

UBS Investment Research

Singapore Press

Q3: Finally some operating leverage

■ Operating profit up by 14%

Net profit for Q3 was S\$159m versus our expectation of S\$120m. The difference was due to strong investment income. While the increase in operating profit was within our expectation (+14%), we think the numbers should be well received as we are finally seeing operating leverage come through. In the previous quarter, growth in operating profit was only 1%.

■ Wages a concern

Staff costs were up 12% YoY due to a 2.8% increase in headcount and wage inflation. We see potential for wage inflation to persist over the next two years, given the tight labour market.

■ SkyEleven project could mean higher payout

SkyEleven, a residential project that the company is developing, could translate into a higher dividend yield over the next four years. We have revised our 2008 estimated yield from 5.7% to 6.6%.

■ Valuation

The stock is trading at 15.8x FY 08E earnings, or 12.8x including profits from SkyEleven. We will be meeting with management next week and intend to review our estimates after the meeting. Our price target of S\$4.70 is based on a sum-of-the-parts valuation, with S\$1.50 for its non-core business, and a DCF for its core business. Our rating is Neutral 1.

Highlights (\$m)	08/05	08/06	08/07E	08/08E	08/09E
Revenues	1,016.23	1,031.37	1,093.78	1,161.53	-
EBIT (UBS)	342.22	381.27	443.00	495.98	-
Net Income (UBS)	366.30	361.14	419.33	452.64	-
EPS (UBS, S\$)	0.23	0.23	0.26	0.29	-
Net DPS (UBS, S\$)	0.18	0.24	0.24	0.30	-
Profitability & Valuation	5-yr hist av.	08/06	08/07E	08/08E	08/09E
EBIT margin %	33.4	37.0	40.5	42.7	-
ROIC (EBIT) %	39.1	39.5	47.3	56.2	-
EV/EBITDA (core) x	20.0	15.6	15.3	13.6	-
PE (UBS) x	23.3	18.9	17.0	15.8	-
Net dividend yield %	4.3	5.6	5.3	6.6	-

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of S\$4.50 on 11 Jul 2007 23:39 HKT

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Global Equity Research

Singapore

Publishing

Rating **Neutral 1**
Unchanged

Price target **S\$4.70/US\$3.10**
Unchanged

Price **S\$4.50/US\$2.97**

RIC: SPRM.SI BBG: SPH SP

12 July 2007

Trading data (local/US\$)

52-wk range	S\$4.72-3.88/US\$3.07-2.45
Market cap.	S\$7.05bn/US\$4.65bn
Shares o/s	1,566m (ORD)
Free float	100%
Avg. daily volume ('000)	5,755
Avg. daily value (\$m)	25.9

Balance sheet data 08/07E

Shareholders' equity	S\$1.66bn
P/BV (UBS)	4.3x
Net Cash (debt)	(S\$0.49bn)

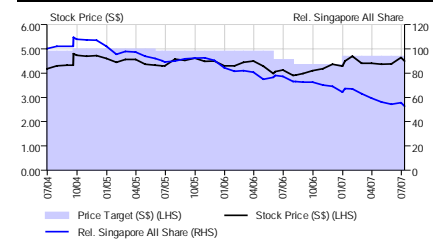
Forecast returns

Forecast price appreciation	+4.4%
Forecast dividend yield	6.7%
Forecast stock return	+11.1%
Market return assumption	7.3%
Forecast excess return	+3.8%

EPS (UBS, S\$)

	08/07E		08/06
	UBS	Cons.	Actual
Q1E	0.07	-	0.06
Q2E	0.07	-	0.05
Q3E	0.07	-	0.07
Q4E	0.07	-	0.05
08/07E	0.26	0.26	
08/08E	0.29	0.29	

Performance (\$)



Source: UBS

www.ubs.com/investmentresearch

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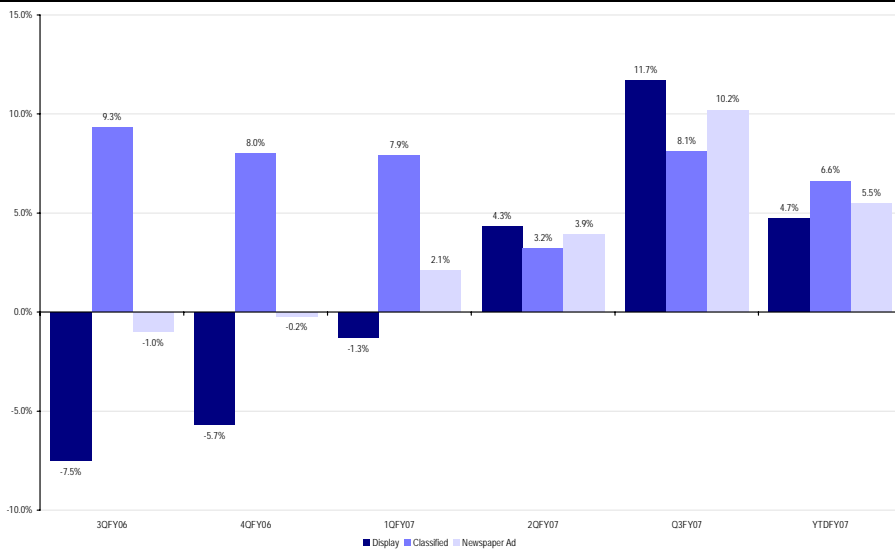
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

While SPH's operating numbers were within our expectation, they were a good set of numbers, as operating profit grew by 14%. This was due to better advertising revenue and subdued growth in costs. This leverage had been missing in the past few quarters and given the strength of the domestic economy, we believe this strength can be sustained in the medium term.

The biggest jump in revenue came from display ads, which increased by 11.7% YoY, followed by an 8.1% increase in classified ads. For FY 07 year to date, the total ad revenue is up 5.5%.

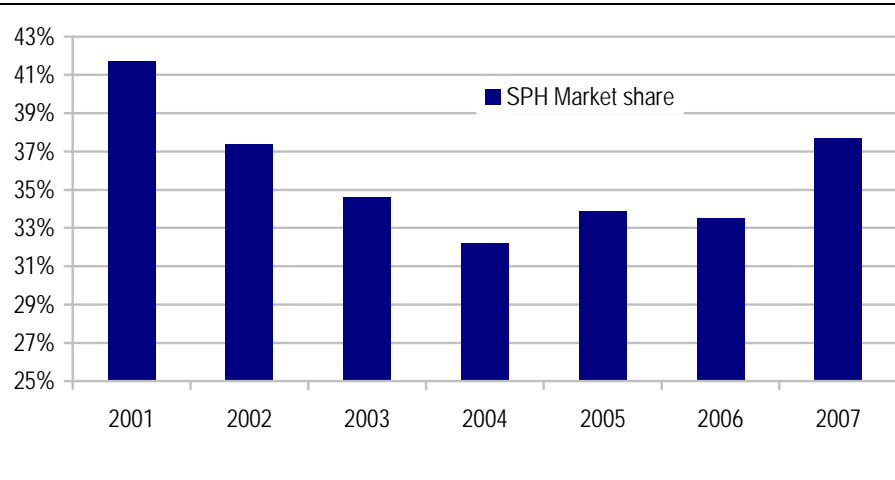
Chart 1: Sector YoY growth



Source: SPH

AC Nielson's latest data shows that SPH is regaining market share. Its market share has risen from 34% in 2006 to 38% currently. We believe this is driven by the strong showing in display ads.

Chart 2: Market share



Source: AC Nielson

The one area of concern is staff costs, which rose by 12% YoY. Management attributed this to bonus provision, increased headcount and annual salary increment. Headcount grew by 2.8% because of the acquisition of new subsidiaries and staffing for new media businesses. We think the core publishing business is well managed and has operating leverage, but expansion into the newer businesses could potentially lead to higher costs.

Investment income surprised on the upside, with a contribution of S\$75.3m, a 139.1% increase YoY. This was due to net profit from the sale of investments and proceeds from a capital reduction exercise by MobileOne Limited.

We will be meeting with management on 19 July and intend to review our estimates after the meeting. Our S\$4.70 price target and Neutral 1 rating remain unchanged.

Table 1: SPH's quarterly earnings (S\$m)

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	YoY	QoQ
Newspaper and magazine revenue	237.2	224.8	241.5	218.1	255.7	8%	17%
Others	4.1	4.4	4.9	5.3	6.4	54%	20%
Property	24.3	25.4	25.6	27.3	26.0	7%	-5%
Other operating income	2.4	3.4	2.1	3.0	2.9	23%	-2%
Total revenue	268.0	258.0	274.2	253.7	291.0	9%	15%
Materials consumables	(44.2)	(143.1)	(43.7)	(41.1)	(45.0)	2%	10%
Staff costs	(68.4)	(66.9)	(68.6)	(73.2)	(76.7)	12%	5%
Depreciation	(13.4)	(12.4)	(12.5)	(12.6)	(12.4)	-7%	-1%
Other operating expenses	(42.3)	(50.2)	(36.6)	(37.6)	(42.8)	1%	14%
Operating profit	99.7	85.4	112.8	89.1	114.0	14%	28%
Finance costs	(5.2)	(5.0)	(5.4)	(5.2)	(5.2)	0%	0%
Net inc from investments	31.5	11.2	29.7	31.6	75.3	139%	139%
Share of profits from JVs	(0.4)	(0.1)	(0.1)	1.5	2.0	-546%	32%
Pre-exceptional profit	125.6	91.4	136.9	117.1	186.1	48%	59%
Exceptional	69.1	(2.3)	0.0	0.0	0.0		
Taxation	(20.1)	(18.4)	(24.5)	(9.1)	(26.7)	33%	195%
Minorities	(0.1)	0.0	0.1	(0.0)	(0.4)	604%	1282%
Net profit	174.6	70.7	112.4	108.0	159.0	-9%	47%

Source: SPH

Singapore Press

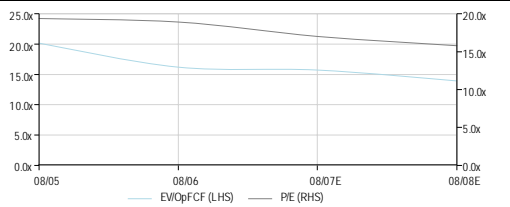
Income statement (S\$m)	08/02	08/03	08/04	08/05	08/06	08/07E	% ch	08/08E	% ch	08/09E	% ch
Revenues	903.44	897.86	970.10	1,016.23	1,031.37	1,093.78	6.1	1,161.53	6.2	-	-
Operating expenses (ex deprn)	-	-	-	-	-	-	-	(615.36)	-	-	-
EBITDA (UBS)	359.06	344.27	389.42	392.52	430.33	493.20	14.6	546.18	10.7	-	-
Depreciation	(54.20)	(53.66)	(51.41)	(50.30)	(49.07)	(50.20)	2.3	(50.20)	0.0	-	-
Operating income (EBIT, UBS)	304.86	290.61	338.00	342.22	381.27	443.00	16.2	495.98	12.0	-	-
Other income & associates	31.08	10.99	(0.25)	(3.59)	81.49	93.16	14.3	0.00	-	-	-
Net interest	21.67	14.72	50.41	97.60	(20.61)	(23.00)	11.6	58.16	-	-	-
Abnormal items (pre-tax)	0.00	122.28	212.08	128.50	66.84	0.00	-	106.00	-	-	-
Profit before tax	357.60	438.59	600.25	564.73	508.99	513.16	0.8	660.14	28.6	-	-
Tax	(50.30)	(59.77)	(53.91)	(70.00)	(81.08)	(93.91)	15.8	(101.41)	8.0	-	-
Profit after tax	307.30	378.82	546.33	494.73	427.91	419.25	-2.0	558.73	33.3	-	-
Abnormal items (post-tax)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	-	-
Minorities / pref dividends	(0.23)	(0.40)	0.10	0.07	0.07	0.08	14.3	(0.09)	-	-	-
Net income (local GAAP)	307.07	378.42	546.43	494.80	427.98	419.33	-2.0	558.64	33.2	-	-
Net Income (UBS)	303.60	253.26	334.35	366.30	361.14	419.33	16.1	452.64	7.9	-	-
Tax rate (%)	14.07	13.63	8.98	12.40	15.93	18.30	14.9	15.36	-16.1	-	-
Pre-abnormal tax rate (%)	16.47	20.52	13.88	15.92	18.33	18.30	-0.2	18.30	0.0	-	-
Per share (S\$)	08/02	08/03	08/04	08/05	08/06	08/07E	% ch	08/08E	% ch	08/09E	% ch
EPS (local GAAP)	0.17	0.21	0.35	0.32	0.27	0.26	-2.0	0.35	33.2	-	-
EPS (UBS)	0.17	0.14	0.21	0.23	0.23	0.26	16.1	0.29	7.9	-	-
Net DPS	0.16	0.20	0.20	0.18	0.24	0.24	-1.0	0.30	25.9	-	-
Cash EPS	0.20	0.17	0.25	0.27	0.26	0.30	14.5	0.32	7.1	-	-
BVPS	1.37	1.32	0.95	1.04	1.06	1.05	-0.9	1.13	7.8	-	-
Balance sheet (S\$m)	08/02	08/03	08/04	08/05	08/06	08/07E	% ch	08/08E	% ch	08/09E	% ch
Net tangible fixed assets	670.30	678.64	565.50	530.24	500.04	469.84	-6.0	439.64	-6.4	-	-
Net intangible fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	-	-
Net working capital (incl. other assets)	422.92	204.84	250.34	510.66	529.14	515.97	-2.5	478.88	-7.2	-	-
Other liabilities	(0.71)	(0.31)	(72.60)	(70.07)	(69.96)	(69.96)	0.0	(69.96)	0.0	-	-
Operating invested capital	1,092.51	883.17	743.24	970.83	959.23	915.86	-4.5	848.56	-7.3	-	-
Investments	1,698.31	1,657.41	1,227.20	1,230.00	1,230.00	1,230.00	0.0	1,230.00	0.0	-	-
Total capital employed	2,790.82	2,540.58	1,970.44	2,200.83	2,189.23	2,145.86	-2.0	2,078.56	-3.1	-	-
Shareholders' equity	2,508.09	2,405.52	1,480.56	1,623.29	1,672.30	1,661.91	-0.6	1,790.99	7.8	-	-
Minority interests	(0.71)	(0.31)	(0.50)	(2.27)	(2.15)	(2.15)	0.0	(2.15)	0.0	-	-
Total equity	2,507.39	2,405.21	1,480.06	1,621.02	1,670.15	1,659.75	-0.6	1,788.83	7.8	-	-
Net debt / (cash)	283.44	135.38	490.38	579.81	519.08	486.11	-6.4	289.73	-40.4	-	-
Debt deemed provisions	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total capital employed	2,790.82	2,540.58	1,970.44	2,200.83	2,189.23	2,145.86	-2.0	2,078.56	-3.1	-	-
Cash flow (S\$m)	08/02	08/03	08/04	08/05	08/06	08/07E	% ch	08/08E	% ch	08/09E	% ch
Operating income (EBIT, UBS)	304.86	290.61	338.00	342.22	381.27	443.00	16.2	495.98	12.0	-	-
Depreciation	54.20	53.66	51.41	50.30	49.07	50.20	2.3	50.20	0.0	-	-
Net change in working capital	20.00	218.08	(45.50)	(260.32)	(18.48)	13.17	-	(37.10)	-	-	-
Other (operating)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	-	-
Operating cash flow	379.06	562.35	343.92	132.20	411.85	506.38	23.0	509.08	0.5	-	-
Net interest received / (paid)	(25.00)	(24.33)	(24.20)	(22.53)	(20.61)	(23.00)	11.6	(23.00)	0.0	-	-
Dividends paid	(273.80)	(328.56)	(328.56)	(328.56)	(375.84)	(372.27)	-1.0	(468.56)	25.9	-	-
Tax paid	(50.30)	(59.77)	(53.91)	(70.00)	(81.08)	(93.91)	15.8	(101.41)	8.0	-	-
Capital expenditure	(180.00)	(45.32)	(51.41)	(15.04)	(49.07)	(50.20)	2.3	(50.20)	0.0	-	-
Net (acquisitions) / disposals	(30.00)	0.00	820.00	213.00	0.00	0.00	-	0.00	-	-	-
Other	(100.00)	44.00	20.00	0.00	67.00	14.00	-79.1	0.00	-	-	-
Share issues	0.00	0.00	(1,080.00)	0.00	0.00	0.00	-	0.00	-	-	-
Cash flow (inc)/dec in net debt	(280.04)	148.38	(354.17)	(90.93)	(47.75)	(19.00)	-60.2	(134.09)	605.8	-	-
FX / non cash items	(7.79)	(0.32)	(0.83)	1.50	108.47	51.98	-52.1	330.46	535.8	-	-
Balance sheet (inc)/dec in net debt	(287.84)	148.06	(355.00)	(89.43)	60.73	32.98	-45.7	196.38	495.5	-	-
Core EBITDA	359.06	344.27	389.42	392.52	430.33	493.20	14.6	546.18	10.7	-	-
Maintenance capital expenditure	(180.00)	(96.00)	(20.00)	(20.00)	(20.00)	(20.00)	0.0	(20.00)	0.0	-	-
Maintenance net working capital	0.40	2.00	5.00	5.00	5.00	5.00	0.0	5.00	0.0	-	-
Operating free cash flow, pre-tax	179.46	250.27	374.42	377.52	415.33	478.20	15.1	531.18	11.1	-	-

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

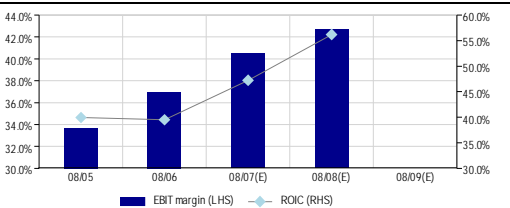
Company profile

One of the region's largest publishers, Singapore Press Hldgs' (SPH) core businesses include print, internet and broadcasting. It publishes 13 newspapers in four languages and 70-plus magazines. About 2.78m individuals (90% above 15 years of age) read an SPH publication daily. Internet editions of its newspapers and magazines receive over 250m pageviews/month. SPH owns a 20% stake in MediaCorp TV, which operates free-to-air Channels 5, 8, U and TV Mobile, and a 40% stake in Today (a commuter free-sheet). It also operates two radio channels, UFM 100.3FM (Chinese) and WKRZ 91.3FM (English).

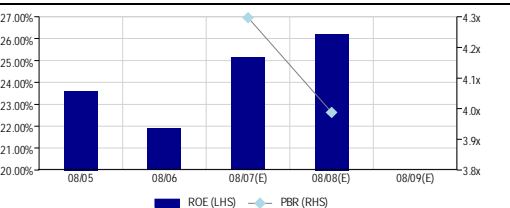
Value (EV/OpFCF & P/E)



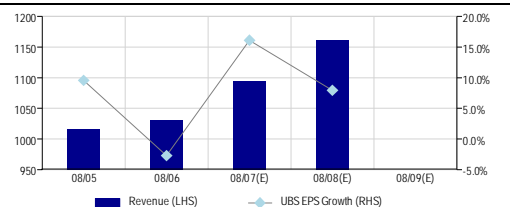
Profitability



ROE v PBR



Growth (UBS EPS)



Valuation (x)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
P/E (local GAAP)	18.5	14.3	16.0	17.0	12.8	-
P/E (UBS)	23.3	19.4	18.9	17.0	15.8	-
P/CEPS	20.0	17.0	16.7	15.2	14.2	-
Net dividend yield (%)	4.3	4.0	5.6	5.3	6.6	-
P/BV	3.6	4.4	4.1	4.3	4.0	-
EV/revenue (core)	7.7	7.5	6.5	6.9	6.4	-
EV/EBITDA (core)	20.0	19.4	15.6	15.3	13.6	-
EV/EBIT (core)	23.2	22.2	17.6	17.0	14.9	-
EV/OpFCF (core)	28.3	20.1	16.2	15.7	14.0	-
EV/op. invested capital	9.0	8.9	7.0	8.0	8.4	-

Enterprise value (\$m)	08/05	08/06	08/07E	08/08E	08/09E
Average market cap	7,095.77	6,745.10	7,047.55	7,047.55	7,047.55
+ minority interests	10.00	10.00	10.00	10.00	-
+ average net debt (cash)	535.09	(1.00)	502.60	387.92	289.73
+ pension obligations and other	0.00	0.00	0.00	0.00	-
- non-core asset value	(34.00)	(34.00)	(34.00)	(34.00)	-
Core enterprise value	7,606.86	6,720.10	7,526.14	7,411.47	-

Growth (%)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
Revenue	-0.8	4.8	1.5	6.1	6.2	-
EBITDA (UBS)	0.8	0.8	9.6	14.6	10.7	-
EBIT (UBS)	0.3	1.2	11.4	16.2	12.0	-
EPS (UBS)	9.0	9.6	-2.7	16.1	7.9	-
Cash EPS	9.0	8.0	-2.8	14.5	7.1	-
Net DPS	6.2	-9.9	31.6	-1.0	25.9	-
BVPS	-5.9	9.6	2.0	-0.9	7.8	-

Margins (%)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
EBITDA / revenue	38.6	38.6	41.7	45.1	47.0	-
EBIT / revenue	33.4	33.7	37.0	40.5	42.7	-
Net profit (UBS) / revenue	32.3	36.0	35.0	38.3	39.0	-

Return on capital (%)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
EBIT ROIC (UBS)	39.1	39.9	39.5	47.3	56.2	-
ROIC post tax	-	33.6	32.3	38.6	45.9	-
Net ROE	15.4	23.6	21.9	25.2	26.2	-

Coverage ratios (x)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
EBIT / net interest	-	-	22.4	23.3	-	-
Dividend cover (UBS EPS)	1.0	1.3	0.9	1.1	1.0	-
Div. payout ratio (% UBS EPS)	99.9	78.0	105.5	90.0	104.9	-
Net debt / EBITDA	0.8	1.5	1.2	1.0	0.5	-

Efficiency ratios (x)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
Revenue / op. invested capital	1.2	1.2	1.1	1.2	1.3	-
Revenue / fixed assets	1.6	1.9	2.0	2.3	2.6	-
Revenue / net working capital	3.8	2.7	2.0	2.1	2.3	-

Investment ratios (x)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
OpFCF / EBIT	0.8	1.1	1.1	1.1	1.1	-
Capex / revenue (%)	11.0	1.5	4.8	4.6	4.3	-
Capex / depreciation	2.1	0.3	1.0	1.0	1.0	-

Capital structure (%)	5Yr Avg	08/05	08/06	08/07E	08/08E	08/09E
Net debt / total equity	14.2	35.7	31.0	29.2	16.2	-
Net debt / (net debt + equity)	12.5	26.3	23.7	22.6	13.9	-
Net debt (core) / EV	3.0	7.0	(0)	6.7	5.2	-

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of S\$4.50 on 11 Jul 2007 23:39 HKT Market cap(E) may include forecast share issues/buybacks.

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■ Singapore Press

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■ Statement of Risk

As with all media companies, SPH's profitability and valuation are closely linked to the economy. SPH has fairly low earnings volatility, in our view, hence we ascribe a predictability level of 1 to our estimates

■ Analyst Certification

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS Rating	Definition	UBS Rating	Definition	Rating Category	Coverage ¹	IB Services ²
Buy 1	FSR is > 6% above the MRA, higher degree of predictability	Buy 2	FSR is > 6% above the MRA, lower degree of predictability	Buy	48%	39%
Neutral 1	FSR is between -6% and 6% of the MRA, higher degree of predictability	Neutral 2	FSR is between -6% and 6% of the MRA, lower degree of predictability	Neutral	40%	37%
Reduce 1	FSR is > 6% below the MRA, higher degree of predictability	Reduce 2	FSR is > 6% below the MRA, lower degree of predictability	Sell	12%	26%

1:Percentage of companies under coverage globally within this rating category.

2:Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 30 June 2007.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

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EXCEPTIONS AND SPECIAL CASES

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Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Company Disclosures

Company Name	Reuters	Rating	Price	Price date
Singapore Press ^{4,8}	SPRM.SI	Neutral 1	S\$4.50	11 Jul 2007

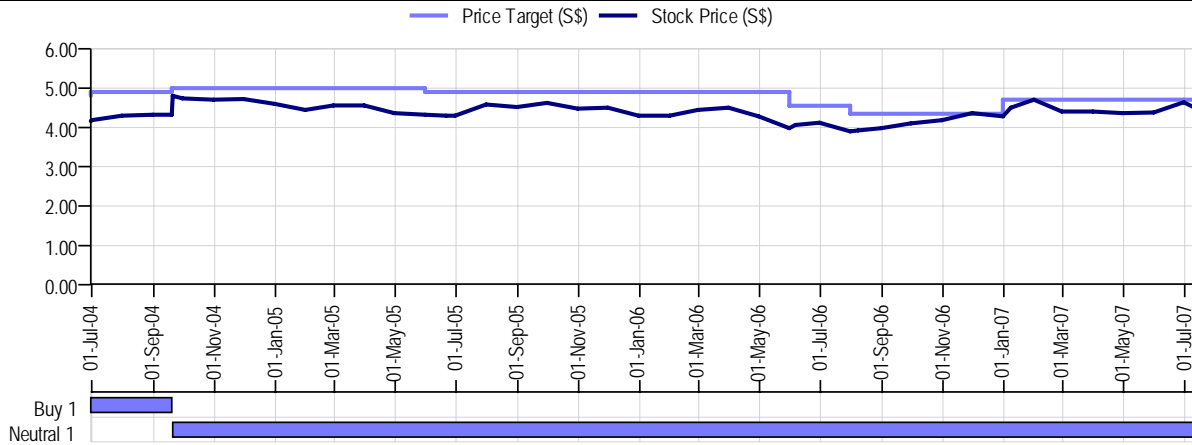
Source: UBS. All prices as of local market close.

Ratings in this table are as of the date shown and do not reflect rating changes being announced in this report.

- 4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
- 8. The equity analyst covering this company, a member of his or her team, or one of their household members has a long common stock position in this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Singapore Press (S\$)



Source: UBS; as of 11 Jul 2007

Note: On September 9, 2006, UBS adopted new percentage band criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details). Between October 13, 2003 and September 9, 2006 the percentage band criteria used in the rating system was 10%. Prior to October 13, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential >15%, smaller range around price target; Buy 2: Excess return potential >15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Excess return is defined as the difference between the FSR and the one-year local market interest rate.

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