

ST Engineering Accelerates Smart City Growth with Acquisition of TransCore for US\$2.68b

October 03, 2021

Singapore Technologies Engineering Ltd (ST Engineering) today announced that it has entered into an agreement to acquire all the ownership interests in TransCore Partners, LLC and TLP Holdings, LLC (collectively TransCore) from an indirect wholly-owned subsidiary of Roper Technologies, Inc. (the Acquisition). The aggregate purchase price for the Acquisition is US\$2.68 billion (S\$3.62 billion) in cash on a cash-free and debt-free basis, subject to certain purchase price adjustments.

The Acquisition will accelerate ST Engineering's Smart City growth and position it as a market leader in Smart Mobility. TransCore has more than 80 years of history, and is a leader in the transportation industry in North America. It provides 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. TransCore is contracted to deliver a congestion pricing project in Manhattan, New York, the first ever in the U.S.

"The Smart City space has been an important strategic focus area for ST Engineering. TransCore is a strong strategic fit for us and its road transportation solutions will complement and enhance our suite of Smart Mobility rail and road solutions. With this acquisition, we will be uniquely positioned as a Smart Mobility market leader, underpinned by our strengths in technology and innovation. This acquisition demonstrates our continued commitment to create long-term value for our shareholders through sustainable global growth," said Vincent Chong, Group President & CEO of ST Engineering. "Roper management has well guided and supported TransCore in their growth journey to become a leader in the transportation industry in North America. We value the opportunity to work with the Roper team on this acquisition."

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 2031.
- **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. ST Engineering has implemented over 700 smart city projects in over 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 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.
ST Engineering's dividend payout capacity will remain strong as TransCore's operations are expected to generate healthy cash flow.

"With this acquisition, our Smart City businesses will be better positioned to capture growth at the intersection of urbanisation, digitalisation and sustainability. TransCore's market leading end-to-end tolling solutions and congestion pricing businesses, supported by a strong track record of execution and talented team, are poised for global expansion as part of ST Engineering group. We are committed to continue delivering excellent customer service and project execution for TransCore's customers," said Chew Men Leong, President of Urban Solutions at ST Engineering.

"ST Engineering will be a great owner for TransCore and will support the business as it pursues the next phase of its innovative work in traffic management, tolling technology, and smart city infrastructure," said Neil Hunn, Roper Technologies' President and CEO. "We are grateful to Tracy Marks, TransCore's President, and the entire TransCore team for their many contributions to Roper."

Continued Investment in TransCore

TransCore has a strong management team and talented workforce, and ST Engineering is committed to invest in the team and grow the business going forward. With the global scale, networks and resources of ST Engineering, the combined business will be able to better meet demand and better serve its customers in the smart mobility sector.

Details of the Acquisition

The Acquisition translates to a EV2/EBITDA3 multiple of 16.2 times after accounting for tax benefits.

Based on the unaudited financial statements of the TransCore business for the six (6) months ended 30 June 2021, 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).

The transaction is expected to close by the end of the first quarter of 2022, subject to regulatory approvals, customary closing conditions and approval from ST Engineering's shareholders at an Extraordinary General Meeting to be convened.

Link to original press release:

<https://www.stengg.com/en/newsroom/news-releases/st-engineering-accelerates-smart-city-growth-with-acquisition-of-transcore-for-us-268b/>

