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UNDERFOLLOWED AD UNDERVALUED: MORE SMALL CAP BARGAINS

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Underfollowed and Undervalued: More Small Cap Bargains

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From the Father of Value Investing

"Investment is most intelligent when it is most businesslike."

-Benjamin Graham

- Do I understand the business?
- Is the balance sheet sound?
- Am I partnering with the right people?
- Am I getting a great deal?

Rarely worth compromising on these criteria; why not insist on the complete package before committing your hard-earned capital?

Investment Idea: ClubLink Enterprises (TSX: CLK)

Golf Club and Tourism Operator

Snapshot

Price	Diluted Shares O/S
$7.55*	26.7 million

Market Cap	Dividend
$201 million*	$0.30* (4.0% yield)

- *All financial figures pertaining to ClubLink are in Canadian dollars unless otherwise noted*

ClubLink: Two Segments

Golf

- 51 golf clubs in Canada and US
- Three geographic clusters: Southern Ontario/Muskoka, Quebec/Eastern Ontario, Florida

Rail, Tourism & Port

- Three docks providing four berths in Port of Skagway, Alaska
- White Pass & Yukon Route: railway built in 1898 during Klondike Gold Rush, now operated as tourist excursion between Skagway and Yukon

Why is ClubLink Worth Your Attention?

- Two high-quality, predictable and growing businesses trading at 5.5x free cash flow (FCF)
- Golf and tourism business each worth more than stock price
- Tremendous growth opportunity in distressed industry and financial strength to fully exploit it
- Excellent management and capital allocation

Why is It So Cheap?

- No sell-side coverage or conference calls
- Illiquid due to high insider ownership
- Unusual business: owns two totally unrelated divisions; named after golf segment yet also runs tourist operation in Alaska
- Recently-acquired Florida golf clubs significantly under-earning; masks true earnings power and magnitude of US opportunity

Brief History

- 1997: outside investor Rai Sahi wins proxy contest against metals distributor Russel Metals, begins divesting non-core assets
  - Spins off White Pass via rights offering into public firm called Tri-White
  - Rights offering underfollowed, Sahi takes control of Tri-White
- 2001: Tri-White buys 25% stake in ClubLink Corp. (LNK) held by ClubCorp (US golf club owner)
  - In ensuing years, uses additional purchases, buybacks by LNK to boost ownership to over 70%
- 2009: Acquires rest of LNK, changes name from Tri-White to ClubLink Enterprises

Asset Quality: Golf

- Canada's largest golf club owner with some of top clubs in country
  - 7 of its 39 Canadian clubs ranked among 100 best in Canada*
- Highly cash flow generative
  - Annual dues and portion of entry fees paid upfront, no cash taxes for years due to accelerated depreciation
- Competitive advantage: scale allows members to enjoy numerous clubs under one membership
  - Creates compelling acquisition economics; each acquisition enhances value of both acquired club and rest of network

CLUBLINK ONE MEMBERSHIP more golf

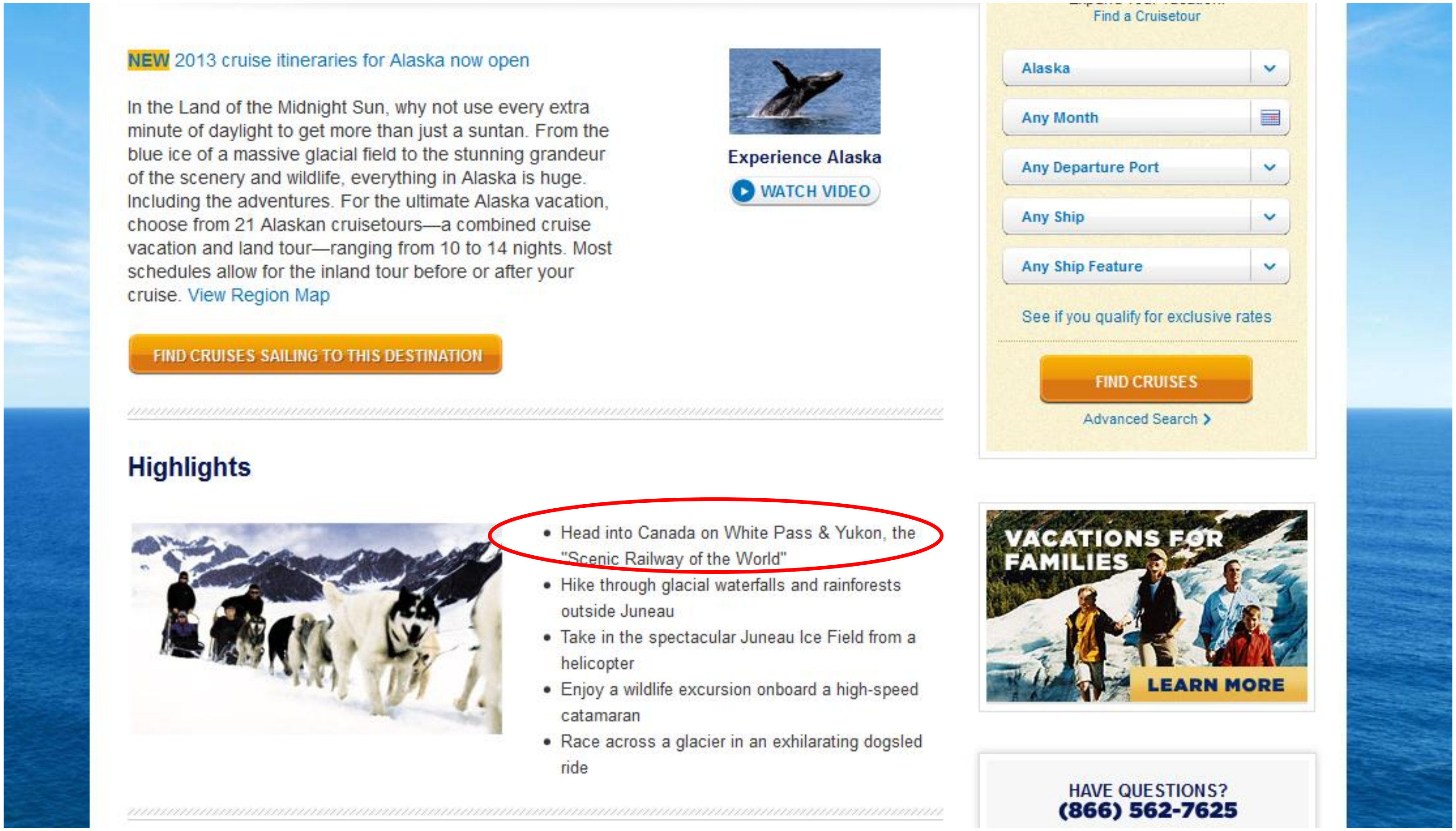
- **Source: SCOREGolf magazine 2012 rankings*

Asset Quality: Tourism

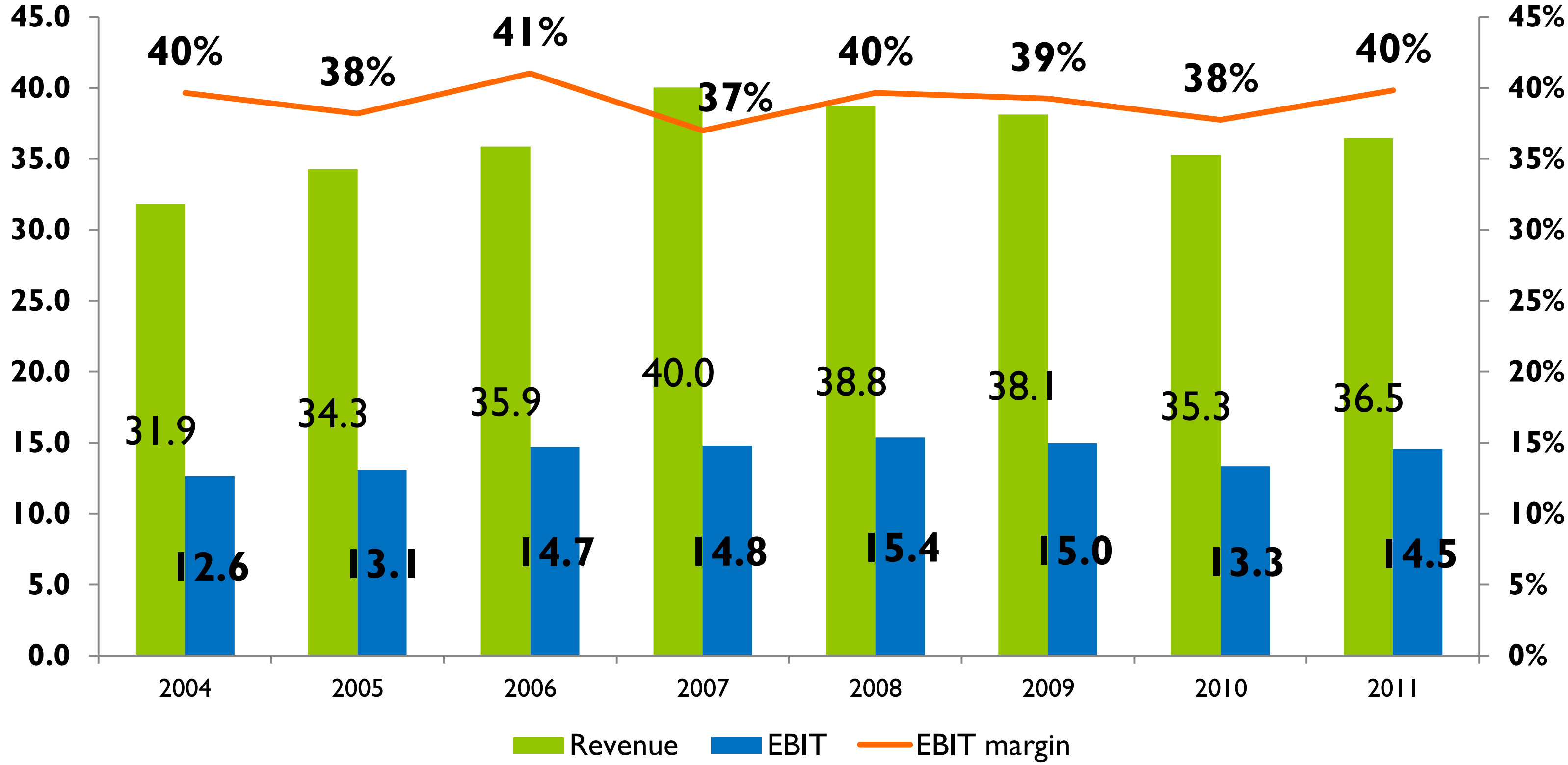
- 80% of all Alaska cruise ship passengers dock at ClubLink's docks in Port of Skagway (e.g. 81% in 2011)
- Approximately half of cruise passengers arriving in Skagway take White Pass excursion
- White Pass recognized as one of 36 International Historic Civil Engineering Landmarks (others incl. Panama Canal, Eiffel Tower, Statue of Liberty)

White Pass: Alaska's most popular excursion and truly irreplaceable asset

Cruise lines promote White Pass to their passengers, bringing business to ClubLink with little effort by company itself



Tourism Segment: Revenue and Profitability



Earnings resilient during economic decline, will reach all-time high in 2013

- *Note: amounts in millions of US dollars (segment's local currency)*

Terrific Owner-Operator

- CEO Rai Sahi: control investor whose whole career built on opportunistic acquisitions
- Outstanding capital allocator, aggressive buyer of stock
- Has issued options only once in past eight years (131K granted – less than 0.5% of outstanding shares)

History of Shrewd Capital Allocation

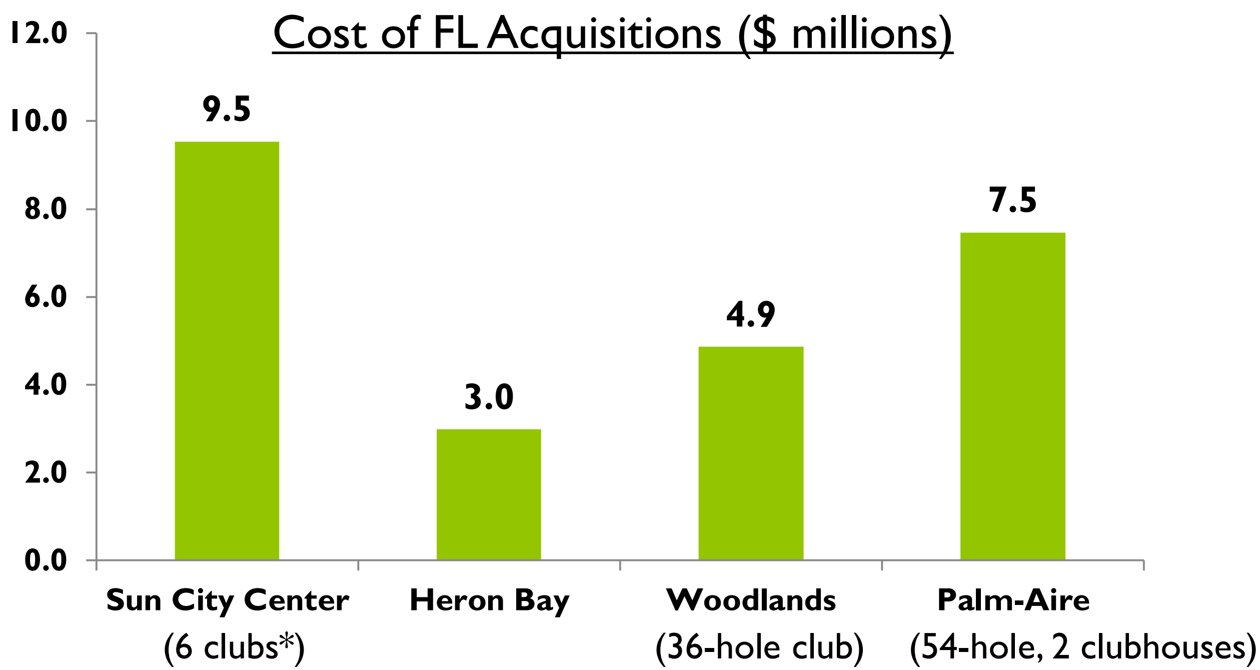
- Repurchases: 19% of shares in past 12 years, 5% in H1 2012
  - Impressive given stock's low float (Sahi owns 66% of company)
- Purchase of initial 25% stake in LNK from ClubCorp – 2001
  - ClubCorp desperate for cash to avoid violating covenants; sold to Tri-White at 17% discount to LNK market price, greater discount to intrinsic value
- Buyout of remaining 28% interest in LNK – 2009
  - Takeover done at ~15% discount to midpoint of bankers' valuation of LNK; valuation prepared amid one of worst market crashes in history

Florida/US: A Massive Opportunity

- Florida golf market significantly overbuilt
- Many lenders pulled out of golf industry in 2008-2009
- ClubLink entered FL in 2010, has since acquired 11 clubs at fraction of replacement cost
- Potential to expand dramatically in FL and elsewhere in US at extremely attractive prices

US Acquisitions at Fire-Sale Prices

Approx. cost to develop 18-hole club on turnkey basis: $15 million to $18 million



Spent $25 million acquiring properties with replacement cost considerably over $100 million

- **Excluding one club closed by previous owner. Management is reviewing options for this facility.*

Insider Buying: Rai Sahi

	Shares (thousands)	Average Price	Cost (thousands)	% of Shares Outstanding
Past five years	1,466	$7.34	$10,757	6%
Year-to-date	462	$6.80	$3,140	2%

Balance Sheet Strength

- Weighted average maturity of long-term debt: 2022
- Approximately three-quarters of debt comprised of fully-amortizing mortgages on golf clubs; avg. maturity: 2025
  - Paying higher interest rate in order to minimize refinancing risk
- Numerous unencumbered assets

Consolidated P/FCF

Op. cash flow before changes in WC	$40.8
Non-recurring items*	(2.6)
Maintenance capex	(8.8)
Taxes	(2.9)
Consolidated FCF	$26.5
Per share	$0.99
P/FCF	**7.6**

While already attractive, consolidated multiple does not adjust for assets that generate no FCF but are nonetheless highly valuable

**Amounts in millions. Non-recurring items include prior-year property tax refunds, severance and other one-time items.*

Valuable Assets Contributing No FCF

- Florida clubs: sustained losses in 2011, breaking even on trailing twelve-month basis
  - Capable of material cash flow in normalized environment
- Development assets: 757 acres of surplus land, up to seven potential future 18-hole equivalent courses

These holdings presently making no money yet have substantial hard asset value

P/FCF Excluding Florida Clubs, Development Assets

FL clubs	$35
Development assets	21
Value	$56
Per share	$2.11
Price excl. FL clubs, dev. assets	5.44
FCF per share	0.99
P/FCF	**5.5**

Truly compelling valuation for high-quality business with outstanding management and strong growth prospects

- *Note: amounts in millions*

FCF Multiple: Golf Segment Only

EBITDA	$39.5
Membership fee instalments	10.0
Land lease rent	(5.3)
Interest	(19.6)
Allocation of corporate costs	(2.2)
Maintenance capex	(5.5)
Taxes	(1.4)
FCF: golf segment	$15.5
Per share	$0.58
Price excl. FL clubs, dev. assets	5.44
P/FCF: golf	**9.3**

Golf business alone worth more than ClubLink's stock price, valuing tourism segment's irreplaceable assets below zero

- *Note: amounts in millions*

FCF Multiple: Tourism Segment Only

EBITDA	$17.8
Land lease rent	(0.2)
Interest	(1.2)
Allocation of corporate costs	(0.5)
Maintenance capex	(3.5)
Taxes	(1.5)
FCF: tourism segment	$11.0
Per share	$0.41
Price excl. FL clubs, dev. assets	5.31
P/FCF: tourism	**13.2**

Even smaller tourism segment singlehandedly justifies entire stock price; ultimately, either way one looks at it, investors get one of ClubLink's two businesses for free

- *Note: amounts in millions*

Catalysts

- Normalizing of results from existing Florida portfolio and incremental acquisitions highlight earnings power and growth potential of US golf operation
- Built-in growth in tourism segment: passengers to Port of Skagway scheduled to rise 10% next year*; earnings/FCF will grow at greater rate due to operating leverage
- Continued aggressive repurchases

**Source: Cruise Line Agencies of Alaska*

Conclusion: ClubLink

High-quality business available at depressed valuation

Enormous growth potential

History of exemplary capital allocation, aggressive insider buying

4% dividend yield while you wait

Investment Idea: Canam Group (TSX: CAM)



Construction Products Manufacturer

Snapshot

Price	Diluted Shares O/S
$5.05*	42.1 million

Market Cap	Enterprise Value
$213 million*	$476 million*

- **All financial figures pertaining to Canam are in Canadian dollars unless otherwise noted*

Background

- Main product lines: steel joists and decks, structural steel, steel bridges
- Largest steel joist and deck producer in Canada (75% market share), third in US (15% market share, top three control 90%)
- Largest Canadian producer of steel bridges (35-40% of market)
- 20 manufacturing facilities in Canada and US

Why is Canam Worth Your Attention?

- Valued at paltry 3.8x normalized FCF
- Just 2.7x FCF excluding non-core assets being actively monetized
- Intelligent management: exploited economic downturn to execute substantial repurchases, takeovers at extraordinary prices
- Trades at 69% of meaningfully understated book value

Why is It So Cheap?

- US operations (approximately two-thirds of revenue in normal environment) remain mired in severe cyclical downturn
- Industry slump has masked significant acquisitions, repurchases and capital investments in recent years that have substantially boosted earnings power
- Multiple non-core investments – unrelated to business, generate minimal earnings, create confusion

Management That Thinks Like Owners

Canam founded over 50 years ago and still run by Dutil family; owns 16% of company

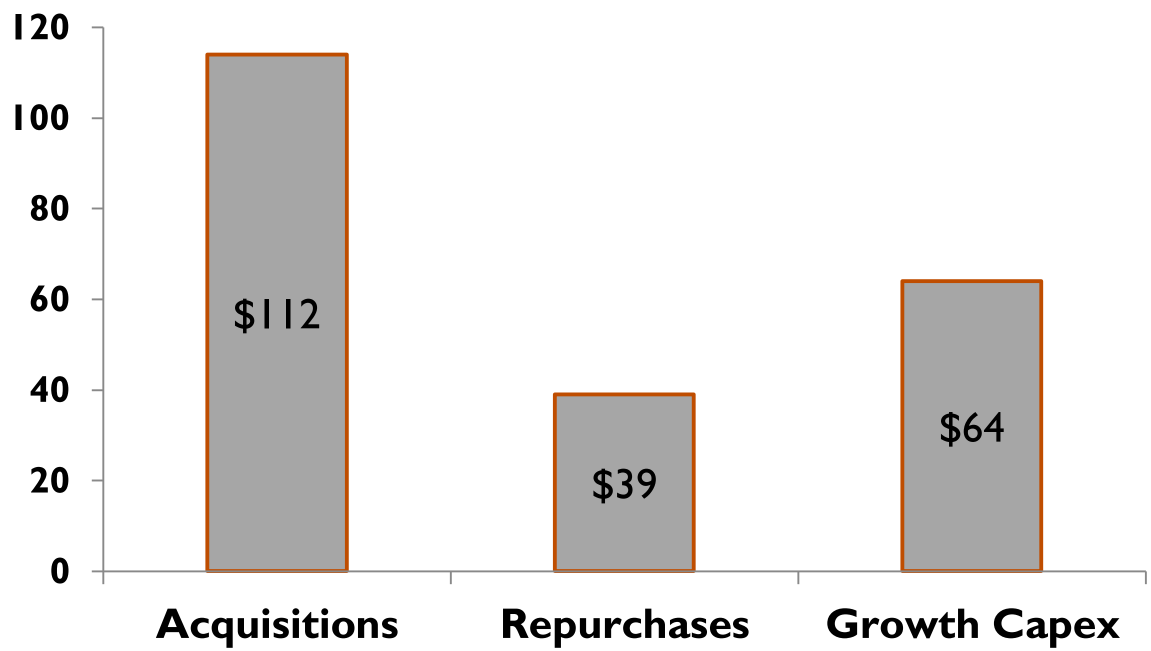
"The theme is very simple... we went through some very, very nice years... didn't go overboard on capex, didn't go overboard on share buybacks, didn't go overboard on dividends, didn't go overboard on acquisitions. And it was to prepare ourselves for a period where the dollar goes a little further."

-CEO Marc Dutil

That period arrived starting in late 2008 – <u>and Canam pounced</u>

Investments Since Economic Slowdown

From 2008 to 2011, Canam opportunistically deployed capital into acquisitions, buybacks and capex initiatives that have materially enhanced intrinsic value per share



- *Note: amounts in millions*

Transformative Acquisitions

- Purchased two US companies in 2010 – cyclical trough
- FabSouth: structural steel producer with six plants in FL, GA and NC
- United Steel Deck: deck manufacturer; Canam acquired two plants in IL and NJ plus machinery and equipment of third

Together, these deals will boost Canam's normalized FCF by 50% or more

Transaction Valuation: FabSouth

Cost	$83.2

EBITDA	$29.8
Maintenance capex	(1.5)
Taxes	(8.5)
FCF	$19.8
EBITDA multiple	2.8
FCF multiple	**4.2**

FabSouth also came with some $20 million in real estate (owned all its plants), making actual purchase price even cheaper

- *Note: amounts in millions of US dollars*

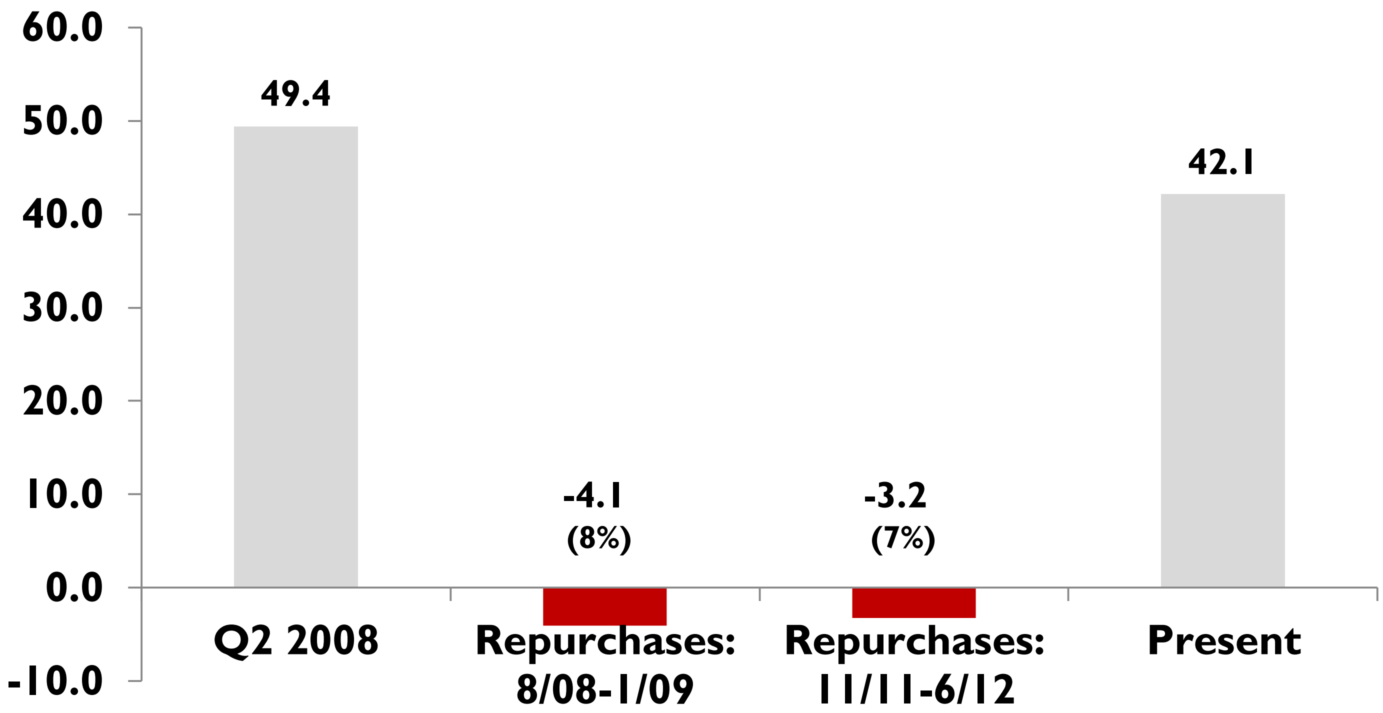
Transaction Valuation: United Steel Deck

Cost	$23.8
EBITDA	$11.0
Maintenance capex	(1.5)
Taxes	(2.9)
FCF	$6.7
EBITDA multiple	2.2
FCF multiple	**3.6**

Canam recorded US$7.2 million gain (30% of cost) – acquired working capital and real estate alone worth more than purchase price

- *Note: amounts in millions of US dollars*

Share Count Reduction



Retired 15% of outstanding shares at average cost of $5.37; at current prices, Canam is almost certain to execute another large buyback in coming year

- *Note: amounts in millions*

Financially Sound

- Weighted average maturity of long-term debt: Nov. 2016
  - Excluding US revolvers in process of being renewed: Apr. 2017

- Only 27% of debt currently subject to earnings-based covenants

- $263 million in debt backed by $527 million of net WC, land and buildings at cost, and non-core assets being actively monetized
  - Land and buildings at cost understate real estate value

Debt not only manageable but also incurred for good reason; accretive investments highlighted earlier account for 82% of present debt levels

Real Estate

	Square Feet (thousands)	Built/Bought
St. Gedeon, QC	480	1960
Mississauga, ON	215	1984
Washington, MO	145	1984
Point of Rocks, MD	250	1986
Jacksonville, FL	206	1995
Boucherville, QC	108	1996
Calgary, AB	133	1996
Laval, QC	80	1997
Sunnyside, WA (2 plants)	250	1997
Quebec City, QC	229	1998
Total	**2,097**	
% of total owned sq. ft.	67%	
Average year acquired	**1989**	

Canam owns every one of its 20 facilities – 3.1 million sq. ft. in total, of which 2.1 million owned on average since late 1980s

P/FCF Based on Average EBITDA in Last Cycle

Average EBITDA in last cycle	$63
Contribution from acquisitions	40
Pension adjustment	(2)
Interest	(15)
Maintenance capex	(12)
Taxes	(19)
FCF	$56
Per share	$1.32
P/FCF	**3.8**

Note: amounts in millions

P/FCF Based on Results Prior to Economic Downturn*

	2008	2007	2006	2005
Op. cash flow before changes in working capital	$68.5	$66.9	$56.5	$64.5
Stock-based compensation	(1.6)	(0.9)	(0.4)	(0.2)
Pension adjustment	(1.1)	(0.9)	(0.9)	(1.2)
Maintenance capex	(12.0)	(12.0)	(12.0)	(12.0)
FCF	$53.9	$53.0	$43.2	$51.2
Per share	$1.28	$1.26	$1.03	$1.21
P/FCF	**3.9**	**4.0**	**4.9**	**4.2**

Using either methodology, Canam egregiously cheap

- **Amounts in millions. Results in these years were above mid-cycle levels; however, this is more than offset by absence of results from FabSouth and United Steel Deck (acquired in 2010) and other factors.*

Non-Core Assets

For more accurate valuation, we must adjust for assets unrelated to Canam's business, which it is in process of disposing

Alta Industriel*	$16.6
Long-term debenture from Manac*	3.7
Note receivable from Placements CMI	13.0
Aviation CMP/SEC GIPZ	15.2
United Steel Structures	10.0
Investment in LP	6.0
Est. recovery from BC Place supplier	5.0
Value of non-core assets	$69.5
Per share	$1.65
Non-core assets: % of price	**33%**

**Amounts in millions. For conservatism, book values of Alta Industriel, Manac debenture have been discounted by 25%.*

FCF Multiple Adjusted for Non-Core Assets

FCF	$55.5
Income from JVs and associates	(0.6)
Distribution from LP	(1.8)
FCF excl. non-core assets	$53.0
Per share	$1.26

Share price	$5.05
Non-core investments per share	(1.65)
Share price excl. non-core assets	$3.40

Implied P/FCF: core business	**2.7**

As undervalued as Canam appears on surface, in fact it is even cheaper

Note: amounts in millions

Price to Tangible Book Value

Reported equity	$357
Intangible assets	(9)
Goodwill	(39)
Tangible BV	$309
Per share	$7.33
P/TBV	**69%**

Book value understated due to real estate: company has owned vast majority of its facilities for average of 23 years

- *Note: amounts in millions*

Catalysts

- Rebound in US operations – earnings, FCF will skyrocket
  - Market underestimates degree to which earnings power has grown due to investments in recent years
  - Improvement already visible: consolidated EBITDA totaled $20.5 million in H1 2012 vs. $(14.7) million in H1 2011
- Continued monetization of non-core assets, debt repayment
- Resumption of dividends as earnings rebound
  - Canam previously paid dividends; reinstating payout will attract investors who sold out following their suspension

Conclusion: Canam

Numbers speak for themselves: stock incredibly undervalued

Weathered serious downturn, results now turning corner

Shareholder-friendly management with record of shrewd acquisitions and buybacks