Media Release

Surbana Jurong Proposal to Acquire all SMEC Shares

11 May 2016

On 11 May 2016, SMEC announced to its Shareholders and employees that the SMEC Board has entered into an Agreement with Surbana Jurong to acquire 100% of SMEC.

Refer Shareholder Notice below:

- Surbana Jurong has submitted a proposal to acquire all SMEC shares under a scheme of arrangement for $1.90 per share in cash
- The offer price represents an implied equity capitalisation of $397 million and an implied enterprise value of $451 million
- In addition, SMEC shareholders on the register as at 16 May 2016 will be entitled to a $0.005 per share unfranked interim dividend
- Surbana Jurong is aiming to be Asia’s consultancy powerhouse for urban and infrastructure developments and has identified SMEC to significantly accelerate its growth in the infrastructure sector.
- SMEC will retain and grow its own brand, becoming a division that spearheads Surbana Jurong’s global infrastructure operations
- SMEC management will remain in place with SMEC’s CEO reporting to Surbana Jurong’s Group CEO
- The SMEC Board considers that the Scheme is an attractive transaction for shareholders and employees and unanimously recommends voting in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is in the best interest of SMEC shareholders.

The Board of SMEC Holdings Limited (SMEC) announces today that it has entered into a Scheme Implementation Agreement (SIA) with Surbana Jurong Holdings (Australia) Pty Ltd (BidCo), a wholly owned subsidiary of Surbana Jurong Private Limited (Surbana Jurong), under which it is proposed that BidCo will acquire all SMEC shares by scheme of arrangement (Scheme). Holders of options over SMEC shares will also be offered a cash payment, referable to the exercise price of the option, for the cancellation of their options.

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Surbana Jurong is one of Asia’s leading consultancy powerhouses for urban and infrastructure developments with a distinguished track record in shaping Singapore’s urban and industrial landscape over the last 50 years. It provides total urbanisation, infrastructure and engineering solutions to support sustainable social and economic growth for its clients. Surbana Jurong is jointly owned by Singapore investment company Temasek Holdings and JTC, the lead Singaporean government agency responsible for the development of industrial infrastructure.

The transaction will deliver SMEC shareholders $1.90 cash per share. The cash payment of $1.90 per share represents a significant premium to the last traded price of SMEC shares on its internal market, an implied market capitalisation of $397 million and an implied enterprise value of $451 million.

SMEC shareholders on the register as at 5pm Monday 16 May 2016 will also be entitled to a $0.005 unfranked FY16 interim dividend, payable on 2 June 2016. This means a total benefit of $1.905 cash will be received by SMEC shareholders if the Scheme becomes effective.

The proposed acquisition of SMEC is an important step by Surbana Jurong as it seeks to rapidly grow to become Asia’s leading consultancy practice for urban and infrastructure developments. It is planned that SMEC will be run as a division within Surbana Jurong and will retain the SMEC name. SMEC management and employees will remain in place with CEO Andy Goodwin reporting to Surbana Jurong Group CEO Wong Heang Fine.

SMEC Chairman Max Findlay said: “After careful consideration of the proposal from Surbana Jurong, we are pleased to recommend it to shareholders in the absence of a superior proposal and subject to the independent expert concluding that it is in the best interest of shareholders. Together, this will be a very powerful combination to deliver top class infrastructure and urban design solutions to global clients. The group operation would have an extensive international presence, with over 100 offices in more than 50 countries in Asia, Australia, the Middle East, Africa, Europe and North and South America, employing over 9,400 professionals.”

“SMEC is a great Australian success story, having grown from its origins on the iconic Snowy Mountains Scheme in the 1950s to this significant milestone today for SMEC shareholders and employees. Critically, it will enhance our service to existing and new customers by offering a broader footprint, scope for expansion of activities and greater access to capital to ensure SMEC remains globally competitive.”

SMEC Managing Director & CEO Andy Goodwin said: “The proposed combination will enable SMEC to offer Surbana Jurong’s complementary service capabilities across our extensive global footprint. It will deliver enhanced opportunities for our staff, customers and strategic partners. The SMEC culture built on over 50 years will work well alongside Surbana Jurong’s similar established values. The welfare of our staff has been an important factor in considering Surbana Jurong as a partner. I am delighted to have been invited to lead this new division of Surbana Jurong and look forward to working with the rest of the group.”

Group CEO of Surbana Jurong Wong Heang Fine said: “The combination of Surbana Jurong and SMEC will be a transformational transaction for both our companies and we are very pleased we have been able to reach agreement. Both companies bring complementary strengths to the table as well as a rich and proud heritage of iconic projects that are recognised around the world. As we join with SMEC’s 5,400 staff to create a formidable organisation that will be among the leading engineering firms in the world, we will be in a much stronger position to compete in the big league of global urbanisation and infrastructure projects.”

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The Board of SMEC unanimously recommends that SMEC’s shareholders vote in favour of the Scheme at the shareholder meeting, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interest of SMEC’s shareholders. Subject to those qualifications, each Director of SMEC intends to vote all the SMEC shares held or controlled by them in favour of the Scheme.

Mr Findlay said, “The Board’s primary concern has always been, and continues to be, to act in the best interests of SMEC’s shareholders and maximise value for them. For some time now, the Board has been examining transactions that provide a liquidity event for shareholders and better position SMEC to execute on its 2020 Vision. Since discussions began some time ago, the Board, senior management and SMEC’s professional advisors have worked diligently with Surbana Jurong to bring this attractive proposal to shareholders. The Board believes Surbana Jurong’s proposal of $1.90 cash per share, which allows shareholders to receive a further $0.005 interim dividend, offers an attractive valuation to SMEC’s shareholders through an all cash transaction.”

SMEC has appointed Lonergan Edwards & Associates to prepare a report on whether the Scheme is in the best interest of SMEC shareholders. The independent expert’s report will be included in the Scheme booklet which is expected to be distributed to shareholders in June.

The implementation of the Scheme is subject to certain customary conditions and other matters set out in the SIA including:

- SMEC shareholders approving the Scheme by the requisite majorities (being 50% in number of shareholders who vote and at least 75% of the total number of shares voted);
- approval from the Treasurer of the Commonwealth of Australia under Australia’s foreign investment rules and other regulatory approvals;
- no ‘material adverse change’ occurring in relation to SMEC;
- no ‘prescribed occurrence’ occurring in relation to either SMEC or Surbana Jurong; and
- court approval of the Scheme.

Under the SIA, SMEC will be bound by customary exclusivity provisions including ‘no shop’, ‘no talk’, ‘no due diligence’, ‘notification’ and ‘matching right’ obligations (subject, in certain circumstances, to customary fiduciary carve outs).

A break fee of $3.9 million will be payable by SMEC in certain limited circumstances relating to a successful competing proposal, a member of the SMEC Board changing their recommendation (in certain circumstances) or supporting a competing proposal or the termination of the SIA by Surbana Jurong because of SMEC’s material breach of the SIA.

A reverse break fee of $3.9 million will be payable by BidCo if the SIA is terminated by SMEC because of BidCo’s material breach of the SIA or if BidCo fails to pay the consideration for the Scheme to SMEC shareholders.

Surbana Jurong has also provided a guarantee of the obligations of BidCo under the SIA.

A copy of the executed SIA entered into by SMEC and BidCo is attached to this announcement, which sets out in full (among other things) all conditions precedent for the proposal and the exclusivity provisions.
Timetable

Shareholders do not need to take any action at the present time.

The Scheme booklet containing information relating to the proposal, the reasons for the Directors’ unanimous recommendation and details of the shareholder meeting is expected to be sent to SMEC’s shareholders in June 2016.

It is anticipated that SMEC shareholders will have the opportunity to vote on the Scheme at a meeting to be held in July 2016.

Subject to all the conditions of the Scheme being satisfied, the Scheme is expected to be implemented in late July 2016.

With effect from the release of this announcement, the suspension in trading of SMEC shares will be lifted.

SMEC is being advised by ANZ Corporate Advisory, as financial adviser, and MinterEllison, as legal adviser.

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