



TEMASEK

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TEMASEK AND SMRT JOINTLY UNDERTAKE TO PRIVATISE SMRT

- Temasek and SMRT accept the New Rail Financing Framework (NRFF), as part of a regulatory transition;
- However, there remain significant business risks and challenges, which are beyond the control of SMRT;
- Despite the risk-sharing mechanism under the NRFF, there is no certainty that SMRT Trains will earn EBIT margins of 5%, compared to the last five fiscal years' average EBIT margin of 16%;
- Privatisation will provide SMRT greater flexibility to focus on its primary role of delivering safe and high quality rail service, without short term pressures of being a listed company;
- The proposed privatisation Scheme provides an opportunity for minority shareholders to monetise their holdings for cash at S\$1.68 per share;
- Temasek agrees with SMRT that there will be no special dividend arising from asset sale under the NRFF - net proceeds received will substantially be used to pay part of its debt of S\$762m as at 30 September 2016, and to support re-investment needs of SMRT.

Singapore – 20 July 2016 – SMRT Corporation Ltd (“SMRT” or “Company”) and Belford Investments Pte. Ltd. (“Belford”), a wholly-owned subsidiary of Temasek Holdings Pte. Ltd. (“Temasek”), today jointly announced the proposed acquisition by Belford of all the issued ordinary shares (“SMRT Shares”) in SMRT (other than those already held by Temasek) (“Scheme Shares”). SMRT is a leading multi-modal public transport operator in Singapore offering a comprehensive suite of rail, bus and taxi services.

Offer Details

The proposed acquisition will be effected by way of a scheme of arrangement (the “Scheme”), in accordance with the Singapore Companies Act and The Singapore Code on Take-overs and Mergers.

Under the Scheme, all Scheme Shares as at a book closure date to be announced by the Company will be acquired by Belford for a cash consideration of S\$1.68 per share (“Scheme Price”).

With an outstanding issued share capital comprising 1,526,516,090 SMRT Shares, the Scheme Price values SMRT at approximately S\$2,565 million. Once the acquisition is completed, SMRT will become a wholly-owned subsidiary of Temasek and will be delisted from the Singapore Exchange.

Privatisation will provide SMRT with greater flexibility to focus on its primary role of delivering safe and high quality rail service, without short term pressures of being a listed company, in the midst of its transition to a new regulatory framework under the New Rail Financing Framework.

SMRT is expected to face challenges, even under the new framework, with costs and uncertainties associated with an ageing and expanded network. SMRT will also need to focus on delivering on existing and new multi-year programmes to support an ageing and expanded network, including the need to deliver a higher order of rail reliability and service in line with the heightened Maintenance Performance Standards to be determined by the LTA.

In addition, privatisation of SMRT will:

- (a) better enable Temasek to closely support the Company as it retools and reinforces its core skillsets in operations, engineering and maintenance;
- (b) allow minority shareholders to monetise their holdings through this Scheme and avoid the uncertainties of the transition; and
- (c) remove all costs and distractions associated with the Company's listing requirements, including quarterly reporting.

The directors of SMRT have appointed a financial adviser, Merrill Lynch (Singapore) Pte. Ltd., to advise on the terms of the acquisition from a financial perspective. Having considered their advice, and subject to the advice of an independent financial adviser to be appointed to advise on the terms of Scheme, the directors of the Company view the Scheme favourably and are supportive of the acquisition.

Mr Koh Yong Guan, Chairman of SMRT said, "We welcome the transition to the New Rail Financing Framework, which is an improvement on the current framework. However, the company will continue to face significant risks. We do not have any control over fare increases and ridership growth – two key revenue drivers for SMRT Trains.

"At the same time, SMRT will continue to face significant risks over operating costs as we will be faced with challenges in the regulatory environment with costs and uncertainties associated with an ageing and expanded network, and to deliver higher rail reliability and service.

"Further investments are necessary for us to fulfil our role as a public transport operator.

"Taking the company private will allow SMRT to better fulfil its role as a public transport operator without the pressure of short-term market expectations. It will also allow SMRT to be better supported as it retools and reinforces its core skillsets in engineering and maintenance."

Mr Chia Song Hwee, President of Temasek International, said, “Temasek recognises the challenges of the Current Rail Financing Framework (CRFF), and accepts the transition to the New Framework (NRFF).”

“Today, we are proposing to move SMRT to private ownership so we can more closely collaborate with the Company on system level transformation, including its transition to the new regulatory environment without the distraction of being a listed company. We will have greater flexibility to work with SMRT as a private entity to seek sustainable long term solutions as part of its transition.”

“This privatisation Scheme will allow the minority shareholders to monetise their holdings in SMRT to avoid the uncertainties of the transition.”

“SMRT has served its customers well over the years, and delivered value to both customers and shareholders. As we seek the support of the shareholders to privatise SMRT, we thank the generations of board, management and staff for their tireless contributions through the years, despite the trying circumstances from time to time, and recognise their dedication and commitment to deliver an outstanding public transport service that is globally recognised.

“Indeed, many of SMRT’s leadership as well as her rank and file, both past and present, see their service in SMRT as more than a job – they take pride as part of the team to provide an essential public service, and have done their best to serve and to deliver. We will continue to support the SMRT management as they continue to maintain and build upon this sense of pride, and service to commuters and the community,” Mr Chia said.

Financial

An illustrative range of SMRT Trains’ composite (fare and non-fare) EBIT margins under NRFF is set out in the Appendix of the NRFF announcement. Using this illustrative range, the Scheme Price implies a Price Earnings Ratio (“PER”) of 34.1x – 64.2x based on illustrative FY2016 Profit After Tax and Minority Interests. This represents 52.3% – 186.6% premia over the average PER of the Company over the 12 months prior to 15 July 2016 (being the last day of trading prior to the Joint Announcement Date (the “Last Trading Day”)) of 22.4x.

In addition, the Scheme Price also represents 10.8% premium over the 12-month period Volume Weighted Average Price (VWAP) of S\$1.516 per share, prior to the Last Trading Day.

Additional details on evaluation of the Scheme Price can be found in the Appendix.

Approvals Required

A meeting of the shareholders of SMRT (other than Temasek) (“Scheme Shareholders”) will be convened pursuant to an order of the High Court of Singapore (the “Scheme Meeting”). The Scheme will require inter alia (a) the approval of the Scheme by a majority in number of Scheme Shareholders present and voting, either in person or by proxy, at the Scheme Meeting, such majority holding not less than three-fourths in value of the Scheme Shares voted at the Scheme Meeting, and (b) the sanction of the Scheme by the High Court of Singapore.

Scheme Document

The directors of SMRT who are considered independent for the purposes of the Scheme (the "Independent Directors") will be appointing an independent financial adviser ("IFA") to advise them for the purposes of making a recommendation to the Scheme Shareholders in connection with the Scheme. Full details of the Scheme, including the recommendation of the Independent Directors and the advice of the IFA, will be included in a Scheme document to be sent to Scheme Shareholders in due course. Subject to regulatory and court approvals, SMRT expects to convene a Scheme meeting by October 2016.

Responsibility Statements

SMRT

The directors of the Company (including those who may have delegated detailed supervision of the preparation of this document) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this document (excluding any information relating to Belford and/or Temasek or any opinion expressed by Belford) are fair and accurate and no material facts have been omitted from this document, the omission of which would make any statement in this document misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted from published, publicly available sources or obtained from Belford or Temasek, the sole responsibility of the directors of the Company has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this document. The directors of the Company do not accept any responsibility for any information relating to Belford and/or Temasek or opinions expressed by the Offeror.

Belford

The directors of Belford (including those who may have delegated detailed supervision of the preparation of this document) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this document (excluding information relating to the Company or any opinion expressed by the Company) are fair and accurate and no material facts have been omitted from this document, the omission of which would make any statement in this document misleading, and they jointly and severally accept responsibility accordingly.

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Forward-looking statements

All statements other than statements of historical facts included in this Press Release are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as "aim", "anticipate", "believe", "estimate", "expect", "forecast", "intend", "plan", "project", "seek", "strategy" and similar expressions or future conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect Belford's and/or SMRT's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently-available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those expressed or implied in such forward-looking statements. Given the risks and uncertainties that may cause actual results or outcomes to differ materially from those expressed or implied in such forward-looking statements, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Belford nor SMRT guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.

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APPENDIX

FINANCIAL EVALUATION OF THE SCHEME PRICE

The Scheme Price for each Share is S\$1.68 in cash.

This implies a Last 12-Month Price Earnings Ratio ("LTM PER") of 34.1 – 64.2x, based on the **illustrative range** of SMRT Trains' composite (fare and non-fare) EBIT margins as derived from the Company's sensitivity analysis in the Appendix of the NRFF Announcement.

The range of implied LTM PER (x) based on the Scheme Price is presented in Table 1 below.

Table 1: Range of implied LTM PER (x) based on the Scheme Price¹

		Variation on Operating Expenses of SMRT Trains (Net Other Operating Income (OOI) of SMRT Trains)				
		-10%	-5%	0%	+5%	+10%
Variation on Fare Revenue of SMRT Trains	+5%	34.1	34.7	35.4	36.1	38.4
	+2%	34.8	35.5	36.2	36.9	46.8
	0%	35.4	36.0	36.7	37.8	51.8
	-2%	35.9	36.6	37.3	43.8	58.0
	-5%	38.7	38.7	38.7	47.8	64.2
Notes The above range of implied LTM PER (x) is calculated by dividing the Implied Equity Value (Scheme Price multiplied by total ordinary shares outstanding) over the illustrative resultant range of the Company's FY2016A Net Income under the NRFF.						

The implied LTM PER of 34.1 – 64.2x based on the Scheme Price represents a premia over the following relevant historical PERs of the Company:

- (a) 58.7 – 198.6% premia over the LTM PER of the Company until 15 July 2016 (being the last day of trading prior to the Joint Announcement Date (the "**Last Trading Day**")) of approximately 21.5x²

¹ These are purely illustrative and do not nor are they intended to in any way constitute any form of profit guidance, forecast or estimate

² The figures set out in this paragraph are based on data extracted from Bloomberg L.P. as at 15 July 2016

- (b) 52.3 – 186.6% premia over the average rolling LTM PER of the Company over the past one year prior to the Last Trading Day of approximately 22.4x³

The Scheme Price represents the following premia over the below Reference Prices of the Company:

Description		Reference Price	Premium/(Discount) to Reference Price
		(S\$) ^{(1)/(2)}	(%)
(a)	Volume Weighted Average Price (“VWAP”) for the 12-month period prior to the Last Trading Day	1.454	15.5
(b)	VWAP for the six-month period prior to the Last Trading Day	1.545	8.7
(c)	VWAP for the three-month period prior to the Last Trading Day	1.517	10.7
(d)	VWAP for the one-month period prior to the Last Trading Day	1.516	10.8
(e)	Last transacted price per Share on the Last Trading Day	1.545	8.7
(f)	52-week high	1.675	0.3
(g)	52-week low	1.120	50.0
<u>Notes</u>			
(1)	The figures set out in this paragraph are based on data extracted from Bloomberg L.P. as at 15 July 2016, being the Last Trading Day immediately prior to the Joint Announcement Date.		
(2)	Rounded to the nearest three decimal places.		

³ The figures set out in this paragraph are based on data extracted from Bloomberg L.P. as at 15 July 2016