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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Singapore Press Holdings Limited

Stock code: T39

Meeting details:
Date: 27 November 2020
Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the CEO's business review, average daily circulation increased by 6.1% to 838,000 copies, boosted by an increase of 55.6% in average daily digital circulation although print circulation declined by 20% year-on-year. Revenue from circulation increased from $139.7 million in FY2019 to $140.2 million in FY2020.

However, the group slipped into a loss of $(112.5) million in FY2020, including a loss in its core media segment. Loss attributable to shareholders of the company was $(83.7) million in FY2020. In addition, borrowings have increased to $3.477 billion, more than doubled in two years (FY2018: $1.607 billion). The group has also issued perpetual securities with a carrying amount of $452.5 million as at the end of the financial year. As shown in the financial review (page 43), the group's financial leverage has increased significantly in the past 5 years although the operational and financial results have been mixed.

Would the board/management provide shareholders with greater clarity on the following matters? Specifically:

(i) **Media and digital:** In the chairman's statement, it was stated that the "media industry is going through a very difficult time". In the last annual report, the chairman had talked about the group "leveraging [its] strong reputation and award-winning journalism" to become a leading media organisation in the region, offering independent and credible news coverage in different languages. This year, the chairman disclosed that the board and management are actively exploring options to ensure media sustainability for the longer term (page 15). **Can the board clarify if it has only started exploring options to ensure the sustainability of its media business due to the pandemic? Would the board help shareholders understand what they envisage the media business to be in 5 years and in 10 years' time?**

(ii) **Print and digital circulation:** Daily average print circulation copies declined 20% year-on-year while daily average digital circulation copies grew 55.6% to 423,400 in August 2020. The combined print and digital circulation rose 6.1% to 838,000 copies (page 17). **Can management clarify if there is significant overlap in the print and in the digital circulation? If so, what is the estimated circulation (without overlap)?**

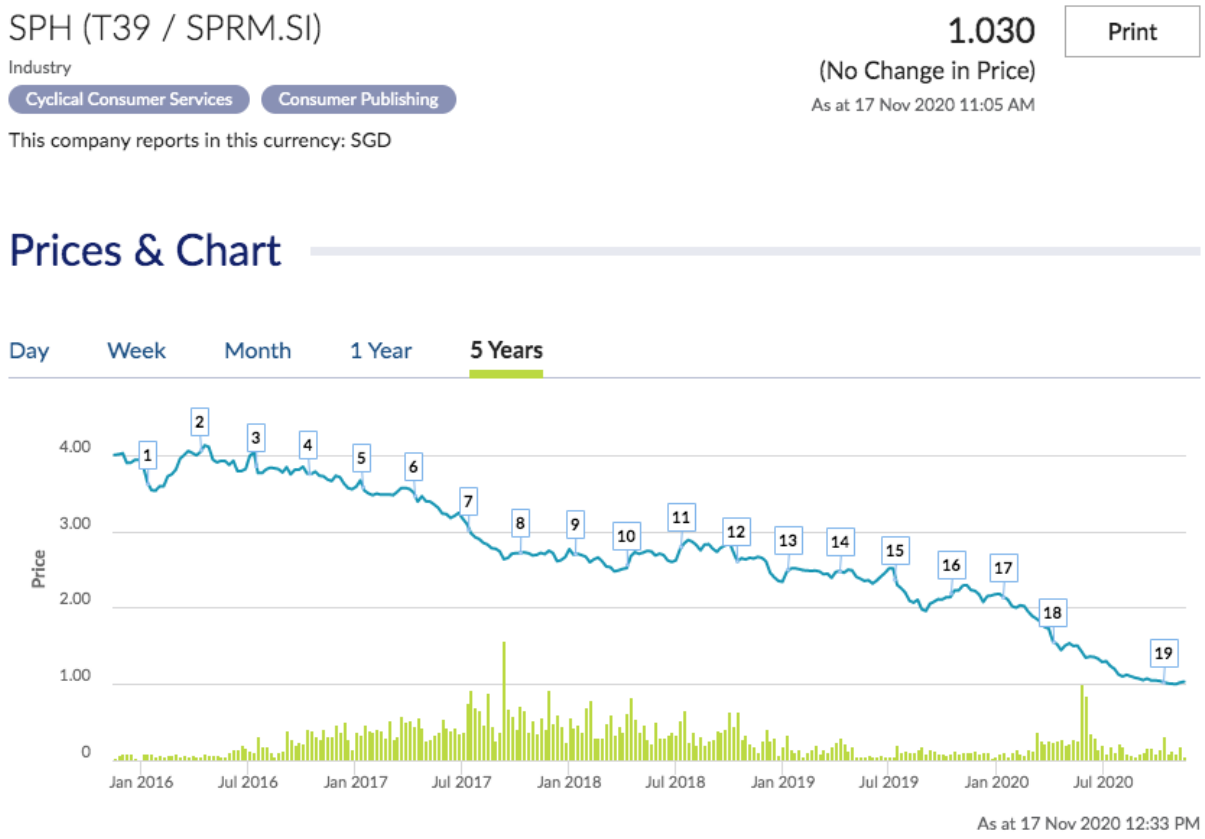
(iii) **Advertisement revenue:** As disclosed in the CEO's Business Review (page 18), the group's media advertisement revenue fell by $122.5 million (31.4%), led by a decline of $99.1 million (32.9%) in newspaper print advertisement revenue. **Can management help shareholders understand how they intend to recapture the advertisement revenue as the economy recovers?** In fact, media advertisement revenue has fallen from $607 million in FY2016, to $504 million in FY2017, to $445 million in FY2018, to $390 million in FY2019 and to $268 million in FY2020. **What are the advantages of the group's media advertisement compared to niche targeting advertising offered by social media platforms?**

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(iv) **The Woodleigh Residences:** The group has sold about 56% of total units (667) of The Woodleigh Residences. **Has the sales progress met management's expectations? Has the construction been delayed due to the pandemic?**

Q2. In the past 5 years, the company's stock price has slipped from around $4 to $1.03 as at 17 November 2020. Dividends for the financial year ended 31 August 2020 dropped to 2.5 cents per share, down nearly 80% from 12 cents per share in FY2019.

The share price performance is shown in the chart below:



(Source: https://www.sgx.com/securities/equities/T39)

In the corporate governance report, the board's principal functions include "decid[ing] on matters in relation to the group's operations which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments".

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In particular, the executive committee' s principal responsibilities, inter alia, include:

- to review, with management, and recommend to the board the overall corporate strategy, objectives and policies of the group, and monitor their implementation;
- to review and recommend to the board proposed investments and acquisitions of the group which are considered strategic for the long-term prospects of the group;
- to approve the company's asset allocation strategy, appointment and termination of external fund managers and investment/ divestment of securities and review investment guidelines, treasury management and investment performance

(i) **Has the board evaluated the performance of management? If so, is the board satisfied with the operational and financial performance of the group in the past 3 years, 5 years and 10 years?**

(ii) **What are the key performance indicators used to assess the performance of management?**

(iii) As noted in the corporate governance report, Dr Lee Boon Yang has served as a director on the board since October 2011 and as the chairman since December 2011. **Given that the board's role is to provide entrepreneurial leadership and to set strategic objectives (with appropriate focus on value creation, innovation and sustainability), can the board, especially the chairman, help shareholders understand their contribution and their effectiveness as directors?**

[The following question was sent to the company following a review of the 2018 annual report. The question has been updated and reposted to the company following the review of the 2020 annual report.]

Q3. Outside of the media business, the group has made several strategic investments in properties and other investments, including:

- Acquisition of the Student Castle portfolio in December 2019 for £411 million (S$743.6 million); current portfolio size of S$1.4 billion comprising 7,723 beds across 28 assets
- Acquisition of Orange Valley to drive the group's Aged Care business (April 2017)
- Acquisition of aged care assets in Japan consisting of a total of 365 beds across five assets at a total acquisition cost of $66 million
- Divestment of its stake in Chinatown Point
- Development of The Woodleigh Residences
- Other investments in M1, iFast, KBS US Prime Property Management Pte. Ltd. (REIT manager), sgCarMart, FastJobs, Singapore Media Exchange, OctoRocket, etc
- Joint development with Keppel Data Centres Holding (KDCH) to jointly develop and operate data centre facilities at 82 Genting Lane
-

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Based on the group's investments, it appears that the group has made numerous but small investments in many areas. Other than the capital-intensive property business (including PBSA), most of the investments do not appear to be easily scalable.

(i) **Can management provide shareholders with a holistic overview of how it makes its investment and divestment decisions? What is the targeted optimal capital allocation by sector and by geography?**

(ii) **Has management evaluated the group's track record for its investments? Has the board estimated the cost of capital to the group?**

(iii) **What is the investment hurdle required for its investments?**

In particular, the group has recognised significant amounts of goodwill as it carries out its acquisitions. In Note 13a (page 206 – Intangible assets: Arising from business combinations – Goodwill), the group has paid over $188.7 million in goodwill as it acquired businesses.

Some of the goodwill allocated to the group's investments are:
- KBS: goodwill on acquisition of $19.8 million (and net assets of $1.1 million)
- Mindchamps: goodwill on acquisition of $11.8 million; goodwill impairment of $10.3 million
- Orange Valley: impairment of ~$33.8 million in goodwill
- Online classified business: impairment of ~$27 million in goodwill

(a) Arising from business combinations – Goodwill

	Group	
	2020	2019
	S$'000	S$'000
Cost		
Beginning of financial year	**188,741**	192,264
Acquisition of subsidiaries [Note 30(a)]	**–**	2,015
Disposal of subsidiaries [Note 30(b)]	**–**	(5,679)
Currency translation differences	**(10)**	141
End of financial year	**188,731**	188,741
Accumulated impairment		
Beginning of financial year	**99,177**	77,165
Impairment	**11,688**	22,146
Disposal of subsidiaries [Note 30(b)]	**–**	(275)
Currency translation differences	**(99)**	141
End of financial year	**110,766**	99,177
Net book value	**77,965**	89,564

(Source: company annual report)

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As shown in Note 13a (page 206), the group has impaired nearly $111 million in goodwill.

(iv) **Can management help shareholders understand if it has a robust framework to evaluate and to value its potential acquisitions?** Even before COVID, the group has had to impair nearly $100 million in goodwill.

(v) **What guidance has the board given to management to avoid overpaying for its acquisitions?**

(vi) **Can management identify which of its investments have positively contributed to the group?**

(vii) **Has management considered returning excess capital to shareholders if they are unable to invest profitably?**

Q4. The disclosure of remuneration of the executive directors and key management personnel can be found on pages 123 and 124 of the annual report. An abstract is reproduced below:

Executive Director

Executive Director	Base/Fixed Salary %	Variable Bonus %	Benefits in Kind %	Total Cash & Benefits (S$)
Ng Yat Chung	68.52	31.45	0.03	1,350,000

Remuneration of Key Management Personnel

Remuneration Bands FY2020

	No. of Executives	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Share-based* (%)	Total (%)
Between $1,000,000 to $1,249,999	1	49.46%	44.43%	0.03%	6.08%	100%
Between $750,000 to $999,999	2	55.83%	40.26%	0.05%	3.86%	100%
Between $500,000 to $749,999	2	64.11%	32.45%	0.07%	3.37%	100%

* Based on the market price of the shares when the shares are credited into the employee's CDP account in FY2020

The executive director and the key management personnel (KMPs) received variable bonuses of between 31% and 44% during the financial year which saw both the media and property segments report losses (page 255). The group also retrenched 140 staff "to contain cost".

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(i) **Can the board, especially the remuneration committee, help shareholders understand the specific performance indicators (including key financial and operational metrics) used to determine the variable bonuses of the executive director and the KMPs?**

In the corporate governance report, the board has stated that "the CEO's remuneration package includes a variable bonus element and performance share grant, which are based on the company's and individual performance and have been designed to align his interests with those of shareholders".

(ii) **Given the performance of the group in all its segments, can the board elaborate further on how the current remuneration framework aligns the interests of the executive directors with the interests of shareholders?**

(iii) **Has the board considered using more holistic measures, such as total shareholder returns, return on equity etc as the performance measure?**

(iv) In addition, on page 122, the company has disclosed that non-executive directors have taken a 10% reduction in their fees from Q2 FY2020, arising from the adverse impact of the COVID-19 pandemic. **Would the board consider a 30-50% reduction in the director fees to help the group tide over this challenging period and to show solidarity with all the stakeholders?**

(v) Also, each of the non-executive directors (including the chairman) will receive 75% of his total directors' fees in cash and 25% in the form of SPH shares. **To show the board's belief in and the commitment to the group, would the board consider taking up to 75-90% of their fees in the form of SPH shares?** This would also further align the directors with minority shareholders.

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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