In the past financial year, Singapore was buffeted by volatility in the global market. Several notable events took place which impacted the world economy. The US abandonment of the Trans-Pacific Partnership, the increase in interest rates by the United States’ Federal Reserve, North Korea’s nuclear weapon programme leading to heightened tension in the Korean Peninsula and continued technological disruptions have impacted market conditions both globally and in Singapore. SPH’s performance could not be isolated from these uncertainties.

We ended the Financial Year 2017 with a net profit of $350.1 million. This is $84.8 million or 32 per cent higher compared to FY2016 as the Group’s results was boosted by a gain of $149.7 million from partial divestment of the regional online classifieds business.

Group recurring earnings excluding impairment charges was lower by $67.5 million or 20.2 per cent. Group operating revenue of $1,032.5 million was $91.8 million or 8.2 per cent lower than FY2016.

Revenue from the Group’s core Media business slid by $108.8 million or 13 per cent year-on-year. Against FY2016, advertisement revenue was down $102.5 million or 16.9 per cent, and circulation revenue dipped $6.3 million or 5.1 per cent.

Other information on the Group is set out in this report.

The Board has proposed a dividend of 9 cents per share, comprising a Normal Dividend of 3 cents per share and a Special Dividend of 6 cents per share in respect of the financial year ended 31 August 2017. We had earlier declared and paid an interim dividend of 6 cents per share.

Transformation for Sustainability and Growth

The theme for this year’s annual report is “Transformation”, which aptly describes what we are doing at SPH for sustainability and growth. We have embarked on wide-ranging projects to rejuvenate, reinvent and reposition ourselves as we face a period of rapid changes in the media industry. We will persevere in transforming our business model as we forge ahead.

We are also pressing on to build on our core media business with quality content, strategic partnerships and technological innovations. In this era of fake news and alternative facts, we will stay true to our mission of delivering original, in-depth, boots-on-the-ground and accurate journalism. At the same time, we need to reshape our newsrooms and strengthen the various platforms to meet the changing demands of our advertisers and consumers.
TRANSFORM

Lee Boon Yang
Chairman
CHAIRMAN’S STATEMENT

Enhancing our Core Media Products

Newspapers and Magazines
SPH’s total newspaper circulation, covering both print and digital editions, averaged 923,000 copies per day, a year-on-year increase of 4.4 per cent*. Total digital circulation is at 285,600 daily digital copies, a robust growth of 40.3 per cent year-on-year*.

In a bid to refresh and rationalise our suite of products, we merged My Paper with The New Paper (TNP) to form a revamped TNP and distributed it free across multiple distribution points including MRT stations. With an increase in daily circulation of 300,000 copies from Mondays to Saturdays, we are able to serve our readers with a strong product and with revamped content.

We also launched two new education portals, under the SPH Education initiative that will bring current affairs into the classroom. Spearheaded by The Straits Times and Lianhe Zaobao, these portals will feature digitised multimedia from newspapers, radio, animation and interactive broadcasting.

Our Chinese Media Group launched its Readers Club in May this year to reward subscribers of our Chinese newspaper titles. Besides offering discounts and privileges from partner merchants and advertisers, it also aims to provide a platform for subscribers, journalists and merchants to interact and increase engagement through a variety of events and showcases.

With more than one hundred titles in both print and digital formats, SPH Magazines remained the leader in magazine publishing in Asia. To reach out to more readers and advertisers, it partnered Singtel to offer its postpaid mobile customers digital and print subscriptions to a variety of local and international publications. It also worked with OCBC Bank to offer its customers unlimited free access to 100 magazines from the digital magazine library by leveraging on the bank’s existing free WiFi network at selected locations islandwide.

Digital
Our Digital Division continued to make strategic investments in the digital space. In June 2017, we launched Recommend.sg. This joint venture between SPH Interactive Pte Ltd, a fully-owned subsidiary of SPH, and RecomN Technologies Pte Ltd, a leading online service company with operations in Indonesia, Malaysia and Thailand, will see both parties leverage on each others’ strengths and create a portal for customers to find and hire services in Singapore.

We forged a partnership with the Info-communications Media Development Authority (IMDA) to produce and distribute short form digital video content on SPH multimedia platforms as part of a pilot Public Service Broadcast initiative.

We also entered into a licensing partnership with Business Insider (BI), the US-based global business news source, to operate Singapore and Malaysia editions of BI. By combining our deep understanding of business media and digital space with BI’s strong following among a young and mobile readership, we are able to appeal to young professionals and entrepreneurs with relevant topics.

In February this year, we signed a Joint Venture Agreement with ZBI Network, Inc., China’s largest online creative services platform. This collaboration will see SPH provide a one-stop package for local SMEs by engaging service providers that offer international standards of work at affordable prices.

The highly anticipated English version of the Belt and Road portal was launched in August, complementing the Chinese-language portal developed in March 2016. Lianhe Zaobao partnered the Singapore Business Federation to develop a portal dedicated to the Belt and Road initiative to promote better understanding and facilitate business activities between Singapore enterprises and counterparts in China and ASEAN.

In August this year, SPH signed a Memorandum of Understanding with Mediacorp to form an alliance to create a new digital advertising marketplace using world-class programmatic solutions. With inventory residing across desktop, mobile web and mobile app, as well as leading sites from both parties, this alliance will be able to offer brands a high-quality advertising environment, effective targeting and brand safety.

Radio
In the latest Nielsen survey which ended in June 2017, Kiss92 regained its position as Singapore’s Number 1 English music station based on percentage share of listenership. Its cumulative listenership also saw the biggest leap among all English radio stations – from 567,000 to 661,000.

A significant development for SPH Radio was winning the tender by IMDA in March 2017 to operate two more radio stations. One of them will be Singapore’s first business and personal finance radio station in English, while the other will be a Chinese Infotainment station for active seniors aged 50 and above. The new stations will be launched in January 2018. Together with our three existing stations, we will continue to deliver entertaining, engaging and enriching content for both our listeners and advertisers.

Growing our Adjacent and Other Businesses

As part of our transformation, we have branched into new areas to complement and support our media business, as well as to diversify our revenue streams to maximise shareholder value.

* Excludes The New Paper which was converted to a freesheet in December 2016.
Properties
SPH retail properties continued its strong showing. The malls under SPH REIT - Paragon and The Clementi Mall - enjoyed 100 per cent occupancy, while The Seletar Mall achieved an occupancy of 99.6 per cent. We constantly rejuvenate the malls and the tenant mix to enhance shoppers’ experience. This will help us to weather the challenges posed by competing brick-and-mortar stores and online retailers.

The consortium formed by SPH and Kajima Development Pte Ltd was awarded the tender for a 99-year leasehold mixed commercial and residential site in the Bidadari estate at Woodleigh in June 2017. Adjacent to Woodleigh MRT station and Bidadari Park, this development will be the centre piece of the Bidadari New Town. We will continue to assess opportunities to grow and strengthen our property business.

Healthcare
The acquisition of Orange Valley Healthcare Pte Ltd in April 2017 marks a strategic move to enter the senior healthcare sector. With the population of the elderly expected to double by 2030, the demand for quality aged care services across the spectrum from home care, community-based care to nursing homes will increase. We intend to nurture this acquisition to become a major player to cater to the growing demand.

Events, Conferences and Exhibitions
Sphere Exhibits, SPH’s events and exhibitions arm, organised more than 30 exhibitions and conferences in Singapore, Malaysia, Myanmar and the Philippines in the past year. Sphere Conferences, which was set up to boost its presence in the local and regional MICE business, launched the inaugural Indochina Aviation Conference in Thailand earlier this year. We are making progress in the region with new concepts and events, and remain committed to doing more.

Outdoor Media
SPHMBO, our outdoor media advertising arm, grew its stable of media inventories and secured marketing rights to new advertising locations in the Central Business District, its fringes, and in major heartland hubs.

Book Publishing
Straits Times Press launched several new titles such as “Neither Civil Nor Servant – The Philip Yeo Story” by former news editor Peh Shing Huei of The Straits Times, and “E W Barker: The People’s Minister” by former journalist and Indonesia Bureau Chief Susan Sim, which also won an award in Best Non-Fiction Title category at the Singapore Book Awards 2017.

SPH Buzz
SPH Buzz, a modern retail convenience chain, owns a strong network of more than 50 outlets strategically located at places with high human traffic to provide a wide range of items and services.

Education
Following our investment in MindChamps, we are acquiring Han Language Centre, an established local brand name in the Chinese tuition and education scene. This will enable our Chinese Media Group’s wealth of multimedia resources to integrate with Han Language Centre’s innovative curriculum and systematic teaching methods. The transaction, when completed, will see SPH hold a 75 per cent share in Han Language Centre.

Corporate Social Responsibility
As a responsible corporate citizen, we continue to champion a diversity of programmes and initiatives to give back to society. SPH and SPH Foundation were honoured with the Corporate Platinum Award by the Community Chest for the eighth consecutive year. SPH, SPH Foundation and SPH Radio also received the Distinguished Patron of the Arts Award for our long-standing support of the arts.

We have included a sustainability section in this annual report for the sixth consecutive year. We are constantly addressing material factors that impact our business operations and looking for ways to reduce the negative impact on the environment by lowering our carbon emissions and improving energy efficiency in our daily operations. We are working towards full sustainability reporting next year.

Tribute and Thanks
At the end of the financial year, our CEO Mr Alan Chan and Deputy CEO Mr Patrick Daniel stepped down after many years of dedicated and distinguished service. Mr Daniel remains as a part-time consultant and will oversee some of SPH’s subsidiaries. I thank both SPH stalwarts for their past contributions.

Mr Ng Yat Chung succeeded Mr Chan as CEO, and will work closely with Deputy CEO Mr Anthony Tan, the management team, and all staff to propel the company forward.

I would also like to thank Mr Lucien Wong, who retired on 15 December 2016 after taking on the role of Attorney-General of Singapore. Our new director, Mr Andrew Lim, joined the Board on 1 January 2017. He has been a valuable member of the team as he complements our diverse strengths and expertise.

I would also like to express my deepest gratitude to management, staff, business associates, unions, investors and all other stakeholders for your continued confidence and support of the Company.

We will remain prudent, agile and resilient as we look out for potential opportunities to add value to the Group. I am confident that with the continued support of all our stakeholders, SPH can ride the challenges and strive for the long term sustainability and growth of the company.

Thank you.

Lee Boon Yang
Chairman