Value Investing Congress

www.ValueInvestingCongress.com

8th Annual New York Value Investing Congress

October 2, 2012 • New York, NY

Corporate Action, Activism & Takeovers: Gaining Momentum

Alex Roepers, Atlantic Investment Management

8th Annual Value Investing Congress

Corporate Action, Activism & Takeovers: Gaining Momentum

Alexander J. Roepers
October 2, 2012

ATLANTIC INVESTMENT MANAGEMENT

Agenda

Corporate Action, Activism & Takeovers: Gaining Momentum

Introduction

Value-oriented global equity investment firm with $1.8 billion in assets under management

Investment approach:

- Concentration of capital on highest conviction investment opportunities
- Selection from well-defined, area of competence, universe of investment-grade industrial, consumer products and services companies
- Use of significant minority stakes (2-7%) to enhance shareholder value through constructive shareholder activism
- Strict buy/sell discipline based on cash flow valuation multiples, combined with active trading around core positions

Long/short and long-only equity funds

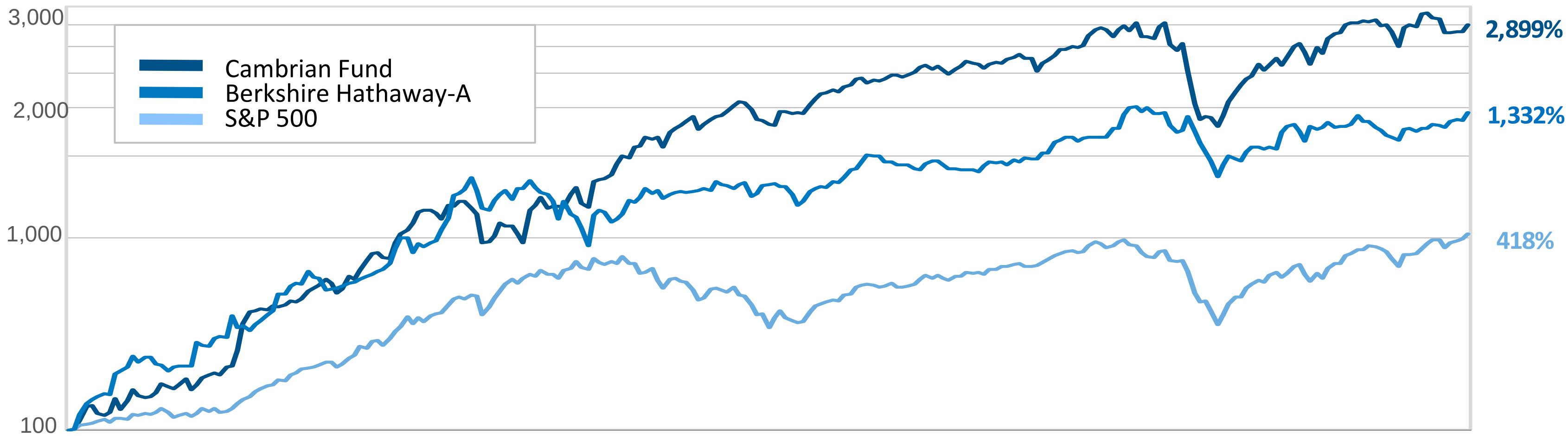
Founded in 1988 by Alex Roepers

New York and Tokyo offices

27 employees; 12 senior equity analysts

Registered with SEC

Cambrian Fund



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (YTD)	Annualized Return
Cambrian Fund	21.6%	12.7%	23.2%	72.7%	42.2%	48.6%	-10.3%	38.1%	52.4%	19.4%	4.6%	31.1%	12.1%	2.3%	11.4%	25.3%	-54.4%	62.2%	32.6%	-1.6%	2.1%	18.5%
BRK - A	25.0%	38.9%	25.0%	57.4%	6.2%	34.9%	52.2%	-19.9%	26.6%	6.5%	-3.8%	15.8%	4.3%	0.8%	24.1%	28.7%	-31.8%	2.7%	21.4%	-4.7%	17.3%	14.2%
S&P 500	5.0%	10.1%	1.3%	37.6%	23.0%	33.4%	28.6%	21.0%	-9.1%	-11.9%	-22.1%	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%	18.0%	8.6%

Last 12 Months	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
Cambrian Fund	16.4%	2.9%	-2.1%	11.5%	1.1%	-4.5%	-0.7%	-10.7%	0.2%	0.3%	-0.2%	6.5%
S&P 500	10.9%	-0.2%	1.0%	4.5%	4.3%	3.3%	-0.6%	-6.0%	4.1%	1.4%	2.3%	3.9%

Annualized Return	1 Yr	3 Yr	5 Yr	10 Yr	SI
Cambrian Fund	19.7%	11.9%	0.9%	8.7%	18.5%
S&P 500	31.9%	13.7%	1.3%	8.2%	8.6%

Note: Figures are through September 21, 2012. Cambrian Fund returns are net of all fees and represent Class A Series 1 shares. S&P 500 Index includes the reinvestment of dividends. Inception is October 1, 1992. Prior to June 1, 1996, performance is based on the audited record of a managed account with a similar strategy and fee structure as Cambrian Fund. Cambrian Fund returns are audited through 2011 and unaudited thereafter . **Past performance may not be indicative of future results.**

I. Corporate Action, Activism & Takeovers: Gaining Momentum

Underpinning Momentum in Corporate Actions, Activism & Takeovers

Attractive Valuations

- 2008/9 stock market crash, 2011 sell-off and continued macro fears have kept valuations near historic lows on balance

Strong Corporate Balance Sheets

- Post-2008 prudence, strong profitability and curtailed capital expenditures (due to macro fears and uncertain U.S. political environment) have left many companies with ample liquidity

Private Equity Under Pressure to Put Capital to Work

- Private equity firms have large unused pools of capital; most are nearing their "use by" date
- Higher number of global PE firms now public, which has raised pressure to do deals

Low Interest Rates

- Investment grade companies and financial sponsors benefit from borrowing costs near historic lows

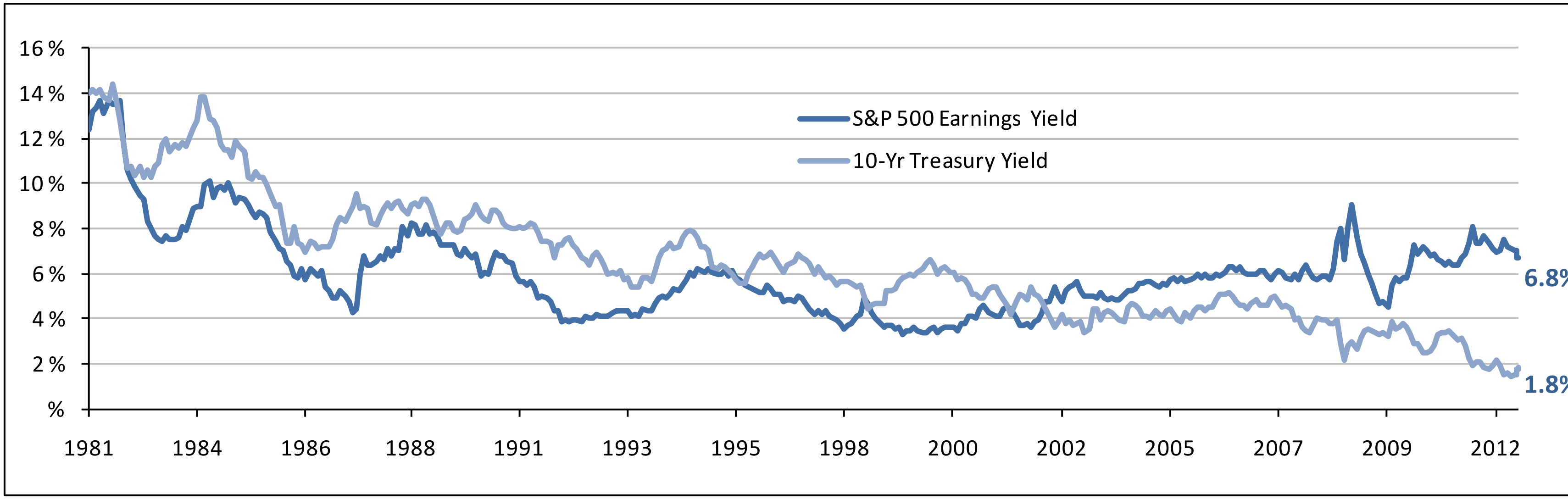
More Moderate Organic Growth in Developed Markets Prompts M&A Pursuit

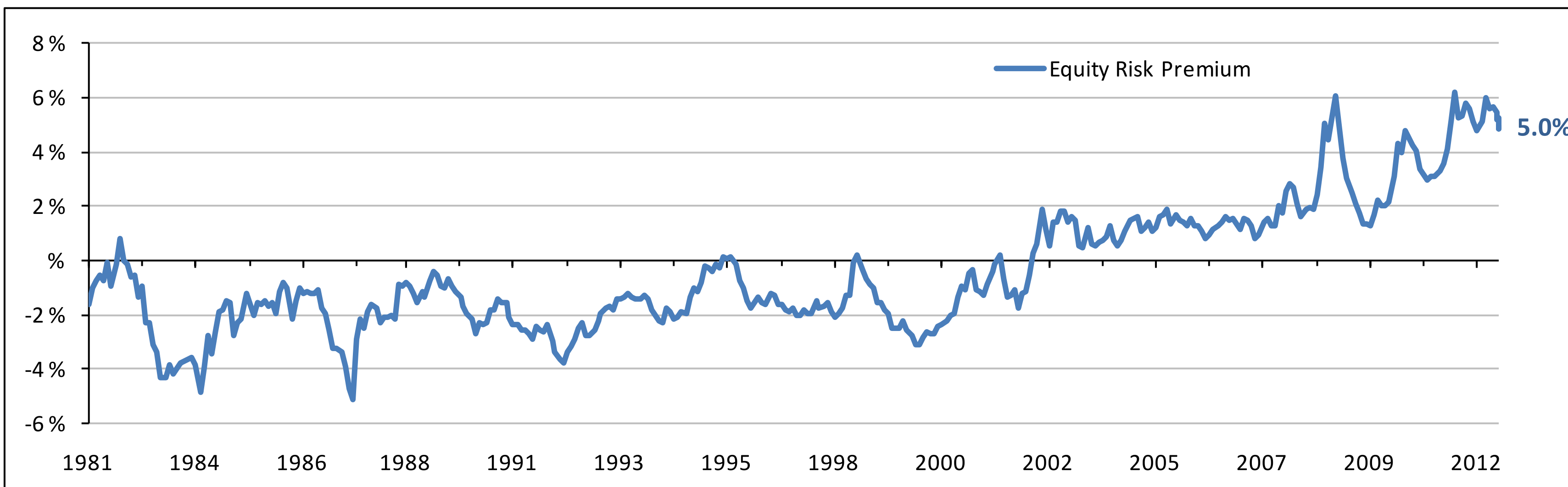
- Companies likely to rely more on M&A to achieve growth and strengthen positions in emerging economies
- Strong companies look to take advantage of depressed stock markets; hostile M&A have jumped 86% year-on-year and are at highest level since 2008[1]

---

[1] "Jump in hostile takeover bids". Financial Times (6/3/12)

Attractive Valuations: Equity Risk Testing Historical Crisis Levels





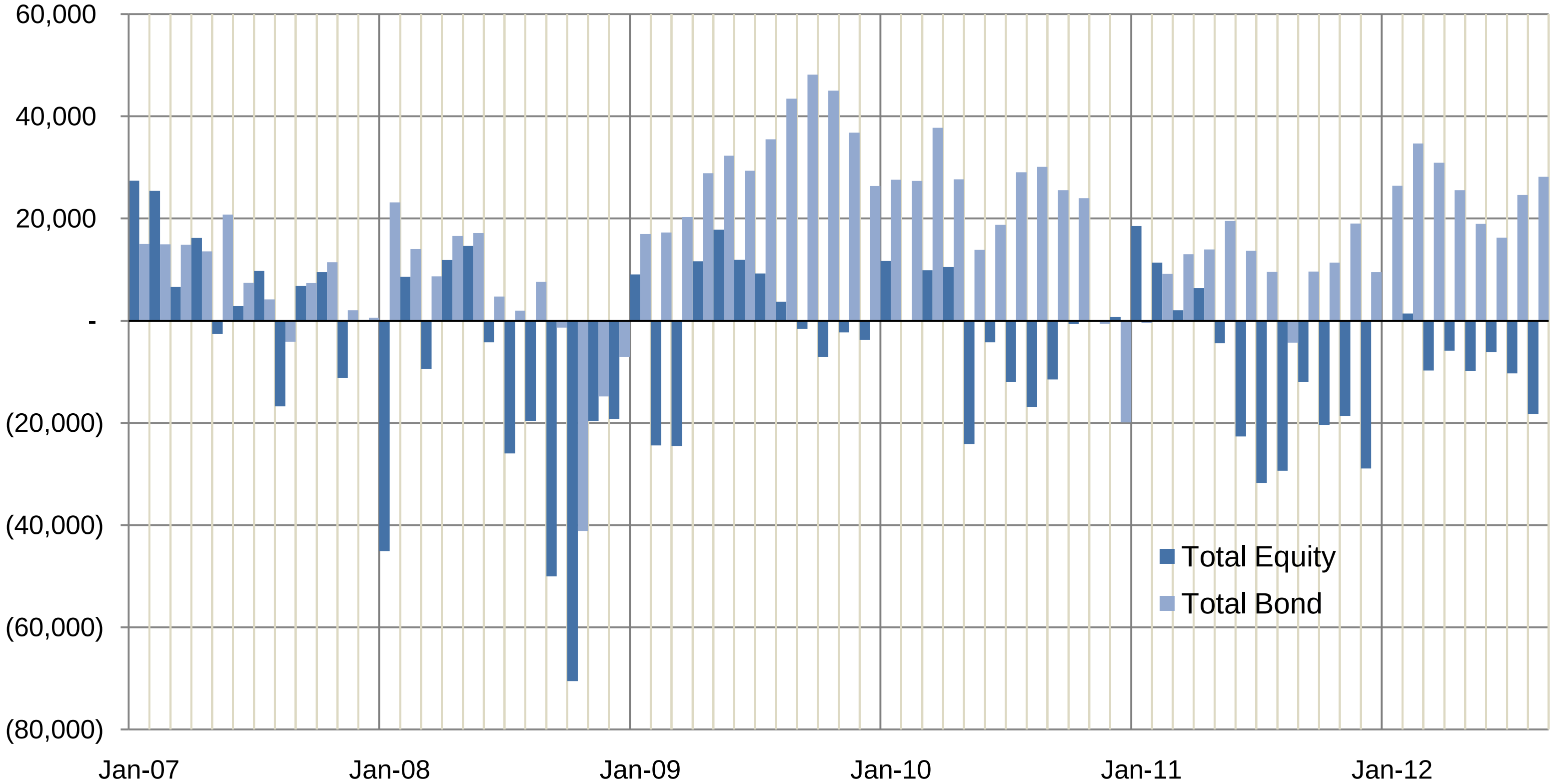
Source: Bloomberg. Data as of September 21, 2012.

Note: Equity Risk Premium defined as the difference between S&P 500 Earnings Yield and 10-Yr Treasury Yield.

Dramatic Outflows from Equities into Bonds

- Since 2007, global equity mutual funds have seen outflows of over **$380 billion** (**$555 billion** in U.S.) compared to **$1.1 trillion** of inflows in global bond funds
- The demand for bonds has driven down yields, helping create an attractive environment for takeover activity

Monthly Net Mutual Fund Flows ($Million)

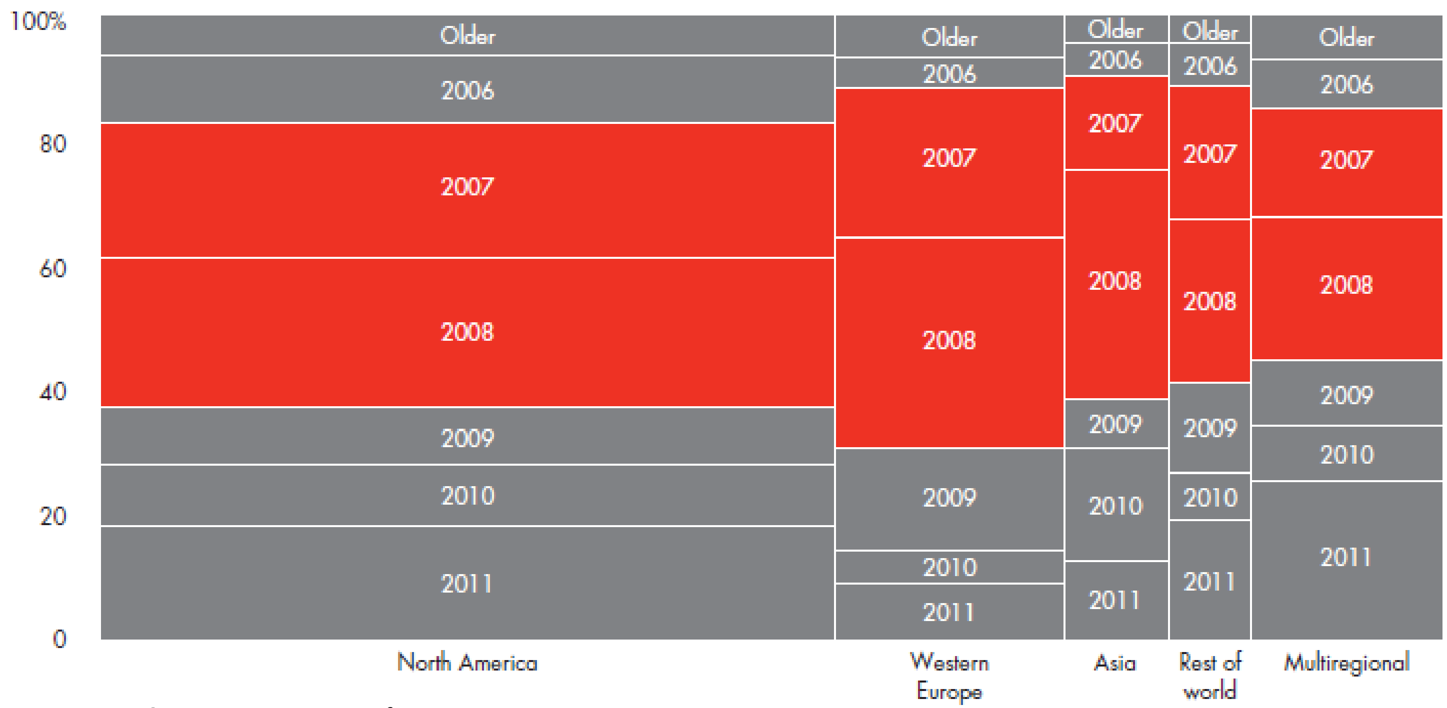


Source: Investment Company Institute (ICI). Data as of August 31, 2012.

Conditions Ripe for Return of Private Equity Activity

- Private equity funds have nearly **$400 billion** in dry powder for buyouts, which can be levered up to **$1.1 trillion**
- Over 60% of private equity cash was raised before 2009 and is approaching its "use by" date

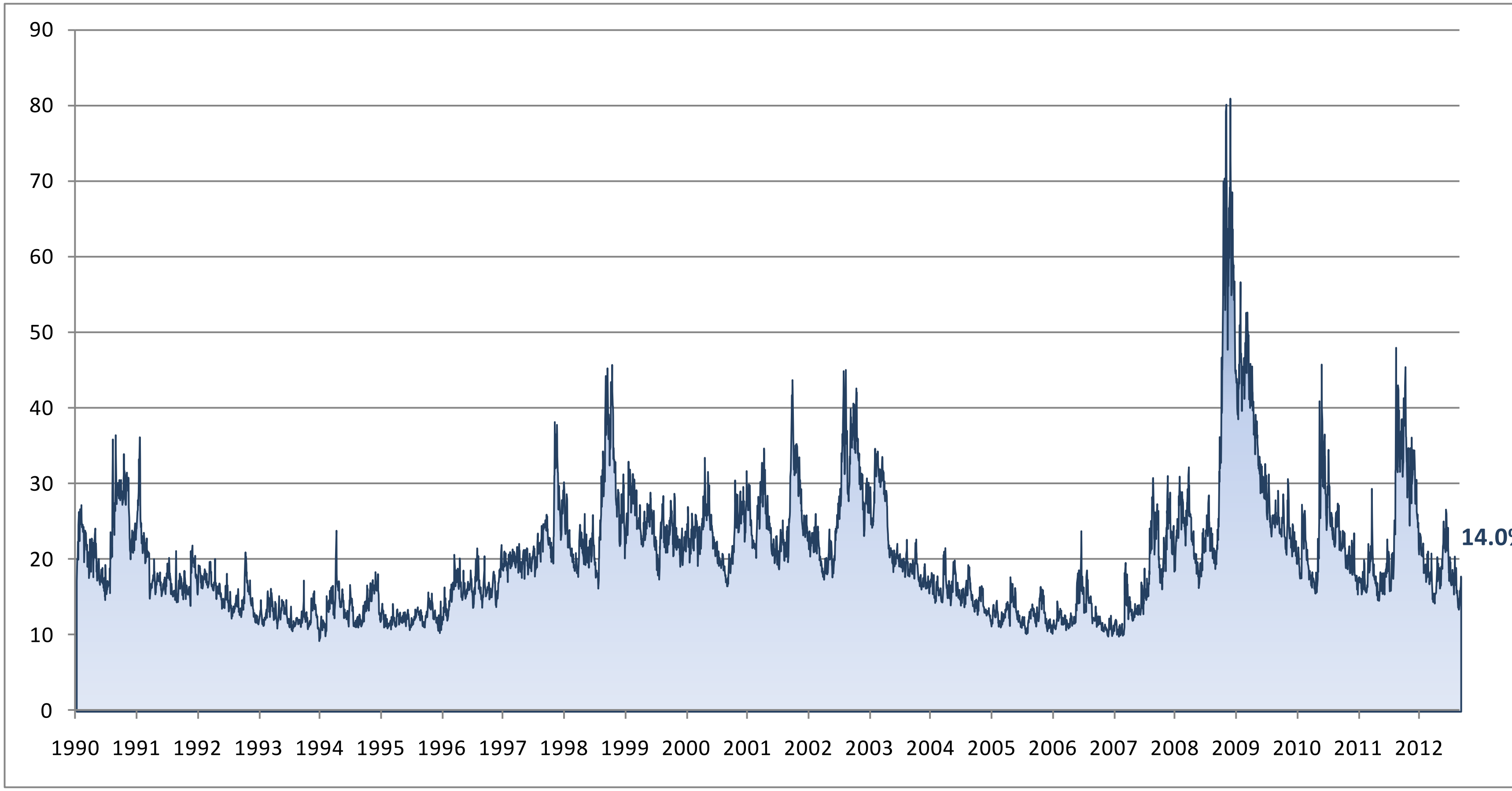
Global Buyout Dry Powder by Vintage Year and Region



Source: Preqin, Bain & Company. Data as of Q2 2011.
Note: Leveraged dry powder calculated using 40% equity contribution.

Equity Market Volatility Has Retreated from Historic Highs

Recently reduced volatility helps create more conducive environment for corporate actions



Source: Bloomberg (VIX Index). Figures are as of September 21, 2012.

ATLANTIC INVESTMENT MANAGEMENT

Gaining Momentum in Corporate Actions, Activism & Takeovers

Increasing North American Corporate M&A

- Corporate takeovers returning to trend of 160 deals >$500 million per year

Increased Cross Border M&A Activity

- Japanese and BRIC companies are stepping-up cross border M&A
- Chinese corporates announced $8 billion of U.S. deals so far this year, a record for the first eight months of any year[1]

Shareholder Activism Influencing Corporate Actions

- Shareholder activism strengthens as investors demand more from managements
- Companies selling non-core units at increasing rate as investors seek greater transparency and focus (e.g. ConocoPhilips, Pfizer, DuPont, Stanley, Black & Decker, United Technologies)[2]

Attractive Environment for Private Equity

- Private equity firms acquired $64.7 billion worth of U.S. companies this year, the highest amount year-to-date since 2007[3]

---

[1] "US groups step up sales of non-core units" Financial Times (9/12/12)
[2] "Chinese Acquisitions in the US Near Record" Financial Times (8/22/12)
[3] "Private Equity Buyouts Boom, but not like '07" Wall Street Journal (8/22/12)

Early Signs of Recovery in Private Equity Activity

Examples of Recent Deals

Target	Industry	Date	Deal Size ($Billion)	Acquirer
Vivint	Electronic Security Devices	9/9/2012	$2.0	Blackstone
Dupont Performance Coatings	Coatings/Paint	8/30/2012	$4.9	Carlyle
Getty Images	Advertising Services	8/15/2012	$3.3	Carlyle
United Technologies	Aero/Defense Equipment	7/25/2012	$3.5	BC Partners/Carlyle
Paradigm Geophysical	Oil & Gas Services	6/11/2012	$1.0	Apex/JMI
Collective Brands	Retail	5/1/2012	$1.8	Blum/Golden Gate/Wolverine World Wide
Ahlsell AB	Retail/Building Products	2/29/2012	$2.3	Cinven
TransUnion	Business Services	2/17/2012	$3.0	Advent/GS
MTL Publishing	Multimedia	11/11/2011	$2.2	Blackstone-led consortium
Skylark	Retail/Restaurants	10/21/2011	$3.4	Bain

Source: Bloomberg.

Recent Examples of Corporate Actions and Takeovers in Our Universe

Company	Business	Announce Date	Deal Size (billions)	Action	Description
Goodman Global	Building Products	8/29/2012	$3.7	Takeover	Acquired by **Daikin Industries**
Logica	IT Services	8/24/2012	$3.1	Takeover	Acquired by **CGI Group**
Robbins & Myers	Engineered Equipment	8/9/2012	$2.4	Takeover	Acquired by **National Oilwell Varco**
Shaw Group	Infrastructure	7/30/2012	$3.2	Takeover	Acquired by **Chicago Bridge & Iron**
RailAmerica	Transportation	7/23/2012	$1.9	Takeover	Acquired by **Genesee & Wyoming**
Crown Imports	Food & Beverage	6/29/2012	$1.9	Divestiture	Acquired by **Constellation Brands**
Gen-Probe	Life Science Equipment	4/30/2012	$3.8	Takeover	Acquired by **Hologic**
StarBev	Food &Beverage	4/3/2012	$3.5	Divestiture	Acquired by **Molson Coors**
Tyco	Flow Control	3/28/2012	$4.9	Divestiture	Sold Flow Control business to **Pentair**
TNT Express	Post & Courier Services	2/17/2012	$6.8	Takeover	Acquired by **UPS**
Thomas & Betts	Electronic Connectors	1/30/2012	$3.9	Takeover	Acquired by **ABB**
Solutia	Chemicals	1/27/2012	$4.5	Takeover	Acquired by **Eastman Chemical**
SPX Corp	Manufacturing	1/24/2012	$1.2	Divestiture	Sold Service Solutions to **Robert Bosch Stiftung**

Source: Bloomberg.

II. Atlantic's Approach to Indentifying and Investing in Candidates for Corporate Action, Activism & Takeovers

Characteristics of Potential Candidates

Sufficient Size & Liquidity

- > $1 billion: Big enough to move the needle for a strategic buyer or private equity fund; a size that should also offer public equity market investors sufficient trading liquidity
- < $10 billion: Small enough to get deal done

Strong Strategic Franchises with High Barriers to Entry

- Hard to replace assets and market positions
- Know how and patents

Attractive Valuations

- < 8x forward EBIT

Strong Balance Sheets

- EBITDA > 4x interest expense

Predictable and Recurring Cash Flows

- Repeatable product and service revenues; high MRO content

Low Insider Ownership

- <10% held by management, family or potential blocking shareholders

Noticeable Activity in a Sector

- E.g. specialty chemicals, mining equipment, electrical equipment, packaging, aerospace components, oil services

Atlantic's Constructive Shareholder Engagement

Enhance and accelerate the process of shareholder value creation

Create unique due diligence opportunities at the CEO/CFO level as well as the operational level through constructive engagement

Maintain liquidity as well as **ability to continue dialogue** with top management

- Take 2-7% ownership stakes
- No Board seats
- No proxy battles

Constructive Shareholder Engagement letters and active discussions with top management on shareholder value improving actions including:

- Initiation of dividends and repurchase of shares
- Improving investor communication
- Operational improvements
- Divestments of underperforming divisions
- Management changes

III. Investment Ideas

Review of Last Year's Ideas

The five companies we presented at the 7th Annual NY-VIC have performed well:

Company	Market Cap ($Billion)	Price 10/17/11	Price 09/21/12	% Change	Current Position	Target Price
Energizer Holdings (ENR)	$4.9	$72.12	$75.43	5%	Yes	$100
Ashland (ASH)	$5.9	$46.68	$74.37	59%	Yes	$105
Flowserve (FLS)	$6.7	$80.90	$132.02	63%	No	n/a
MTU Aero Engine Holdings (MTX GY)	$4.1	€ 49.86	€ 60.96	22%	No	n/a
Atos (ATO FP)	$6.0	€ 35.94	€ 54.84	53%	Yes	€ 73

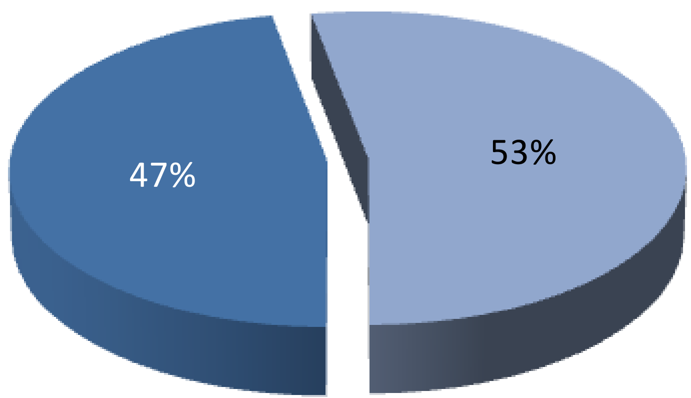
NOTE: Current position is as of September 21, 2012. Past performance may not be indicative of future results.

Energizer Holdings (ENR, $75.43)
Target Price: $100 - Upside: 33%

Sales	$4.7Bln
Market Cap	$4.9Bln
EV	$6.6Bln
EBIT	$0.7Bln

Battery & Lighting Products

% of 2013e EBIT



Personal Care Products

Note: Share price and Market cap are as of September 21, 2012. Sales, EV, EBIT are based on 2013 estimates.

Energizer Holdings

Strategic Franchise

- Energizer holds the #1 or #2 market share position in batteries, shaving, sun care and baby products
- Market shares are stable over time with limited competitive entry
- Strong brand recognition driven by years of advertising support and consumer preference

Predictable Cash Flows

- Globally diversified revenue base with 50% from outside the U.S.
- Broad and defensive product portfolio limits risk from any individual product
- Consolidated industry should limit excessive competition

Variant View

- Core battery performance is better than investors perceive; aggressive competition in shaving is already abating; shareholder friendly actions will help improve multiple; ENR has a large cost reduction opportunity to ensure EPS growth, and even with modest assumptions, FY2014 EPS likely to be $7.50+

Recent Industry Activity & Trends

- Activists have gotten involved in some staples companies (PG- Pershing Square, CLX- Icahn Associates, RAH- Corvex)
- Staples companies are seeking to create value through acquisitions, divestitures, spin-offs and split-ups (CHD, PG, RAH, KFT)
- ENR has a large earnings and cash flow improvement opportunity from efficiency:
  - New board member (former Clorox CFO) brings strong cost reduction background from a peer company
  - Currently have $200 million working capital reduction target, which could be up to $300 million, in our opinion
  - Management announced $175-200 million cost reduction plan, which could be up to $300 million, in our opinion
- Management becoming more shareholder friendly by: initiating a dividend, increasing buybacks, holding earnings calls, meeting investors more often, changing management incentive compensation plan to focus on ROIC, working capital efficiency, EBITDA generation and achievement of cost reduction plans

Target Price

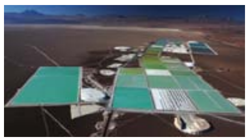
- Trades at 9.5x EV/EBIT and 11.8x EPS on FY2013 estimates (ends September)
- **$100**/share in 6-12 months based on 11x FY2013e EBIT, representing **33%** capital appreciation potential

Rockwood Holdings (ROC, $48.89)

Target Price: $70 - Upside: 43%

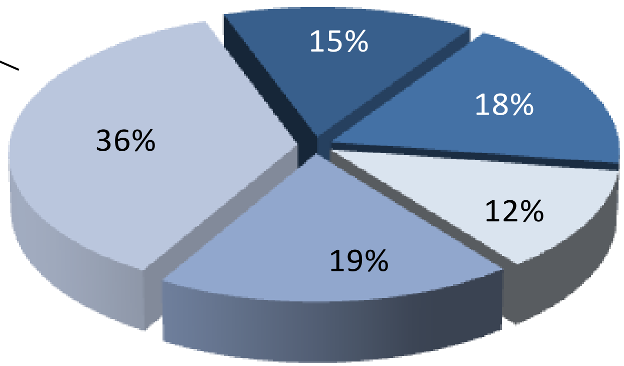
Sales	$4.1Bln
Market Cap	$3.9Bln
EV	$5.3Bln
EBIT	$0.7Bln

% of 2013e EBIT



Lithium

TiO2



Surface Treatment

Advanced Ceramics

Performance Additives

Note: Share price and Market cap are as of September 21, 2012. Sales, EV, EBIT are based on 2013 estimates.

Rockwood Holdings

Strategic Franchise

- Largest lithium miner and producer of lithium derivatives (after Talison acquisition closes); total market is growing 8% without electric automobiles
    - Growing capacity in the U.S. and Chile; taking advantage of market growth and issues with FMC (based in Argentina) and SQM (upstream and potash focused)
- Largest producer of precision ceramic cutting tools and 90%+ market share in ceramic hips; developing ceramic knee replacements and spinal implants
- TiO2: Niche producer focused on specialty products – used primarily in coloring fibers
    - Headline risk, but much smaller actual impact to ROC value (10% of SoTP)
    - Owns 61% of business but fully consolidates EBITDA and $500 million of debt
- Leader in Surface Treatment market – high service and formulation business similar to other specialty businesses
- Performance Additives: levered to a construction recovery
- KKR owns 9% of business; CEO and Founder is 67 years old

Variant View

- Sum of the parts is significantly higher (>50%) than share price, we believe management will capitalize on this discrepancy
- Lithium is a high growth business, even without electric cars, with high barriers to enter; stand alone multiple 10x+ EBITDA
- Surface Treatment: high value specialty/service business with potential sale at 10x+ EBITDA
- Ceramic joints in knees has huge potential, though later in the decade

Recent Developments

- Announced acquisition of Talison for approximately $700 million, one of the largest global lithium suppliers
- Closed on sale of Plastic Compounding Business in 2011 for $300 million, at 8x EBITDA
- TiO2 joint venture paid $250 million dividend to owners in June; IPO planned for 2013
- Joint venture acquired distressed German TiO2 asset in June for very little – opportunity for incremental $0.50 in earnings
- Initiated 3% dividend in June 2012

Target Price

- Trades at 5.8x EBITDA, 7.6x EBITA, 10.0x EPS on 2013 estimates
- Cash EPS $0.55/share higher than GAAP EPS due to intangible amortization from LBO
- **$70**/share in 12-18 months based on 10x 2013e EBIT; representing **43%** capital appreciation potential

Clariant (CLN VX, CHF 11.98)

Target Price: CHF 17.50 - Upside: 46%

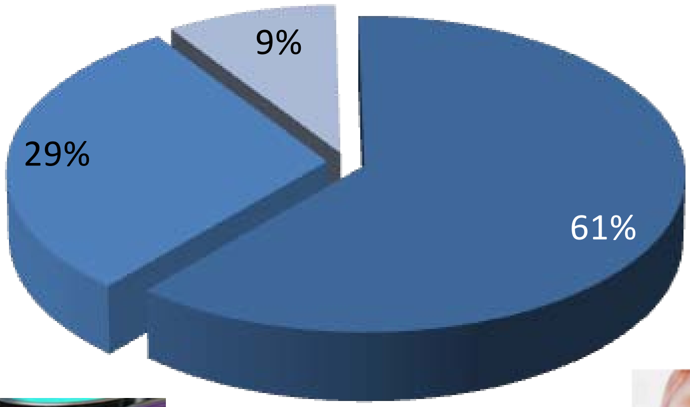
CLARIANT

Sales	$8.9Bln
Market Cap	$3.8Bln
EV	$6.0Bln
EBIT	$0.9Bln

Disposal Group

-Paper
-Textile
-Emulsions

% of 2013e EBIT



Highly Resilient Segments

-Catalysts
-Industrial &Consumer Specialties
-Oil & Mining Services

Cycle Sensitive Segments

-Pigments
-Masterbatches
-Leather

Note: Share price and Market cap are as of September 21, 2012. Sales, EV, EBIT are based on 2013 estimates.

Clariant

Strategic Franchise

- Leading provider of specialty chemicals, with strong positions in process catalysts, consumer, oil & mining chemistry as well as pigments
- More than 60% of EBITDA derived from business with only modest business cycle sensitivity
- Strict price over volume strategy
- Nearly half of revenues from emerging markets

Management's Strategy to Create Value

- Management on track to raise group EBITDA margins from 8-10% pre-2008 to greater than 17% by 2015
- Reduced headcount by 20%, closed 20 sites/plants since 2008, re-located headcount to Asia
- Active portfolio management, added to more defensive businesses (e.g. catalysis, functional materials), disposing off commoditized businesses (e.g. textile, paper)

Variant View

- Due to legacy exposure to cyclical, low growth end markets like textile, leather and paper chemicals, market assigns low valuation multiple; CLN's exposure has undergone a dramatic shift toward more attractive segments
- Having been in restructuring mode for more than four years, CLN has generated little free cash flow; this should improve from 2013 onward
- Financial leverage should improve significantly as CLN makes disposals, generates free cash and its convertible bond is exercised

Recent Industry Activity & Trends

- Refinanced debt at attractive rates (2.5-3.5% yield)
- Carved out non-core assets (Textile, Paper, Emulsions); expect disposal announcement within 6 months
- Started up new plants for battery materials, flame retardants (e.g. Apple iPhone) and consumer chemicals
- Closed on Sud Chemie acquisition ($2.5 billion); cost synergies ($125 million) to support 2012/13 earnings

Target Price

- Trades at 7.2x EBIT, 8.6x EPS on 2013 estimates
- **CHF 17.50**/share in 12-18 months based on 9x 2013e EBIT, representing **46%** capital appreciation potential

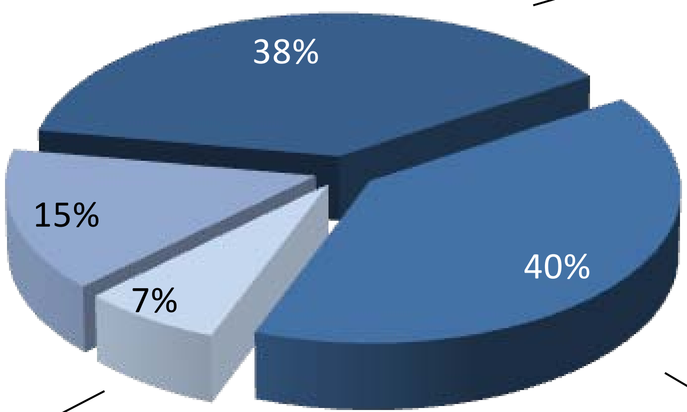
FLSmidth (FLS DC, DKK 352.40)

Target Price: DKK 467 - Upside: 33%

Sales	$4.6Bln
Market Cap	$3.3Bln
EV	$3.3Bln
EBIT	$0.5Bln

Cement

% of 2013e EBIT



Customer Services

Non-Ferrous Minerals

Bulk Materials

Note: Share price and Market cap are as of September 21, 2012. Sales, EV, EBIT are based on 2013 estimates.

FLSmidth

Strategic Franchise

- Leading supplier of equipment and services to minerals and cement industries with flexible cost structure, asset-light business model (85% outsourced) and low working capital requirements
- Geographic and customer diversification with excellent track record of reliability, local presence and 69% of sales from emerging markets
- 38% of EBIT generated from high margin Customer Services division providing spare parts, maintenance, repair and overhaul
- Oligopolistic market structure for key mineral concentrator, hyrdromet and pryomet technologies

Variant View

- Excessive pessimism on mining capex trends given large cap miner comments and China in light of central banking easing measures and Chinese $160 billion stimulus package with potential for additional stimulus with new Chinese government
- Market overly obsessed with iron ore and coal that only make up 7% of FLS's H1-2012 order intake. Copper and gold - both still economic at current commodity prices - substantially more important for FLS, also miners have increasing service requirements to maintain existing assets with increasing overburden requirements as ore quality degrades
- Following five year down-cycle, selective re-start of cement kiln expansion cycle in Middle East, Latin America, Southeast Asia and Russia; non-global cement customers in emerging markets require FLS expertise to manage and operate cement plants after construction

Management's Strategy to Create Value

- Acquired Ludowici for $400 million, which generates 50% of sales in services, increases addressable market with greater synergy potential than market appreciates
- Opened 2 of 8 service supercenters that will help drive both higher margin Customer Service profits and original equipment sales
- New CFO will have greater focus on cost cutting, with increased sourcing from lower cost countries (moving from 40% to 75%)
- Initiation of sale process for non-core fibre cement division and new reporting structure to highlight growth in Customer Services
- Continued bolt-on acquisitions to increase services and add complementary flowsheet technologies

Target Price

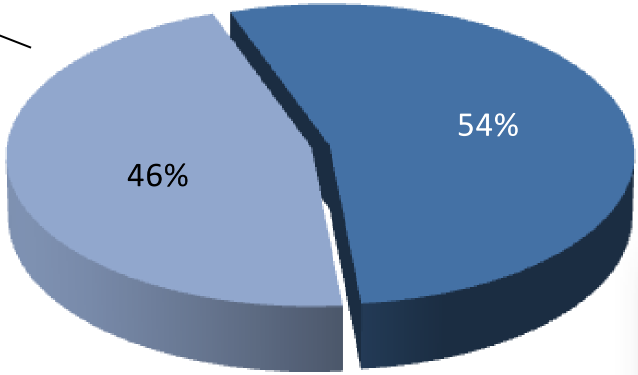
- Trades at 6.4 EBITDA, 7.0x EV/EBIT and 10.7x EPS on 2013 estimates
- **DKK 467**/share in 12-18 months based on 10x 2013e EBIT; representing **33%** capital appreciation potential

Joy Global (JOY, $59.41)

Target Price: $105 - Upside: 77%

Sales	$5.2Bln
Market Cap	$6.4Bln
EV	$7.2Bln
EBIT	$1.1Bln

Surface Mining



Underground Mining

Note: Share price and Market cap are as of September 21, 2012. Sales, EV, EBIT are based on 2013 estimates.

Joy Global

Strategic Franchise

- $5.2 billion manufacturer and servicer of mining equipment
- One of two dominant global players
- Global service network and superior technology allow it to sell based on productivity and low overall cost of ownership
- Expansion into more rapidly growing emerging markets, both organically and through M&A

Predictable Cash Flows

- About 60% of sales come from the maintenance repair and overhaul of its extensive installed base, providing stable cashflows that mining companies don't possess
- During the last recession, JOY EPS fell by 2%, demonstrating resilience of its business model

Variant View

- Coal is JOY's most important end market and the long term demand for that commodity is better than investors perceive. Energy usage increases with per capita GDP, electrification is a high priority for both the Chinese and India governments and coal fired generating capacity already under construction will drive a large increase in the seaborne coal trade

Recent Industry Activity & Trends

- Capital investment will grow more rapidly than demand for minerals as the quality of mineral deposits decline, requiring miners to move more material to achieve the same output
- Emerging economies continue to require commodities to grow
- Excluding acquisition expenses, JOY has trimmed its 2012 operating income outlook by 4% since May due to slower growth globally
- According to JOY, more than 350GW of coal fired electrical generation capacity is under construction, which is more than the total coal fired capacity of the U.S.

Target Price

- Trades at 6.6x EV/EBIT and 9.0x EPS on FY2013 estimates (ends October)
- **$105**/share in 12-18 months based on 11x FY2013e EBIT; representing **77%** capital appreciation potential

THIS DOCUMENT SHALL NOT CONSTITUTE AN OFFER TO SELL INTERESTS IN ANY FUND OR A SOLICITATION OF AN OFFER TO PURCHASE SUCH INTERESTS. ANY SUCH OFFER WILL ONLY BE MADE PURSUANT TO A DEFINITIVE PRIVATE PLACEMENT MEMORANDUM.

THIS DOCUMENT INCLUDES OPINIONS, PROJECTIONS AND OTHER FORWARD-LOOKING STATEMENTS THAT ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ATLANTIC INVESTMENT MANAGEMENT, INC. DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE ANY SUCH STATEMENTS TO REFLECT ANY DEVELOPMENTS AFTER THE DATE OF THIS DOCUMENT.