

**Singapore Press Holdings ----- Maintain OUTPERFORM**

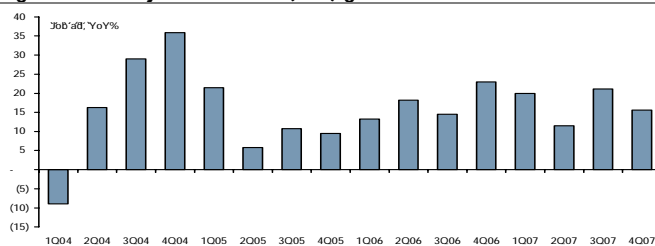
**Stronger newspaper ad demand in August**

EPS: ◀▶ TP: ◀▶

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- According to the Credit Suisse Page Monitor, job ad volume growth for SPH rebounded to 20% YoY in August.
- For 4QFY07E and FY07E, we estimate that classified ad volume grew 13% YoY and 11% YoY, respectively. The latter is ahead of our 7% classified ad revenue growth forecast for FY07.
- Also, display ad volume grew a healthy 11% in August. The strength suggests that the earlier pick-up in May and June is not totally driven by strong demand from retailers ahead of the GST hike from 1 July but also stronger underlying ad demand.
- For 4QFY07E and FY07E, we estimate that display ad volume grew 7% YoY and 3% YoY, respectively. Coupled with higher newspaper ad yields, SPH is on track to at least meet our full year display ad revenue growth forecast of 5%.
- The company is scheduled to report its 4QFY07 results on 12 Oct.
- We are maintaining our OUTPERFORM rating. Our target price of S\$5.14, together with a projected dividend yield of 5.8%, means that SPH has an expected return of around 24%.

Figure 1: SPH's job ad volume (YoY) growth remains robust

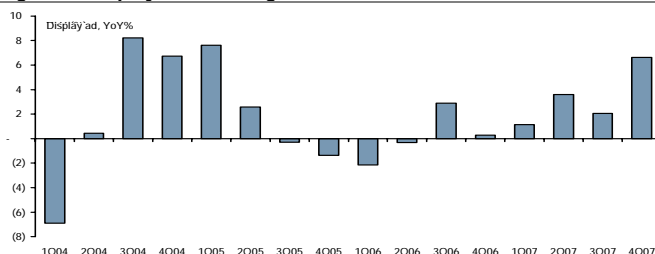


Source: Credit Suisse estimates.

**Double-digit display ad revenue growth in August**

Display ad revenue growth appeared to have picked-up strongly in August. Our work indicates that display ad volume grew 11% in August, following July's 1% and June's 8%. The strength suggests that the earlier pick-up in May and June is not totally driven by demand from retailers ahead of the GST hike from 1 July but also stronger underlying ad demand. Recent government figures indicated that private consumption growth improved markedly in 2QCY07 (at 5.8%, versus 1Q's 2.5%). For 4QFY07E and FY07E, we estimate that display ad volume grew 7% YoY and 3% YoY, respectively. Coupled with higher ad yields (from stronger demand for colour newspaper ads), the company is on track to at least meet our full year display ad revenue growth forecast of 5%. Anecdotally, we continue to see strong demand from property developers and retailers. Therefore, looking ahead, demand for display ads should remain buoyant.

Figure 2: Display ad volume growth remains muted



Source: Credit Suisse estimates.

**Potentially lower than expected non-media income in 4Q**

With the decline in capital markets between end-May and end-August (e.g. ST Index fell 3.4%), SPH could potentially be recognising lower investment income than the S\$38 mn we are projecting (versus 3Q's actual of S\$75mn). This accounts for around 20% of the company's 4Q projected earnings. Also, we have assumed that SPH would start booking property development profits for its Sky@eleven residential property development project in 4Q. However, until now, management is unable to confirm if it would start the % of completion earnings recognition in 4QFY07 or in FY08. Nevertheless, this is just an accounting issue as the project has already been fully sold. We are maintaining our OUTPERFORM rating. Our target price of S\$5.14 represents 18% potential upside from current levels. Together with a projected dividend yield of 5.8%, SPH has an expected return of 24%. Also, our work consistently shows that given its strong financial position, SPH tends to outperform in tough markets.

Bbg/RIC	SPH SP / SPRM.S	Price (31 Aug 07, S\$)	4.34		
Rating (prev. rating)	O (O)	TP (S\$) (prev. TP)	5.14 (5.14)		
Shares outstanding (mn)	1,588.15	Est. pot. % chg. to TP	18		
Daily trad vol-6m avg (mn)	6.0	52-wk range (S\$)	4.72 - 3.98		
Daily trad val-6m avg (US\$ mn)	17.6	Mkt cap (S\$/US\$ mn)	6,892.6/ 4,518.2		
Free float (%)	80.0	<b>Performance</b>	<b>1M 3M 12M</b>		
Major shareholders		Absolute	(3.6) (0.9) 9.0		
		Relative	0.8 2.5 (20.2)		
<b>Year</b>	<b>8/05A</b>	<b>8/06A</b>	<b>8/07E</b>	<b>8/08E</b>	<b>8/09E</b>
Revenues (S\$ mn)	1,008	1,021	1,151	1,363	1,411
EBITDA (S\$ mn)	424.7	430.8	509.9	637.1	656.3
Net profit (S\$ mn)	488.3	428.5	529.2	535.9	556.4
EPS (S\$)	0.31	0.27	0.33	0.34	0.35
- Change from prev. EPS (%)	n.a.	n.a.	0	0	0
- Consensus EPS (S\$)	n.a.	n.a.	0.29	0.32	0.34
EPS growth (%)	0.0	(12.3)	23.5	1.3	3.8
P/E (x)	14.1	16.1	13.0	12.9	12.4
Dividend yield (%)	5.5	5.3	5.8	7.1	7.8
EV/EBITDA (x)	16.1	15.7	12.9	10.1	9.8
P/B (x)	4.3	3.4	3.3	3.1	3.1
ROE (%)	30.1	20.9	25.3	24.4	24.8
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Note 1: Singapore Press Holdings Ltd, publishes, prints and distributes newspapers and magazines in Singapore.

**Strong job ad demand "returns" in August**

According to the Credit Suisse Page Monitor, August's job ad volume for SPH (based on the flagship newspaper, The Straits Times) jumped 20% YoY. This clearly is much stronger than July's +1% (due to lower number of Saturdays in July this year) but slightly slower than June's +27%. The strong August demand is in line with recent trend and continues to reflect the robust Singapore economy and tight labour market. Unemployment rate improved further to 2.4% in 2QCY07 (from 1Q's 2.9%). Overall volume of classified ads (which accounts for 40% of newspaper ad revenues) is estimated to have risen 16% YoY in August (versus July's 5%). For 4QFY07E and FY07E, we estimate that classified ad volume grew 13% YoY and 11% YoY, respectively. This is ahead of our 7% classified ad revenue growth forecast for the full year. Looking ahead, we expect job ad demand to remain robust.

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**Companies Mentioned** (Price as of 31 Aug 07)  
 Singapore Press Holdings (SPRM.SI, S\$4.34, OUTPERFORM, TP S\$5.14)

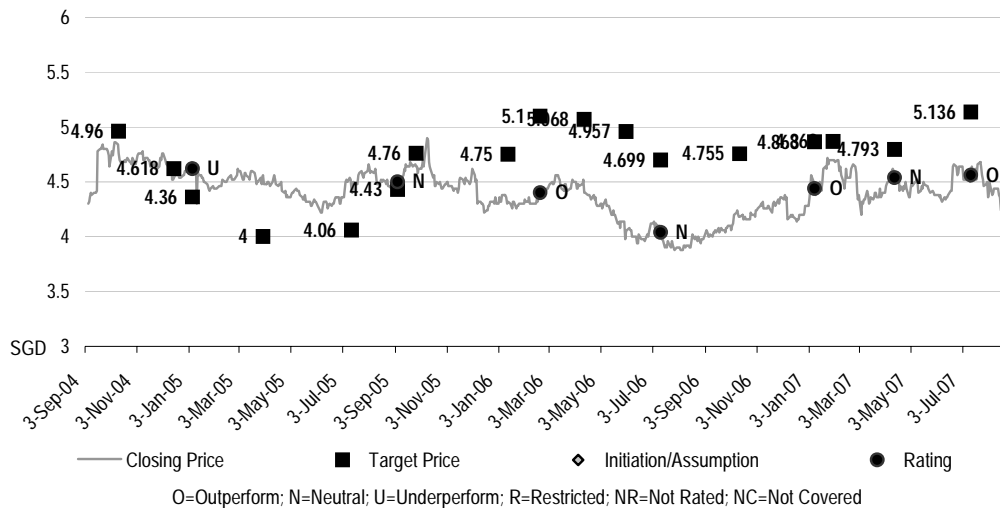
## Disclosure Appendix

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See the Companies Mentioned section for full company names.

### 3-Year Price, Target Price and Rating Change History Chart for SPRM.SI



SPRM.SI Date	Closing Price Price (SGD)	Target Price Price (SGD)	Rating	Initiation/ Assumption
12-Oct-04	4.76	4.96		
16-Dec-04	4.54	4.618		
07-Jan-05	4.62	4.36	UNDERPERFORM	
31-Mar-05	4.56	4		
13-Jul-05	4.42	4.06		
05-Sep-05	4.5	4.43	NEUTRAL	
27-Sep-05	4.64	4.76		
13-Jan-06	4.32	4.75		
20-Feb-06	4.4	5.1	OUTPERFORM	
13-Apr-06	4.4	5.068		
01-Jun-06	4.06	4.957		
12-Jul-06	4.04	4.699	NEUTRAL	
13-Oct-06	4.18	4.755		
09-Jan-07	4.44	4.863	OUTPERFORM	
31-Jan-07	4.7	4.868		
13-Apr-07	4.54	4.793	NEUTRAL	
12-Jul-07	4.56	5.136	OUTPERFORM	

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<b>Neutral/Hold*</b>	39%	(55% banking clients)
<b>Underperform/Sell*</b>	13%	(51% banking clients)
<b>Restricted</b>	3%	

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**Price Target:** (12 months) for (SPRM.SI)

**Method:** The estimated target price of S\$5.14 for SPH is based on our sum-of-the-parts and DCF valuations. In arriving at our DCF estimate for SPH's core media business, we have projected ten-year explicit earnings and cash flow forecasts. We have applied a WACC of 9.1%. In arriving at our WACC, we have used a risk-free rate of 4.6% and an equity premium of 6% for the Singapore market. In addition, we have applied a beta of 0.75 and assume no debt going forward. In addition, we have assumed a terminal growth rate of 2%.

**Risks:** The following risks could impede achievement of our S\$5.14 target price for SPH: 1) weaker than expected economic growth in Singapore 2) more intense than expected competition for ad spend share in Singapore and 3) Higher than expected operating costs, particularly staff and newsprint costs.

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