

**CLARKE**

**Clarke Inc.  
Investor Presentation**

*March, 2014*



# Forward-Looking Statements

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This document may contain or refer to certain forward-looking statements relating, but not limited to, Clarke's expectations, intentions, plans and beliefs with respect to Clarke. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "budget", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or equivalents or variations, including negative variations, of such words and phrases, or state that certain actions, events or results, "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. These forward-looking statements include, but are not limited to, statements regarding the trading price of the Company's securities not fully reflecting the value of the Company's business. Forward-looking statements include, without limitation, those with respect to the future price and value of securities held by the Company, changes in these securities holdings, changes to the Company's hedging practices, currency fluctuations, requirements for additional capital, changes to government regulations, the timing and possible outcome of pending litigation and the estimated gain from, and pro forma book value as a result of, the sale of the Freight Transport Business.

Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of Clarke to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Risks and uncertainties include, among others, the Company's investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company's investments, and interest rates and foreign currency fluctuations. Although Clarke has attempted to identify important factors that could cause actual actions, events or results or cause actions, events or results not to be estimated or intended, there can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable Canadian securities laws, Clarke does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

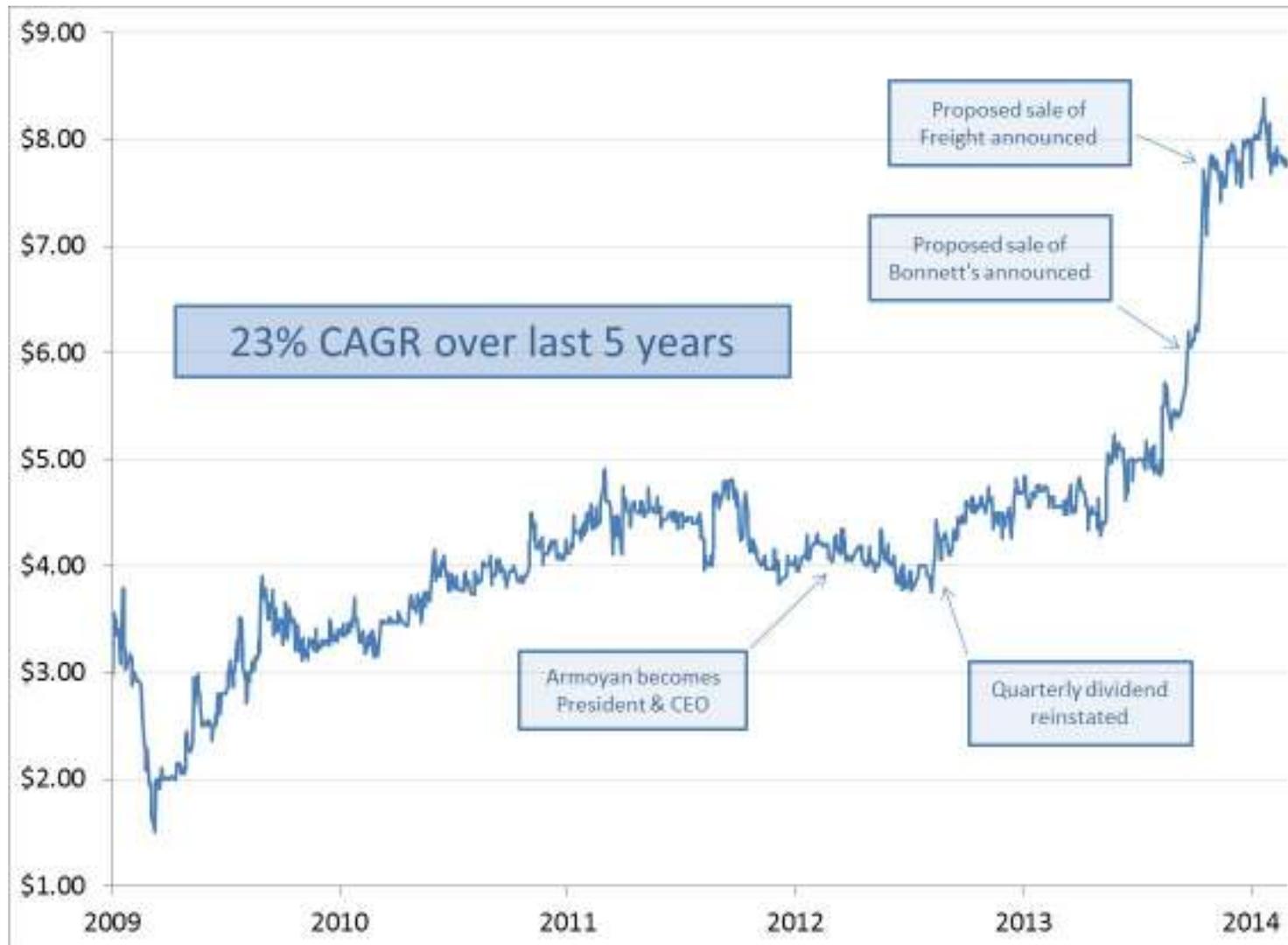
All information contained in this presentation is dated as of March 5, 2014 unless otherwise specified.

## Overview of Clarke Inc.

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- Publicly-traded investment company based in Halifax, Canada
  - \$142.7mn Market Cap
  - \$134.3mn Enterprise Value
  - Trades on Toronto Stock Exchange (TSX) under the symbols CKI and CKI.DB.A
- Focused on acquiring undervalued or underperforming businesses with hard assets, working with management to improve operations, capital allocation and performance and divesting once corporate results and valuations have improved
- Long-term investor in its businesses
- Objective is to increase net asset value per share while returning capital to shareholders

# Clarke Inc. (CKI) 5-Year Stock Chart



# Executive Team

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## **GEORGE ARMOYAN** – *President & Chief Executive Officer*

- Entrepreneur with extensive experience in real estate development, mergers and acquisitions and capitalizing on turn-around opportunities over his 32 year career.
- Mr. Armoyan holds an Executive MBA from Harvard Business School.

## **ANDREW SNELGROVE**, CPA, CA – *Chief Financial Officer*

- Directs the company's financial reporting, treasury, tax accounting and budgeting activities. Before joining Clarke, Mr. Snelgrove practiced public accounting.
- Holds a Bachelor of Commerce degree (distinction) from Dalhousie University.

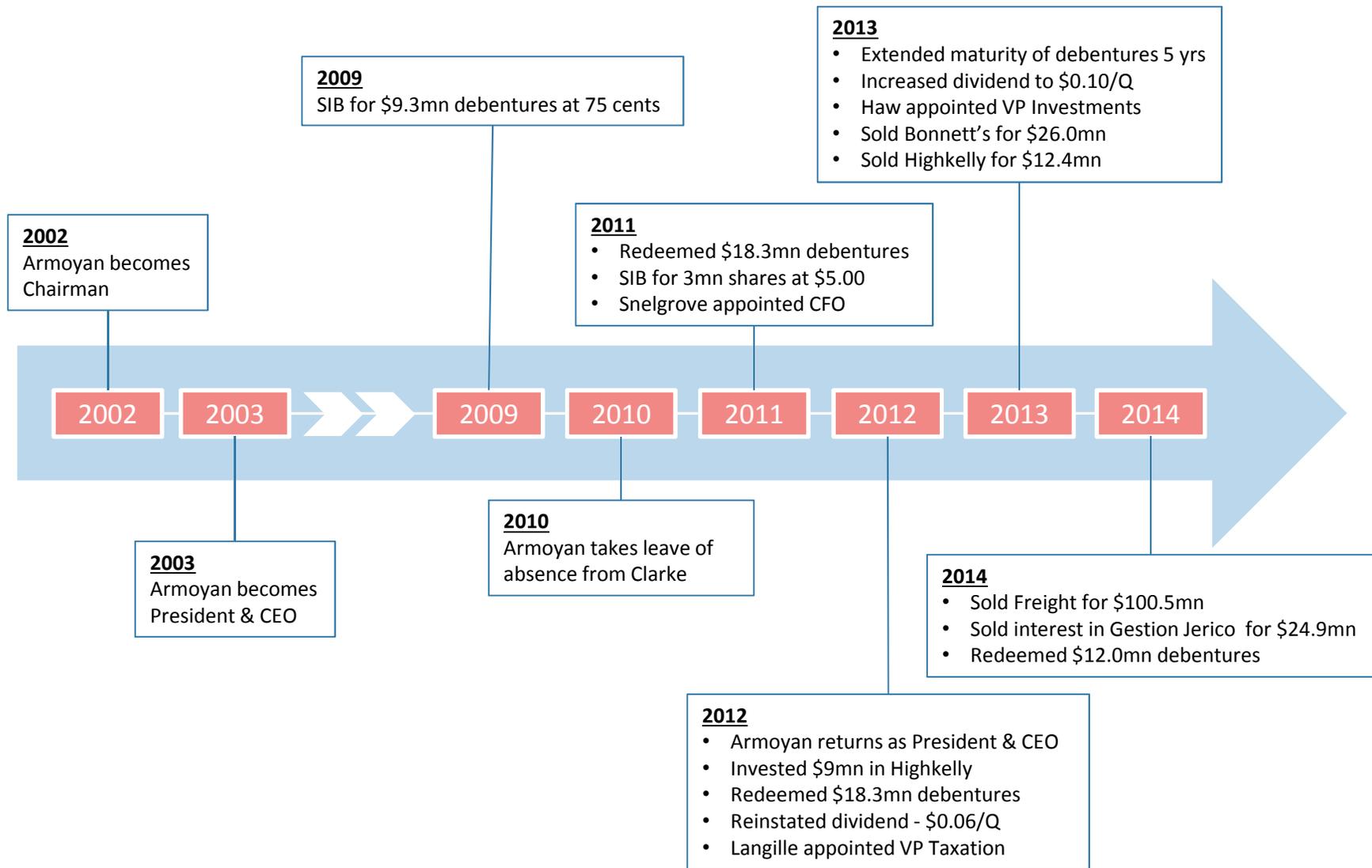
## **DUSTIN HAW**, PhD – *Vice President, Investments*

- Leads investment team. Before joining Clarke, Dr. Haw was an investment analyst at a private investment firm.
- Holds a PhD in physics from the University of Western Ontario.

## **KIM LANGILLE**, CPA, CA – *Vice President, Taxation*

- Leads tax department, including oversight of tax planning, reorganizations, tax compliance and reporting.
- Before joining Clarke, Ms. Langille was a Senior Tax Manager with a public accounting firm.

# Corporate History and Select Transactions



# Clarke Today

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## ➤ Focus on:

- ✓ Identifying new investment opportunities
- ✓ Simplifying corporate structure
- ✓ Returning capital to shareholders through regular dividends, share repurchases and opportunistic debt reduction
- ✓ Increasing liquidity and public float
- ✓ Increasing transparency and making financial statements more user friendly

## ➤ Well positioned for growth with strong balance sheet:

- ✓ \$46.5mn cash
- ✓ \$130.5mn marketable securities
- ✓ \$12.0mn private company investments
- ✓ \$87.1mn other assets, including real estate, private equity and pension surplus

## Public Portfolio

- Marketable securities of \$130.5mn
- Realize income through dividends, interest payments and capital gains

	Ticker	Value (\$mn)*	% of Portfolio
Sherritt International Corporation	S	\$43.9	34%
Supremex Inc.	SXP	\$26.2	20%
TerraVest Capital Inc.	TVK	\$21.2	16%
Royal Host Inc. (Debentures)	RYL.DB	\$16.4	13%
Spyglass Resources Corp.	SGL	\$12.2	9%
Royal Host Inc. (Equity)	RYL	\$7.6	6%
Vitran Corporation, Inc.	VTN	\$3.0	2%
<b>TOTAL</b>		<b>\$130.5</b>	<b>100%</b>

\* As of March 05, 2014









## Private Company Investments

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### ➤ Private company investments of \$12.0mn

#### **La Traverse** (100% interest)

- Passenger ferry operating in Rivière-du-Loup, QC



#### **MV Shamrock** (100% interest)

- Container ship operating in the Caribbean



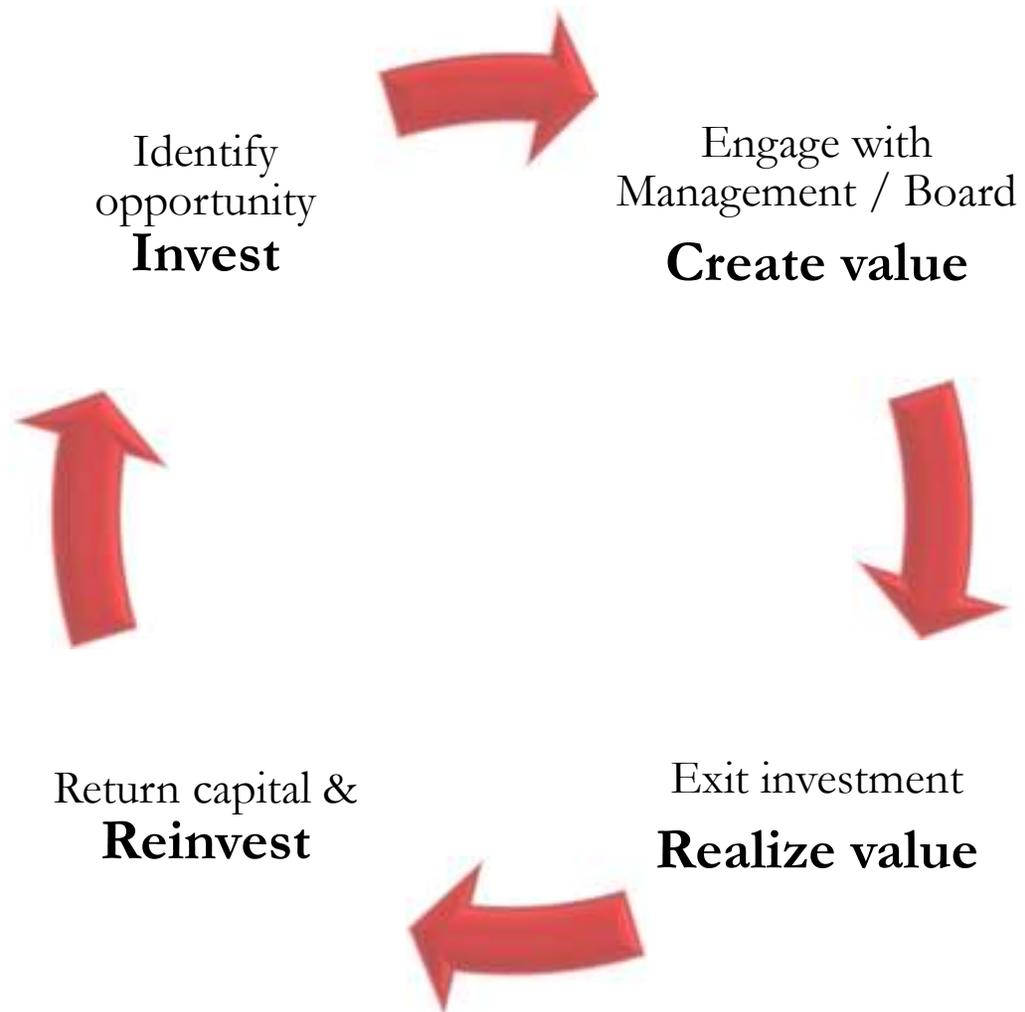
## Other Assets

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- Other assets worth \$87.1mn
  - Private debt investments of \$27.9mn
  - Real estate portfolio worth \$7.5mn
  - Private equity portfolio worth \$3.6mn
  - Pension surplus of \$48.1mn
  
- Non-capital tax loss carry-forwards of \$30.5mn (pro forma for sale of Freight division)

# Investment Process

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## Case Study #1: Highkelly Drilling Ltd.

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- Clarke acquired 38% of Highkelly for \$9mn in January 2012
- Highkelly is a private contract drilling company based in Calgary, AB
- Signed drilling contracts with Progress Energy
  - First drilling rig was delivered to Progress in October 2012
  - Second drilling rig was delivered to Progress in February 2013
  - Began construction of third drilling rig by fall of 2013
- Sold interest in Highkelly for \$12.5mn to CanElson Drilling Inc. (TSX: CDI) in December 2013
  - Total gain of \$3.4mn
  - IRR of 19%



## Case Study #2: Gestion Jerico

### ➤ Invest

- Acquired secured debt of Granby Industries LP, a manufacturer of residential tanks
- **Launched take-over bid for Granby at a market value of \$1.3mn in January 2008**
- EBITDA was \$490k

### ➤ Create Value

- Consolidated commercial and residential tank industry
- Rationalized cost structure and used cash flow to reinvest in non-residential tank businesses
- Currently one of the largest tank manufacturers in Eastern Canada
- Clarke received all of its investment back plus dividends
- Increased EBITDA to \$10.4mn

### ➤ Realize Value

- **Sold 75% equity interest in Gestion Jerico for \$24.9mn in February 2014**



# Clarke Going Forward

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## 1. Focus on Creating Shareholder Value

- We do not need to be fully invested
- We do not invest to generate management or director fees
- We invest when we can make an acceptable return with a sufficient margin of safety
- We will continue to identify and invest in undervalued and underperforming entities

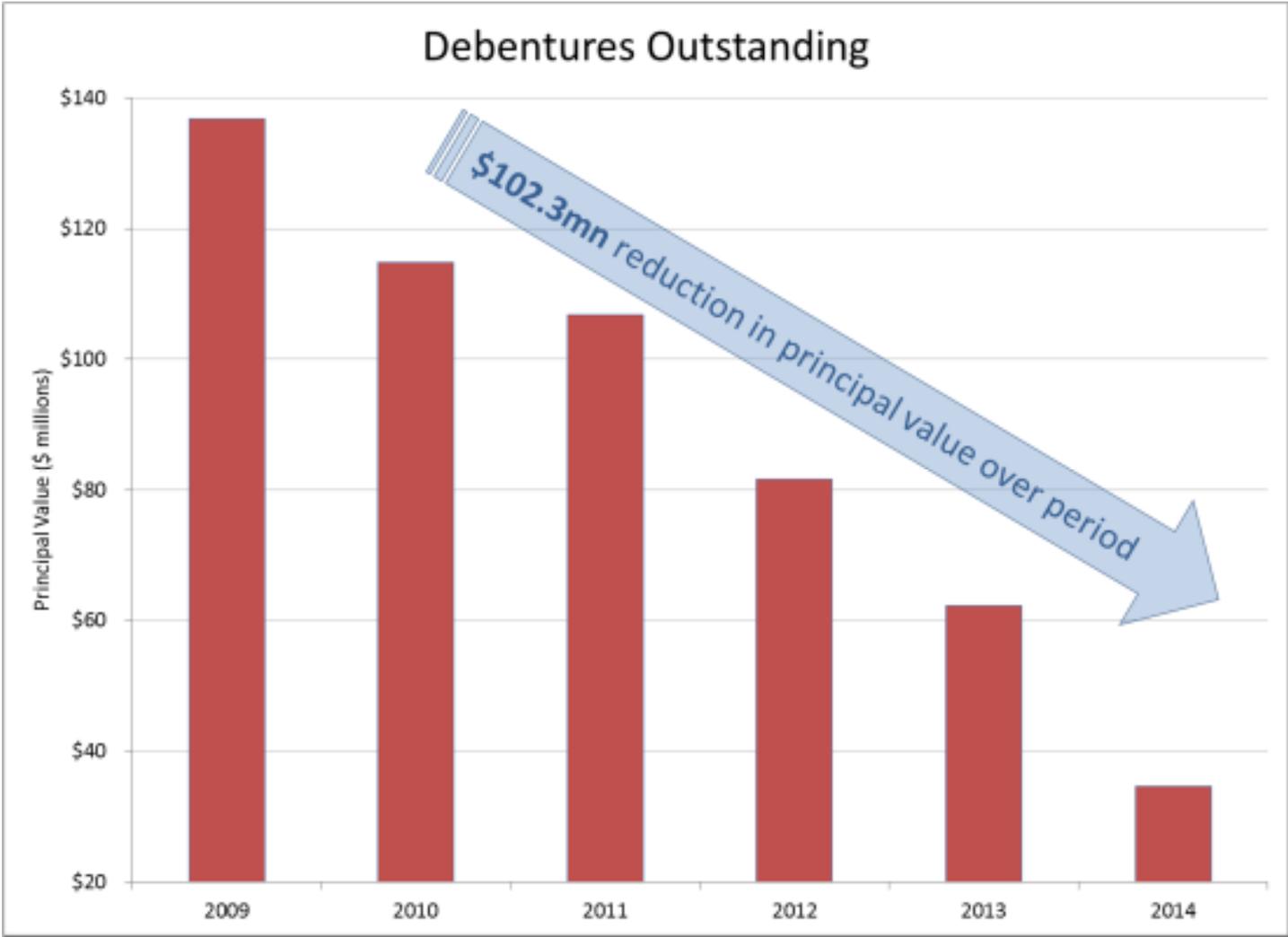
## 2. Focus on Capital Allocation

- Repurchase shares and debentures at a discount to book value and par
- Accretive to shareholders

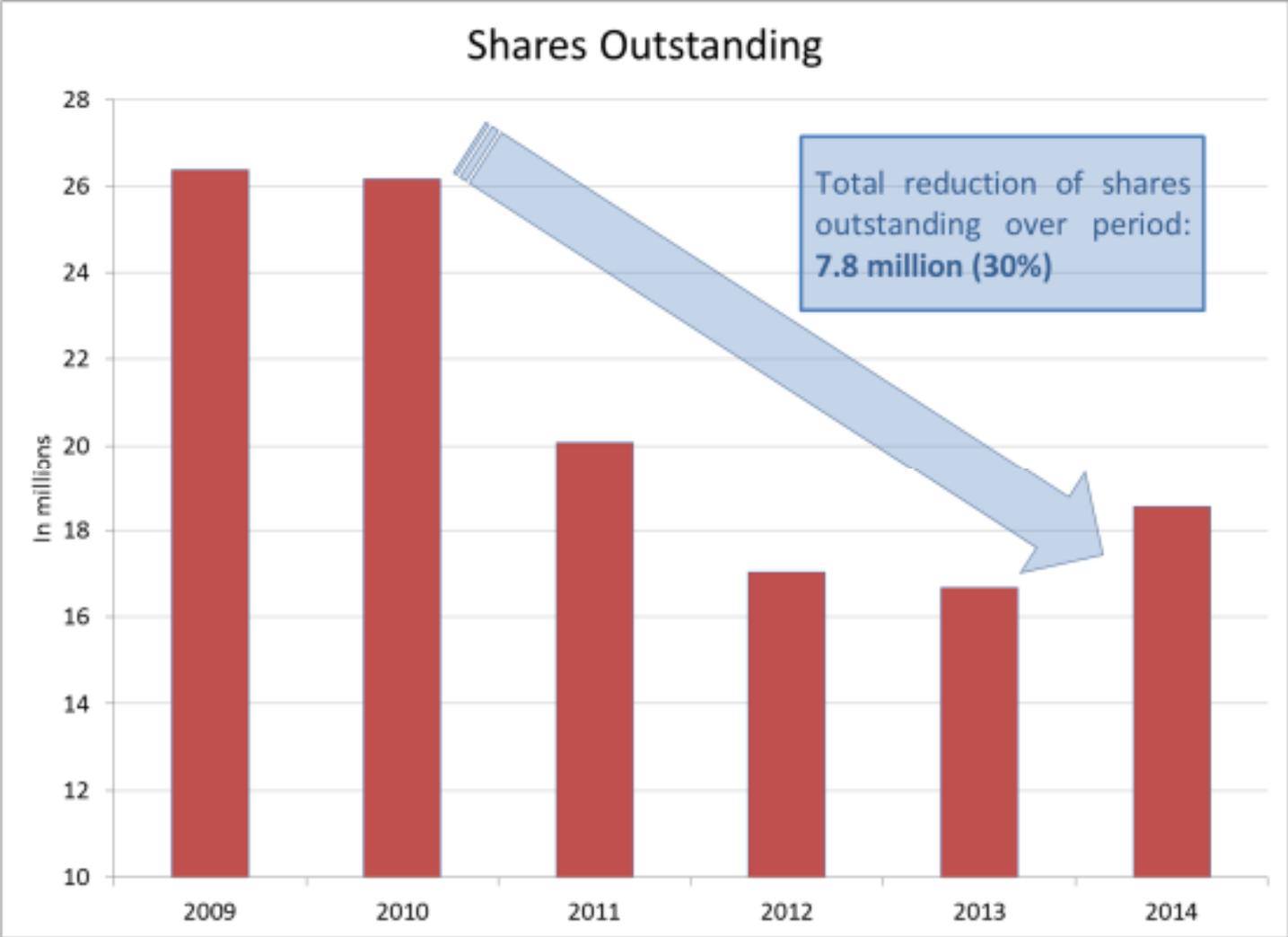
## 3. Focus on Simplifying Corporate Structure

- Divested legacy assets; more concentrated portfolio
- Applied sale proceeds to debt reduction
- Simplified financial statements

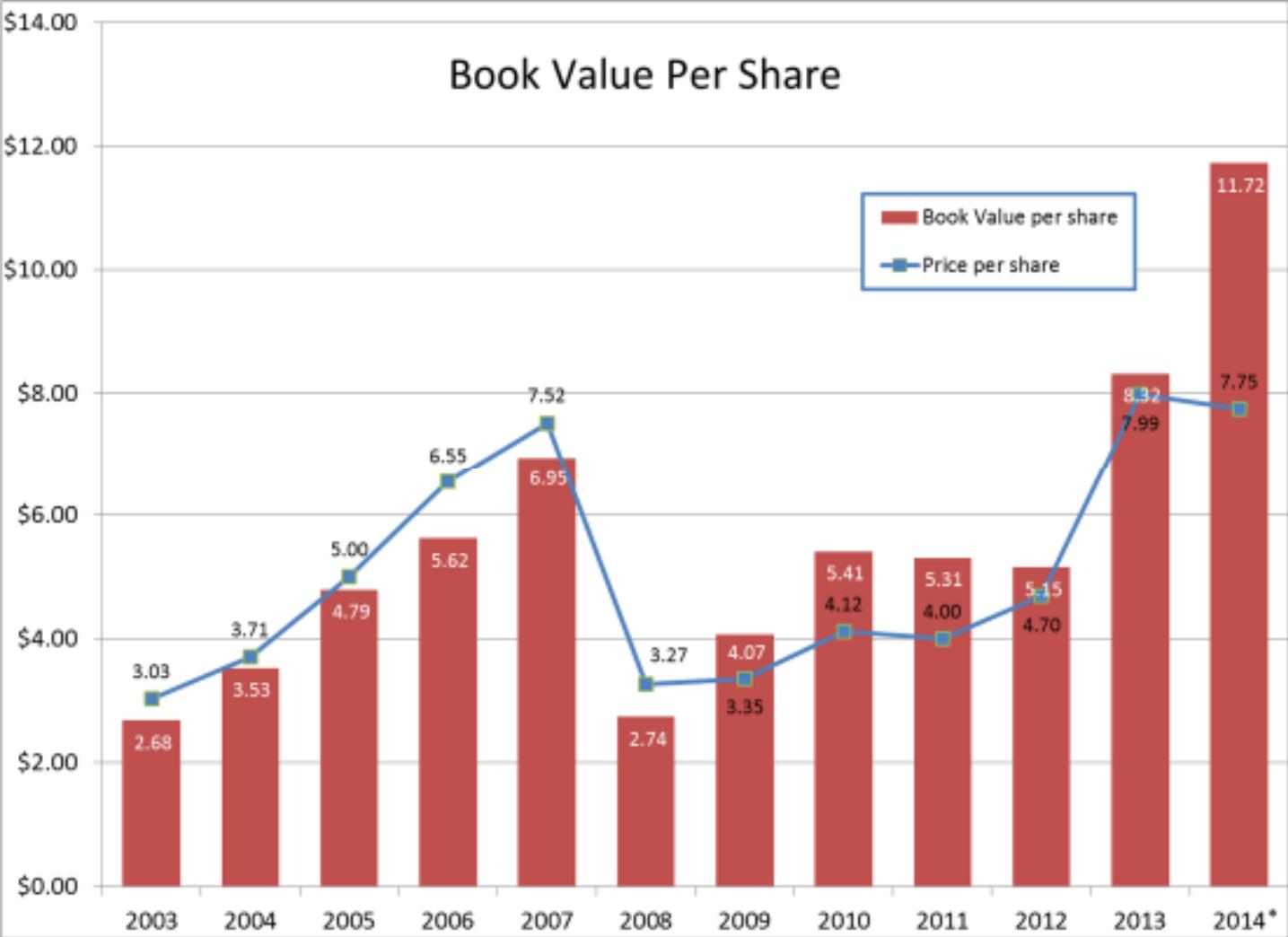
# Reduction in Debentures Outstanding



# Reduction in Shares Outstanding



# Investment Performance



\* Book value estimated as Q4 2013 BV plus estimated realized gains on sale of Freight Transport Business.

## Capital Structure

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### Clarke Inc. (TSX: CKI)

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Shares Outstanding	18,530,934
Share Price	\$7.70
52-Week Trading Range	\$4.25 – \$8.40
Market Cap	\$142.7mn
Cash	\$46.5mn
Debentures	\$34.5mn
Total Debt*	\$38.1mn
Enterprise Value	\$134.3mn

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\* \$3.6mn (10%) is non-recourse debt

## Contact

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