

GENERAL ANNOUNCEMENT::ACQUISITION OF ARQ GROUP BY NCS

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Please see attachments.

Attachments

[ann-NCS-28032022.pdf](#)[NR-NCS-28032022.pdf](#)

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SINGAPORE TELECOMMUNICATIONS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration Number: 199201624D

ACQUISITION OF ARQ GROUP

NCSI Holdings Pte. Ltd. ("**NCS**"), a wholly-owned subsidiary of Singapore Telecommunications Limited has entered into a conditional sale and purchase agreement to acquire 100% of the share capital of Row TopCo Pty Ltd, the group holding company of the ARQ Group ("**ARQ**") (a Melbourne-based digital consultancy group specialising in mobile applications, cloud and data analytics), for an aggregate cash consideration of A\$290 million (the "**Acquisition**"), comprising:

- (i) A\$265 million to be paid out in cash on completion of the Acquisition ("**Completion**"); and
- (ii) Deferred consideration and earn-out amounts of A\$25 million (with potential additional payments subject to management meeting performance targets), payable in tranches over a period of 3 years after Completion.

The consideration was determined on an arm's length basis through a privately negotiated process based on, *inter alia*, the assessment of the business and prospects of ARQ. The consideration is subject to certain purchase price adjustments at Completion and will be funded via internal cash resources and working capital. The unaudited net asset value of ARQ as at 31 December 2021 was A\$46 million.

The Acquisition is subject to the receipt of the relevant regulatory approvals and is expected to complete by May 2022.

As one of the largest fast-growing digital services providers in Australia, ARQ has deep expertise in cloud, mobile, data and analytics solutions. Headquartered in Melbourne, with offices in Sydney and Brisbane, ARQ has a strong client coverage across diverse sectors in financial services, utilities, retail, healthcare, travel and government. ARQ has a strong partnership ecosystem across major cloud hyperscalers in Australia and delivers tailored tech innovation at scale through its 560-strong team.

Issued by Singapore Telecommunications Limited on 28 March 2022.

NCS completes quad of investments in Australia, accelerates digital regionalisation with acquisition of ARQ Group

- *Acquisition scales up NCS NEXT in Australia with compelling end-to-end digital transformation value proposition for clients*
- *Completes quad of investments in Australia that transforms NCS into regional IT and digital powerhouse across Singapore and Australia*
- *Increases in-market headcount to 1,900 and accelerates digital talent development*

SINGAPORE, AUSTRALIA, 28 MARCH 2022 – NCS today announced its acquisition of fast-growing digital services firm ARQ Group (ARQ) in Australia for A\$290 million. The move brings to scale NCS NEXT in Australia, which now offers a compelling end-to-end digital transformation value proposition for clients. Headquartered in Melbourne, with offices in Sydney and Brisbane, ARQ has deep expertise in cloud, digital, data and analytics solutions, and is one of the fastest-growing digital services company in Australia.

ARQ's revenue is projected to reach A\$118M by end 2022 representing a year-on-year increase of 38%, while EBITDA is projected to increase to A\$18.4M. The acquisition price represents an EV/EBITDA multiple of 15.7 times¹, reflecting NCS' confidence in the prospects of ARQ and expected synergies with the rest of its operations.

This investment is NCS' fourth in Australia in the past 15 months as it expands its footprint in a market strategic to its regionalisation plans. NCS recently acquired Australia's largest privately-owned IT services company, The Dialog Group (Dialog) following 2 previous investments: cloud consultancy Riley that specialises in Google cloud applications and a majority investment in cloud transformation specialist Eighty20 Solutions that has unique capabilities across Microsoft platforms.

Mr Ng Kuo Pin, CEO of NCS, said, "This latest acquisition completes a jigsaw of strategic investments in Australia, ramping up our presence in a market that is critical to our regional expansion. Combined with Dialog's core IT capabilities and extensive reach across 8 Australian cities, ARQ brings on board the right digital competencies that help create a highly compelling end-to-end digital transformation value proposition. Taken together, our four investments to date have given us the necessary scale, capabilities and credibility to compete as a regional digital powerhouse as we help governments and enterprises in Singapore and Australia achieve their digital transformation goals."

Accelerating digital sector growth in Australia

As one of the largest fast-growing digital services providers in Australia, ARQ has a strong client coverage and serves half of ASX's top 20 companies across diverse sectors in financial services, utilities, retail, healthcare, travel and government. This includes ANZ bank, AustralianSuper, Domino's, Qantas, Transurban, nib, NAB, The Coffee Club, NSW Rural Fire Services, Queensland Government – Department of Education, Victoria State Government – Department of Transport, and more.

¹Based on ARQ's forecast revenue and EBITDA (adjusted for non-recurring items) of A\$118M and A\$18.4M for the financial year ending 31 December 2022



ARQ has a strong partnership ecosystem across major cloud hyperscalers in Australia and its expertise in delivering tailored tech innovation at scale through its 560-strong team will bolster NCS NEXT capabilities in digital, cloud, data and platforms to fulfill growing digital transformation demand in Australia's large addressable market.

IDC expects that Digital services in APAC will grow at a CAGR of 14.6% from 2020 to 2025, reaching US\$170.6 billion in 2025. In Australia, Digital services are expected to grow at a CAGR of 8.7% from 2020 to 2025 to US\$12.1 billion in 2025.²

Mr Tristan Sternson, CEO of ARQ, said, "Joining the NCS family is a tremendous opportunity to continue growing the business as it now allows us to go international and serve regional clients besides capturing more domestic market share by leveraging synergies within NCS. We are well primed for expansion, having grown our government footprint to over a third of our business, acquired many new customers and hired 300 new talents on board. We intend to keep optimising NCS' world-class IT and digital capabilities to keep building innovative solutions for our clients."

NCS NEXT as a regional digital powerhouse

As part of its transformational growth plan, NCS has been scaling its presence in Australia since December 2020 to serve Australian clients through NCS NEXT, its digital innovation and services arm - which supports enterprises' growing demand for digital transformation solutions.

Ms Wynthia Goh, Senior Partner of NCS NEXT, said, "We look forward to welcoming ARQ into the NCS NEXT family. ARQ's highly experienced and scalable agile teams will become part of NEXT as one regional digital team to serve clients across the region in the post-pandemic era. Together, we will unlock more synergies between Australia and Singapore and enable cross-pollination of tech innovation."

Spurs digital talent development

ARQ's 560-strong team will increase NCS' headcount in Australia to 1,900 and build a robust tech talent pipeline to support the growing digital transformation needs of clients in the region. With increased workforce mobility, employees and future talents will be able to explore diverse and exciting career opportunities across various geographies and industries to serve clients through a hybrid delivery model.

ARQ embraces a strong people culture and its talents adopt an innovation-first mindset to design and develop solutions – evident in their 572 technical certifications, 62 design awards and 17 certified partnerships. NCS' focus on an apprenticeship-based learning culture is similar to ARQ Academy's emphasis on self-learning and innovation, and the combination of both teams will reinvent talent development and answers the tech talent crunch in both Australia and Singapore.

The acquisition is subject to the receipt of the relevant regulatory approvals and is expected to complete by May 2022.

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² Source: IDC Worldwide Black Book: 3rd Platform Edition (March 2022 Release)



About NCS

NCS, a subsidiary of Singtel Group, is a leading technology services firm with presence in Asia Pacific and partners with governments and enterprises to advance communities through technology. Combining the experience and expertise of its 10,000-strong team across 55 specialisations, NCS provides differentiated and end-to-end technology services to clients with its NEXT capabilities in digital, cloud and platforms, as well as core offerings in application, infrastructure, engineering and cybersecurity. NCS also believes in building a strong partner ecosystem with leading technology players, research institutions and start-ups to support open innovation and co-creation. For more information, visit ncs.co.

About ARQ

ARQ Group is a multi-award-winning digital and tech services firm with a client base spanning Government, enterprise, and more than half of Australia's top 20 ASX-listed companies. A local company with a 26-year heritage of technological innovation, ARQ also delivers advisory, design and managed services of digital solutions. As part of its transformation since 2019 and under the leadership of Australian tech pioneer and CEO Tristan Sternson, the company launched education programs ARQademy, TDx, and ARQ Bootcamp, designed to provide meaningful impact on the local skills shortage. For more information, visit arq.group.

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