

PROPOSED ACQUISITION OF TRANSORE BY ST ENGINEERING

1. Introduction

- 1.1 The Acquisition.** The board of directors (the “**Board**”) of Singapore Technologies Engineering Ltd (“**ST Engineering**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that ST Engineering’s indirect wholly-owned subsidiary, ST Engineering Urban Solutions USA Inc. (“**SubCo**”), had on 1 October 2021 (Eastern Standard Time) (USA) entered into a Membership Interests Purchase Agreement (“**Purchase Agreement**”) to acquire all the issued and outstanding interests of TransCore Partners, LLC and TLP Holdings, LLC (collectively, “**TransCore**”) from TransCore Holdings, Inc. (“**Seller**”), an indirect wholly-owned subsidiary of Roper Technologies, Inc. (“**Roper**”) (such transaction known as the “**Acquisition**”). ST Engineering will be a guarantor of SubCo’s obligations under the Purchase Agreement. Roper will be a guarantor of the Seller’s obligations under the Purchase Agreement.
- 1.2 Incorporation of SubCo.** To effect the Acquisition, ST Engineering has incorporated SubCo, a Delaware corporation, for nominal consideration and solely for the purpose of effecting the Acquisition.
- 1.3 Purchase Agreement and Consideration.** Under the terms of the Purchase Agreement, SubCo will acquire all of the interests in TransCore for an aggregate purchase price of US\$2.68 billion (S\$3.62 billion¹), subject to adjustments reflecting cash, indebtedness and working capital of TransCore as of completion (the “**Consideration**”). The Consideration was arrived at on a negotiated arm’s length basis and determined on a cash-free, debt-free basis after taking into account, amongst others, TransCore’s financial performance, TransCore’s financial position and the strategy and rationale for the Acquisition.

¹ Unless otherwise stated, the approximate S\$ equivalent of US\$ amounts in this Announcement are based on an exchange rate of US\$1: S\$1.35

- 1.4 Completion.** The completion of the Acquisition (“**Completion**”) is subject to and conditional upon the satisfaction of various conditions precedent, as set out in paragraph 3.1 below.
- 1.5 Major Transaction.** The Acquisition constitutes a major transaction for the Company for the purposes of Rule 1014 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), as detailed in paragraph 6 below, and accordingly, will be subject to the approval of the shareholders of ST Engineering (“**Shareholders**”).
- 1.6 Voting Agreement.** As at the date of this Announcement, Temasek Holdings (Private) Limited (“**Temasek**”) holds 1,554,764,574 ordinary shares in the capital of the Company (“**Shares**”), representing approximately 49.89 per cent of the Shares in issue, and Vestal Investments Pte. Ltd. (“**Vestal**”), an indirect wholly-owned subsidiary of Temasek, holds 28,501,000 Shares, representing approximately 0.91 per cent of the Shares in issue. In conjunction with the entry by SubCo and ST Engineering into the Purchase Agreement, Temasek and Vestal have entered into a voting agreement with the Seller, pursuant to which each of Temasek and Vestal has agreed to vote all Shares it then owns in favour of any resolution(s) to approve (amongst others) the entry into the Purchase Agreement and the performance of the rights and obligations of ST Engineering and SubCo thereunder, at an extraordinary general meeting of the Company to be convened (the “**EGM**”).
- 2. Information on TransCore**
- 2.1 TransCore.** TransCore is a leader in the transportation industry in North America, providing innovative technical solutions and engineering services for applications encompassing next-generation electronic toll collection, congestion pricing, Intelligent Transportation Systems (ITS), back office solutions and RFID products.
- 2.2 Net Asset Value and Net Tangible Asset.** Based on the unaudited financial statements of the TransCore business for the six month period ended 30 June 2021 (“**TransCore 1H2021 Financial Statements**”), the net asset value and the net

tangible asset of TransCore as at 30 June 2021 are approximately US\$584 million (S\$788 million) and approximately US\$219 million (S\$296 million), respectively.

2.3 Net Profit. Based on the TransCore 1H2021 Financial Statements, the profit including discontinued operations that have not been disposed and before income tax and non-controlling interests is approximately US\$54 million (S\$72 million).

3. Principal Terms of the Definitive Agreements

3.1 Conditions. Completion is subject to and conditional upon the satisfaction or waiver (as the case may be) of, *inter alia*, the following conditions:

- (i) Receipt of U.S. antitrust approval in respect of the Acquisition;
- (ii) Receipt of Committee on Foreign Investment in the United States (CFIUS) approval in respect of the Acquisition;
- (iii) Receipt of approvals from the shareholders of ST Engineering; and
- (iv) Completion by the Seller of certain pre-sale restructuring steps (“**Pre-Sale Restructuring**”), which will, among other things, ensure that certain entities are treated as disregarded entities for U.S. income tax purposes.

Under the terms of the Purchase Agreement, SubCo has given certain undertakings to ensure satisfaction of the conditions referred to above.

Subject to the conditions to Completion being satisfied or waived pursuant to the Purchase Agreement, Completion is expected to take place by the end of the first quarter of 2022.

3.2 Termination. The Purchase Agreement contains certain termination rights, including the right of either party to terminate the Purchase Agreement if Completion does not occur on or before 1 October 2022 (“**Outside Date**”), so long as the terminating party is not in breach of the Purchase Agreement. If such termination occurs as a result of a failure to obtain CFIUS approval by the Outside Date, then a termination fee of US\$120 million will become payable by SubCo to the Seller.

ST Engineering has successfully obtained CFIUS approvals for all 11 of its past acquisitions in the U.S. where such clearances had been sought, including three of its acquisitions in 2019 (MRAS, Newtec and Glowlink).

3.3 Other Terms. Under the Purchase Agreement, the parties have made customary representations and warranties to each other and have agreed to customary covenants relating to the Acquisition, including an agreement of Roper and its affiliates not to compete with TransCore, or solicit any key employees or customers of TransCore, for three years following the Completion. In addition, SubCo will obtain buy-side representations and warranties insurance as the sole and exclusive remedy for any losses pursuant to the Acquisition, other than liabilities relating to certain fundamental warranties, certain taxes, certain liabilities related to the Pre-Sale Restructuring and fraud, all of which remain with the Seller and Roper. The Seller and Roper have also agreed to indemnify the SubCo for certain tax losses subject to a cap of US\$180 million.

3.4 Source of Funding. The Acquisition will be funded through the Group's internal cash and the issuance of debt securities, and will be satisfied fully in cash on the date of Completion.

4. Rationale

Acquisition Provides Strategic and Financial Benefits

The addition of TransCore will advance ST Engineering's leadership position in developing Smart City solutions to enable smarter and sustainable cities, and at the same time will deliver value for ST Engineering's shareholders. The acquisition rationale includes:

- **Enhances Smart Mobility offerings**

TransCore's electronic toll collection, congestion pricing and ITS solutions are highly complementary to ST Engineering's smart, integrated mobility solutions and will result in a comprehensive suite of world-class Smart Mobility offerings for

customers. The North America electronic toll collection and ITS markets, in which TransCore has leadership positions, are expected to grow from US\$2.5 billion in 2021 to more than US\$4 billion in 2030.²

- **Accelerates growth and fuels innovation**

The Acquisition will accelerate ST Engineering's growth in the Smart City domain. The combined businesses will continue to focus on technology and innovation centering on next-bound transportation technologies, backed by ST Engineering's strong technology know-how and engineering core as well as TransCore's deep capabilities that include a range of patents and IP rights in electronic toll collection, congestion pricing and ITS solutions.

- **Strengthens commitment to sustainability**

TransCore's end-to-end transportation solutions are designed to reduce traffic congestion and lower vehicle emissions, which align to ST Engineering's commitment to leverage technology and innovation to help cities deal with the impact of urbanisation and climate change. The Group has implemented over 700 smart city projects in more than 130 cities, including 60 intelligent road transportation projects in more than 20 cities worldwide.

- **Achieves synergies through cross-selling**

TransCore's leading position in the end-to-end electronic toll collection and congestion pricing segments in North America represents a new business for ST Engineering. This business combination allows for cross-selling of ST Engineering's current ITS solutions such as smart road junctions, transportation operation centres, and road traffic optimisation systems to North America. At the same time, TransCore's electronic toll collection and congestion pricing solutions could be offered to customers in the Southeast Asia region where ST Engineering

² Source: PTOLEMUS Consulting Group (2021)

has a strong presence.

- **Generates cash and provides earnings accretion**

The Acquisition is expected to be cash flow positive from the first year and earnings accretive from the second year post-Acquisition, taking into consideration, amongst other things, the following:

- (a) Historical and expected revenue, cash flow and earnings of TransCore;
- (b) Robust backlog (order book) of TransCore;
- (c) Transaction and integration expenses; and
- (d) Acquisition interest expenses.

The Group's dividend payout capacity will remain strong as TransCore's operations are expected to generate healthy cash flow.

5. Financial Effects of the Acquisition

5.1 Bases and Assumptions. The pro forma financial effects of the Acquisition have been prepared based on:

- (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("**FY2020**"); and
- (ii) the audited financial statements of the TransCore business for the financial year ended 31 December 2020 ("**TransCore FY2020 Financial Statements**"),

and are purely **for illustrative purposes only and do not reflect the future actual financial position of the Group following Completion**. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (a) the Acquisition had been effected on 31 December 2020, being the end of the most recently completed financial year of the Group and of which the statement of financial position of the Group has been publicly announced, for illustrating the financial effects on the consolidated NTA of the Group;

- (b) the Acquisition had been effected on 1 January 2020, being the beginning of the most recently completed financial year of the Group and of which the profit and loss of the Group has been publicly announced, for illustrating the financial effects on the consolidated earnings of the Group;
- (c) the exclusion of corporate allocations from Roper in the TransCore FY2020 Financial Statements;
- (d) the exclusion of the effects of purchase price allocation;
- (e) the inclusion of estimated acquisition interest expenses;
- (f) the Consideration being estimated to be US\$2.68 billion (approximately S\$3.62 billion), which is determined on a cash-free, debt-free basis; and
- (g) the TransCore FY2020 Financial Statements have been translated based on an exchange rate of US\$1.00: S\$1.35, and foreign exchange effects have been excluded.

5.2 NTA. For illustrative purposes only and assuming that the Acquisition had been completed on 31 December 2020, the pro forma financial effects of the Acquisition on the consolidated NTA of the Group as at 31 December 2020 are as follows:

	Before the Acquisition	After the Acquisition
NTA (S\$ million)	551	(2,812)
No. of issued Shares (million) as at 31 December 2020	3,116	3,116
NTA per Share (S\$)	0.18	(0.90)

5.3 Earnings per Share. For illustrative purposes only and assuming that the Acquisition had been completed on 1 January 2020, the pro forma financial effects of the Acquisition on the consolidated earnings of the Group for FY2020 are as follows:

	Before the Acquisition	After the Acquisition
Profit after tax and minority interests (S\$ million)	522	587
Weighted average no. of issued Shares in 2020 (million)	3,117	3,117
Basic earnings per Share (S\$)	0.17	0.19

The figures above exclude transaction expenses, expected synergies and growth trajectory of TransCore. The Acquisition is expected to be earnings accretive from the second year post-Acquisition.

6. Major Transaction

6.1 Rule 1006. The relative figures for the Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual, are as follows:

Rule 1006	Bases	Relative Figures for the Acquisition (%)
Rule 1006 (b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽¹⁾⁽²⁾	21.3

Rule 1006 (c)	Consideration given or received, compared with the Company's market capitalisation ⁽³⁾	30.8
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Notes:

- (1) The net profits of TransCore based on the TransCore 1H2021 Financial Statements have been compared with the Group's net profits of S\$340 million based on the Group's unaudited consolidated financial statements for the six month period ended 30 June 2021.
- (2) The term "**net profits**" means profit including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (3) The Consideration of US\$2.68 billion (approximately S\$3.62 billion) have been compared with the Company's market capitalisation of S\$11.73 billion, which is based upon 3,116 million issued Shares (excluding treasury shares) as at 1 October 2021, being the last market day preceding the date of this Announcement on which Shares were traded on the SGX-ST, at a volume-weighted average price of S\$3.76 for each Share.

6.2 Major Transaction. As the relative figures under Rule 1006(b) and Rule 1006(c) of the Listing Manual above for the Acquisition exceed 20%, the Acquisition constitutes a major transaction for the Company as defined in Chapter 10 of the Listing Manual, and will be subject to Shareholders' approval at an EGM of the Company to be convened.

6.3 Circular. A circular setting out further information, together with a notice of EGM to be convened, will be sent to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisors have considered the information and the recommendations to be set out in the circular.

7. Further Information

- 7.1 Interests of Directors and Controlling Shareholders.** None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.
- 7.2 Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 7.3 Documents Available for Inspection.** A copy of the Purchase Agreement is available for inspection during normal business hours at the registered office of the Company at ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road, #07-01, Singapore 567710, for a period of three months commencing from the date of this Announcement.
- 7.4 Sole Financial Advisor.** J.P. Morgan (S.E.A.) Limited is the sole financial advisor to ST Engineering in respect of the Acquisition.

BY ORDER OF THE BOARD
LOW MENG WAI
Company Secretary
3 October 2021

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Forward-looking Statements

The forward-looking statements in this Announcement reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact the business activities of the Group. You are cautioned not to place undue reliance on these forward-looking statements.