



## **Media Release**

(all figures in US\$ unless otherwise stated)

# **UTAC acquires manufacturing facilities from Panasonic**

- ***Three semiconductor plants in Singapore, Malaysia and Indonesia acquired with a total transaction value of \$116.5 million***
  - ***Contract manufacturing agreement with Panasonic***
    - ***Non-recourse financing structure***
  - ***Expected to be immediately earnings accretive***

**Singapore, 4 February 2014** – UTAC Manufacturing Services Limited (SPV), a wholly owned subsidiary of UTAC Holdings Ltd (UTAC), a leading semiconductor testing and assembly services provider headquartered in Singapore, has entered into a sale-and-purchase agreement with Panasonic Corporation (Panasonic) to acquire three subsidiaries of Panasonic operating semiconductor testing and assembly facilities, strategically located in Singapore, Indonesia and Malaysia. The total transaction value for the acquisition will be \$116.5 million, payable over five years, inclusive of certain transitional services agreements with Panasonic.

The acquisition will enable UTAC to diversify its product offering into higher-growth segments such as those serving the industrial and automotive sectors<sup>1</sup>. The additional facilities extend UTAC's global manufacturing footprint to six countries in Asia. On a pro-forma basis for the twelve months ended 30 September 2013, incorporating the acquired assets' historical performance, the company's revenue would have been \$999 million as compared with actual revenue of \$795 million for the same period.

Concurrent with the completion of the acquisition and in-line with Panasonic's asset light strategy, Panasonic will continue to utilise the services of the three facilities sold to UTAC as contract manufacturers for semiconductor testing and assembly, and is expected to become UTAC's largest customer.

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<sup>1</sup> According to Gartner estimates dated October 2013, the industrial and automotive sectors are slated to grow at annual CAGRs of 6.2% and 6.8%, respectively, from 2012 to 2017. This compares to a CAGR of 5.0%, which is the projected average growth rate of the global semiconductor industry.

The total transaction value of \$116.5 million is payable in instalments over five years with an initial payment to be made at completion of the acquisition. UTAC believes that the projected cash flows from the acquired facilities will be sufficient to service the instalment payments.

A reputable third party bank will guarantee the remaining instalment payments and this guarantee will be secured by the acquired facilities. As such, the transaction will be on a non-recourse basis to Global A&T Electronics (GATE), the subsidiary company of UTAC, as the SPV acquiring the three facilities is a subsidiary of UTAC and not GATE. Consequently, this ensures that GATE's existing lenders are not and will not be impacted by the annual instalment payments due to Panasonic under the transaction. None of the collateral currently securing GATE's 10.0% Senior Secured Notes due 2019 will be used to secure the obligations of the SPV in relation to the transaction.

The initial payment for the transaction and other transaction expenses will be financed by a loan of \$11 million from GATE with a pay-in-kind coupon of 10.5% per annum. The intercompany loan is fully in compliance with the indenture relating to GATE's 10.0% Senior Secured Notes due 2019 and GATE's credit agreement, and has been made on an arm's length basis, in line with market terms<sup>2</sup>.

Commenting on the transaction, Dr. John Nelson, Chief Executive Officer, said, "This acquisition further strengthens our relationship with Panasonic for future growth, broadens the end customer base by giving UTAC a larger presence in Japan, and opens up a new end market in power semiconductor packaging and testing. The significant revenue increase that the acquisition brings is expected to result in economies of scale for UTAC immediately. With the company's history of successful acquisitions, I am confident that the integration of the three sites will provide synergies in the area of manufacturing capability, technology and cost."

Douglas Devine, Chief Financial Officer of UTAC, added, "The transaction is expected to be net income accretive starting in 2014 even without taking into account potential backfill and outsourcing revenue upside. The increased scale is projected to save GATE about \$20 million in cash over 5 years just from sharing management overhead costs. We are also excited by the opportunity to strengthen our relationship with Panasonic."

The transaction is expected to close in June 2014, subject to, among other things, regulatory and other third party approvals.

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<sup>2</sup> All future transactions between GATE and the acquired businesses will be carried out in compliance with the indenture and credit agreement and any inter-group transactions will be subject to arm's length terms.

## **Appendix: Call organised for existing GATE bondholders**

Management will host a listen-only call on 7 February 2014 at 9.00 pm Singapore time for existing holders of Global A&T Electronics Ltd 10.0% Senior Secured Notes due 2019 to describe the transaction in greater detail.

Please indicate your interest in attending this call via email to Angeline Yang ([angeline.yang@newgatecomms.com.sg](mailto:angeline.yang@newgatecomms.com.sg)) **by 7 February 2014, 6.00 pm Singapore time.**

Eligible registrants can attend the call via a weblink, which will be sent via email reply at the appropriate time.

### **About UTAC Holdings Ltd**

UTAC Holdings Ltd (UTAC) is a leading independent provider of semiconductor assembly and testing services for a broad range of integrated circuits including memory, mixed-signal, analog, logic and radio frequency ICs. The Company offers a full range of package and test development, engineering and manufacturing services and solutions to a worldwide customer base, comprising leading integrated device manufacturers (IDMs), fabless companies and wafer foundries. UTAC operates manufacturing facilities in Singapore, Thailand, Taiwan and China, in addition to its global network of sales offices in the United States, Europe, Japan, Korea, China and Singapore. For more information, please visit [www.utacgroup.com](http://www.utacgroup.com)

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