

News Release

ST Engineering to Exit U.S. Marine Business

Singapore, 7 November 2022 – Singapore Technologies Engineering Ltd (ST Engineering) today announced its subsidiaries have entered into an agreement to divest the entire issued and outstanding equity interests in its U.S. Marine subsidiaries, VT Halter Marine, Inc (Halter Marine) and ST Engineering Halter Marine and Offshore, Inc. (STEHMO) to Bollinger Shipyards Lockport, L.L.C. (Bollinger) for a cash consideration of US\$15m (about S\$21m) on a cash-free, debt-free basis, subject to net working capital adjustments, if any, post-closing. In addition, ST Engineering may receive earnout payments post-closing of up to an aggregate amount of US\$10.25m, subject to the award of certain future shipbuilding contracts to Halter Marine and such contracts meeting the requisite operating profit margins.

Divestment a result of ongoing portfolio review

ST Engineering has been undertaking regular portfolio review and rationalisation to ensure that it focuses on businesses that are strategic and which yield higher returns.

The Group conducted a thorough review of these two U.S. marine businesses. These two business units have incurred a combined net loss before tax of US\$256m (S\$349m) in the last five years (2017-2021), with an annual net loss before tax that ranged from about US\$40m (about S\$56m) to US\$60m (about S\$85m).

This review resulted in the engagement of financial advisor Macquarie Capital (USA) Inc. to conduct an auction process involving both strategic investors and private equity funds. The process culminated in the selection of Bollinger as the most suitable purchaser, taking into consideration their good reputation and strong track record in undertaking U.S. Navy and U.S. Coast Guard programmes. Additionally, as a designer and builder of high-performance vessels, the Group believes that Bollinger has the capability and resources to add value to both businesses' programmes, including the Polar Security Cutter. Bollinger, the largest privately-owned and operated shipbuilder in the U.S., is principally engaged in the design, engineering and construction of complex, high endurance U.S. Coast Guard and U.S. Navy vessels, research vessels and offshore oil field support vessels and tugboats, amongst others.

“We have experienced challenges and losses in the past years operating the two U.S. shipbuilding and ship/rig repair businesses. After a thorough review of strategic alternatives, we made this difficult decision to exit the U.S. Marine business,” said Vincent Chong, Group President & CEO of ST Engineering. “We believe that this proposed transaction represents a favourable outcome for ST Engineering shareholders, Halter Marine and STEHMO as well as their stakeholders.”

“We thank our U.S. Marine employees for their contributions over the years, including accomplishing many shipbuilding successes and delivering niche vessels with high engineering contents to their customers,” said Ng Sing Chan, President of ST Engineering’s Marine business area.

“The addition of Halter Marine and STEHMO is strategic as it further strengthens our position in the industry and U.S. defence industrial base by allowing Bollinger to expand our footprint, capabilities and suite of innovative solutions that we can provide to our government and commercial customers,” said Ben Bordelon, CEO and President of Bollinger Shipyards. “I look forward to bringing in the skilled employees of shipbuilders from Mississippi into the Bollinger Family. By combining our skilled workforces, we’ll ensure coastal Mississippi remains synonymous with defence shipbuilding and a major part of our industrial base.”

Group maintains its 2026 growth targets

ST Engineering maintains its 2026 targets and remains focused on the strategic growth areas outlined in its five-year (2022-2026) plan as communicated at its 2021 Investor Day.

Notwithstanding this proposed divestment, the U.S. remains a key market for ST Engineering and the Group will continue to invest in its businesses in the U.S. This includes, among others, focusing on its existing defence business and expanding its commercial businesses such as Commercial Aerospace and Smart Mobility.

Likewise, the Group’s Marine business in Singapore continues to be core and strategic.

Adjusted Group order book remains strong

The order book of these two U.S. Marine businesses was S\$1.9b at the end of September 2022. The value of the order book of these two businesses will be removed from the Group's order book at closing. The Group's order book remains strong at S\$25.0b at the end of September 2022.

The proposed divestment is expected to result in a loss on disposal, which is non-cash in nature, of approximately S\$13.3m. It is expected to be completed before the end of December 2022, subject to certain closing conditions.

ST Engineering is a global technology, defence and engineering group with a diverse portfolio of businesses across the aerospace, smart city, defence and public security segments. The Group harnesses technology and innovation to solve real-world problems, enabling a more secure and sustainable world. Headquartered in Singapore, it has operations spanning across Asia, Europe, the Middle East and the U.S., serving customers in more than 100 countries. ST Engineering reported revenue of \$7.7b in FY2021 and ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, MSCI Singapore, iEdge SG ESG Transparency Index and iEdge SG ESG Leaders Index.

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