



Securities Investors Association (Singapore)

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Issuer: Singapore Press Holdings Limited

Security: Singapore Press Holdings Limited

Meeting details:

Date: 3 December 2018

Time: 2.30 p.m.

Venue: Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994

Company Description

Singapore Press Holdings Limited operates as a media company in Singapore and internationally. It operates in three segments: Media, Property, and Treasury and Investment. The company publishes, prints, and distributes newspapers, magazines, and books; holds investments; holds, develops, manages, and lets properties; and offers multimedia content and services, outdoor advertising, and radio broadcasting services. It also organizes events, exhibitions, conventions, conferences, and concerts; and operates a financial portal. In addition, the company operates nursing homes, and tuition and enrichment centers; manages and develops curriculum and intellectual property; manages shopping centers and other commercial properties; and provides online classifieds and investor relation, ancillary services and supplies, management support, editorial, fund management, recruitment, human resource, business management and consultancy, rehabilitation, home care, food, marketing, news reporting, kiosks franchising, technical, software licensing, and online marketing services. Further, it produces dramas, variety shows, and documentaries; executes camera work, editing, and sound mixing for audio-video presentations and music recording; develops software for interactive digital media; trades in medical and healthcare equipment and consumables; and develops e-commerce applications and Web search portals. Additionally, the company offers public relations, television programmer production and advertising, research, childcare, learning, in-lift digital displays and display content deployment, and other services. It also provides computer programming services for online investor relations and related businesses; licenses copyrights and trademarks; operates a self-service digital magazine store and newsstand, and an online market place for service providers; and provides online system for sales of vehicles and related services. The company was incorporated in 1984 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=T39)

1. Revenue for the group slipped 4.5% to fall below the \$1 billion mark. Of the \$982.6 million recognised in FY2018, the media segment contributed \$655.8 million in external sales, down by approximately 10% from \$725.4 million a year ago.

- (i) Can management help shareholders understand the impact on the profitability of its core media business as the group intensifies its digitalisation efforts? For example, even as the total daily average newspapers circulation increases from 923,000 to 964,400 copies in FY2018 (boosted by a 37% increase in digital circulation to 391,200 copies), what is the additional profitability attributable to this increase in subscribers? In the long term, what is the projected level of profitability of the digitalised media business?**
- (ii) Can management shed some light on the operational/user engagement metrics of its digital subscribers? For instance, what are the statistics on the daily/weekly/monthly active users and user retention?**

In the other segment of properties and investments, the group has made several strategic moves in the year, including:

- Rolling-over the existing 13.45 per cent stake in M1 into Konnectivity Pte Ltd
- Acquisition of a portfolio of Purpose Built Student Accommodation (PBSA) in the United Kingdom (UK)
- Acquisition of Orange Valley to drive the group's Aged Care business (April 2017)
- Subscription of 30% interest in Sgcarmart Financial Services Pte Ltd
- Divestment of Shareinvestor.com
- Setting up a 70% owned, joint venture company, OctoRocket to operate an online business to business marketplace
- Subscription of an additional 5% interest in DC Frontiers Pte Ltd
- Increase in stake in Chinatown Point
- Acquisition of Han Language Centre
- Setting up a joint venture with MM2 to rejuvenate AsiaOne Online

- (iii) Can management provide shareholders with a holistic overview of how it makes its investment and divestment decisions? Has management evaluated the group's track record for its investments? What is the investment hurdle required?**
- (iv) What are the strategic objectives the group is trying to achieve with its investments?**
- (v) Given that the group has net assets of \$4.228 billion as at 31 August 2018, how will the small and numerous investments into various services and products help the group scale up in a meaningful manner?**
- (vi) Specifically, for the group's PBSA investments in the UK, what core competencies does the group have to allow it to further scale up the operations in a sustainable and profitable manner?**

(vii) Can the board explain in greater detail its capital allocation framework?

Dividend per share has decreased from 21 cents in 2014, to 20 cents in 2015, to 18 cents in 2016, to 15 cents in 2017 and to 13 cents in 2018.

(viii) Has the board estimated the cost of capital to the group?

(ix) Has the board evaluated if the group has been able to reinvest its cashflow to generate sufficient returns to create long-term value for its shareholders (including sustaining the dividend per share)?

(x) Would it be timely for the board to evaluate if there are sufficient investment opportunities for the group to deploy its capital in a profitable and sustainable manner? If not, would the board consider a special dividend/capital reduction to right-size its balance sheet to return excess capital to shareholders?

2. The “Impairment of goodwill and intangibles” is a key audit matter (KAM) highlighted by the Independent Auditors in their Report on the Audit of the Financial Statements (pages 69 to 70). Key audit matters are those matters that, in the professional judgement of the Independent Auditors, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group has intangible assets of \$176 million as at 31 August 2018 comprising mainly goodwill, trademarks and licences acquired from business combinations. Impairment charges of \$(22.4) million, \$(37.8) million, \$(28.4) million and \$(9.1) million were recorded for goodwill and intangible assets for the FY2018, FY2017, FY2016 and FY2015 respectively.

The reasons given for the impairments include:

- FY2015 (goodwill): During the financial year, the Group recognised an impairment charge of S\$8.8 million mainly for the magazine business within “Other operating expenses” due to unfavourable market conditions
- FY2106 (goodwill): During the financial year, the Group recognised an impairment charge of S\$26.8 million (2015: S\$8.8 million) mainly for the magazine business due to unfavourable market conditions
- FY2017 (goodwill): During the financial year, the Group recognised an impairment charge of S\$9.9 million mainly for the online classifieds business due to under-performance against targets (2016: S\$26.8 million mainly for the magazine business due to unfavourable market conditions)
- FY2017 (intangible assets): During the financial year, the Group recognised an impairment charge of S\$27.8 million (2016: S\$1.6 million) mainly for the magazine business whose performance deteriorated significantly amid unfavourable market conditions

- FY2018 (goodwill): During the financial year, the Group recognised an impairment charge of S\$17.3 million (2017: S\$9.9 million) mainly for the online classifieds business due to challenging market conditions
 - FY2018 (intangible assets): During the financial year, the Group recognised an impairment charge of S\$5.1 million mainly for the exhibition business due to challenging market conditions
- (i) Can the audit committee (AC) help shareholders understand how they had reviewed the reasonableness of the assumptions used in the cashflow forecasts relating to the valuation of goodwill and intangible assets of the various business segments? What is the basis for the AC's conclusion that the assumptions used in the calculations are reasonable (and not overly optimistic or pessimistic)?**
 - (ii) Would the AC help shareholders understand why impairment charges (to the goodwill and intangible assets) for the magazine business were recognised in FY2015, FY2016 and FY2017? Did the AC review if management's projections (in each year) reflect the true economic conditions and were not overly optimistic?**
 - (iii) With regard to the impairment charges for online classifieds and the exhibition business, how confident is the AC/management that no further impairment charges will be recognised?**

As shown in Note 13a (page 151 – Intangible assets), the carrying value of the goodwill of the Aged Care business is \$78.9 million as at 31 August 2018. The assumptions used include a pre-tax discount rate of 8.5%. Management has identified that a 0.2% increase in pre-tax discount rate and a decrease of 0.3% in revenue growth could cause the carrying amount to exceed the recoverable amount.

- (iv) Can the AC help shareholders understand how the discount rate of 8.5% was arrived at?**
- (v) What is the revenue growth rate assumed in the calculation of the value-in-use of the Aged Care CGU?**
- (vi) What guidance has the board given to management to ensure that the group's acquisitions are not overly aggressive (in its valuation) and are structured in a way that would minimise risks (e.g. incorporation of contingency payments (based on performance) into the purchase consideration)?**

3. The attendance of the directors at the board and board committee meetings is shown in the table below (page 93):

**Directors' attendance at Board and Board Committee Meetings
 (for the financial year ended 31 August 2018)**

Name of Director	Board	Executive Committee	Audit Committee	Remuneration Committee	Nominating Committee	Board Risk Committee
Lee Boon Yang (Chairman)	5 out of 6 ¹	5 out of 5	-	3 out of 3	2 out of 2	-
Ng Yat Chung (CEO)	6 out of 6	5 out of 5	-	-	-	3 out of 3
Bahren Shaari	5 out of 6	5 out of 5	-	-	2 out of 2	-
Chong Siak Ching	6 out of 6	-	-	3 out of 3	2 out of 2	-
Quek See Tiat	6 out of 6	5 out of 5	4 out of 4	-	-	-
Tan Chin Hwee	5 out of 6	-	4 out of 4	2 out of 2 ²	-	1 out of 1 ³
Tan Yen Yen	6 out of 6	-	-	3 out of 3	-	3 out of 3
Janet Ang Guat Har	5 out of 6	-	4 out of 4	-	-	3 out of 3
Andrew Lim Ming-Hui	6 out of 6	-	4 out of 4	-	2 out of 2	3 out of 3

Notes:

- 1 Dr Lee Boon Yang recused himself from one meeting.
- 2 Mr Tan Chin Hwee was appointed a Member of the Remuneration Committee on 1 December 2017.
- 3 Mr Tan Chin Hwee stepped down as a Member of the Board Risk Committee on 1 December 2017.

(Source: Company annual report)

It is noted that other than Dr Lee Boon Yang who recused himself from one meeting, three other directors were each absent from one board meeting in FY2018.

- (i) As the company's constitution allows directors to participate in a board meeting via tele-conference, can the company help shareholders understand if this was an option for directors who had missed the board meetings?**

The attendance of directors at board and board committee meetings for FY2017 and FY2016 is shown in the following tables:

Directors' attendance at Board and Board Committee Meetings (for the financial year ended 31 August 2017)

Name of Director	Board	Executive Committee	Audit Committee	Remuneration Committee	Nominating Committee	Board Risk Committee
Lee Boon Yang (Chairman)	10 out of 10	4 out of 4	-	3 out of 3	2 out of 2	-
Alan Chan Heng Loon	10 out of 10	3 out of 4	-	-	-	-
Ng Yat Chung	8 out of 10	2 out of 3 ¹	-	1 out of 2 ¹	-	3 out of 3
Bahren Shaari	9 out of 10	4 out of 4	1 out of 1 ²	-	1 out of 1 ³	-
Chong Siak Ching	9 out of 10	-	-	3 out of 3	2 out of 2	-
Quek See Tiat	10 out of 10	4 out of 4	4 out of 4	-	-	1 out of 1 ⁴
Tan Chin Hwee	9 out of 10	-	3 out of 4	-	-	3 out of 3
Tan Yen Yen	10 out of 10	-	-	3 out of 3	-	3 out of 3
Janet Ang Guat Har	10 out of 10	-	4 out of 4	-	-	3 out of 3
Andrew Lim Ming-Hui	6 out of 6 ⁵	-	2 out of 3 ⁵	-	1 out of 1 ⁶	*
Ng Ser Miang [^]	2 out of 4 [^]	-	-	-	1 out of 1 [^]	-
Lucien Wong Yuen Kuai [#]	3 out of 4 [#]	1 out of 1 [#]	-	1 out of 1 [#]	1 out of 1 [#]	-

(Source: Company annual report 2017)

Directors' attendance at Board and Board Committee Meetings (for the financial year ended 31 August 2016)

Name of Director	Board	Executive Committee	Audit Committee	Remuneration Committee	Nominating Committee	Board Risk Committee
Lee Boon Yang (Chairman)	5 out of 5	6 out of 6	-	2 out of 2	2 out of 2	-
Chan Heng Loon Alan (CEO)	5 out of 5	6 out of 6	-	-	-	-
Bahren Shaari	5 out of 5	5 out of 6	4 out of 4	-	-	-
Chong Siak Ching	4 out of 5	-	-	1 out of 2	2 out of 2	-
Ng Ser Miang	5 out of 5	-	-	-	2 out of 2	-
Quek See Tiat	5 out of 5	6 out of 6	4 out of 4	-	-	3 out of 3
Tan Chin Hwee	5 out of 5	-	4 out of 4	-	-	3 out of 3
Tan Yen Yen	5 out of 5	-	-	2 out of 2	-	3 out of 3
Lucien Wong Yuen Kuai	4 out of 5	6 out of 6	-	2 out of 2	2 out of 2	-
Janet Ang Guat Har	5 out of 5	-	4 out of 4	-	-	3 out of 3
Ng Yat Chung	*	-	-	-	-	*

(Source: Company annual report 2016)

- (ii) **Can the company help shareholders understand if there were extenuating circumstances that led the directors to be absent for the board meetings? How far in advance are board meeting scheduled? What are the reasons directors fail to make it to all the board meetings?**
- (iii) **How can the company and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?**