructuring, as set out in the Notice of EGM.



# SHAREHOLDERS' COMMONLY-ASKED QUESTIONS\*

- **Why is SPH giving away the Media Business for free, and even agreeing to contribute additional funding? What is the basis of this sum? Why should small retail shareholders of SPH bear the cost of the Proposed Restructuring?**
- Print revenue has seen **secular decline**
- In a **highly competitive digital media landscape**, further investment is needed to improve capabilities
- **Media Business likely to remain loss-making** – the proposal removes future funding requirements and losses for a one time hit.
- The government is willing to provided funding support to the CLG
- The company (all shareholders) is required to provide initial capitalization - equivalent to a few years of expected losses

\*Please refer to the announcement on SGXNet on the "Extraordinary General Meeting to be held on 10 September 2021 / Responses to Substantial and Relevant Questions" dated 9 September 2021 for the full list of substantial and relevant questions and answers.

# SHAREHOLDERS' COMMONLY-ASKED QUESTIONS\*

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- **Why choose this option for shareholders?**
- Improve future profitability for SPH for a one-time hit
- Lifting of NPPA allows greater flexibility to tailor its capital and shareholding structure to pursue strategic options across all other businesses, thereby unlocking and maximising shareholder value.
- SPH has undertaken strict cost management measures in recent years to mitigate the effect however further major costs to reduce losses would impair the Media business' ability to maintain quality journalism.
- A not for profit structure will allow the Media Business to seek funding from a range of public and private sources with a shared interest in supporting quality journalism and credible information.

\*Please refer to the announcement on SGXNet on the "Extraordinary General Meeting to be held on 10 September 2021 / Responses to Substantial and Relevant Questions" dated 9 September 2021 for the full list of substantial and relevant questions and answers.

# SHAREHOLDERS' COMMONLY-ASKED QUESTIONS\*

- **Why can't SPH sell the valuable properties?**
- The Media Business will require these properties to operate. The properties are designed for the Media Business' operations
  
- **Did the Board explore selling the Media Business or winding it down?**
- Various options were considered.
- The 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.
- Under NPPA, any option for the restructuring of the media business require regulatory approval, including the sale of the Media Business, winding down the business and shutting of titles.
- The regulator has **given support to this proposed option**
- Winding up the Media Business **will also incur heavy financial costs**

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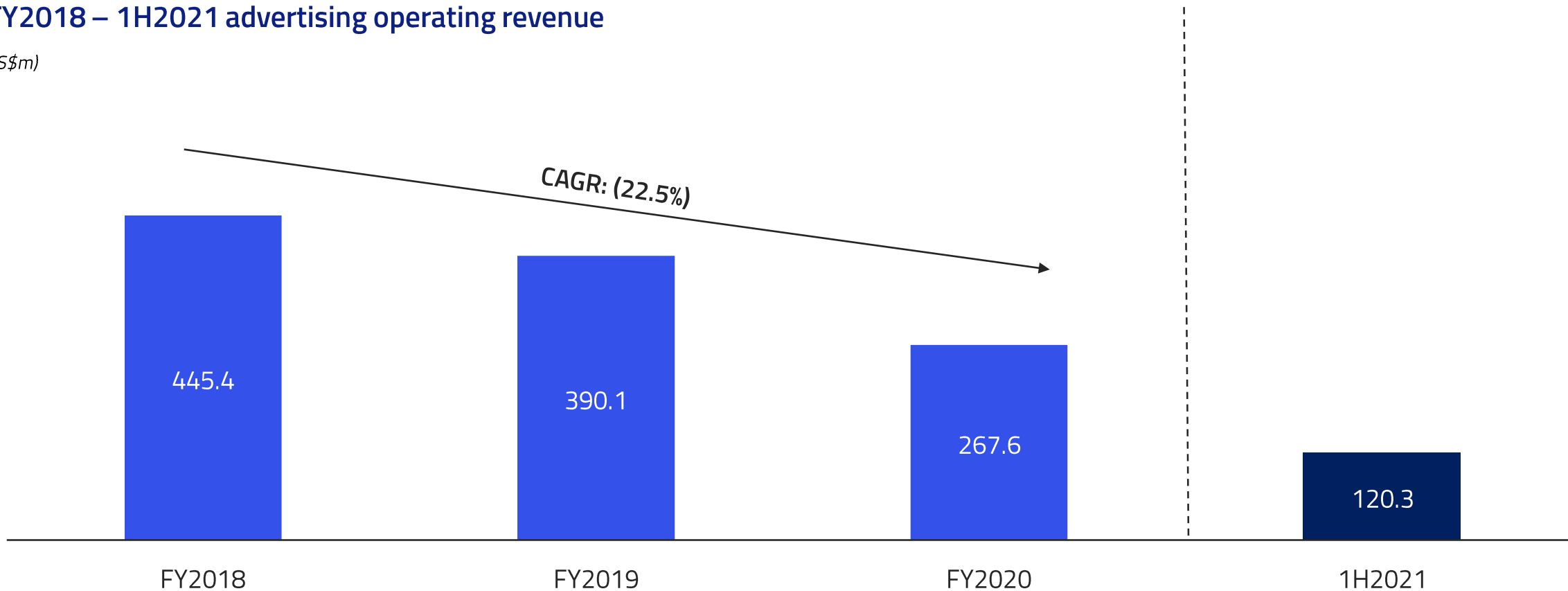
**THANK YOU**

**Q&A**

# SPH MEDIA FINANCIAL PERFORMANCE

FY2018 – 1H2021 advertising operating revenue

(S\$m)

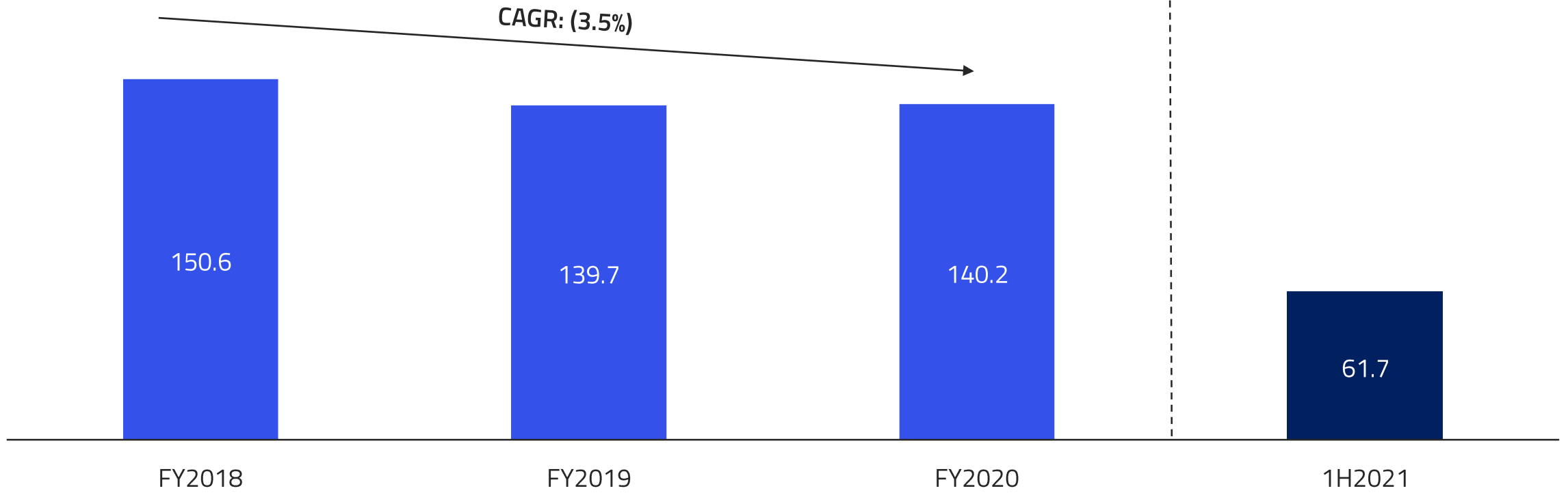


Ad revenue has been declining sharply due to significant decline in print circulation and sustained stiff competition on digital ad revenues

# SPH MEDIA FINANCIAL PERFORMANCE (CONT'D)

FY2018 – 1H2021 circulation operating revenue

(\$m)



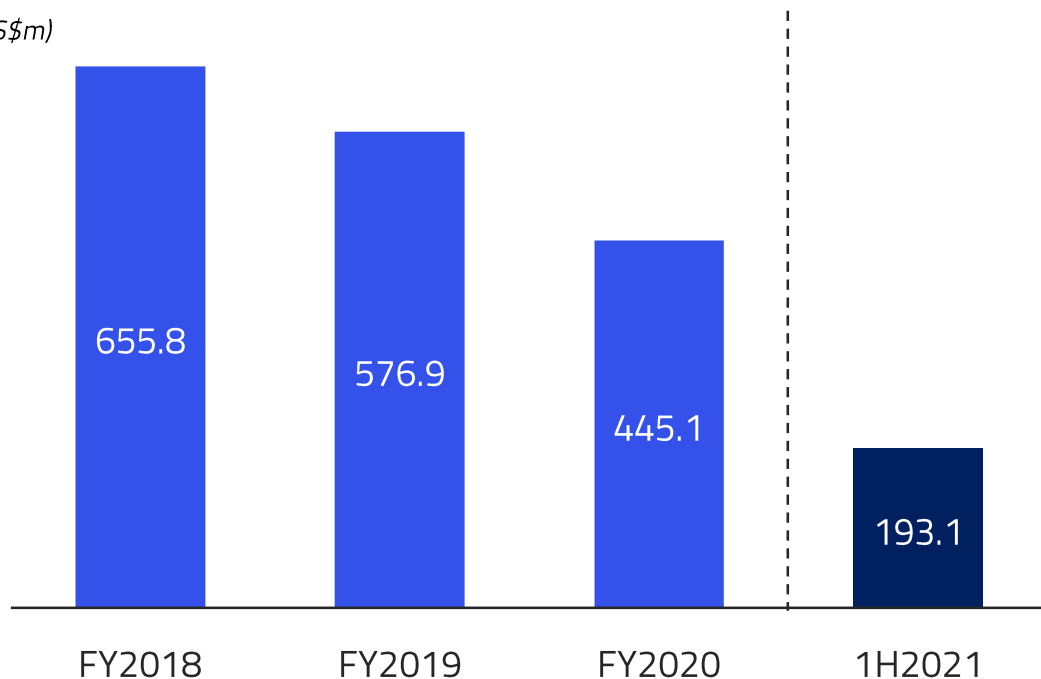
Circulation revenue has declined slightly; increase in digital circulation has off-set the decline in print circulation

Source: Company information.

# SPH MEDIA FINANCIAL PERFORMANCE (CONT'D)

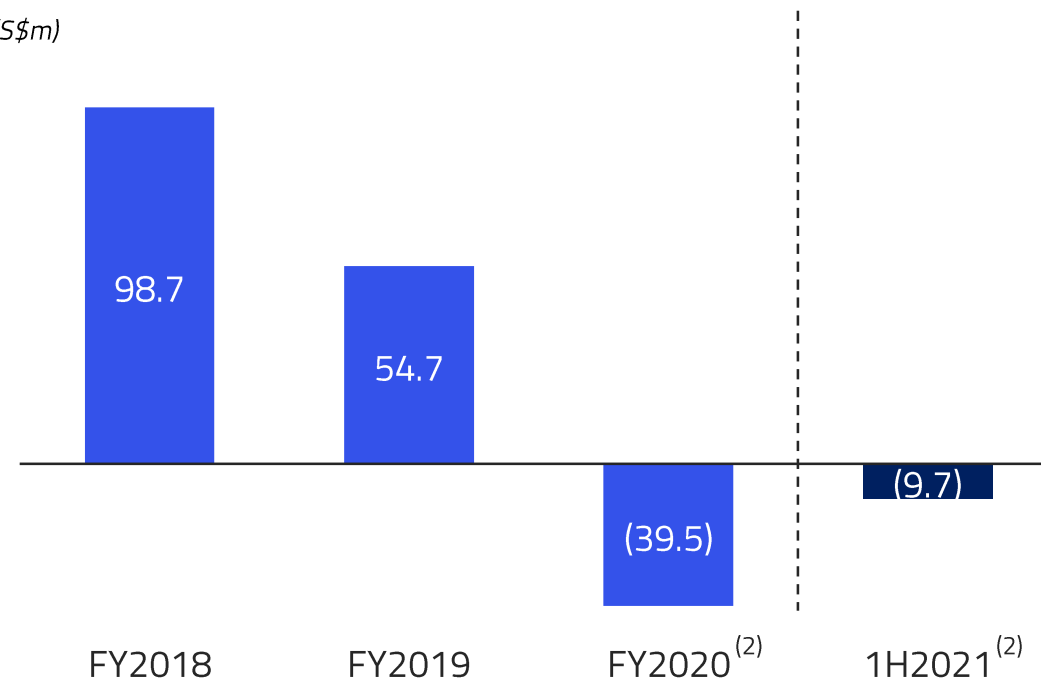
FY2018 – 1H2021 operating revenue<sup>(1)</sup>

(\$m)



FY2018 – 1H2021 profit before tax

(\$m)



**SPH Media has suffered worsening financial performance – it posted its first loss in FY2020 and is anticipated to face further financial losses**

Source: Company information.

(1) Includes advertising revenue, circulation revenue, and other sales.

(2) Excludes Job Support Scheme grant income of S\$28.1m in FY2020 and S\$12.8m in 1H2021.