

CSE GLOBAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number:198703851D)

ACQUISITION OF 100% MEMBERSHIP INTEREST IN VOLTA, LLC

1. INTRODUCTION

- 1.1 The Board of Directors (“**Board**”) of CSE Global Limited (the “**Company**” or “**CSE**”) wishes to announce that its indirect wholly-owned subsidiary, CSE Americas Inc., together with its subsidiaries (“the **Purchaser**”), has acquired 100% of the issued and outstanding membership interests (“**Membership Interests**”) of Volta, LLC (known as “**Volta**”) from Bradley Davis and Julio Parpacen (collectively known as “**Sellers**”) under an Membership Interest Purchase Agreement (“**MIPA**”), (“**Acquisition**”).

Each of the Sellers is an independent third party unrelated to any of the directors, substantial shareholders or controlling shareholders, or their respective associates (as defined in the Listing Manual of the SGX-ST), of the Company. As at the date of this announcement, each of the Sellers does not have any shareholding interests, direct or indirect, in the Company.

2. INFORMATION ON VOLTA

Volta, LLC, a Texas limited liability company, was founded in Houston by Mr. Bradley Davis in April 2005. Volta, LLC develops, designs, manufactures, and services custom-engineered electrical equipment centers (“**EEC**”) that (i) distribute, control, and monitor the flow of electrical energy and (ii) provide protection to motors, transformers, and other electrically powered equipment. Volta’s integration services cover a broad variety of power distribution equipment including switchgear, motor control centers and auxiliary equipment. Volta integrates all equipment within an EEC to exactly match customer specifications providing them with the product that fits their unique needs.

Volta currently employs 120 full-time regular employees and an additional 62 full time people on a contract basis.

3. RATIONALE FOR THE ACQUISITION

- 3.1 The Acquisition is in line with the long term business plans of CSE to expand through acquisition of companies with specialized skills and technologies complementary to the existing businesses of CSE and strengthen its geographical coverage.

Volta provides CSE W-Industries with a compelling opportunity to enter a market which is in very close proximity to existing markets. By combining CSE’s engineering, automation and instrumentation and electrical service capabilities with Volta’s capability to design and fabricate large scale electrical equipment centers, CSE will have a full-stream offering for the Energy industry and petrochemical customers.

- 3.2 With the acquisition, there will be stronger alignment of CSE’s and Volta’s customer base. Both companies have strong long term relationships with many of their customers.

Specific synergies will be gained by sharing access to each company’s customer list, as

there are several customers where one company currently does business with and the other does not engage.

- 3.3 The addition of Volta to CSE will create opportunities and enhance its positioning in midstream oil and gas markets.

4. PRINCIPAL TERMS OF THE ACQUISITION

4.1 Consideration

The aggregate consideration for the Acquisition shall be US\$25.1 million (S\$34.8 million) (“**Consideration**”) which is payable in cash upon signing of the MIPA, subject to any closing adjustments for working capital. The Consideration was arrived at following arm’s length negotiations between CSE and the Sellers on a willing-buyer-willing-seller basis, after taking into consideration the following factors:-

- i. The net profit before tax of US\$4.9 million (S\$6.9 million) for the financial year ended 31 December 2018 of Volta as tabled under the financial effects of the acquisition;
- ii. The net profit before tax of US\$5.9 million (S\$8.3 million) for the 6 months ended 30 June 2019 of Volta;
- iii. The net book value of Volta as at 30 June 2019 of US\$10.5 million (S\$14.6 million);
- iv. The strategic fit between Volta and CSE businesses and operations;
- v. The established track record of Volta in United States of America;
- vi. The future prospects of Volta.

4.2 Payment of Consideration

The Consideration shall be paid in two tranches to the Sellers as follows:

- (a) An amount of US\$22.9 million on 30 August 2019 to the Sellers; and
- (b) An amount of US\$2.2 million into an escrow account under the terms of an escrow agreement representing the balance of the Consideration, which shall be used to fund any indemnification payments due to the Purchaser in accordance with the MIPA.

4.3 Source of funds for the Acquisition

The Acquisition will be financed using internal resources and bank borrowings.

5. FINANCIAL EFFECTS

The *pro forma* financial effects of the Acquisition, based on the audited consolidated financial statements of the Group (“CSE Global Limited and its subsidiaries”) for the financial year ended 31 December 2018, are set out below.

The *pro forma* financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Acquisition. Transaction costs for the Acquisition are ignored for computation purposes.

Key assumptions:

- a. Consideration is US\$25.1 million (S\$34.8 million);
- b. CSE borrows US\$25.1 million (S\$34.8 million) at 4% interest rate per annum;
- c. The exchange rate of 1US\$ to S\$ is 1.3882;
- d. US tax rate assumed at 25%
- e. Book value of Volta as at 31 December 2018 is US\$5.8 million (S\$8.0 million)

Proforma financials for Volta after taking into account interest and tax expenses:

	S\$'000
Profit before tax	6,853
Interest expenses	(1,391)
Tax expense	(1,365)

Addition to CSE's profit after tax	4,097

5.1 Net Tangible Assets

Assuming that the Acquisition was completed on 31 December 2018, the effect on the net tangible assets (“**NTA**”) per share of the Group would be as follows:

	Before the Acquisition	After the Acquisition
NTA (S\$'000)	145,281	118,529
Number of issued shares ('000) (weighted average)	512,839	512,839
NTA per share (S\$ cents)	28.33	23.11

5.2 Earnings per Share

Assuming that the Acquisition was completed on 1 January 2018, the effect on the earnings per share (“**EPS**”) of the Group would be as follows:

	Before the Acquisition	After the Acquisition
Profit attributable to shareholders (S\$'000)	20,105	24,201
Number of issued shares ('000) (weighted average)	512,839	512,839
EPS (S\$ cents)	3.92	4.72

6. RELATIVE FIGURES OF THE ACQUISITION UNDER CHAPTER 10 OF THE LISTING MANUAL

6.1 Relative Figures Pursuant to Rule 1006 of the Listing Manual

The relative figures in respect of the Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced unaudited consolidated financial statements of the Group for the period ended 30 June 2019, are as follows:

Bases of calculation		Size of relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits.	65.3 ⁽³⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation ⁽⁴⁾ based on the total number of issued shares excluding treasury shares.	16.1 ⁽⁵⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves ⁽⁶⁾ .	Not applicable

Notes:

- (1) This base is not applicable to an acquisition of assets.
- (2) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) Based on the unaudited net profits of Volta of US\$5.9 million (S\$8.3 million) for the period ended 30 June 2019 and the Group's unaudited net profits of S\$12.6 million for the period ended 30 June 2019.
- (4) The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 507,950,352 by S\$0.4261, being the weighted average share price of the Company's shares on 29 August 2019, being the market day preceding the date of the MIPA.
- (5) Based on the Consideration payable by the Company.
- (6) This is only applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Based on the above figures, the Acquisition is a discloseable transaction under Rule 1010 of the Listing Manual but is not subject to shareholders' approval under Rule 1014(2) of the Listing Manual. Pursuant to Rule 1014(2) of the Listing Manual, the requirement for shareholders' approval does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b).

7. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the Company (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and the directors of the Company jointly and severally accept full responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Sellers and Volta, the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

8. SERVICE AGREEMENTS

No person will be appointed to the Board in connection with the Acquisition and no service contracts in relation thereto will be entered into by the Company.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Acquisition, other than through their respective shareholdings in the Company.

10. DOCUMENTS FOR INSPECTION

A copy of the MIPA is available for inspection during normal business hours at the registered office of CSE at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 for a period of three (3) months from the date of this announcement.

By Order of the Board

Tan Lay Hong
Company Secretary
2 September 2019