

News Release

ST Engineering Positions for Growth in Satcom Market, with Offer to Acquire Newtec for €250m

Singapore, 27 March 2019 – Singapore Technologies Engineering Ltd (ST Engineering or the Group) today announced that its subsidiary Singapore Technologies Engineering (Europe) Ltd, has entered into a conditional share purchase agreement to acquire a 100% ownership in Newtec Group NV (Newtec) (the “**Proposed Acquisition**”), an established Belgium-based company in the satellite communications (satcom) industry.

The consideration of €250m (approximately S\$383m) (the “**Consideration**”) on a cash-free and debt-free basis for the Proposed Acquisition, subject to closing adjustments, is payable in cash.

Satcom is a growth industry

Satcom is a fast-growing industry with an expected CAGR of 8%¹ over the next 10 years. The surge of Low Earth Orbit (LEO) constellations will increase bandwidth capacity and reduce operating cost, thereby creating new demand. New use cases, especially to support Smart City applications such as IoT and connected cars, will drive demand for satcom services.

Acquisition complementary and synergistic

ST Engineering has been growing its satcom business through its U.S.-based iDirect and Singapore-based satcom product and solution business. The Group’s satcom business is an industry leader in the Aeronautical and Maritime segments and has led the industry’s transition to high-throughput satellite (HTS) managed services. It is also the technology provider for leading global satellite operators such as Inmarsat, Intelsat and SES. In 2018, ST Engineering formed a JV company named Jet-Talk Limited, with SatixFy UK Limited to develop cost-effective, high-performance flat panel antenna to address the growing demand for in-flight connectivity. The Group offers a suite of satcom solutions to provide seamless global network

Singapore Technologies Engineering Ltd

ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road #07-01, Singapore 567710

T: (65) 6722 1818 F: (65) 6720 2293

(Regn. No.: 199706274H)

and bandwidth management with end-to-end integration that addresses the growing needs of enterprise, government, mobility and defence market globally.

On the other hand, Newtec is a key technology provider in the satellite broadcast segment with unique ultra-high throughput capabilities and a strong presence in the European satcom market. It has a proven range of cost-effective consumer satellite terminals, and industry-leading bandwidth efficiency technology. Recently, Newtec was among the first companies to successfully test over-the-air communication via LEO satellites. LEO satellites are expected to take off with the launch of more than 5,000 satellites in the coming years. The company is also well placed to leverage the advent of IP-based satellite broadcast which is critical for real-time content distribution.

The proposed acquisition of Newtec will add intellectual property, products and market access. ST Engineering will continue to invest in Newtec in Belgium to position it to be the Group's European centre for the satcom business. The complementary and synergistic effect of this proposed acquisition will enable ST Engineering to meet demand across the full spectrum of the satcom market.

Positioning for future growth

With enhanced satcom capabilities, ST Engineering can better participate and lead the advancement of the satcom industry to enable Smart Cities globally. Capitalising on an enlarged IP and product portfolio, the Group will be able to:

- Accelerate the deployment of satcom-enabled 5G telco network, bringing high bandwidth connectivity to remote regions. This will help bridge the digital divide and enable the development of new applications such as tele-medicine and tele-education.
- Address the growing needs for IoT and M2M connectivity, where millions of devices and telematic sensor points are expected to be connected for surveillance, data gathering and big data analytics.

- Provide end-to-end solutions for the mobility segment, enabling seamless internet connectivity and remote monitoring for the aeronautical, maritime and connected car segments.

“This proposed acquisition expands our satcom business in a meaningful way in an attractive industry that is high-tech and high-growth, driving connectivity advances in a world where 5G and satcom converge,” said Vincent Chong, President & CEO, ST Engineering. “It aligns with our strategy to invest in businesses that help accelerate our growth trajectory, especially in Smart City, to deliver long-term shareholder value.”

“We are pleased to be able to acquire Newtec, an established satcom player with strong technology foundations. The differentiated yet complementary technologies, combined with our track record and established satcom experience, will enable us to innovate and deliver more value-added, advanced satellite products and capabilities to our customers, at a more rapid pace,” said Ravinder Singh, President, Electronics sector, ST Engineering.

“This coming together of two companies will enable us to move forward together, using our deep-rooted passion for innovation to address our rapidly changing world of connectivity,” said Roald Borré, Chairman of Newtec Board of Directors. “This is an exciting and hugely significant step that simply makes sense for our customers and our staff.”

Details of the Proposed Acquisition

The Consideration was arrived at after negotiations between the parties taking into account, among other factors, Newtec’s current financial performance and future growth prospects. The Consideration translates into a multiple of 14.6 times Newtec’s EBITDA and 2.7 times revenue for the financial year ended 30 September 2018. The businesses when combined, is expected to produce about S\$200m in value creation arising from revenue and cost synergies.

The proposed acquisition is not expected to have any material impact on the earnings per share of ST Engineering for the current financial year but is expected to be earnings accretive from the second year post acquisition. The proposed acquisition is expected to reduce ST Engineering's audited consolidated net tangible assets by approximately S\$0.11² per share from S\$0.41 per share to S\$0.30 per share, assuming the Proposed Transaction has been effected at the end of FY2018. Newtec has consolidated net tangible assets (NTA) of €5.1m (approximately S\$8m) and consolidated net assets of €28.4m (approximately S\$44m) as at 30 September 2018.

Subject to regulatory approvals and conditions that include receipt of clearance from the Committee on Foreign Investment in the United States, Foreign Investment Review in France, and anti-trust approvals in Austria, the Proposed Acquisition is expected to complete in 2H2019.

¹ Numbers are based on in-house analysis of the third edition of Northern Sky Research (NSR) Commercial Satellite Ground Segment report (2018).

² Calculated based on Newtec's consolidated net tangible assets as at 30 September 2018.

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ST Engineering is a global technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. The Group employs about 22,000 people across offices in Asia, the Americas, Europe and the Middle East, serving customers in the defence, government and commercial segments in more than 100 countries. Its employees bring innovation and technology together to create smart engineering solutions for customers in the defence, government and commercial segments. With more than 500 smart city projects across 70 cities in its track record, the Group continues to help transform cities through its suite of Smart Mobility, Smart Security and Smart Environment solutions. Headquartered in Singapore, ST Engineering reported revenue of S\$6.7b in FY2018 and it ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, MSCI Singapore, SGX ESG Transparency Index and SGX ESG Leaders Index.

Media contacts:

Lina Poa
Head, Corporate Communications & Investor Relations
Tel: (65) 6722 1818
Email: linapoa@stengg.com

Agnes Chang
Assistant Vice President, Corporate Communications
ST Engineering
Tel: (65) 6722 1689
Email: chang.chehong.agnes@stengg.com