



RESEARCH ANNUAL 2018

Dear Investors,

IT IS WITH GREAT PLEASURE WE PRESENT THE ELEVATION CAPITAL RESEARCH ANNUAL 2018.

Elevation Capital was founded on the philosophy of “Independent Thinking – Disciplined Investing”.

INDEPENDENT THINKING [In-de-pend-ent Think-ing] ində'pendənt THiNkiNG verb

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying. We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING [Dis-ci-plined In-vest-ing] disciplinəd inves'ting verb

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. Our investments are premised on the concept of “Margin of Safety” which we believe reduces risk.

We believe this research publication clearly emphasises our continued adherence to our founding philosophy. It provides our investors, and potential investors, with the ability to review and critique our investment ideas, which are presented on an annual basis in this format.

While it is important to be able to articulate our investment process and ideas clearly, it is also critical to ensure those ideas add value. With this in mind we have also published our “batting average” and “industry contribution data” from within the Elevation Capital Value Fund.

Since Inception Date - 9 December 2008 to 31 December 2018 the “portfolio data” and “industry contribution data” is as follows:

Portfolio Data - Since Inception

Number of Exited Positions: 224
Profitable Positions in Local Currency: 195
Profitable Positions in New Zealand Dollars: 185
Batting Average in Local Currency: 87.1%*
Batting Average in New Zealand Dollars: 82.6%*

We trust you find this publication useful and that it continues to highlight the rigor and thought processes behind how Elevation Capital invests on behalf of our clients.

Yours sincerely,



Christopher Swasbrook



Richard Milsom



John Tsai

* Batting average is defined as the overall percentage of investments that have delivered positive returns for the Elevation Capital Value Fund since inception.

** Based on Elevation Capital Management Limited data.

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Elevation Capital Management Limited is licensed under the Financial Markets Conduct Act 2013 as a manager of registered schemes.

Elevation Capital is the manager of the Elevation Capital Value Fund (“Fund”). A copy of the Product Disclosure Statement in respect of the Fund is available on request from:

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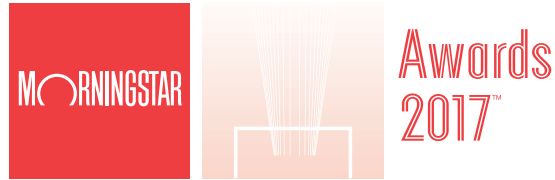
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2018 AWARDS



**MORNINGSTAR
INTERNATIONAL EQUITIES
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THE YEAR 2017, NEW ZEALAND**

HISTORICAL AWARDS



**MORNINGSTAR INTERNATIONAL EQUITIES CATEGORY
FUND MANAGER OF THE YEAR 2017,
NEW ZEALAND**



**NOMINEE ☐ MORNINGSTAR INTERNATIONAL EQUITIES
CATEGORY FUND MANAGER OF THE YEAR 2012,
NEW ZEALAND**



**NOMINEE ☐ FUNDSOURCE INTERNATIONAL EQUITY
SECTOR FUND MANAGER OF THE YEAR 2013,
NEW ZEALAND**



**NOMINEE ☐ FUNDSOURCE INTERNATIONAL EQUITY
SECTOR FUND MANAGER OF THE YEAR 2012,
NEW ZEALAND**

2018

HIGHLIGHTS

TOTAL RETURN FOR THE CALENDAR YEAR (AFTER FEES & FUND TAXES) WAS

14.74%*

This was achieved with no more than 4.3% of the portfolio invested in any one company and with an average cash balance of approximately 21% (i.e. \$21 out of every \$100 remained in cash).

* Net of fees, expenses and taxes (accrued in the Fund).

REALISED INVESTMENTS FOR THE
2018 CALENDAR YEAR:

15

POSITIONS SOLD IN 2018

+33%

AVERAGE RETURN ON
PROFITABLE REALISED
POSITIONS IN LOCAL
CURRENCY TERMS

93%

OF ALL POSITIONS SOLD
WERE PROFITABLE IN LOCAL
CURRENCY TERMS

2018 INVESTMENT REALISATIONS

15

REALISED INVESTMENTS
IN 2018
(AS AT 31 DECEMBER)

14

REALISED POSITIONS WERE
PROFITABLE IN 2018
(IN LOCAL CURRENCY TERMS)

1

REALISED POSITION WAS
UNPROFITABLE IN 2018
(IN LOCAL CURRENCY TERMS)





























+33%

AVERAGE RETURN ON PROFITABLE
REALISED INVESTMENTS
(IN LOCAL CURRENCY TERMS)

93%

BATTING AVERAGE* IN 2018
(IN LOCAL CURRENCY TERMS)

— 2018 REALISED INVESTMENTS BY COMPANY —

Company	Domicile	Initial Position	Exited Position	Holding Period (Years)	Total Return (Local Currency)	Per Annum Return** (Local Currency)	Presentation/Summary Available
		Oct 17	Feb 18	0.3yr	+1.7%	-	
		Sep 17	Feb 18	0.4yr	+18.6%	-	
		May 15	Feb 18	2.8yrs	+19.8%	+7.7%	
		Jan 09	Mar 18	9.2yrs	+179.7%	+25.3%	●
		Jan 15	Mar 18	3.2yrs	+49.5%	+17.6%	●
		Feb 14	Mar 18	4.1yrs	+43.4%	+12.3%	●
		Feb 18	Mar 18	0.1yr	+7.5%	-	
		Dec 17	Mar 18	0.3yr	+2.2%	-	
		May 17	Jun 18	1.1yrs	+42.5%	+40.7%	
		Aug 17	Aug 18	1.0yr	+5.3%		
		Sep 14	Aug 18	3.9yrs	+57.2%	+16.1%	●
		Feb 18	Aug 18	0.5yr	+5.7%	-	●
		Feb 13	Aug 18	5.6yrs	+22.8%	+10.1%	●
		Apr 18	Nov 18	0.6yrs	+1.6%		
		Mar 18	Nov 18	0.7yrs	-16.4%		

**MONTH
MA**

END FILERS

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JANUARY & FEBRUARY 2018 UPDATE

Global markets were strong in January driven principally by growth stocks (e.g. Amazon, Facebook, and Netflix to name but a few). The New Zealand dollar was also strong (+4.06% versus the USD) and this impacted the Value Fund's returns, given we are both unhedged, and approximately 30.5% of our cash balance is held in US Dollars. We made no significant portfolio changes in January only adding incrementally to our holdings in: Edgewell Personal Care, NZX Limited, Sanrio and Viacom.

February has seen a sharp u-turn in markets as they succumbed to elevating expectations of higher interest rates. This headline grabbing volatility was exacerbated by the collapse of several funds that were leveraged investment vehicles premised on low volatility continuing. These exchange traded funds/notes (ETFs/ETNs) and their ultimate liquidation are believed to have had a significant impact on the large trading swings we saw on 5 February 2018 in the US markets. It is our view that these types of leveraged vehicles, coupled with increased computer (algorithmic) trading only serve to undermine confidence in the capital markets and the regulators should bear this in mind when approving such products for issuance to investors. Please find a link to a Bloomberg article which will provide further insights/context to our comments above: <https://www.bloomberg.com/news/articles/2018-02-07/how-two-tiny-volatility-products-helped-fuel-sudden-stock-slump>

We have sought to capitalise on the recent volatility and utilise a small percentage of our cash balance (22.65% as at 31 January 2018) by adding to existing positions and acquiring a new position in CBS (www.cbs.com). The media sector continues to see consolidation and has been a fertile area for the Value Fund over the past two years based on our Takeover Timeline detailed in the 2017 Highlights section below.

As one would expect during times of heightened volatility, the Value Fund due to its conservative positioning and its holdings, is outperforming the broader markets at the time of writing. We continue to view the return of volatility as a positive for value investors as stock selection and well financed/franchise companies should be rewarded. We also believe higher interest rates will again serve value investors well as it will restore a "hurdle rate" for investment and limit the ability of "zombie" or poorly financed companies to compete/survive.

As always, we remain available to discuss the Value Fund and its underlying holdings at any time should you have any questions.

[VIEW FULL MONTHLY UPDATE](#)

2017

HIGHLIGHTS

TOTAL RETURN FOR THE CALENDAR YEAR (AFTER FEES & FUND TAXES) WAS

+11.96%*

This was achieved with no more than 4.5% of the portfolio invested in any one company and with an average cash balance of approximately 23% (i.e. \$23 out of every \$100 remained in cash).

*Net of fees, expenses and tax (estimated)

REALISED INVESTMENTS FOR THE 2017 CALENDAR YEAR:

10 POSITIONS SOLD IN 2017	+15% AVERAGE RETURN ON PROFITABLE REALISED POSITIONS IN LOCAL CURRENCY TERMS	100% OF ALL POSITIONS SOLD WERE PROFITABLE IN LOCAL CURRENCY TERMS
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[VIEW ALL INVESTMENTS SOLD AND THEIR RETURNS IN 2017](#)

FEATURED REALISED POSITION FOR THE 2017 CALENDAR YEAR: **TIME INC.**

In 16 November 2017, the Wall Street Journal broke the story that Meredith Corp had lined up financing commitments in pursuit of Time Inc.
On 26 November 2017, Meredith announced it was acquiring Time Inc. for \$16.50 per share in an all-cash transaction valued at US\$2.3 Billion.



Our position in Time Inc. appreciated

+45.1%*

in November 2017
based on our average
exit price.

Time Inc. adds to the Fund's successful track record of receiving takeover offers for some of its holdings since inception as detailed by the timeline below:

ELEVATION CAPITAL VALUE FUND TAKEOVER HISTORY



HIGHLIGHT JANUARY 2017: THE MANUAL OF IDEAS - BEST IDEAS 2017 - FEATURES ELEVATION CAPITAL'S PRESENTATION ON LUXOTTICA GROUP



PLAY RECORDING



READ ARTICLE

HIGHLIGHT JUNE 2017: US BUSINESS PUBLICATION - BARRON'S - FEATURED ELEVATION CAPITAL'S RESEARCH ON COTY INC.

READ ARTICLE

LARGEST POSITION AS AT 31 DEC 2017



L BRANDS

L Brands Inc. is an American fashion retailer based in Columbus, Ohio. Its flagship brands include Victoria's Secret and Bath & Body Works.

NEW POSITION AS AT 31 DEC 2017



SANRIO

Sanrio Co., Ltd. is a Japanese company that designs, licenses and produces products focusing on the kawaii (cute) segment of Japanese popular culture. Their products include stationery, school supplies, gifts and accessories. Sanrio's best-known character is Hello Kitty.



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MONTHLY FUND UPDATE

Dear Investors,

Volatility has clearly returned to the markets in 2018. While fund returns were negative for March and for first quarter of 2018 (Q1), we were able to realise some attractive long-term gains as detailed in the table below, and capitalise on the market volatility to "enhance" the portfolio while still maintaining a healthy cash balance for future opportunities.

Below are the eight positions the Fund has realised in Q1 2018:

NEW INVESTMENT EVALUATIONS

<p>➔ NEW INVESTMENT EVALUATIONS</p> <ul style="list-style-type: none"> ➔ NEW INVESTMENT EVALUATIONS ➔ NEW INVESTMENT EVALUATIONS ➔ NEW INVESTMENT EVALUATIONS ➔ NEW INVESTMENT EVALUATIONS 	<p>-19%</p> <p>NEW INVESTMENT EVALUATIONS</p>	<p>190%</p> <p>NEW INVESTMENT EVALUATIONS</p>
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NEW INVESTMENT EVALUATIONS BY COMPANY

Company	Market	Initial Position	Final Position	Buying Period (Start)	Real Return (Final Position)	Net Asset Return (Final Position)	Reinvested/Dividend Available
Alcoa	USA	Mar 17	Mar 18	3-18	+17%		
General Electric	USA	Mar 17	Mar 18	3-18	+18%		
Altria	USA	Mar 17	Mar 18	3-18	+19%	+17%	
Altria	USA	Mar 17	Mar 18	3-18	+19%	+17%	
Altria	USA	Mar 17	Mar 18	3-18	+19%	+17%	
Altria	USA	Mar 17	Mar 18	3-18	+19%	+17%	
Altria	USA	Mar 17	Mar 18	3-18	+19%	+17%	
Altria	USA	Mar 17	Mar 18	3-18	+19%	+17%	

We would like to highlight our investment in Arcos Dorados from February 2014 to March 2018 (4.1yrs) to showcase our long-term orientated investment process and the need for patience and discipline when undertaking a value investment based approach.

Arcos Dorados is the world's largest McDonald's franchisee, with over 2,000 restaurants in Latin America and the Caribbean. The company was first listed on the NYSE in 2011 (during the last emerging market boom) at an elevated valuation of more than 20x EBITDA. We acquired an initial shareholding in Arcos Dorados in 2014 after its share price had declined by over 60% to a level where we believed it offered long-term value. As the chart illustrates below, one had to have a tremendous amount of discipline, patience and conviction in the value of the assets owned by the Company, particularly the valuable real estate the Company held as the stock continued to decline by over 70% from our initial purchase price. We exited the position in March 2018 and locked in an attractive IRR over the life of the investment which enabled us to recycle the proceeds into newly out-of-favour companies in the form of H&M, Kraft Heinz, and CBS Corp. to name a few.

Discipline or Patience?

RICHEMONT

During the quarter we also acquired a new position in Richemont as we decided to switch out of Swatch as it had outperformed Richemont over recent times. This "switch" should be viewed as an "upgrade" to our portfolio in terms of brand quality, as Richemont is the second-largest luxury goods company in the world after LVMH, with a luxury brand portfolio (see below) that is almost impossible to duplicate.

Also during the quarter, we were able to establish positions in Kraft Heinz (controlled by 3G Capital and Berkshire Hathaway) and CBS Corporation at attractive prices and re-established positions in Nestle & P&G.

To conclude, with -27% in cash (at the time of writing) the Fund is well positioned to opportunistically add to existing holdings or acquire new investments.

Should you have any questions please do not hesitate to [Contact Us](#).

[CLICK TO VIEW FULL MONTHLY UPDATE](#)

CONFRONTED WITH A CHALLENGE TO DISTILL THE SECRET OF SOUND INVESTING INTO THREE WORDS, WE VENTURE THE MOTTO "MARGIN OF SAFETY"

BY JIMIN GRAHAM

Disclaimer: Investment from the dot

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YOU OWN A STAKE IN: COTY INC.



Coty Inc., owner of beauty brands CoverGirl, OPI and Rimmel, is giving Clarol's Nice n' Easy a new look.



The biggest innovations in home hair color in 40 years.

This new formula packed with color lasts longer, stays in the color like a hair conditioner, and washes the hair to a level of softness.

[View More](#)

Coty is the 3rd largest beauty company in the world
it is the largest fragrance company in the world.

ELEVATION CAPITAL & COTY INC. IN NUMBERS



COTY IS OUR 3RD LARGEST POSITION.

1.41% OF THE VALUE FUND IS INVESTED WITH COTY.

WE FIRST PURCHASED COTY IN 2017.

[VIEW OUR EXHIBITION ON COTY INC.](#)

ELEVATION CAPITAL
VALUE FUND MONTHLY UPDATE

**ELEVATION CAPITAL[®]
VALUE FUND**

The Value Fund is a Fidelity Investment Fund (FIF) that seeks to provide investors with long-term capital growth and income by actively investing in equities in global markets that the manager believes to be "strongly valued" investment opportunities. The strategy of the Fund is to invest in companies that are expected to have high growth potential and strong earnings and cash flow. The Fund may invest in companies that are expected to have high growth potential and strong earnings and cash flow. The Fund may invest in companies that are expected to have high growth potential and strong earnings and cash flow.

KEY INFORMATION AS AT 30 APRIL 2018

UNIT PRICE
NZ\$1.5524

TOP 5 POSITIONS



FUND RISK INDICATOR



VALUE OF NZ\$ 10 MILLION INVESTED OVER 10 YEARS TO 30 APRIL 2018



NZ\$ 17,925

BENCHMARK PERFORMANCE & AVERAGE CORRELATION

Year Performance	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	10 Year	Since Inception
Value Fund (NZ\$)	2.2%	2.6%	5.6%	5.8%	5.8%	5.8%	5.8%	5.8%
Benchmark (NZ\$)	1.5%	2.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Average Correlation	0.97%	0.97%	0.97%	0.97%	0.97%	0.97%	0.97%	0.97%

1. The Value Fund is a Fidelity Investment Fund (FIF) that seeks to provide investors with long-term capital growth and income by actively investing in equities in global markets that the manager believes to be "strongly valued" investment opportunities. The strategy of the Fund is to invest in companies that are expected to have high growth potential and strong earnings and cash flow. The Fund may invest in companies that are expected to have high growth potential and strong earnings and cash flow. The Fund may invest in companies that are expected to have high growth potential and strong earnings and cash flow.
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[CLICK TO VIEW OUR MONTHLY REPORT](#)

IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE.
BUT IN THE LONG RUN, IT IS A WEIGHING MACHINE.

BENJAMIN GRAHAM



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You are receiving this email because you are an investor in the Elevation Capital Value Fund.

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YOU OWN A STAKE IN: TIFFANY & CO.

Tiffany & Co. is renowned for its luxury goods and is particularly known for its diamond and sterling silver jewellery. Tiffany markets itself as an arbiter of taste and style.



Introducing the Tiffany Paper Flowers® collection. Tiffany's new campaign features Elle Fanning in a Tiffany Blue® world.

Introducing the "Paper Flowers" campaign. Available from Tiffany.com. The campaign features Elle Fanning in a Tiffany Blue® world. Introducing the "Paper Flowers" campaign. Available from Tiffany.com.

WATCH

Tiffany's regains its lustre as focus on youngsters drives sales surge

The company's price on target... Tiffany's regains its lustre as focus on youngsters drives sales surge.

With new management... Tiffany's regains its lustre as focus on youngsters drives sales surge.

READ

The Guardian

Tiffany's regains its lustre as focus on youngsters drives sales surge



ELEVATION CAPITAL & TIFFANY & CO. IN NUMBERS

Tiffany & Co's shares hit an all-time high of \$130.78 on Thursday 31st May 2018.



WE FIRST PURCHASED TIFFANY IN APRIL 2012.

TIFFANY SHARES PRICE APPRECIATED +77.55% IN MAY 2018.

OUR ANNUALISED RETURN IN TIFFANY (TO DATE) +71.08%

VIEW OUR PRESENTATION ON TIFFANY & CO.



Elevation Capital's Christopher Swetsbroek, pictured here, presenting our research on Tiffany at the Annual Value Investors Conference in Omaha, Nebraska, USA.

VIEW OUR PRESENTATION ON TIFFANY & CO.

ELEVATION CAPITAL VALUE FUND MONTHLY UPDATE



ELEVATION CAPITAL VALUE FUND

The Value Fund is a North American Equity (NZD) fund which provides investors with long-term capital growth and income for monthly income requirements. The fund invests in a diversified portfolio of high-quality, growth-oriented companies. The fund's strategy is to invest in high-quality, growth-oriented companies with strong financial performance and a clear competitive advantage. The fund's investments are primarily in the US and Canada, with a focus on large-cap, growth-oriented companies. The fund's investments are primarily in the US and Canada, with a focus on large-cap, growth-oriented companies.

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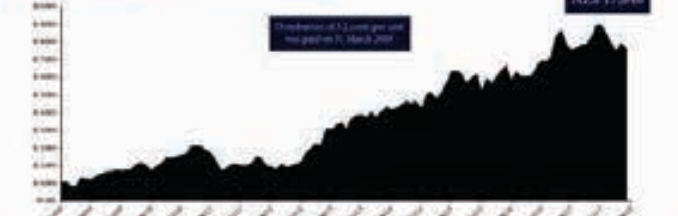
The fund's investments are primarily in the US and Canada, with a focus on large-cap, growth-oriented companies. The fund's investments are primarily in the US and Canada, with a focus on large-cap, growth-oriented companies.

UNIT PRICE NZ\$1,5284

TOP 5 POSITIONS

FUND RISK INDICATOR

View & download the fund's prospectus



RECENT PERFORMANCE & INVESTMENT ANALYSIS

Net Performance*	1 Month	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception
Value Fund NZD (USD)	+0.25%	+0.8%	+0.8%	+2.4%	+4.8%	+12.2%	+24.2%
Value Fund NZD (NZD)	+0.1%	+0.3%	+0.3%	+1.1%	+2.2%	+5.5%	+11.1%
Value Fund NZD (AUD)	+0.1%	+0.3%	+0.3%	+1.1%	+2.2%	+5.5%	+11.1%
Average Cash Balance**	-	26.42%	22.02%	21.94%	20.53%	11.75%	20.37%

NZD Dividend Income Return based on the fund's historical dividend rate (USD)

45% F10 Return: +0.80% 1.00% +0.70% 2.00% 4.50% 8.00% 15.00%

50% F10 Return: +0.75% 0.95% +0.70% 1.75% 3.25% 5.75% 11.75%

55% F10 Return: +0.70% 0.90% +0.65% 1.70% 3.20% 5.70% 11.70%

60% F10 Return: +0.65% 0.85% +0.60% 1.65% 3.15% 5.65% 11.65%

*Net performance is calculated based on the fund's net asset value (NAV) and includes the effect of fees and expenses.

**The fund's average cash balance is calculated based on the fund's cash holdings as a percentage of its net asset value (NAV).

†††The fund's performance is based on the fund's net asset value (NAV) and includes the effect of fees and expenses.


††††The fund's performance is based on the fund's net asset value (NAV) and includes the effect of fees and expenses.

IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE. BUT IN THE LONG RUN, IT IS A WEIGHING MACHINE.

BENJAMIN GRAHAM

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SEVENTH CAPITAL GP LP



ANOTHER TAKEOVER

The Value Fund (as a serial purchaser of undervalued companies) has owned APN Outdoor (APN) twice.

As is often the case with companies trading at what we consider to be, a discount to their intrinsic value others believe they are cheap too and try to acquire them or take them over, typically at a healthy premium to our cost basis.



This month we received a takeover offer for APN Outdoor (APN) from Paris-based JC Decaux - the world's largest outdoor advertiser and another Value Fund holding.

BLAD

The Value Fund's investment track record with APN Outdoor is detailed below (we've owned it TWICE)

FIRST INVESTMENT PERIOD
20/8/16 to 13/2/17 for 0.5 Years Holding Period
as we divested into the eCH Media merger announcement

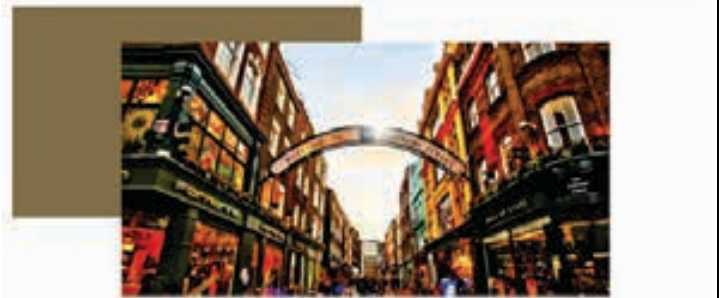
+13.9% Absolute Return **+51.8%** Annualised Return

The proposed eCH Media merger was subsequently rejected by the ACCC in Australia and the Value Fund subsequently had the opportunity to reacquire APN Outdoor at lower prices.

SECOND INVESTMENT PERIOD
20/5/17 to 27/6/18 for 1.1 Years Holding Period
We divested upon the takeover offer from JC Decaux at a premium to the initial bid (see 30 June 2018)

+42.5% Absolute Return **+40.7%** Annualised Return

Detailed below is the Value Fund's updated Historical Takeover Timeline as at 30 June 2018 (all of the companies detailed below were undervalued companies we've owned that were acquired via a takeover):



We have utilised some of the proceeds from our APN Outdoor investment to reacquire a position in

SHAFTESBURY PLC.

Shaftesbury is a Real Estate Investment Trust, which invests exclusively in the heart of London's West End. Its objective is to deliver long-term growth in rental income, capital value and shareholder returns (including dividends).

- 14.5 ACRES** Plus 1.8 acres reserved for future ventures
- 1.8M SQ. FT.** Commercial and residential space and 0.3m sq. ft. in retail ventures
- 600 BUILDINGS** Clustered in prime areas with high footfall
- £3.64 BN** Fund size valuation
- £114.1 M** Annualised net income
- £144.5 M** Estimated rental income

Iconic destinations

which appeal to visitors, businesses and residents



We first invested in Shaftesbury in January 2009 and exited the position in November 2011 delivering an Annualised Return of +33.5% over a 2.8 year holding period.

VISIT THE TRUST WEBSITE

ELEVATION CAPITAL
VALUE FUND MONTHLY UPDATE



ELEVATION CAPITAL
VALUE FUND

The Value Fund is a long-term investment fund that seeks to provide investors with long-term capital growth and income by actively managing investments in a global equity market in the value and dividend sectors. The strategy of the Fund is to invest in companies that are high quality, undervalued, and have a strong track record of consistent performance. The fund's investments are primarily in the value and dividend sectors, and the fund's investments are primarily in the value and dividend sectors.

The fund's investments are primarily in the value and dividend sectors, and the fund's investments are primarily in the value and dividend sectors.

The fund's investments are primarily in the value and dividend sectors, and the fund's investments are primarily in the value and dividend sectors.

The fund's investments are primarily in the value and dividend sectors, and the fund's investments are primarily in the value and dividend sectors.

KEY INFORMATION AS AT 31 JAN 2018

UNIT PRICE
NZ\$1.6310

TOP 5 POSITIONS
THERMATEX
MILLS
MILLS
MILLS
MILLS

FUND RISK INDICATOR
5 out of 5 stars

AS AT 31 JAN 2018



HISTORICAL PERFORMANCE & BENCHMARKS

Year Performance	1 Month	3 Month	12 Month	1 Year	2 Years	3 Years	5 Years	Since Inception
Value Fund (NZ\$)	0.1%	0.8%	8.5%	8.5%	14.8%	24.8%	48%	48.5%
Value Fund (NZ\$)	0.1%	0.8%	8.5%	8.5%	14.8%	24.8%	48%	48.5%
Value Fund (NZ\$)	0.1%	0.8%	8.5%	8.5%	14.8%	24.8%	48%	48.5%
Value Fund (NZ\$)	0.1%	0.8%	8.5%	8.5%	14.8%	24.8%	48%	48.5%
Value Fund (NZ\$)	0.1%	0.8%	8.5%	8.5%	14.8%	24.8%	48%	48.5%

Source: Elevation Capital Management Limited. All rights reserved. You are receiving this email because you are an investor in the Elevation Capital Value Fund.

**IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE,
BUT IN THE LONG RUN, IT IS A WEIGHING MACHINE.**
BENJAMIN GRAHAM




Disclaimer:
Investments from the fund.

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MONTH END SUMMARY MAILER: JULY 2018

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IN THE HEADLINES: NESTLÉ SA

Nestlé SA is currently the 2nd largest position in the Elevation Capital Value Fund and the company is now under pressure from billionaire hedge fund manager Daniel Loeb who has lost patience with Nestlé as it attempts to reposition its business for the future under new CEO Mark Schneider.

On 29 June 2018, Loeb sent a letter and a 34 page presentation to Nestlé's Board urging them to divest further businesses that no longer fit its portfolio and invest into new growth categories.

Nestlé's stock price has reacted favourably (+4.9% in July) from Mr. Loeb's most recent efforts and we expect Nestlé to undertake further value enhancing initiatives in the short-medium term.

[READ ARTICLE](#)

[LEARN MORE](#)

ELEVATION CAPITAL VALUE FUND MONTHLY UPDATE

ELEVATION CAPITAL VALUE FUND

The Value Fund is a Trustee administered by Elevation Capital Limited (Elevation) which is a limited liability company and member of the Elevation Group. The Value Fund is a trustee of the Elevation Capital Value Fund Trust (the Trust) which is a limited liability company and member of the Elevation Group. The Value Fund is a trustee of the Elevation Capital Value Fund Trust (the Trust) which is a limited liability company and member of the Elevation Group.

UNIT PRICE
NZ\$1.6196

TOP 5 POSITIONS
TERNSAFC
MILK
MILK
MILK
MILK

FUND RISK INDICATOR
RISK LEVEL: LOW



HISTORICAL PERFORMANCE & ATTRIBUTION CATEGORIES

Year/Period	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Since Inception
Value Fund (NZ\$)	2.7%	1.9%	1.2%	2.7%	1.7%	2.2%	3.2%	1.4%
Value Fund (USD)	2.1%	1.3%	0.6%	2.1%	1.0%	1.5%	2.5%	1.0%
Value Fund (GBP)	2.4%	1.6%	0.9%	2.4%	1.4%	1.9%	2.9%	1.2%
Value Fund (AUD)	2.8%	2.0%	1.3%	2.8%	1.8%	2.3%	3.3%	1.5%
Average Cash Return	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
1st Five Year Growth (Annualised) (NZ\$)	4.8%	3.2%	2.5%	4.8%	2.7%	3.2%	4.2%	2.3%
1st Five Year Growth (Annualised) (USD)	4.1%	2.7%	2.0%	4.1%	2.4%	2.9%	3.9%	1.9%
1st Five Year Growth (Annualised) (GBP)	4.5%	2.9%	2.2%	4.5%	2.6%	3.1%	4.1%	2.1%
1st Five Year Growth (Annualised) (AUD)	5.2%	3.6%	2.9%	5.2%	3.0%	3.5%	4.5%	2.5%

[CLICK TO VIEW FULL MONTHLY UPDATE](#)

Please find detailed below a link to the Elevation Capital Value Fund's Annual Report for the period ending 31 March 2018 which was filed on 11 July 2018, and the Elevation Capital Value Fund's Audited Financial Statements for the period ending 31 March 2018 which were filed on 10 July 2018. The Annual Report and Financial Statements (including historical Annual Reports and Financial Statements for the Fund) can be found on the Elevation Capital website [here](#) and via the Disclose register [here](#). Unitholders are also entitled to a receive a hardcopy free of charge by emailing the Manager at enquiries@elevationcapital.co.nz or writing to the Manager at: Elevation Capital Management Limited, PO Box 911345, Victoria Street West, Auckland 1142.

[CLICK TO VIEW THE ELEVATION CAPITAL VALUE FUND ANNUAL REPORT FOR YEAR ENDING 31 MARCH 2018](#)

[CLICK TO VIEW THE ELEVATION CAPITAL VALUE FUND FINANCIAL STATEMENTS FOR YEAR ENDING 31 MARCH 2018](#)

IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE, BUT IN THE LONG RUN, IT IS A WEIGHING MACHINE.

BENJAMIN GRAHAM

[f](#) [t](#) [r](#) [in](#)

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RE-ACQUIRING DAIMLER

The Value Fund re-acquired an investment in Daimler as the threat of tariffs continued to weigh on the automakers share, despite the company releasing its first electric vehicle - EQC and providing a detailed snapshot of how they view the future of mobility.

[PLAY VIDEO - EQC TRAILER](#)

[PLAY VIDEO - FUTURE OF MOBILITY](#)

View the EQC - Mercedes' first electric car - as it begins its journey from a concept car to a fully developed production model. The EQC is a fully electric car with a range of 250 miles and a 0-100 time of 4.9 seconds. It's a game-changer for the industry.



[LEARN MORE](#)

DAIMLER BRANDS & HEADLINE METRICS





Mercedes-Benz





SETRON

FREIGHTLINER

MAYBACH





WESTERN STAR

FUSO

AMG



smart

P/E RATIO* (LTM)
4.2x

DIVIDEND YIELD* (LTM)
6.59%



Elevation Capital attended the New Zealand Shareholders' Association (NZSA) AGM with a stand to promote the Value Fund. We introduced the audience to the Fund with AR glasses technology "modelled" by Elevation Capital's Chairman - Craig Stoba.

ELEVATION CAPITAL VALUE FUND MONTHLY UPDATE

The Value Fund is a multi-asset investment strategy that seeks to provide investors with long-term capital growth and income by investing in a portfolio of high-quality, globally diversified assets. The strategy of the fund is to invest in a portfolio of high-quality, globally diversified assets, including equities, fixed income, and commodities, in a way that seeks to provide a diversified return to investors. The fund is managed by Elevation Capital's investment team, led by Craig Stoba, Chairman.

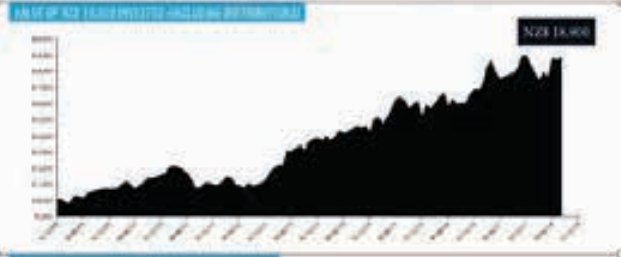
The Value Fund is a multi-asset investment strategy that seeks to provide investors with long-term capital growth and income by investing in a portfolio of high-quality, globally diversified assets. The strategy of the fund is to invest in a portfolio of high-quality, globally diversified assets, including equities, fixed income, and commodities, in a way that seeks to provide a diversified return to investors. The fund is managed by Elevation Capital's investment team, led by Craig Stoba, Chairman.

KEY INFORMATION AS AT 31 AUGUST 2018

UNIT PRICE
NZ\$1.6370

FUND'S POSITIONS
Discovery, ASX, Xero, Mowbray, etc.

FUND RISK INDICATOR
A risk indicator showing the fund's risk level relative to its benchmark.



STANDARD PERFORMANCE & RISK INDICATORS

Key Performance Indicators	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	10 Years	Since Inception
Value Fund Return (%)	4.2%	12.5%	18.7%	24.3%	31.2%	38.1%	45.0%	52.0%
Value Fund Beta (%)	1.15	1.10	1.05	1.00	0.95	0.90	0.85	0.80
Value Fund Alpha (%)	0.5%	1.5%	2.5%	3.5%	4.5%	5.5%	6.5%	7.5%
Value Fund Sharpe Ratio	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90

[CLICK TO VIEW FULL MONTHLY UPDATE](#)

**IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE.
BUT IN THE LONG RUN, IT IS A WEIGHING MACHINE.**

BENJAMIN GRAHAM



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GLOBAL BRANDS USE OUTDOOR ADVERTISING BECAUSE ITS AN ATTRACTIVE MEDIUM.

Outdoor 1.2%

TV 8.1%

Print 16.3%

at&t 1.2%

Wendy's 1.2%

1.4%

Source: Nielsen Media Research, NielsenIQ, 2017-2018. Outdoor advertising is a highly visible and effective medium for reaching a wide audience. It is also a cost-effective way to reach a large number of people in a short period of time. Outdoor advertising is a key component of many brands' marketing strategies.

After receiving a takeover offer in July 2018 for our investment in APN Outdoor (APO) from JC Decaux (another fund holding) we re-invested the proceeds back into the out-of-home (OOH) market by acquiring stakes in two new undervalued companies - Outfront Media in the USA and QMS Media in Australia and New Zealand.

OUTFRONT

Leader in a growth industry

Superior assets

- High quality advertising locations
- Diversified geographic footprint
- Premium locations and visibility

Multiple growth drivers

- Performance improvement
- Acquisitions
- Market expansion (Digital, Mobile, Data)
- Cell site leasing

Attractive dividends



Bulletin

Wall

Digital Bulletin

Poster

Urban Panel


Bus Shelter

Transit Station

Bus

[PLAY VIDEO](#)

QMS



[PLAY VIDEO](#)

ELEVATION CAPITAL VALUE FUND MONTHLY UPDATE

E

ELEVATION CAPITAL VALUE FUND

Key Information: The fund invests in a diversified portfolio of high-quality, growth-oriented companies. The fund's performance is measured against the NZX 500 Index. The fund is managed by Elevation Capital Management Limited. The fund is subject to the risks associated with investing in the stock market.

UNIT PRICE

NZ\$1.6537


TOP 5 POSITIONS

- Discovery
- ANZ
- NZX
- ANZ
- ANZ

FUND RISK INDICATOR

Risk Level: Low

Value of NZ\$10M invested (including expenses)



NZ\$ 19,093

HISTORICAL PERFORMANCE & ATTRIBUTION ANALYSIS

Period	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Total Return (%)	18.8%	12.1%	10.2%	14.7%	11.5%	13.2%	15.1%	12.3%
Attribution (%)	12.1%	8.5%	7.8%	11.2%	9.8%	11.5%	13.2%	10.5%
Market Return (%)	6.7%	3.6%	2.4%	3.5%	1.7%	1.7%	1.9%	1.8%
Alpha (%)	12.1%	8.5%	7.8%	11.2%	9.8%	11.5%	13.2%	10.5%

[CLICK TO VIEW FULL MONTHLY UPDATE](#)

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MR BAGS X TOD'S

WINNERS & LOSERS



PLAY

"Three years ago Mr. Bags was studying international relations at Columbia University; now you can see him in the front row of runway shows for brands like Hermès, Dior and Louis Vuitton, in ads for brands like Ferris and Jaguar, or hanging out with Victoria's Secret supermodels. He's amassed over four million followers across social media platforms and has done handbag collaborations with luxury brands including Dior, Louis Vuitton, Givenchy, Burberry, and Chloé. Luxury brands know him for his ability to make bags hot — for his recent collaboration with Tod's, 3 million €MS worth of bags sold out in seven minutes. In the video above, he talks with Professor Scott Calloway about bags, influence, and social media." — *Forbes* 12



TOD'S

Tod's is currently the 15th largest position in the Elevation Capital Value Fund.

READ MORE ABOUT MR BAGS

ELEVATION CAPITAL VALUE FUND MONTHLY UPDATE

**ELEVATION CAPITAL
VALUE FUND**

The Value Fund is a multi-investment fund of global equities with a focus on high growth and innovation. It is a multi-investment fund of global equities with a focus on high growth and innovation. It is a multi-investment fund of global equities with a focus on high growth and innovation.

UNIT PRICE
NZ\$1.5979

TOP 5 POSITIONS:
Discovery, BILIXI, NZX, ASX200, ASX200

FUND RISK INDICATOR

14.1% OF NET ASSET INVESTED IN LARGE CAP EQUITIES



HISTORICAL PERFORMANCE 2 YEAR PERIOD

Investment	2 Week	1 Month	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception
Value Fund (NZ\$)	1.8%	3.4%	10.5%	1.8%	4.5%	8.7%	14%	6.5%
NZ\$ 100 (NZ\$)	1.8%	3.4%	10.5%	1.8%	4.5%	8.7%	14%	6.5%
ASX 200 (NZ\$)	1.8%	3.4%	10.5%	1.8%	4.5%	8.7%	14%	6.5%
ASX 200 (NZ\$)	1.8%	3.4%	10.5%	1.8%	4.5%	8.7%	14%	6.5%
ASX 200 (NZ\$)	1.8%	3.4%	10.5%	1.8%	4.5%	8.7%	14%	6.5%

CLICK TO VIEW FULL MONTHLY UPDATE

**IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE,
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Viacom Inc. is currently the 8th largest position in the Elevation Capital Value Fund.



While all the focus is on Netflix and its hit shows, did you know that the most popular show on Netflix in 2018, was *13 Reasons Why* which was produced by Paramount Studios and is owned by Viacom.



Paramount also produced *Mission: Impossible - Fallout*, which had its world premiere in Paris on July 12, 2018 and was released in the United States on July 27, 2018. It was the first in the series to be released in RealD 3D, and also had an IMAX release. The film was a box office success, grossing US\$791 million worldwide, making it the sixth highest-grossing film of 2018. Cruise's highest-grossing film to date, and the highest-grossing film in the franchise, surpassing *Ghost Protocol*. It received critical acclaim for its screenplay, direction, acting, cinematography, action sequences, stunts and musical score, with many critics calling it the best installment in the franchise and some regarding it as one of the greatest action films of all time.



Paramount is approved by the "Investment" Providers with a new investment - *Bumblebee* (October 26th - 19/11/2018), which is presented to be another good option for our funds to invest in. The audience appears to continue with interest.

COMMENTARY

VALUE FUND



The "Kiwi" might be a rightless bird, but our currency was starting during November. Below is a table highlighting in percentage terms the NZ Dollar's appreciation in key currencies in November 2018:

	EUR	GBP	JPY	USD	HKD	AUD
USD/EUR	100%					
USD/GBP		100%				
USD/JPY			100%			
USD/USD				100%		
USD/HKD					100%	
USD/AUD						100%

These currency movements account for the majority of the negative movement in the funds NAV during November 2018, as the Fund is currently an unhedged investment vehicle.

Value Fund pivots to European Equities during 2018

One of the key tenets of value investing is "price is what you pay, value is what you get". Accordingly, throughout 2018 the Fund has shifted its focus towards globally-located European domestic companies, which are trading at attractive discounts to our estimate of intrinsic value.

The charts below illustrate where the Fund is now focused on a geographical basis:

30/11/2017



30/11/2018



ELEVATION CAPITAL
VALUE FUND MONTHLY UPDATE



The fund aims to invest in companies that are well positioned to benefit from the growth of the New Zealand economy. The fund invests in a portfolio of New Zealand listed companies, with the aim of achieving a long-term capital growth. The fund's investment strategy is based on the identification of companies that are well positioned to benefit from the growth of the New Zealand economy. The fund's investment strategy is based on the identification of companies that are well positioned to benefit from the growth of the New Zealand economy.

A fund's performance is measured against a benchmark. The fund's performance is measured against a benchmark. The fund's performance is measured against a benchmark. The fund's performance is measured against a benchmark.

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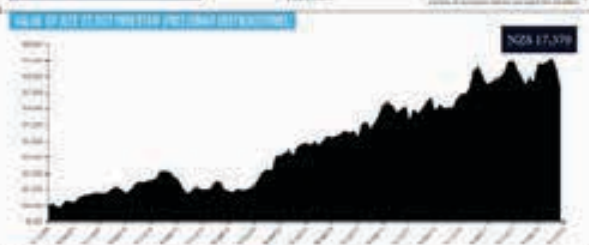
The fund's performance is measured against a benchmark. The fund's performance is measured against a benchmark. The fund's performance is measured against a benchmark. The fund's performance is measured against a benchmark.

ACT DISTRIBUTION CLASS AS OF NOVEMBER 2018

UNIT PRICE
NZ\$1.5045

TOP 5 POSITIONS

FUND RISK INDICATOR



HISTORICAL PERFORMANCE & DIVIDEND RECORD

As at 30/11/2018	30/11/2017	30/11/2016	30/11/2015	30/11/2014	30/11/2013	30/11/2012	30/11/2011	30/11/2010
Assets Under Management	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Assets Under Administration	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Total Assets	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Dividends Paid	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[CLICK TO VIEW FULL MONTHLY UPDATE](#)

**IN THE SHORT RUN, THE MARKET IS A VOTING MACHINE,
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BENJAMIN GRAHAM



Disclaimer
Investment in this fund

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REGISTRATION: 18/12/18



YOU OWN A STAKE IN SPOTIFY



Spotify is the world's largest music streaming service company, with over 87 million subscribers in 78 markets, with Apple and Amazon in distant second and third.

We initiated a position in Spotify in November 2018 after the Company announced a US\$1bn buy-back (it has no debt) and we continued to add to the position in December during the recent market weakness. Currently, Spotify is 1.60% of the Value Fund's portfolio.

SPOTIFY AT A GLANCE



Share of Premium Music Subscribers (2004 - June 2017)



THE FIFTH HORSEMAN



Spotify is a compelling absolute investment on a long-term basis. However, we also agree with Professor Steve Kaplan's view that the attractiveness of the business model and the recent weakness in Spotify's share price, Spotify is currently at risk of being acquired by one of the big tech/media companies that we well forecast will eventually bid for Spotify with an elevated price premium. More expert price price analysis.



NET ICM

#NZXNOW

We continued our engagement with the NZX on the basis of improving the transparency and performance of the Company while also trying to enhance the broader capital markets in New Zealand.

On 20 December 2018, NZX made the following announcement:



20 December 2018

NZX announces commitment to introduce performance metrics, increase transparency & re-introduce annual Investor Day in 2019

The NZX has previously acknowledged that a group of shareholders had expressed public concern about the exchange's strategy and its perceived execution of it.

The NZX board has taken this feedback seriously and met with Elevation Capital on several occasions in good faith. NZX has also engaged with a range of shareholders and market stakeholders to understand broader views. Central to the themes which have emerged is the importance of clear performance metrics, improved operational performance across all facets of the business, increased transparency and a healthy capital markets ecosystem.

NZX Announcement: <http://www.nzx.com/~/media/2018/12/20/nzx-announcement-20181220.pdf>

BBR Article: <https://www.bbr.co.nz/story/nzx-engage-constructively>

COMMENTARY

VALUE FUND

The Value Fund ended December down 4.88% which was in line with the broader markets.


Global Equity Market Movements in December:

Index	Over 2018 YTD Returns
US Industrial Average TR USD	-6.34%
S&P500 TR USD	-4.41%
S&P 300 TR USD	-4.81%
Russell 2000 TR USD	-7.77%
Russell 3000 TR USD	-7.10%

The sell-off was inchoate and the Value Fund is now trading at the largest discount to our approach within value funds in many years.

ELEVATION CAPITAL | VALUE FUND

Weighted Portfolio Market Value Relative to Portfolio Relative Value Estimate



For Q4 2018 the S&P 500 was down -13.5% (-14.5% in YTD terms) - putting it as one of the worst quarters since the 1930s. While the year is no predictor of the future it is interesting to look back after periods of ease quarterly performance and review what happened and those and full year history. Once again, these performance outliers highlight investing is a long-term proposition and the folly of measuring performance over shorter periods.

Year Ending	S&P 500 Basis TR		Percent Performance			
	Quarterly Performance	Year	One Year	Three Years	Five Years	Ten Years
2004-2005	27.7%	162.0%	150.0%	150.0%	150.0%	150.0%
2005-2006	-22.6%	8.8%	5.1%	14.2%	14.2%	14.2%
2006-2007	27.0%	134.0%	134.0%	134.0%	134.0%	134.0%
2007-2008	-25.2%	38.7%	38.7%	38.7%	38.7%	38.7%
2008-2009	-22.9%	16.8%	16.8%	16.8%	16.8%	16.8%
2009-2010	27.0%	134.0%	134.0%	134.0%	134.0%	134.0%
2010-2011	-11.4%	31.1%	31.1%	31.1%	31.1%	31.1%
2011-2012	-20.4%	31.2%	31.2%	31.2%	31.2%	31.2%
2012-2013	19.0%	121.0%	121.0%	121.0%	121.0%	121.0%
2013-2014	-19.7%	8.4%	8.4%	8.4%	8.4%	8.4%
2014-2015	16.0%	104.0%	104.0%	104.0%	104.0%	104.0%
2015-2016	-11.7%	22.0%	22.0%	22.0%	22.0%	22.0%
2016-2017	-12.2%	9.8%	9.8%	9.8%	9.8%	9.8%
Average	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

While negative returns are disappointing we remain committed to our current holdings and have used the period to add liquidity and also investigate new opportunities.

Our current portfolio holdings (as at 31 January 2018) are detailed below.

RESE



ARCH





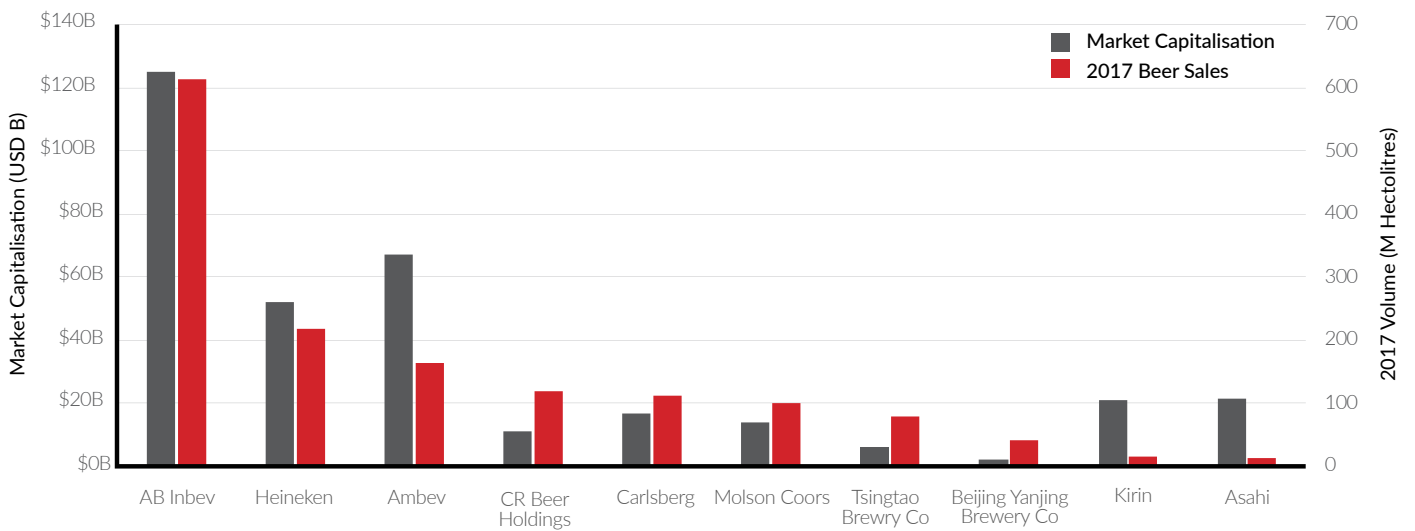
MOLSON COORS BREWING CO [TAP:US]

Research Presentation released in December 2018

OVERVIEW

- Molson Coors Brewing Company (TAP:US, Market Capitalisation = USD 14.0B*) is the 6th largest brewer in the world by volume**.

MARKET CAPITALISATION (USD BLN) AND BEER SALES (M HL)



THE CREATION OF TODAY'S MOLSON COORS



1873 – Adolph Coors opens the Golden Brewery in Golden, Colorado



1975 – Became a Publicly Traded Company



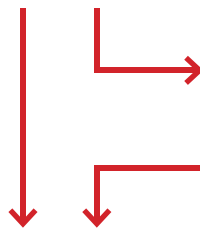
2005 – Molson merged with Coors to form Molson Coors Brewing Company - creating the world's fifth largest brewer



1786 – Molson Brewery founded in Montreal – The oldest brewery in North America



1945 – Became a Public Traded Company

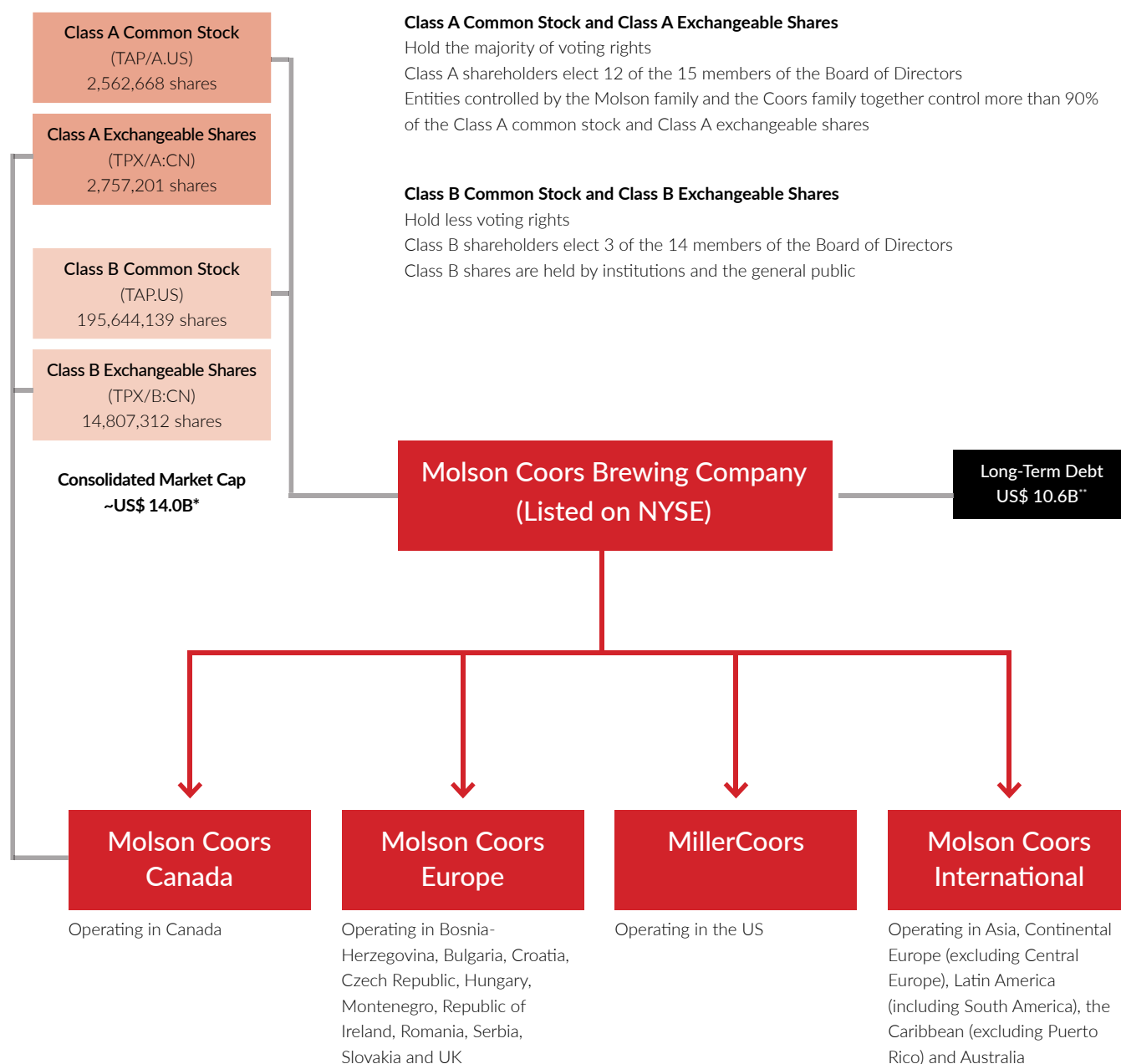


2008 – Molson Coors and SABMiller combined their US operations to create MillerCoors – The 2nd largest brewer in the US (Molson Coors owns 42% economical interest, and 50% voting power)

2016 – Molson Coors acquires remaining 58% of the MillerCoors JV from SABMiller when SABMiller was acquired by AB Inbev



HOLDING COMPANY STRUCTURE & OWNERSHIP



HISTORY - CENTURIES-OLD HERITAGE

- Molson Brewery (a subsidiary of Molson Coors) is the second oldest company in Canada. Today, Molson Coors is the 6th largest brewer in the world by volume.

- 1786 John Molson opens the Molson Brewery in Montreal, Canada.
- 1873 Adolph Coors opens the Golden Brewery in Golden, Colorado.
- 1945 Molson offers up public ownership in the company.
- 1975 Coors becomes a publicly traded company.
- 1989 Molson merges with Carling O’Keefe becoming Canada’s largest brewer and the fifth largest brewer in North America.
- 2002 Coors acquires the England and Wales-based business of Bass Brewers. Creates Coors Brewers, Ltd., the UK’s second largest brewer with more than 20% market share.
- 2005 Molson and Coors combine in a merger of equals, creating the world’s fifth largest brewer, with the operating scale and balance sheet to take a leading role in the consolidating global beer industry.
- 2008 Molson Coors and SABMiller form a joint venture, MillerCoors, that combines their US and Puerto Rico businesses.
- 2011 Molson Coors creates JV with Cobra Beer Company in India. It also acquires Sharp’s Brewery in Cornwall, England.
- 2012 Molson Coors acquires StarBev and changes its name to Molson Coors Central Europe.
- 2015 Molson Coors acquires Mt. Shivalik Brewery in India. It also acquires Saint Archer Brewing Co., San Diego, California.
- 2016 Molson Coors acquires the remaining shares of the MillerCoors JV from SABMiller -



“Total purchase price of \$12.0 billion for the remaining 58% of the MillerCoors joint venture, ownership of the Miller Brand Family globally, an estimated \$2.4 billion present value of cash tax benefits, and perpetual, royalty-free U.S. rights to all imported and licensed brands”.

2016 MILLERCOORS TRANSACTION



2016 MILLERCOORS TRANSACTION TIMELINE

2015

In our March 2015 Molson Coors presentation, we stated:

“Should SABMiller be acquired by AB InBev it is likely that the combined entity would be required to divest MillerCoors (a joint venture between Molson Coors and SABMiller) in order to comply with antitrust regulations. Molson Coors is the most likely acquirer and will benefit from the synergies between the businesses and a lack of competition for the asset given the JV structure.”



Molson Coors to Acquire Full Ownership of MillerCoors Joint Venture and Global Miller Brand Portfolio for \$12 Billion

Transaction Represents a Game Changing Opportunity for Molson Coors

Transaction Will Strengthen Molson Coors' Position in Highly Attractive U.S. Beer Market, Enhance Global Competitiveness, Unlock Further Operational Synergies and Improve Tax Efficiency

Includes Compelling Opportunity to Leverage Miller Trademark Globally

Transaction to Be Significantly Accretive to Cash Earnings in First Full Year of Operations

Annualized Cost Synergies of at Least \$200 Million Anticipated by Year Four

2015

On 11 November 2015, Molson Coors announced it had entered into a definitive agreement with AB InBev to purchase SABMiller's 58% stake in MillerCoors, conditional upon the closing of AB InBev's acquisition of SABMiller. Under the agreement, Molson Coors acquired full ownership of the Miller brand portfolio outside of the U.S. and retained the rights to all of the brands currently in the MillerCoors portfolio for the US market, including Redd's and imported brands such as Peroni and Pilsner Urquell. The transaction was valued at USD 12.0 billion.



Molson Coors Completes Acquisition of Full Ownership of MillerCoors and Global Miller Brand Portfolio

Becomes World's Third Largest Brewer by Enterprise Value and Strengthens Position in Highly Attractive U.S. Beer Market

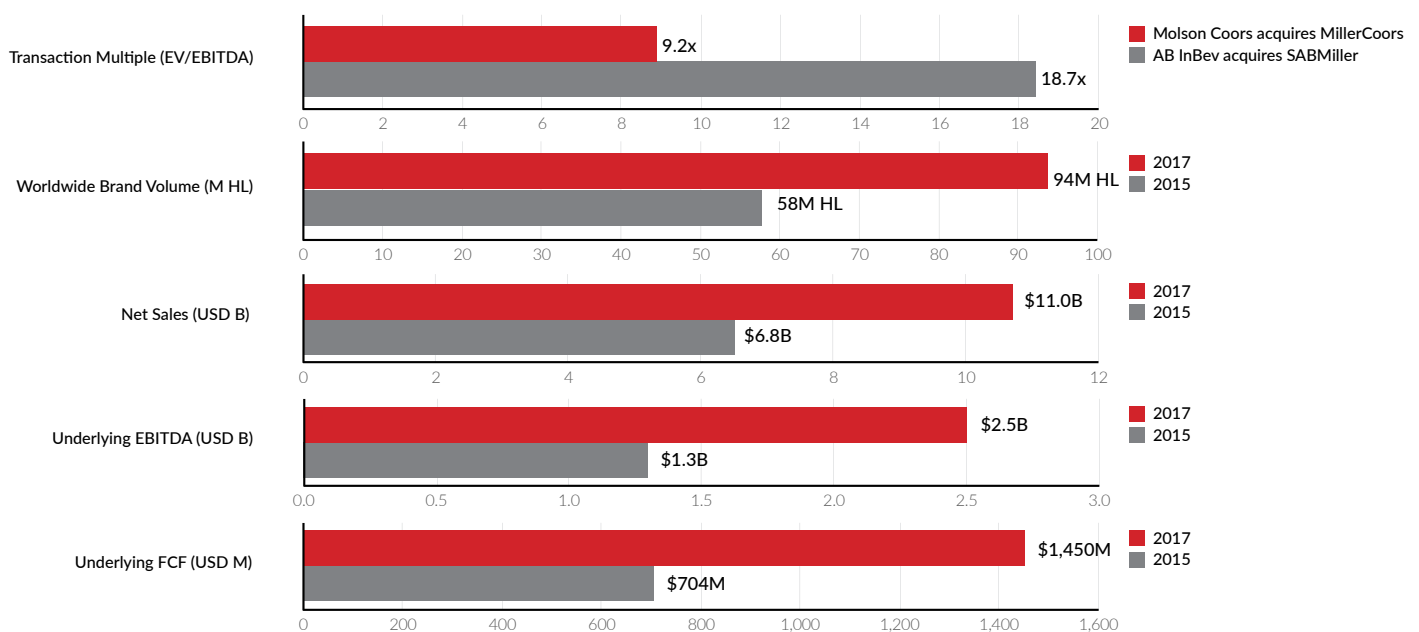
Well Positioned to Execute Growth Strategy and Deliver Long-Term Shareholder Value

2016

On 11 October 2016, Molson Coors announced the successful completion of the transaction.

2016 MILLERCOORS TRANSACTION ALMOST DOUBLED THE SIZE OF THE COMPANY

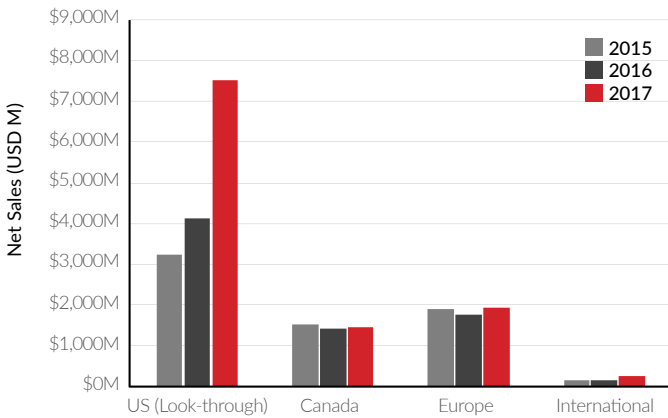
- Management noted that the 58% stake in MillerCoors was purchased at a very attractive valuation at 9.2x EV/EBITDA multiple (post adjustment for net present values ("NPVs") of expected tax benefits) – this compared to AB InBev paying 18.7x for SABMiller.
- A further compelling fact of the transaction was it nearly doubled the size of the Company – and beer is a scale business globally.



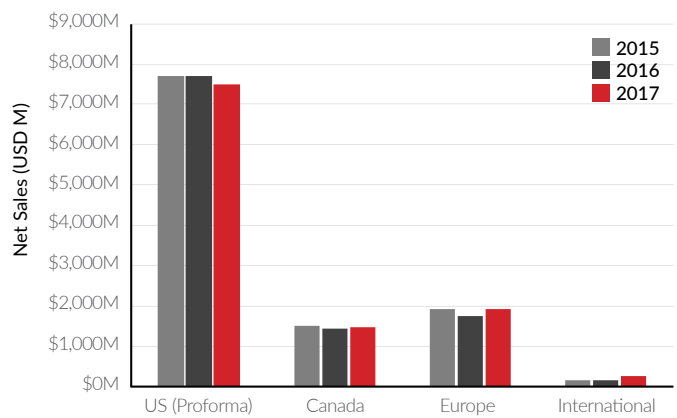
GEOGRAPHICAL SEGMENTS AFTER 2016 MILLERCOORS TRANSACTION (1)

- On a look-through basis (left chart below), we note the importance of the US market for Molson Coors today. The US market now accounts for 68% of the 2017 total net sales, vs 48% in 2015.
- On a proforma basis, MillerCoors's US net sales have been in decline over the last two years. This is the primary concern for investors in Molson Coors at present.

NET SALES BY GEOGRAPHY (US - LOOK-THROUGH)

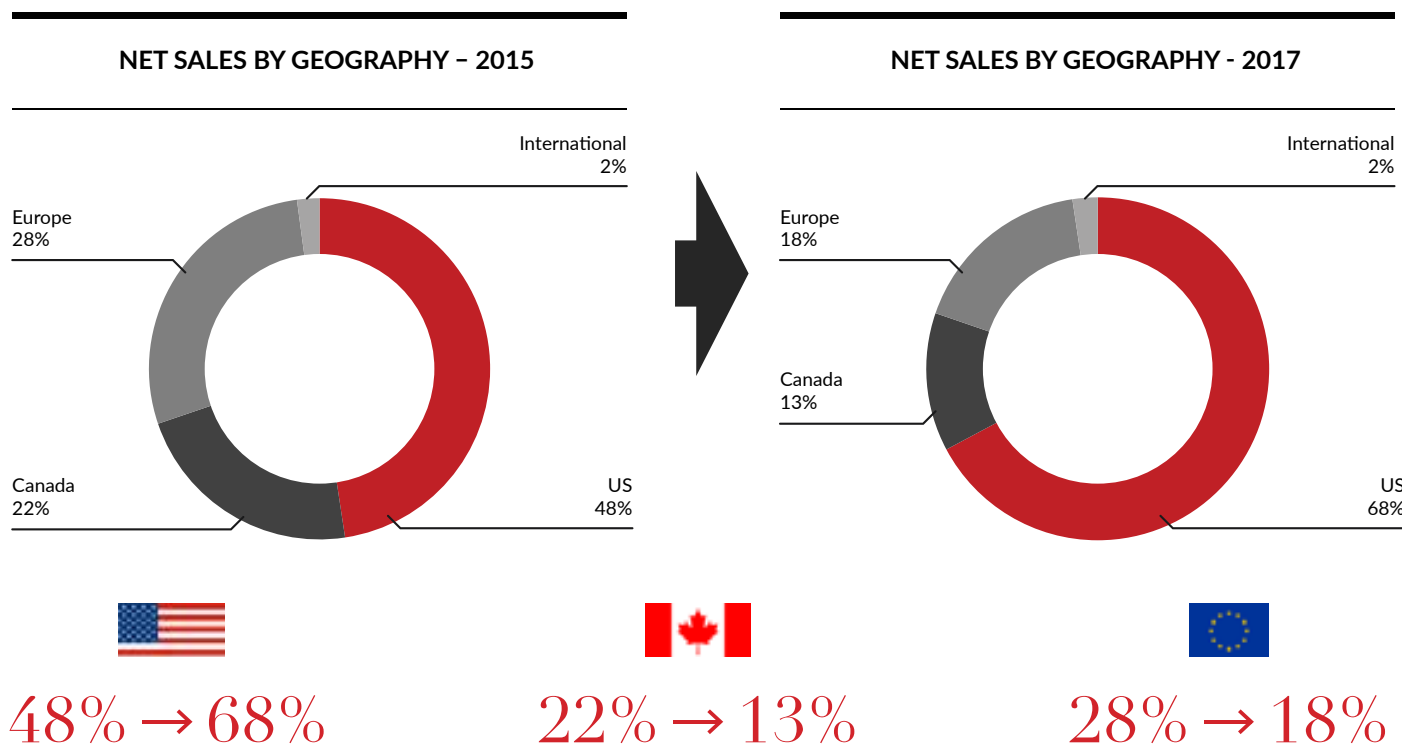


NET SALES BY GEOGRAPHY (US - PROFORMA)



GEOGRAPHICAL SEGMENTS AFTER 2016 MILLERCOORS TRANSACTION (2)

- The charts below illustrate the changes of Molson's Coors' market concentration post the MillerCoors transaction. The US market accounts for 68% of net sales, and North America (the US + Canada) accounts for 81% of 2017 net sales. Therefore, Management's efforts and consumer preference/trends in this market will significantly impact the financial results of the Company.

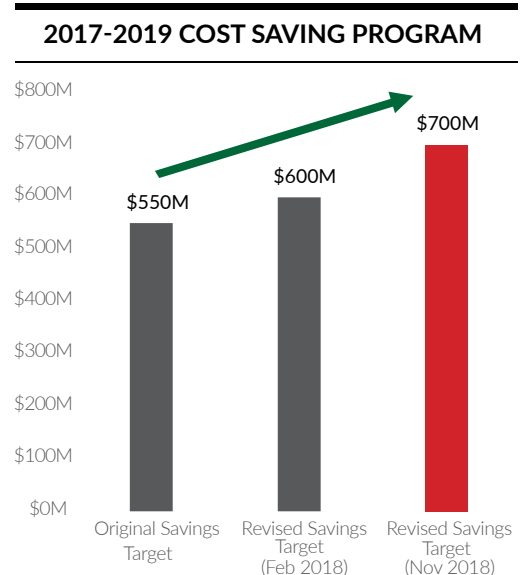


COST SAVING OPPORTUNITIES AFTER 2016 MILLERCOORS TRANSACTION

- Cost savings opportunities across the organisation after the MillerCoors have continued to improve.
- Management had forecast underlying EBITDA Margins to improve +30bps to +60bps per year on average for the next 3-4 years.
- Originally, Management targeted its 2017-2019 cost savings program to deliver USD550M in total cost reduction. As visibility improved, this number was revised up to USD600M in February 2018, and then again to approximately USD700M in November 2018. This highlights the compelling fundamentals of the MillerCoors transaction which the Company is getting little or no credit for at present.



Source: Molson Coors Annual NY Investor/Analyst Meeting – 7 June 2017





MOLSON COORS BREWING CO [TAP:US]

BRAND PORTFOLIO

GLOBAL PRIORITY BRANDS

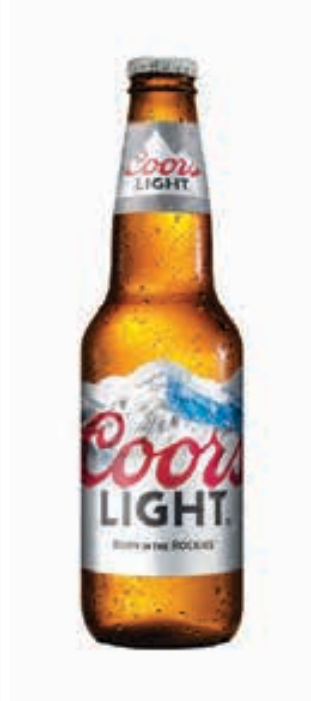
- These brands are considered by Management to offer the greatest growth potential globally:



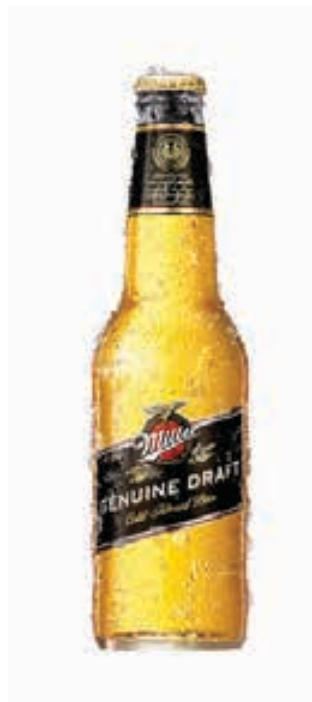
Blue Moon/
Belgian Moon



Coors Banquet



Coors Light



Miller Genuine
Draft



Miller Lite



Staropramen

BUT ALSO, STRATEGICALLY POSITIONED FOR CRAFT BEER GROWTH

#1

Craft Brewer in US



#1

Craft Brand in US
- Blue Moon



#1

Craft Brand in Spain
- La Sagra



#1

Craft Brand in Ireland
- Franciscan Well



CANADA

Leading craft brands in Canada



REGIONAL CHAMPION BRANDS

US



CANADA



EUROPE



INTERNATIONAL



CRAFT AND IMPORTED BRANDS

US*



CANADA



INTERNATIONAL

Licensed and Premium Import Brands**



OTHER BRANDS

US

Hard Cider



Flavoured Malt Beverages*



CANADA**



EUROPE***



INTERNATIONAL



* Under perpetual royalty-free license from ABI

** Under contract brewing arrangements with Asahi and North American Breweries, Inc. to produce for the US market

*** The European business has licensing and distribution agreements with various other brewers through which it also brews and distributes





MOLSON COORS BREWING CO [TAP:US]

INDUSTRY OUTLOOK

**“BEER IS NOW ADAPTING TO
OUR LIFESTYLES - WHEREAS
IN THE PAST OUR LIFESTYLES
ADAPTED TO BEER”**

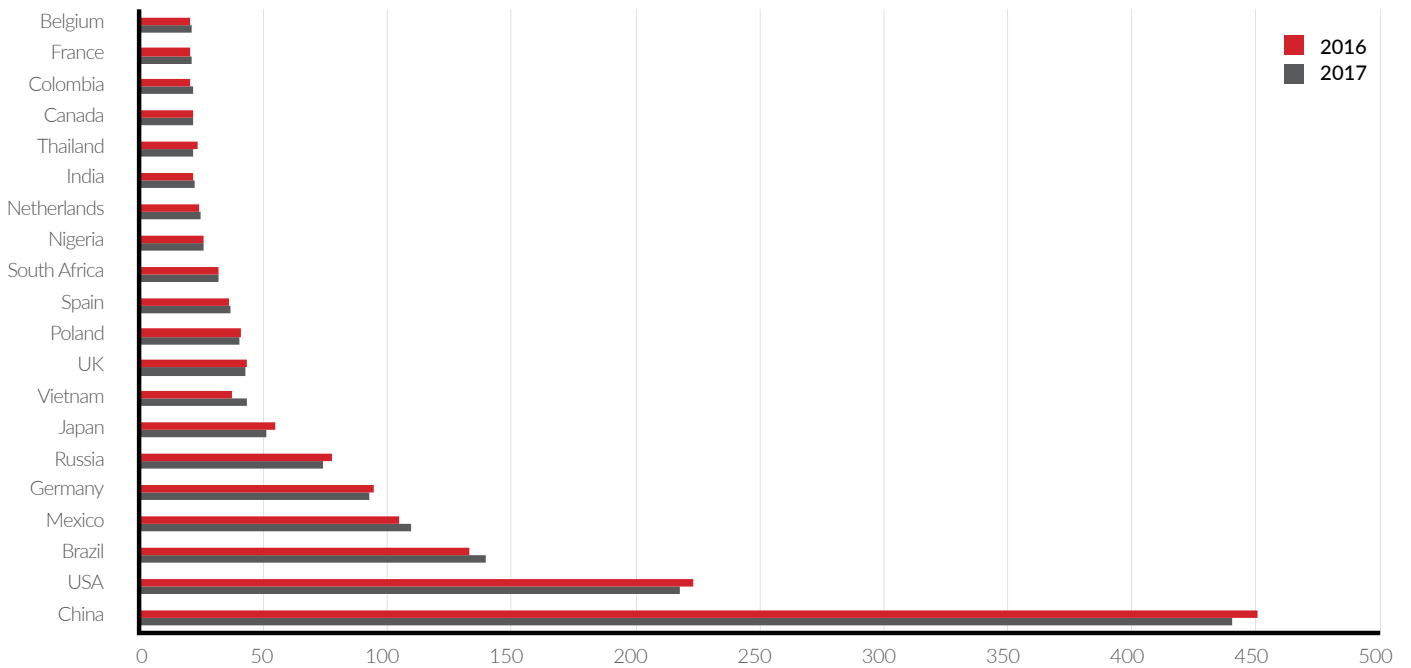
**- CHRISTIAN PURSER,
CEO, INTERBRAND LONDON**



GLOBAL BEER PRODUCTION

- We utilise the data from the 2018 Barth Report. On average, the top 20 countries in the world produced +0.6% more beer in 2017 than 2016. However, the two largest producers – China and the US both produced less beer in 2017, declining by -2.3% and -2.6% respectively.

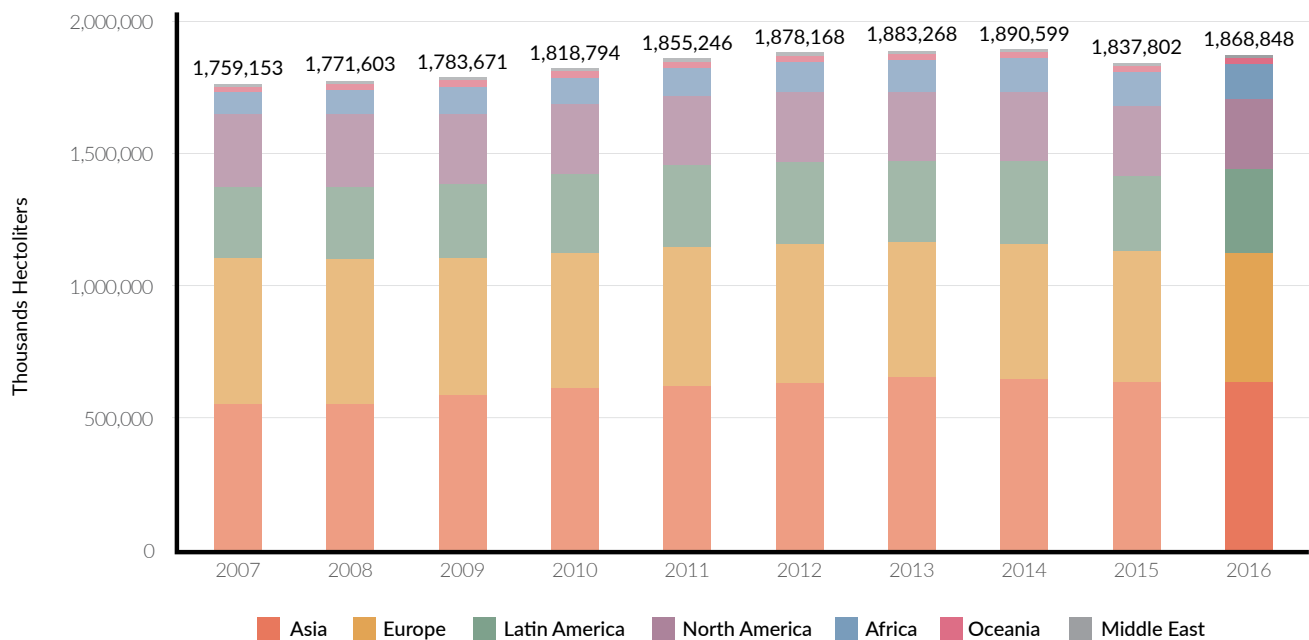
TOP 20 BEER PRODUCTION COUNTRIES (M HL)



GLOBAL BEER CONSUMPTION

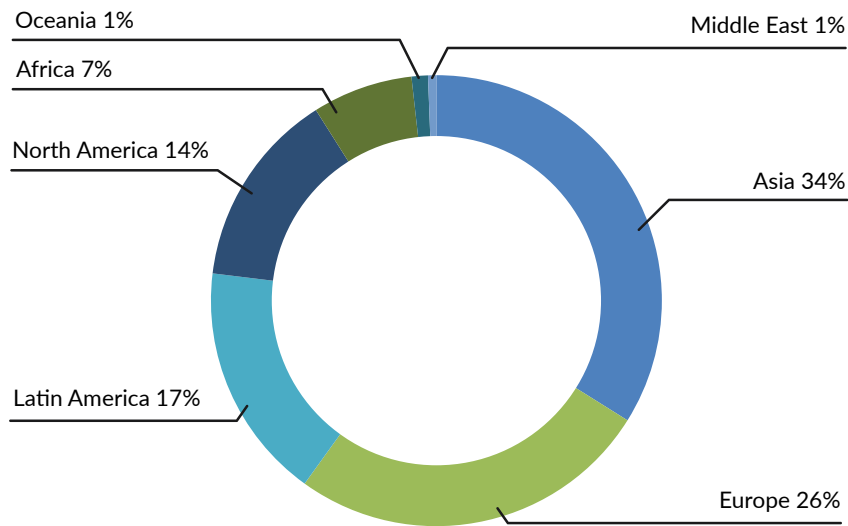
- We utilise the data from Kirin's 2018 Data Book*, which details that global beer consumption grew steadily from 2007 and peaked in 2014.

GLOBAL TOTAL BEER CONSUMPTION

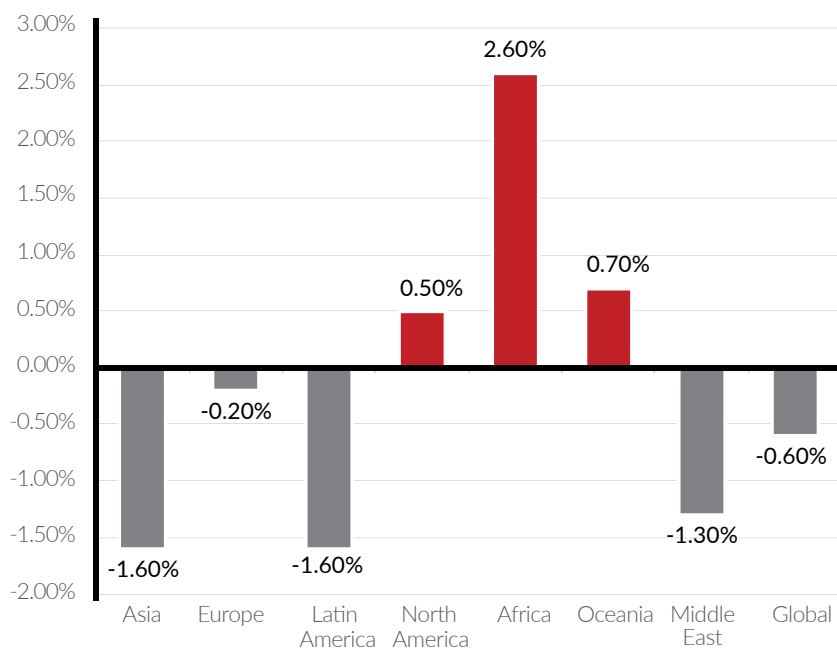


BEER CONSUMPTION BY REGION

BREAKDOWN OF BEER CONSUMPTION BY REGION

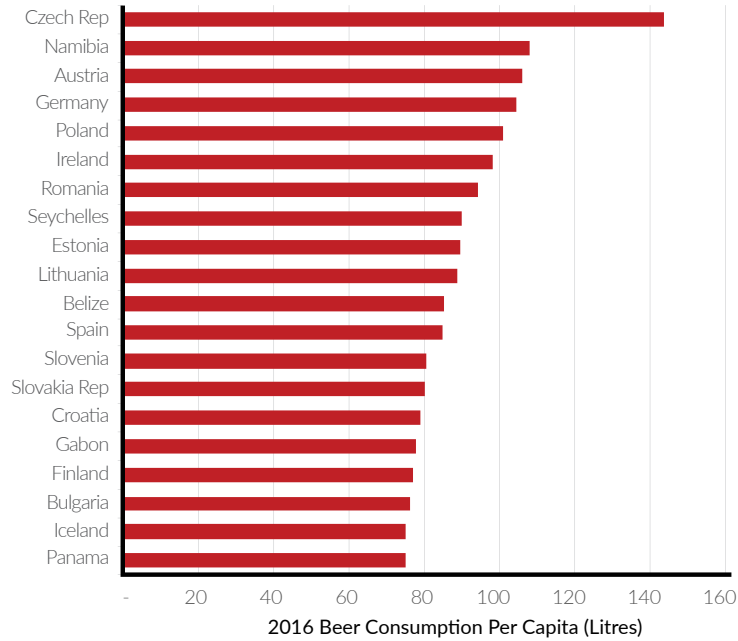


YEAR-ON-YEAR % CHANGE (2016 vs 2015)

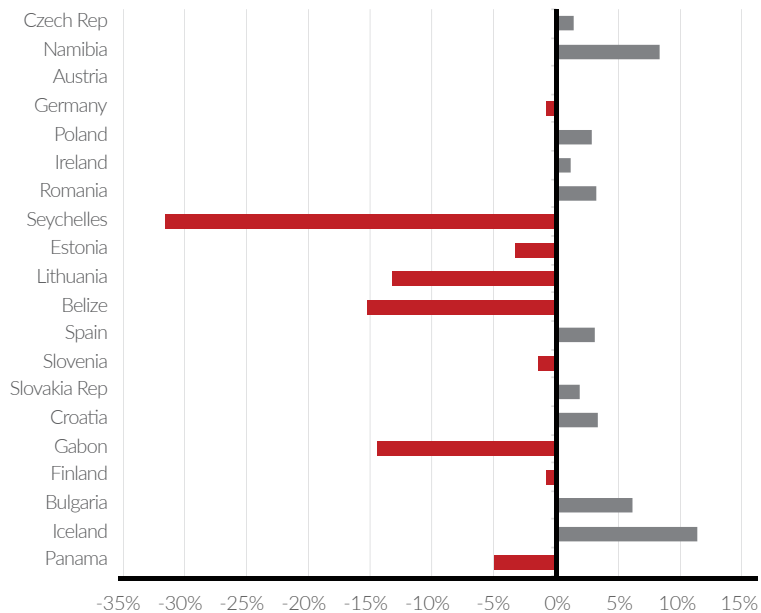


BEER CONSUMPTION PER CAPITA BY COUNTRY

BEER CONSUMPTION PER CAPITA - TOP 20 COUNTRIES

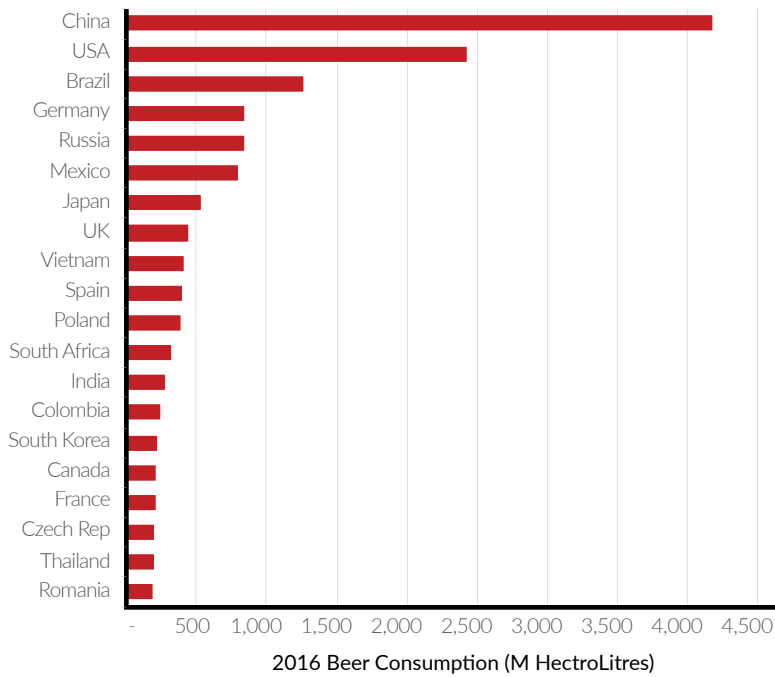


YEAR-ON-YEAR % CHANGE

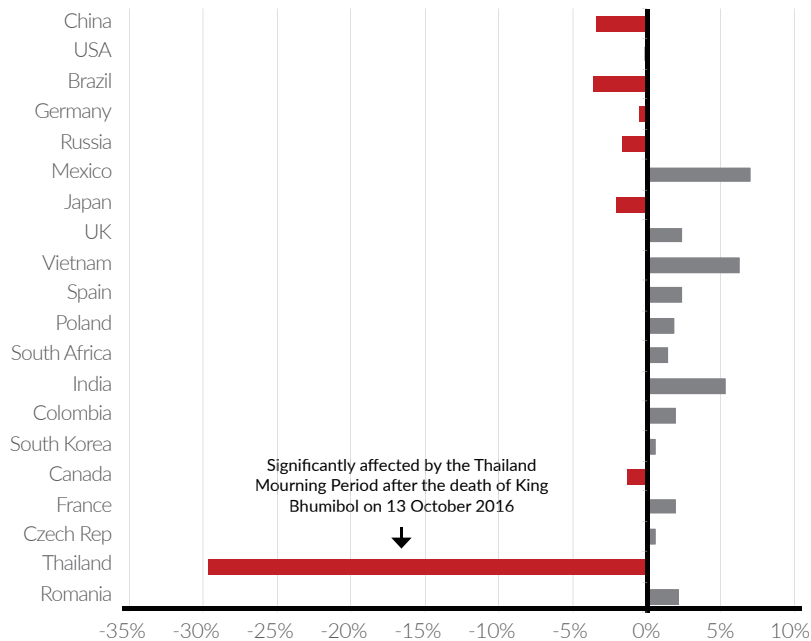


BEER CONSUMPTION BY COUNTRY

BEER CONSUMPTION - TOP 20 COUNTRIES



YEAR-ON-YEAR % CHANGE (2016 vs 2015)





MOLSON COORS BREWING CO [TAP:US]

BOARD, MANAGEMENT, COMPANY CULTURE & EMPLOYEE EFFICIENCY

BOARD OF DIRECTORS

- When investing in Molson Coors, one has to be comfortable with the Molson/Coors families having voting control. The Company's bylaws *“require the authorisation of a super-majority (two-thirds) of the board of directors to take certain transformational actions. Thus, it is possible that the Company will not be authorised to take action even if it is supported by a simple majority of the board of directors”**.

MOLSON/COORS FAMILIES (4)

Chairman

Peter H. Coors

Vice Chairman

Geoffrey E. Molson

Director

Peter J. Coors

Director

Andrew T. Molson

MANAGEMENT (1)

Director/President/CEO

Mark R. Hunter

INDEPENDENT DIRECTORS (9)

Independent Director

Betty K. DeVita

Independent Director

Charles M. Herington

Independent Director

Douglas D. Tough

Independent Director

Franklin W. Hobbs

Independent Director

H. Sanford Riley

Independent Director

Louis Vachon

Independent Director

Roger G. Eaton

Independent Director

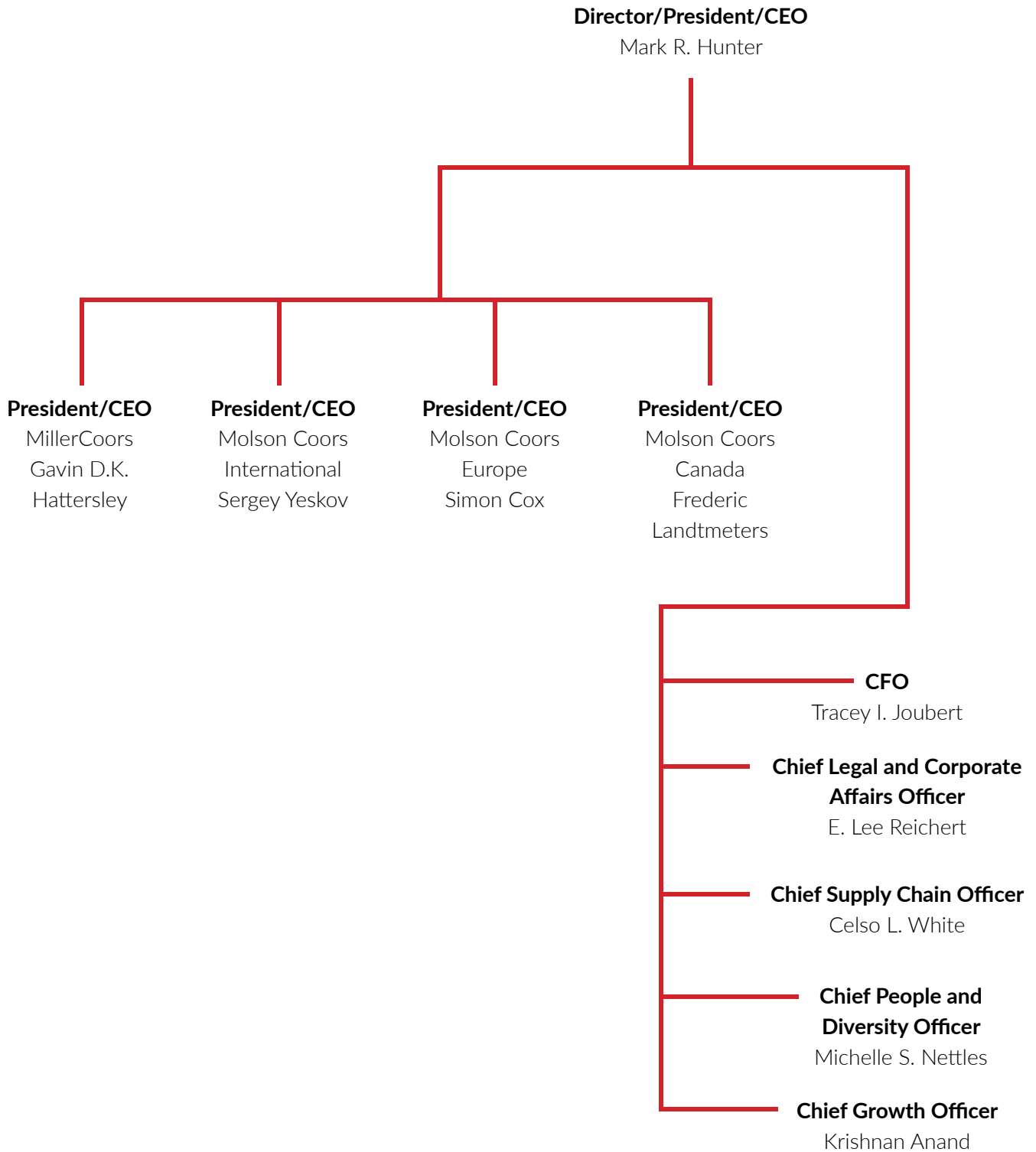
Iain J.G. Napier

Independent Director

Mary Lynn Ferguson-McHugh

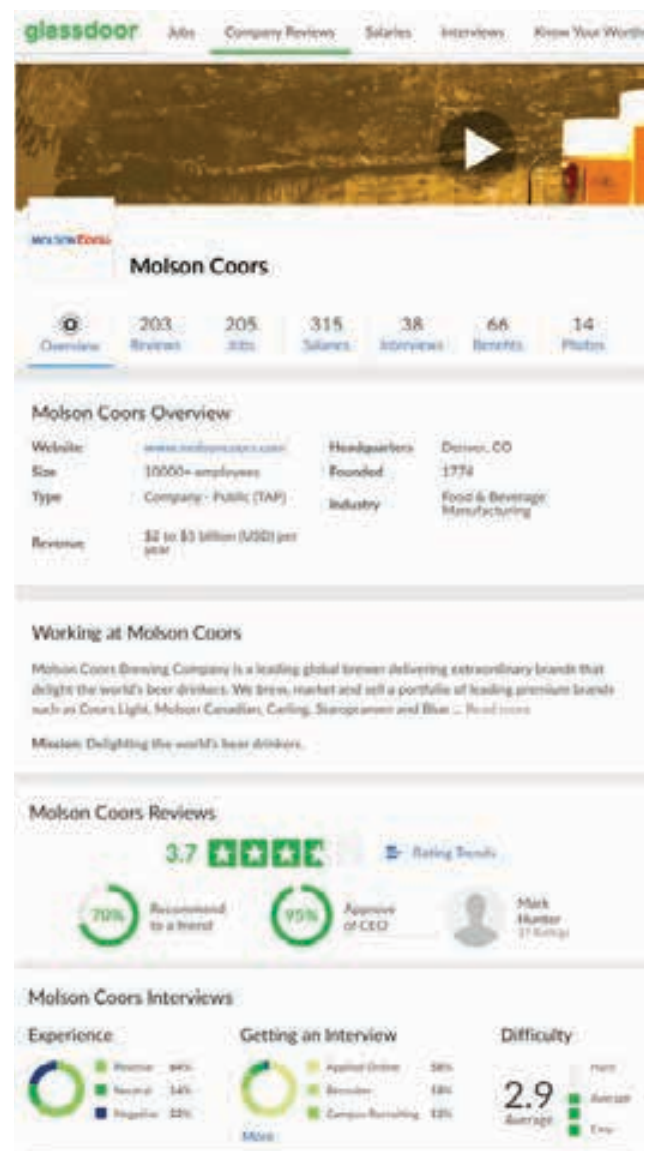
MANAGEMENT

- We note that most of senior management are seasoned/veteran managers with the Company.
- See Appendix 2 for additional information on the managers.



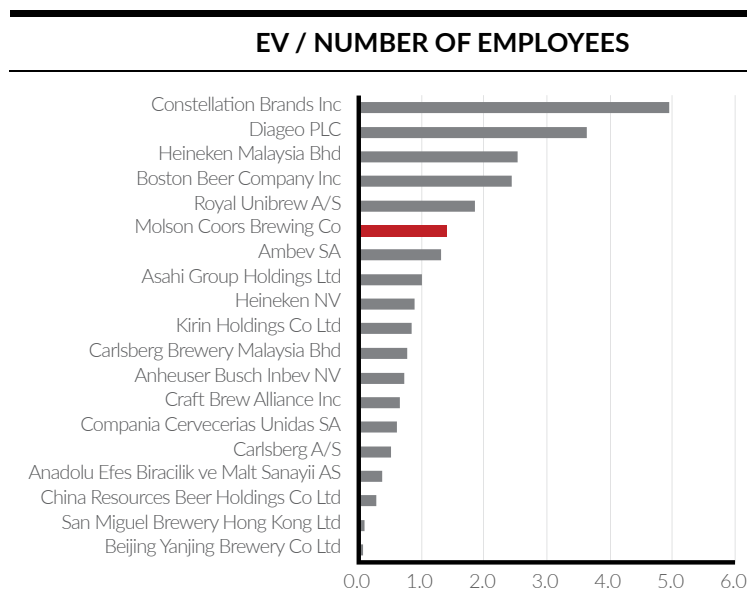
COMPANY CULTURE / WORKPLACE

- We analysed Glassdoor (www.glassdoor.com) where employees and former employees anonymously review companies and their management.
- Molson Coors has above average ratings and improving trends based on the reviews. The 95% approval rating for the CEO Mark Hunter is especially high. Employees do recognise the difficult business environment, hence the low 36% rating for “Positive Business Outlook”. However, impressively it still has a 70% “Recommend to a Friend” rating.



EMPLOYEE EFFICIENCY

- We utilise the Enterprise Value to Employee Ratio to measure how worker-intensive a business or industry is. We also use this metric to compare businesses within the same industry to rank their relative efficiency.
- Impressively, Molson Coors has one of the highest employee efficiency amongst the larger global brewers. We attribute this to its economies of scale in the all important North America markets. For example, the Coors Brewery in Golden, Colorado is one of the world's largest single-site breweries.



Coors Brewery in Golden, Colorado



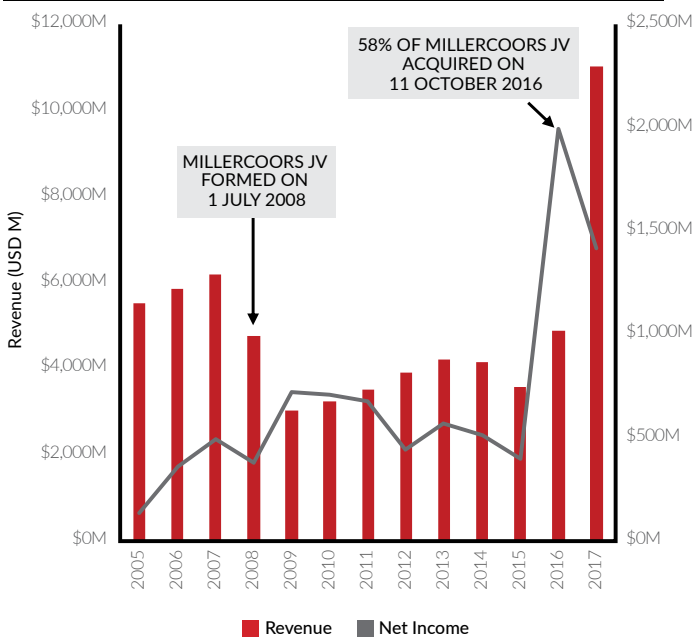
MOLSON COORS BREWING CO [TAP:US]

FINANCIALS, FINANCIAL STRUCTURE & CAPITAL RETURN HISTORY

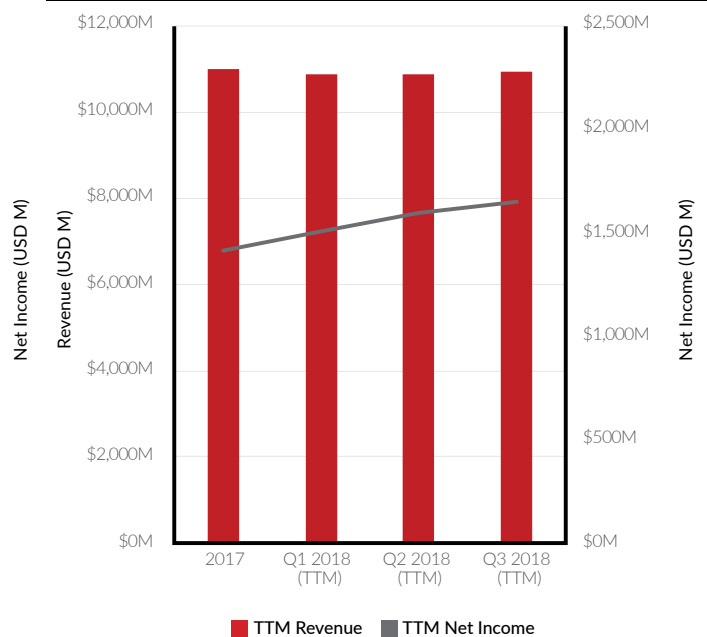
HISTORICAL REVENUE & NET PROFIT

- Below we detail the historical revenue and net profit since Molson merged with Coors in 2005.
- Historical revenue and net profit figures are distorted due to the creation of MillerCoors JV in 2008 and also the acquisition of the remaining 58% of MillerCoors JV in 2016.
- In the chart on the right below we highlight that in the last three quarters, TTM revenue has declined slightly while TTM net profit improved due to the Company's over-delivering on its cost saving initiatives.

REVENUE & NET PROFIT : 2005 - 2017



TTM REVENUE & NET PROFIT : 2017-2018Q3

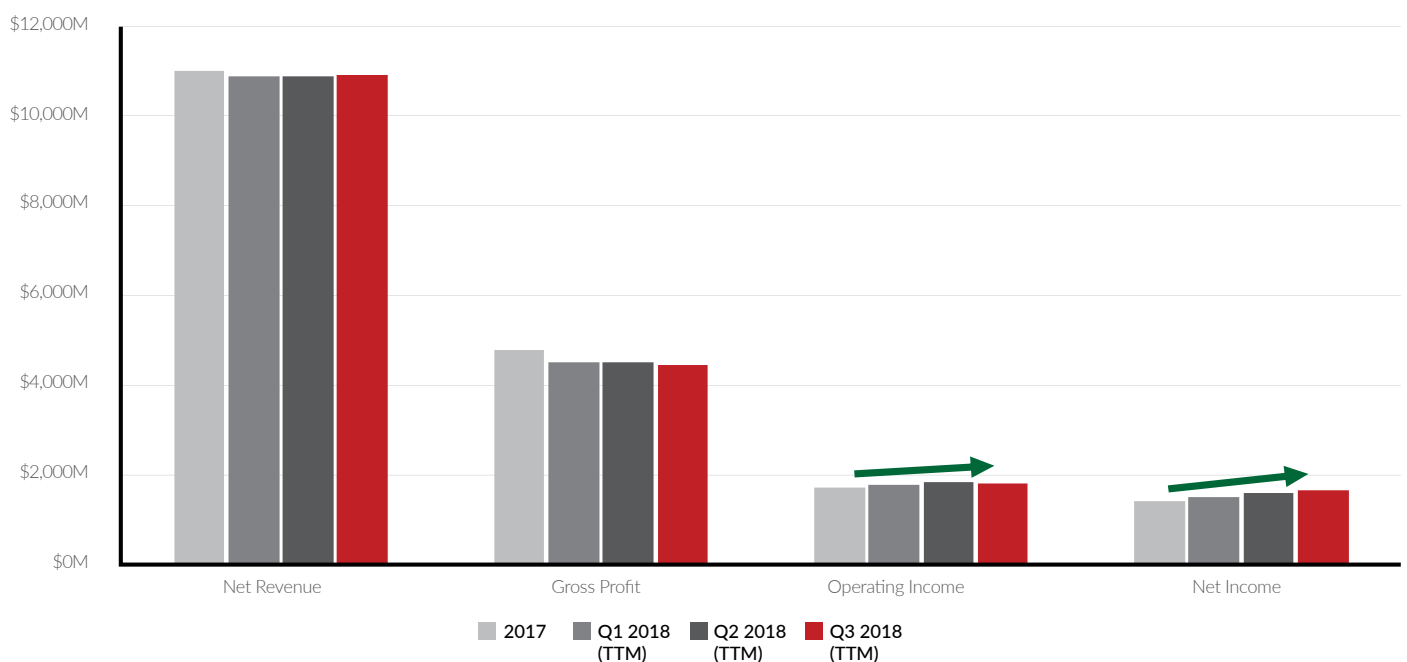


* Source: Thomson Reuters Eikon - As at 16 November 2018

FINANCIAL PERFORMANCE IN RECENT QUARTERS

- Below we illustrate the TTM net revenue/gross profit/operating income/net income for the last four quarterly periods. This chart provides a picture of what has occurred since Molson Coors acquired the remaining 58% stake of the MillerCoors JV.
- We note that even when revenue and gross profit are under pressure due to a weak US market and cost inflation, the Company has had success in its cost saving program to stabilise/improve TTM operating/net income/s.

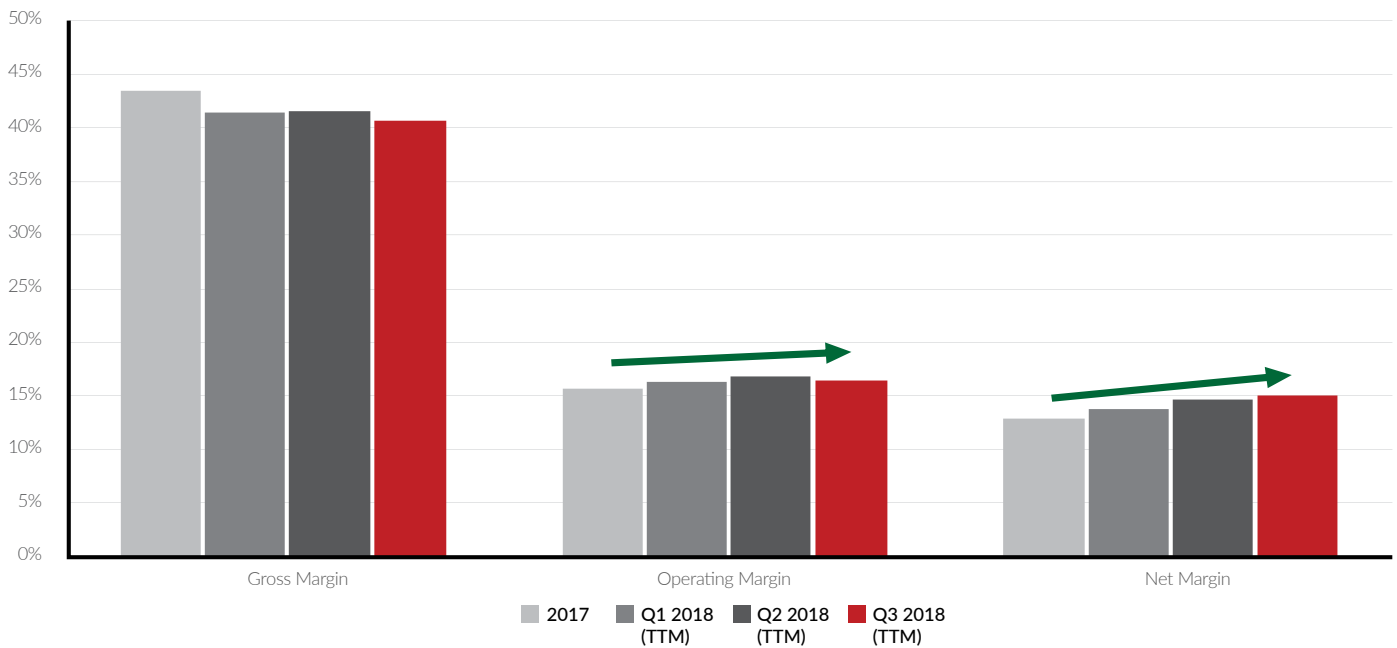
TTM NET REVENUE, GROSS PROFIT, OPERATING INCOME & NET INCOME : 2017 - Q3/2018



MARGIN STORY IN RECENT QUARTERS

- Looking at the margins, as we noted, TTM gross profit are under pressure due to a weak US market and cost inflation. However, both TTM operating and net margins are trending up due to cost vigilance and greater than forecast synergy extraction.

TTM GROSS/OPERATING/NET MARGINS : 2017 - Q3/2018

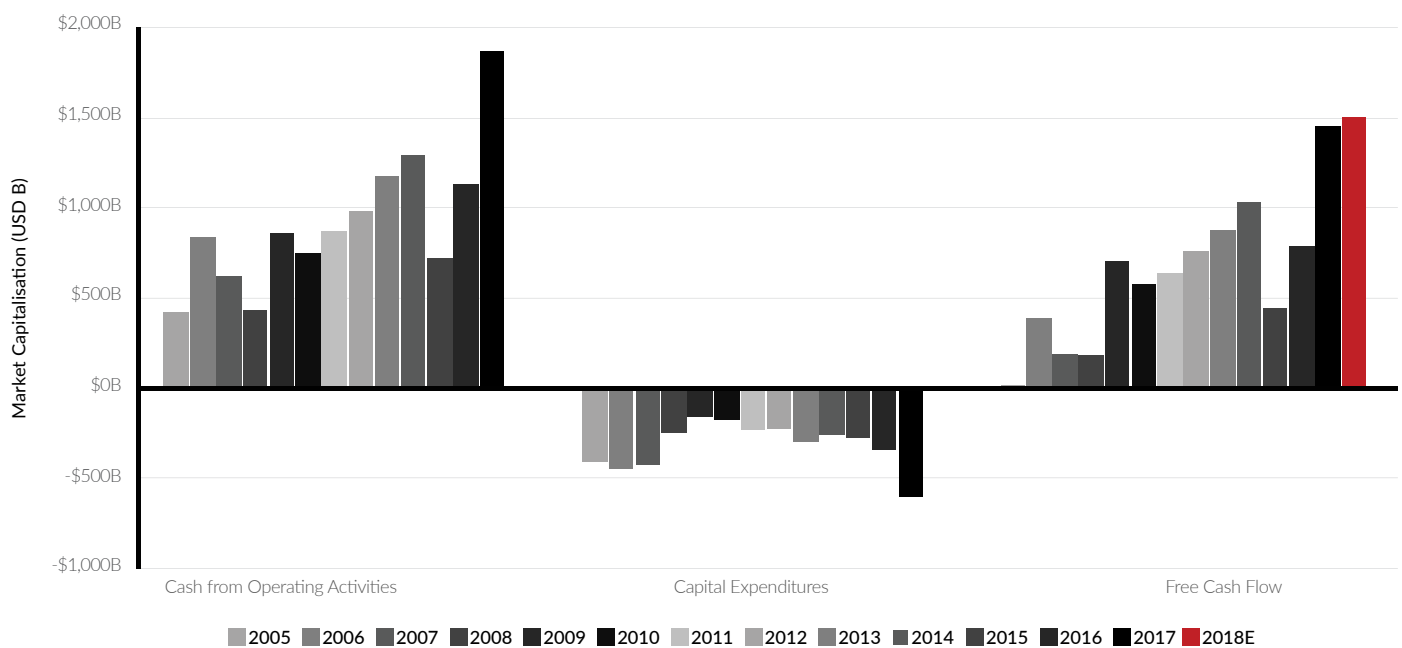


* Source: Thomson Reuters Eikon - As at 16 November 2018

CAPITAL EXPENDITURE & FREE CASH FLOW GENERATION

- FY2017 Underlying FCF = USD1.45B. Company projected FY2018 Underlying FCF = USD1.5B +/- 10%.
- Currently, the stock has a 10.4% FY2017 Free Cash Flow Yield*, which we argue is a strong indicator that the stock is currently trading at a discount to its intrinsic value.

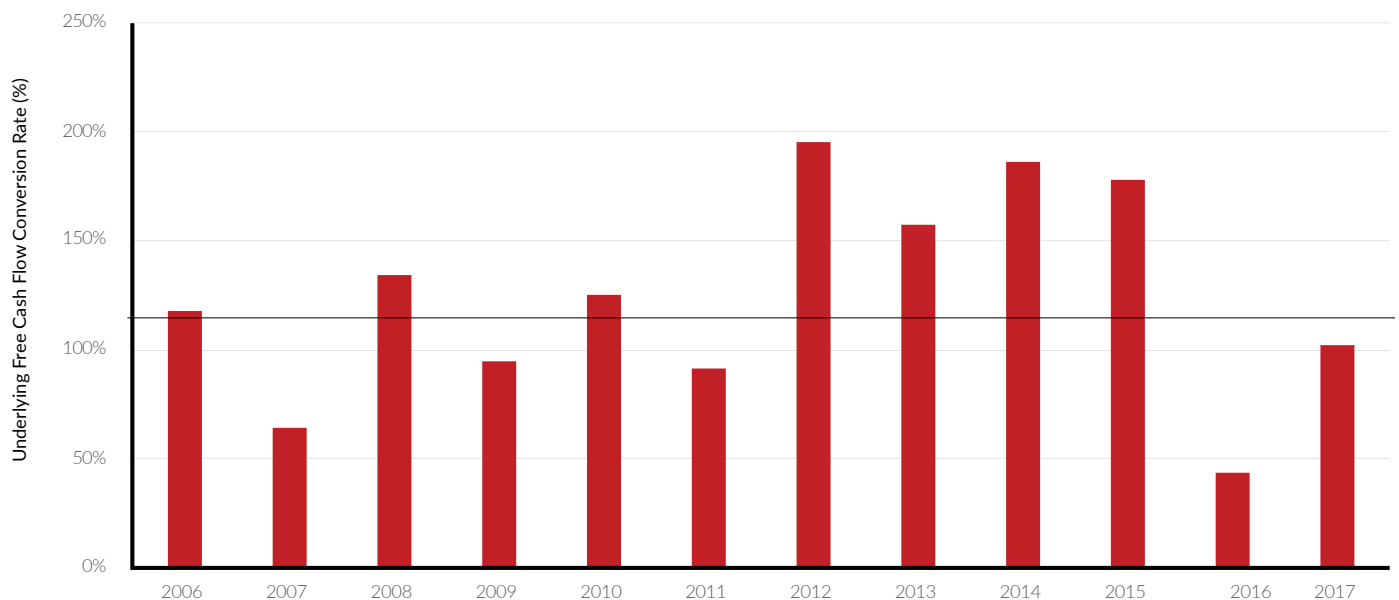
OPERATING CASH FLOW, CAPEX AND FREE CASH FLOW**



FREE CASH FLOW EFFICIENCY

- It is important to understand a company's ability to generate cash without external financings. We look at measures such as Free Cash Flow (FCF) Efficiency* to help gauge the resources available for strategic opportunities such as undertaking acquisitions, investing in the business, strengthening the balance sheet, and to assess the robustness of a company's earnings performance.
- The chart below details that Molson Coors has a good record of generating free cash flow versus its accounting net income (Average = 124% since 2006). We utilise the "Underlying Free Cash Flow" figures provided by the Company**.
- FCF Efficiency in 2016 was below 100% due mainly to the significant non-cash USD3B revaluation gain from the MillerCoors transaction.

UNDERLYING FREE CASH FLOW ("FCF") EFFICIENCY



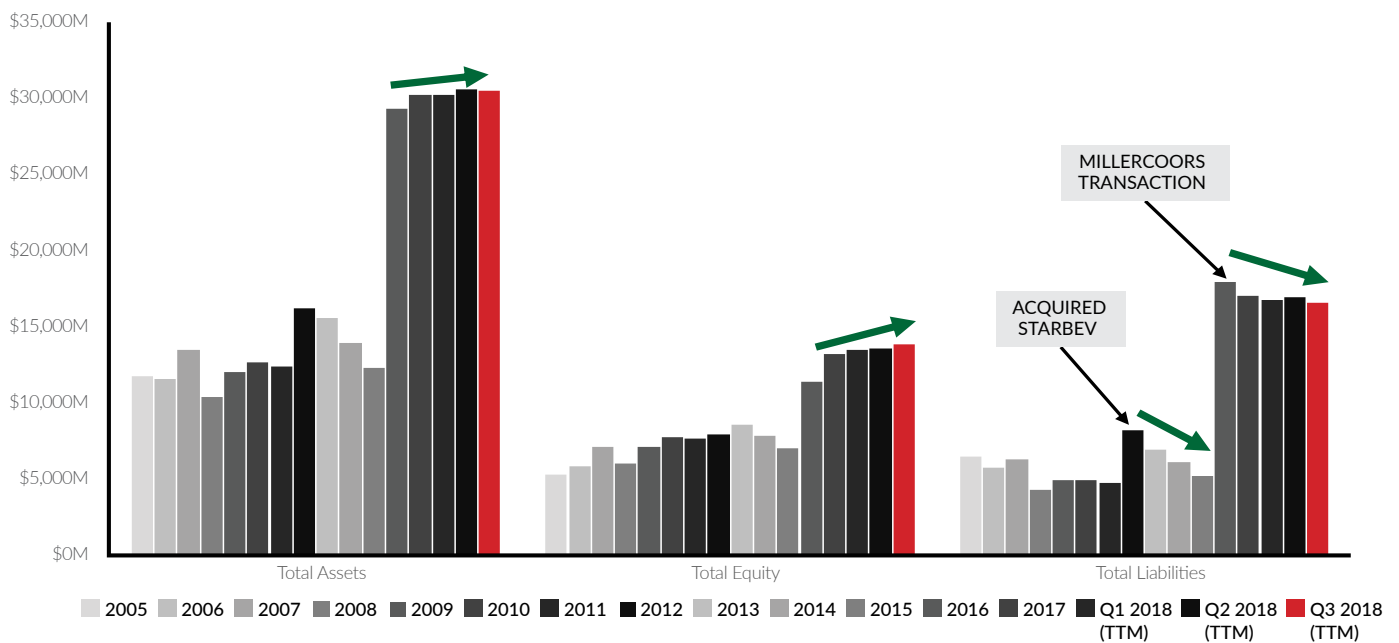
* Free Cash Flow Efficiency is defined as Free Cash Flow / Net Income and it illustrates how efficient the business is at generating free cash flow versus its reported/accounting net income.

** Source: Molson Coors company presentations

BALANCE SHEET

- The 2016 MillerCoors transaction significantly changed the size of the Company's balance sheet, and also increased its financial leverage.
- However, Management has proven to be astute in its acquisition strategy (cash flow accretive) and has been equally vigilant in its subsequent debt reduction.

TOTAL ASSETS, BOOK VALUE AND TOTAL LIABILITIES : 2017 - 2018 Q3

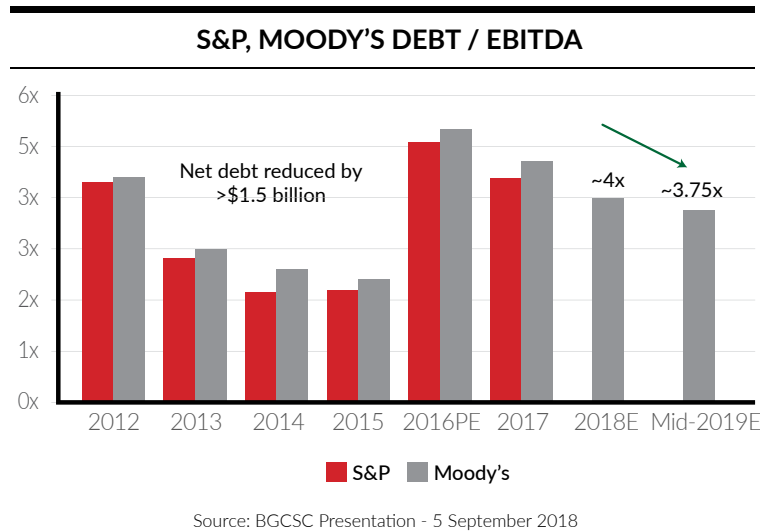
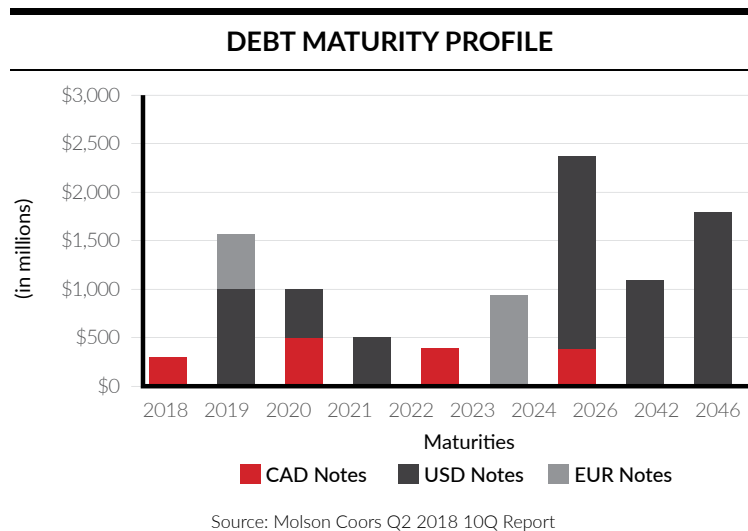


CREDIT RATINGS & TERM STRUCTURE OF DEBT

- Molson Coor’s current long-term credit ratings are*:
 - S&P: BBB-/Stable Outlook
 - Moody’s: Baa3/Stable Outlook
 - DBRS: BBB(Low)/Stable Outlook

- The Company issued ~USD6.9B of fixed-rate senior notes to fund the USD12B MillerCoors transaction.

- Management are working on deleveraging the balance sheet with the strong free cash flow generation to bring the Debt / EBITDA ratio down from over 5x in 2016 to ~3.75x by Mid-2019.

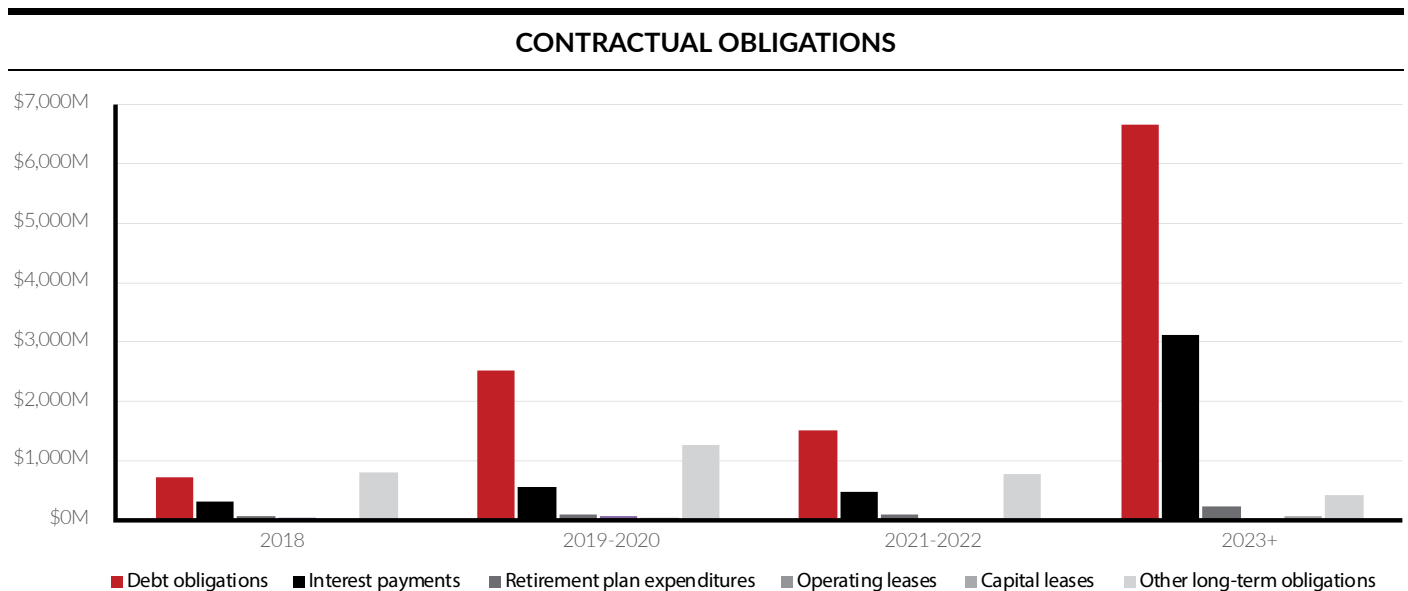


* Source: Molson Coors Q2 2018 10Q Report p59



CONTRACTUAL OBLIGATIONS

- The chart below details the Company's major contractual obligations in the coming years.
- As at 31 December 2017, the Company has the following major contractual obligations:
 - Debt obligations: \$11.38B
 - Interest payments: \$4.50B
 - Other long-term obligations: \$3.29B – This consists of \$2.2B of long-term supply contracts and \$0.9B of commitments for advertising and promotions, including sports sponsorship.
- The Company reported that at the end of Q3 2018, it has reduced its long-term debt in the nine-month period by USD367M to \$10.56B.



EQUITY OWNERSHIP

- The table below from the Company's proxy statement provides a picture of the major equity holders in the Company (5% Stockholders, Directors and Management).
- It also illustrates which entities/names the Molson/Coors families use to hold the majority of the Class A shares.
- Many investors will not be comfortable with the two share class structure. However, in this particular case, we are comfortable to be minority shareholders in this Company with the Molson/Coors families, given the long-term track record / stewardship.

Name of Beneficial Owner	Number of Class A Shares	Percent of class (%) ⁽¹⁾	Number of Class B Shares ⁽²⁾	Percent of class (%) ⁽¹⁾
5% Stockholders:				
Adolph Coors Company LLC	5,044,534 ⁽³⁾⁽⁴⁾	92.74%	21,522,798 ⁽⁴⁾	10.23%
Adolph Coors Jr. Trust	5,044,534 ⁽³⁾⁽⁴⁾	92.74%	5,830,000 ⁽⁴⁾	2.77%
Pentland Securities (1981) Inc.	5,044,534 ⁽³⁾	92.74%	3,449,600 ⁽⁵⁾	1.64%
4280661 Canada Inc.	5,044,534 ⁽³⁾	92.74%	0	0
The Vanguard Group	0	0	18,903,909 ⁽⁶⁾	8.99%
JPMorgan Chase & Co.	0	0	15,610,660 ⁽⁷⁾	7.42%
Lazard Asset Management LLC	0	0	13,532,999 ⁽⁸⁾	6.43%
BlackRock, Inc.	0	0	11,435,122 ⁽⁹⁾	5.44%
Directors:				
Peter H. Coors	2,000 ⁽¹⁰⁾	*	719,392 ⁽¹¹⁾	*
Peter J. Coors	0 ⁽¹⁰⁾	0	48,519 ⁽¹²⁾	*
Betty K. DeVita	0	0	736 ⁽¹³⁾	*
Roger G. Eaton	0	0	15,099 ⁽¹⁴⁾	*
Mary Lynn Ferguson-McHugh	0	0	0	0
Charles M. Herington	0	0	24,526 ⁽¹⁵⁾	*
Franklin W. Hobbs	0	0	52,868 ⁽¹⁶⁾	*
Mark R. Hunter	0	0	405,695 ⁽¹⁷⁾	*
Andrew T. Molson	100	*	3,455,926 ⁽¹⁸⁾	1.64%
Geoffrey E. Molson	1,632 ⁽¹⁹⁾	*	16,412 ⁽¹⁹⁾	*
Iain J.G. Napier	0	0	17,361 ⁽²⁰⁾	*
H. Sanford Riley	0	0	44,881 ⁽²¹⁾	*
Douglas D. Tough	0	0	8,203 ⁽²²⁾	*
Louis Vachon	0	0	12,629 ⁽²³⁾	*
Management:				
Tracey I. Joubert	0	0	49,673 ⁽²⁴⁾	*
Gavin D.K. Hattersley	0	0	140,276 ⁽²⁵⁾	*
Samuel D. Walker	0	0	91,869 ⁽²⁶⁾	*
Krishnan Anand	0	0	228,539 ⁽²⁷⁾	*
All directors and executive officers as a group (24 persons)	3,732 ⁽²⁸⁾	*	5,490,680 ⁽²⁸⁾	2.60%

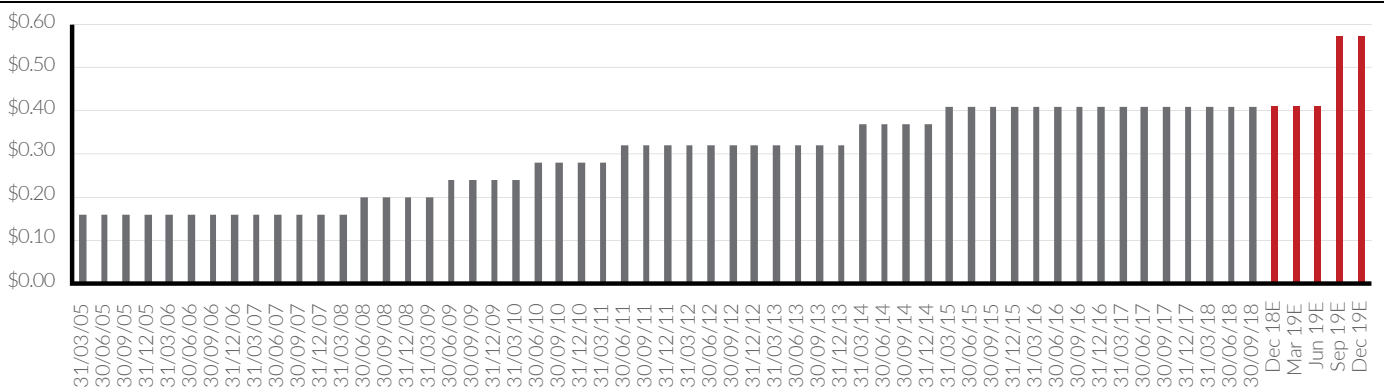
* Denotes less than 1%

Source: Molson Coors Definitive Proxy Statement – Filed 5 April 2018

CAPITAL RETURNS VIA DIVIDENDS

- The Company primarily utilises dividends to return capital to its shareholders. The dividend policy is conservative, and hence sustainable.
- It has been 15 quarters since the Company increased its quarterly dividends. However, the Company has promised to increase dividends as soon as a leverage ratio of 3.75x debt to EBITDA is achieved sometime near 2H 2019. The Company expects the quarterly dividend to increase by +40% to +75% (\$0.57 to \$0.71) from the current level (\$0.41)*. This will increase the dividend yield from 2.56% to the range of 3.55% - 4.42% (based on \$64.10 share price as at 23 November 2018).

QUARTERLY DIVIDENDS SINCE 2005, AND FORECASTS FOR 2019



Dividends and Stock Repurchases

As a result of the Acquisition, we currently plan to maintain our current quarterly dividend of \$0.41 per share until we achieve a leverage ratio of 3.75x debt to EBITDA on a rating agency basis, which we expect to achieve near the second half of 2019. As a reminder, we previously communicated in June of this year that upon achieving about 3.75x leverage, our board's intention is to reinstitute a dividend payout-ratio target in the range of 20-25% of annual trailing EBITDA for the second half of 2019 and ongoing thereafter. We have suspended our share repurchase program as we continue to pay down debt which we plan to revisit as we deleverage.

Source: Molson Coors 2018 Q3 10-Q Report - p64

CAPITAL RETURNS VIA SHARE REPURCHASE

- In 2011, the Company announced a 3-year USD1.2B share repurchase program and bought back 7.5M shares for \$321.1M that year. However, the program was suspended in 2012 due to the StarBev acquisition.
- In 2015, the Company again announced a USD1B share repurchase program and bought back 2M shares for \$150M that year. However, the program was once again suspended in 2016 due to the MillerCoors transaction.
- We hypothesise that the Company should be in position to reinstate its share repurchase program in 2020/2021. We believe a combination of sustainable/growing dividends and a strong and opportunistic multi-year share repurchase program can create significant value for long-term oriented shareholders.

Share Repurchase Program

On February 10, 2015, we announced that our board of directors approved and authorized a new program to repurchase up to \$1.0 billion of our Class A and Class B common stock. The number, price and timing of the repurchases will be at the Company's sole discretion and will be evaluated depending on market conditions, liquidity needs or other factors. The Company's board of directors may suspend, modify or terminate the program at any time without prior notice. This repurchase program replaces and supersedes any repurchase programs previously approved by the board of directors. Under Delaware state law, these shares are not retired, and we have the right to resell any of the shares repurchased. Beginning in April 2015, under this program, we entered into accelerated share repurchase agreements ("ASRs") with a financial institution. In exchange for up-front payments, the financial institution delivered shares of our common stock during the purchase periods of each ASR. The total number of shares ultimately delivered, and therefore the average repurchase price paid per share, was determined at the end of the applicable purchase period of each ASR based on the volume weighted-average price of our common stock during that period. The up-front payments for the treasury stock were accounted for as a reduction to shareholders' equity in the consolidated balance sheet in the periods the payments are made. We reflected each ASR as a repurchase of common stock in the period delivered for purposes of calculating earnings per share and as forward contracts indexed to our own common stock. Each ASR met all of the applicable criteria for equity classification, and therefore, was not accounted for as a derivative instrument.

As a result of the Acquisition, we suspended the share repurchase program and thus, there have been no shares of Class A or Class B common stock repurchased in 2017 or 2016. During 2015, we purchased approximately 2 million shares of our Class B common stock under the share repurchase program for an aggregate of approximately \$150 million.

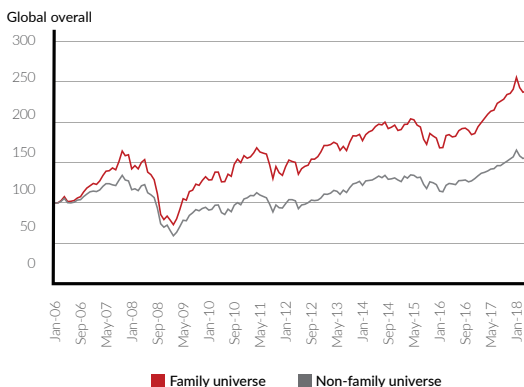
Source: Molson Coors 2017 Annual 10-K Report - p121

FAMILY-OWNED BUSINESSES DELIVER

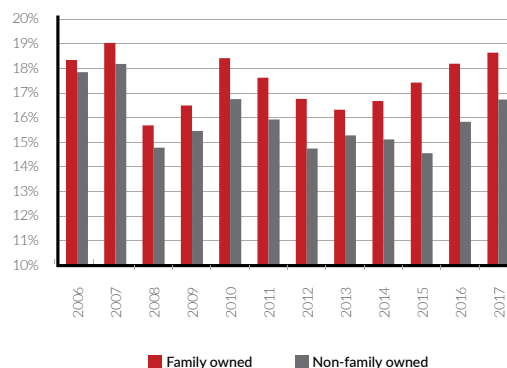
- Molson Coors is one of the oldest family controlled publicly listed companies. It is ranked 34th in Credit Suisse's 2018 "Family 1000 Report"*. Investors are increasingly intrigued on why family controlled businesses have substantially better long-term returns and superior margins versus non-family controlled businesses, as illustrated by the two charts below. Credit Suisse suggests that the outperformance is due "to the longer time horizon that family-owned companies adopt in their decision making":

"Having a longer-term investment focus provides companies with the flexibility to move away from the quarter-to-quarter earnings calendar and instead focus on through-cycle growth, margins and returns. This also allows for a smoother cash-flow profile, thereby lowering the need for external funding. In turn, all of this has supported the share-price outperformance of family-owned companies since 2006." - Credit Suisse 2018 Family 1000 Report*

FAMILY-OWNED COMPANIES HAVE OUTPERFORMED NON-FAMILY OWNED COMPANIES SINCE 2006



FAMILY-OWNED COMPANIES GENERATE BETTER MARGINS THAN NON-FAMILY-OWNED COMPANIES



50 oldest companies		
Company	Founding	Mkt. cap. (USD bn)
Wendel	1704	6.6
LVMH	1743	174.2
Man	1758	16.1
Jeronimo Martins	1792	9.4
Bucher Industries	1807	3.3
Wiley John & Sons	1807	3.1
Merck Kgaa	1827	13.7
Exmar	1829	0.4
Bossard 'B'	1831	1.3
Hermes Intl.	1837	66.5
Oeneo	1838	0.7
Carlsberg 'B'	1847	18.3
Robertet	1850	1.2
Bank Of The Philp.	1851	8.2
Anheuser-Busch Inbev	1852	201.5
Bonduelle	1853	1.2
Kws Saat	1856	2.6
Wheelock	1857	14.3
Davide Campari	1860	10.0
DORMA KABA HOLD	1862	2.7
Solvay	1863	14.0
Bombay Burmah Trading	1863	1.6
Immobel	1863	0.6
Dksh Holding	1865	4.8
Hongkong & Shai.Htfs.	1866	2.2
Scotts Miracle-Gro	1868	4.3
Sainsbury J	1869	9.5
Brown-Forman 'B'	1870	16.7
Sartorius	1870	5.5
Continental	1871	43.2
Heineken	1873	59.1
Heidelbercement	1873	16.3
Hal Trust	1873	14.7
Molson Coors Brewing 'B'	1873	13.5
Schindler 'P'	1874	24.6
Watts Water Techs.	1874	2.9
Henkel Preference	1876	51.2
Greif 'A'	1877	1.4
Erlingklinger N	1879	0.8
Bekaert (D)	1880	1.6
Kering	1881	66.9
Nippon Paint Holdings	1881	14.1
Beiersdorf	1882	26.4
Weston George	1882	10.5
Bertl Jucker	1882	6.7
Alfa Laval	1883	11.4
Dabur India	1884	11.4
Haverty Frtr.Cos.	1885	0.4
Wharf Holdings	1886	10.1
Bosch	1886	8.5

THE NEED FOR A LONG-TERM FOCUS

“One of society’s most vexing problems is the relentlessly short-term orientation that manifests itself in investing, in business decision-making, and in our politics.”

“Consider corporate time horizons. It’s a choice to attempt to maximize corporate results over the very short run and a different and sometimes harder decision to take a longer-term view. I’m convinced that one of society’s most vexing problems is the relentlessly short-term orientation that manifests itself in investing, in business decision-making, and in our politics. Educational and philanthropic endowments, for example, with institutional time horizons that necessarily span centuries, invest their funds with monthly performance comparisons.”

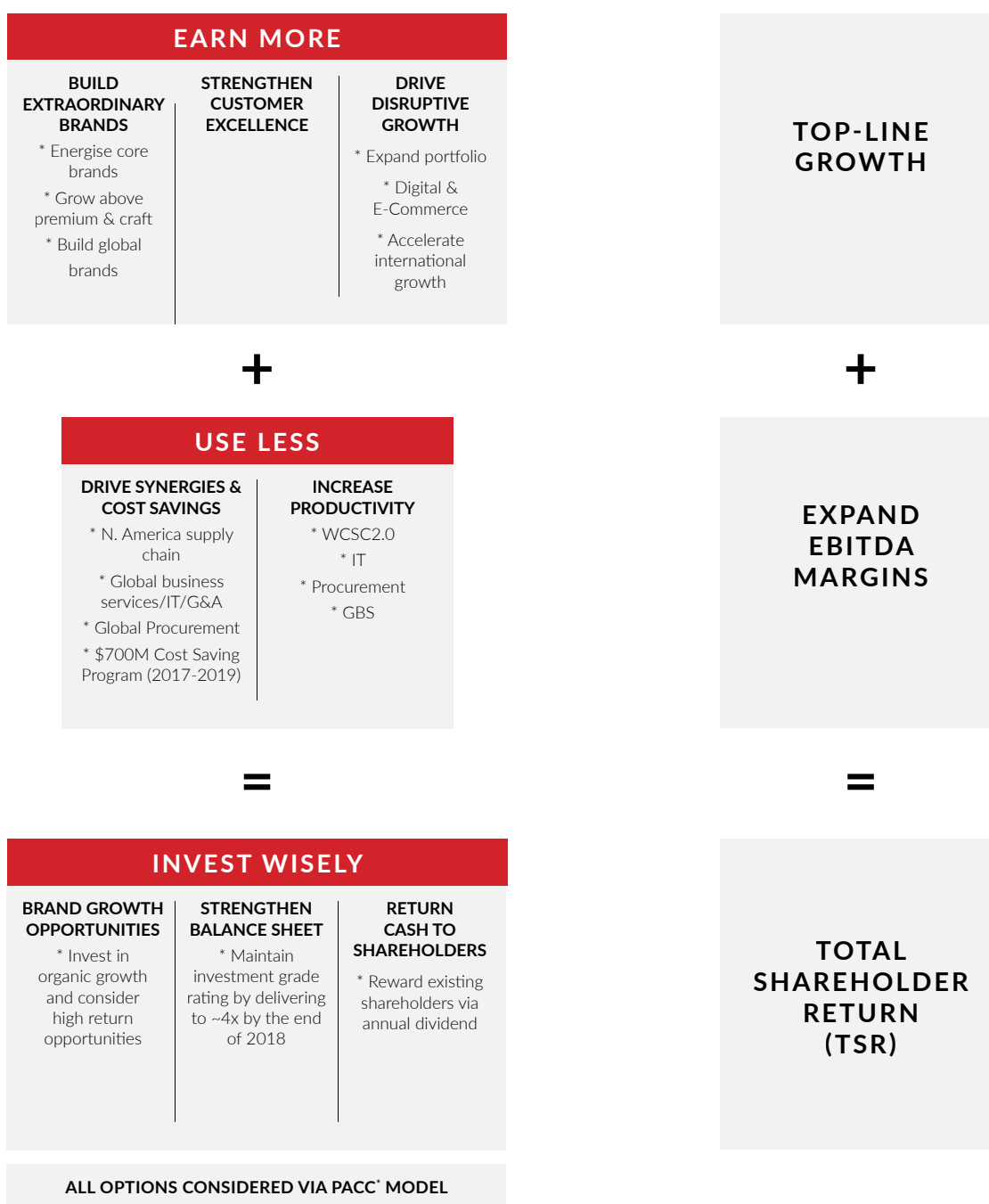
“Many feedback loops reinforce today’s short-term business and financial-market orientation. Louis Gerstner Jr. (MBA 1965), former CEO and chair of IBM, has written that you always get more of whatever you measure. Certainly, the constant measurement of professional money managers pressures them to perform well over the shortest measurement horizons. The more pressure you put on money managers for near-term performance, the more short-term their focus becomes. And the more pressure Wall Street puts on corporate America to deliver strong short-term performance, the more myopic the underlying businesses become.”

- Seth Klarman at Harvard Business School



SHAREHOLDER-ORIENTED CORPORATE STRATEGIC FRAMEWORK

- Below is a summary table that illustrates the current strategic framework Management utilises to strategise on how to deliver sustainable growth & long-term shareholder value.



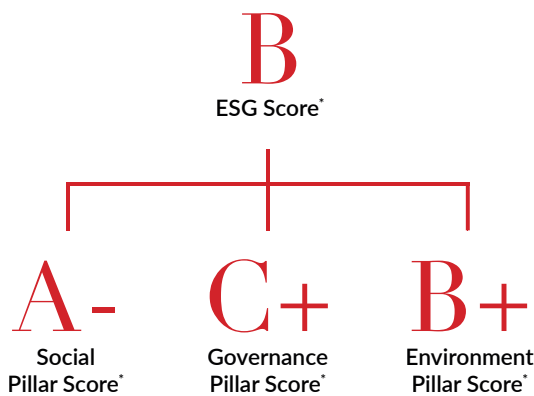


MOLSON COORS BREWING CO [TAP:US]

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATING

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATING

- With a Thomson Reuters ESG score of B*, it seems Molson Coors on the surface is not doing a great job in its sustainability and ESG efforts. However, the overall ESG score of B is dragged down by a C+ in governance which is not unusual with family controlled companies that have dual-class share structures.
- Despite this, our observation is that the Company places significant efforts in its various sustainability and ESG responsibilities**. We encourage the readers of this presentation to download the Company's latest "Beer Print Report" and "ESG Report" at <https://www.molsoncoors.com/en/sustainability/overview/sustainability-reporting>



WHAT WE BELIEVE IN	2025 GOALS	STATUS	HOW OUR WORK
Responsibility Refreshing: Enjoying One of Life's Simple Pleasures	Prevention of underage drinking and drunk driving in all our countries where we have brewing and selling operations	8 countries	Page 8
	Partner with other global alcohol producers to achieve 25% reduction globally in harmful alcohol use	In progress	Page 9
	Responsible marketing and advertising of all our products	In progress	Page 10
	Deliver nutritional information, alcohol serving facts and ingredients for all our products	On 58 product labels, On 248 product websites	Page 11
Sustainability Brewlog: From Grain to Glass	Less and re-usable plastic in all our countries where we have brewing and selling operations	18 locations	Page 12
	Improve water use efficiency in our primary breweries to achieve a 2.5% / 1% water to beer ratio	3,57 / 674	Page 15
	Protect local water resources in partnership with others	Three of our risk bearing authorities have stewardship programs	Page 18
	Reduce carbon emissions across our operations by 30%, and throughout our value chain by 25%	Emissions reduced by: -15% in operations, -8.2% in value chain	Page 19
Collectively Crafted: For Our People and Communities	Achieve zero waste to landfill at all our brewing and major manufacturing facilities	18 facilities	Page 21
	Improve water use efficiency of our agricultural supply chain and malting operations by 50%	In progress	Page 23
	100% of barley and hops sourced from sustainable supplies in key growing regions	In progress	Page 24
	Reopen on the Great Plains to Black/Indians	In progress	Page 28
Collectively Crafted: For Our People and Communities	Greater health and safety in our workplaces with 45% reduction in Lost Time Accidents (LTA) rate	15% (24 cases reduction)	Page 30
	\$100 million investment aiming to improve livelihoods, foster empowerment and build resilient communities	\$22.8 million invested	Page 31
	Eliminate and sustainable supply chain practices	In progress	Page 34
	Supplier diversity across the business	\$1.01 billion spent	Page 35



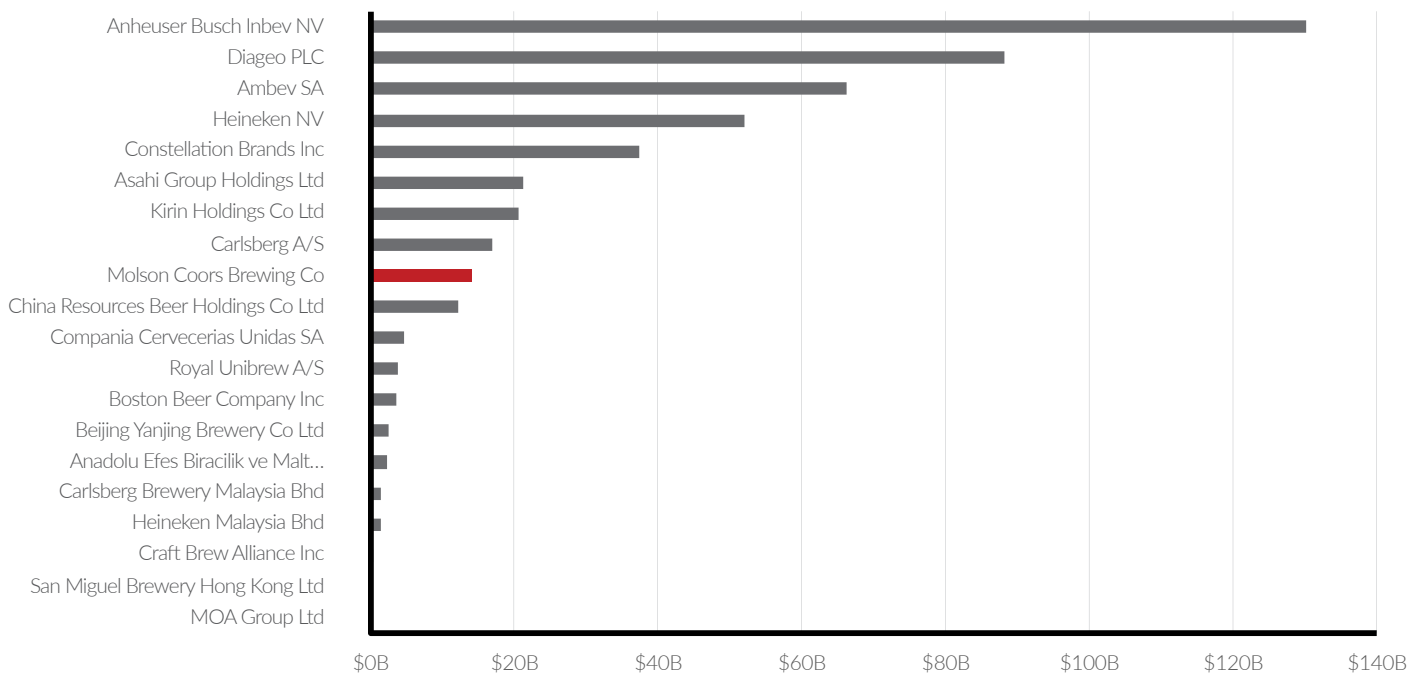
MOLSON COORS BREWING CO [TAP:US]

COMPARABLE COMPANIES

MARKET CAPITALISATION

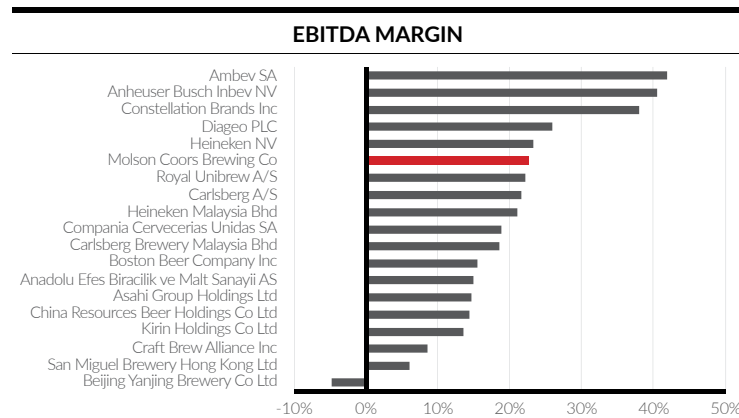
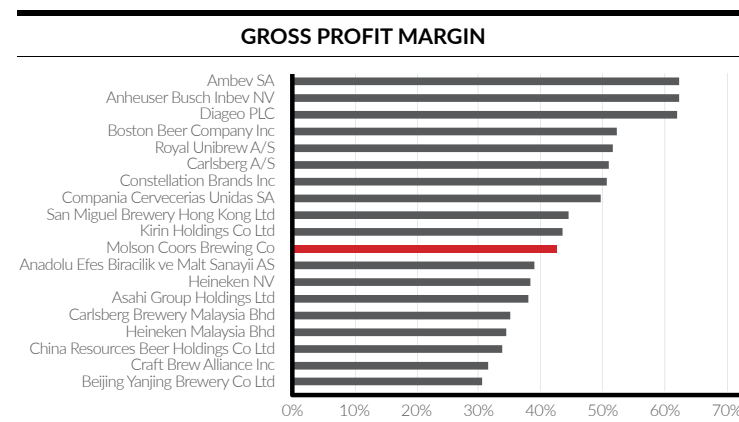
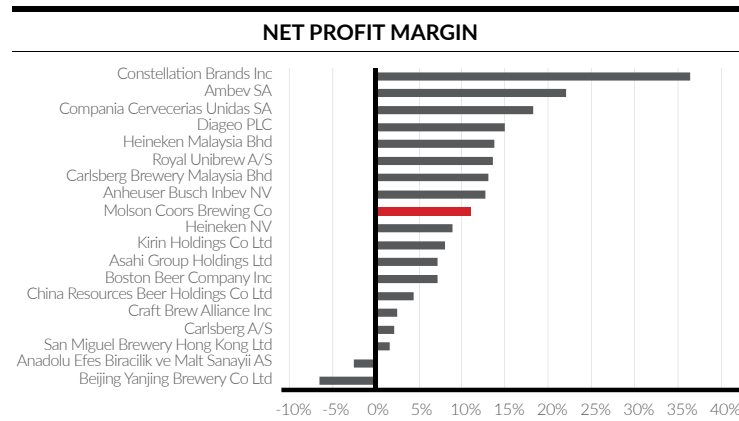
- Molson Coors is the 6th largest brewer in the world by volume. With a market capitalisation of \$14.0B, it is relatively small when compared to the larger global alcoholic beverage peers (e.g. AB Inbev's market capitalisation is almost ten times that of Molson Coors). Therefore, we believe Molson Coors remains a potential M&A target when its financial leverage is restored to normal levels.

MARKET CAPITALISATION (USD B)



MARGINS

- Apart from Gross Profit, Molson Coors has above average margins when compared to its peers.
- We believe Management's continued efforts on cost savings/synergy extraction will drive further margin expansion.

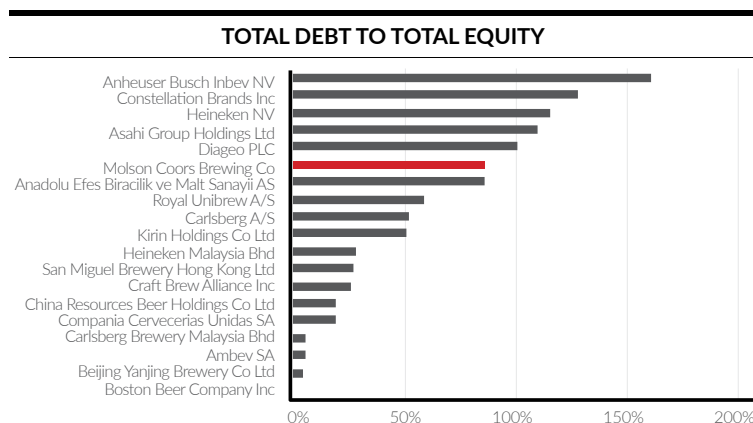
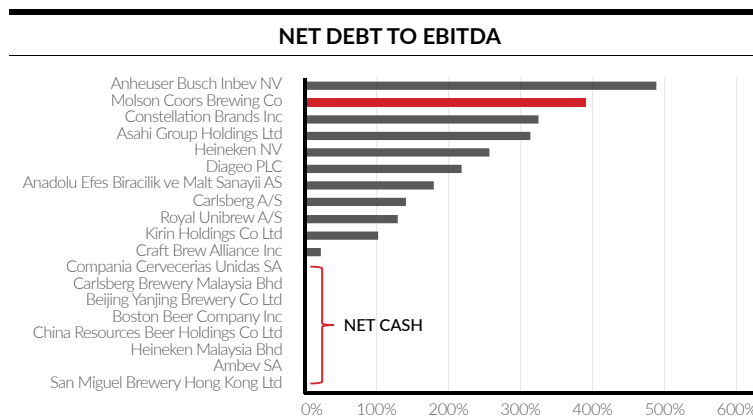
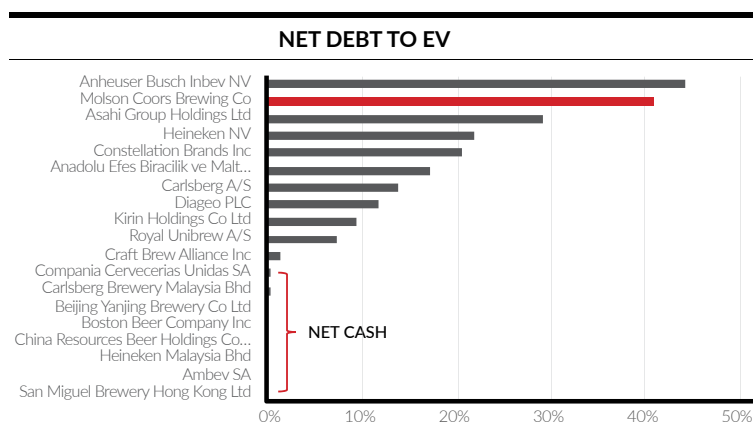


* Source: Thomson Reuters Eikon - As at 23 November 2018



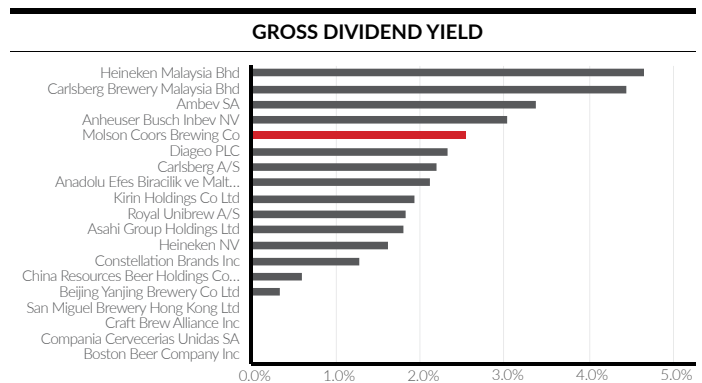
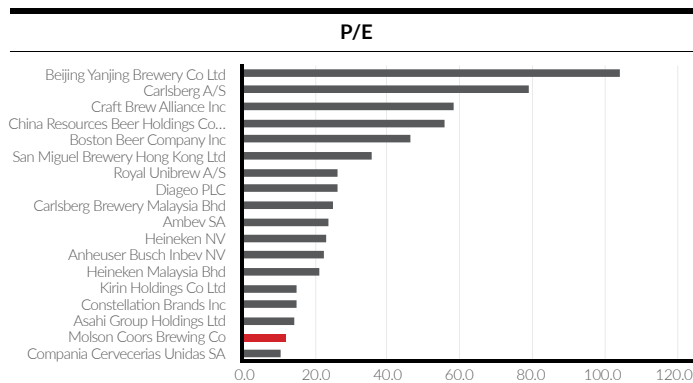
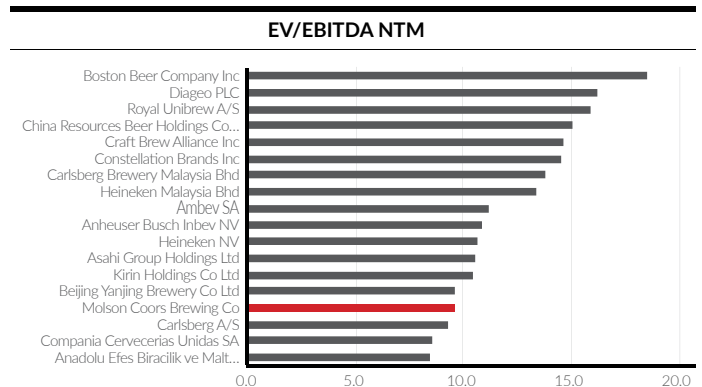
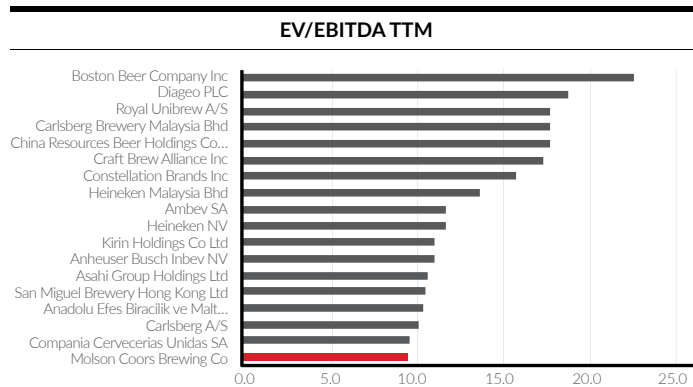
NET FINANCIAL LEVERAGE

- One of the main reasons investors have become despondent with Molson Coors (more than its peers) is due to its higher financial leverage, both in absolute and relative terms post the MillerCoors transaction.
- However, we were/are comfortable with the short-term financial leverage needed to acquire the 58% MillerCoors stake. The improved cash flow profile of the business post this acquisition will deleverage the balance sheet by 2/H 2019 and should see the stock re-rate.



VALUATION AND DIVIDEND YIELD

- Molson Coors is trading at a discount to its peers on both EV/EBITDA multiples (both TTM & NTM) and P/E multiples (TTM).
- It offers one of the higher yields amongst its peer group, even though its quarterly dividend has not increased for the past 15 quarters.
- We believe the stock will re-rate post 2018/2019 as the Company achieves its leverage target (3.75x) and increases its quarterly dividend (by an estimated +40% to +75%).



* Source: Thomson Reuters Eikon - As at 23 November 2018





MOLSON COORS BREWING CO [TAP:US]

GLOBAL BREWING INDUSTRY CONSOLIDATION

GLOBAL BREWING INDUSTRY CONSOLIDATION

- The global brewing industry has experienced significant consolidation in recent years. Below we have detailed a sample of M&A transactions since 2008.
- Molson Coors clearly stands to benefit from further industry consolidation. When AB InBev acquired SABMiller, it was forced to dispose of its 58% stake in MillerCoors to Molson Coors at one of the lowest EV/EBITDA transaction multiples (9.2x) in over a decade.
- We continue to believe that that Molson Coors itself remains a potential M&A target when its financial leverage is restored to normal levels.
- Based on the average M&A multiples of 14.0x, our calculations suggest Molson Coors is worth at least USD115.33 per share in a takeover scenario (offering an upside potential of +80% from current prices*).

Recent Transactions

Transaction	Acquisition Price	EV/EBITDA Multiple
Heineken, Carlsberg acquisition of Scottish and Newcastle (2008)	US\$ 15.4B	15.3x
Acquisition of Anheuser Busch by InBev (2008)	US\$ 52B	12.4x
Kirin acquisition of Lion Nathan (2009)	US\$ 4.5B	12.5x
Kirin acquisition of Schincariol (2011)	US\$ 5.0B	15.7x
SABMiller acquisition of Foster's Group (2011)	US\$ 2.1B	13.8x
Heineken acquisition of Asia Pacific Breweries (2012)	US\$ 5.6B	17.1x
AB InBev acquisition of Grupo Modelo (2012)	US\$ 20B	12.9x
AB InBev acquisition of Oriental Brewery Co (2014)	US\$ 5.8B	11.6x
AB InBev acquisition of SABMiller (2016)	US\$ 105B	18.7x
Heineken acquisition of Guinness Anchor (2016)	US\$ 781M	14.5x
Asahi acquisition of SABMiller's Central/Eastern European Beers (2016)	US\$ 7.8B	14.8x
Molson Coors' acquisition of 58% stake of MillerCoors (2016)	US\$ 12B	9.2x
Transaction Sample Average:	US\$ 19.7B	14.0x

* Based on Molson Coors' share price of USD64.10 as at 23 November 2018



MOLSON COORS BREWING CO [TAP:US]

THREATS & OPPORTUNITIES

THREATS (1)

Competition within the Beer Industry – Global Brewers

- Global brewers must invest significantly in marketing in order to distinguish their product from other competitors' offerings. At the same time economies of scale play an important role for major brewers to remain competitive and profitable when producing and distributing their products. Continued industry consolidation could significantly change market dynamics amongst major brewers.
- Molson Coors is #2 in the US/Canada markets and #6 globally by volume, and is #1 or #2 in eleven core countries/markets. However, competition is still intense amongst global participants (AB InBev, Heineken, Carlsberg, Molson Coors, Kirin and Asahi). We believe smaller players will remain open to M&A opportunities to improve their competitiveness vs larger players.



THREATS (2)

Competition within the Beer Industry – Craft Brewers

- Although the US and Canada markets are still dominated by two companies – AB InBev and Molson Coors. The number of craft brewers in the US increased 312% between 2008 and 2017, from 1,521 to 6,266* and provides a different perspective on the competitive landscape. Hence, craft beer is called “The Strangest, Economic Story in America”**. The craft-beer revolution is driven by two factors:
 1. Tastes – The growing consumer preference for hops and sours (e.g., the hoppy India Pale Ales (IPAs).
 2. Regulation – The US alcohol regulations are designed to discourage vertical consolidation. Additionally, in 1978, US Congress approved the legalisation of home-brewing that was the genesis of the current craft-beer revolution.
- Molson Coors counters this craft-beer revolution through the “premiumisation” of its brand portfolio. It has also been acquiring a stable of craft brewers around the world and also licenses/acquires above premium beer brands. Currently “Above Premium” brands account for ~20% of Molson Coors’ volume and the category grew +21% in 2017.



#1 Craft
Brewer in
US



#1 Craft
Brand in
US



#1 Craft
Brand in
Spain



#1 Craft
Brand in
Ireland



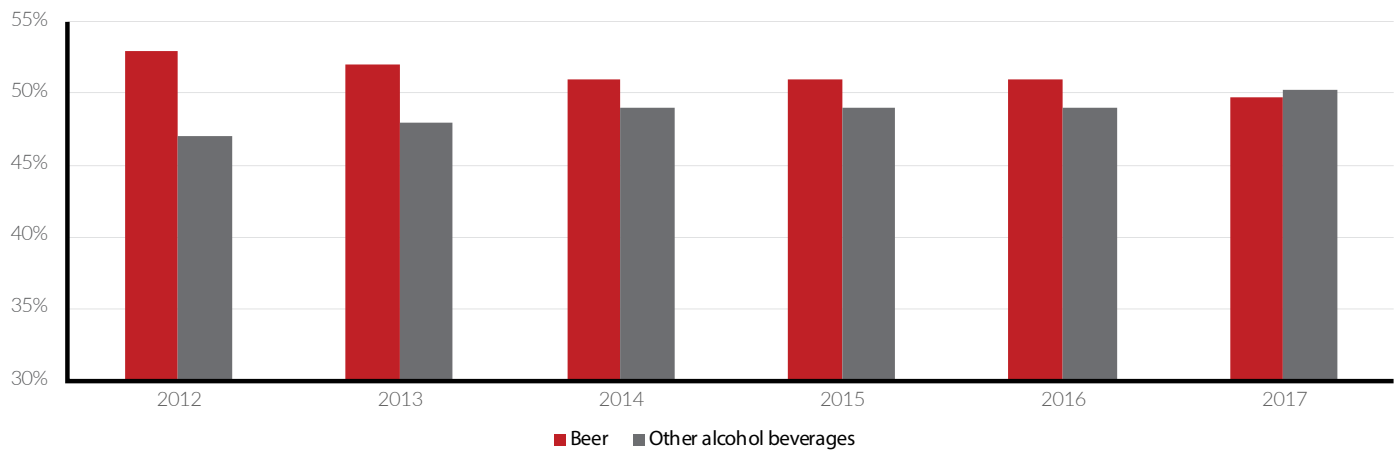
Leading craft
brands in
Canada

THREATS (3)

Competition within the Alcoholic Beverages Industry – Wines & Spirits

- Even with growth in craft beers, beer consumption in the US is still in decline as a percentage of overall alcohol beverages as popularity of wines and spirits gathered pace in recent years. In 2017, volume of “Other Alcohol Beverages” exceeded that of Beer for the first time.
- Molson Coors and its peers are countering declining volumes by increasing prices and premiumisation. US Bureau of Labor Statistics data shows beer prices rose +42% between 2000 and 2017, compared with +11% for wine and +19% for spirits**. However, the question arises – *“How long before the brewers cannot raise prices fast enough to offset the declining volumes or when above-premium beers become direct competitors of wines and spirits?”*

BEER VS OTHER ALCOHOL BEVERAGES
(% BY VOLUME - US MARKET*)



What's killing Big American Beer?

by Nathaniel Meyerson [@CNBCMoney](#)

July 4, 2018 12:34 PM ET

Why Americans are ditching American Beer

More Americans are putting down Buds and Coors, instead grabbing wine, liquor, Corona and Michelob.

Americans' changing drinking habits have been taking shape for years, but the trend accelerated in 2018. Beer shipments from US brewers are down 3.5% so far this year, according to The Beer Institute, an industry trade group.

The big four US brands — Bud Light, Miller Lite, Coors Light, and Budweiser — have been hit particularly hard.

What's wrong with Big American Beer? Drinkers think it's stale, compared to the innovative new brands and creative concepts emerging from craft breweries, vineyards and distilleries.

"Well-established category leaders are finding it challenging to maintain their relevance against a backdrop with so much innovation and new brand activity," said Cowen analyst Vivien Azer. "You now see a much more promiscuous alcohol consumer."

<https://money.cnn.com/2018/06/29/news/companies/bud-light-miller-lite-budweiser-coors-light/index.html>



America's Long Love Affair With Beer Is on the Rocks

U.S. drinkers, for the first time, are more likely to choose a glass of wine or a cocktail, a wake-up call for big brewers

By [Santita Chaudhuri](#) and [Annie Gaspary](#)

Aug 1, 2018 10:17 a.m. ET

An American walks into a bar. "What'll it be?" says the bartender.

For years, more likely than not, the answer would have been: "Make it a beer."

Not anymore. Last year, for the first time, Americans reaching for a drink more often chose a glass of wine or a cocktail.

U.S. drinkers, particularly young ones, are having relationship problems with the national beverage. It's no longer true they start out favoring mild pilsners and low-calorie beers, then graduate to harder stuff later in life, if at all. Now they are thinking about other things: taste, value, beer bellies.

<https://www.wsj.com/articles/americas-long-love-affair-with-beer-is-on-the-rocks-1533133041>

THREATS (4)

Competition outside the Alcoholic Beverages Industry


- Outside the alcoholic beverages industry, alternatives are becoming available to many beer drinkers. For example, the legalisation of Cannabis in Canada and several states in the US could affect existing beer sales as new cannabis products promise to be hangover-less, low-calorie with the dose-response curve similar to regular beer. It is suggested that legal marijuana could “**canna-balise**” 7.1% of revenues from the existing US retail beer industry*.
- Also, many people who are health conscious are starting to turn towards low or non-alcoholic brews. This trend is creating new threats and opportunities for existing brewers as they have to carefully navigate and craft their marketing messages so as not to cannibalise their existing alcoholic beverages sales too much and attempt to grow non-alcoholic sales at the same time.



Forbes | 17,318 views | Mar 13, 2017, 09:11am

Beer Industry Could Lose \$2 Billion From Legal Marijuana

Debra Borchardt Contributor
Retail



The Cannabis Consumer Group believes that cannabis consumers will switch from drinking beer and just stich with marijuana. (AP Photo/Rich Pedroncelli)

Beer sales could take a huge hit if more states legalize recreational marijuana. A new report from Cannabis Consumer Group (C2G) predicts that the beer industry could lose more than \$2 billion in retail sales due to legal marijuana.

The company reported that 23% of beer drinkers said they have already substituted cannabis for beer or would make that switch if marijuana was legal in their state. Wine and spirits sales could see a drop in sales.

C2G noted that some believe the substitution would be short-lived since the novelty of legalized marijuana would wear off. That said, they said that the cannabis consumer is an invested and educated shopper.

<https://www.forbes.com/sites/debraborchardt/2017/03/13/beer-industry-could-lose-2-billion-from-legal-marijuana/>

* <http://www.cannabizconsumergroup.com/cannabis-legalization-a-factor-in-beer-sales/>

THREATS (5)

Global Economic Conditions

- Beer consumption, as a normal good in the economic sense, is closely tied to general economic conditions. To this extent global economic growth patterns have a direct effect on Molson Coors' business.
- Matters such as commodity prices and trade wars can also impact the business. For example, the aluminum tariffs/inflation and freight carrier headwinds/fuel cost inflation are all negatively affecting Molson Coors at present.

Ownership Issues

- The Molson and Coors families collectively control the company through their ownership of shares with majority voting rights. The risk is that the families will have interests which differ from other shareholders, particularly in the event of a takeover offer. Otherwise, we believe that minority shareholders in Molson Coors are benefiting from the family control of the business because of the long-term horizon/view the families take in managing the business.



THREATS (6)

Regulation

- Increased taxes or new regulations may negatively affect Molson Coors' business. Excise taxes on alcohol accounted for ~18.3% of gross revenue in 2017.

Labour Union Issues

- The prominence of labour unions in Canada, the UK and, to a lesser extent, the USA subjects Molson Coors to certain risks. These are in the form of potential interruption of supply in the event of strikes as well as the potential for increasing wage expenses.

Global Warming

- The beer industry consumes ~17% of global barley production. A recent research report warns that severe climate events like drought and heat may cause substantial decreases in barley yields worldwide, negatively affecting the supply used to make beer*.

Foreign Exchange

- All businesses which conduct operations on a global basis are exposed to currency risk and Molson Coors is no different. Molson Coors reports in US dollars and accordingly if there is a significant shift in the value of the US dollar upward, then the business will experience negative translation effects (e.g., the decline in GBP due to Brexit).



<https://www.washingtonpost.com/outlook/2018/10/23/our-research-found-that-climate-change-could-cause-beer-shortage-heres-why/>

* <https://phys.org/news/2018-10-beer-threatened-future-weather-extremes.html>

OPPORTUNITIES (1)

Growth Beyond Beer – Low-Alcoholic and Non-Alcoholic Beers

- As discussed in the threats section, health conscious consumers are turning to low-alcoholic and non-alcoholic beers. AB InBev predicts 20% of its production volume will be low-alcoholic and non-alcoholic beers by 2025.
- Molson Coors is therefore broadening its portfolio to include a wider range of low-alcoholic and non-alcoholic beers (Alcohol Free Beers – “AFBs”) such as Coors Edge for consumers looking for healthier soft drinks or those consumers who cannot drink alcohol for religious reasons (Many of the Muslim-majority countries have alcohol prohibition). Interbrand suggests a strong parent brand can help to develop AFB, and we believe Molson Coors is in that position to develop strong AFB products within its portfolio.
- **One interesting fact about AFBs is that they will generate significantly more revenue versus traditional beers because there is no alcohol/excise tax to pay.**

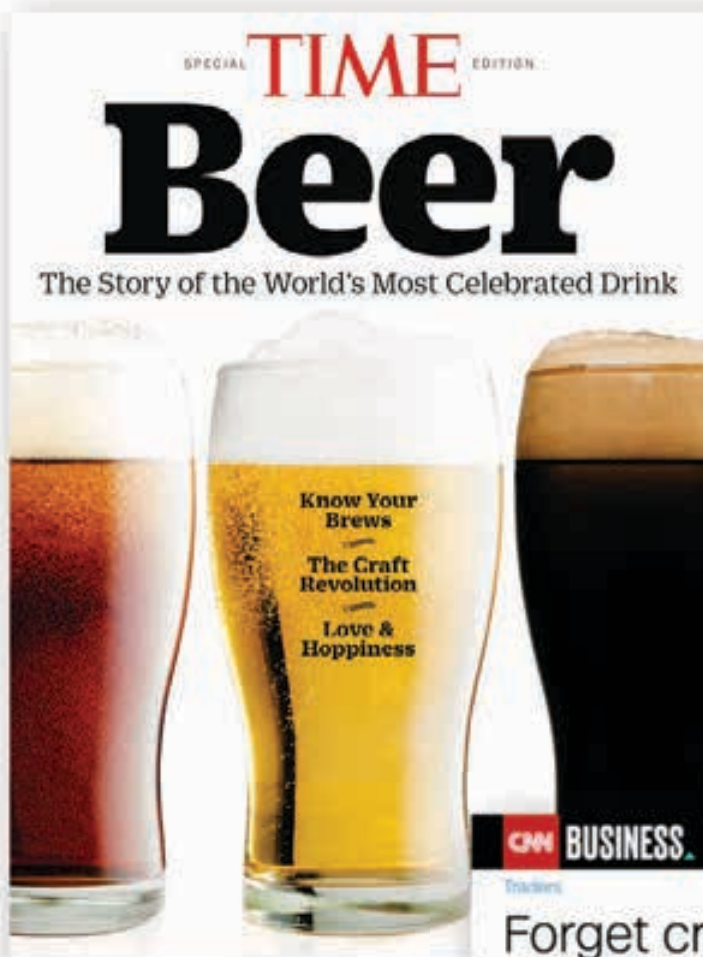
Growth Beyond Beer – Brewed, Fermented or Distilled

- Molson Coors has also expanded its portfolio by investing in diversified brewed beverages such as the Bhakti Chai tea company and Clearly Kombucha.

Growth Beyond Beer – Hard Sparking/Spiked Seltzer

- One fast growing segment is the hard sparking/spiked seltzer category. The drink is a carbonated sparkling water spiked with nearly 5% alcohol by volume. It is becoming popular due to its low carbohydrate, sugar and calorie counts. Research firm L2 noted recently that "*With remarkable revenue growth of over 400% in just 18 months, hard seltzer rode a wave of success throughout 2018*". The Company's Henry's Hard Sparkling is one of the top five brands in the US that saw tremendous growth in recent years.





<http://time.com/5407072/why-beer-is-most-popular-drink-world/>

CW BUSINESS

Markets Tech Media Success Perspectives Video

Traders

Forget craft beer. The next craze is non-alcoholic brews

by Ivana Kottasová [@ivanakottasova](#)

February 9, 2018, 1:25 PM ET

When craft beer super fan Steve Dass gave up alcohol for health reasons, he went looking for a quality non-alcoholic substitute.

He couldn't find one, so he started his own brewery.

"When I ... started talking about it to friends and investors, they asked whether I've bumped my head or something," said Dass.

But Dass was onto something: His Nirvana Brewery in London now brews 3,200 liters of low and alcohol-free beer a week, and he sells to stores such as Whole Foods.

It's still a very niche segment, but big brewers are scrambling to get in on the action.

That's because drinkers are turning to brews that don't come with a buzz. They're increasingly worried about the health risks associated with alcohol.

Global consumption of traditional beer dropped in 2015 and 2016. But the market for non-alcoholic beer grew 5% in 2016, according to research firm Euromonitor International.

Anheuser-Busch InBev ([BUD](#)), which launched non-alcoholic versions of Budweiser and Corona in 2016, predicts that low or alcohol-free beer will make up a stunning 20% of its production volume by 2025.

Heineken ([HENY](#)) released a competitor -- Heineken 0.0 -- last May and Guinness owner Diageo ([DEO](#)) followed suit in January with Open Gate Pure Brew.

<https://money.cnn.com/2018/02/09/news/beer-non-alcoholic/index.html>

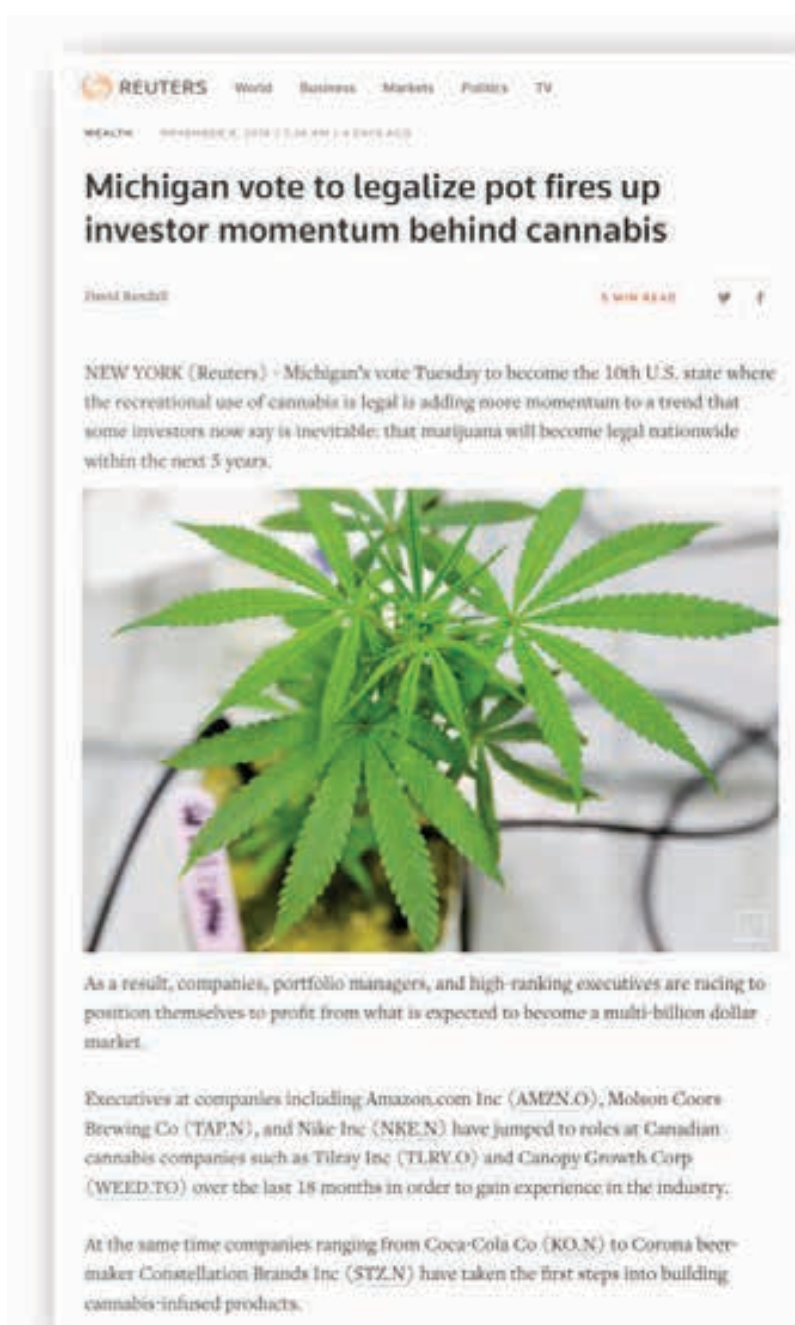
OPPORTUNITIES (2)

Growth Beyond Beer – Non-Alcoholic Cannabis-Infused Beverages

- On 1 August 2018, Molson Coors announced that it has formed a JV with a leading Canadian cannabis producer, The Hydrothecary Corporation (“HEXO”) “to pursue opportunities to develop non-alcoholic, cannabis-infused beverages for the Canadian market following legalisation”.
- Management estimated that the beverages segment of the cannabis market in Canada (to be opened up in the fall of 2019) could be circa USD1.5B, based on a 20% to 30% market share of a conservatively estimated USD7B to USD10B cannabis market in Canada. This JV (called “TRUSS”) is expected to be in a ready-to-go position by the fall of 2019 and one of the first to the market as the Canadian market opens up and take a meaningful share of that market. The Company is also evaluating its options and strategy for the much larger US market as more states open up for the legalisation of cannabis.

“There will be a range of beverages, so it could be teas, seltzer, or beer that’s been dealcoholized, and on occasions where people want to kick back and relax and socialize with their friends, they’ll be able to enjoy all of those flavors, but alcohol will be replaced with a cannabis compound.”

- Molson Coors CEO Mark Hunter
interview with Bloomberg News on 25
September 2018



GOOD BUZZ | AUG. 23, 2018

Is Marijuana the Future of Beer?

By Clint Rukey



'We made a choice not to be a spectator': Molson Coors Canada CEO on Hydrothecary deal

Molson Coors Canada is entering the hot cannabis sector. BNN Bloomberg speaks with Molson Coors Canada CEO Frederic Landmeiers and Hydrothecary CEO Sebastien St. Louis about the partnership to develop cannabis-infused beverages.

<https://www.bnnbloomberg.ca/commodities/video/molson-hydrothecary-cannabis-joint-venture-1452693>

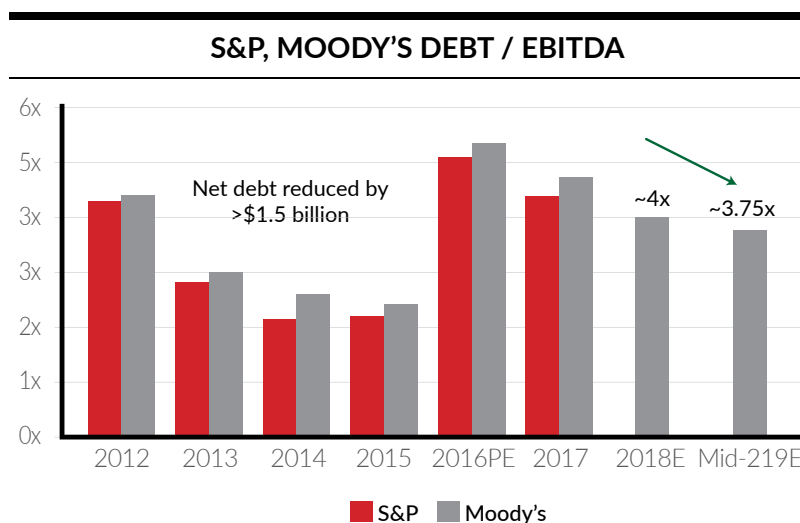
“And clearly, there are lots of numbers which are being bandied around with regard to the potential size of the cannabis market in Canada. I think if you take an average, then it suggests this market may be somewhere between \$7 billion and \$10 billion in market value, but beverage is somewhere between 20% and 30%, and that's obviously nonalcoholic cannabis infused beverages. Even if you take the low end of that estimate, then it suggests that the beverages segment could be circa \$1.5 billion of value. If you look at the strength of our go-to-market in Canada, if you look at at our understanding of Canadian consumers our understanding of brand building in Canada and the capability that we have through our partner, HEXO, we believe that we're well-placed to be ready to take a meaningful share of that segment when it's legislated for and opens up in the fall of 2019.”

- Molson Coors Q3 2018 Earnings Call – 31 October 2018

OPPORTUNITIES (3)

Deleveraging

- Management recognised it is imperative to achieve a swift balance sheet deleverage to restore/enhance investor confidence post the MillerCoors transaction. The strong free cash flow generation (Estimated \$1.5B in 2018) will be utilised to bring the Debt / EBITDA ratio down quickly from over 5x in 2016 to ~3.75x by Mid-2019.
- When the balance sheet is deleveraged, a number of options will be available for Management to create value for shareholders:
 1. Increase Quarterly Dividend – As noted before, as soon as the Debt/EBITDA ratio is at/below 3.75x sometime near 2H 2019, Management expects to increase the quarterly dividend by +40% to +75% (\$0.57 to \$0.71) from current levels (\$0.41)*.
 2. Reinstate Share Repurchase Program – Management will be able to reinstate the USD1B share repurchase program that was suspended due to the additional borrowings for the MillerCoors transaction.
 3. M&A Opportunities – Management can again consider M&A when opportunities present themselves. The Company can either be a consolidator or an acquisition target. Either way this could potentially create value for shareholders.
- Based on the above opportunities, we believe the stock will re-rate in 2H 2019 when the Company announces it has achieved its deleveraging target of Debt/EBITDA ratio of 3.75x.



OPPORTUNITIES (4)

M&A Opportunities

- Management and the Board have a proven track record of creating shareholders value through careful acquisition/merger/JV transactions. We believe there will be further industry consolidation, and the Company will be able to take advantage of the opportunities to create further value for the shareholders.

Long-Term Minded Controlling Shareholders

- The Molson and Coors families have allowed/guided Management to execute corporate decisions that sometimes cause short-term pain but create long-term value (e.g., suspended share buybacks and frozen dividends to deleverage, increase debt/leverage to acquire).

Further Cost Saving Initiatives

- We are impressed by Management's recent statement that its 2017-2019 cost saving program will now deliver +27% additional cost savings than originally planned, which has seen an upgrade of total cost savings from USD550M to USD700M. Higher margins may also produce a virtuous cycle which could further accelerate the re-rating of the stock.





MOLSON COORS BREWING CO [TAP:US]

ESTIMATED INTRINSIC VALUES & INVESTMENT CONCLUSION

ELEVATION CAPITAL ESTIMATED INTRINSIC VALUE RANGE

Elevation Capital –
Estimated Intrinsic Value Range:

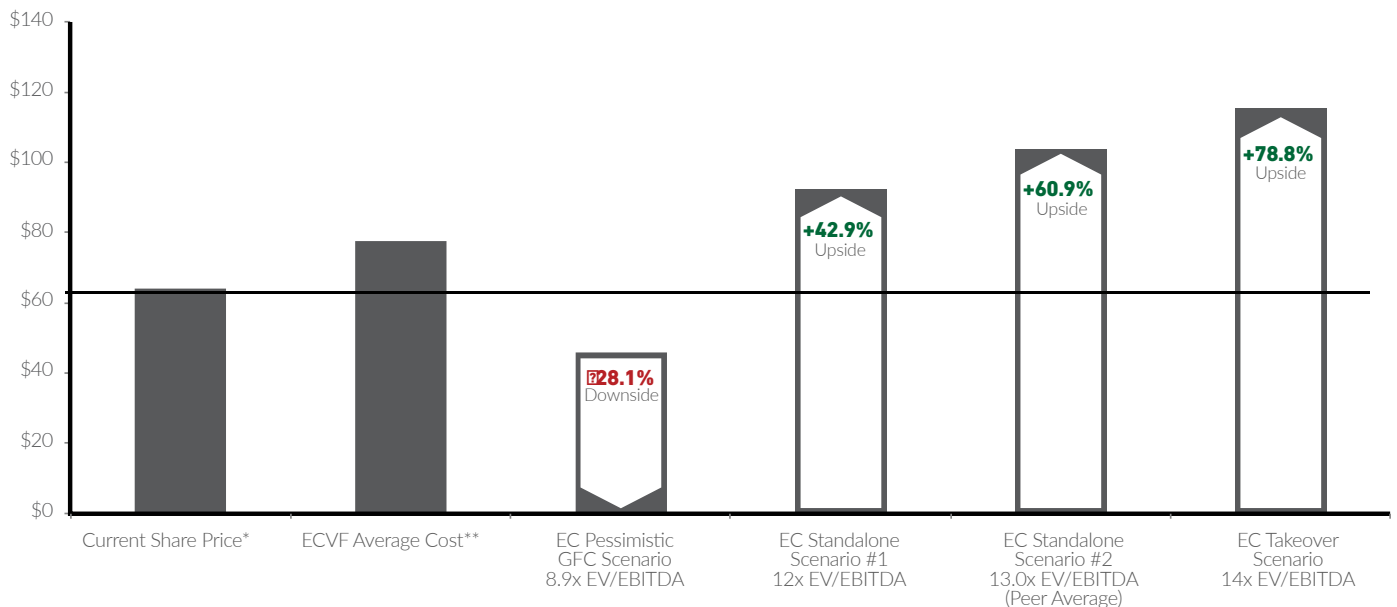
US\$ 46.06 -
US\$ 115.33

PER SHARE

Downside/Upside Potential Range:

-28.1% -
+78.8%

VALUATION SUMMARY



* Current Share Price = USD64.1 (as at 23 November 2018)

** Elevation Capital Value Fund ("ECVF") Average Cost = USD77.66 (as at 23 November 2018)
EC = Elevation Capital, ECVF = Elevation Capital Value Fund

ASSUMPTIONS FOR THE ESTIMATED INTRINSIC VALUES

SCENARIO	ASSUMPTIONS
EC PESSIMISTIC GFC SCENARIO	We assume the shares trade at 8.9x EV/EBITDA, which is the average EV/EBITDA ratio during 2007 - 2008, and discount the FY2018E Forecast EBITDA of USD 2,495M* by 10% = USD 2,246M.
EC STANDALONE SCENARIO #1	We assume the Company does not get taken over, and the shares trade at EV/EBITDA multiple of 12x when the Company successfully deleverages its balance sheet, increases quarterly dividends, premised on FY2018E Forecast EBITDA of USD 2,495M*.
EC STANDALONE SCENARIO #2	We assume the Company does not get taken over, and the shares trade at the peer average EV/EBITDA multiple of 13x due to continuing improvement in investor sentiment towards the Company, premised on FY2018E Forecast EBITDA of USD 2,495M*.
EC TAKEOVER SCENARIO	We assume the Company is taken over at a 14.0x EV/EBITDA valuation, which is the average EV/EBITDA multiple from recent industry transactions, premised on FY2018E Forecast EBITDA of USD 2,495M*.



WE FIRST INVESTED IN MOLSON COORS IN MARCH 2011...

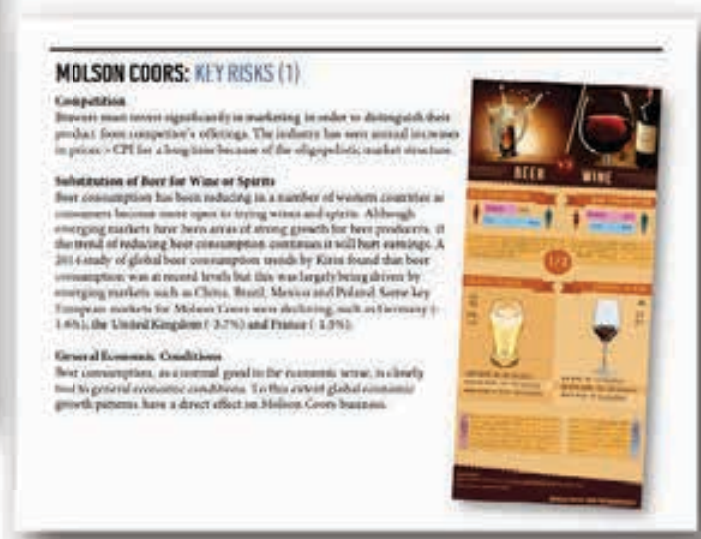
- We first invested in Molson Coors in 2011 during a time when investors were once again pessimistic towards large brewers globally as consumers shifted consumption away from beer towards wine and spirits.
- We exited our position in 2015 when the share price rose to \$93.52 as our investment thesis (at the time) played out when Molson Coors announced it was acquiring the remaining 58% of the MillerCoors JV from SABMiller as SABMiller was acquired by AB Inbev.
- Our investment in Molson Coors during this period generated an annualised return of +29.8% over a span of 4.7 years.



Elevation Capital's 2015 Realised Positions



Slide from Elevation Capital's March 2015 presentation on Molson Coors

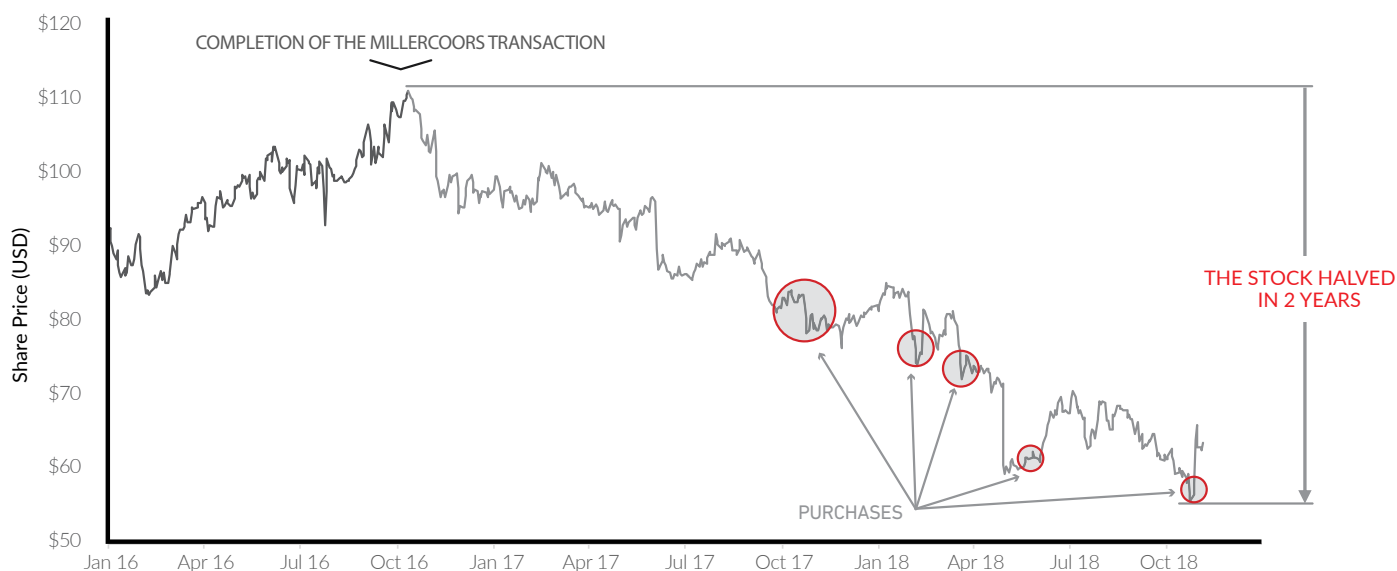


Slide from Elevation Capital's March 2015 presentation on Molson Coors

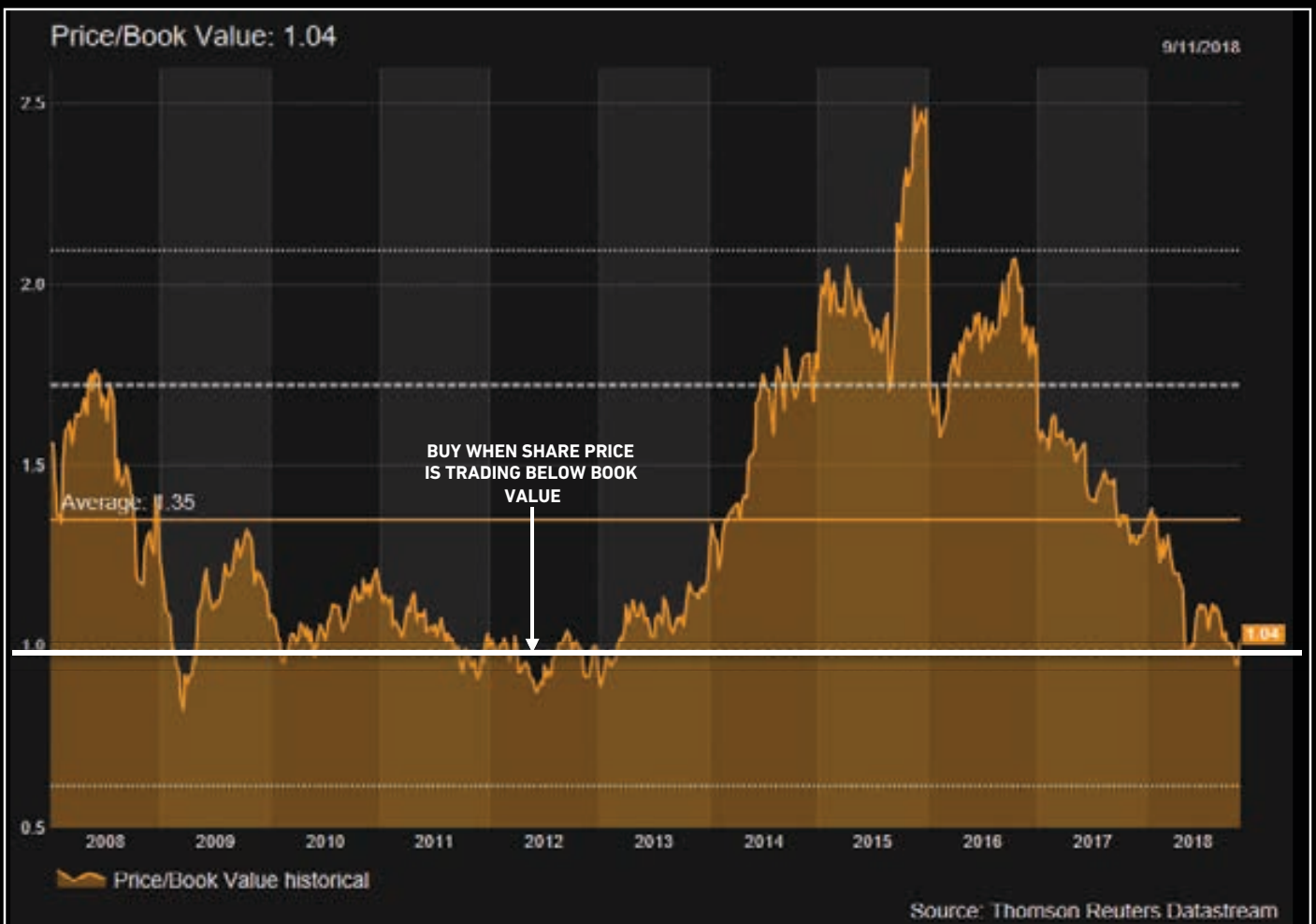
MOLSON COORS SHARE PRICE HAS DECLINED SIGNIFICANTLY RECENTLY

- Molson Coors (TAP.US) share price peaked in October 2016 when Molson Coors announced the successful completion of the MillerCoors transaction (see slides 17-20). After that, the stock started to slide, and has declined by 50% in the subsequent two year period.
- We re-established a position in Molson Coors in October 2017 (after the upgrades of the cost out program post the MillerCoors transaction), and continued to add to it in 2018 on the back of continued share price weakness.

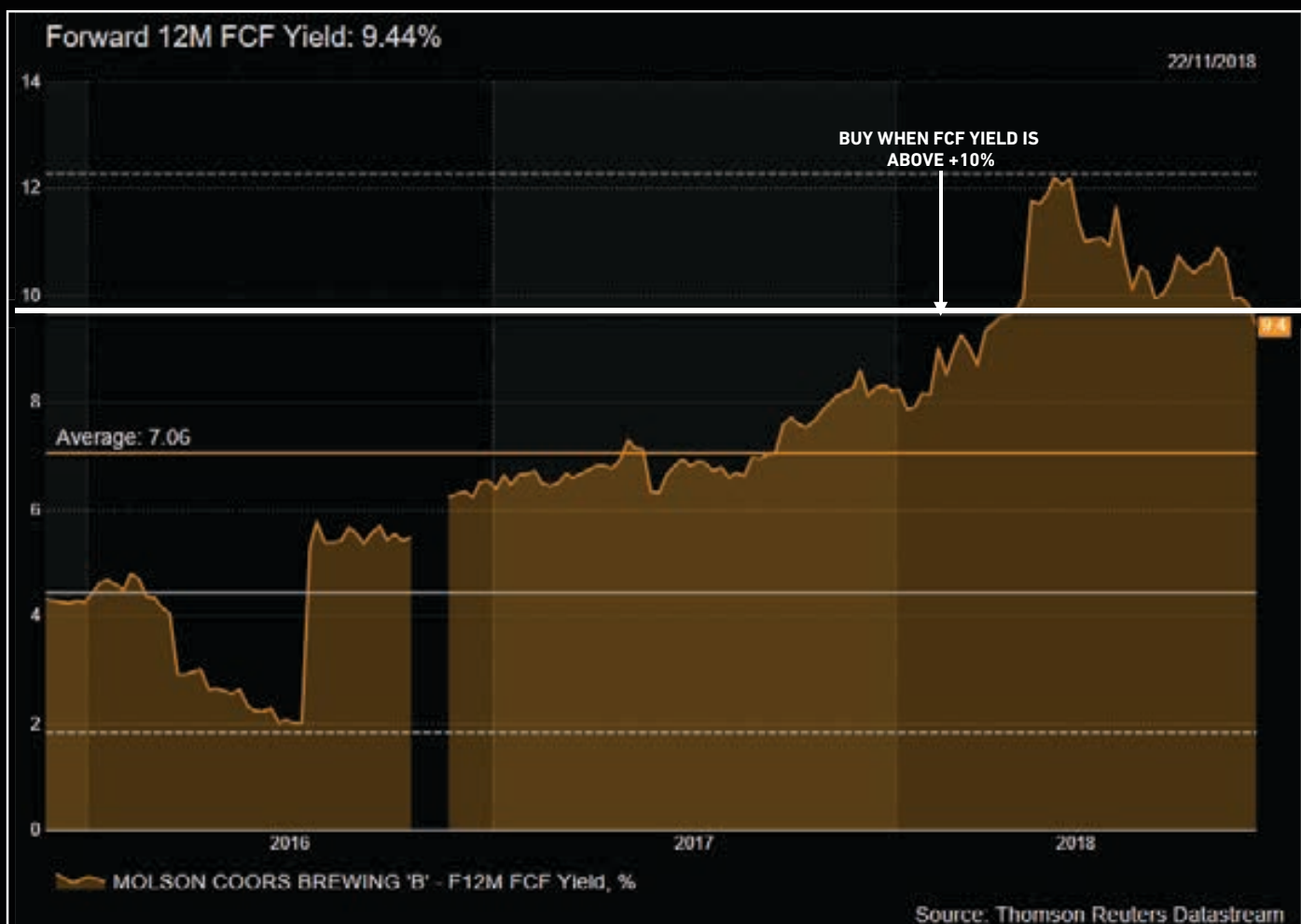
MOLSON COORS - SHARE PRICE MOVEMENT SINCE 2016



BUY MOLSON COORS WHEN IT IS TRADING BELOW BOOK VALUE



BUY MOLSON COORS WHEN ITS FCF YIELD IS ABOVE +10%





MOLSON COORS BREWING CO [TAP:US]

OPPORTUNITY KNOCKS AGAIN?

INVESTMENT CONCLUSION

- Through successive rounds of M&A, Molson Coors has become one of the largest brewers in the world. However in recent years, beer consumption (especially non-craft beers) is in decline in developed countries. This coupled with Molson Coors' higher leverage (to fund the USD12B MillerCoors transaction) are the main reasons why Molson Coors is one of the worst performing publicly listed global brewers recently, and currently trading near/below Book Value - with a +10% FCF Yield.
- We believe the following factors will see the stock re-rate in 2019/2020:
 1. A continuation of the deleveraging to achieve a Debt / EBITDA ratio of 3.75x;
 2. Increase in quarterly dividends by +40% to +70% from current levels;
 3. Introduction of its first non-alcoholic cannabis-infused beverages for the Canadian market;
 4. Early delivery on its cost saving targets of \$700M for the 2017-2019 period; and,
 5. A share repurchase program reinstated.
- We believe the stock will re-rate to at least 12x EV/EBITDA, which implies a price of USD92.20 per share, which offers upside potential of +44% from current levels*.
- In a takeover scenario, we believe the stock is worth 14x EV/EBITDA, which implies a price of USD115.33, offering upside potential of +80%*.





MOLSON COORS BREWING CO [TAP:US]

APPENDICES

APPENDICES

- Appendix 1 – Background of Molson Coors Directors
- Appendix 2 – Background of Molson Coors Management
- Appendix 3 – Thomson Reuters Eikon ESG Score System



APPENDIX 1: BACKGROUND OF MOLSON COORS DIRECTORS (1)*

NAME	BACKGROUND
<p>Peter H. Coors Director Of Molson Coors Since: 2005; And Chairman Since: May 2017</p>	<p>Mr. Coors has served as our Chief Customer Relations Officer (CCRO) since October 2016. He also serves as a trustee and is Co-Chairman of Adolph Coors Company, LLC, the trust holding company of the Adolph Coors Jr. Trust (Coors Trust) and other Coors' family trusts. He is Chairman of the Trust Committee of the Coors Trust and trustee of various other Coors' Family Trust Committees. He is also the President of the Adolph Coors Foundation, a family foundation and a manager of Keystone, Inc., the holding company for Coorstek and other Coors' family owned businesses. He has also been a director of Energy Corporation of America since 1996. Since joining our Company in 1971, he has served in a number of different executive and management positions for Adolph Coors Company, Coors Brewing Company and Molson Coors. He served Coors Brewing Company, our wholly owned subsidiary, as Chairman of the board of directors since 2002, as a director since 1973, and as the Chief Executive Officer from 1992 to 2000. He also served Adolph Coors Company, as chief executive officer from 2000 to 2002 and as chairman of the board from 2002 to 2005. At various times since 2005, Mr. Coors has served as our Chairman and Vice Chairman of our Board. Mr. Coors also serves on numerous community and civic boards, including the American Enterprise Institute, the National Western Stock Show and the Denver Area Council of the Boy Scouts of America.</p>
<p>Geoffrey E. Molson Director Of Molson Coors Since: 2009; Vice Chairman Of Our Board Since: May 2017</p>	<p>Mr. Molson has been a general partner of CH Group Limited Partnership since December 2009 and the President and Chief Executive Officer of CH Group Limited Partnership since 2011, which owns the Montreal Canadiens, evenko, Equipe Spectra, and the Bell Centre. He currently represents Molson Coors as an ambassador, representing the Molson family in key strategic areas of our business. He is also a member of the board of directors of RES PUBLICA Consulting Group, and a member of the Molson Foundation, a family foundation dedicated to the betterment of Canadian society, St. Mary's Hospital Foundation and the Montreal Canadiens Children's Foundation. From June 2015 to May 2017, Mr. Molson served as our Chairman. From 1999 to 2009, he served in various roles of increasing responsibility for Molson Inc., including its former U.S. business. Mr. Molson holds an M.B.A. from Babson Business School and a Bachelor of Arts degree from St. Lawrence University.</p>
<p>Peter J. Coors Director Of Molson Coors Since: 2015</p>	<p>Mr. Coors has been the Senior Manager of International Craft Brewing Development, Supply Chain since October 2016. He also serves on the Board of Trustees for the Adolph Coors Company LLC and various Coors' family trusts. Prior to his current role, Mr. Coors held various management positions across the U.S. within the MillerCoors organization. He served as the Brewery Manager at the MillerCoors Shenandoah Brewery from September 2014 to late 2016, and as Manager of Trade and Consumer Quality for MillerCoors. Prior to joining MillerCoors, he held various positions within the Molson Coors organization. Mr. Coors also serves on numerous community and civic boards, including the Executive Board of Trustees of the Denver Area Council of the Boy Scouts of America. He holds a Master's Degree and his undergraduate degree in Operations Research Industrial Engineering from Cornell University College of Engineering.</p>
<p>Andrew T. Molson Director Of Molson Coors Since: 2005</p>	<p>Andrew Molson is a shareholder and chairman of RES PUBLICA Consulting Group, an organization that he first joined as a consultant, in 1997. With headquarters in Montreal, RES PUBLICA is the holding and management company of AVENIR GLOBAL, a network uniting five strategic communications firms across Canada, the U.S. and Europe, including NATIONAL Public Relations, NATIONAL Equicom, AXON, Madano and SHIFT Communications. AVENIR GLOBAL is one of the 25 most important public relations concerns in the world. Mr. Molson sits on the board of directors of Groupe Deschênes Inc., Dundee Corporation and the CH Group Limited Partnership, owner of the Montreal Canadiens. He became a member of the Quebec Bar in 1995 after studying law at Laval University in Quebec City. He also holds a bachelor of arts degree from Princeton University and a masters of science in corporate governance and ethics from University of London (Birkbeck College).</p> <p>Mr. Molson serves on several non-profit boards, including the Institute for Governance of Private and Public Organizations, Concordia University Foundation, The Banff Centre, the evenko foundation for emerging talent, the Public Policy Forum and the Molson Foundation, a family foundation dedicated to the betterment of Canadian society. He is chairman of the Montreal General Hospital Foundation and of Pointe-à-Callière, Montreal's Archaeology and History Museum.</p> <p>He previously served as chairman of our board from May 2011 to May 2013, and vice-chairman of our board from May 2009 to May 2011.</p>

APPENDIX 1: BACKGROUND OF MOLSON COORS DIRECTORS (2)*

NAME	BACKGROUND
<p>Betty K. DeVita Director Of Molson Coors Since: 2016; Independent Director</p>	<p>Ms. DeVita has served as the Chief Commercial Officer, Commerce Platform, Digital Payments & Labs at MasterCard Worldwide since 2015. Prior to that, she served as President of MasterCard Canada, Inc. from September 2010 to April 2015. Before joining MasterCard, she held various positions of increasing responsibility with CitiGroup Inc. from 1982 to 2010. She left Citigroup as the Chairman and Chief Executive Officer for Citibank Canada Inc. Ms. DeVita holds a chief executive officer program Certificate from Wharton Business School, Seoul, Korea; is a certified director from the Institute of Corporate Directors, University of Toronto Rotman Business School; and received a Bachelor of Science degree from St. John's University.</p>
<p>Charles M. Herington Director Of Molson Coors Since: 2005; Independent Director</p>	<p>Mr. Herington has served as Vice Chairman and President of Global Operations at Zumba Fitness LLC since August 2013. He also sits on the boards of Kloxx Technologies, Gildan Activewear Inc. (NYSE: GIL) and various portfolio companies of Palladium Equity Partners. He previously served as a director of NII Holding (Nextel International) where he also served as Chairman of the compensation committee between 2003 and 2013. He also served as a director of our predecessor company, Adolph Coors Company, since 2003. From March 2006 to August 2012 he held positions of increasing responsibility leading up to office of the Chairman/EVP of Emerging and Developing Market Group at Avon Products Inc., a global consumer products company. From 1999 to 2006 Mr. Herington was President and Chief Executive Officer of AOL Latin America. Prior to that, he served as President at Revlon Latin America from 1997 to 1999. From 1990 to 1997 he held a variety of executive positions in several different geographies leading to division president with Pepsico Restaurant International. From 1981 to 1990 he held various marketing and executive positions in different countries at Procter & Gamble.</p>
<p>Douglas D. Tough Director Of Molson Coors Since: 2012; Independent Director</p>	<p>Mr. Tough was the Chief Executive Officer of International Flavors & Fragrances (IFF), a creator and manufacturer of flavors and fragrances, from March 2010 to September 2014. He also served as IFF's Chairman of the board of directors from March 2010 to December 2014. After joining IFF's board of directors in 2008, he served as its non-executive Chairman of the board from October 2009 to March 2010, when he became IFF's Chief Executive Officer. Mr. Tough holds an M.B.A. from the University of Western Ontario and a B.B.A. from the University of Kentucky.</p>
<p>Franklin W. Hobbs Director Of Molson Coors Since: 2005; Independent Director</p>	<p>Mr. Hobbs has served as the President and Chief Executive Officer of Ribbon Communications Inc. f/k/a Sonus Networks, Inc. (NASDAQ: RBBN) since December 2017 and on their board of directors since November 2017. He has also served as an advisor to One Equity Partners, a private equity investment firm, since 2004. He currently serves as the Chairman of the board of directors of Ally Financial Inc., and is on the board of directors of the U.S. Fund of UNICEF. He previously served as Chairman of the supervisory board of BAWAG P.S.K. from March 2013 to March 2017 and on the board of directors of Lord, Abbett, & Co. until April 2018. Mr. Hobbs also previously served as a director of Molson Coors' predecessor company, Adolph Coors Company, since 2001. In 2014, he was named an Outstanding Director of the Year by the Financial Times for his role at Ally Financial Inc. Mr. Hobbs is a graduate of Harvard College and Harvard Business School.</p>
<p>H. Sanford Riley Director Of Molson Coors Since: 2005; Independent Director</p>	<p>Mr. Riley has served as President and Chief Executive Officer of Richardson Financial Group Limited, a specialized financial services company, since 2003. In addition, he has been a director of: the two public companies noted above; and Manitoba Hydro, a Canadian crown corporation, where he also serves as Chairman of the board of directors, since May 2016. Mr. Riley previously served as a director of GMP Capital, Inc. (TSX: GMP), an investment dealer, from 2009 to 2017 and Manitoba Telecom Services Inc. (TSX: MBT) from 2011 to 2017. He also previously served as a director of Molson, Inc. since 1999. Mr. Riley is also involved with various community organizations, including serving as Chairman of the University of Winnipeg Foundation past Chancellor of the University of Winnipeg and past Chairman of the Manitoba Business Council. Mr. Riley holds a J.D. from Osgoode Hall Law School, a Bachelor of Arts degree from Queen's University and is a Member of the Order of Canada.</p>

APPENDIX 1: BACKGROUND OF MOLSON COORS DIRECTORS (3)*

NAME	BACKGROUND
<p>Iain J.G. Napier Director Of Molson Coors Since: 2008; Independent Director</p>	<p>Mr. Napier has served as the senior independent director of William Grant and Sons Holdings Limited, a private company that produces and distributes spirits, since April 2014, and currently serves as the Chairman of William Grant and Sons Holdings Limited's audit committee. From 2008 to 2017, he served as Chairman of the board of directors of McBride plc, where he also served as the Chairman of the nomination committee and as a member of the remuneration committee. From September 2008 to May 2016 he served as a director of John Menzies plc, where he also served as Chairman of the board of directors and its nominating committee. In addition, from March 2000 to February 2014, he served as a non-executive director of Imperial Brands plc, where he served as Chairman of the board of directors and its nominating committee beginning in 2007. From 2001 to 2006, he served as the Chief Executive Officer of Taylor Woodrow plc. From 2000 to 2001, he was Vice President U.K. and Ireland for InBev S.A. following its acquisition of Bass Brewers Ltd. and Chief Executive Officer of Bass Brewers and Bass International Brewers from 1996 to 2000. Mr. Napier is a chartered global management accountant and a fellow of the Chartered Institute of Management Accountants.</p>
<p>Louis Vachon Director Of Molson Coors Since: 2012; Independent Director</p>	<p>Mr. Vachon has served as President and Chief Executive Officer of the National Bank of Canada since June 2007. He has also served as a director of the National Bank of Canada since 2006, where he has taken positions of increasing responsibility since 1996. He also currently serves as a director of the Business Council of Canada and CH Group Inc., and has, in the past, held a variety of other board positions. Most recently, he served as a director of Fiera Capital Corporation from April 2012 until January 2017. In 2016, he was appointed as a member of the Order of Canada and was the recipient of the Global Citizens Award from the United Nations Association in Canada. In 2014, Mr. Vachon was named Chief Executive Officer of the year by the Canadian Business magazine. Mr. Vachon holds a Master of International Business degree in international finance from the Fletcher School at Tufts University, a Bachelor of Arts degree in economics from Bates College and a CFA certification from the CFA Institute.</p>
<p>Mary Lynn Ferguson-McHugh Director Of Molson Coors Since: 2015; Independent Director</p>	<p>Ms. Ferguson-McHugh has served as Group President, Global Family Care and P&G Ventures at Procter & Gamble Co. since November 2015. She has been with Procter & Gamble Co. since 1986, in various roles of increasing responsibility. In particular, before serving in her current position, she served as Group President, Global Family Care at Procter & Gamble Co. from December 2014 to November 2015. From 2011 to 2014, she served as Group President, Western Europe, Global Discounter and Pharmacy Channels. Ms. Ferguson-McHugh holds an M.B.A. from the University of Pennsylvania, Wharton School of Business, and Bachelor of Science degree from the University of the Pacific.</p>
<p>Louis Vachon Director Of Molson Coors Since: 2012; Independent Director</p>	<p>Mr. Vachon has served as President and Chief Executive Officer of the National Bank of Canada since June 2007. He has also served as a director of the National Bank of Canada since 2006, where he has taken positions of increasing responsibility since 1996. He also currently serves as a director of the Business Council of Canada and CH Group Inc., and has, in the past, held a variety of other board positions. Most recently, he served as a director of Fiera Capital Corporation from April 2012 until January 2017. In 2016, he was appointed as a member of the Order of Canada and was the recipient of the Global Citizens Award from the United Nations Association in Canada. In 2014, Mr. Vachon was named Chief Executive Officer of the year by the Canadian Business magazine. Mr. Vachon holds a Master of International Business degree in international finance from the Fletcher School at Tufts University, a Bachelor of Arts degree in economics from Bates College and a CFA certification from the CFA Institute.</p>

APPENDIX 1: BACKGROUND OF MOLSON COORS DIRECTORS (4)*

NAME	BACKGROUND
Roger G. Eaton Director Of Molson Coors Since: 2012; Independent Director	Mr. Eaton has served as Chief Executive Officer of KFC, a division of Yum! Brands, Inc. (NYSE: YUM), an operator of fast food restaurants, since August 2015. Prior to that, he held several US and international positions at Yum!. From April 2011 to August 2015 he served as the Chief Operations Officer of Yum!. From January 2014 to April 2015 he served as President of the KFC division, overseeing KFC's business in the Middle East, Thailand, Asia Franchise Business Unit, Canada, Latin America, and the Caribbean. Additionally, in 2011 he served as the Yum! Operational Excellence Officer. From June 2008 to February 2011, he served as the Chief Executive Officer and President of KFC USA. Mr. Eaton holds a post graduate diploma in accounting and a bachelor's degree in commerce from the University of Natal - Durban in South Africa. He passed the South African Public Accountants and Auditors Board exams in 1982, and is a member of the Australian Institute of Chartered Accountants.

APPENDIX 2: BACKGROUND OF MOLSON COORS MANAGEMENT (1)*

NAME	BACKGROUND
<p>Mark R. Hunter President And Chief Executive Officer Molson Coors Brewing Company</p>	<p>Mr. Hunter has served as President and CEO of our Company since January 2015. Prior to becoming President and CEO of our Company, he held various positions within our organization. From January 2013 to December 2014 he served as President and Chief Executive Officer of Molson Coors Europe. From June 2012 to January 2013 he served as President and Chief Executive Officer of Molson Coors Central Europe. From December 2007 to June 2012, he served as President and Chief Executive Officer of Molson Coors UK. Prior to that, he has served our Company in various roles of increasing responsibility for Molson Coors and its predecessor, Bass Brewers, since 1989. Mr. Hunter holds a Bachelor Honours degree in Marketing and Business Administration from the University of Strathclyde in Glasgow, Scotland, where he was also awarded an Honorary Doctorate in 2009.</p>
<p>Tracey I. Joubert CFO Of Molson Coors Since November 2016. Molson Coors Brewing Company</p>	<p>Business Experience: Prior to her current role, Ms. Joubert served as the Chief Financial Officer and Executive Vice President of MillerCoors from 2012 to November 2016. Prior to entering that role in 2012, Ms. Joubert served as Vice President of Finance, Planning & Analysis and Controller since the formation of MillerCoors in 2008. Prior to joining MillerCoors, she served as Director of Finance and Group Services at Miller Brewing Company. She began her career in beer with SAB Limited in Johannesburg, South Africa, where she served as Financial Manager of technical accounting and Financial Manager of finance services. Prior to joining SAB Limited, she was Financial Manager at Barloworld, Ltd and articulated at KPMG South Africa. In November 2017, Ms. Joubert was appointed to the board of directors of Cooper Tire & Rubber Company, a publicly-traded manufacturer and marketer of replacement tires (NYSE: CTB). She also serves on the Board of Trustees for the Boys and Girls Clubs of Milwaukee.</p> <p>Education: Ms. Joubert holds bachelor's degrees in commerce and accounting from the University of Witwatersrand in South Africa. She passed the Public Accountants and Auditors Board exams in 1989.</p>
<p>Gavin D.K. Hattersley CEO/President Of Millercoors Since September 2015</p>	<p>Business Experience: Prior to his current position, Mr. Hattersley served as the interim Chief Executive Officer of MillerCoors from July 2015 until his permanent appointment to his current role in September 2015. Prior to joining MillerCoors, Mr. Hattersley served as Chief Financial Officer of Molson Coors from June 2012 to September 2015. From July 2008 to June 2012, Mr. Hattersley served as Executive Vice President and Chief Financial Officer of MillerCoors. He also served as Senior Vice President, Finance for Miller Brewing Company from October 2002 to July 2008. He came to Miller Brewing Company from SAB Limited of Johannesburg, South Africa, where he held several financial management positions before becoming Chief Financial Officer in 1999. Prior to joining SAB Limited in 1997, he spent almost 10 years in Barloworld Limited in various finance positions.</p> <p>Education: Mr. Hattersley holds an Honors degree in accounting science and a bachelor's degree from the University of South Africa. He passed the Public Accountants and Auditors Board exams in 1987.</p>
<p>Sergey Yeskov CEO/President Of Molson Coors International Since January 2018</p>	<p>Business Experience: Prior to his current position, Mr. Yeskov served as the Chief Sales & Customer Excellence Officer of Molson Coors Canada from December 2016 to December 2017. He also served as the Regional President of our Croatia, Bosnia and Slovenia business unit from 2010 to 2016. From 2007 to 2009, he served as the General Manager of Croatia.</p> <p>Education: Mr. Yeskov holds a master's degree of International Economy from Kharkov Economic University, a master's degree of Radio-Electronic from Ukrainian National Aviation University and an M.B.A. from IEDC Bled School.</p>

APPENDIX 2: BACKGROUND OF MOLSON COORS MANAGEMENT (2)*

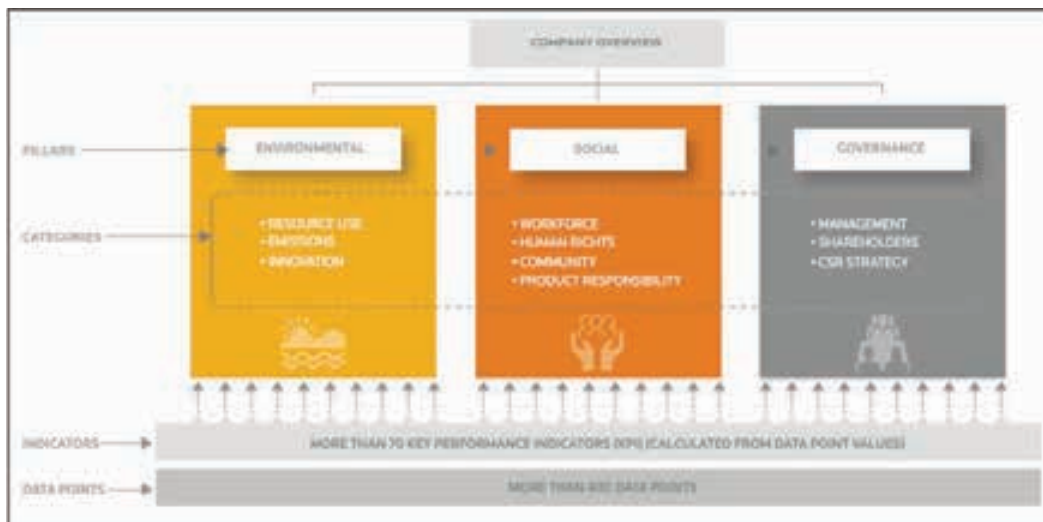
NAME	BACKGROUND
<p>Simon Cox CEO/President Of Molson Coors Europe Since January 2015</p>	<p>Business Experience: Prior to his current role, Mr. Cox served as Managing Director for Molson Coors UK from September 2012 until December 2014. He joined Molson Coors in 2005 as Director of Supply Chain Strategy based in U.K. and developed increasing responsibility through senior positions as Strategy Director and Managing Director-Independent On-Premise. Before joining Molson Coors, Mr. Cox held a number of senior leadership positions within Carlsberg, a global brewer.</p> <p>Education: Mr. Cox holds a degree in Biochemistry from Manchester University.</p>
<p>Frederic Landtmeters CEO/President Of Molson Coors Canada Since October 2016</p>	<p>Business Experience: Prior to serving in his current role, Mr. Landtmeters was the Managing Director, Molson Coors UK and Ireland from January 2015 to October 2016. Mr. Landtmeters served from January 2013 to January 2015 as the Chief Commercial Officer for Molson Coors Europe, and from 2012 to 2013 he served as the Chief Marketing Officer for Molson Coors Europe. Prior to joining Molson Coors, Mr. Landtmeters served as the Chief Marketing Officer for StarBev from 2010 to 2012 and the Marketing Director at AB InBev from 2006 to 2010.</p> <p>Education: Mr. Landtmeters holds a Master's Degree in Applied Economics and Engineering from the University of Antwerp, Belgium.</p>
<p>Krishnan Anand Chief Growth Officer Of Molson Coors Since October 2016</p>	<p>Business Experience: Prior to his current role, Mr. Anand served as President and Chief Executive Officer of Molson Coors International from December 2009 to October 2016. Before joining Molson Coors, Mr. Anand held a variety of positions at The Coca Cola Company, most recently as president of Coca Cola's Philippine business from 2007 to 2009. He also served as vice president of Coca Cola's Global Commercial Leadership from 2004 to 2007 and prior to that as vice president of global brands strategy. Mr. Anand was appointed to the board of directors of Wingstop Inc. in August 2018 and previously served on the board of directors of Popeyes Louisiana Kitchen Inc. (NASDAQ: PLKI) from November 2010 to 2017. He also served in various senior marketing strategy roles with Unilever in India from 1980 to 1996.</p> <p>Education: Mr. Anand holds an M.B.A. degree from the Indian Institute of Management.</p>
<p>Celso L. White Chief Supply Chain Officer Of Molson Coors Since January 2013</p>	<p>Business Experience: Prior to serving in his current role, Mr. White served as Chief Supply Chain Officer of Molson Coors International from September 2010 to January 2013. Prior to joining Molson Coors, he was Pepsi Cola's vice president and general manager of Concentrate Operations, responsible for the Americas and parts of Asia from 2004 to 2010.</p> <p>Education: Mr. White holds an M.B.A. with concentration in Operations Management from DePaul University and a Bachelor of Science degree in electrical engineering from Bradley University.</p>

APPENDIX 2: BACKGROUND OF MOLSON COORS MANAGEMENT (3)*

NAME	BACKGROUND
<p>Michelle S. Nettles Chief People And Diversity Officer Of Molson Coors Since October 2016</p>	<p>Business Experience: Prior to serving in her current role, Ms. Nettles served as the Chief Human Resources Officer of MillerCoors from October 2014 to October 2016. She also served as senior director of diversity and integrated talent management for MillerCoors from June 2012 to September 2014. Before joining MillerCoors, Ms. Nettles served as the executive director for Quest Milwaukee, a K-12 program at Marquette University that provides services and support to private and charter schools in the City of Milwaukee from April 2007 to August 2009. Prior to joining Quest, Ms. Nettles worked for Miller Brewing Company in a number of capacities including Director, HR Strategic Projects and Assistant General Counsel.</p> <p>Education: Ms. Nettles holds a J.D. from the University of Wisconsin-Madison and a Bachelor of science degree from Florida A&M University.</p>
<p>E. Lee Reichert Chief Legal And Corporate Affairs Officer Of Molson Coors Since February 2018; And Secretary Of Molson Coors Since 2016</p>	<p>Business Experience: Prior to his current role, Mr. Reichert served as Deputy General Counsel of Molson Coors from 2012 to 2018 and as Chief Legal Officer of Molson Coors International from 2011 to 2017. Prior to joining Molson Coors, he was a partner at Lathrop & Gage, where he served on the firm's Executive Committee. He is an elected member of the American Law Institute.</p> <p>Education: Mr. Reichert holds a J.D. from University of Illinois College of Law and a bachelor's degree from Colgate University.</p>

APPENDIX 3: THOMSON REUTERS EIKON ESG SCORE SYSTEM

- We utilise Thomson Reuters ESG scores to evaluate a company's ESG efforts.
- Thomson Reuters offers one of the most comprehensive ESG databases in the industry covering over 6,000 public companies, across more than 400 different company level ESG metrics.



Thomson Reuters ESG Framework



400 company level ESG measures collected

Score Range	Grade
0.0 <= score < 0.083333	D-
0.083333 <= score < 0.166666	D
0.166666 <= score < 0.250000	D+
0.250000 <= score < 0.333333	C-
0.333333 <= score < 0.416666	C
0.416666 <= score < 0.500000	C+
0.500000 <= score < 0.583333	B-
0.583333 <= score < 0.666666	B
0.666666 <= score < 0.750000	B+
0.750000 <= score < 0.833333	A-
0.833333 <= score < 0.916666	A
0.916666 <= score <= 1	A+

Thomson Reuters ESG Score Range / Grade





#NZXNOW

ELEVATION CAPITAL MANAGEMENT LIMITED (“ELEVATION CAPITAL”) ON BEHALF OF CLIENTS HAS BEEN AN NZX LIMITED (“NZX”) SHAREHOLDER SINCE SEPTEMBER 2016. WE HAVE ENGAGED WITH MANAGEMENT/BOARD MEMBERS ON A NUMBER OF OCCASIONS. WHILE SOME POSITIVE STEPS HAVE BEEN MADE WE BELIEVE MORE NEEDS TO BE DONE WITH GREATER URGENCY AND WE HEREBY PRESENT...



IMPORTANT NOTE

ELEVATION CAPITAL BELIEVES IN THE FUTURE AND THE POTENTIAL OF THE NZX, AND THE IMPORTANCE FOR NEW ZEALAND TO HAVE A VIBRANT CAPITAL MARKET, A STRONG AND EFFICIENT STOCK EXCHANGE AND INFRASTRUCTURE PROVIDER.

ELEVATION CAPITAL DOES NOT SUPPORT A SALE OF THE NZX, AND NOTHING IN THIS PRESENTATION SHOULD BE CONSTRUED AS SUPPORTIVE OF SUCH AN EVENT.

NZX HAS SIGNIFICANTLY UNDERPERFORMED IN RECENT YEARS

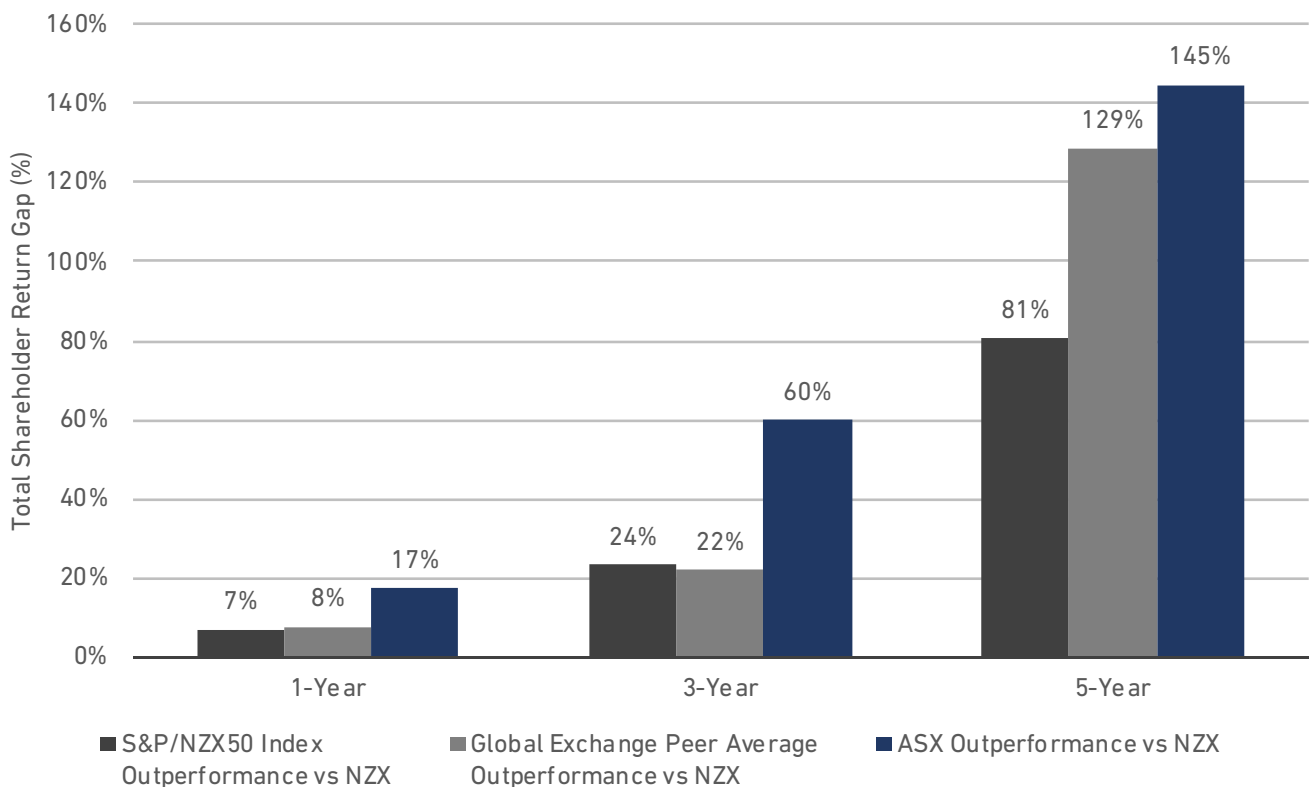
- Suboptimal capital allocation since 2012 has resulted in poor returns on invested capital and unsatisfactory financial performance.
- This has been exacerbated by poor operational performance and cost control.
- NZX shares have underperformed both the domestic market and global peers.
- This underperformance has seen NZX shareholders forego an estimated NZ\$235M in total return, based on the underperformance of NZX vs S&P/NZX50 index*.



**ELEVATION CAPITAL HOLDS APPROXIMATELY
6.2M** SHARES OF NZX ON BEHALF OF CLIENTS.
THIS PRESENTATION IS OUR VIEW ON HOW
TO MATERIALLY IMPROVE NZX BUSINESS
FUNDAMENTALS AND PROFITABILITY.**

NZX SHARES HAVE SIGNIFICANTLY UNDERPERFORMED S&P/NZX50 INDEX, GLOBAL EXCHANGE PEERS AND THE ASX

S&P/NZX50 Index*, Global Peer Average** and ASX Outperformed NZX in Total Return for the Periods 1Y, 3Y and 5Y [Total Shareholder Return Gap (%)***]



*The underperformance vs the NZ market has SEEN NZX shareholders FOREGO an estimated NZ\$235M in total return FROM 2012 to 2017**

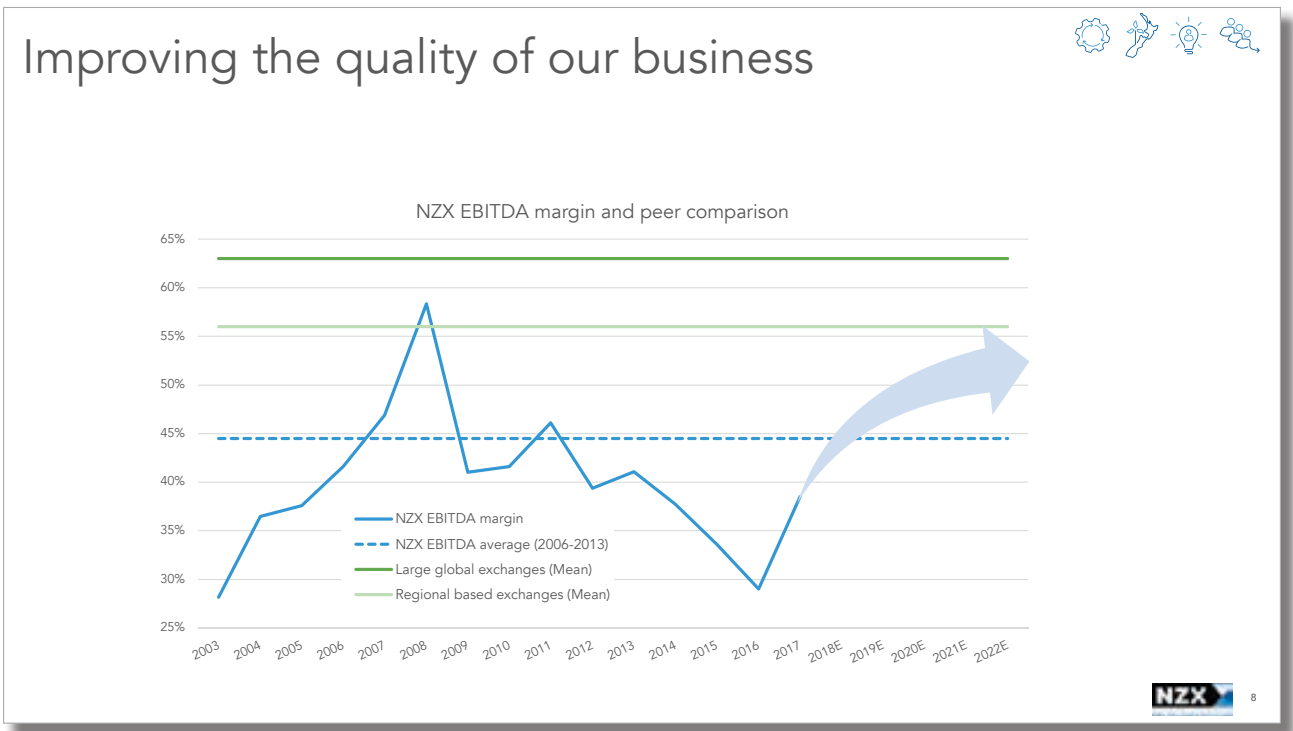
* S&P/NZX50 TR Index Total Return Data Source: Morningstar Direct - as at 30 June 2018

** Global peer group consists of ASX, HKEX, SGX, LSE, Nasdaq, JPX, TMX, BME, ICE, Euronext, Deutsche Boerse and CBOE

*** Total Shareholder Return Data Source: Thomson Reuters Eikon - as at 30 June 2018

Source: Thomson Reuters Eikon - 31/12/2011 - 31/12/2017, based on NZX market capitalisation of NZ\$274M on 31/12/2011 - Total Return includes dividends and imputation credits

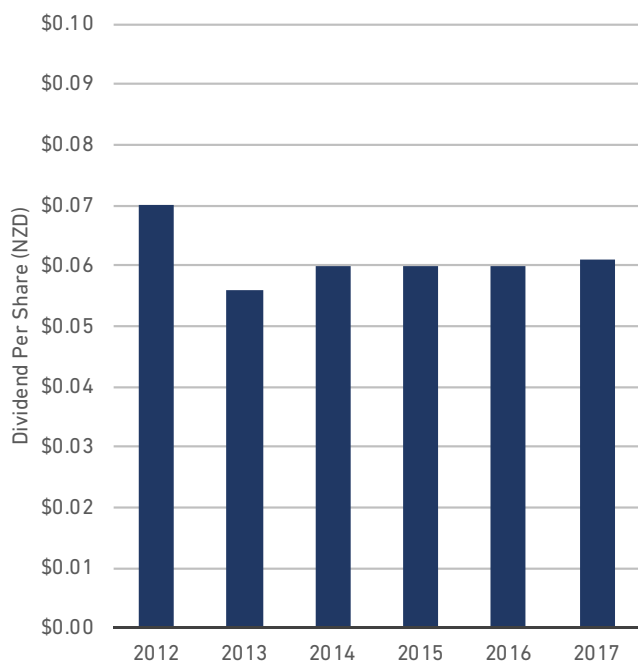
NZX PRESENTATIONS* ADMIT WEAK BUSINESS FUNDAMENTALS IN RECENT YEARS MEASURED BY EBITDA MARGIN VS 2006-2013 AVERAGE, REGIONAL AND GLOBAL EXCHANGES AND NZX'S OWN EXPECTATIONS



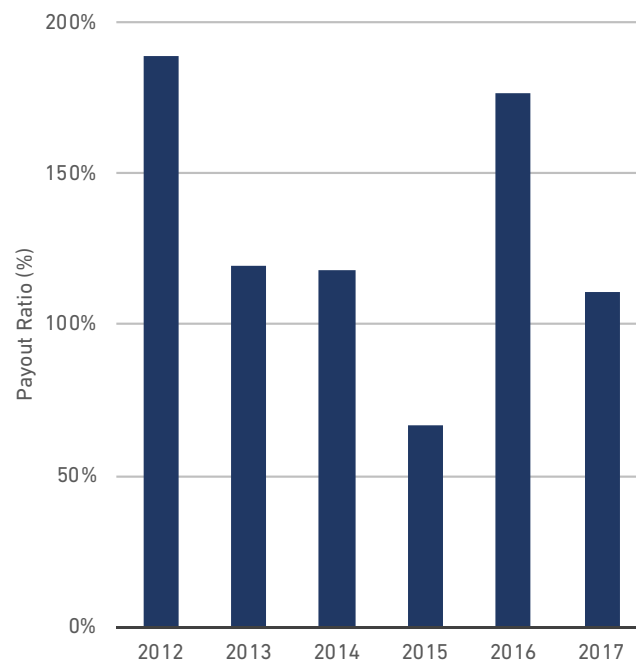
Although in no way specific, the arrow suggests NZX knows if its businesses are run properly, NZX should generate an EBITDA margin in the range of 50% - 55%

NO DIVIDEND GROWTH SINCE 2012...

No Dividend Growth since 2012...



Payout Ratio exceeded 100% in four of the last five years...



The decision to adjust the dividend policy which had built-in growth post Mark Weldon's departure in 2012 "enabled" poor capital management and a lack of financial discipline to propagate in subsequent years.

THE SPEED OF PROGRESS IS TOO SLOW, MANY NZX BUSINESSES REMAIN SUBSCALE AND ARE A DISTRACTION TO MANAGEMENT

<1%

NZXWT
MARKET SHARE*



1.6%

SUPERLIFE
KIWISAVER
MARKET SHARE**



4.5%

SUPERLIFE
SUPERANNUATION
MARKET SHARE**



120

OF EQUITY
SECURITIES LISTED
ON NZSX
(JUNE 18)***



-14%

REDUCTION IN FUNDS
UNDER ADMINISTRATION
UNDER NZX OWNERSHIP
(DEC 15-JUNE 18)***

+0.2%

GAIN IN MARKET
SHARE UNDER NZX
OWNERSHIP
(SEP 2014 vs SEP 2017)**

+1.0%

GAIN IN MARKET
SHARE UNDER NZX
OWNERSHIP
(SEP 2014 vs SEP 2017)**

151

OF EQUITY
SECURITIES LISTED
ON NZSX
(DEC 2014)****

* NZX 2016 Investor Day Presentation
** NZX 2017 Investor Day Presentation

*** NZX Monthly Shareholder Metrics Reports (December 2015 and June 2018)

**** NZX Monthly Shareholder Metrics Report - December 2014 - It is not clear if this number includes 5 SmartShares Funds - If we assume it does then the decline is ~17.8%



NZX'S 5-YR STRATEGIC PLAN WAS SHORT ON SPECIFICS

- Released in November 2017, NZX's five-year strategic plan is long on general points but is short on specifics. It lacks financial metrics/hurdles and action points to enable an accurate and tangible assessment of Management/Board performance.

ISSUER RELATIONSHIPS	FIVE YEAR PLAN
Customer Engagement	<ul style="list-style-type: none"> Enhance and refine
Framework	<ul style="list-style-type: none"> Focus on broader issuance ecosystem efficiency and effectiveness
Product Suite	<ul style="list-style-type: none"> Optimise product / market footprint
SECONDARY MARKET	FIVE YEAR PLAN
Marketing the market	<ul style="list-style-type: none"> Build out
Participation	<ul style="list-style-type: none"> Seek licensing, equivalence and partnering in international jurisdictions
Pricing	<ul style="list-style-type: none"> Periodically review pricing Engage on wider participant cost landscape
Tools and Functionality	<ul style="list-style-type: none"> Upgrade trading system Review tools and functionality Extend points of presence in other jurisdictions
Efficient Regulation	<ul style="list-style-type: none"> Refine
Post Trade	<ul style="list-style-type: none"> Continue to enhance and develop in line with customer needs
DATA & INSIGHT	FIVE YEAR PLAN
Internal	<ul style="list-style-type: none"> Support core growth with data and insight
B2B	<ul style="list-style-type: none"> Extend
End user	<ul style="list-style-type: none"> Upsell/cross-sell Align insights with all growth opportunities Piggy-back dairy growth with a PRA
Capability	<ul style="list-style-type: none"> Automate analytics for self-service Build out channel capability

GROWTH OPPORTUNITIES	FIVE YEAR PLAN
Continue to build a vibrant debt market	<ul style="list-style-type: none"> Create adjacent investable products (e.g. ETFs, indices etc.) Grow secondary market transparency
Grow dairy to scale	<ul style="list-style-type: none"> Drive for clearing partner/software vendor scale Lead growth with market/demand coverage Extend products to cover global demand
Collaborate to grow environmental and energy markets	<ul style="list-style-type: none"> Build out
SMARTSHARES AND SUPERLIFE	FIVE YEAR PLAN
Grow Smartshares ETF end users	<ul style="list-style-type: none"> Grow scale Share the benefits Cement low-cost passive leadership
Cross-sell and innovatively market KiwiSaver	<ul style="list-style-type: none"> Ride the growth escalator Participate in industry rationalisation
Target corporate superannuation with cross-sell	<ul style="list-style-type: none"> Consolidate
WEALTH TECHNOLOGIES	FIVE YEAR PLAN
Go live with platform	<ul style="list-style-type: none"> Continual improvement Regulatory changes
New clients	<ul style="list-style-type: none"> Extend pipeline Target medium large adviser groups Target Broker trading models
Extend capability to widen offering	<ul style="list-style-type: none"> Extend capability for the new innovative business models

The lack of disciplined financial targets is completely unacceptable

NZX FAILED TO PROVIDE CONCRETE FINANCIAL TARGETS vs. GLOBAL PEERS



INVESTOR UPDATE
12 JUNE 2017
2019 TARGETS*

FTSE RUSSELL

- Double—digit growth 2017-2019
- LCH (LONDON CLEARING HOUSE)
 - OTC double-digit revenue growth 2017-2019
 - EBITDA margin from 35.6% (2016) to 50% by 2019
- LSEG (LONDON STOCK EXCHANGE GROUP)
 - Operating expenses held at 4% p.a. 2017-2019
 - Next phase cost saves of GBP50M p.a. by exit 2019
 - EBITDA margin from 46.5% (2016) to 55% by 2019



INVESTOR PRESENTATION
MAY 2018
3-5YR TARGETS*

ORGANIC REVENUE GROWTH

- 5%-7% non-trading segments (3-5yr)
- OPERATIONAL FOCUS
 - ~3% avg annual organic expense growth (3-5yr)
- RETURN ON INVESTED CAPITAL
 - >10% target on new investments (3-5yr)
- TOTAL SHAREHOLDER RETURN
 - Double Digit TSR by deliver strong EPS growth and dividend yield



2ND MEDIUM-TERM MANAGEMENT PLAN (2016-2018)*

- Increase capex by JPY 15B
- Increase ETF holders by +500,000 or more
- Increase AUM tracking new JPX indices by +JPY 1 trillion or more
- Increase Listed NAV (ETF) by +JPY 5 trillion or more
- Increase Listed NAV (REIT) by +JPY 1 trillion or more
- 75% or more of companies appointing 2 or more independent directors
- IPO ~100 companies per year
- Operating revenue increase by +JPY 15 billion (+13%)
- Net income increase by +JPY 8 billion (+20%)
- ROE target = 17%
- Payout ratio target = 60%



2017 AGM PRESENTATION
2019 TARGETS*

- Core business revenue +4.3% CAGR (2017-2019)
- Incremental revenue of €55M
- Incremental costs of €27.5M
- EBITDA of incremental revenue = 50%
- -€22M Gross Savings
- EBITDA Target = 61-63%
- Payout ratio = 50%, with €1.42 per share floor

Refer Appendices to our NZX presentation dated September 2018 for all of the above presentations

* Source: LSE Investor Update - 12 June 2017, Nasdaq Investor Presentation - May 2018, JPX 2nd Medium-Term Management Plan Presentation - 22 March 2016 and Euronext 2017 AGM Presentation - 19 May 2017



NZX 1H 2018 RESULTS RELEASED IN AUGUST 2018 SHOW LIMITED PROGRESS

Results overview

Result underpinned by divestment of non-core businesses and delivery of projects fundamental to growth of core exchange

	June 2018 \$000	June 2017 \$000	Changes Fav/(unfav)
Operating revenue	\$33,423	\$32,763	2.0%
Operating expenses	(\$20,206)	(\$18,828)	(7.3%)
Operating earnings	\$13,217	\$13,935	(5.1%)
Net finance expenses, tax, depreciation and amortisation and gain on sale	(\$6,284)	(\$6,123)	(2.6%)
Discontinued operations (includes impairments)	(\$2,524)	142	(1877.5%)
Net profit after tax	\$4,409	\$7,954	(44.6%)

Operating expenses

	June 2018 \$000	June 2017 \$000	Change Fav/(unfav)
Gross personnel costs	(13,625)	(12,402)	(9.9%)
Less capitalised labour	2,065	1,435	43.9%
Personnel costs	(11,560)	(10,967)	(5.4%)
Information technology costs	(3,712)	(3,646)	(1.8%)
Professional fees	(936)	(676)	(38.5%)
Marketing	(205)	(144)	(42.4%)
Funds expenditure	(1,965)	(1,573)	(24.9%)
Other expenses	(1,828)	(1,822)	(0.3%)
Total expenses	(20,206)	(18,828)	(7.3%)
Strategic metrics			
Staff numbers (FTEs) – continuing	217	203	(6.9%)
Staff numbers (FTEs) – discontinuing	28	29	3.4%

ELEVATION CAPITAL HEREBY PROPOSES - “#NZXNOW” - AS A REVISED PLAN WITH THREE KEY AREAS OF FOCUS + CLEAR & MEASURABLE TARGETS:

<p>STRATEGY</p>	<p>Current NZX – Current strategy plan offers no clear & measurable targets</p>	<p>#NZXNOW Detail company-wide and segment-specific strategies and specify clear & measurable financial goals/targets</p>
<p>PORTFOLIO</p>	<p>Current NZX – Management are distracted with non-core businesses</p>	<p>#NZXNOW Spin-off non-core businesses and focus on doing fewer things better with improved transparency</p>
<p>ORGANISATION STRUCTURE</p>	<p>Current NZX – Bloated organisational & cost structure with poor employee productivity</p>	<p>#NZXNOW Shrink organisational structure to improve focus, accountability and to optimise headcount to bolster productivity</p>



#NZXNOW

STRATEGY REVISIONS

NZX CURRENT STRATEGY

NZX SEEMS TO BE OPERATING IN CONTRAST TO WHAT WAS ARTICULATED IN THE FIVE YEAR STRATEGIC PLAN

- NZX management stated their need to "refocus" on their core markets business to establish itself as "New Zealand's Exchange". In our opinion, NZX should really aim to become "New Zealand's Marketplace for Capital".
- After reviewing the current strategic plan, we still believe that Management continues to be distracted by the non-core activities:
- Running a subscale KiwiSaver/Superannuation funds management business that feeds into NZX's own subscale ETF funds business.
- Continued focus on the poorly executed multi-year/delayed software development project for its fund administration platform.
- We also believe NZX is too optimistic with its ability to execute its "go-it-alone" growth strategy in dairy derivatives. Our view is supported by NZX's recent downgrade of its expectation/s for its 2018 volume target range from 400,000 - 500,000 lots to 300,000 - 400,000 lots in its 1H 2018 results presentation (released on 15 August 2018).
- Lastly, we note the irony in its statement that NZX is "too small to be fat" when NZX increased the size of its Executive Team by approximately 45% in 2017*.



Source: NZX 2017 Results Presentation - 19 February 2018 - p12



Source: NZX 1H 2018 Results Presentation - 15 August 2018 - p5

* The calculation is based on the 16 officers in 2017 (NZX 2017 Annual Report p29) versus the 11 officers in 2016 (NZX 2016 Annual Report p31)



BOARD OF DIRECTORS NEEDS FURTHER RESTRUCTURING/RATIONALISATION

“STRATEGIC REVIEW”

“The highlight of 2017, and the board’s number one focus, was to reset the strategic direction of our company to provide management with a clear direction for the next five years.

The board was fully engaged in the redevelopment of the strategy, and played a central role in the complete review of NZX’s business, analysing global market trends and the performance and activities of our peers. The strategy which resulted from this process delivers a compelling vision for NZX, with initiatives that will drive growth, and deliver improved performance for you, our shareholders.”

Chairman’s Letter to Shareholders - 2017 Annual Report

- After reviewing NZX’s Five-Year Strategic Plan, which the Board claimed to have had significant input into plus influence on, and comparing it to other global exchanges’ strategic plans, we arrived at the same conclusion as Brian Gaynor (one of New Zealand’s most experienced investment managers and well known business commentators) did when he posited on the composition of the Board of NZX in June 2017*:

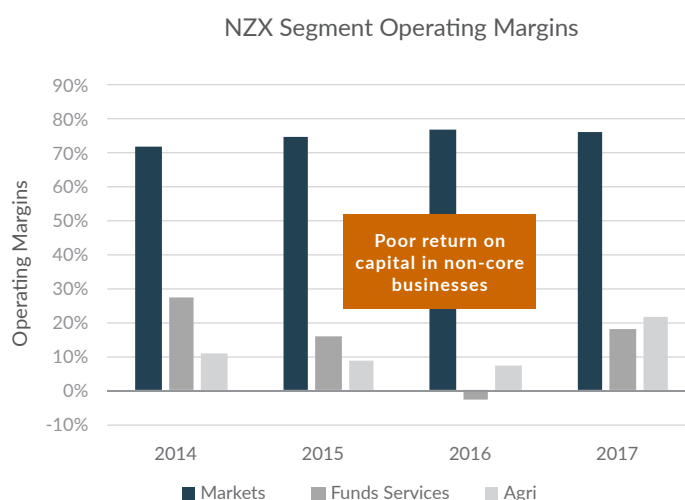
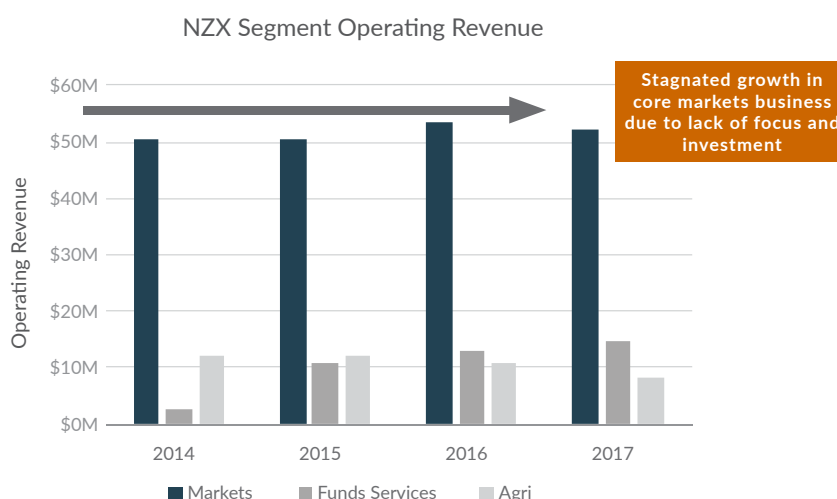
“What about directors with vision, leadership qualities and strategic, judgment and entrepreneurial skills?”

BRIAN GAYNOR - 10 JUNE 2017*

Refer Appendix #8 of our NZX presentation dated September 2018 for a full list of Brian Gaynor’s articles on NZX

MISALLOCATION OF CAPITAL AND RESOURCES IN RECENT YEARS HAS CONSTRAINED VALUE CREATION

- The Board should recognise that the misallocation of capital and resources in recent years has cost shareholders in terms of share price performance and opportunity cost/s, and act to rectify the situation in an expeditious manner – we estimate shareholders have “foregone” NZ\$235 million in total return based on the underperformance of NZX vs S&P/NZX50 index*.
- The pursuit of growth outside NZX’s core markets business has diverted Management’s attention away from the core markets business, its listing clients, and caused a slow down and deterioration of this highly profitable business (~70% of NZX’s operating revenue, and ~90% of its operating earnings in FY2017).



* Data Source: Thomson Reuters Eikon – 31/12/2011 - 31/12/2017, based on NZX market capitalisation of NZ\$274M on 31/12/2011. The difference in total returns equates to \$235M - Total Return includes dividends and imputation credits

ELEVATION CAPITAL RECOMMENDATION/S:

#NZXNOW - STRATEGY
REVISE CORPORATE STRATEGY



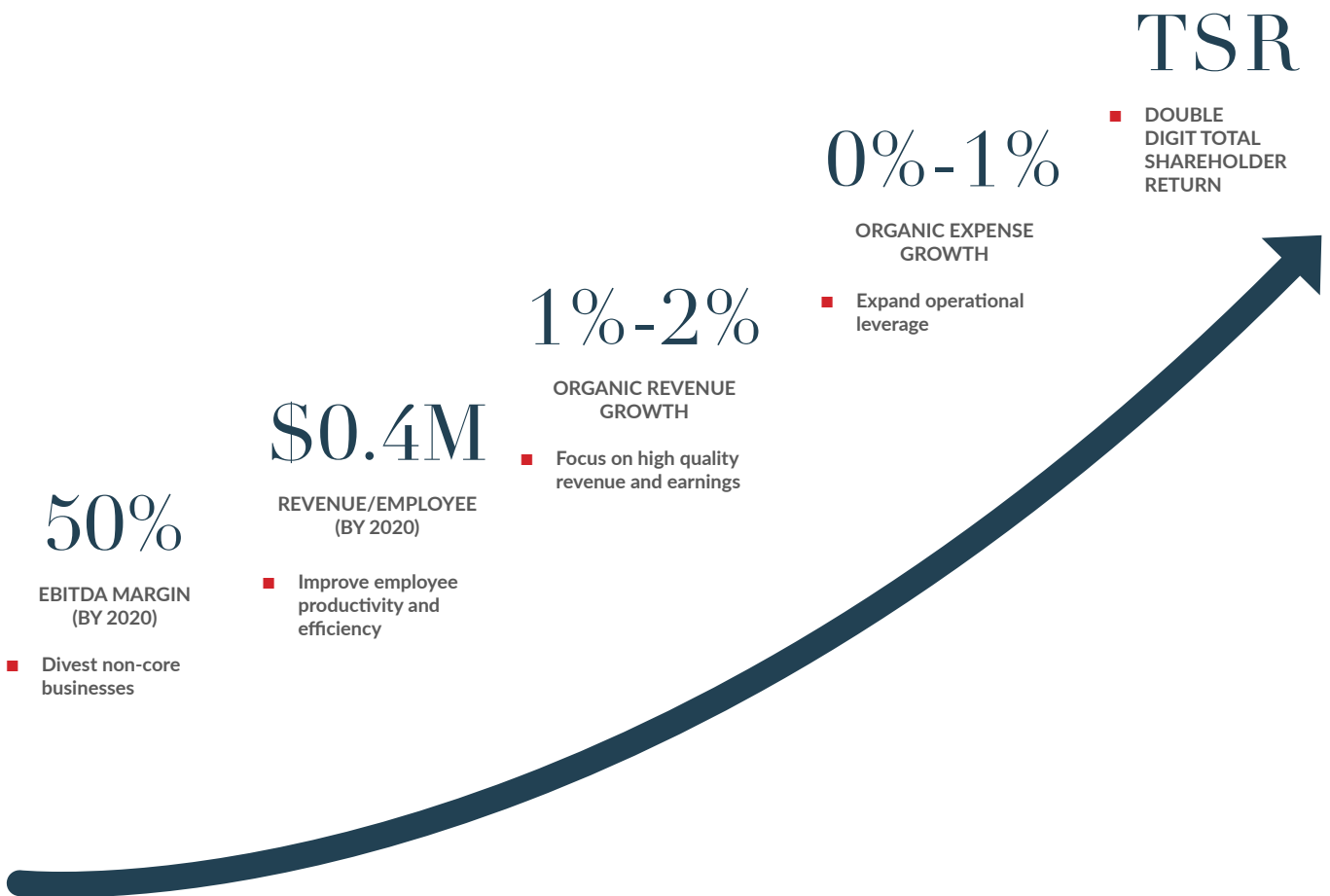
Detail company-wide and segment-specific strategies, and specify short/medium/long-term financial goals/targets/metrics

Shrink & further rejuvenate the Board

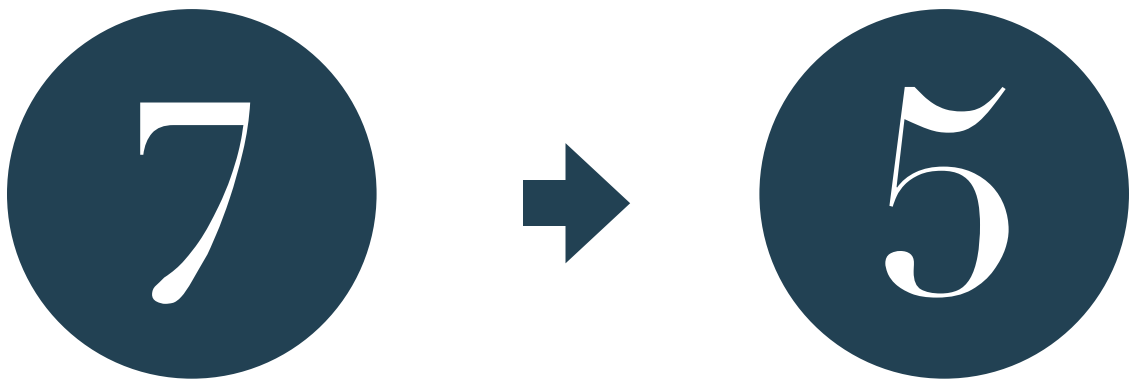
Shift mindset to smart/targeted capital allocation to create value for shareholders

#NZXNOW - STRATEGY REVISIONS

ELEVATION CAPITAL RECOMMENDATION/S: CLEAR SHORT/MEDIUM/LONG-TERM FINANCIAL GOALS/TARGETS/METRICS



ELEVATION CAPITAL RECOMMENDATION/S: SHRINK AND REJUVENATE THE BOARD



The NZX Board should be reduced from 7 to 5 people. This would send a clear signal from the top to become more focused and cost-conscious. It would also drive the organisation to consider its business operations from the top-down internally.

#NZXNOW - STRATEGY REVISIONS

ELEVATION CAPITAL RECOMMENDATION/S: BECOME A “BEST-IN-CLASS” CAPITAL ALLOCATOR

- We believe that present NZX Management does not need to seek outsized growth to create value for its shareholders.
- Below we compare NZX Limited and Travelers Companies Inc, as an example of how a financial services company can consistently create value for shareholders through cost/headcount/margin control, a value-accretive share buyback program, all with limited topline/revenue growth.
- In short, we believe NZX can be a great long-term investment for its shareholders if and only if Management/Board evolved and become great capital allocators.
- If the Management and Board fail to acknowledge this, we fear shareholders will face another five years of underperformance.



OPERATING MARGIN (2017) = +10.4%
NET MARGIN (2017) = +7.1%

OF SHARES OUTSTANDING:
2012: 377M; 2017: 271M (REDUCED BY 28%)

OF EMPLOYEES
2012: 30,500; 2017: 30,800 (INCREASED BY 1%)

FROM 31/12/2012 TO 1/12/2017

REVENUE GROWTH = +12.3% (CAGR = +2.4%)
OP. PROFIT GROWTH = +15.1% (CAGR = +3.2%)
NET PROFIT GROWTH = +16.9% (CAGR = +3.6%)
EPS GROWTH = +16.3% (CAGR = +3.1%)

DPS GROWTH = +55.3% (CAGR = +9.2%)
SHARE PRICE CHG = +88.9% (CAGR = +13.6%)
TOTAL RETURN = +111.8% (CAGR = +16.2%)



OPERATING MARGIN (2017) = +38.5%
NET MARGIN (2017) = +19.7%

OF SHARES OUTSTANDING:
2012: 255M; 2017: 268M (INCREASED BY 5%)

OF EMPLOYEES
2012: 168; 2017: 238 (INCREASED BY 42%)

FROM 31/12/2012 TO 31/12/2017

REVENUE GROWTH = +34.5% (CAGR = +6.1%)
OP. PROFIT GROWTH = +31.6% (CAGR = +5.6%)
NET PROFIT GROWTH = +50.5% (CAGR = +8.5%)
EPS GROWTH = +49.1% (CAGR = +8.3%)

DPS GROWTH = +12.9% (CAGR = +2.7%)
SHARE PRICE CHG = +6.7% (CAGR = +1.4%)
TOTAL RETURN = +31.3% (CAGR = +5.7%)



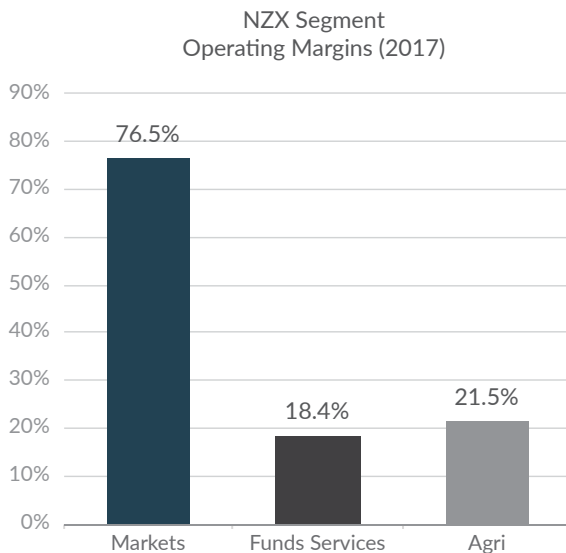
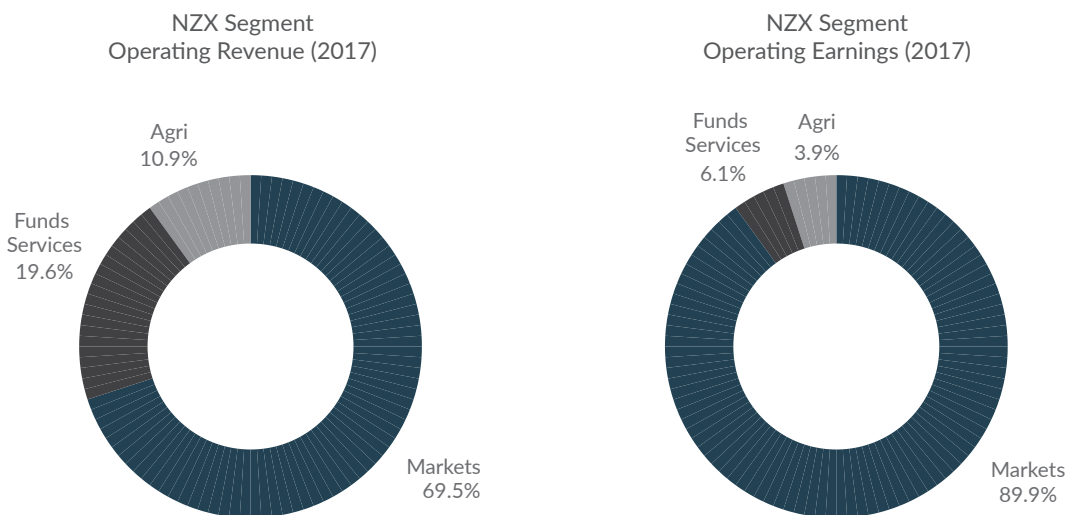
#NZXNOW

PORTFOLIO REVISIONS

NZX CURRENT PORTFOLIO

A SUBOPTIMAL PORTFOLIO IS WEIGHING ON EARNINGS GROWTH

- The non-core business segments (Funds Services and other peripheral businesses) are “dragging the chain” (generating ~30.5% of revenue but only contributing ~10% of operating earnings).
- These businesses are subscale and have few barriers to entry (moats) and lower margins than NZX’s core markets business.
- At the same time, NZX is having trouble growing these businesses (gaining market share) in a cost-effective manner.



DESPITE A STRATEGIC REVIEW AND CALLS FOR A REFOCUS ON CORE MARKETS BUSINESS, NZX MANAGEMENT/BOARD STILL REGARDS THE NON-CORE BUSINESSES AS GROWTH OPPORTUNITIES/OPTIONS AND REMAIN COMMITTED TO “GO-IT-ALONE” STRATEGIES



***“MAXIMISING OPTIONS THAT WILL PAY OFF:
WE ARE COMMITTED TO CONTINUING TO GROW
OUR SMARTSHARES, SUPERLIFE AND WEALTH
TECHNOLOGIES BUSINESSES...”***

Chairman's Speech - 2017 AGM

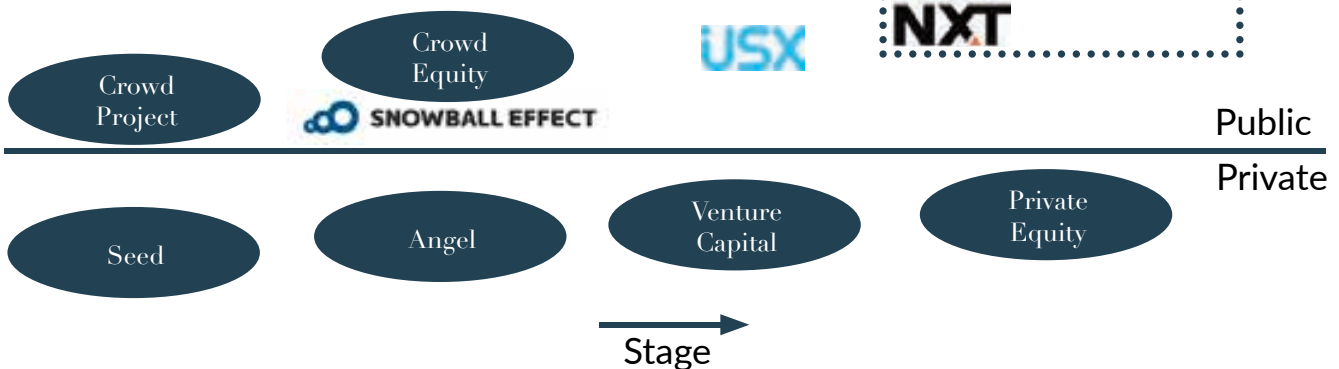


NZX CURRENT PORTFOLIO

NZX'S CORE MARKETS BUSINESS IS UNDER PRESSURE

- NZX is under pressure in recent years to grow its core markets business, in particular the equity market, where the number of equity securities on the NZSX (Main Board Issuers) fell from 151* in 2014 to 120 in June 2018 (~20% decline)**.
- We acknowledge that this is the experience globally, predominantly as a result of regulatory creep and the growth in private equity funding which allows companies to stay private longer or go private.
- Also, for those New Zealand private companies that are considering going public, they can now consider listing overseas right away, in particular on the ASX versus the traditional path of listing on the NZX first.
- Lastly, NZX has struggled in recent years with its two junior equity markets - NZAX and NXT. We believe the strategic failures of the NZAX and NXT have caused complexity, uncertainty and confusion for potential listing candidates in recent years. NZX signalled in 2017 of its intention to fold these two markets into its main board - NZSX.

We acknowledge the MOUs signed with HKEX, SGX and Nasdaq in 2018 are nice to have. But will they really drive new listings/dual lists? It remains to be seen.



* It is not clear in the December 2014 Metrics Report if this number includes 5 SmartShares Funds - If we assume it does then the decline is ~17.8%
 ** NZX Monthly Shareholder Metrics Reports (December 2014 and June 2018)

ELEVATION CAPITAL RECOMMENDATION/S:

#NZXNOW - PORTFOLIO

SPIN-OFF NON-CORE BUSINESSES TO FOCUS
ON CORE MARKETS BUSINESS AND TARGET
BECOMING THE #1 REGIONAL EXCHANGE
OPERATOR IN THE WORLD



Expedite the divestments of peripheral businesses or just close them if unprofitable

Spin-off the Funds Services business to NZX shareholders with a highly specialised and proven management team & board

Core-markets enhancing acquisitions to strengthen NZX's position as "New Zealand's Marketplace for Capital"

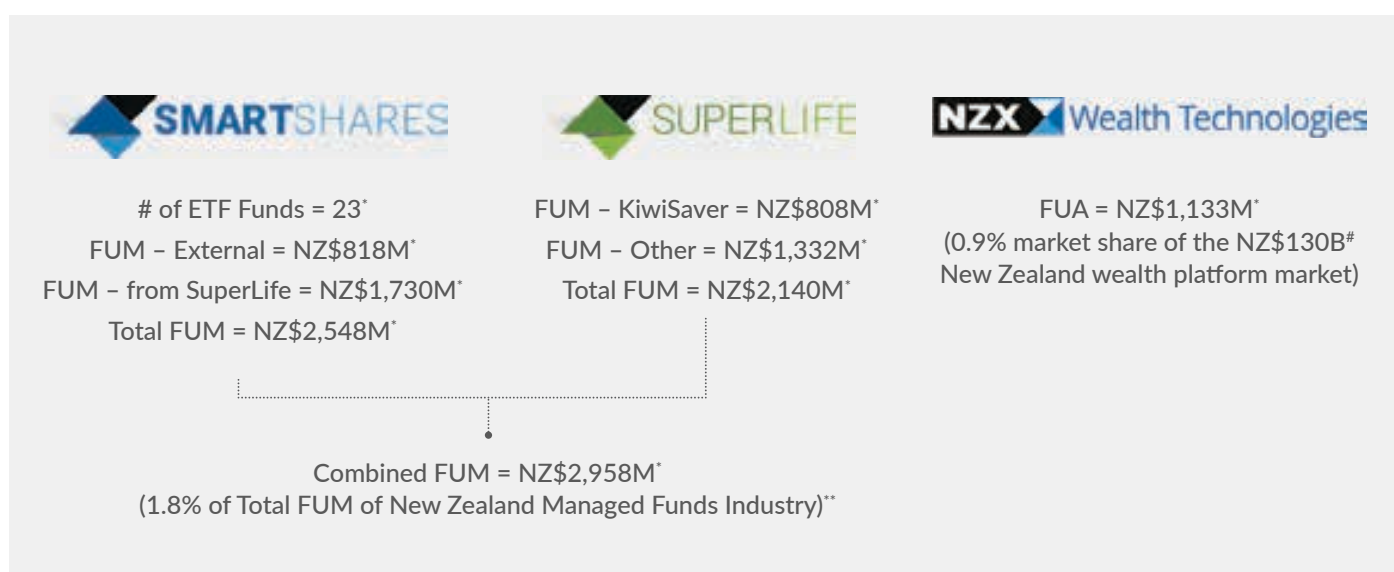


#NZXNOW - PORTFOLIO REVISIONS

SPIN-OFF THE FUNDS SERVICES BUSINESS

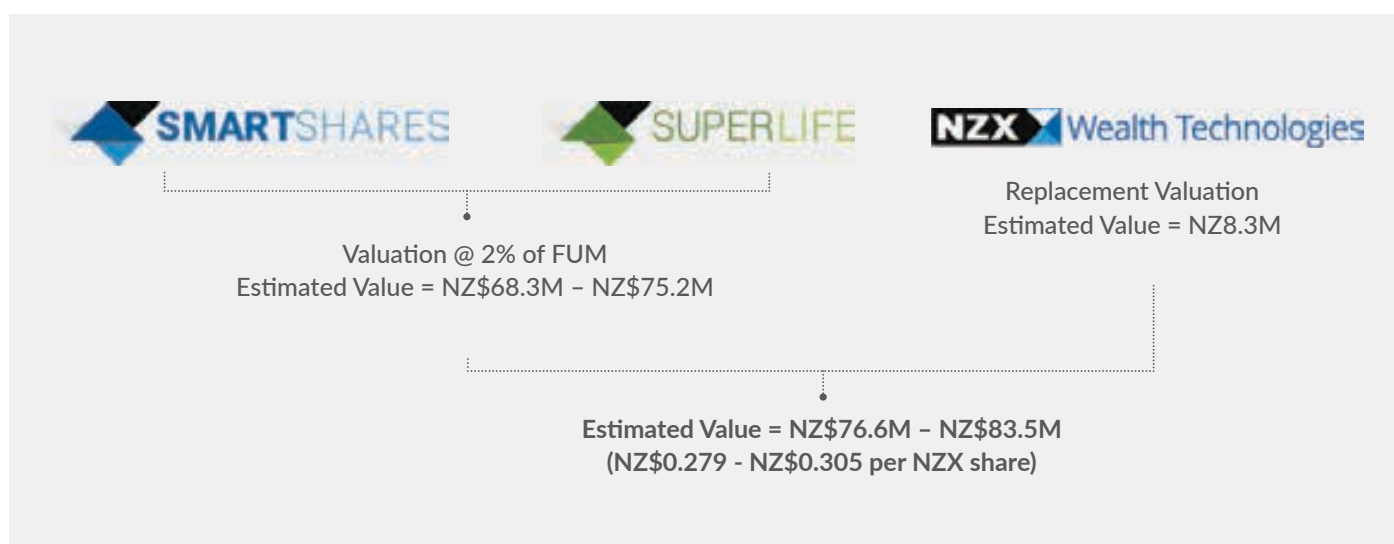
We believe it is in the best interest of NZX to spin-off its Funds Services business for the following reasons:

1. It allows NZX and the spun-off company to access capital and implement strategies in ways that make sense for their respective needs.
2. It also allows the two companies to be priced appropriately by the market.
3. The two businesses (exchange market operator vs funds service business) are clearly different in business nature. An optimised wide-moat core markets business can be highly profitable while remaining nimble. The funds service business (both the funds management and administration businesses) require economies of scale just to be competitive.
4. The two businesses clearly require different Management/Board skills.
5. The spin-off mitigates the risk of the NZX Management and the Board mis-allocating the capital while allowing shareholders to place a tangible value on the business that is not currently reflected in the NZX share price.



VALUING THE FUNDS SERVICES BUSINESS

- Based on a valuation of 2% of FUM*, we estimate the Smartshares & SuperLife businesses could be worth NZ\$ 68.3 million at the end of 2019 (Estimated FUM = NZ\$3.42B), and NZ\$ 75.2 million at the end of 2020 (Estimated FUM = NZ\$3.76B).
- Based on a replacement valuation (purchase price of NZ\$1.5M and estimated cumulative capex of NZ\$6.8M, we value the Wealth Technologies business at NZ\$ 8.3 million.
- Combined, we estimate the Funds Services business could be worth NZ\$ 76.6 million – NZ\$ 83.5 million – this equates to a per share value of between \$0.279 - \$0.305 cents per share.
- *Note that in August 2018, Trade Me - the New Zealand internet auction website and NZX listed company (TME.NZ) disclosed that it paid NZ\$4M to build a 16% stake in Sharesies (An online retail investment platform founded in 2016), valuing the Sharesies business at NZ\$24.4M (Sharesies has ~22,500 customers and NZ\$24M fund invested through the Sharesies platform).*

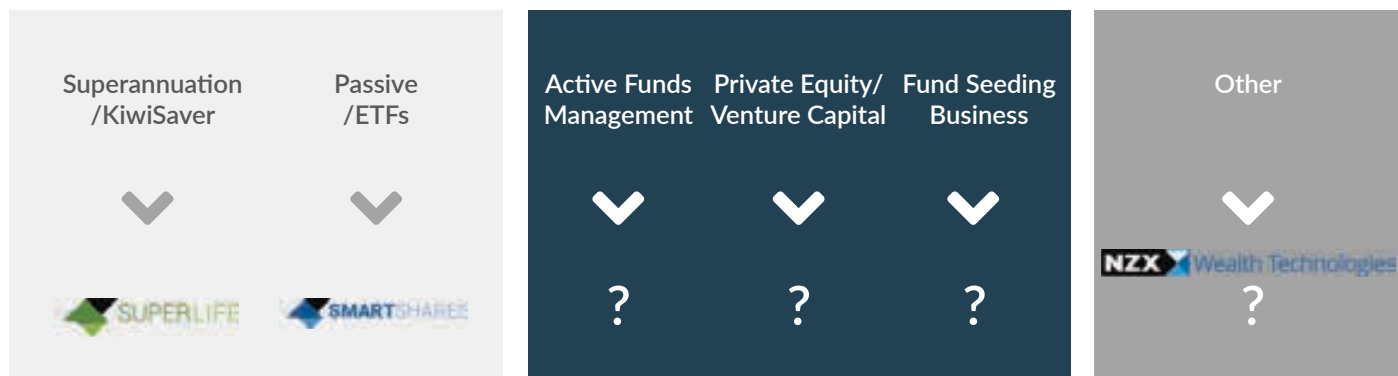


* We utilise the Market Capitalisation to AUM (Assets Under Management) valuation methodology, and halved the average multiple (4.00%) of our selected international peer group (Platinum Investment Management, Blackstone Group, Magellan Financial Group, Perpetual, Jupiter Fund Management, Pandal Group, T. Rowe Price Group, Wisdom Tree Investments, Schroders, BlackRock, State Street, Invesco and GAM Holding) - as at 12 September 2018

#NZXNOW - PORTFOLIO REVISIONS

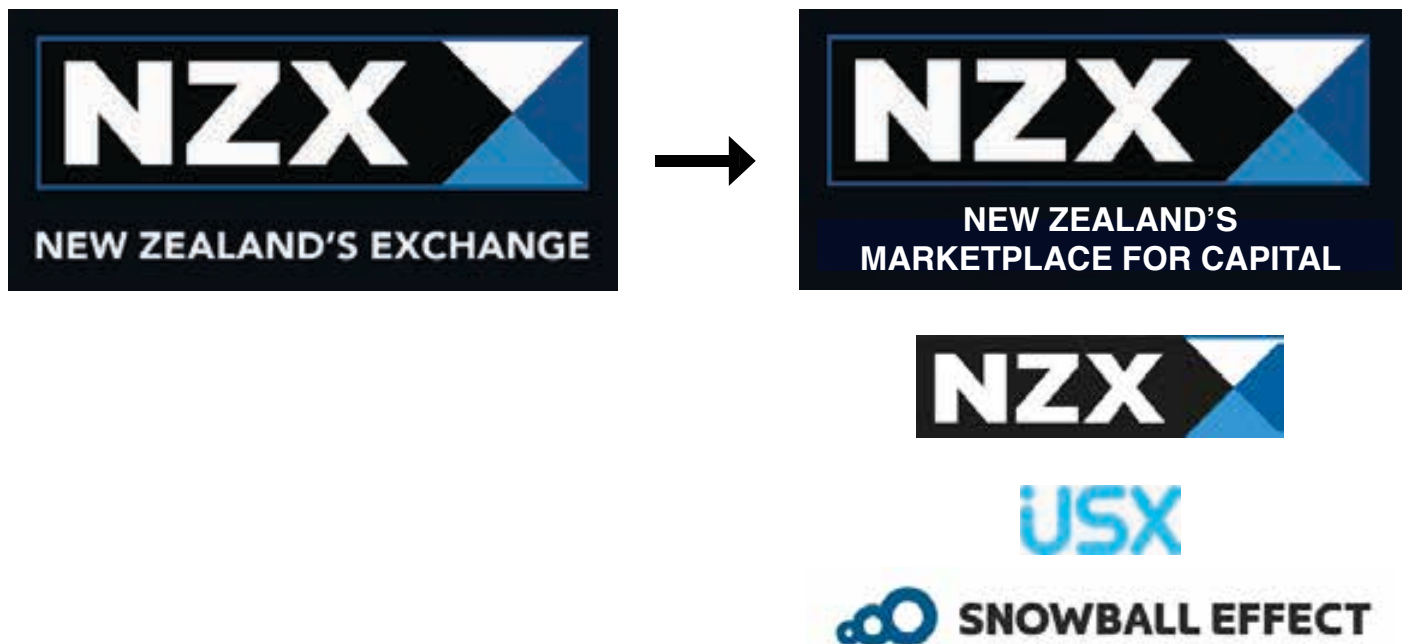
FUNDS SERVICES BUSINESS SPIN-OFF

- A spin-off of the Funds Services business would enable the establishment of a funds management company which (with experienced/credible management) could fully compete in the marketplace via the acquisition of active funds management businesses (*which we do not believe to be dead*), private equity and/or venture capital businesses.
- It can also develop a “fund seeding and incubation” business which would capitalise on the investment made in regulatory compliance since the introduction of the Financial Markets Conduct Act (“FMCA”) and fill a significant vacuum that has developed in the domestic market due to regulatory compliance and the barriers to entry this has created.



CORE-MARKETS ENHANCING ACQUISITIONS TO STRENGTHEN NZX'S POSITION AS "NEW ZEALAND'S MARKETPLACE FOR CAPITAL"

- Apart from spinning off non-core businesses to focus on the current core markets business, we also believe NZX should aspire to become "New Zealand's Marketplace for Capital" rather than just New Zealand's Exchange.
- NZX should explore possible horizontal integration. i.e., entering into markets such as unlisted, crowd funding platforms, etc. to create an integrated funding ecosystem under the NZX banner.
- This should promote New Zealand capital market activities and potentially improve both the size and visibility of NZX's IPO/listing pipeline.



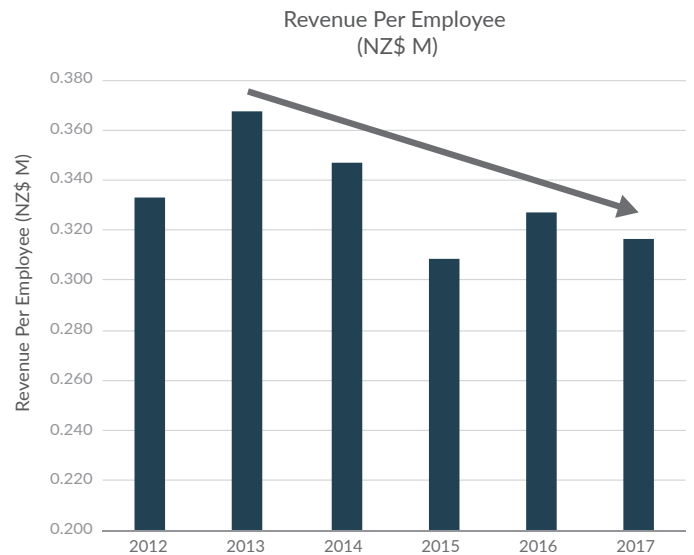
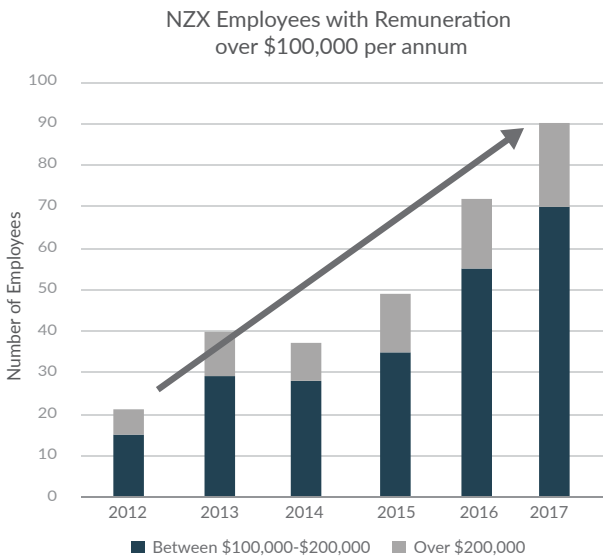


#NZXNOW

ORGANISATION STRUCTURE REVISIONS

NZX IS INEFFICIENT DESPITE MANAGEMENT COMMENTARY TO THE CONTRARY

- The charts below clearly illustrate that over the last few years, shareholders have financed a ballooning salary/cost base and been rewarded with declining employee productivity.
- NZX is a case study (at present) of “agents” versus “owners”.



NZX CURRENT ORGANISATION STRUCTURE

COMPARING THE NZX ORGANISATION STRUCTURE TO THAT OF THE ASX TELLS THE STORY SIMPLY...



Market Capitalisation = NZ\$290M*

of Senior Executives = 16**

of Employees (FTE) = 238***

of Employees / Senior Executives = 14.9

Revenue / # of Employees = NZ\$316K****

Market Capitalisation = A\$12.50B*

of Senior Executives = 15#

of Employees (FTE) = 587##

of Employees / Senior Executives = 39.1

Revenue / # of Employees = NZ\$1.7M##

* As at 12 September 2018

** Source: NZX 2017 Annual Report - p29

*** NZX 2017 results presentation - p22

**** If we take the latest NZX staff numbers (continuing operations) of 217 (From NZX 1H 2018 results presentation - p17), and assume status quo annual revenues of NZ\$75.325M, this generates a revenue per # of employees of NZ\$347K

ASX Website <https://www.asx.com.au/about/executive-team.htm> as at 27 September 2018

ASX 2018 Annual Report - p91

NZX IS TOO SMALL TO BE THE MARKET OPERATOR AND THE REGULATOR AT THE SAME TIME...

- On 1 August 2010, the Australian Federal Government re-defined ASX's role to market operator - rather than supervisor when ASIC took control of the supervision and surveillance of its securities markets and market participants. 23 staff from ASX Compliance were transferred to ASIC.
 - ASIC responsible for the supervision of real-time trading on domestic licensed financial markets and for the conduct of participants (including the relationship between participants and their clients) on those markets, and for the enforcement of ASIC Market Integrity Rules across all financial markets.
 - ASX Compliance responsible for monitoring and enforcing compliance with the ASX Group's operating rules.

- As New Zealand's FMA entered its eighth year of existence, NZX shareholders should raise the question whether it is now the time for the New Zealand government to consider transferring more regulatory responsibilities from NZX to the FMA so NZX Management can focus more on NZX's business activities and developing the broader capital markets.

#NZXNOW - ORGANISATION STRUCTURE REVISIONS

ELEVATION CAPITAL RECOMMENDATION/S:

#NZXNOW - ORGANISATION STRUCTURE

SHRINK/SIMPLIFY ORGANISATIONAL
STRUCTURE TO IMPROVE FOCUS,
ACCOUNTABILITY AND TO OPTIMISE HEADCOUNT
TO IMPROVE PRODUCTIVITY



Executive team
consolidation to
simplify structure,
accountability and
improve overall
productivity

Utilise JVs/
Collaborations to
reduce headcount,
access global skill-
sets & distribution
networks

Review regulatory
functions
and consider
relinquishing
more regulation
to the FMA



EXECUTIVE TEAM CONSOLIDATION TO SIMPLIFY AND STRIVE FOR INDUSTRY LEADING MARGINS

TOTAL # = 16*

BEFORE	
CEO	
<ul style="list-style-type: none"> Head of Issuer Relationships Head of Markets/Clearing Head of Data & Insights Head of Fund Management Head of Wealth Technologies Head of Derivatives Head of Energy Head of Compliance Head of Market Supervision 	<ul style="list-style-type: none"> CFO Head of Strategy General Counsel/Head of Policy Head of HR CIO Head of Communications



TOTAL # = 8

AFTER	
CEO/Head of Issuer Relationships	
<ul style="list-style-type: none"> Head of Markets** Head of Data & Insights Head of Clearing Head of Market Supervision 	<ul style="list-style-type: none"> CFO General Counsel/Head of Policy Head of HR



• SPIN-OFF

#NZXNOW - ORGANISATION STRUCTURE REVISIONS

UTILISE JVs/ COLLABORATIONS TO REDUCE HEADCOUNT, ACCESS GLOBAL SKILL- SETS & DISTRIBUTION NETWORKS

- In 2015, NZX entered a deal for S&P Dow Jones “to calculate, publish and disseminate NZX indices as well as distribute and market the indices offshore”. Through this deal, NZX has successfully leveraged S&P Dow Jones’s network to promote its indices and “to lure more international investors to the local bourse”.
- In 2009, in a cleverly structured deal, NZX sold Markit 100% of the shares of TZ1 in exchange for consideration payable in Markit shares as an “opportunity to cement a transaction with Markit that retained a meaningful economic interest for NZX in the TZ1 Registry business, and to combine that with Markit’s global reach and distribution networks...”.
- We strongly suggest that NZX must “rinse and repeat”, and seek a JV partner from global commodity powerhouses such as ICE, CBOE or CME to lower the cost/s, increase volume/s and to hasten the development and marketing of NZX’s Dairy Derivatives business globally.



REVIEW REGULATORY FUNCTIONS AND CONSIDER RELINQUISHING MORE REGULATION TO THE FMA

- There exists significant benefits toward adopting a government/statutory model similar to that in Australia. Such a centralised approach promotes efficiency and reduces the duplication/layering of regulation, including supporting infrastructure and oversight activities.
- New Zealand is well suited to this model due to the small size of its market – traditionally, one of the major headwinds for large complex markets wanting to adopt centralised regulatory models has been the overwhelming resource required to do so; this is simply not the case for NZX.
- Additionally, in the FMA's - NZX Annual Obligations Review (1 January - 31 December 2017) the FMA specifically highlighted a lack of expertise in the market surveillance function. This would seem an obvious place to start to us*.





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#NZXNOW

CONCLUSION

#NZXNOW - CONCLUSION

ELEVATION CAPITAL'S RECOMMENDATIONS WILL ALLOW NZX TO BECOME A GLOBAL INDUSTRY LEADER



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STRATEGY

To become "New Zealand's Marketplace for Capital", and target becoming the #1 Regional Exchange Operator in the World.

Detail company-wide and segment-specific strategies and specify financial goals/targets.

PORTFOLIO

A focus on the "markets" business will revitalise the underperforming core business and quickly improve overall operating margins in the short/medium term.

Spin-off/divest/close non-core businesses.

ORGANISATION STRUCTURE

A "lean and fit" organisation will be able to respond to business/competitive/economic landscape/dynamics with speed and precision and enhance productivity.

Utilise JVs to reduce headcount, access global skill-sets and distribution networks. Review regulatory functions.





#NZXNOW - CONCLUSION

ELEVATION CAPITAL'S RECOMMENDATIONS WILL CREATE MEANINGFUL VALUE FOR NZX SHAREHOLDERS

The combination of a concrete strategic plan (incl. clear financial targets), with an energised management team that is focused on one thing only - the revitalisation of the core markets business should allow NZX to produce and grow its high quality earnings / cash flows. Shareholders should be rewarded with increasing EPS and stable capital returns via increasing dividends and impactful share buyback programs.

The proposed spin-off of the Funds Services business can also be expected to create additional value as that business will be properly managed by a new management team with specialised skills, ideally proven track record/s, and appropriately incentivised to think and act as owners.

#NZXNOW - CONCLUSION

ELEVATION CAPITAL'S RECOMMENDATIONS WILL CREATE MEANINGFUL VALUE FOR NZX SHAREHOLDERS



Estimated Intrinsic Value Range:

NZ\$ 1.34 - NZ\$ 1.59

PER SHARE



Estimated Intrinsic Value Range:

NZ\$ 0.279 - NZ\$ 0.305

PER SHARE

Estimated Combined Intrinsic Value Range:

NZ\$ 1.62 - NZ\$ 1.89

PER SHARE

Potential Upside Range*:

+50% - +75%

PER SHARE

For valuation details/assumptions please see our NZX Limited presentation dated september 2018 which can found here at:

<https://www.nzxnow.com>

#NZXNOW – DOWNLOAD/S / SOCIAL MEDIA

WWW.NZXNOW.COM

WWW.ELEVATIONCAPITAL.CO.NZ/NZX

TWITTER.COM/ELEVATIONNZ

WWW.FACEBOOK.COM/ELEVATIONCAPITALNZ/

WWW.LINKEDIN.COM/COMPANY/ELEVATION-CAPITAL-MANAGEMENT-LIMITED/

WWW.LINKEDIN.COM/IN/CHRISTOPHER-SWASBROOK/



NZX	NZX	NZX	NZX	TEL
10	20	50		\$2
1164.40	3944.31	5075.84		
16.98 / 1.43%	46.71 / 1.03%	248.80 / 4.93%		



NZX LIMITED

[NZX:NZ]

Research Presentation released in September 2018.

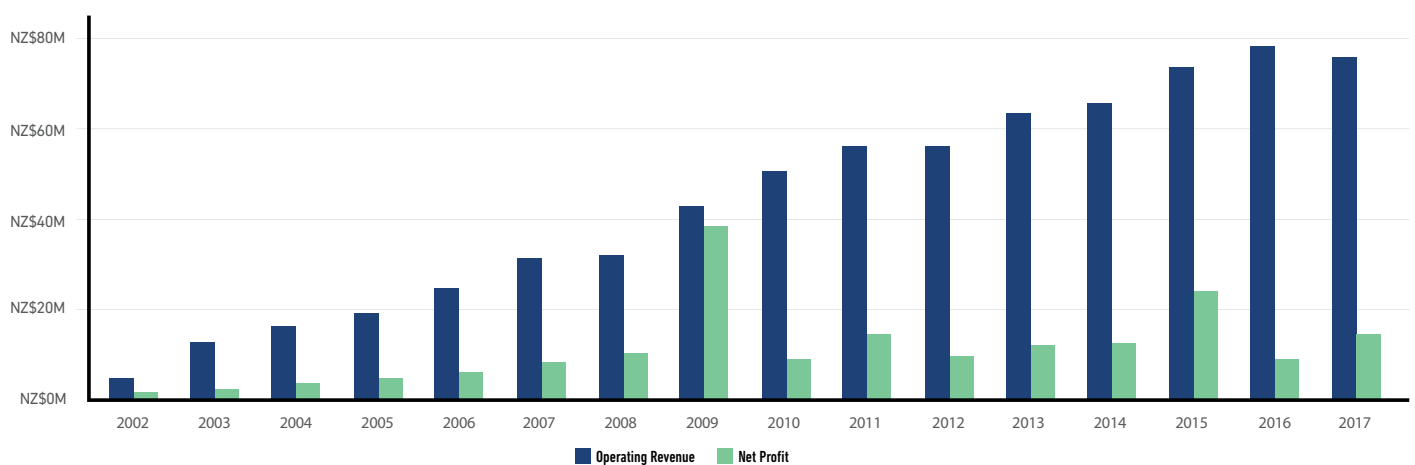
52	TME \$3.91	VCT \$2.45	DNZ \$1.53	DOW 49.3¢	ZZC
0.00%	0.11/2.09%	Vector	0.0057/0.33%	Hilowater 0.0/0.0%	DIC
					DIC \$4.30



OVERVIEW

- NZX Limited (NZX:NZ, Market Capitalisation = NZ\$290M*) is a publicly listed company that is licensed to operate and regulate securities and derivative markets in New Zealand (Refer Appendix #1 for New Zealand Capital Market/s Structure).
- It operates the following NZX Markets: NZX Main Board, NZX Alternative Market, NXT Market, NZX Debt Market, and NZX Derivatives Markets.
- It regulates the NZX's markets by (1) developing and enhancing the market rules, practices and policies, and (2) regulating market conduct by monitoring and enforcing the rules.
- It is also the market operator for New Zealand's wholesale electricity market, and Fonterra Shareholders' Market.
- It owns a Funds Management business that includes the SuperLife superannuation and KiwiSaver business, and the Smartshares Exchange Traded Funds (ETFs) business.
- It owns a Funds Administration Platform business – NZX Wealth Technologies (formerly Apteryx, acquired in 2015).
- Lastly, NZX is a publisher/supplier of information, news, data & analysis/insights.

NZX REVENUE & PROFIT SINCE 2002



HISTORY (1)

- 1866 The first local exchange was established in Dunedin
- 1870 Further local exchanges were formed in Auckland, Thames and Reefton
- 1871 Introduction of Sharebrokers' Act 1871
- 1908 Introduction of Sharebrokers' Act 1908
Compulsory licensing for Sharebrokers introduced
- 1915 Stock Exchange Association of New Zealand formed
- 1983 New Zealand Stock Exchanged (NZSE) was established by the Sharebrokers Amendment Act 1981, replacing the Stock Exchange Association as the profession's elected ruling body
- 1989 Board of Directors appointed, replacing council and executives, with David Wale appointed Chairman, and Bill Foster appointed Managing Director

The creation of the Market Surveillance Panel to oversee compliance

Comprehensive revision of the Listing Rules
- 1991 Implementation of Screen Trading and closure of trading floors
- 1992 Fully Automated Screen Transfer and Electronic Registration (FASTER) system introduced


Connectivity to share registries for electronic transfer of stock ownership
- 1998 Fully automated clearing and settlement of trades (scripless)

Replacing share certificates with statements of holdings
- 2000 NZSE explored an option to merge with the Australian Stock Exchange, but its members objected to the proposal
- 2001 NZSE submitted a private bill, New Zealand Stock Exchange Restructuring Bill to the Parliament
- 2002 Exchange Members voted by a majority of 85% for demutualisation of the NZSE

NZSE Limited formed

Bill Foster stepped down with replacement Mark Weldon taking over as CEO

HISTORY (2)

- 
- 2003
- NZSE Limited renamed to NZX Limited
 - IPO and Rights Issue
 - NZX listed on NZSX
- 2004
- NZX Funds Management launched two new funds:
 - Acquired Management rights for NZ Mid Cap Index Fund from ABN Amro Craigs
 - Launched the Smartshares brand, expanding the passive funds business
 - Launched Link Market Services (LINK), a share registry, a 50/50 JV with ASX Perpetual Registrars
- 2006
- Acquired managed fund research business FundSource and rural data business Agri-Fax
 - NZX established AXE ECN in Australia, a JV which NZX has 50% stake, while brokers Citigroup, CommSec, Goldman Sachs JBWere, Macquarie and Merrill Lynch each had 10% stake
- 2007
- Acquired Investment Research Group (Data) and NZX Newsroom
 - Formed the TZ1 Carbon Market
- 2008
- Acquired ProFarmer Australia Pty Limited
 - Acquired Dairy Week Limited
 - Acquired 22% shareholding in Bond Exchange of South Africa for NZ\$5.58M
- 2009
- Launched a new clearing and settlement infrastructure
 - Introduced new derivative products
 - Acquired Country-Wide publications, the Clear Grain Exchange, and Australian Crop Forecasters
 - Acquired The Marketplace Company (“M-Co”) and its subsidiaries Energy Clearing House Ltd and Energy Market Consulting Ltd
 - Acquired a 30% shareholding in Appello Services Ltd.
 - Sold its shareholding in the Bond Exchange of South Africa for NZ\$10.2M
 - Sold the assets and business of NZX subsidiary TZ1 for US\$37.1M

HISTORY (3)

- 2010
- Launched the NZX Derivatives Market
 - Acquired Callum Downs
 - Sold its 30% stake in Appello Services Ltd
 - AXE ECN ceased operations
- 2012
- Tim Bennett assumed role as CEO with Mark Weldon stepping down
 - Commissioning and roll-out of the Nasdaq X-stream trading platform
 - Launched the Fonterra Trading Among Farmers market
 - Successfully renewed NZX's four Electricity Authority service provider contracts
- 2014
- Announced the establishment of a new market for small companies – NXT
 - Introduced a new product - equity futures
- 2015
- Announced the acquisition of SuperLife
 - Launched a broad range of ETF's spanning all main asset classes
 - NXT, NZX's new market for small companies officially launched
 - Acquired wealth management platform Aptyryx
 - Sold its 50% stake in Link Market Services for NZ\$14.3M
 - Announced a deal with S&P DJI to produce and commercialise new indices
- 2016
- Tim Bennett stepped down as CEO with current Head of Markets Mark Peterson to act as interim CEO
 - Mark Peterson appointed as CEO of NZX
- 2017
- Five-Year strategic plan presented at Investor Day on 16 November 2017
 - NZX and HKEX signed a memorandum of understanding

HISTORY (4)

2018

NZX and SGX signed a memorandum of understanding

NZX announced its intention to seek scale through strategic alliances with global peers

NZX announced PDS for NZ\$40M subordinated notes offer

NZX announced sale of Farmers Weekly

NZX announced the issuing of shares to employees (NZX Employee Share Offer)

NZX announced sale of its Australian grain data business which NZX will incur a write down of intangible assets of \$2.05M

NZX announced the sale of its final agri business (the red meat and forestry components of AgriHQ) which NZX will incur a write down of goodwill and intangible assets of \$0.8M

NZX announced it will implement changes to its trading and clearing pricing structure effective 1 October 2018

NZX and Nasdaq signed a memorandum of understanding





NZX LIMITED (NZX:NZ)

BUSINESS SEGMENTS

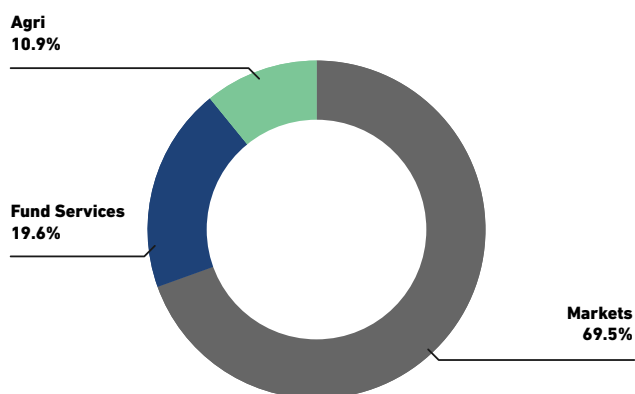
NZX	NZX	NZX	NZX	TEL
10	20	50		
1164.40	3944.31	5075.84		
16.98%	46.71%	48.04%		



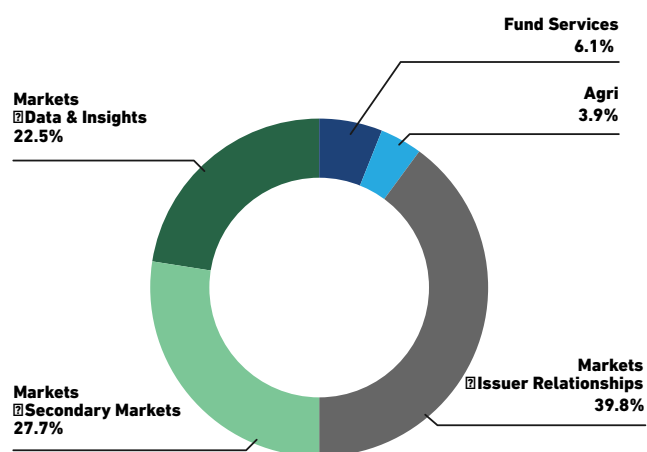
BUSINESS SEGMENTS

- Management has been trying to diversify/expand NZX's revenue/earnings streams since it was listed in 2002.
- Currently, it has three reportable business segments: (#1) Markets, (#2) Funds Services and (#3) Agri.
- Looking at the revenue chart below, it appears that Management has had some success in its diversification efforts. However, if we look at the earnings chart, the core "markets" business still dominates and contributed ~90% of NZX's earnings in 2017.
- From a reporting perspective, starting in January 2018, Management split the Markets segment into three main reportable business units: Issuer Relationships, Secondary Markets and Data & Insights.

NZX SEGMENT 2017 OPERATING REVENUE*



NZX SEGMENT 2017 OPERATING EARNINGS*

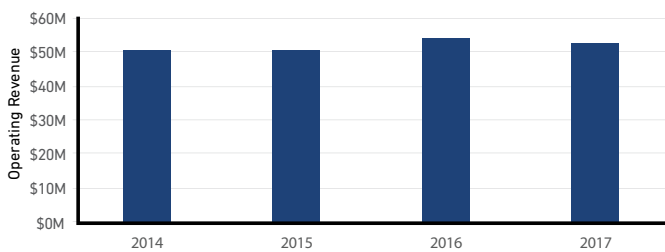


BUSINESS SEGMENT #1

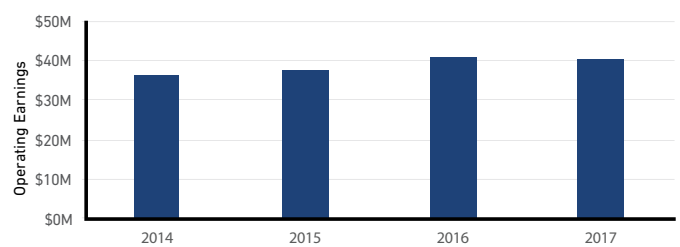
– MARKETS

- NZX is the operator and regulator of securities and derivatives markets and provider of trading, post-trade and data services for securities, derivatives and dairy products, as well as the provider of a central securities depository. It also includes the Fonterra Shareholders' Market and the energy market business, which comprises the contracts operated on behalf of the Electricity Authority.
- The Markets segment is critical to NZX, as it accounted for ~70% of NZX's operating revenue, and ~90% of its operating earnings in FY2017.

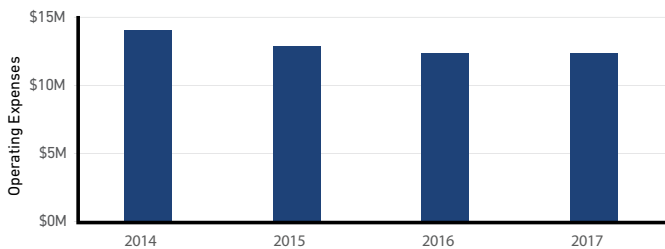
SEGMENT OPERATING REVENUE @MARKETS*



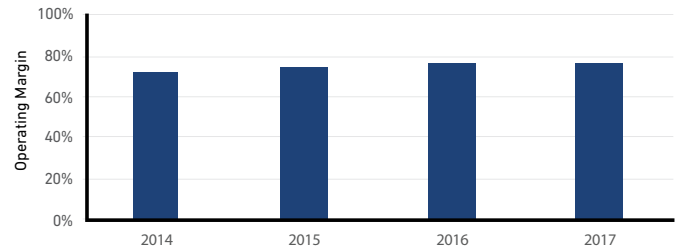
SEGMENT OPERATING EARNINGS @MARKETS*



SEGMENT OPERATING EXPENSES @MARKETS*



SEGMENT OPERATING MARGIN @MARKETS*

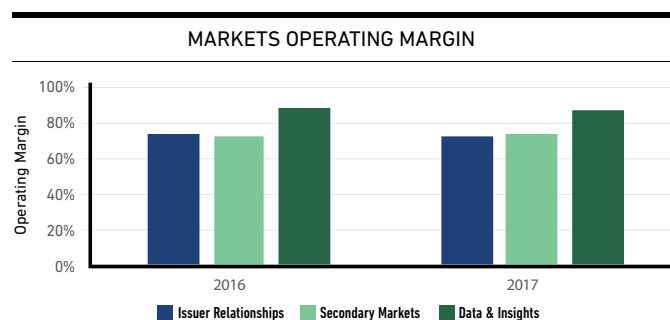
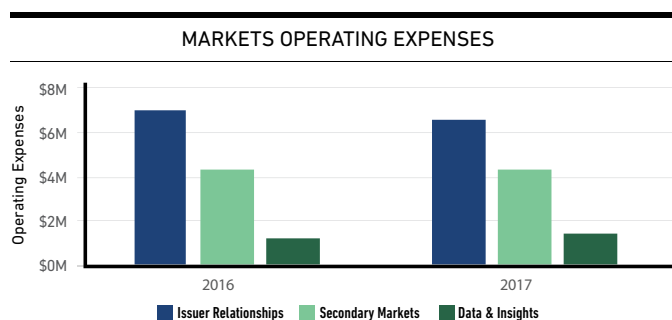
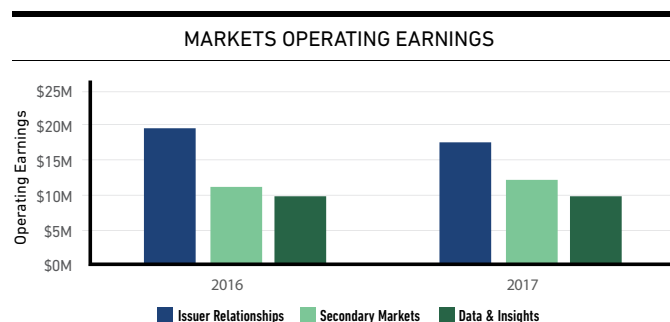
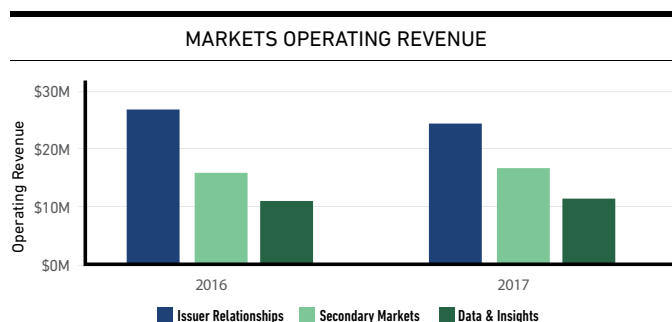


* Source: NZX Annual Reports



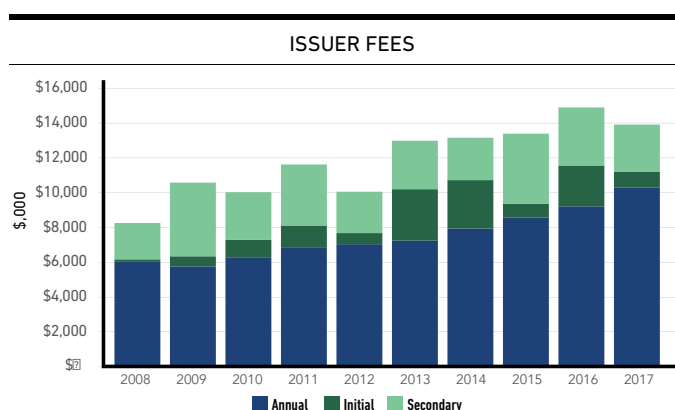
BUSINESS SEGMENT #1 – MARKETS – MADE UP OF THREE REPORTING UNITS

- Beginning in January 2018, the Markets segment was separated into three main reportable business units: **Issuer Relationships, Secondary Markets and Data & Insights**.
- All three units are high margin businesses. However, revenue/earnings from Issuer Relationships can be volatile from year-to-year, as shown in the -9.4% drop of revenue in 2017.
- NZX announced changes to trading and clearing pricing structure starting on 1 October 2018, these changes will increase on-market value traded, improving liquidity levels and enhancing price transparency. However, this change will have a negative impact on earnings and margins in the short term.



BUSINESS SEGMENT #1 – MARKETS –REPORTING UNIT #1 – ISSUER RELATIONSHIPS

- One of the most attractive qualities of NZX's core markets business is the consistent nature of its recurring revenues, mostly through its annual listing fees.
- However, one potential risk in NZX's seemingly stable and growing annual listing fee is the end (and potential reversal) of the almost-a-decade-old equity bull market around the world, which could negatively impact the equity market capitalisation of NZX constituents and NZX's annual listing fee/s during the year/s of a down cycle.
- One pressing issue facing NZX is the weak IPO record globally in recent years that affects many aspects of NZX's businesses, especially the level of initial listing fees.
- We also note the significant revenue contribution (NZ\$9.3M) from Contractual Revenue (via operation of the electricity market & Fonterra Shareholders' Market), which amounts to 12.4% of 2017 operating revenue.



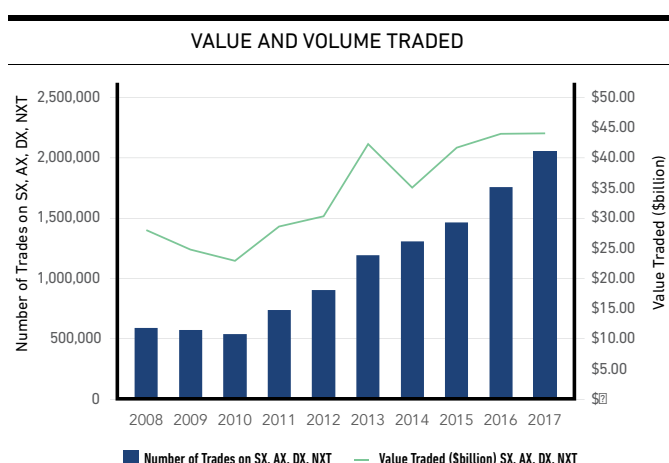
Notes:

- Annual listing fee growth from increase in number and value of listed debt instruments and equity market capitalisation
- Substantial listing of new debt in 2016 not fully replicated in 2017
- Other issuer services revenue relates to activities undertaken by NZX Regulation
- Contractual and development revenue relates to the operation of electricity market (under contract from Electricity Authority) and Fonterra Shareholders' Market (under contract from Fonterra)

REVENUE BREAKDOWN & METRICS			
Revenue	2017 \$000	2016 \$000	Change FY17 v FY16
Issuer Relationships			
Annual listing fees	10,280	9,226	11.4%
Initial listing fees	931	2,330	(60.0%)
Secondary issuance fees	2,696	3,341	(19.3%)
Other issuer services	586	1,144	(48.8%)
Development revenue	428	1,493	(71.3%)
Contractual revenue	9,336	9,236	1.1%
Total Issuer Relationships revenue	24,257	26,770	(9.4%)
Strategic metrics			
Number of listed issuers	223	232	(3.9%)
Equity market capitalisation	135.2 billion	115.5 billion	17.1%
Debt market capitalisation	26.4 billion	25.7 billion	2.7%
Number of new equity listings	1	7	(85.7%)
Number of new debt listings	20	37	(45.9%)
Value of new equity listed	0.48 billion	2.1 billion	(77.1%)
Value of new debt listed	3.2 billion	6.4 billion	(50.0%)
Total secondary capital raised	4.4 billion	4.6 billion	(4.3%)

BUSINESS SEGMENT #1 – MARKETS – REPORTING UNIT #2 – SECONDARY MARKET

- In December 2017, NZX announced changes to its securities trading and clearing pricing structure, which will be implemented (effective: 1 October 2018) alongside rule changes in the second half of 2018.
- These proposed changes are in response to the complaints from institutional investors of the low on-market liquidity, poor price transparency and the high cost of execution under the fixed minimum trade fee approach currently in place.
- In the short term, this action will negatively impact revenue as securities trading and clearing revenue being variable based on the value of each trade. However, in the medium/long term, the change in pricing structure could promote increased participation in NZX on-market trading, and hence improve Secondary Markets revenue.



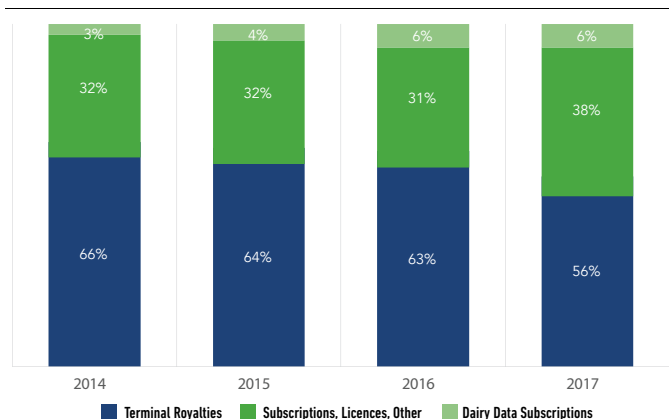
REVENUE BREAKDOWN & METRICS

Revenue	2017 \$000	2016 \$000	Change FY17 v FY16
Secondary Markets			
Participant services revenue	3,768	3,592	4.9%
Securities trading revenue	5,817	5,765	0.9%
Securities clearing revenue	5,911	5,663	4.4%
Dairy derivatives revenue	1,133	706	60.5%
Total Secondary Markets revenue	16,629	15,726	5.7%
Strategic metrics			
Number of trades	2.05 million	1.75 million	17.1%
Total value traded	44.0 billion	44.0 billion	-
Dairy lots traded	311,675	198,303	57.2%
Number of participants	36	35	2.9%

BUSINESS SEGMENT #1 – MARKETS –REPORTING UNIT #3 – DATA & INSIGHTS

- As noted previously, the Data & Insights unit produces the highest operating margin (87.2%) within NZX.
- The business and product offerings are highly scaleable, and the subscription/license model is attractive.
- The growth in the number of subscribers for the NZX dairy data products in 2017 was impressive (+32.5%). However, this growth has barely translated into revenue growth for dairy data subscriptions (+3.1%).
- Also, we highlight the consecutive decline/s in revenue generated from royalties via terminals and suggest this needs to be an area of focus for the NZX.

PERCENTAGE OF REVENUE

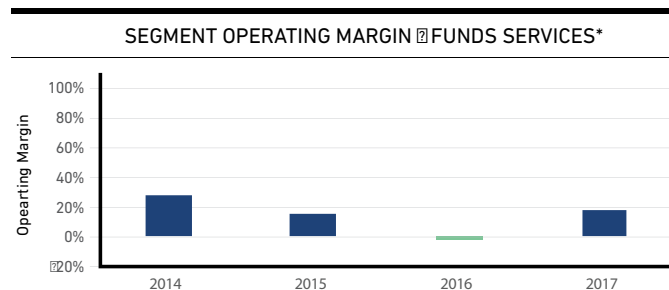
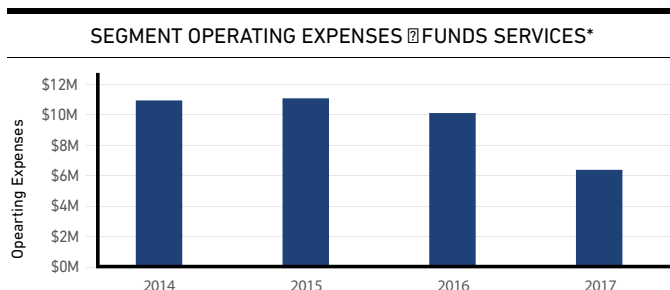
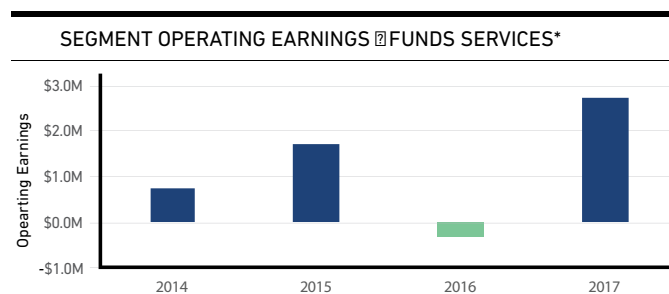
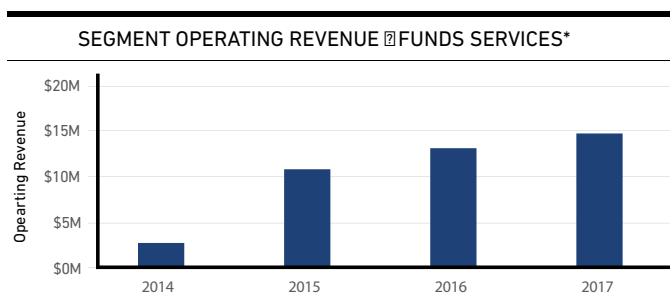


REVENUE BREAKDOWN & METRICS

	2017 \$000	2016 \$000	Change FY17 v FY16
Revenue			
Data & Insights			
Royalties from terminal	6,367	6,965	(8.6%)
Subscriptions and licenses	4,099	3,288	24.7%
Dairy data subscriptions	693	672	3.1%
Other	305	153	99.3%
Total Data & Insights revenue	11,464	11,078	3.5%
Strategic metrics			
Terminal numbers (12 month average)	7,379	7,407	(0.4%)
Number of licences	97	92	5.4%
Number of proprietary security products subscription	404	395	2.3%
Number of dairy data products subscription	774	584	32.5%

BUSINESS SEGMENT #2 – FUNDS SERVICES

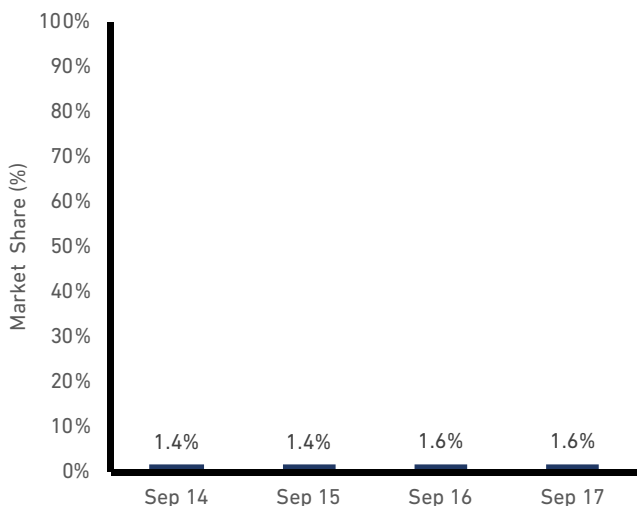
- NZX is a provider of Superannuation, KiwiSaver and Exchange Traded Funds (ETF) and a funds administration platform:
 - SuperLife: A provider of Superannuation and KiwiSaver acquired in 2015 (FUM = NZ\$2.0B)
 - Smartshares: An ETF fund manager with 23 ETF funds (FUM = NZ\$2.1B, External FUM = NZ\$700M)
 - NZX Wealth Technologies: Formerly Apteryx, a funds administration platform that was acquired in 2015 (FUA = NZ\$1.1B).
- Management has placed the Funds Services segment in the “Maximising Options” category in their recent presentations, which suggests Management is open to different potential paths forward for this business segment.



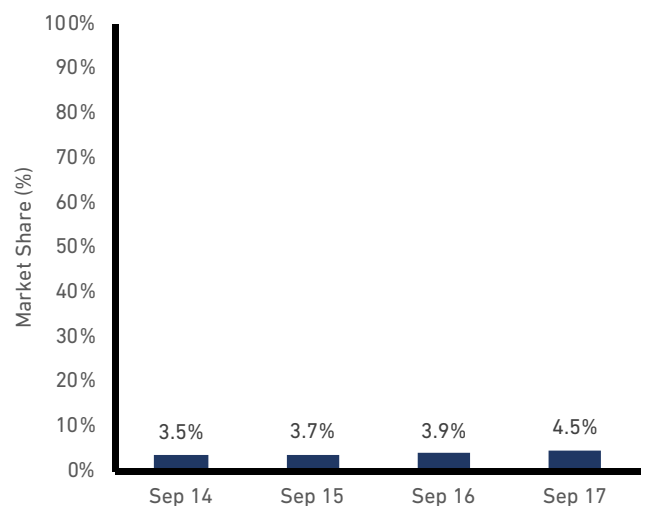
BUSINESS SEGMENT #2 – FUNDS SERVICES – FUNDS MANAGEMENT – SUPERLIFE

- SuperLife is a provider of Superannuation and KiwiSaver that NZX acquired on 1 January 2015.
- Total consideration for the acquisition was NZ\$35M (NZ\$20M initial payment + NZ\$15M earn out).
- In 2017, SuperLife generated NZ\$7.8M of revenue, and with over 50,000 members, and ~NZ\$2.0B external FUM.
- On the surface, SuperLife has been growing at a sound pace...
 - However, we believe a significant part of the FUM growth in recent years has come from positive market movements (For example: from Sept 2014 to Sept 2017, S&P/NZX50 Index was up 50.6%**);
 - Market share data suggests that SuperLife has been unable to compete effectively to gain significant market share while under NZX’s ownership, especially in the fast growing KiwiSaver market;
 - It remains sub-scale in our opinion.

SUPERLIFE'S KIWISAVER MARKET SHARE (%)*



SUPERLIFE'S SUPERANNUATION MARKET SHARE (%)*

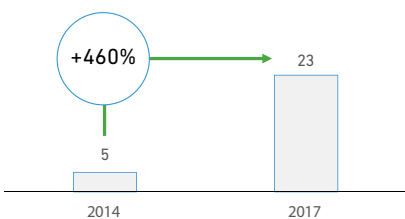


* Source: NZX 2017 Investor Day Presentation
 ** Source: Thomson Reuters Eikon

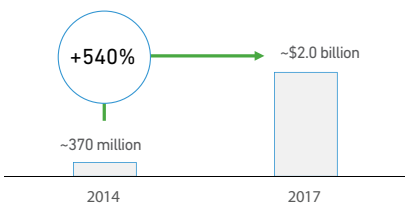
BUSINESS SEGMENT #2 – FUNDS SERVICES – FUNDS MANAGEMENT – SMARTSHARES

- Smartshares is NZX's ETF fund business, currently with 23 ETF funds*.
- The significant growth since 2014 has been the result of the acquisition of SuperLife.
- 67% of its NZ\$2.1B FUM** is contributed by SuperLife members, with external FUM accounting for only 33% of FUM.
- Some of the smaller ETF Funds require further FUM growth to achieve minimum scale to attain profitability***.
- We are also concerned about the true picture of the performance of this business - e.g., *What are the annual external netflows since 2014? Also, we believe the management fees remain far too high relative to new domestic competitors and global index fund providers.*
- Our concern with this subscale business is the increasing pressure from domestic and global index fund providers, with some large players in the industry starting to offer zero management fee products (e.g., Fidelity).

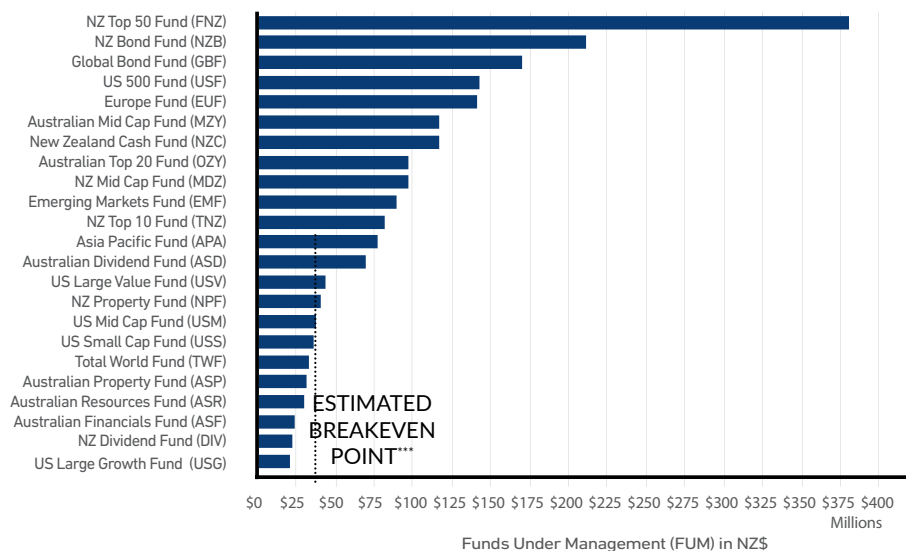
NZX ETF funds
Number of funds



NZX ETF funds
Funds Under Management



SMARTSHARES ETF FUNDS - FUNDS UNDER MANAGEMENT*



* Source: NZX Website, as at 15 March 2018

** As at 31 December 2017

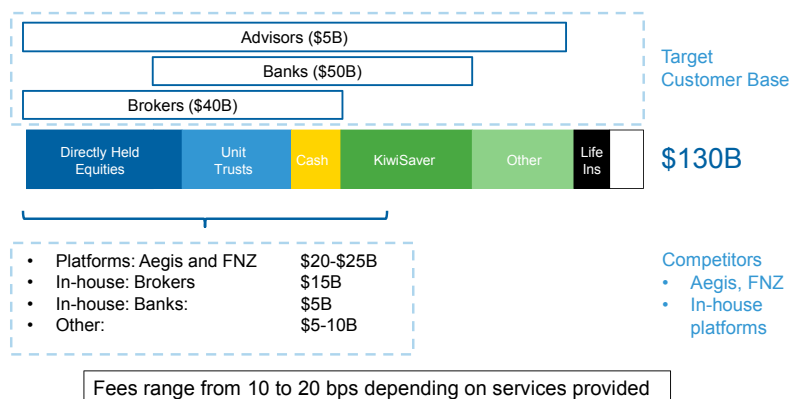
*** We estimate the breakeven FUM for the Smartshares ETF funds to be around NZ\$30-35M, based on Management commentary and charts from NZX 2016 Investor Day Presentation

BUSINESS SEGMENT #2 – FUNDS SERVICES – NZX WEALTH TECHNOLOGIES

- NZX acquired Apteryx on 1 July 2015 for NZ\$1.5M, and renamed it NZX Wealth Technologies (NZXWT).
- NZXWT is described as offering a fully integrated, flexible, and easy to use range of NZ-centric wealth management services that are accessible via the web.
- Management expects NZXWT to remain in investment phase (i.e., loss-making) in the short term, while suggesting that once the investment is completed, this business should have inherent operating leverage.
- Based on NZXWT’s current external Funds Under Administration (FUA) of NZ\$1.13B*, it has less than 1% market share of the NZ\$130B wealth platform market in New Zealand**.



Source: NZX 2016 Investor Day Presentation



Source: NZX 2016 Investor Day Presentation

* As at 30 June 2018
 ** NZX 2016 Investor Day Presentation

BUSINESS SEGMENT #2 – FUNDS SERVICES – NZX WEALTH TECHNOLOGIES (CONTINUED)

NZXWT PLATFORM DEVELOPMENT TIMELINE:

5/8/2016	NZX announced it had signed up Craigs Investment Partners to use its NZXWT platform.
14/2/2017	NZX stated in its 2016 Annual Report that two major new clients (Craigs and Hobson Wealth) “are expected to transition onto the platform in the first half of 2017, bringing approximately \$2.5 billion in Funds Under Administration”.
16/11/2017	At its Investor Day, NZX stated that Hobson Wealth has paused its project with NZXWT.
19/2/2018	NZX stated in 2017 Annual Report that “Despite the dedication of the team, progress on-boarding our first large customer to the platform has been delayed, however core platform development is expected to be completed in Q2 (2018) and to go live with that customer in Q3 (2018)”.
15/8/2018	NZX stated in 1H 2018 results presentation that “Wealth Technologies core system development completed Q2. Customisation for a large client continues ahead of scheduled October go-live. <u>Stage two development on track for 2019 completion. Future clients may require degree of customisation</u> ”.

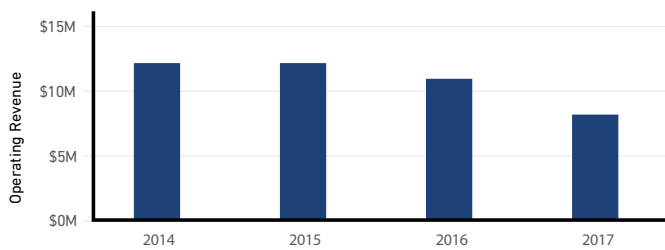
- When NZX purchased Apteryx in July 2015 for NZ\$1.5M, the design of the earnout implies Management was sold that under NZX’s ownership, and with its influence and management, Apteryx should be able to increase its FUA by 130% from NZ\$1.32B to NZ\$3B in 21 months (by 31 March 2017).
- Based on NZX’s 1H 2018 results presentation, we estimate that NZX has so far spent a total of approximately NZ\$6.8M capital expenditure on NZXWT since its acquisition in 2015. In the meanwhile, NZXWT has achieved a -14% decline in FUA since acquisition 36 months prior.
- Management has significantly underestimated the cost, time and problems NZXWT encountered in major software development projects.
- Unfortunately, with <1% market share, NZXWT remains a sub-scale business unit for NZX that is draining resources (financial & management) that could and should be deployed elsewhere.

BUSINESS SEGMENT #3

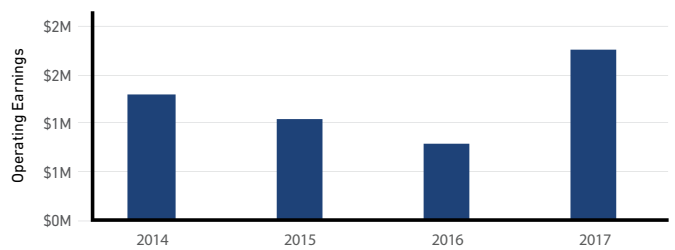
– AGRI

- NZX is a provider of information, news, data and analysis relating to the agriculture sectors in New Zealand and Australia.
- NZX sold the rural newspaper (Farmers Weekly) business to GlobalHQ Limited, effective, 1 July 2018.
- NZX also announced the sale of its Australian grain data business to Rural Bank, with the sale effective 31 August 2018. NZX will incur a write down of intangible assets totalling \$2.05M, and the sale of its final agri business (the red meat and forestry components of AgriHQ) which NZX will result in further impairment of goodwill and intangible assets totalling \$0.8M.

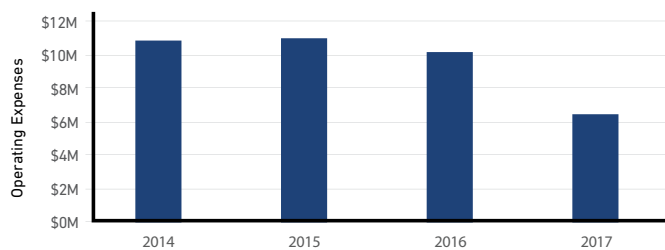
SEGMENT OPERATING REVENUE ^{AGRI*}



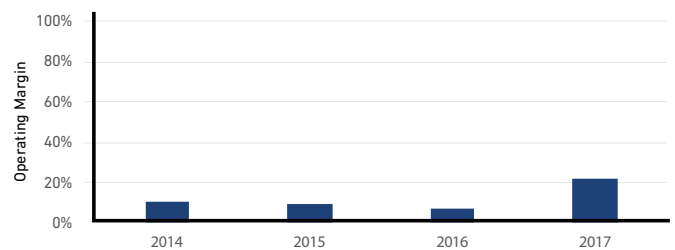
SEGMENT OPERATING EARNINGS ^{AGRI*}



SEGMENT OPERATING EXPENSES ^{AGRI*}



SEGMENT OPERATING MARGIN ^{AGRI*}



* Source: NZX Annual Reports

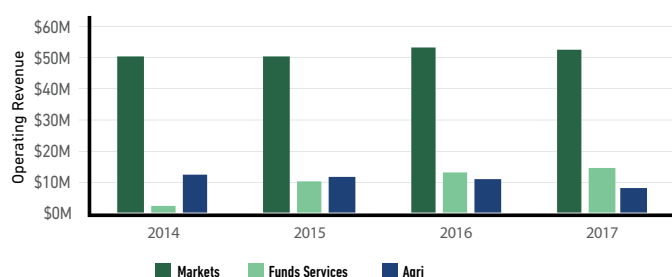


BUSINESS SEGMENTS

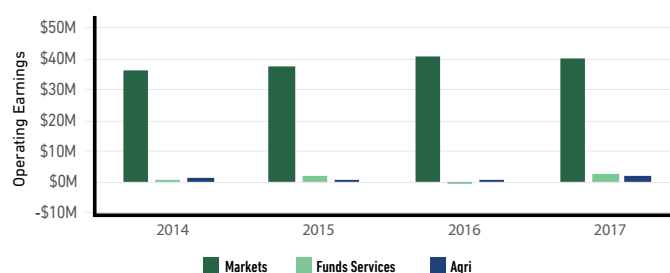
– SUMMARY

- NZX core “markets” business is the “jewel in the crown”. It generates ~90% of the operating earnings and has significant higher operating margins than the other two business segments.
- **Accordingly in our opinion, Management should focus on its Markets business and spin-off/partner and/or divest the other lower margin businesses that has required (and continues to require) significant investment (in terms of time and capital) to achieve scale.**

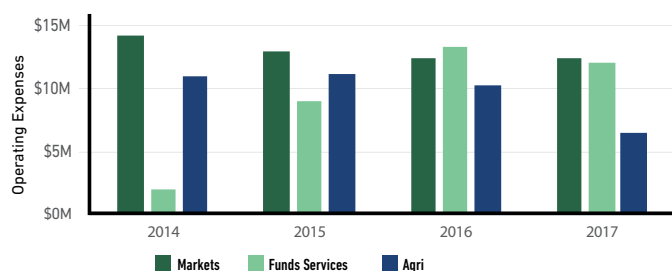
NZX SEGMENT OPERATING REVENUE



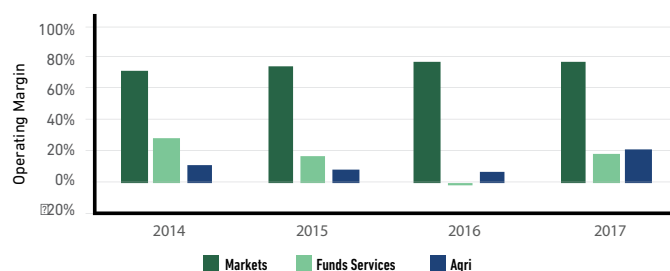
NZX SEGMENT OPERATING EARNINGS



NZX SEGMENT OPERATING EXPENSES



NZX SEGMENT OPERATING MARGINS





NZX LIMITED (NZX:NZ)

FINANCIAL DATA, FINANCIAL STRUCTURE & DIVIDEND HISTORY

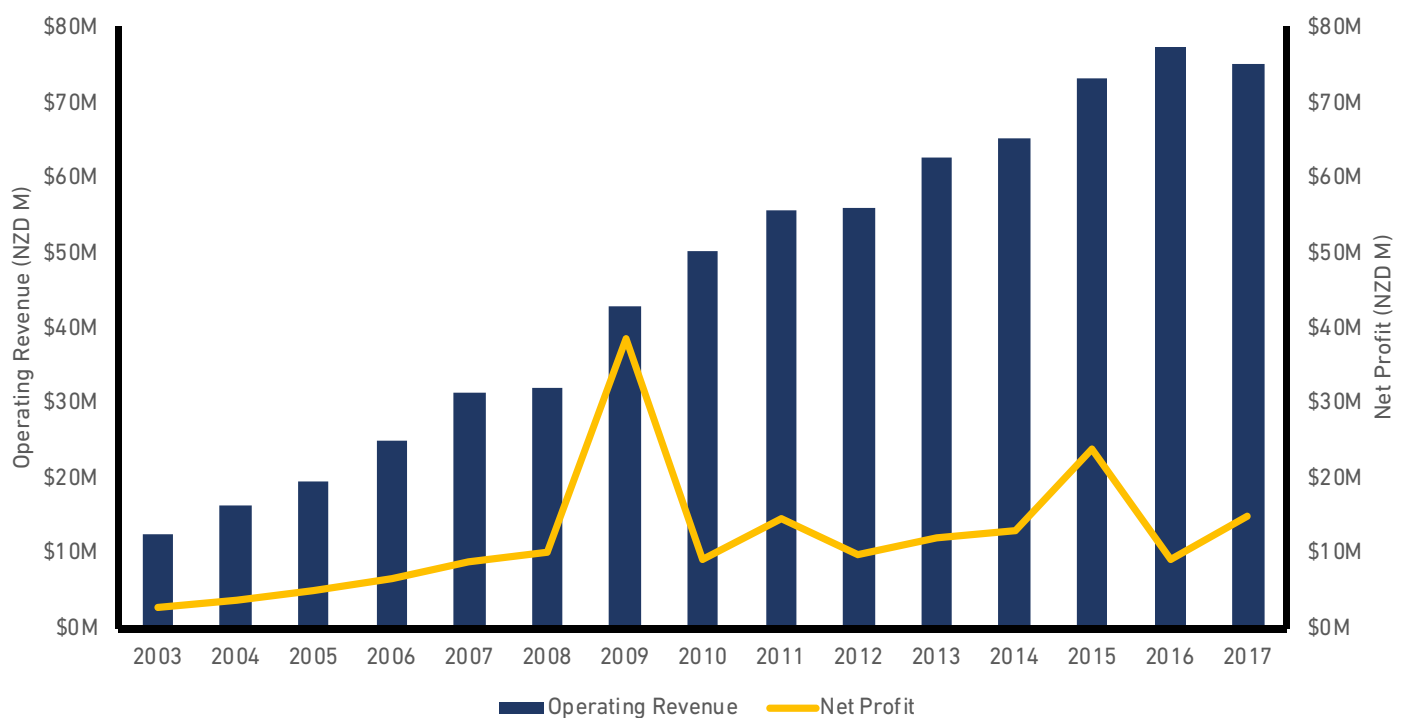
NZX	10	1164.40 16.98 / 1.438%	NZX	20	3944.31 46.71 / 1.53%	NZX	50	5075.84 48.04 / 1.7%	TEL
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HISTORICAL REVENUE & NET PROFIT DATA

- Since 2003, NZX has grown its revenue at a compound rate of +13.6%, and its net profit at +15.8%.
- The growth rates slowed significantly from 2012 when Tim Bennett took over as CEO, with the annualised revenue & profit growth rates slowing to +5.2%, and +0.4% respectively.
- **We attribute the recent weakness in revenue growth to poor corporate strategy, compounded by weak execution that delayed revenue generation.**

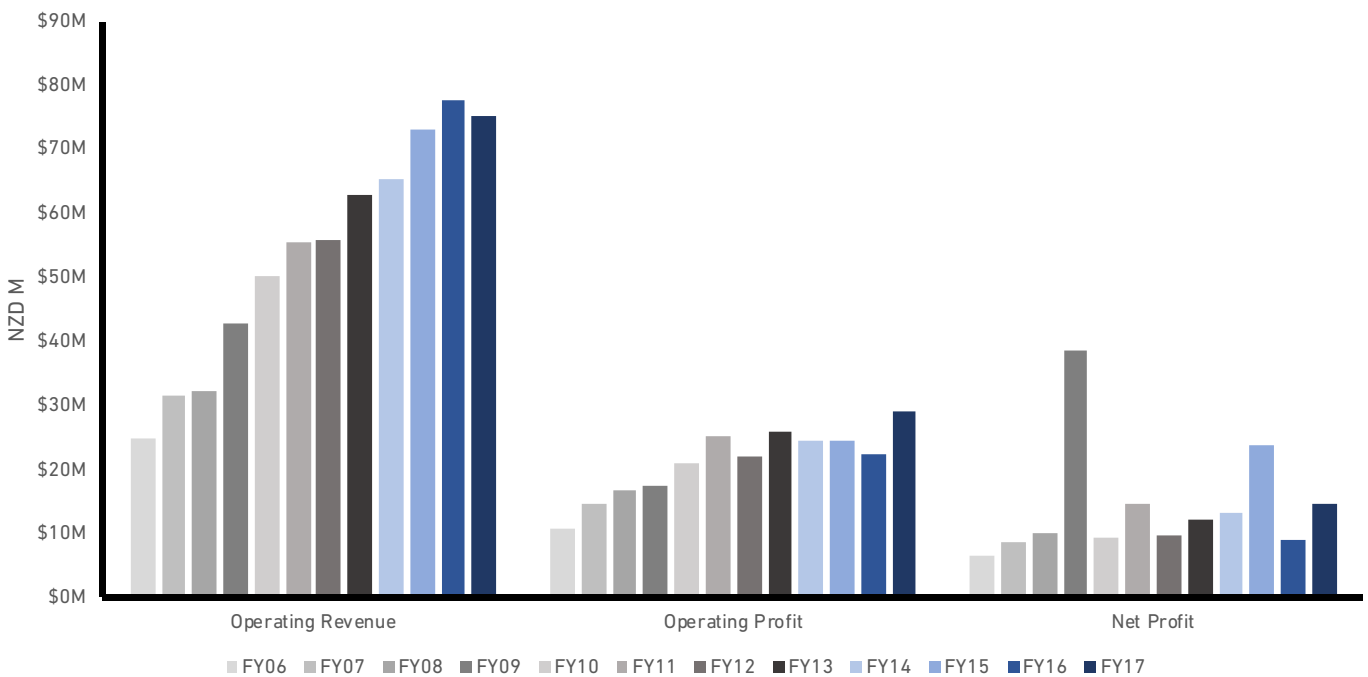
OPERATING REVENUE & NET PROFIT SINCE 2003



PROFIT WEAKNESS IN RECENT YEARS...

- The key issue on NZX shareholders' mind/s in recent years has been NZX's very weak profit growth amid the slowdown of revenue growth.
- The chart below illustrates the profit weakness, especially in operating profits starting from 2012, with an annualised growth rate of +2.3% only. A positive annualised growth rate was only achieved via a large improvement in 2017. Excluding 2017, the annualised growth was -2.25% from 2012 to 2016.
- **This was the direct result of a lack of cost discipline that compressed margins and stalled profit growth.**

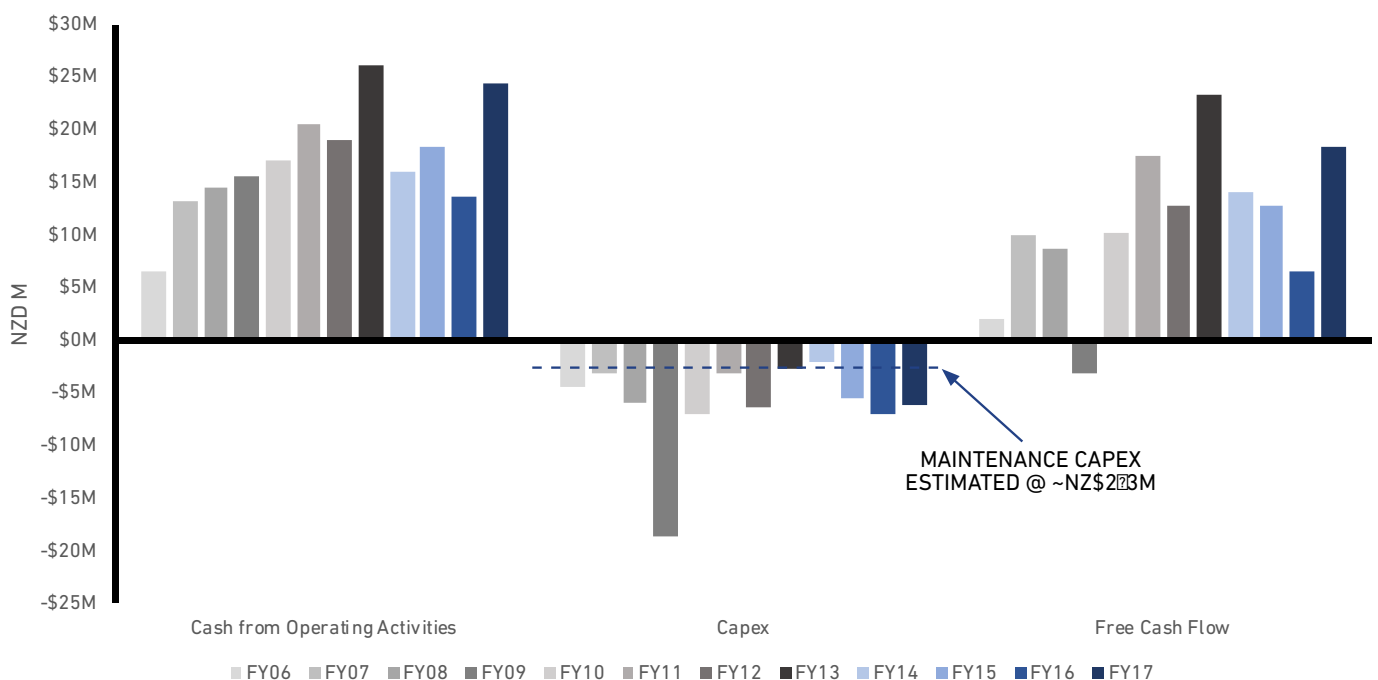
OPERATING REVENUE, OPERATING PROFIT & NET PROFIT SINCE 2006



CAPITAL EXPENDITURE & FREE CASH FLOW GENERATION

- At its core, NZX owns a business that is able to generate strong Free Cash Flow (“FCF”).
- For the last five years, the Company only needed to invest on average 26% of its Cash from Operating Activities on Capex. Which means the Company has significant leeway to utilise Free Cash Flow generated to create value for shareholders.
- As NZX has a high payout dividend policy, most of the cash generated by the business each year has been returned to shareholders via dividends.
- To create additional value for shareholders, we suggest the Board should introduce a multi-year share buyback program to utilise market volatility to opportunistically buy back shares from the market.

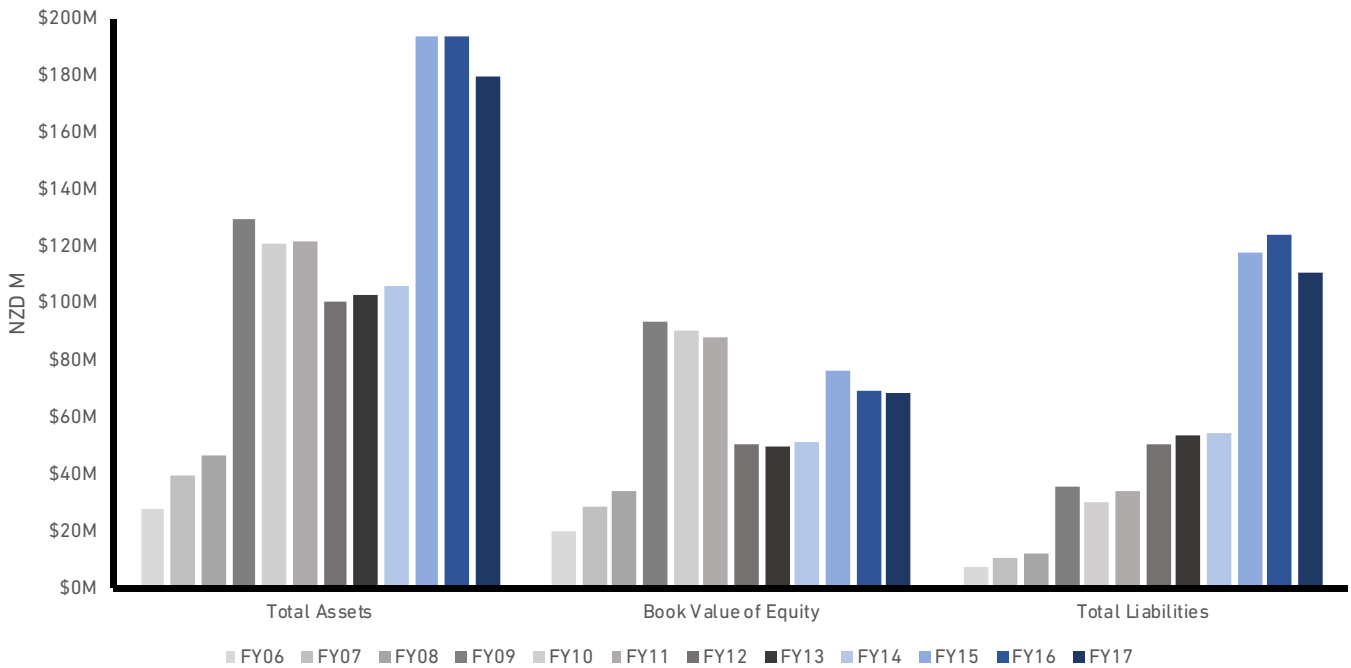
CASH FROM OPERATING ACTIVITIES, CAPEX AND FREE CASH FLOW SINCE 2006



BALANCE SHEET

- The chart below illustrates the effect of the SuperLife acquisition in 2015 on NZX's balance sheet.
- NZX added NZ\$39M of goodwill and other intangible assets from the SuperLife acquisition.
- The Company also drew NZ\$20M of term loans in 2015. NZ\$10M was used to fund the acquisition of SuperLife, with the remaining \$10.0 million deployed to the Clearing House.

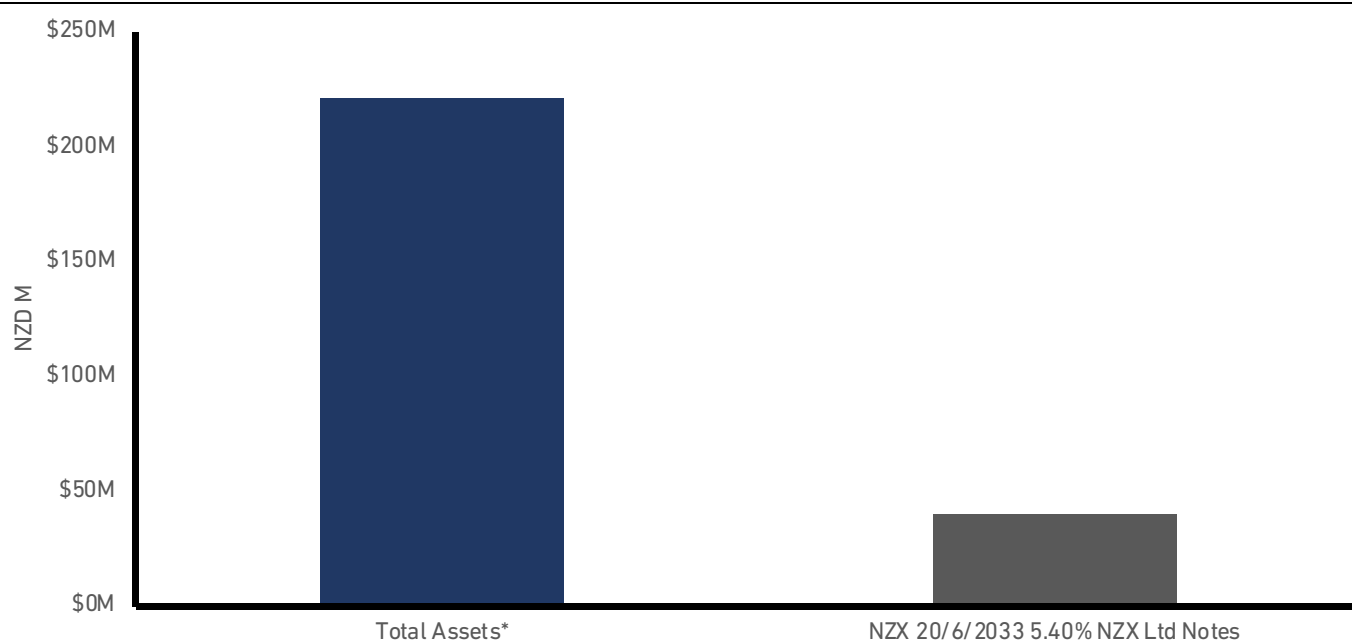
BOOK VALUE VS TOTAL LIABILITIES



TERM STRUCTURE OF DEBT

- On 15 May 2018, NZX announced an offer of up to NZ\$40M of unsecured, subordinated 5.40% notes (Maturity Date: 20 June 2023). The proceeds of the offer will be utilised to repay existing debt, provide funding for general corporate purposes, and to diversify NZX's funding sources and extend the tenor of its borrowings.
- **We believe the issuance is a sound move by the Management/Board as it delivers improved terms by swapping senior bank loan with subordinated notes at a lower rate, longer duration and lighter covenants.**

NZX BORROWINGS vs TOTAL ASSETS*



EQUITY OWNERSHIP

- # of Shares Outstanding = 269.0M* (Market Capitalisation = NZ\$ 290M*)
- By law, NZX has a “control limit” of 10% of the voting rights.
- Elevation Capital currently holds approximately 6.2M** shares of NZX on behalf of clients and the Elevation Capital Value Fund - which equates to approx. 2.3% of outstanding shares.

Top 10 Shareholders	%*
Highclere International Investors	6.02%
Aberdeen Asset Management (Asia)	5.44%
Accident Compensation Corporation (ACC)	4.84%
Rome Partnership	4.61%
ANZ New Zealand Investments	4.61%
Nigel Babbage	4.35%
Aberdeen Asset Management (Australia)	3.63%
Elevation Capital Management Limited on behalf of clients	2.30%
David Odlin	2.17%
New Zealand Permanent Trustees	1.46%
Total 10 Shareholders	39.43%

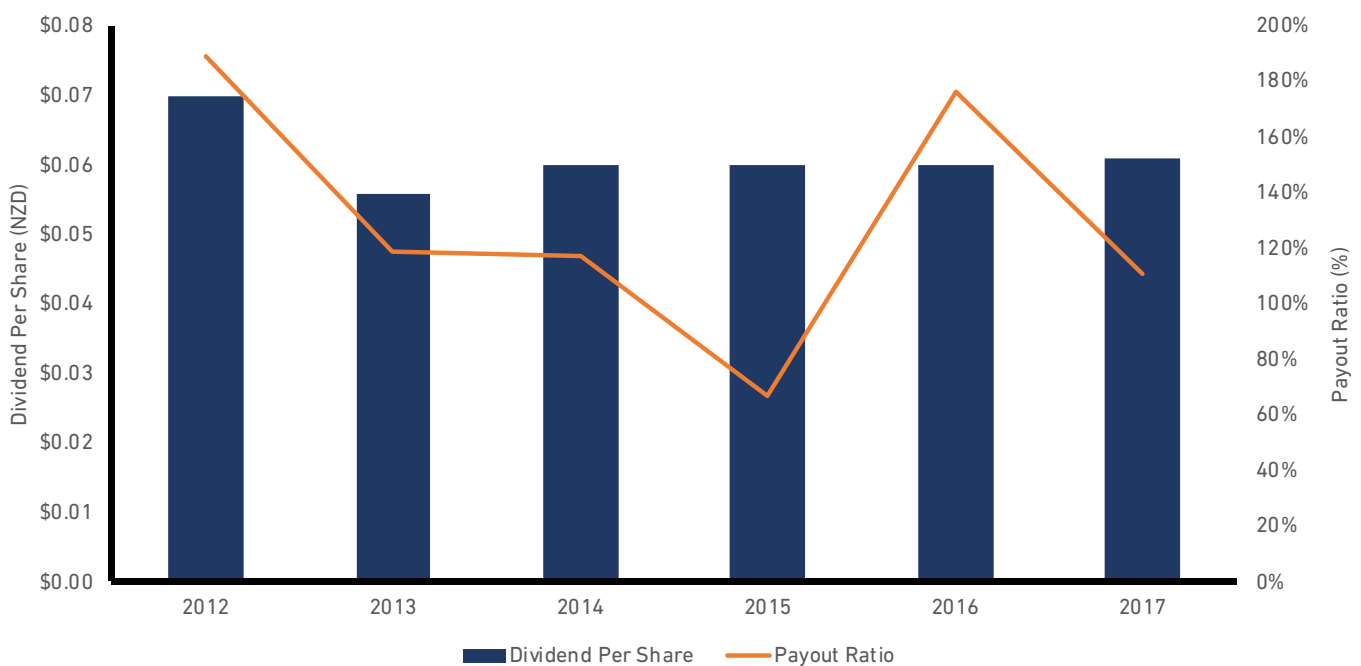
* 268,955,693 shares - Data Source: Thomson Reuters Eikon and Elevation Capital calculation as at 12 September 2018
 ** As at 12 September 2018



DIVIDENDS

- Dividend growth has stalled since 2012 when the policy of built-in growth each year was removed, and the payout ratio has exceeded 100% in four of the last six years, which clearly limits the scope for growing dividends.

DIVIDEND PER SHARE & PAYOUT RATIO SINCE 2009



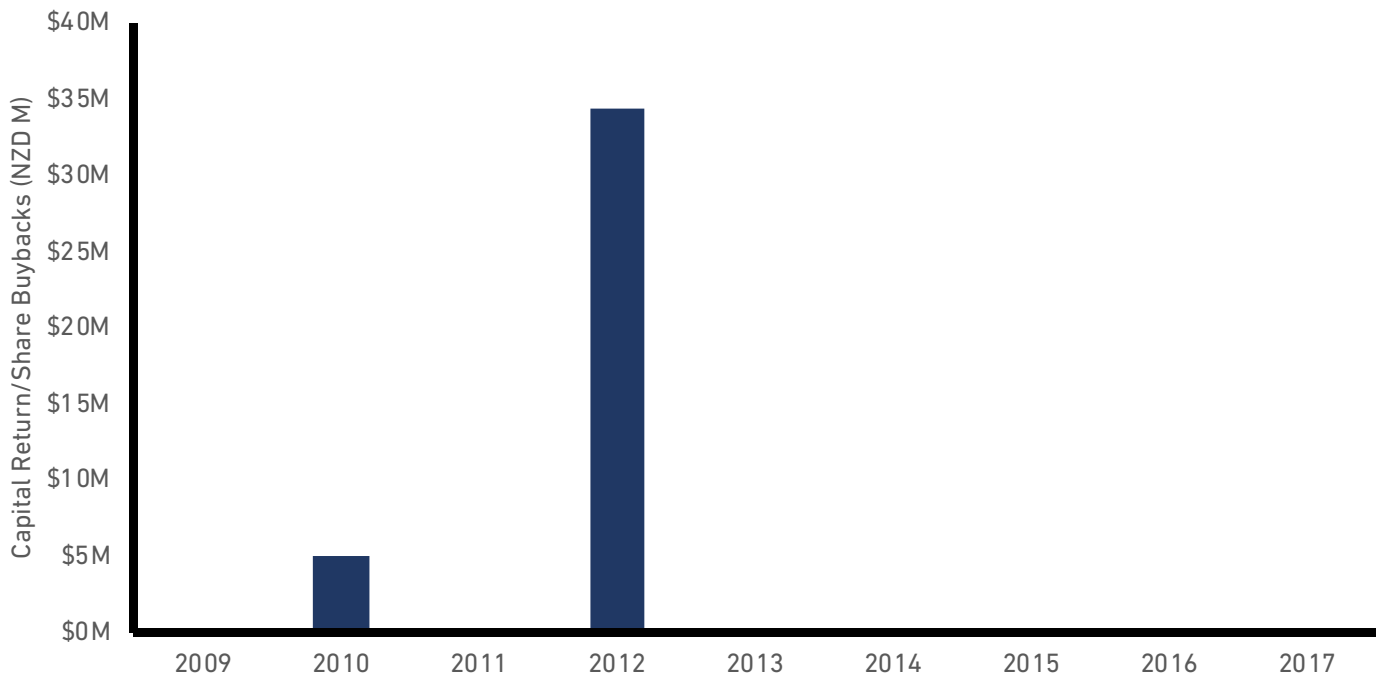
“The board has determined that it is appropriate to introduce a new dividend policy which will come into effect for the 2018 financial year onwards. The new policy is to pay between 80% to 110% of adjusted Net Profit After Tax, subject to maintaining a prudent level of capital to meet regulatory requirements. The board considers that a policy based on Net Profit After Tax is comparable with peers, and provides sufficient headroom to manage the ongoing capital structure requirements of the exchange, and pursue future relevant opportunities should they arise.”

- NZX 2017 Annual Report

CAPITAL RETURN HISTORY

- NZX has returned capital to shareholders via share buybacks twice since 2009.
- 2010: NZX Board approved an on-market buyback, where a total value of NZ\$4.97M of shares were acquired and cancelled.
- 2011: NZX Board approved a 10% pro-rata compulsory share cancellation, which in 2012 was executed and NZ\$34.4M were returned to shareholders, representing ~10% of NZX’s market capitalisation at the time.
- Note both of these capital returns were undertaken when Mark Weldon was CEO. We believe current management need to emulate the past and companies like Travelers Companies Inc (refer page 68) by simplifying NZX to once again be in the position to utilise share buybacks/cancellation to create value and return capital to shareholders.

NZX CAPITAL RETURN/SHARE BUYBACK HISTORY



“NZX is now in the fortunate position of having both strong growth prospects from our current business portfolio, some confirmed business extensions to that portfolio adding to that strength (including the forthcoming listing of some state owned enterprises), and having structured the business to generate very strong free cash flow. In recognition of this, your Board has resolved to return to shareholders, on a pro rata basis, surplus capital of between \$32.5 million and \$35 million and to cancel, in the process, one in every ten shares held.”

- NZX 2011 Annual Report



NZX LIMITED (NZX:NZ)

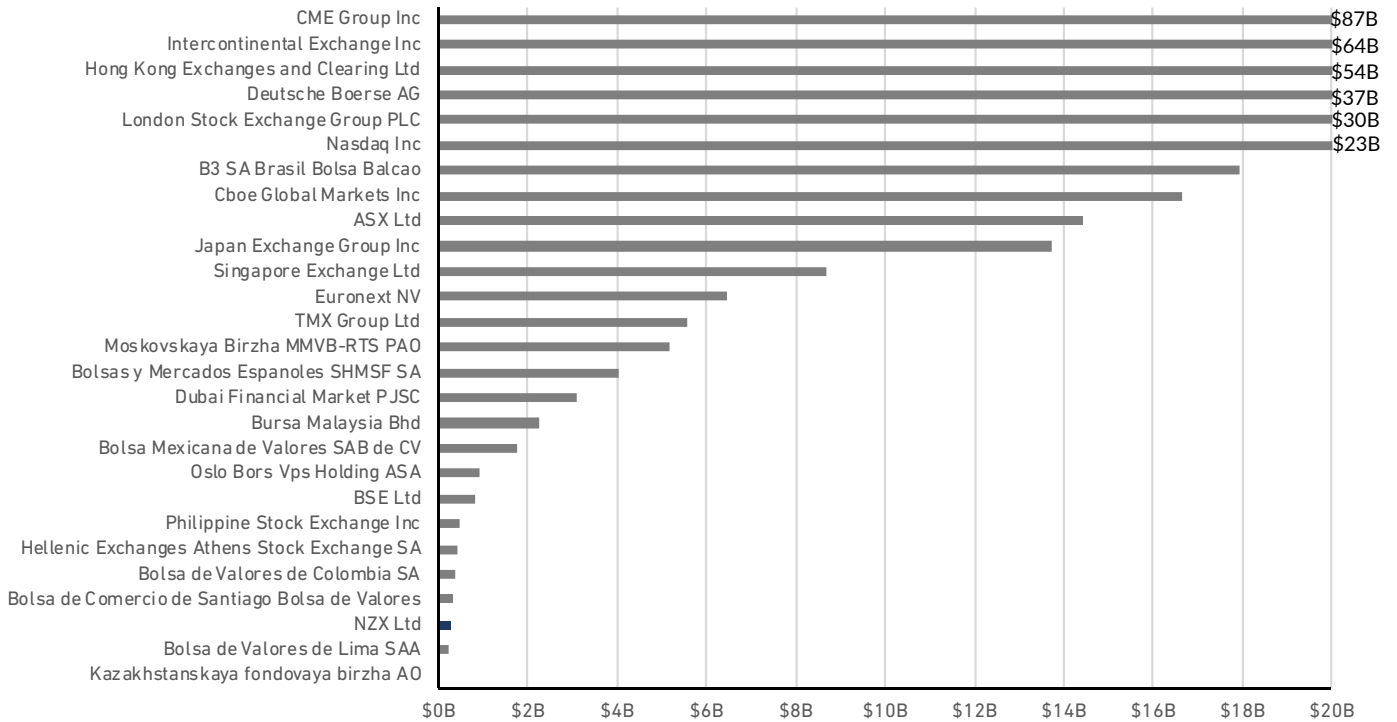
NZX VS. GLOBAL EXCHANGES

NZX	NZX	NZX	NZX	TEL
10	20	50		
1164.40	3944.31	5075.84		\$2
18.987 (1.438%)	45.71 (1.53%)	28.06 (1.17%)		000

MARKET CAPITALISATION

- NZX is one of the smallest listed stock exchange operators - Market Capitalisation = NZ\$290M (as at 12 September 2018).

MARKET CAPITALISATION (NZ\$ BILLION)



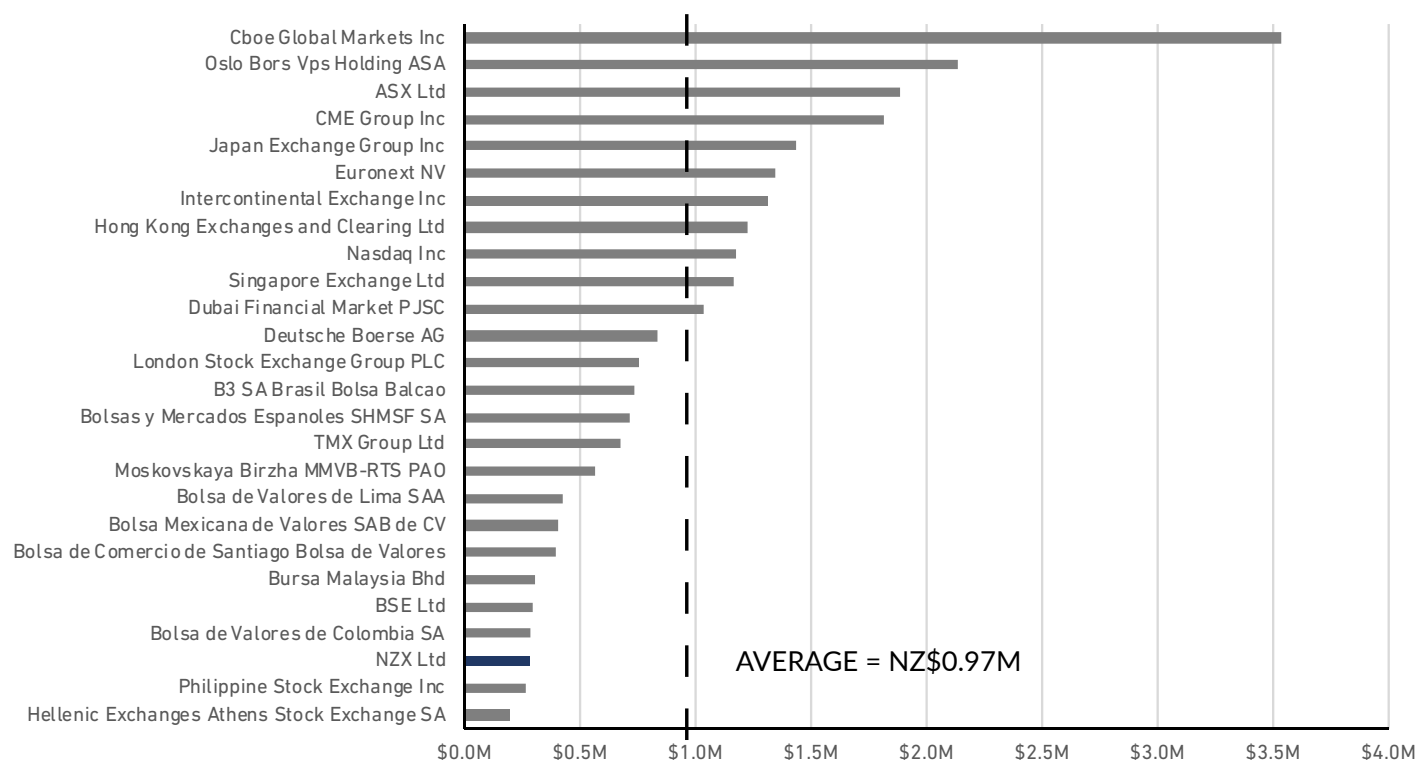
* Data Source: Thomson Reuters Eikon as at 12 September 2018



EMPLOYEE PRODUCTIVITY

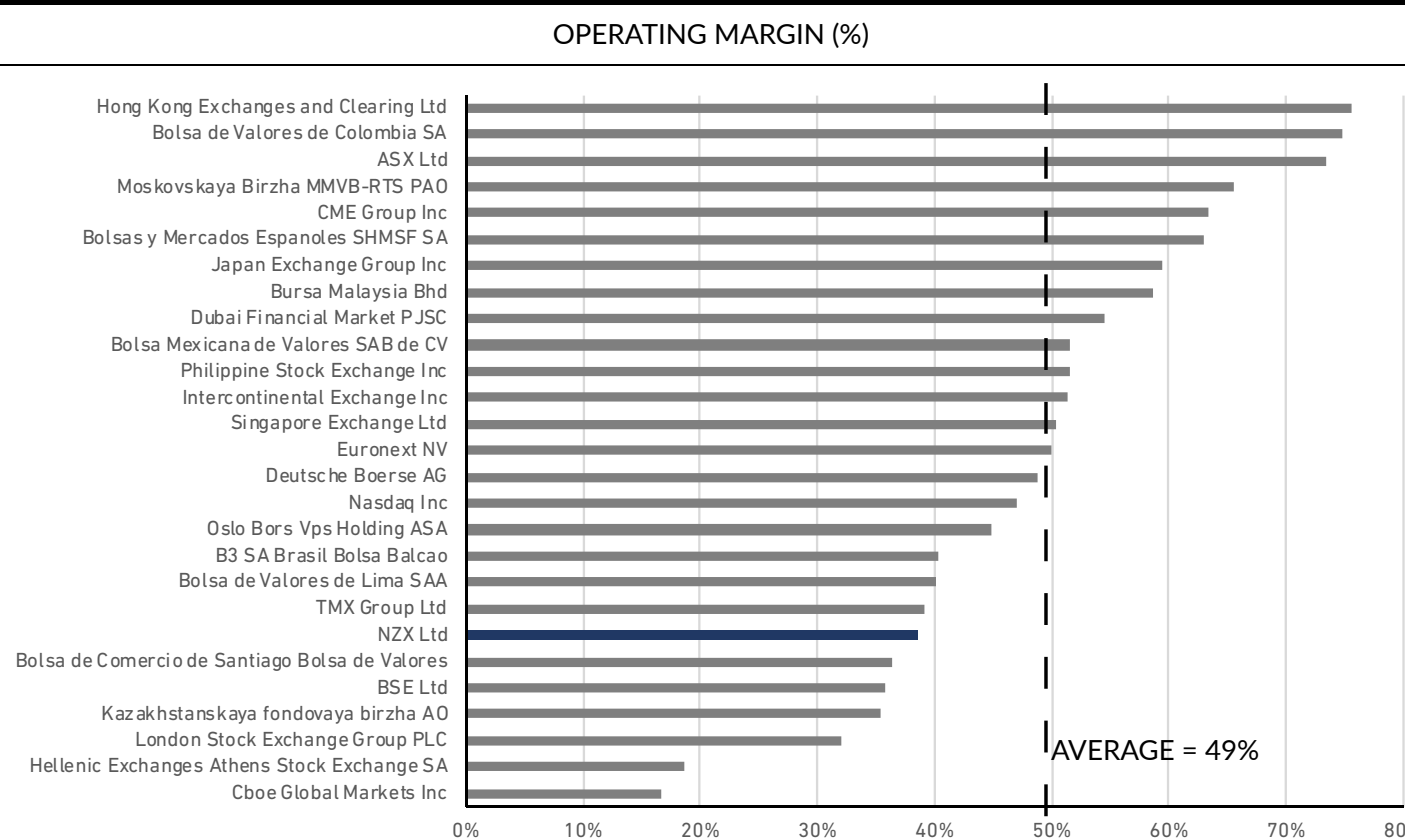
- Based on last Fiscal Year Revenues, NZX is amongst those exchanges with low employee productivity measured by Revenue per Employee.
- We acknowledge Management's effort in 2018 to divest non-core businesses which have resulted in the transition of 41 staff.
- **We believe NZX can become “best-in-class” amongst the regional exchanges in terms of employee productivity if it spun-off its non-core funds services business.**

TOTAL REVENUE / # OF EMPLOYEES (NZ\$ M)



MARGINS

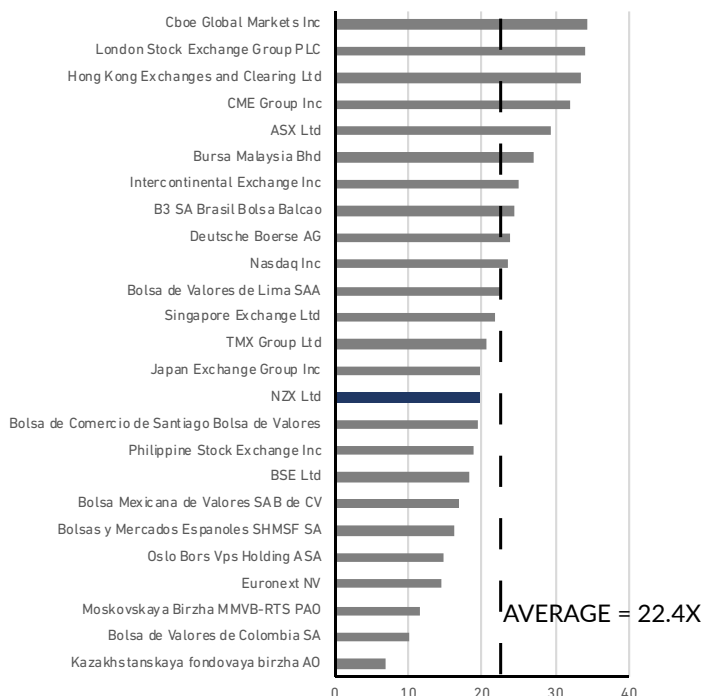
- Based on last Fiscal Year data, NZX has a below-average operating margin when compared to its international peer group.
- NZX can achieve +50% operating margin if NZX spun-off its non-core funds services business and focused solely on its core markets business.**



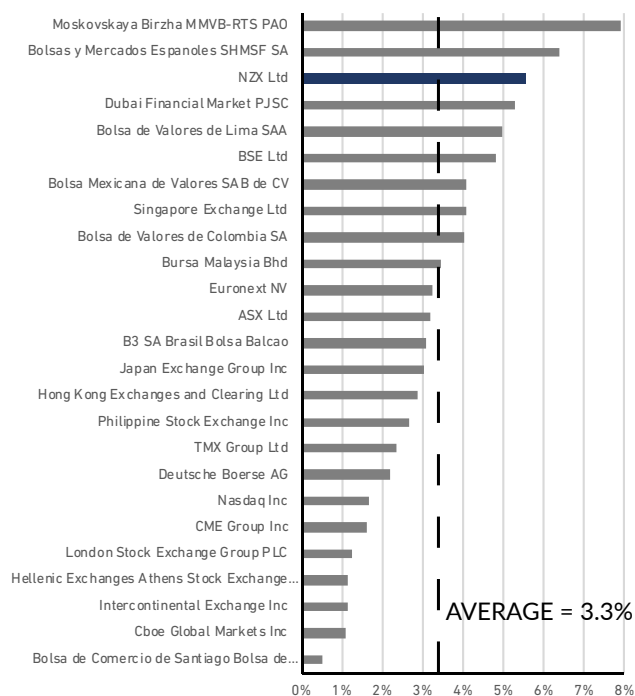
VALUATION AND DIVIDEND YIELD

- NZX is currently trading at a 19.6x P/E (TTM) valuation, with a gross dividend yield of 5.6% (excluding special dividends)*.
- **NZX's relative high dividend yield and below average P/E ratio vs its exchange peers illustrates the market's pessimism towards NZX's near-term prospect vs its peers and the market.**

PRICE TO EARNINGS (TTM) RATIO*



DIVIDEND YIELD (%)*



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATING

- As a regulator and issuer of guidance notes to its issuers, we are disappointed by NZX’s own ESG rating as calculated by Thomson Reuters.
- We were surprised that NZX is willing to issue an ESG Guidance Note without attaching its own ESG report to set an example for other issuers. As noted in the table below, NZX has one of the lowest ESG scores** amongst a selection of listed global exchanges at present with a rating of **C+** as at 31 August 2018 on Thomson Reuters Eikon (refer Appendix 4).



Selected Global/International Exchanges	ESG Rating*
Deutsche Boerse AG	A-
Singapore Exchange Ltd	B+
Hong Kong Exchanges and Clearing Ltd	B+
Intercontinental Exchange Inc	B+
ASX Ltd	B+
London Stock Exchange Group PLC	B
Euronext NV	B
Bolsas y Mercados Espanoles SHMSF SA	B
CME Group Inc	B
Nasdaq Inc	B
Dubai Financial Market PJSC	B
Japan Exchange Group Inc	B
Bursa Malaysia Bhd	B-
CBOE Global Markets Inc	C+
NZX Ltd	C+
TMX Group Ltd	C
Average:	B

* Data source: Thomson Reuters
 ** https://s3-ap-southeast-2.amazonaws.com/nzx-prod-c84t3un4/comfy/cms/files/files/000/002/940/original/Amended_NZX_ESG_Guidance_Note_-_11_December_2017_%28final_for_publication%29.pdf



NZX LIMITED (NZX:NZ)

BOARD, MANAGEMENT, COMPANY CULTURE & EMPLOYEE EFFICIENCY

BOARD OF DIRECTORS

NAME	BACKGROUND
<p>James Miller (Chairman of the Board)</p>	<p>James was appointed a director in August 2010 and NZX's Chair in May 2015. He spent 14 years working in the share-broking industry, with Craigs Investment Partners, ABN AMRO, Barclays de Zoete Wedd and ANZ Securities. He is a qualified chartered accountant and is a Fellow of the New Zealand Institute of Chartered Accountants, a Certified Securities Analyst Professional, a member of the Institute of Directors in New Zealand, and is a graduate of the Advanced Management Program at Harvard Business School in the United States of America. James is a director of the Accident Compensation Corporation, Auckland International Airport and Mercury NZ. He was an inaugural director of the Financial Markets Authority, and previously a member of the ABN AMRO Securities, INFINZ and Financial Reporting Standards Boards.</p>
<p>Jon MacDonald</p>	<p>Jon was appointed as a director in May 2013. Jon is CEO of NZX/ASX listed Trade Me Group and has an extensive background in engineering and technology. He joined Trade Me in 2003 and was appointed CEO in 2008. Under Jon's stewardship over the last 10 years, Trade Me has grown from revenues of \$80 million to \$235 million, and now has a market capitalisation of approximately \$2 billion. Prior to joining Trade Me, Jon worked in London for HSBC Investment Bank in a variety of technical and management positions, and has worked for Deloitte Consulting with a focus on telecommunications and financial services. He is a Trustee of NZ Technology Training Charitable Trust, which runs the Summer of Tech programme. Jon is a Chartered Member of the Institute of Directors.</p>
<p>Lindsay Wright</p>	<p>Lindsay was appointed as a director in February 2018. She has more than 30 years' financial services and fund management experience locally and globally. Lindsay is currently Head of Distribution and Co-Head of APAC at BNY Mellon Investment Management, one of the world's largest financial services companies, and prior to this, was Regional Head Institutional, Alternatives and Investment Solutions Business, Asia Pacific with Invesco Hong Kong Limited, CEO of Harvest Alternatives Investment Group, and Co-CEO of Harvest Capital Management Limited. Lindsay started her career with the Bankers Trust (now Deutsche New Zealand) where she became CFO/CIO before moving to Deutsche Asset Management. Lindsay is Deputy Chair of the board of the Guardians of the New Zealand Superannuation Fund.</p>
<p>Dr. Patrick Strange (retiring at 2019 NZX AGM)</p>	<p>Dr Patrick was appointed as a director in May 2015. Patrick has spent 30 years working as a senior executive and director in both private and listed companies, particularly in the energy sector, including more than six years as Chief Executive of Transpower, where he oversaw \$3.8 billion of essential investment in the National Grid. Previously, he had also been Chief Executive of Vector. Patrick holds a doctorate in civil engineering from the University of Auckland, and worked in senior roles in Europe and the USA before returning to New Zealand. Patrick is Chair of Chorus, a director of Mercury NZ, Auckland International Airport and Essential Energy in Australia.</p>
<p>Richard Bodman</p>	<p>Richard was appointed as a director in April 2017. Richard has spent more than 25 years working in the financial services sector, including 17 years at FNZC (previously First NZ Capital) where he held several executive roles, such as Managing Director, Head of Compliance. Prior to this Richard spent seven years as an inspector for the Securities & Futures Authority in London. Richard is an independent director of Forsyth Barr Custodians Limited and Forsyth Barr Cash Management Nominees Limited, and a member of the GRC (Governance Risk Compliance) Institute and the Institute of Directors. He is a trustee of the Scots College Foundation. Richard has been a director of FNZC Securities and a NZX registered Compliance Manager.</p>
<p>Frank Aldridge</p>	<p>Frank was appointed as a director in May 2017. Frank has an extensive understanding of New Zealand's capital markets having spent more than 20 years working for Craigs Investments Partners where he is now Managing Director. He is currently Chair of Australian-based Wilsons Advisory and Stockbroking, former member and Chair of New Zealand Securities Association, and sits on several of Craigs Investment Partners' subsidiary Boards. Frank is an accredited NZX Advisor, Authorised Financial Adviser (AFA), and a Chartered Member of the Institute of Directors.</p>
<p>Nigel Babbage</p>	<p>Nigel was appointed as a director in December 2017. Nigel has spent more than 30 years' working in financial and capital markets locally and globally, and brings to NZX extensive clearing and derivatives experience. Nigel previously held executive roles with British Petroleum (now BP) and Citibank, managing the New York currency derivatives desk, and worked for BNP Paribas, where he took on the joint role of Global Head of Currency Derivatives Trading and Head of North American Foreign Exchange. He served on the Foreign Exchange Committee of the Federal Reserve Bank of New York for three years. Nigel is currently CEO of Christchurch-based investment company Mohua Investments Limited.</p>

THE BOARD IS TOO LARGE AND COMPOSITION IS WRONG

- We believe that for a company with a market capitalisation of < NZ\$300M, a board of seven directors is too large for what we believe should be a focused and efficient company. The board of the NZX should reduce its size to send a clear signal from the top.



Market Capitalisation:

= NZ\$290M*

of directors

= 7



Market Capitalisation:

= A\$12.50B*

(47.1X THE SIZE OF NZX)

of directors

= 9
(1.3X THE SIZE OF NZX)

- At the same time, we believe the composition of the Board should also be reconsidered.
- We concur with Mr. Brian Gaynor's comments on the biases that exist in the NZX Boardroom:

“One of my criticisms of the stock exchange is it hasn't had any fund managers or anybody on the other side being represented on the board. So it's been dominated throughout my time, which is 40 years in the market, by the brokers... The interest of the client, which is the general public investing in the market, has been secondary to the interests of the brokers.”

Brian Gaynor – NBR – 13 June 2017***

- It is interesting to reflect on 2017, Tony Falkenstein, the founder of Just Water International, a growing small capitalisation company that is listed on NZAX nominated himself for the board of NZX on the premise he believed that NZX had become too bureaucratic and did not do enough to encourage new listings. (Note: Elevation Capital did not support Mr. Falkenstein in his efforts to seek election to the Board, as we wanted to provide the current Chairman (James Miller) a chance to appoint a permanent CEO and deliver a new strategy. **We are no longer providing our support to the Chairman in this regard - refer our #NZXNOW presentation.**)

MANAGEMENT & ORGANISATIONAL STRUCTURE POINTS TO INEFFICIENCY

- NZX has a market capitalisation of <NZ\$300M, and yet it has an executive team of sixteen, while ASX which is 46 times larger in market capitalisation, has twice as many employees, only has fifteen members in its executive team.
- When looking at the statistics below – one can only conclude that NZX is **grossly inefficient**.



Market Capitalisation:

= NZ\$290M*

of Senior Executives

= 16**

of Employees (FTE)

= 238***

of Employees / Senior Executive

= 14.9

Revenue / # of Employees

= NZ\$316K



Market Capitalisation:

= A\$12.50B*

of Senior Executives

= 15#

of Employees (FTE)

= 587

of Employees / Senior Executive

= 39.1

Revenue / # of Employees

= NZ\$1.7M##

VS

* As at 12 September 2018

** Source: NZX 2017 Annual Report - p29

*** NZX 2017 results presentation - p22

ASX Website <https://www.asx.com.au/about/executive-team.htm> as at 27 September 2018

ASX 2018 Annual Report - p91

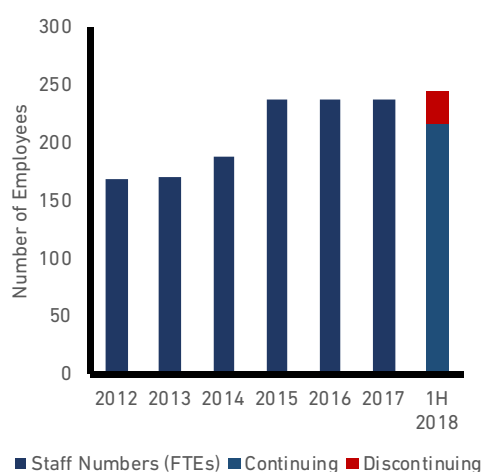
Note: If we take the latest NZX staff numbers (continuing operations) of 217 (From NZX 1H 2018 results presentation - p17), and assume status quo annual revenue of NZ\$75.325M, it will generate a revenue per # of employees of NZ\$347K



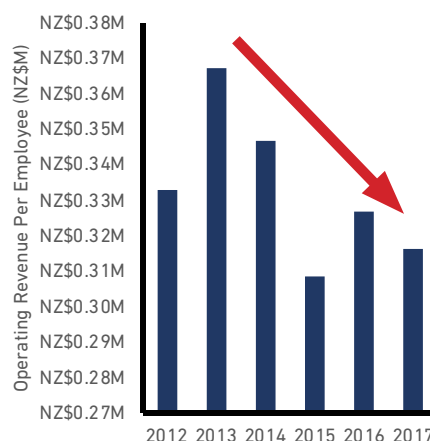
DETERIORATING EMPLOYEE EFFICIENCY/PRODUCTIVITY CONFIRMS OUR VIEW

- NZX's employee numbers increased 26% after it acquired SuperLife and Apteryx (now called NZX Wealth Technologies) in 2015.
- The charts below illustrate that the KiwiSaver business and funds administration business that NZX acquired failed to reverse NZX's declining employee efficiency/productivity. Revenue per employee continued to decline from NZ\$367,000 in 2013 to NZ\$316,000 in 2017 (Operating Revenue per employee for ASX was AUD1.38M in FY2017, up from AUD1.17M in FY2013).
- Management should target a Revenue / Employee ratio of above 0.40 (NZ\$400,000 per employee) by 2020.

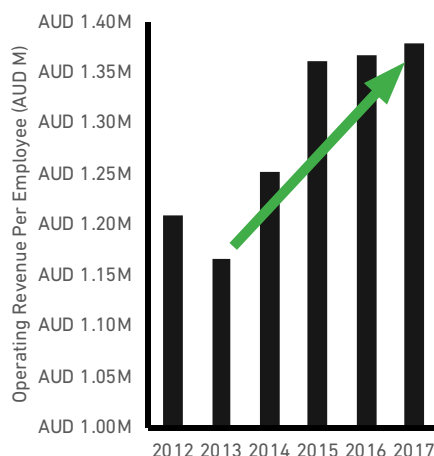
NUMBER OF NZX EMPLOYEES (FTE)



NZX OP. REVENUE PER EMPLOYEE (NZ\$M)



ASX OP. REVENUE PER EMPLOYEE (AUD M)



EMPLOYEE INCENTIVES / REMUNERATION

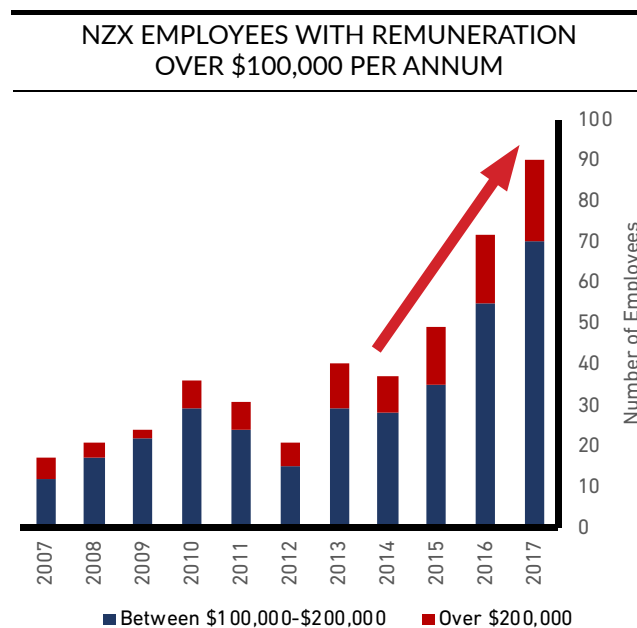
We are deeply concerned that Management and the Board lack the skills to motivate their employees outside of monetary incentives. It is evident that the current incentive/remuneration schemes are not working, by the increasing costs and declining employee productivity.

REMUNERATION HAS OUTGROWN REVENUE BY A SIGNIFICANT MARGIN

- Number of NZX employees with remuneration over \$100,000 per annum increased by +429% from 2007 to 2017 (over \$200,000 - +300%) when operating revenue increased by only 139%.

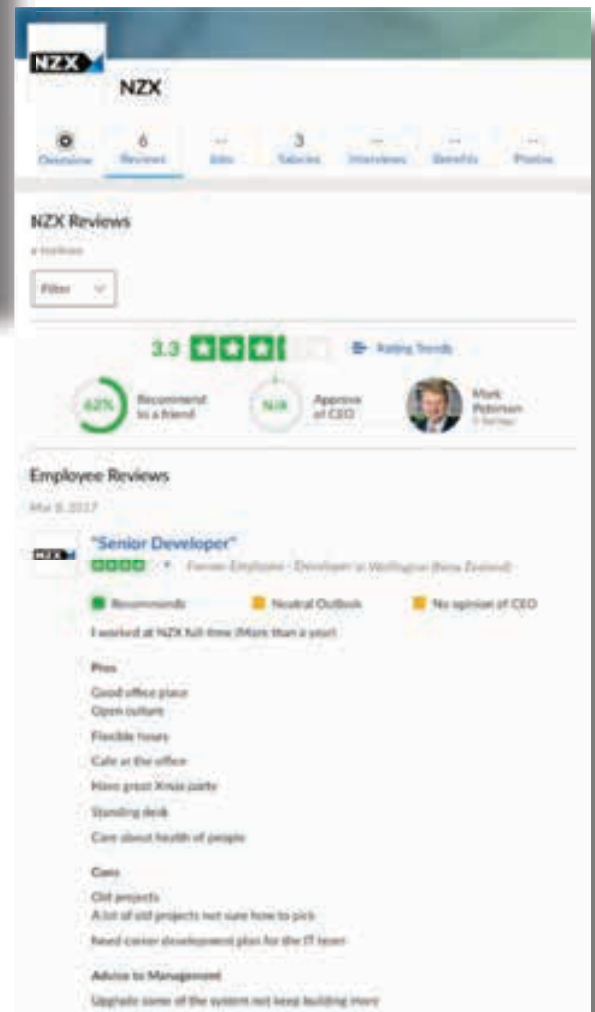
MOST RECENT SCHEME - \$1,000 OF NZX SHARES PER EMPLOYEE IS ANOTHER WEALTH TRANSFER

- NZX Board recently introduced a one-off grant of \$1,000 of NZX shares when employee starts at NZX “to ensure that all employees are shareholders”. Based on NZX’s 238 staff numbers, it is costing \$238,000 to the NZX shareholders and results in dilution.
- We question the effectiveness of this grant because as far as we can tell is unconditional. An analysis of employee shareholdings in NZX shares at the end of 12m/24m/36m periods will reveal the effectiveness of this scheme.
- Obviously we would have preferred NZX to include restrictions to these issued shares to ensure that all employees are and remain shareholders during their employment at NZX.



COMPANY CULTURE / WORKPLACE

- We investigated Glassdoor (www.glassdoor.com) where employees and former employees anonymously review companies and their management*.
- NZX has relatively few data points on Glassdoor. Despite this, it is still interesting to see how its employees/former employees view the Company/Management.
- An overall score of 3.3 is not exactly a ringing endorsement. Additionally, the low score of 2.3 for Senior Management is a potential warning sign.





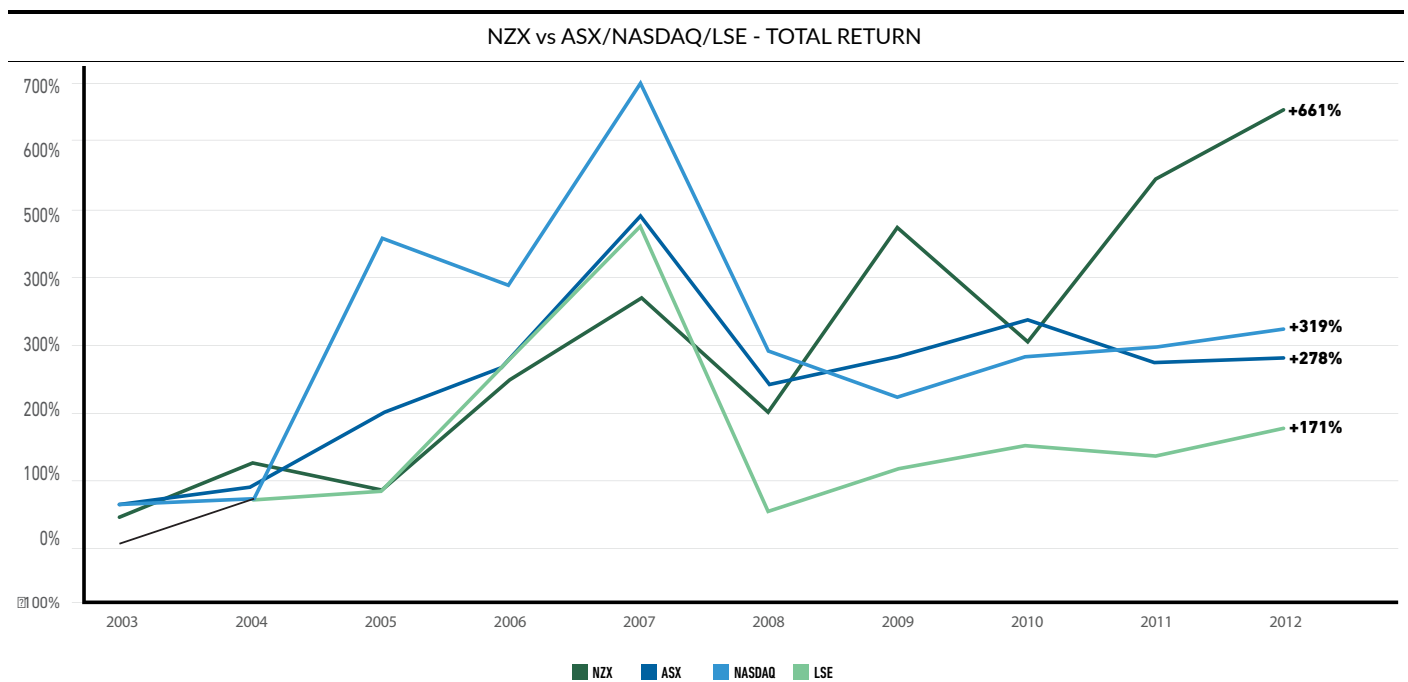
NZX LIMITED (NZX:NZ)

POOR MANAGEMENT
AND CAPITAL
ALLOCATION HAS SEEN
NZX SHAREHOLDERS
FOREGO NZ\$235M IN
TOTAL RETURN FROM
2012 TO 2017 VS THE NZ
MARKET



NZX vs. ASX AND OTHER EXCHANGES – BEFORE 2012

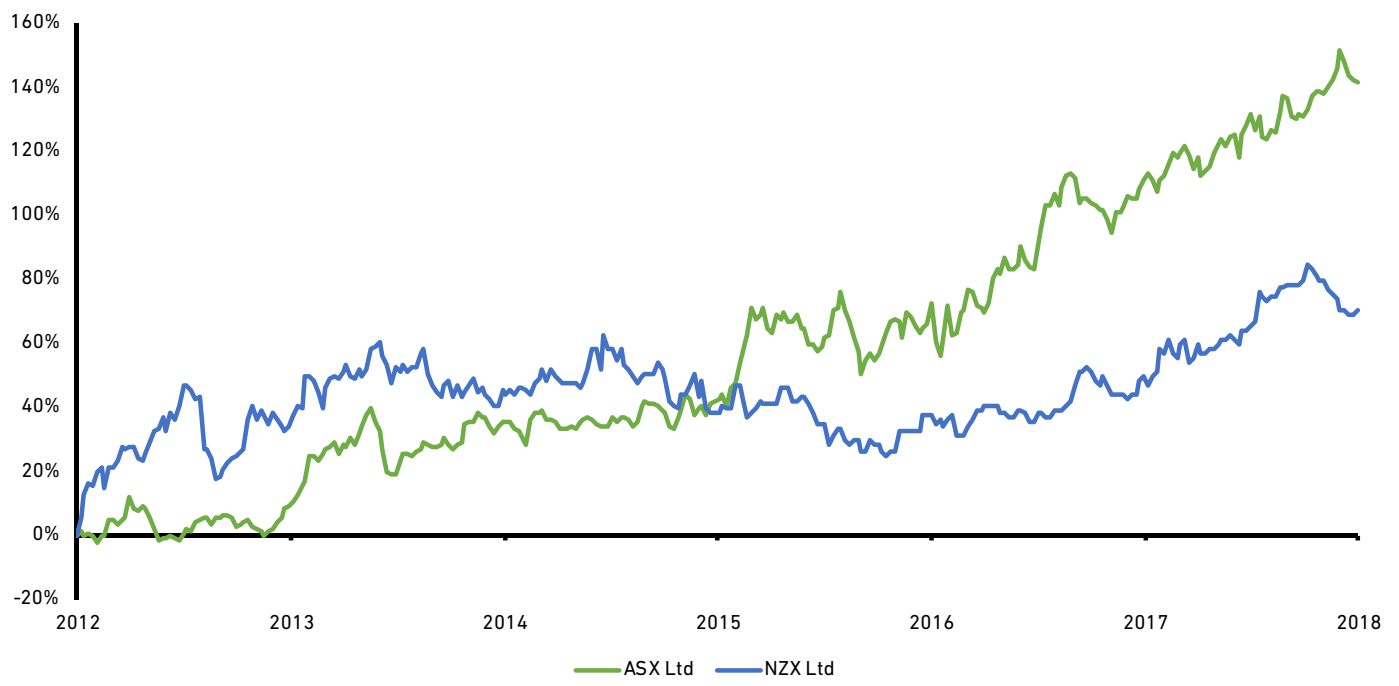
- Mark Weldon in his last CEO report in NZX’s 2011 Annual Report stated that “shareholders should be very satisfied with the decision to reject the ASX’s takeover offer a decade ago. A small part of a bigger pie would have been a lot less appetising than the NZ owned and operated recipe our shareholders have enjoyed”.
- The chart below from the same Annual Report illustrates NZX’s significant **outperformance** versus ASX, Nasdaq and LSE during Weldon’s tenure.



NZX vs. ASX AFTER WELDON DEPARTED...

- Since Weldon's departure at the end of 2011, the ASX has outperformed the NZX in the last six years by a huge margin.

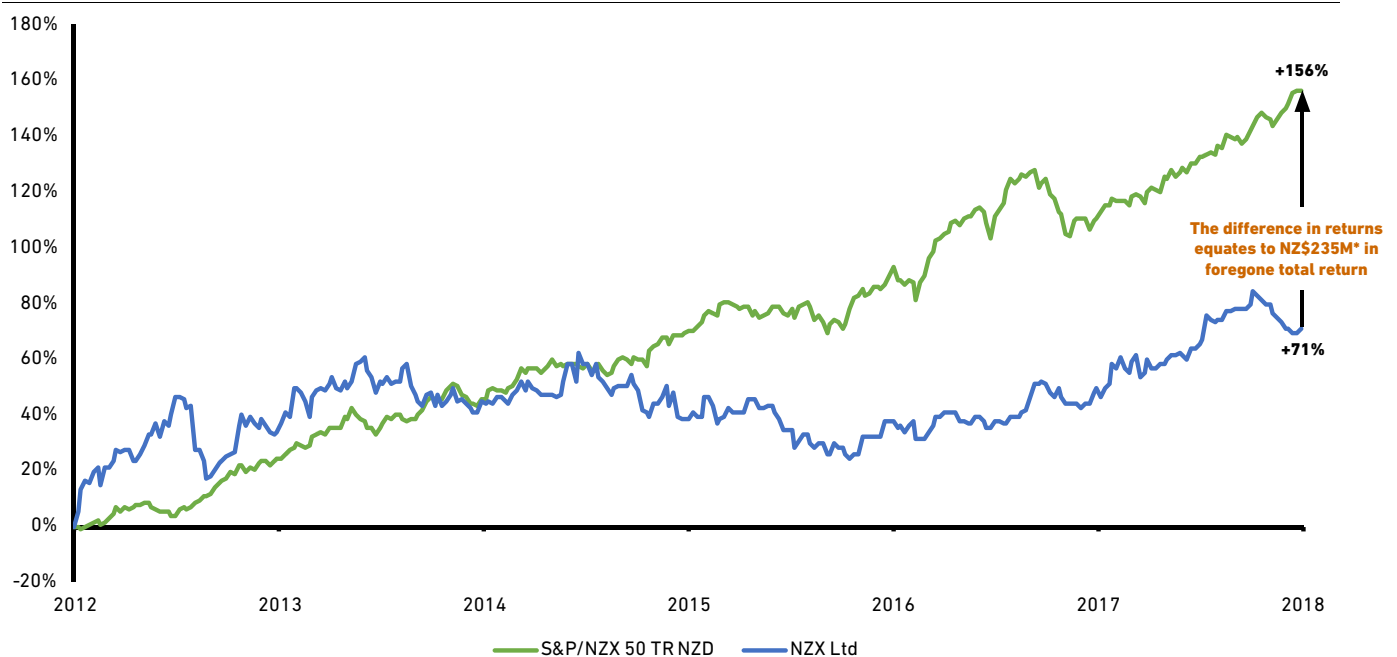
NZX vs ASX - TOTAL RETURN FROM 2012 TO 2017



NZX vs. S&P/NZX50 INDEX

- There is also a significant performance discrepancy between the S&P/NZX50 index and NZX's own stock performance during the same period.
- **Despite favourable market conditions NZX failed to keep pace with its own index and this has seen shareholders forego an estimated NZ\$235M in total return.**

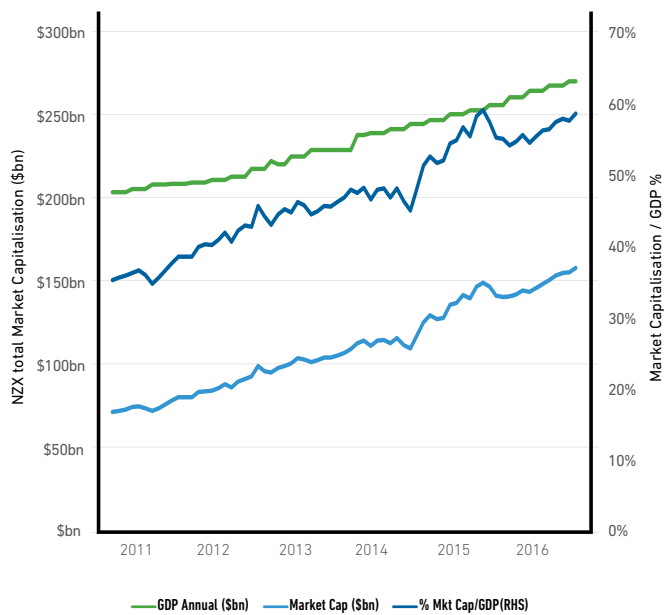
NZX vs S&P/NZX50 INDEX - TOTAL RETURN FROM 2012 TO 2017



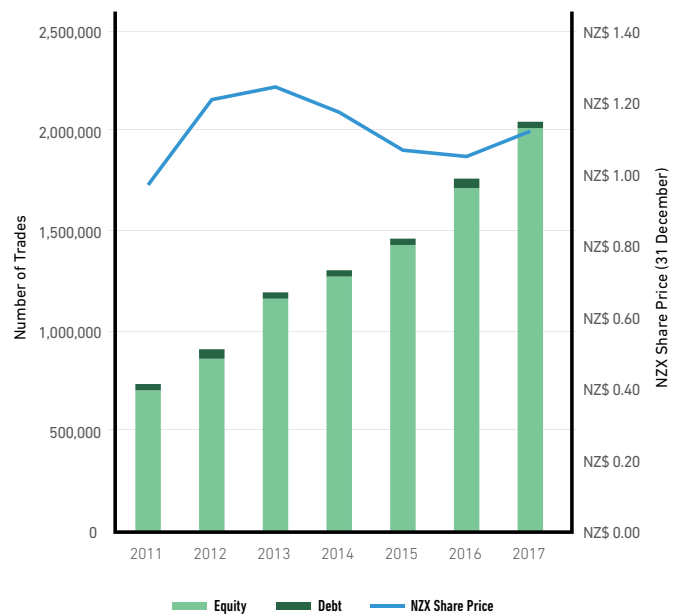
NZX MARKET CAPITALISATION TO GDP, TRADING VOLUME & SHARE PRICE

- In recent years, NZX listed issuance market capitalisation has outgrown New Zealand GDP, with the Market Capitalisation to GDP ratio fast approaching 60%.
- Similarly, the number of trades on NZX increased by 177%, from 0.74M trades in 2011 to 2.05M trades in 2017.
- **These figures illustrate NZX’s financial underperformance during a favourable environment of prolonged positive market sentiment/s, and with strong growth in the number of trades within this time period. None of the improved fundamentals have been reflected in NZX’s financial performance.**

NZX LISTED ISSUANCE MARKET CAPITALISATION AND GDP



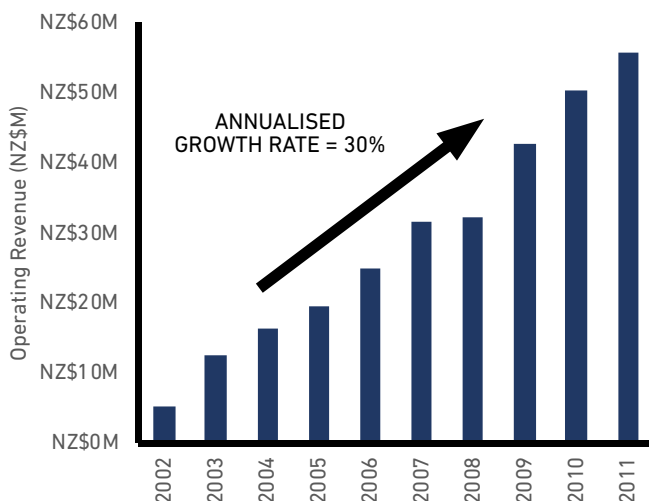
CASH MARKET TOTAL TRADES VS NZX SHARE PRICE



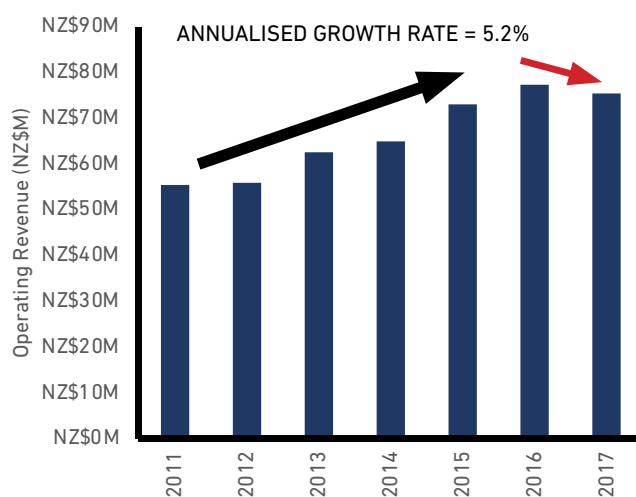
MANAGEMENT SINCE 2012 UNABLE TO DUPLICATE EARLY SUCCESSES

- The principal concern faced by NZX management since 2012 is how to maintain the early growth momentum.
- Since Mark Weldon left NZX in 2011, NZX's annualised revenue growth rate has declined from 30% to only 5.2% per annum. During this period, S&P/NZX 50 Index performed strongly, with an annualised return of +17%.
- We suggest NZX's deteriorating revenue growth is partially due to Management's lack of cost discipline and strategic failure/s in NZX's core market businesses. In particular, the strategic failure/s of the NZAX and NXT that caused complexity, uncertainty and confusion for potential listing candidates which negatively impacted the IPO pipeline (albeit we acknowledge that globally the IPO pipeline is challenged).
- **Exacerbating the problems, Management attempted to "buy" revenue by acquiring sub-scale businesses in adjacent markets and attempt to grow these businesses. Successive Management teams (and Boards) have continually underestimated the time, costs and expertise required in executing on these plans at the considerable expense to the shareholders.**

NZX OPERATING REVENUE 2002-2011
(WELDON)



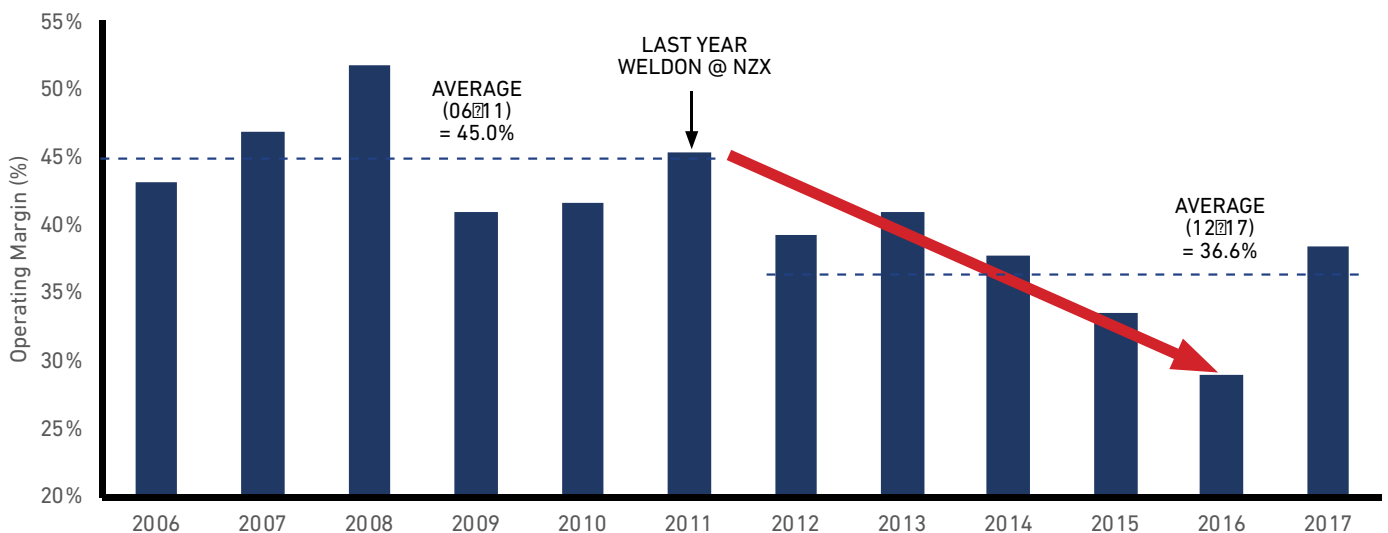
NZX OPERATING REVENUE 2011-2017
(BENNETT, PETERSON)



TO COMPOUND THE ISSUE/S NZX DELIVERED DECLINING MARGINS...

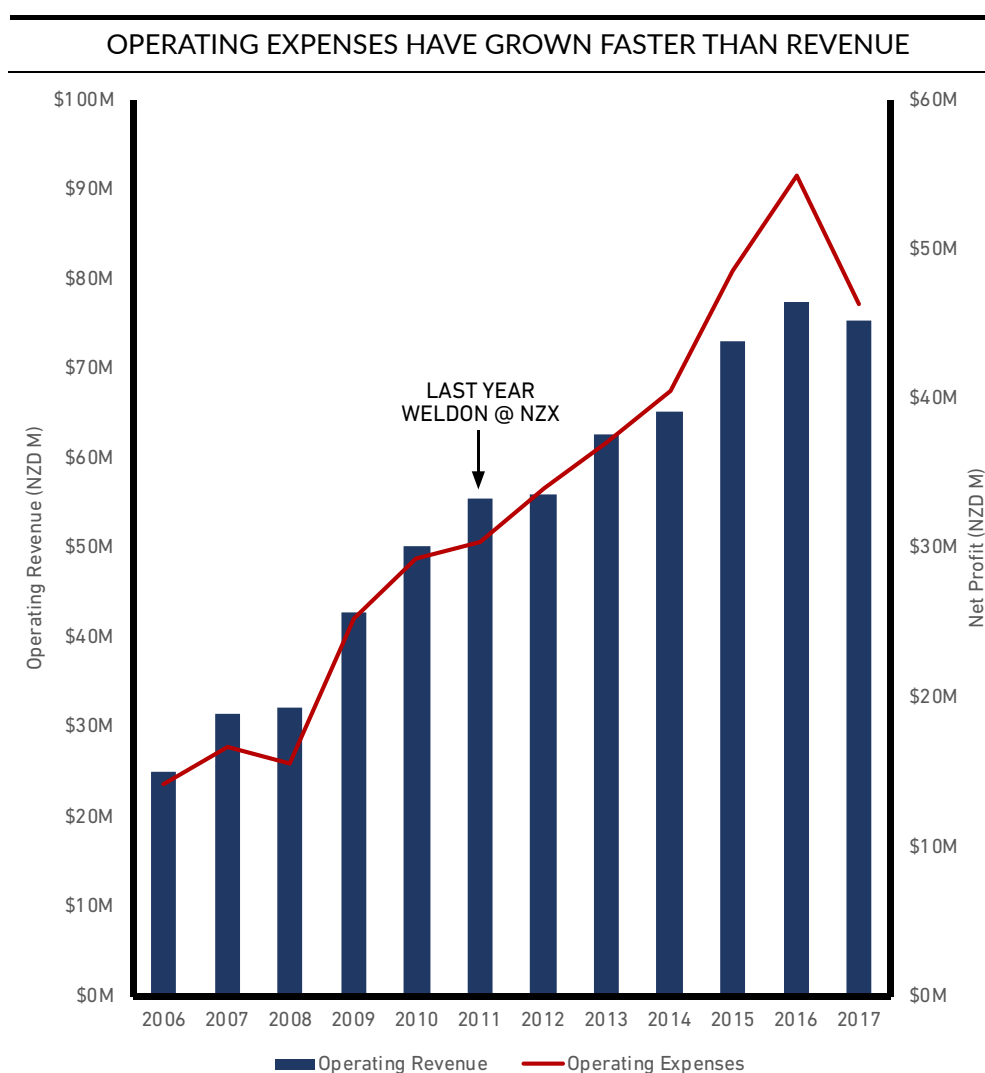
- The issue/s referenced in the previous slide resulted in the reduction of NZX’s operational leverage and margins.
- Management has not been able to achieve a +40% operating margin for the last four years.
- The recovery in unadjusted operating margin in 2017 is mainly due to the completion of non-capital major projects, the Ralec litigation, and the FMCA transition project, as well as the absence of costs associated with the former CEO transition, and the duplication of rents incurred in 2016.
- **We believe with the appropriate strategy and swift execution, NZX should deliver +45% operating margins in the short term, and target (establish) a long-term sustainable operating margin target of +50%.**

DECLINING UNADJUSTED OPERATING MARGIN



BALLOONING COSTS – OPERATING EXPENSES...

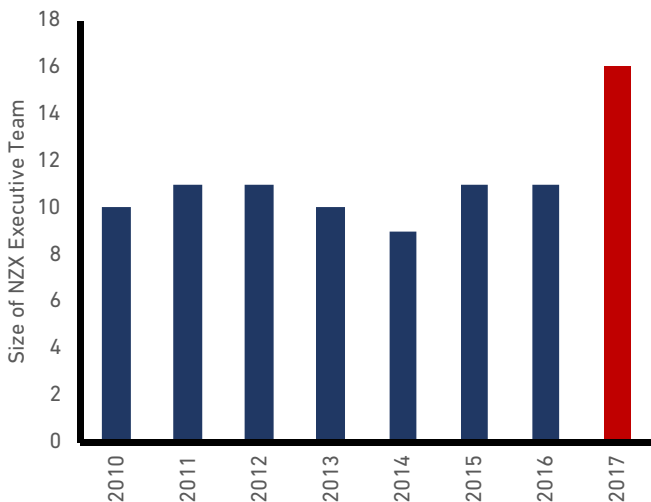
- By analysing the historical operating expenses, we gain a clearer view of the issue/s at hand in terms of the deteriorating margin/s trend.
- The growth of operating expenses were very much under control up to 2011 in tandem with the growth of operating revenue.
- Since then, operating expenses have ballooned much faster than the growth of operating revenue.
- On a positive note, Management was able to reduce operating expenses by 15.8% in 2017 (11.6% on a like-for-like basis).
- **We believe further reduction/s in operating expenses are still required to improve efficiency, margins and deliver improved returns to shareholders.**



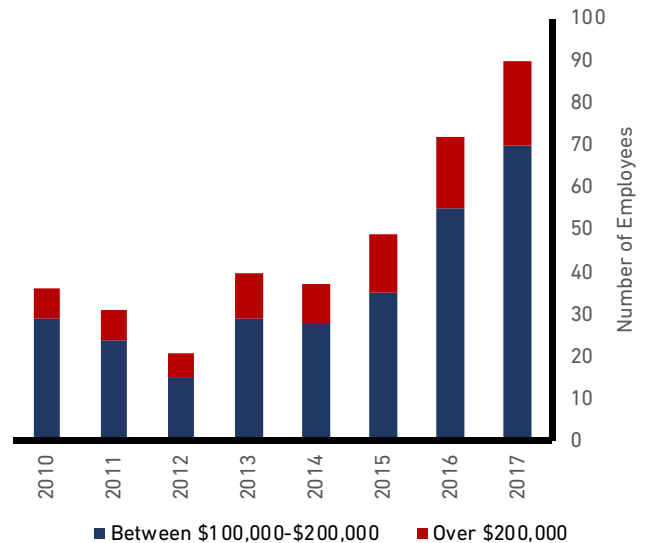
BALLOONING COSTS – CORPORATE HEADCOUNT & COSTS

- One of the more alarming statistics on the cost front is the number of members in the executive team. The size of the team jumped 45%, from 11 in 2016 to 16 in 2017* - We struggle to reconcile the CEO’s statement at the NZX Strategy Day that “*NZX is too small to be fat*”.
- Another concern is the number of NZX employees with remuneration over \$100,000 per annum. The number has increased 329% since 2012, while the market capitalisation of NZX has actually shrunk – it is very clear to us the Company is being run for the “agents” not the “owners”.
- Once again, Brian Gaynor’s observation on 7 May 2016** that “*NZX share price peaked just after Weldon’s departure, partly because he had kept an extremely tight lid on costs, particularly staffing*” are completely accurate.

NZX EXECUTIVE TEAM SIZE



NZX EMPLOYEES WITH REMUNERATION OVER \$100,000 PER ANNUM



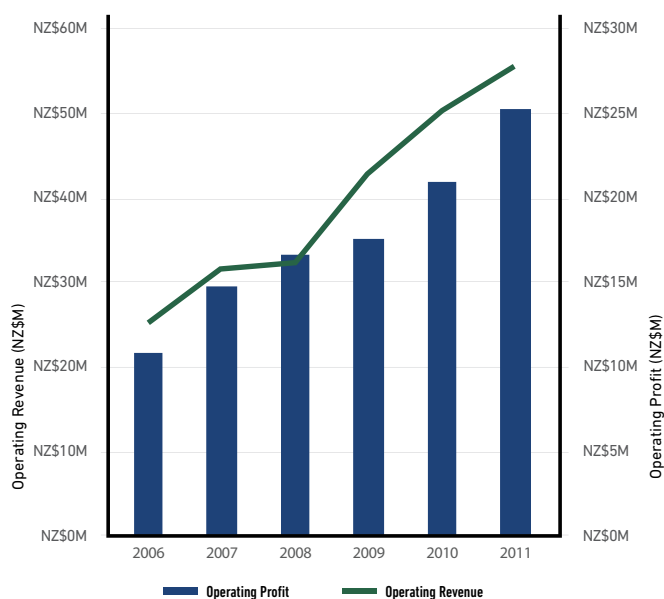
Source: NZX Annual Reports
 * Source: NZX 2017 Annual Report - p29
 ** http://www.nzherald.co.nz/brian-gaynor-on-business/news/article.cfm?c_id=1503237&objectid=11634836



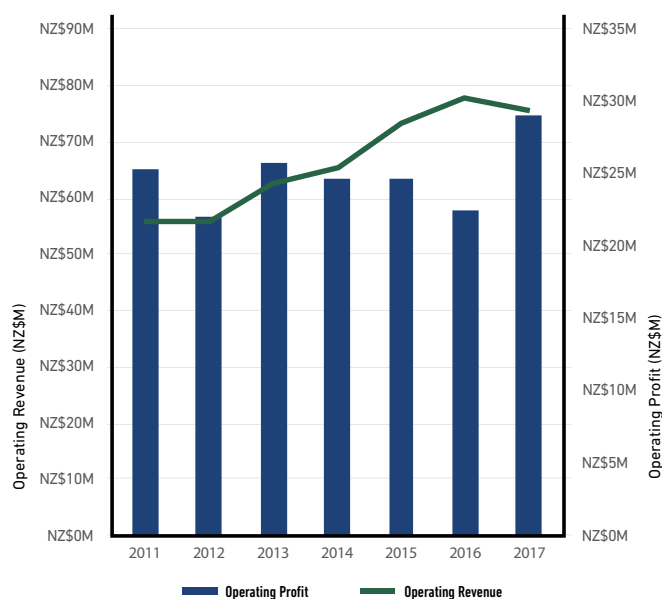
POOR PERFORMANCE FINALLY LED TO MANAGEMENT CHANGE/S IN 2016/17

- As illustrated in the charts below, during the post Weldon era (2011), revenue growth slowed down significantly (and turned negative in 2017), while operating profit stagnated and then declined three years in a row during 2014-2016 (recovering in 2017).
- After many years of unsatisfactory results, Tim Bennett departed the NZX at the end of 2016.
- The NZX Board appointed Mark Peterson (Head of Markets at the time for one year and nine months) interim CEO, effective from 1 January 2017, he was appointed permanent CEO in April 2017.
- **Despite this new appointment the challenges remain and the pace of change is too slow.**

NZX 2006-2011 (WELDON)



NZX 2011-2017 (BENNETT/PETERSON)





NZX LIMITED (NZX:NZ)

NEW MANAGEMENT'S FIVE-YEAR PLAN TO RETURN TO GROWTH

NZX	NZX	NZX	NZX	NZX	NZX
	10	20	50		
	1164.40	3944.31	5075.84		
	16.98%	46.71%	48.00%		



NEW MANAGEMENT'S FIVE-YEAR PLAN

- After leading the Company for eleven months, Mark Peterson announced NZX's Five-Year Plan at its 2017 Investor Day on 16 November 2017*
- As a NZX shareholder, we were extremely disappointed with this 106 page five-year plan presentation that Management presented to shareholders after a "rigorous review by Board and Leadership".
- The plan did not provide any indication where such terms as "build out", "refine", "enhance", "extend" etc. will take the Company to in five years time.
- **There are no measurable goals and targets, no financial metrics that shareholders could utilise to evaluate the performance of the business and the Management (and implicitly the Board).**
- **In our opinion, this was a political document versus a strategic plan. If this is the work of a sixteen person executive team it is wholly unacceptable from a shareholders' perspective.**
- **We believe this raises a serious concern of whether NZX shareholders have the right people on the Board (and within the Management team).**

ISSUER RELATIONSHIPS	FIVE YEAR PLAN
Customer Engagement	<ul style="list-style-type: none"> • Enhance and refine
Framework	<ul style="list-style-type: none"> • Focus on broader issuance ecosystem efficiency and effectiveness
Product Suite	<ul style="list-style-type: none"> • Optimise product / market footprint

SECONDARY MARKET	FIVE YEAR PLAN
Marketing the market	<ul style="list-style-type: none"> • Build out
Participation	<ul style="list-style-type: none"> • Seek licensing, equivalence and partnering in international jurisdictions
Pricing	<ul style="list-style-type: none"> • Periodically review pricing • Engage on wider participant cost landscape
Tools and Functionality	<ul style="list-style-type: none"> • Upgrade trading system • Review tools and functionality • Extend points of presence in other jurisdictions
Efficient Regulation	<ul style="list-style-type: none"> • Refine
Post Trade	<ul style="list-style-type: none"> • Continue to enhance and develop in line with customer needs

DATA & INSIGHT	FIVE YEAR PLAN
Internal	<ul style="list-style-type: none"> • Support core growth with data and insight
B2B	<ul style="list-style-type: none"> • Extend
End user	<ul style="list-style-type: none"> • Upsell/cross-sell • Align insights with all growth opportunities • Piggy-back dairy growth with a PRA
Capability	<ul style="list-style-type: none"> • Automate analytics for self-service • Build out channel capability

GROWTH OPPORTUNITIES	FIVE YEAR PLAN
Continue to build a vibrant debt market	<ul style="list-style-type: none"> • Create adjacent investable products (e.g. ETFs, indices etc.) • Grow secondary market transparency
Grow dairy to scale	<ul style="list-style-type: none"> • Drive for clearing partner/software vendor scale • Lead growth with market/demand coverage • Extend products to cover global demand
Collaborate to grow environmental and energy markets	<ul style="list-style-type: none"> • Build out

SMARTSHARES AND SUPERLIFE	FIVE YEAR PLAN
Grow Smartshares ETF end users	<ul style="list-style-type: none"> • Grow scale • Share the benefits • Cement low-cost passive leadership
Cross@sell and innovatively market KiwiSaver	<ul style="list-style-type: none"> • Ride the growth escalator • Participate in industry rationalisation
Target corporate superannuation with cross@sell	<ul style="list-style-type: none"> • Consolidate

WEALTH TECHNOLOGIES	FIVE YEAR PLAN
Go live with platform	<ul style="list-style-type: none"> • Continual improvement • Regulatory changes
New clients	<ul style="list-style-type: none"> • Extend pipeline • Target medium large adviser groups • Target Broker trading models
Extend capability to widen offering	<ul style="list-style-type: none"> • Extend capability for the new innovative business models

The lack of disciplined financial targets is completely unacceptable

NEW MANAGEMENT (AND BOARD) FAILED TO PROVIDE CONCRETE FINANCIAL TARGETS VS. GLOBAL PEERS



**INVESTOR UPDATE
12 JUNE 2017
2019 TARGETS***

FTSE RUSSELL

- Double—digit growth 2017-2019
- LCH (LONDON CLEARING HOUSE)**
- OTC double-digit revenue growth 2017-2019
- EBITDA margin from 35.6% (2016) to 50% by 2019
- LSEG (LONDON STOCK EXCHANGE GROUP)**
- Operating expenses held at 4% p.a. 2017-2019
- Next phase cost saves of GBP50M p.a. by exit 2019
- EBITDA margin from 46.5% (2016) to 55% by 2019



**INVESTOR PRESENTATION
MAY 2018
3-5YR TARGETS***

ORGANIC REVENUE GROWTH

- 5%-7% non-trading segments (3-5yr)
- OPERATIONAL FOCUS**
- ~3% avg annual organic expense growth (3-5yr)
- RETURN ON INVESTED CAPITAL**
- >10% target on new investments (3-5yr)
- TOTAL SHAREHOLDER RETURN**
- Double Digit TSR by deliver strong EPS growth and dividend yield



2ND MEDIUM-TERM MANAGEMENT PLAN (2016-2018)*

- Increase capex by JPY 15B
- Increase ETF holders by +500,000 or more
- Increase AUM tracking new JPX indices by +JPY 1 trillion or more
- Increase Listed NAV (ETF) by +JPY 5 trillion or more
- Increase Listed NAV (REIT) by +JPY 1 trillion or more
- 75% or more of companies appointing 2 or more independent directors
- IPO ~100 companies per year
- Operating revenue increase by +JPY 15 billion (+13%)
- Net income increase by +JPY 8 billion (+20%)
- ROE target = 17%
- Payout ratio target = 60%



**2017 AGM PRESENTATION
2019 TARGETS***

- Core business revenue +4.3% CAGR (2017-2019)
- Incremental revenue of €55M
- Incremental costs of €27.5M
- EBITDA of incremental revenue = 50%
- -€22M Gross Savings
- EBITDA Target = 61-63%
- Payout ratio = 50%, with €1.42 per share floor

Refer Appendices to our NZX presentation dated September 2018 for all of the above presentations





NZX LIMITED (NZX:NZ)

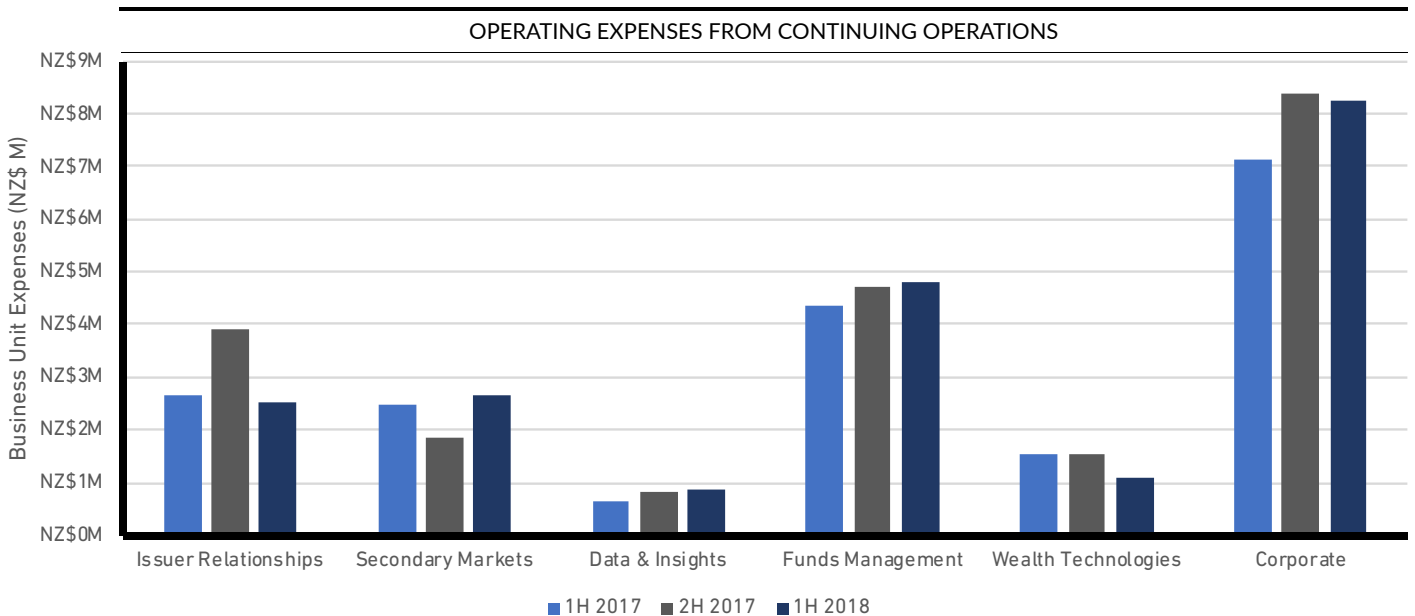
THREATS & OPPORTUNITIES

NZX	NZX	NZX	NZX	TEL
10	20	50		
1164.40	3944.31	5075.84		\$2
16.98711438%	45.711153%	28.0511175%		0002

THREATS (1)

COSTS STILL NOT DECLINING

- As we review the latest 1H 2018 results*, we are disappointed in Management’s lack of efforts in cost control.
- Compared to 1H 2017, operating earnings from continuing operations declined by 5.2%. This is the direct result of a 7.3% increase in total expenses from continuing operations. Notably, expenses from Corporate increased by 15.6%.
- Shareholders have been patient with Management since the release of NZX’s five-year strategic plan to allow time to illustrate their seriousness in controlling/managing cost/s. Unfortunately, the results have proved less than conclusive and points to the need for more focus on costs across the business.
- This underperformance early on undermines Management’s credibility to deliver on the five-year strategic plan.



THREATS (2)

MANAGEMENT'S WEAKNESS IN ANALYSING BUSINESS OPPORTUNITIES AND ABILITY TO EXECUTE/IMPLEMENT

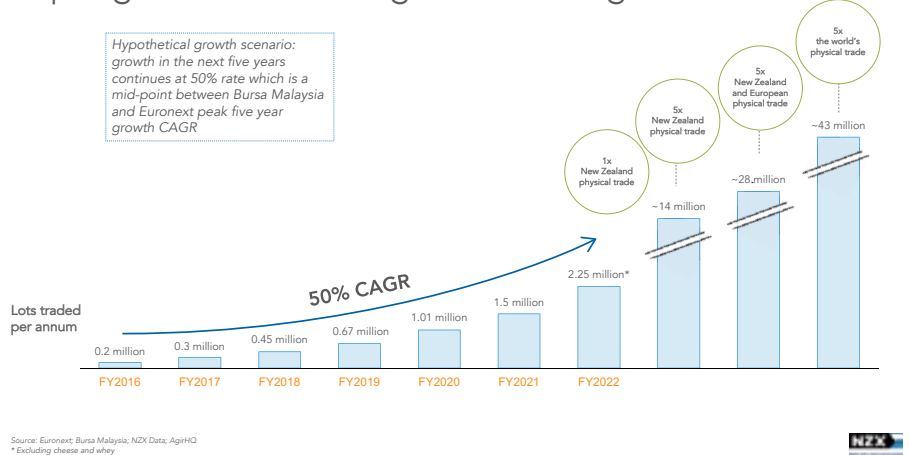
CASE #1 NZX WEALTH TECHNOLOGIES (FOR DETAIL SEE SLIDES 19-20)

- Acquired in July 2015 for NZ\$1.5M. Estimated capex since acquisition = NZ\$6.8M. FUA declined by 14% since acquisition (as at 30 June 2018).
- Project to onboard first client has been delayed by an estimated 18 months (from 31 March 2017 to a projected Q3 2018).
- We also suggest Management's recent comments that "*future clients may require degree of customisation*". in the NZX 1H 2018 results presentation is to prepare shareholders to accept the continuation of significant capex into this business.

CASE #2 DAIRY DERIVATIVES

- NZX actually did provide a clear and measurable target (# of lots traded per annum) for its dairy derivatives business in its recent investor presentations.
- 2017 Investor Presentation presented a "*rapid growth towards significant end game*" case for NZX's dairy derivatives business. NZX suggested a hypothetical growth scenario of 50% CAGR for the next five years (2018-2022), with the chart below illustrating 2018 projected volume at 0.45M lots.
- NZX confirmed its expectation in its Investor Roadshow 2018 presentation (released on 21 March 2018), a 2018 volume target range of 400,000 -500,000 lots.
- NZX **downgraded** its expectation in its 1H 2018 results presentation (released on 15 August 2018), with a 2018 volume target range of 300,000 - 400,000 lots.
- Assuming NZX achieved the mid-point of its target range - 350,000 lots in 2018, this implies a growth rate of only 12.3% vs 2017. While we acknowledge this is a short time period it does point to risks in the current "go-it-alone" strategy for this business.

Rapid growth towards significant end game

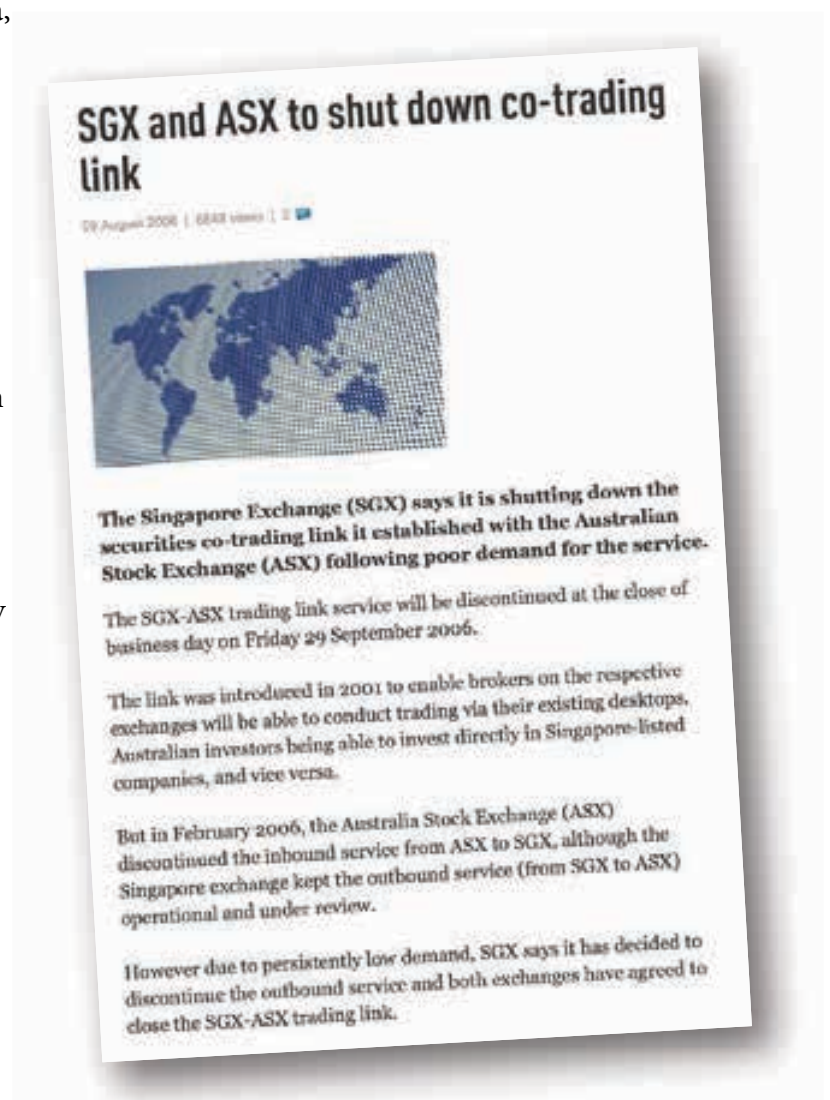


Source: NZX 2017 Investor Day Presentation


THREATS (3)

STRATEGIC GLOBAL ALLIANCES MAKE FOR "NICE HEADLINES" BUT HISTORY SHOWS THEY COME WITH SIGNIFICANT CHALLENGES

- In March 2018, NZX announced it intends to progress strategic alliances with other exchanges to increase its connectivity and global scale.
- Year-to-date, it has signed memorandum of understanding (MOUs) with HKEX, SGX and Nasdaq.
- NZX believes these potential strategic alliances will ultimately lead to connectivity of *“trading and clearing systems to offer a seamless experience for customers”*.
- Unfortunately, based on past failed joint projects by other exchanges in NZX’s region, we do not hold out the same hope that these bilateral MOUs/alliances will lead to improved connectivity and scale for NZX customers in any reasonable time frame:
 - September 2006 – A trading link between SGX and ASX, introduced in 2001, was discontinued due to poor demand.
 - October 2017 – After five years, the ASEAN Trading Link that connects to three of Southeast Asia’s biggest stock markets – Malaysia, Singapore and Thailand was closed down.
 - The trading Link between TWSE and SGX continues to be one way only (TWSE to SGX only) since its introduction in 2016.
- The shutting down of the ASEAN Trading Link in 2017, and ASX/SGX Trading Link in 2006 suggests that even if trading links are established with NZX’s partners, it may not bring with it significant additional liquidity to listed companies on NZX as hoped. Especially when direct investing/holdings by individuals is in decline, replaced by global passive funds that already can/do invest globally.



THREATS (3) CONTINUED



Southeast Asian Stock Markets Quietly Kill Their Trading Link

By **Andrea Tan**
October 13, 2017, 1:54 PM GMT+13

A system that connected stock markets in Malaysia, Singapore and Thailand has closed down, five years after its high-profile debut.

The Asean Trading Link started with Bursa Malaysia and Singapore Exchange Ltd., with The Stock Exchange of Thailand also joining. It was heralded at its launch as breaking the barriers to cross-border trade and offering a single entry-point to three of Southeast Asia's biggest stock markets, with thousands of listed companies. Bourses in Vietnam, the Philippines and Indonesia were expected to eventually take part.

The link's end was announced quietly, with Singapore Exchange's only statement on the move made in a consultation paper on rule changes that was published on Tuesday. "With affect 6 October 2017, the Asean trading linkage will no longer be in operation," the company said.

3.3 ASEAN EXCHANGE INTERCONNECTIONS *

In Asia, stock exchange interconnections are not common. The domestic laws and capital market rules among the largest stock exchanges — the Tokyo Stock Exchange (TSE), Shanghai Stock Exchange (SSE), Hong Kong Stock Exchange (HKEX), Korea Stock Exchange (KRX), and Taiwan

Stock Exchange (TWSE) — remain very different. There is no regional consensus on standards in terms of listing prospectuses, disclosure obligations, or cross-border enforcement. As a result, Asian capital markets remain fragmented, and there have been no significant developments in terms of creating a common legal framework for financial market infrastructures. Cross-border securities transactions rely heavily on intermediaries, increasing transaction costs.

Singapore has taken the lead in terms of forging the ASEAN Exchange interconnections that connect Singapore, Thailand, and Malaysia.²¹ The three countries have signed an agreement to create a Trans-Tasman Mutual Recognition of Securities Offerings (MRSO) regime, whereby companies complying with the agreed-upon prospectus regime can have their shares traded on a common trading platform.²² Shares placed on the Thai order book are routed to this trading platform and can be matched by orders placed on the Singaporean order book. However, because of a lack of EU-style legal regimes such as the Prospectus Directive²³ — giving rise to passporting rights²⁴ — and a lack of an effective

college of regulators, as is the case for Euronext,²⁵ the ASEAN interconnection model has not been successful. In addition to a lack of regulatory frameworks that facilitate interconnections, Thailand and Malaysia fear that such interconnections may cause liquidity fragmentation, limiting the depth capital pool needed to support their domestic markets and raising the question of whether stock exchange interconnections reduce the liquidity of less developed exchanges.

THREATS (4)

MARGIN COMPRESSION A VERY REAL PROSPECT FOR THE FUNDS MANAGEMENT BUSINESS

- NZX and market participants have, and are celebrating the continuing strong revenue/profit growth in NZX's Funds Management business, which is based on a Passive/ETF Index investment model.
- However, we observe a worrying trend of accelerating margin compression for the funds management industry, with global players such as Fidelity announcing new no-fee index funds in August 2018.
- Closer to home, in April 2018, Simplicity launched its NZ Share Fund at 0.10% management fees with an administration fee of \$30 per year*. This versus NZX/Smartshares' NZ Top 50 Fund which charges 0.50% management fees.
- **We have concerns about the medium/long-term future of this sub-scale funds management business unit within the NZX. The business needs to be spun-off, raise capital and allowed to expand its offerings without the potential conflict/constraints that NZX ownership presents.**



<https://www.bloomberg.com/news/articles/2018-08-09/fidelity-bets-on-zero-fee-index-funds>



28 August 2018

Fund Management Strategy

Fund Management Strategy: Zero fee future - Is anything NOT going to zero fee in fund management?

* <https://simplicity.kiwi/simplicity-news/simplicity-launches-low-cost-nz-share-and-bond-funds/>



THREATS (5)

LACK OF ENGAGEMENT & INTELLECTUAL PARTICIPATION ONCE AGAIN POINTS TO MANAGEMENT WEAKNESSES

- We are disappointed by the lack of engagement from NZX in terms of involving itself in investor education in New Zealand - especially given the number of employees within the organisation. We do acknowledge that the NZX is stepping up its engagement but for the quantum of staff within the organisation we still believe it to be poor.
- An example of what we are touching on is the lack of NZX presence on Banquer's website (www.banquer.co). Banquer describes itself as a team "made up of passionate New Zealanders all looking to improve the financial capabilities of our towns, cities, country and eventually our world".
- We were surprised to discover that Banquer currently does not have "Equity/Shares" investment module in its curriculum*. Also, NZX is absent from the list of sponsoring partners, when it should be one of the first to champion such a curriculum in young New Zealanders'.
- We do acknowledge that in 2015 NZX launched a retail investor education website called invested.co.nz with the Commission for Financial Capability (CFFC). However, we see the content (17 videos so far) as limited in range and depth. Notably missing is the topic on ETF investing, which NZX is trying to grow.
- We also observe that in recent years there has been a lack of NZX headline participation in the important debates of the day, especially on the topics concerning NZ's economic/taxation policies and business/investment environment. The lack of engagement does not serve its customers or its shareholders at all well and in our view points to a lack of depth, experience and intellectual rigour within the business.
- Lastly, we note that as a member of World Federation of Exchanges (WFE), NZX has not utilised WFE research and distributed such research to the local market to facilitate engagement/education and international experiences. For example, the recent research on Small and Medium-Sized Enterprises and SME Exchanges that was released in July 2017 in conjunction with the Milken Institute.



THREATS (6)

POOR MARKETING TO PROMOTE SUCCESS STORIES

- Following on from the last slide on poor engagement is the fact that NZX is not at all strong in promoting the listing success stories to the local/global markets, the wider business community and investors (particularly domestic retail investors).
- It is important for NZX to provide and facilitate this function to/for its listed customers - we cite here as an example the NASDAQ presentation of Redfin at: <https://www.youtube.com/watch?v=NtNjLIPMXas>



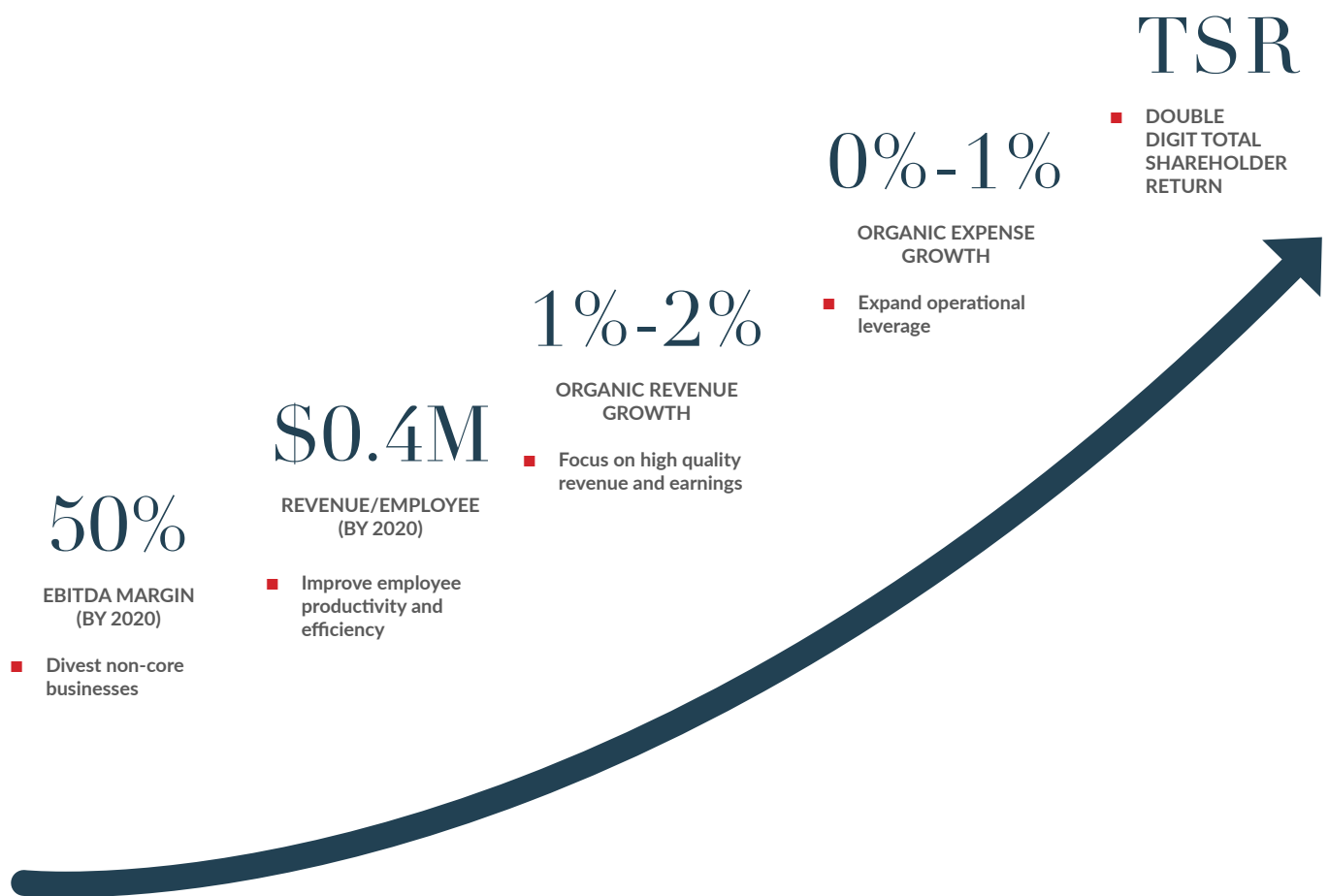
www.youtube.com/watch?v=NtNjLIPMXas



OPPORTUNITIES (1)

BECOME THE #1 REGIONAL EXCHANGE OPERATOR IN THE WORLD

- NZX is in an enviable position with a core markets business that has three business reporting units all with operating margins of 70% and above.
- We believe if Management is able to truly focus on its core markets business, and work to achieve the following financial target/metrics that we have set out below, we believe that NZX would be able to deliver consistent double digit returns for its shareholders (over the market cycle).



OPPORTUNITIES (2)

BECOME A BEST-IN-CLASS CAPITAL ALLOCATOR

- We believe that present NZX Management does not need to seek outsized growth to create value for its shareholders.
- Below we compare NZX Limited and Travelers Companies Inc, as an example of how a financial services company can consistently create value for shareholders through cost/headcount/margin control, a value-accretive share buyback program, all with limited topline/revenue growth.
- In short, we believe NZX can be a great long-term investment for its shareholders if and only if Management/Board evolved and become great capital allocators.
- If the Management and Board fail to acknowledge this, we fear shareholders will face another five years of underperformance.



OPERATING MARGIN (2017) = +10.4%
NET MARGIN (2017) = +7.1%

OF SHARES OUTSTANDING:
2012: 377M; 2017: 271M (REDUCED BY 28%)

OF EMPLOYEES
2012: 30,500; 2017: 30,800 (INCREASED BY 1%)

FROM 31/12/2012 TO 31/12/2017

REVENUE GROWTH = +12.3% (CAGR = +2.4%)
OP. PROFIT GROWTH = +15.1% (CAGR = +3.2%)
NET PROFIT GROWTH = +16.9% (CAGR = +3.6%)
EPS GROWTH = +16.3% (CAGR = +3.1%)

DPS GROWTH = +55.3% (CAGR = +9.2%)
SHARE PRICE CHG = +88.9% (CAGR = +13.6%)
TOTAL RETURN = +111.8% (CAGR = +16.2%)



OPERATING MARGIN (2017) = +38.5%
NET MARGIN (2017) = +19.7%

OF SHARES OUTSTANDING:
2012: 255M; 2017: 268M (INCREASED BY 5%)

OF EMPLOYEES
2012: 168; 2017: 238 (INCREASED BY 42%)

FROM 31/12/2012 TO 31/12/2017

REVENUE GROWTH = +34.5% (CAGR = +6.1%)
OP. PROFIT GROWTH = +31.6% (CAGR = +5.6%)
NET PROFIT GROWTH = +50.5% (CAGR = +8.5%)
EPS GROWTH = +49.1% (CAGR = +8.3%)

DPS GROWTH = +12.9% (CAGR = +2.7%)
SHARE PRICE CHG = +6.7% (CAGR = +1.4%)
TOTAL RETURN = +31.3% (CAGR = +5.7%)

* Data Source: Thomson Reuters Eikon as at 12 September 2018, NZX Annual Reports (2012, 2017), Travelers Companies Annual Reports (2012, 2017)



OPPORTUNITIES (3)

STRATEGIC JOINT VENTURES/COLLABORATIONS THAT ENABLE NZX TO REDUCE COST BASE & ACCESS GLOBAL SKILLSETS & DISTRIBUTION NETWORKS

- NZX made a strategic decision in 2015 to enter a deal for S&P Dow Jones “to calculate, publish and disseminate NZX indices as well as distribute and market the indices offshore”.
- We believe through this deal, NZX has successfully leveraged S&P Dow Jones’s network to promote its indices and “to lure more international investors to the local bourse”.
- Another example is when NZX sold its wholly-owned registry business TZ1 Registry to Markit in 2009. The deal was structured such NZX sold Markit 100% of the shares of TZ1 in exchange for consideration payable in Markit shares. We note the comments by NZX’s CEO Mark Weldon at the time: “the opportunity to cement a transaction with Markit that retained a meaningful economic interest for NZX in the TZ1 Registry business, and to combine that with Markit’s global reach and distribution networks...”

EXAMPLE: NZX’S DAIRY DERIVATIVES BUSINESS

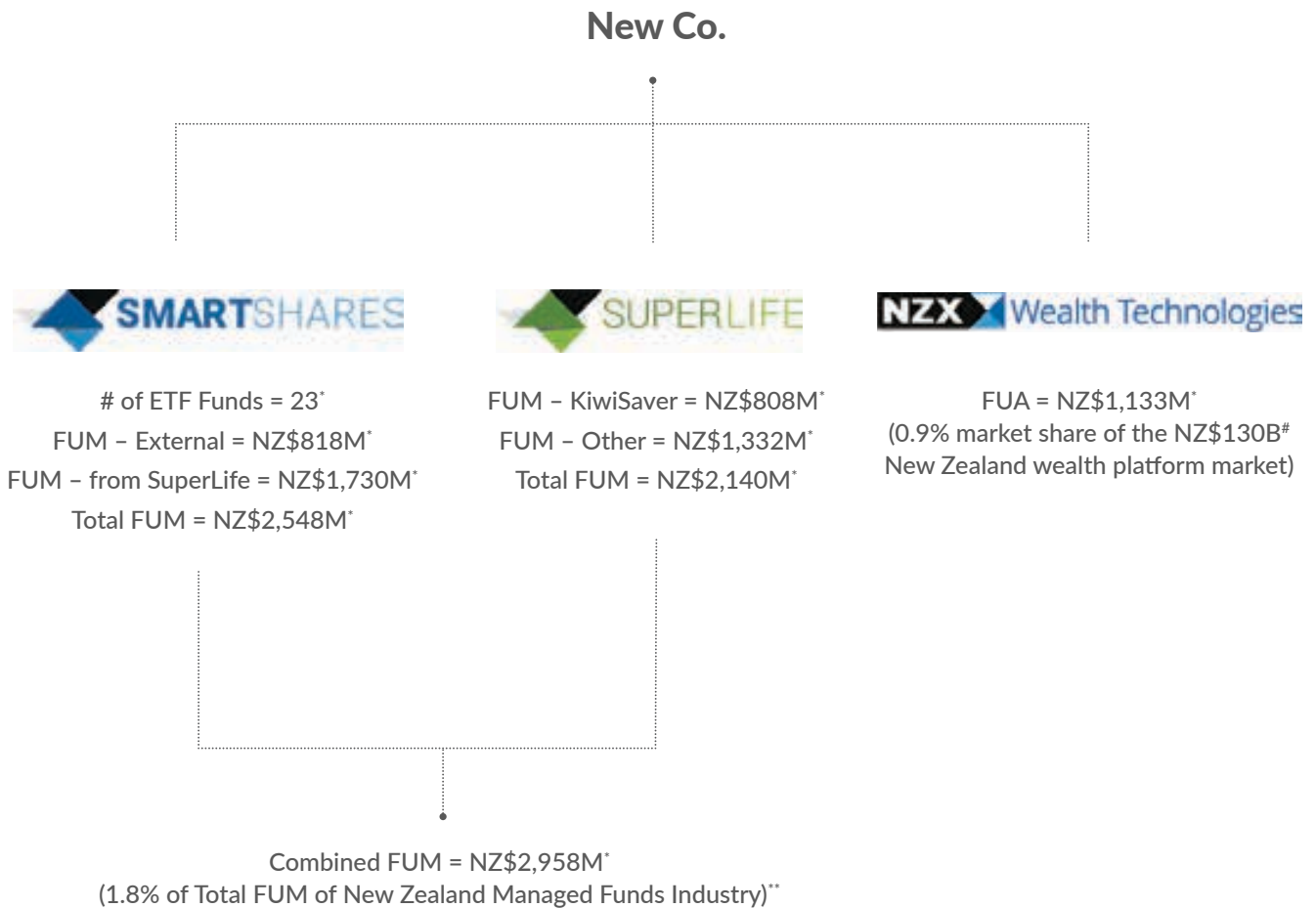
- Given NZX’s recent downgrade to its Dairy Derivatives business growth for FY2018 (see Key Risks section), we strongly suggest that NZX must “rinse and repeat”, and seek a JV partner from global commodity powerhouses such as ICE, CBOE or CME to lower the cost/s, increase volume/s and to hasten the development and marketing of NZX’s Dairy Derivatives business globally.
- We recommend the JV should involve a sale of 50% of the NZX’s Dairy Derivatives business to one of these international players which would enable a further capital return to NZX shareholders and a potential reduction in headcount and costs within the NZX.



OPPORTUNITIES (4)

SPIN²OFF THE FUNDS SERVICES BUSINESS

- We believe it is in the best interest of NZX to spin-off its Funds Services business for the following reasons:
 1. It allows NZX and the spun-off company to access capital and implement strategies in ways that make sense for their respective needs;
 2. It also allows the two companies to be priced appropriately by the market.
 3. The two businesses (exchange market operator vs funds service business) are clearly different in business nature. An optimised wide-moat core markets business can be highly profitable while remaining nimble. The funds service business (both the funds management and administration businesses) require economies of scale just to be competitive.
 4. Lastly, the two businesses clearly require different Management/Board skills.

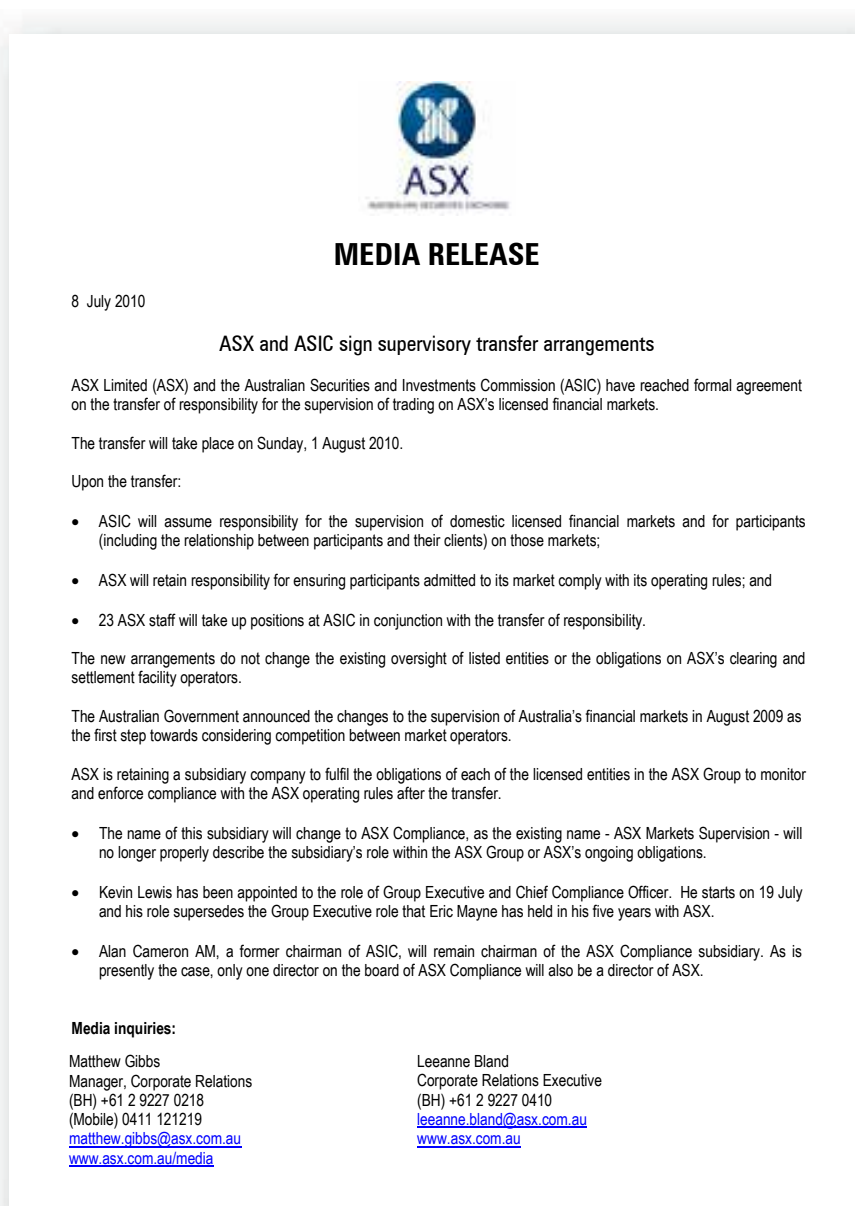


* As at 31 July 2018
 ** RBNZ - Managed Funds Industry Quarterly Survey - March 2018

OPPORTUNITIES (5)

REVIEW REGULATORY FUNCTIONS

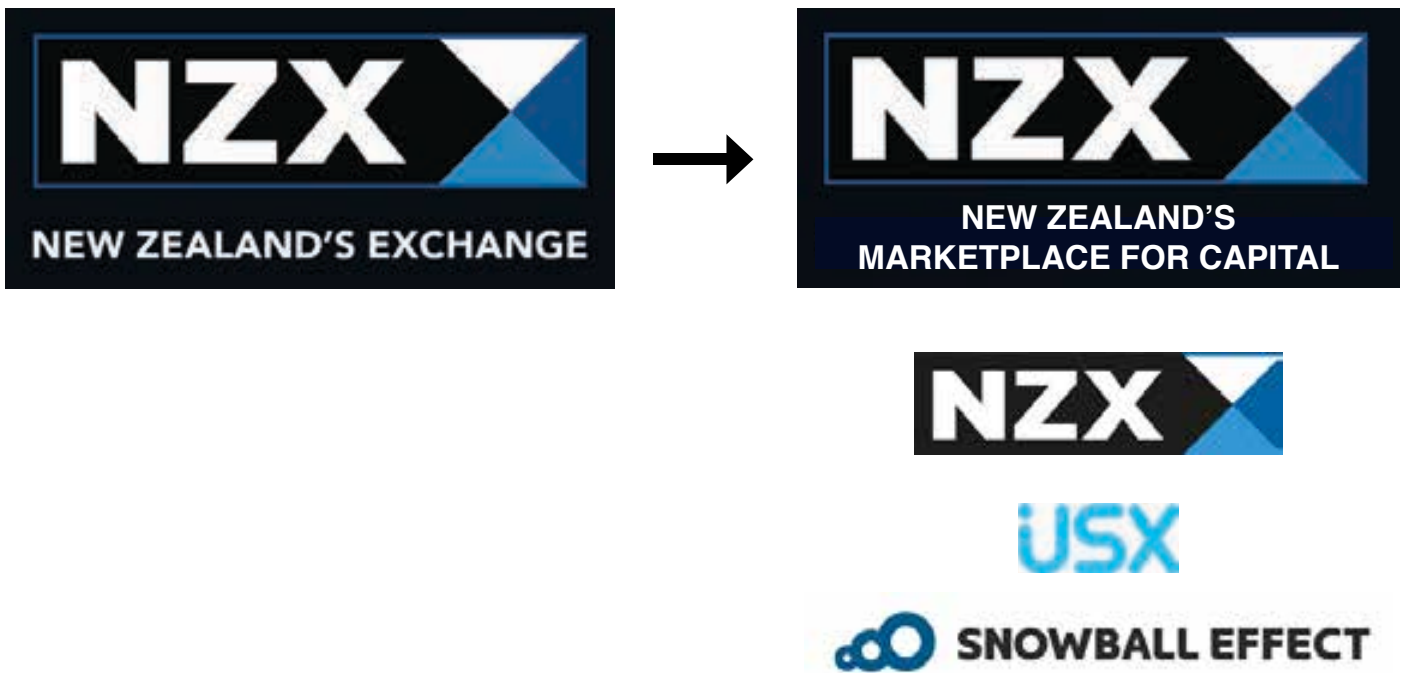
- We recognise that self-regulation has its benefits, including an overall increase in regulatory resources and an ability to leverage inside knowledge/expertise of industry professionals.
- However, we suggest there exists significant benefits toward adopting a government/statutory model similar to that in Australia. Such a centralised approach promotes efficiency and reduces the duplication/layering of regulation, including supporting infrastructure and oversight activities.
- We further suggest that the FMA would be better positioned to deliver more effective regulation as a single agency, as it would have broad jurisdiction overall market participants; avoiding conflicts of interest between NZX's commercial functions as a "for-profit" entity, and their position as a regulator - we point to the significant costs associated with regulatory functions while disciplining your own customers counteracts relationship building activities essential to all businesses.
- We suggest that transferring more regulatory responsibilities to the FMA would rebalance NZX's competitive position relative to the ASX, which currently has a cost advantage due to their adoption of a government/statutory model in 2010.
- New Zealand is well suited to this model due to the small size of its market – traditionally, one of the major headwinds for large complex markets wanting to adopt centralised regulatory models has been the overwhelming resource required to do so; this is simply not the case for NZX.
- Finally, in the FMA's - NZX Annual Obligations Review (1 January - 31 December 2017) the FMA specifically highlighted a lack of expertise in the market surveillance function. This would seem an obvious place to start to us*.



OPPORTUNITIES (6)

BECOME NEW ZEALAND'S MARKETPLACE FOR CAPITAL

- Apart from spinning off non-core businesses to focus on the current core markets business, we also believe NZX should aspire to become - "New Zealand's Marketplace for Capital" - rather than just New Zealand's Exchange.
- NZX should explore possible horizontal integration. i.e., entering into markets such as unlisted, crowd funding platforms, etc. to create an integrated funding ecosystem under the NZX banner.
- This should promote New Zealand capital market activities and improve both the size and visibility of NZX's IPO/listing pipeline.





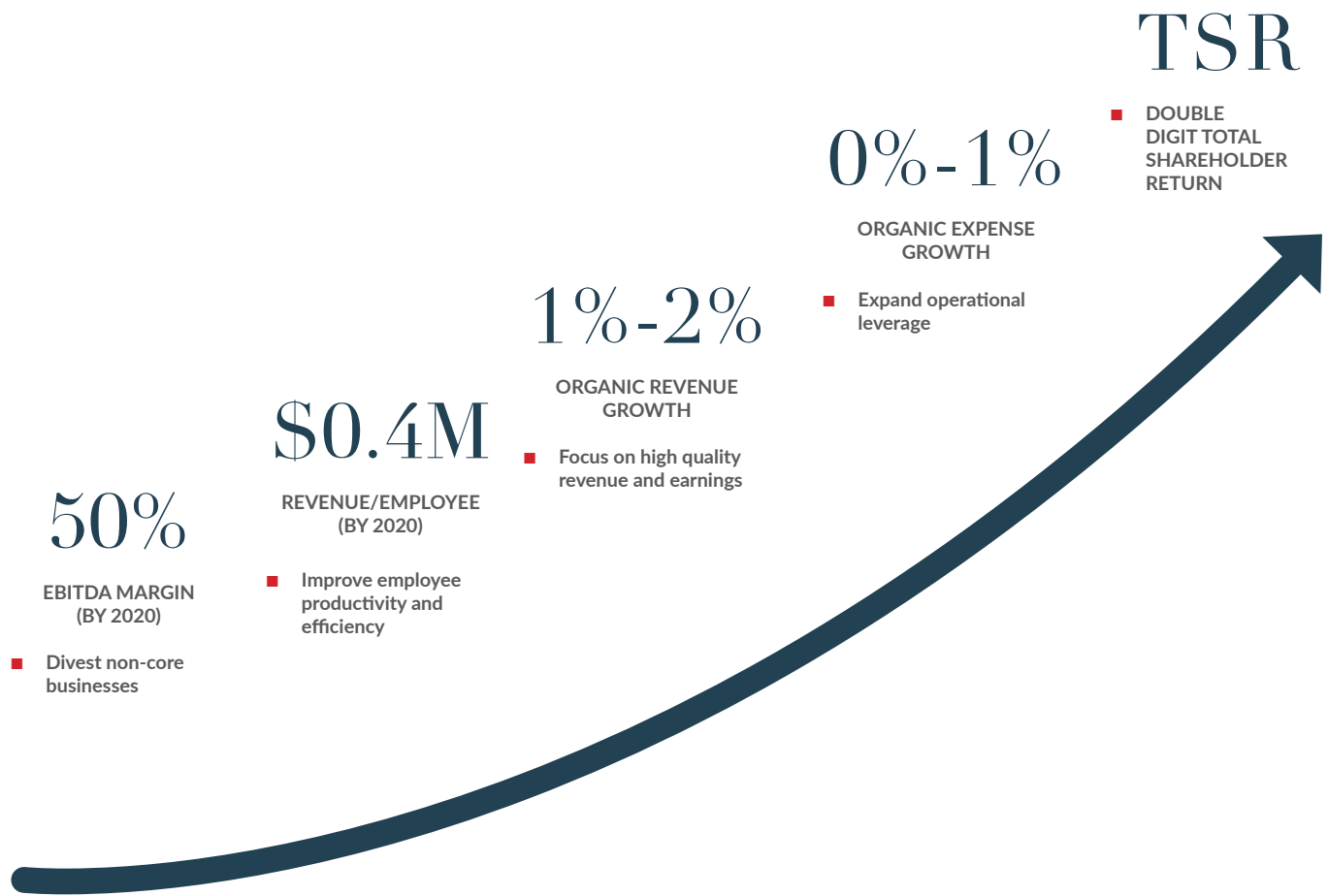
NZX LIMITED (NZX:NZ)

ELEVATION CAPITAL CONCLUSION & ESTIMATED INTRINSIC VALUE RANGE

ELEVATION CAPITAL – CONCLUSION

BECOME THE #1 REGIONAL EXCHANGE OPERATOR IN THE WORLD

- NZX is in an enviable position with a core markets business that has three business reporting units all with operating margins of 70% and above. If Management focuses on its core markets business, and works to achieve the financial target/metrics that we have set out in this presentation, we believe NZX should be able to deliver consistent double digit returns for its shareholders (over the market cycle).



BECOME A BEST-IN-CLASS CAPITAL ALLOCATOR

- We also believe that NZX does not need to seek outsize growth to create value for its shareholders. NZX can be a great long-term investment for its shareholders if and only if Management/Board evolved and become great capital allocators. If the Management and the Board do not acknowledge this, we fear shareholders will face another five years of underperformance.

ELEVATION CAPITAL – CONCLUSION (CONTINUED)

STRATEGIC JOINT VENTURES THAT ENABLE NZX TO REDUCE HEADCOUNT & ACCESS GLOBAL SKILLSETS

- We suggest that NZX must “*rinse and repeat*” its past experiences (NZX Indices, TZ1, etc), and seek a JV partner from a global commodity powerhouse such as ICE, CBOE or CME to lower the cost/s, increase volume/s and to hasten the development and marketing of NZX’s Dairy Derivatives business globally.

SPIN OFF THE FUNDS SERVICES BUSINESS

- NZX should spin-off its Funds Services business, as it allows NZX and the spun-off company to access capital and implement strategies in ways that make sense for their respective needs. The two businesses (exchange market operator vs funds service business) are clearly different in business nature. An optimised wide-moat core markets business can be highly profitable while remaining nimble, while the funds service business (both the funds management and administration businesses) require economies of scale just to be competitive. Lastly, the two businesses clearly require different Management/Board skills.

REVIEW REGULATORY FUNCTIONS

- We suggest there exists significant benefits toward adopting a government/statutory model similar to that of the ASX. Such a centralised approach promotes efficiency and reduces the duplication/ layering of regulation, including supporting infrastructure and oversight activities.

BECOME NEW ZEALAND’S MARKETPLACE FOR CAPITAL

- Lastly, NZX should explore possible horizontal integration. i.e., to enter into markets via unlisted, and crowd funding platforms, etc. to become “New Zealand’s Marketplace for Capital”.

ELEVATION CAPITAL – ESTIMATED INTRINSIC

- If NZX implement the changes that we are suggesting in the Opportunities section, we estimate the intrinsic value range to be NZ\$1.62 - NZ\$1.89 per share.
- This does not include a 50% sale of the Dairy Derivatives business to a global player, or relinquishing more regulation to the FMA - these initiatives should be viewed as further potential upside.

NZX Core Markets + Corporate

NZX Funds Services



FY2019 SCENARIO	Basic Assumptions:	Op. Revenue = NZ\$54.3M Op. Earnings = NZ\$27.9M Op. Margin = 51.3%	FUM = NZ\$3.42B	FUA = NZ\$3.45B
	Valuation:	13x EV/EBITDA	2% of FUM	Replacement Value (Purchase + Capex)
	Estimated Fair Value	NZ\$361.6M (NZ\$1.34 per share)	NZ\$68.3M (NZ\$0.25 per share)	NZ\$8.3M (NZ\$0.025 per share)
Estimated Combined Fair Value = \$438.3M (\$1.62 per share)				
FY2020 SCENARIO	Basic Assumptions:	Op. Revenue = NZ\$58.1M Op. Earnings = NZ\$32.9M Op. Margin = 56.7%	FUM = NZ\$3.76B	FUA = NZ\$3.79B
	Valuation:	13x EV/EBITDA	2% of FUM	Replacement Value (Purchase + Capex)
	Estimated Fair Value	NZ\$427.4M (NZ\$1.59 per share)	NZ\$75.2M (NZ\$0.28 per share)	NZ\$8.3M (NZ\$0.025 per share)
Estimated Combined Fair Value = \$510.8M (\$1.89 per share)				

ELEVATION CAPITAL – ESTIMATED INTRINSIC VALUE RANGE

Elevation Capital –
Estimated Intrinsic Value Range:

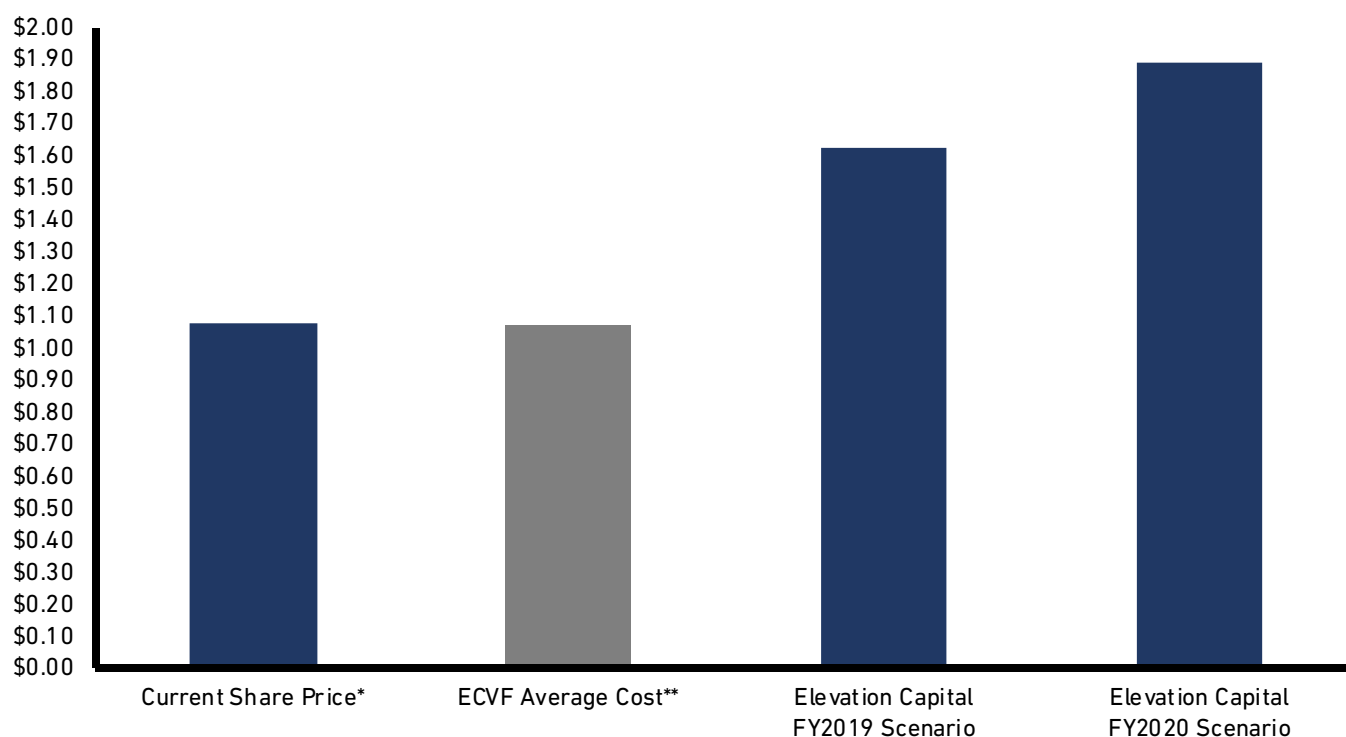
NZ\$ 1.62 –
NZ\$ 1.89

PER SHARE

Downside/Upside Potential Range:

+50.4% –
+75.4%

VALUATION SUMMARY



* Current Share Price = NZ\$1.08 (as at 12 September 2018)

** Elevation Capital Value Fund ("ECVF") Average Cost = NZ\$1.07 (as at 20 August 2018)

EC = Elevation Capital, ECVF = Elevation Capital Value Fund



NZX LIMITED (NZX:NZ)

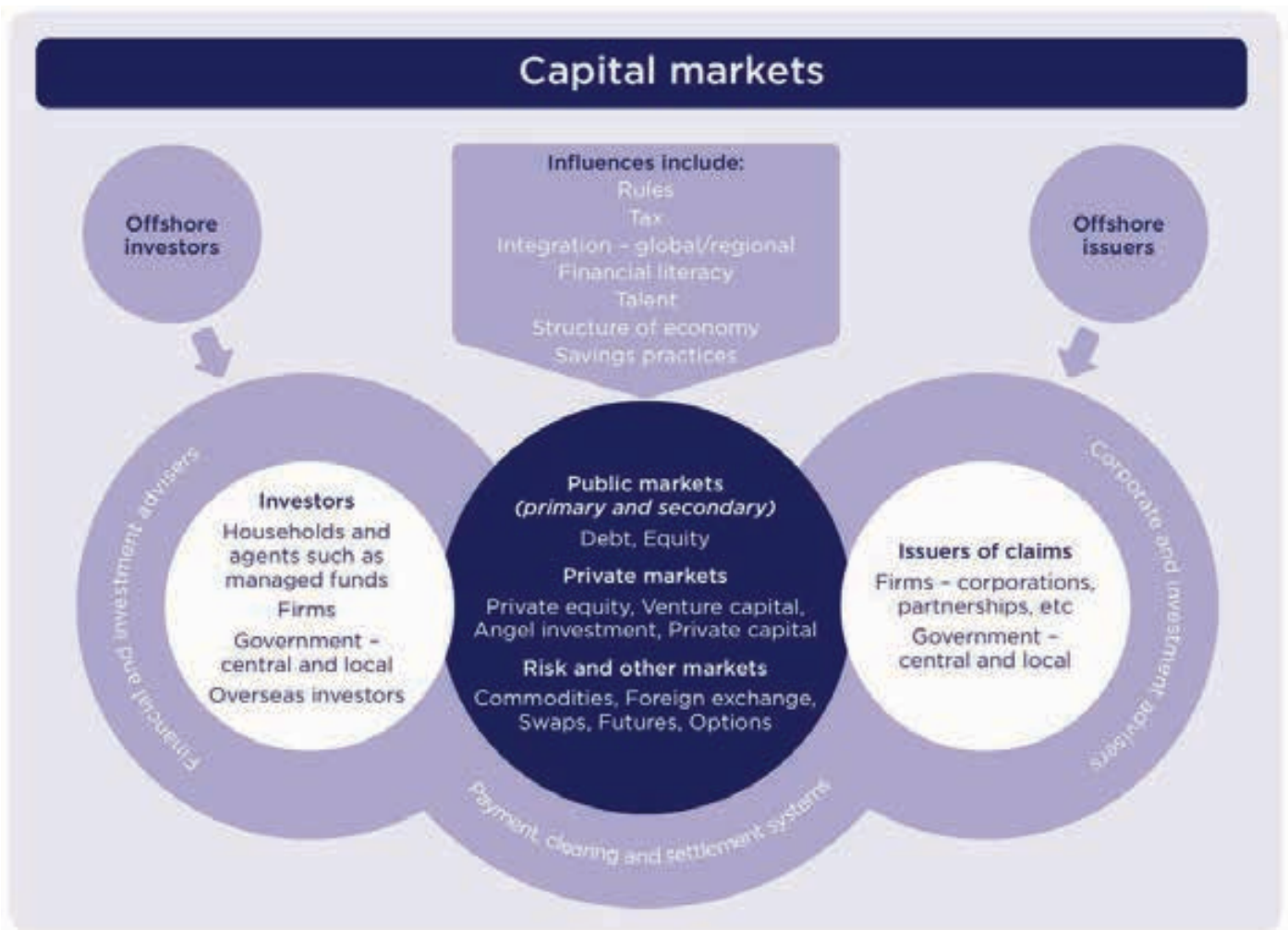
APPENDICES



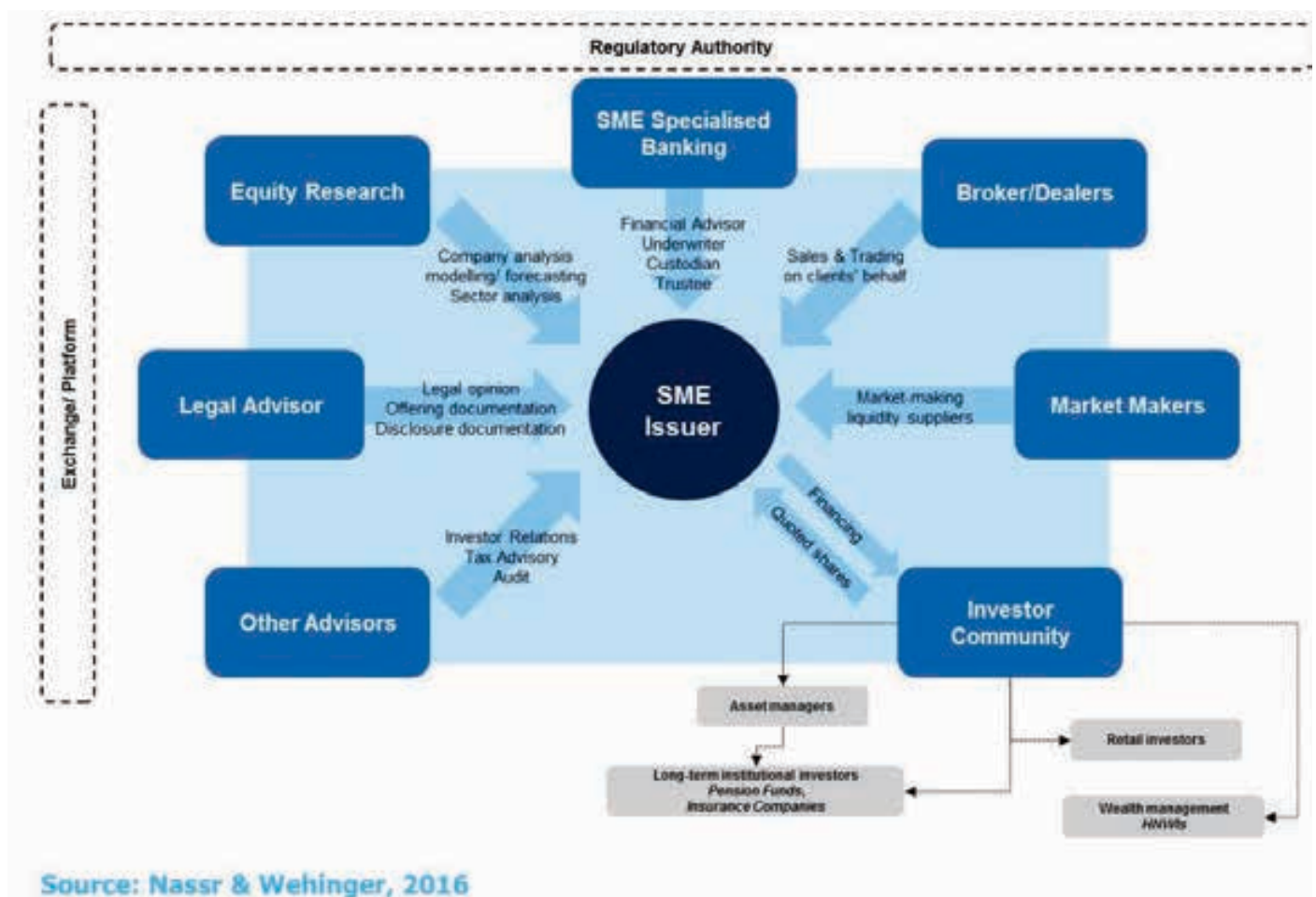
APPENDICES

- Appendix #1 – New Zealand Capital Market/s Structure
- Appendix #2 – JPX 2nd Medium-Term Management Plan – 22 March 2016
- Appendix #3 – Euronext AGM Presentation – 19 May 2017
- Appendix #4 – LSE Investor Update - 12 June 2017
- Appendix #5 – Nasdaq Investor Presentation - May 2018
- Appendix #6 – Thomson Reuters Eikon ESG Score System
- Appendix #7 – Banqer - Cashed up Financial literacy for college students - Sunday Star-Times - 11 February 2018
- Appendix #8 – Brian Gaynor articles on NZX
- Appendix #9 – Liquidity Assessment
- Appendix #10 – M&A Valuation
- Appendix #11 – NZX at a Glance

APPENDIX #1: NEW ZEALAND CAPITAL MARKET/S STRUCTURE



APPENDIX #1: NEW ZEALAND CAPITAL MARKET/S STRUCTURE (CONTINUED)



APPENDIX #2: JPX 2ND MEDIUM-TERM MANAGEMENT PLAN – 22 MARCH 2016



- Your Exchange of Choice -

2nd Medium-Term Management Plan

FY2016

FY2018

March 22, 2016 Japan Exchange Group, Inc.

APPENDIX #3: EURONEXT AGM PRESENTATION – 19 MAY 2017

ANNUAL GENERAL MEETING EURONEXT N.V.

19 May 2017, Amsterdam



APPENDIX #4: LSE INVESTOR UPDATE – 12 JUNE 2017



Investor Update

12 June 2017

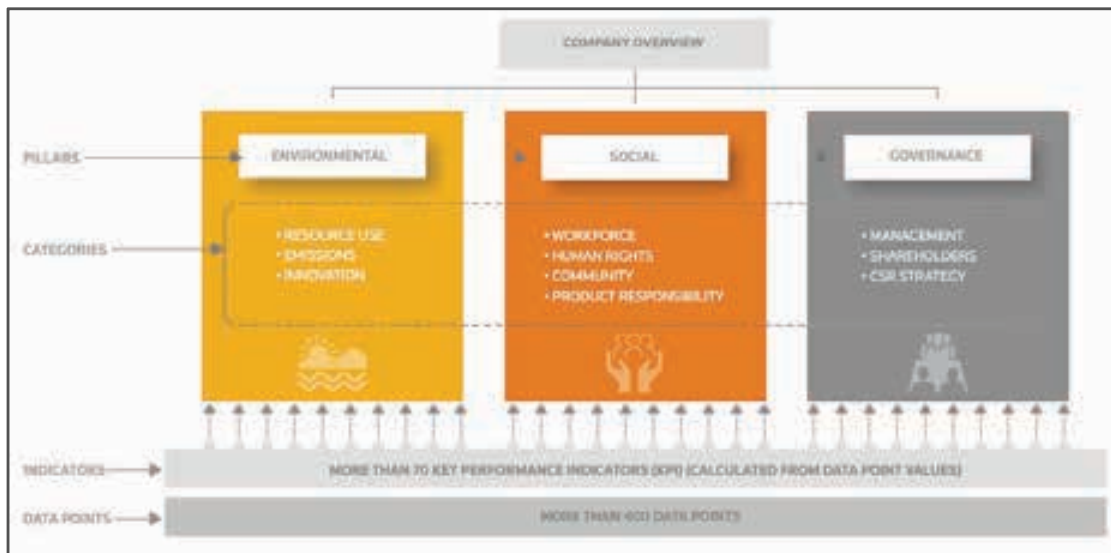
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APPENDIX #5: NASDAQ INVESTOR PRESENTATION – MAY 2018

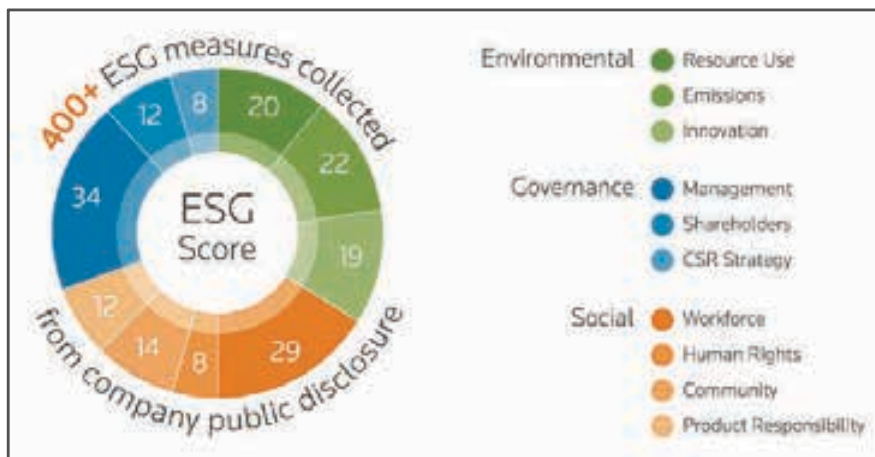


APPENDIX #6: THOMSON REUTERS EIKON ESG SCORING SYSTEM

- We utilise Thomson Reuters ESG scores to evaluate a company's ESG efforts.
- It offers one of the most comprehensive ESG databases in the industry covering over 6,000 public companies, across more than 400 different company level ESG metrics.



Thomson Reuters ESG Framework



400 company level ESG measures collected

Score Range	Grade
0.0 <= score <= 0.083333	D-
0.083333 < score <= 0.166666	D
0.166666 < score <= 0.250000	D+
0.250000 < score <= 0.333333	C-
0.333333 < score <= 0.416666	C
0.416666 < score <= 0.500000	C+
0.500000 < score <= 0.583333	B-
0.583333 < score <= 0.666666	B
0.666666 < score <= 0.750000	B+
0.750000 < score <= 0.833333	A-
0.833333 < score <= 0.916666	A
0.916666 < score <= 1	A+

Thomson Reuters ESG Framework

APPENDIX #7: SUNDAY STAR-TIMES ARTICLE ON BANQER*

Cashed up financial literacy for college students

A mission has begun to financially educate our teenagers. Rob Stock reports.

Sunday Star-Times · 11 Feb 2018

Secondary school children have a new way to learn about money with the launch tomorrow of Kohorts, a “sister” company to Banqer.

Banqer’s virtual world of money is being used by children and teachers in around 500 primary schools around the country, and Kohorts aims to have a similar impact in secondary schools.

Like Banqer, Kohorts is a subscription-based service. Schools will pay \$1 per student per month for the children to build their financial capability through a digital world which simulates the money lives of young adults leaving home, and entering the workforce. Founders Simon Brown and Alex Miller are both employees of Banqer.

Brown said New Zealand secondary students were at a disadvantage when it came to financial preparedness.

“Unlike certain European, North American and Australian students, Kiwi teens aren’t required to partake in any financial education as a part of their secondary studies.” Research in three US states had found that after making financial education compulsory in schools, the average credit score rose and the number of people missing loan repayments dropped.

“Studies show that 10 years after mandating financial education in high schools in the US, the states of Georgia, Idaho, and Texas are better off,” Brown said.

“All three states saw credit scores rise an average of 12 points.

“Similarly, 90-day delinquencies dropped, Texas seeing the biggest change with a 32.6 percentage point difference from pre-implementation levels.”

Kohorts aimed to change New Zealand’s situation, and had developed a charitable donations scheme to fund schools in lower socio-economic areas, where even a dollar a month could be a cost too high for parents.

That may be important, as the OECD has found that while many New Zealanders grow up to be financially knowledgeable, there’s a large group who end up as adults with low levels of knowledge.

The OECD is a believer, having identified young adults in the world’s most developed countries having a significant money skills deficit.

Ninety-three per cent of UK teenagers were worried about money on a daily basis.

Most parents want money education in schools too. In 2015, a survey by Westpac found 93 per cent of parents wanted children to be taught about money in the classroom.

Not everybody approves of classroom capitalist training.

“Some people think we should let kids by kids, and not worry them about this kind of thing,” Brown admitted.

However, as children progress through their secondary educations, they drew closer to big finance decisions including, for many, going into debt to get a tertiary education. Even with Labour’s fee-free first year of study policy, studying may well mean borrowing money to live in cities where rents have spiked as a result of chronic housing shortages.

The success of the Banqer model, which Kohorts is following, has been partly due to making life easy for teachers, who may be expert educators but not experts at money management.

The virtual world requires teachers to be involved, but does not require them to begin as money experts.

Brown said: “It’s easy to say this should be taught in schools but the reality for schools to make this happen is a challenging one.”

“Teachers currently face a number of constraints making it hard for them to teach this life skill. We simply hope to remove those.”

Kohorts was tested in Taranaki schools, assisted by Taranaki Futures, which is a project aiming to prepare secondary school children for life in the workforce.

MONEY SMARTS OF OECD’S YOUNG ADULTS

US: Only 27 per cent of young adults know what inflation is.

UK: 52 per cent of young Brits have been in debt by the age of 17.

DENMARK: 73 per cent of young adults have little or no knowledge of interest rates.

CANADA: 63 per cent of young adults believe it is important to learn about personal finance at a young age.

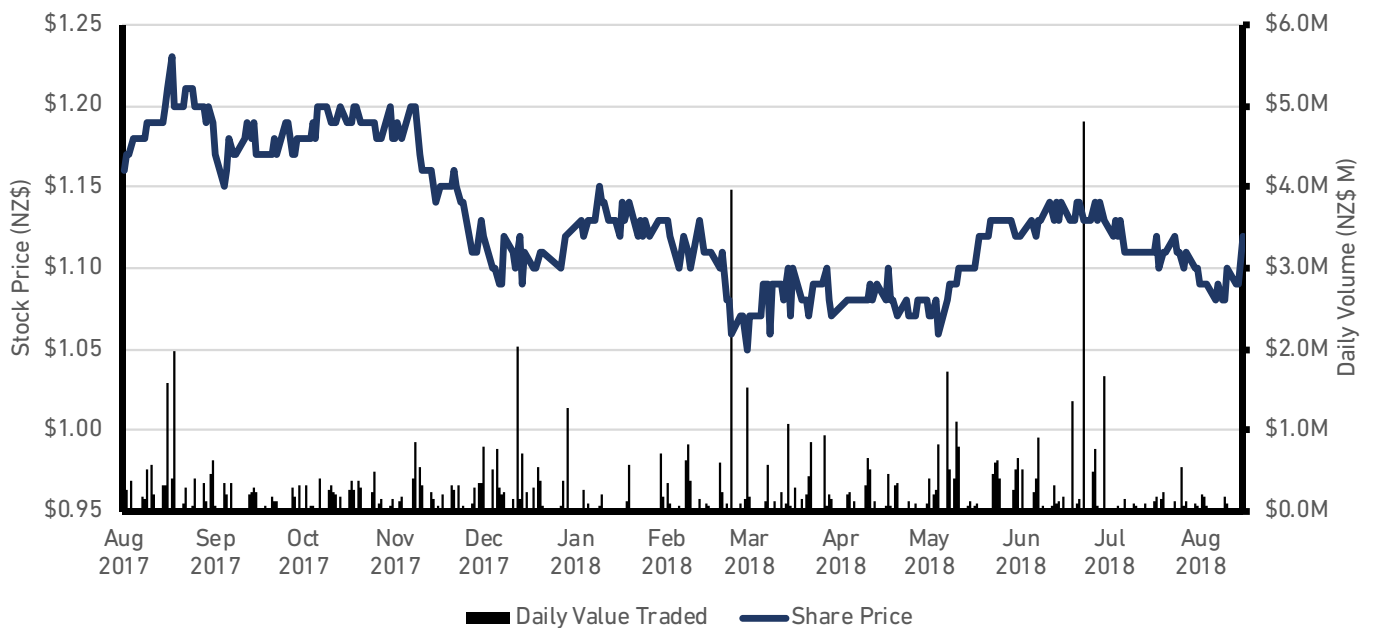
APPENDIX #8: BRIAN GAYNOR'S NZ HERALD ARTICLES ON NZX

- NZX left in the dust (NZ Herald - 18 November 2017)
https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11945219
- Xero sends a message to the market (NZ Herald - 11 November 2017)
https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11942805
- Breakup best for lacklustre NZX (NZ Herald - 10 June 2017)
https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11873388
- Why does the NZX have so few IPOs and what does this mean for investors and the economy? (NZ Herald - 27 May 2017)
https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11863859

APPENDIX #9: LIQUIDITY ASSESSMENT

- The one-year average daily trading volume in NZX totals NZ\$0.31M (~0.11% of the current market cap of NZ\$290M*).

NZX STOCK PRICE vs. DAILY VALUE TRADED

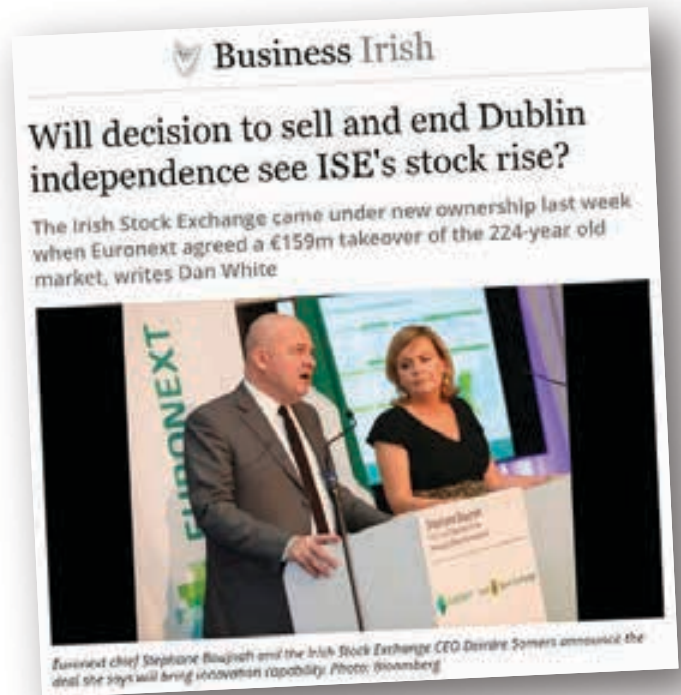


APPENDIX #10: M&A VALUATION

- While we are clearly not presenting/suggesting a takeover scenario of NZX, it is interesting to note that the NZX is currently trading at 10.2 times of its 2017 EBITDA. Compare this to the 16.5x EV/EBITDA multiple Irish Stock Exchange (ISE) was sold at in December 2017.
- If NZX is valued at the same 16.5x EV/2017 EBITDA multiple, this implies a share price of NZ\$1.76 per share, which offers a +60% upside from current market prices. If we assume 16.5x EV/2020 EBITDA (based on Elevation Capital scenario and estimates), this implies a value of NZ\$2.38 per share.
- While we understand that an acquisition of the NZX is highly unlikely given the Crown's right to veto (nor are we suggesting/recommending this as an option) it should not stop us from assessing the Management and Board based on this strategic alternative.

“We needed brand and we needed technology and innovation capability. Neither of those two areas would have been possible to grow ourselves organically.”
 - ISE CEO Seirdre Somers

“The transaction will unlock significant growth potential and development opportunities for the Irish Stock Exchange”
 - Euronext CEO Stéphane Boujnah



Euronext is paying €137m, the equivalent of 16.5 times the Irish Stock Exchange's 2016 EBITDA

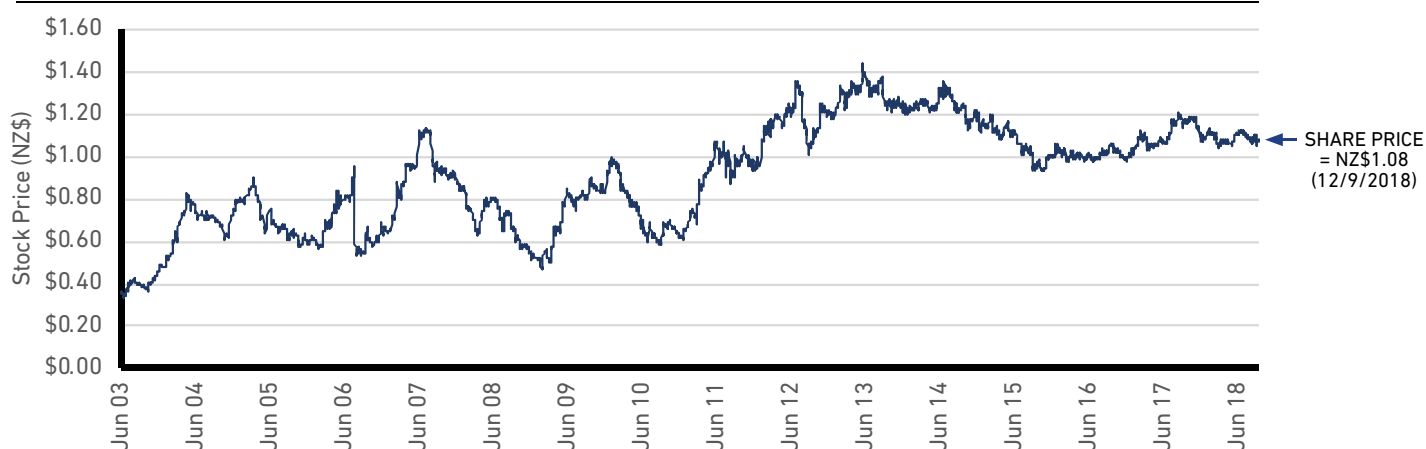
“The Irish Stock Exchange has successfully diversified away from its domestic market in recent years. Under chief executive Deirdre Somers and her predecessor, the late Tom Healy, it has become the world's number one destination for listing debt securities, investment funds and exchange traded funds (ETFs). This diversification has transformed the ISE. What was as recently as the 1980s little more than a glorified gentlemen's club with old-school brokers gathering every morning and afternoon for sedate trading sessions across the exchange floor, is now a thriving Irish-based international financial services business. ”

* Share Price of \$1.08, as at 12 September 2018

APPENDIX #11: NZX AT A GLANCE

MARKET CAPITALISATION NZ\$290M	SHARE PRICE NZ\$1.08	SHARES OUTSTANDING 269M	EPS (2017) 5.5 CPS	DPS (2017) 6.1 CPS**	P/E RATIO 19.6x	DIVIDEND YIELD 5.6%
OPERATING REVENUE (2017) NZ\$75.3M	OPERATING EXPENSES (2017) NZ\$46.3M	OPERATING EARNINGS (2017) NZ\$29.0M	OPERATING MARGIN (2017) 38.5%	HEADCOUNT (2017) 238	HEADCOUNT (30/6/18) 245	
NET PROFIT BEFORE TAX (2017) NZ\$20.9M	NET PROFIT AFTER TAX (2017) NZ\$14.8M	NET MARGIN (2017) 19.7%	TAX RATE (2017) 29.0%	TOTAL RETURN (2018YTD') +6.7% (S&P/NZX50 = +9.5%)	TOTAL RETURN (2017') +14.9% (S&P/NZX50 = +22.0%)	

NZX STOCK PRICE SINCE 2003



APPENDIX #11: NZX AT A GLANCE (CONTINUED)

2017 RESULTS	OPERATING REVENUE	OPERATING EXPENSES	OPERATING EARNINGS	OPERATING MARGIN
NZX GROUP	\$75.3M	-\$46.3M	\$29.0M	38.5%
CORE MARKETS	\$52.4M	-\$12.3M	\$40.0M	76.3%
AGRI	\$8.2M	-\$6.4M	\$1.8M	21.5%
FUNDS SERVICES	\$14.8M	-\$12.1M	\$2.7M	18.4%
CORPORATE	-	-\$15.5M	-\$15.5M	-
CORE MARKETS:				
ISSUER RELATIONSHIPS	\$24.3M	\$6.6M	\$17.7M	73.0%
SECONDARY MARKETS	\$16.6M	\$4.3M	\$12.3M	74.0%
DATA & INSIGHTS	\$11.5M	\$1.5M	\$10.0M	87.2%
2018 1H RESULTS	OPERATING REVENUE	OPERATING EXPENSES	OPERATING EARNINGS	OPERATING MARGIN
NZX GROUP	\$37.2M	-\$23.3M	\$13.9M	37.4%
ISSUER RELATIONSHIPS	\$11.5M	-\$2.5M	\$9.0M	77.9%
SECONDARY MARKETS	\$8.5M	-\$2.6M	\$5.9M	69.1%
DATA & INSIGHTS	\$5.6M	-\$0.9M	\$4.7M	84.8%
FUNDS MANAGEMENT	\$7.3M	-\$4.8M	\$2.5M	34.2%
WEALTH TECHNOLOGIES	\$0.5M	-\$1.1M	-\$0.6M	-91.7%
CORPORATE	-	-\$8.3M	-\$8.3M	-
AGRI (DISCONTINUED)	\$3.8M	-\$3.1M	\$0.7M	18.9%

TIFFANY & CO.

[TIF:US]

Research Presentation first released in December 2017 and was updated on 20 April 2018 for the 15th Annual Value Investors Conference held at Omaha, Nebraska , 3-4 May 2018.



“We call our positioning “inclusive luxury”, not exclusive luxury – and that’s a very American approach. You know, the fact that everyone can come to Tiffany, you start coming to Tiffany when you are very young, and maybe you can look for the most beautiful diamond in the world, then you keep coming back to Tiffany as you grow up, achieve in life and can afford bigger and more beautiful things.”

Nicola Andretta, Tiffany & Co’s Head of Watches



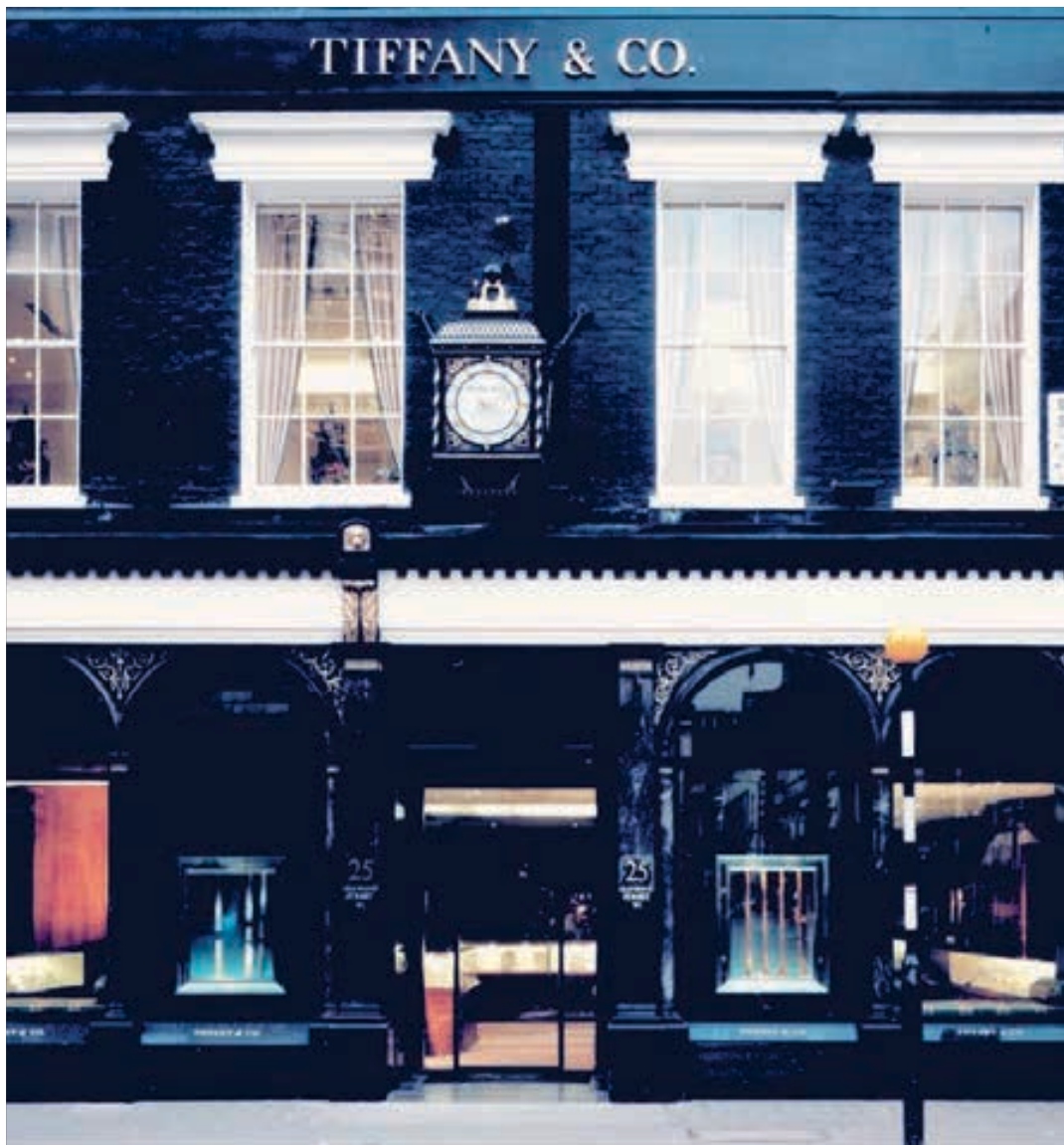
AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

- Many of the global luxury players have struggled in recent years as macro-economic uncertainty and headwinds in Europe and America, and the tightening of anti-corruption laws in China negatively impacted consumer sentiments and spending.
- Recently, a number of Tiffany's luxury peers like Kering, Richemont, LVMH and others have returned to growth. However, Tiffany has continued to struggle with disappointing financial results, partially due to the strong US Dollar, soft tourism numbers and a weak retail environment in the US. Some have blamed the poor performance on a tired brand image and lack of compelling products/collections to attract younger customers. Lastly, the proximity of its important New York Flagship store to Trump Tower also negatively impacted sales during the US Presidential Election.
- Tiffany is one of the oldest positions in the Elevation Capital Value Fund, as we have viewed the brand/company as underappreciated and undervalued. We first established a position in Tiffany in April 2012, and currently have an average cost of US\$61.74* (vs a current price of US\$95.52 as at 7 December 2017) since this position was initiated.
- Recent events such as the dismissal of Ex-CEO Frédéric Cuménil, the hiring of Reed Krakoff as Chief Artistic Officer, the involvement of activist investor JANA Partners in February 2017, and the hiring of new CEO Alessandro Bogliolo in July 2017 have built expectation of improved business performance and shareholder returns.



*Elevation Capital Value Fund average cost as at 7 December 2017, includes dividends received

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



TIFFANY'S STORE ON OLD BOND STREET, LONDON

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Tiffany's 'old-world luxury' fails to charm millennials

By Siddharthi Cavale and Nishat Fatmā, reuters.com

May 23, 2016

(Reuters) - For Alan Feid, a 28-year-old looking to buy an engagement ring for his fiancée, the rings he found in the diamond district in Manhattan were just as good as the ones he saw at Tiffany & Co's (TIF.N) flagship store on Fifth Avenue. And they cost less than half the price.

"At the end of the day, I don't think there's much of a difference when it comes to the style or the quality," said Feid, a resident of Jersey City, New Jersey.

Tiffany's jewelry, long considered a status symbol, has been patronized by Hollywood A-listers and the political elite, and coveted by well-to-do baby boomers who made the brand synonymous with weddings and anniversaries.

But for millennials, increasingly unswayed by brand names and seeking more bang for their buck, Tiffany's "old-world luxury" charm isn't working, said Neil Saunders, chief executive of retail research firm Conlumina.

The company's problems are shared by department-store operators such as Macy's Inc (M.N), whose customers are switching to off-price retailers like TJX Cos Inc (TJX.N), where they get similar apparel for much less.

This growing demographic of high-earning but not-yet-rich millennials - with annual salaries of \$100,000-\$250,000 - are spending more on brands that offer them a more contemporary look or on jewelry made by niche designers.

The rise of online shopping has also exposed these tech-savvy shoppers to a broader array of smaller brands, and conditioned them to wait for deals.

The effect of these trends are being reflected in the century-old retailer's sales, which have fallen for six straight quarters. The company reported on Wednesday its biggest drop in quarterly sales since 2009.

"The brand is not seen very negatively but it is seen as being somewhat tired and traditional," Saunders said.

"Younger consumers especially see it as a place that is for the older generation and for a different era."



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

theguardian

Tiffany & Co sales lose sparkle as tourists shun high-end jewellery

Wednesday 23 May 2016 15:21 BST

Shares drop 4.5% after jeweller reports steepest decline in quarterly sales since peak of the global financial crisis



Cate Blanchett wearing Tiffany & Co jewelry at the star's Oscar ceremony. Photograph by Graham Carnahan/Reuters/Outline

Tiffany & Co has reported its steepest drop in quarterly sales since the peak of the global financial crisis, as a strong dollar discouraged tourists from buying its high-end jewellery and eroded revenue from markets outside the United States.

Shares of the company, whose designs were worn by Cate Blanchett on the Oscars red carpet this year, fell 4.5% in pre-market trading on Wednesday.

In the Americas region, Tiffany's sales at stores open more than a year plunged 10% in the first quarter. Analysts on average had expected a 9.1% decline, according to research firm Consensus Metrix.

"Decline in customer share is evident among most shopper segments, including more affluent households," said Neil Saunders, the chief executive of research firm Conlumino.

"It is especially pronounced among affluent younger shoppers where the brand is seen as representing 'old world luxury'."

A luxury jewelry company that is nearly 200 years old, Tiffany has long been cashing in on the gift-giving traditions of heteronormative romance. Audrey Hepburn's *Holy Grail* might have described its stores' masculine appeal best when she mused in *Breakfast at Tiffany's* that "nothing very bad could happen to you



Tiffany has long been cashing in on the gift-giving traditions of heteronormative romance.

there, not with those kind men in their nice suits." The 1961 film (and the Truman Capote novella on which it was based) accurately depicts how, while Tiffany was a place for Holly to window-shop, it was her love interest Paul who would be doing the buying.

As it tries to figure out how to jolt declining sales, Tiffany has found itself in turmoil, dismissing its head of design and CEO in quick succession. It believes the self-purchasing woman is key to getting back on track. What better way to increase purchases than by zeroing in on a huge and hugely influential demographic that they've heretofore underestimated?

Luxury slowdown aside, a longer-term threat lurks for Tiffany

Kristina Gustafson | @KristinaGustaf

Published 10:59 AM ET Wed, 25 May 2016 | Updated 12:54 PM ET Wed, 25 May 2016



A global luxury slowdown isn't the only thing eating away at Tiffany's revenues — and it's this less-talked-about threat that could have longer-lasting effects on the brand's revenues.

As the luxury jewelry maker on Wednesday reported another quarterly sales dip, analysts questioned whether its struggles in the U.S. were not only the result of fewer international tourists, but also a lack of interest from millennial shoppers.

Millennials will only become more important to luxury brands as they work their way up into higher-paying jobs.

"We continue to wonder if there is something beyond the macro, and more about the Tiffany brand itself not resonating with certain customers," Citi analyst Paul Lejuez told investors Wednesday.

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Tiffany & Co. Releases Their First Fragrance in 15 Years

Tiffany offers a sparkling scent 'for all the women who love jewellery'

CAITLIN AGNEW
SPECIAL TO THE ECORE AND MAX
NOVEMBER 16, 2017

Some women sleep in nothing but their signature fragrance, while others prefer to wear only their jewels to bed. This season, Tiffany & Co. offers both audiences something suitable with a new namesake perfume.

"This fragrance is for all the women who love jewellery," says Daniela Andrier, the Givaudan master perfumer who created the eau de parfum. When setting out to capture the iconic Fifth Avenue brand in scent, Andrier took a personal approach. "I chose the parts that I am the most touched by – the romance, the joy, the promise and also the elegance of Tiffany."

The result is a sparkling floral musk that offers a contemporary take on the classic ingredients of *haute parfumerie*, mirroring the design ethos at Tiffany.

"It's a very beautiful way to mix romance and modernity, because it allows us to create something with a lot of tradition that smells really different than ever before," says Andrier.

Opening with *vert de mandarine*, the fragrance transitions to a heart of iris, a French flower found in some of the earliest sketches at Tiffany. Finally, a base of patchouli wrapped in a blend of musks dries down to a sensual finish. "It's very chic, clean and sophisticated," Andrier says.

This uptown sensibility is matched by the glass bottle, which takes its cues from the house's signature diamond cuts. The faceting at the base is reminiscent of the world-famous 128.54-karat Tiffany Diamond, while the lines at the shoulders nod to the Lucida-cut engagement ring. Of course, like any purchase made at the jewellery house, the fragrance comes packaged in a signature Tiffany-blue box.

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

EATER
NEW YORK

Here's What Breakfast at Tiffany's Really Looks Like

Photographing a meal at Tiffany's new Blue Box Cafe

by Stefania Toder | @stefanietoder | Nov 13, 2016, 8:00am EST

Photography by Jesse Jackson



In Holly Golightly's now-iconic 1961 **breakfast outside of Tiffany's**, her morning meal consisted of a bodega croissant and coffee, leisurely consumed while yearningly window shopping. In the real-life cafe, now open for four days at the Fifth Avenue store, it's a **rushed, 60-down affair** that sets diners back at least \$29.

Blue Box Cafe swung open its luxurious doors last week and has been packed ever since -- people who arrived even an hour before the 10 a.m. opening on Saturday were sent home since reservations were already full for the rest of the day. People returned to queue up the next day more than four hours in advance of Sunday's noon opening.

The cafe is the luxury jeweler's first foray into food, with set breakfast, lunch, and tea service at \$29, \$39, and \$49 respectively. Bloggers and Breakfast at Tiffany's lovers filled the room this weekend, devouring avocado toast, truffled eggs, finger sandwiches, and lots of tea.

Blue Box Cafe is the culmination of Tiffany's attempt to connect with millennials and **modernize the struggling brand**. Back in January, the 180-year-old retailer **brought on chief artistic officer Reed Krakoff** to create a line of homewares and accessories called "Everyday Objects." These everyday objects include a **\$1,000 tin cup** and a **\$9,000 silver ball of yarn** that have been **making the social media rounds**.

They're all housed on a redesigned fourth floor of the flagship store, and the cafe is meant to be a way to lure people to spend money on the highly Instagrammable new line. **Richard Moore**, the vice president creative director overseeing all things store and window design, told Vanity Fair that they hope the cafe "will draw customers up to experience the artfully composed home of Tiffany's new luxury home and accessories collection of etched everyday objects."



IDL Worldwide @IDLWorldwide - Nov 14

This weekend, **@TiffanyAndCo** opened the doors to an on-brand **Tiffany blue cafe** at their NYC flagship - joining the movement of increasing "focus on cultivating experiences for shoppers".

Sometimes

#BreakfastATiffany

#img2hellw #OLWW



Finally, You Can Have Breakfast at Tiffany

Tiffany & Co. opened the first-ever cafe at its flagship New York store, where visitors can now have breakfast and channel Audrey Hepburn.

fybirens.com

Fans Line Up To Eat Breakfast At Tiffany's

A crowd of "Breakfast at Tiffany's" fans stretched around the block Friday to dine at the iconic jewelry company's new cafe.



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Tiffany & Co.'s New Home and Accessories Line is Absurd in the Best Way Possible

Among our favorite items? A \$1,500 tin can, a \$9,000 ball of yarn, and \$95 Tiffany blue paper cups.

 **LINDSAY SILBERMAN** NOV 2, 2017

Just in time for the holidays, **Tiffany & Co.** has unveiled its latest Home and Accessories collection – and well, it is truly something else. Beyond the classic pieces we’ve come to expect from the heritage brand (like sterling money clips and crystal glassware) you’ll also find a range of products that Tiffany’s describes as “ordinary objects made extraordinary,” which is an understatement, to say the least. There’s a \$9,000 ball of yarn, a set of “paper cups” made of bone china, and a sterling silver tin can. If this launch is any indication of what the company’s new chief artistic officer Reed Krakoff has in store, we’re eager to see what’s next.

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Globe-Trotter and Tiffany & Co. Team up for Limited Edition Luggage Collection

In Tiffany Blue, of course.

By [Dina Nathman](#) / Nov 14, 2017 / 7 items

Tiffany & Co. is known for its classic "Tiffany Blue" packaging with a white ribbon, as well as beautiful jewelry and exquisite diamonds. Now, the brand has teamed up with **Globe-Trotter** for a limited-edition collection. Tiffany's unique and identifiable aesthetic has been translated into a five-piece suitcase range, featuring a jewelry case, four trolley suitcases and a vanity case, all produced with vulcanized fibreboard in the highest quality.

The suitcases are all handmade, and will be available at Tiffany & Co.'s Fifth Avenue Flagship, as well as select stores, from November 1. Peep the luxury suitcases above, and get ready to travel in style. Don't forget to check out Tiffany's recent [accessories collection](#) while you're at it.

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

Tiffany bets NYC pop-up stores will renew sparkle

By Lisa Fickenscher

October 26, 2017 | 5:50pm | Updated

MORE ON:
TIFFANY & CO

Tiffany's new cafe is every Holly Golightly fan's Instagram dream

Holly Golightly wouldn't approve of real-life breakfast at Tiffany's

For the pup that has everything, there's this \$2K Tiffany dog bowl

Tiffany's flagship recovers from Trump Tower disruptions

Tiffany & Co., unable to build its same-store sales over the past 2 1/2 years, will reach deep into its bag of tricks this holiday season.

The storied jeweler will open two tourist-focused pop-up stores in Manhattan next month — one in Grand Central Terminal and the other in Rockefeller Center, The Post has learned.

It is believed to be the first time Tiffany's has turned to pop-up stores in the US — although the company may have operated a few overseas, sources said.

The pop-ups will stock pre-wrapped jewelry, accessories and home gifts among other items.

"Tiffany & Co. has long been a destination for visitors from around the world," Senior Vice President Philippe Gattié said in a statement. "With new concept stores at two iconic New York City

landmarks, we're embracing the spirit of gifting this holiday season and beyond."

The pop-up stores will be open for 12 to 18 months, according to a spokesman.



AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?



Breakfast at Tiffany's Opening Scene - HQ



Tiffany & Co. - The 2017 Tiffany Blue Book



Tiffany & Co. - The Dream Maker



Tiffany & Co. - Kids Talk About True Love



[TIF:US]

INTRODUCTION



ONE OF THE MOST VALUABLE GLOBAL LUXURY BRANDS

- Based on Interbrand's Best Global Brands 2017 Rankings, Tiffany is one of the most valuable global luxury brands, ranked #5 amongst the top global luxury players in the top 100 global brands.
- If we only consider American luxury brands, then Tiffany is the #1 American luxury brand.



#1



#2

GUCCI

#3

Cartier

#4

TIFFANY & Co.

#5*

PRADA

#6

BURBERRY

#7

Dior

#8

A STORIED AMERICAN LUXURY HOUSE WITH BRAND MOAT

- Tiffany & Co. is one of America's few heritage luxury houses.
- It currently operates 315 stores in 30 countries*.
- The Tiffany brand is one of the most iconic global luxury brands, with a storied history that started in New York City 180 years ago when Charles Tiffany founded it in 1837.
- Tiffany is one of the few jewellers that has established a vertically integrated business model that provides a perception of quality and luxury to its products and services.
- We concur with Morningstar's assessment of Tiffany's moat...

“it is relatively harder to establish an enduring brand moat in precious jewellery than in other luxury goods categories, given high raw material value and fewer opportunities to communicate the brand. Only a handful of precious jewellery brands have time-tested global recognition, and even fewer generate good capital returns. Tiffany's brand equity is supported by iconic and long-lived collections, instantly recognisable blue boxes, and the “Tiffany blue” colour.”

Morningstar 23/1/2017



TIFFANY'S EMOTIONAL CONNECTION TO THE AMERICAN PUBLIC

- Marilyn Monroe's famous 1953 hit "Diamonds are a Girl's Best Friend" helped to place Tiffany into the American public consciousness.
- Tiffany was then immortalised by the 1961 movie "Breakfast at Tiffany's", starring film and fashion icon Audrey Hepburn, where the movie portrays the story of a young girl who transforms herself through aspiration.



THE WORLD OF TIFFANY



“Whether it is the irreverent, flighty, and fun designs of Jean Schlumberger, the delicate, sculptural forms of Elsa Peretti, or the bold colourful statement pieces of Paloma Picasso, Tiffany has created some of the most iconic, complex, and yet somehow complementary accessories for America’s frequently pared-down, effortless, smart, and adaptable fashion style.”

Historian Rebecca Tuite, author of “Seven Sisters Style: The All-American Preppy Look”



[TIF:US]

TIFFANY HISTORY, AND AN EVENTFUL 2017...



IT ALL STARTED IN 1837...

- 1837 Charles Lewis Tiffany and John F. Young opens Tiffany & Young, a store selling stationery and a variety of “fancy goods” at 259 Broadway in New York.
- 1845 Tiffany publishes the first “Blue Book” mail-order catalogue.
- 1853 Tiffany bought out his partners and the Company was renamed Tiffany & Co.
- 1878 Charles Lewis Tiffany purchases a 287-carat fancy yellow diamond. It is cut to 128.54 carats and named the Tiffany Diamond.
- 1880's Tiffany redesigned the Great Seal of the United States, which can be seen on the dollar bill.
- 1886 Tiffany introduces the Tiffany Setting diamond engagement ring.
- 1902 Louis Comfort Tiffany, son of Charles Lewis Tiffany, becomes the Company’s first official design director.
- 1940 Tiffany opens its now world-renowned Tiffany flagship store at the corner of Fifth Avenue and 57th Street.
- 1978 Tiffany & Co. was sold to Avon Products Inc. for about US\$104M.
- 1984 Avon sold Tiffany to an investor group led by William R. Chaney for US\$136M. Avon also sold the land and building of the Fifth Avenue flagship store to an investment group from Texas for US\$66.5M. The group sold the land and building to Daiichi Real Estate Company for US\$94.35M one year later, at the height of the real estate boom.
- 1987 The Company's initial public offering occurred on May 5, 1987. This time, the Company no longer owned the Fifth Avenue building nor the land beneath it, which it first purchased for US\$2.8M in 1963.
- 1999 Tiffany repurchased its Fifth Avenue flagship store for US\$94M.
Michael Kowalski was appointed CEO. He first joined Tiffany in 1983.
- 2003 Michael Kowalski assumed the role of Chairman of the Board.
- 2015 Frédéric Cuménil, the former president and CEO at LVMH’s Moët & Chandon succeeded Michael Kowalski as CEO.

AN EVENTFUL 2017...

2017

Activist investor JANA Partners and Francesco Trapani (former CEO of Bulgari) together purchased a ~5.1% stake in Tiffany.

Tiffany named Reed Krakoff as its Chief Artistic Officer, effective 1 February 2017.

Frédéric Cuménil resigned after only 22 months as CEO due to disappointing financial results. He is replaced by Chairman and former CEO Michael Kowalski.

Lady Gaga is featured in Tiffany's first Super Bowl commercial.

Tiffany announces that it has agreed to appoint three new directors to its board in a deal with JANA Partners and Francesco Trapani.

Tiffany named Alessandro Bogliolo as its new CEO, effective 2 October 2017.

Tiffany named Roger Farah as its new Chairman, effective 2 October 2017. Michael Kowalski remains a director.



2017 – FRÉDÉRIC CUMÉNAL STEPPED DOWN AS CEO

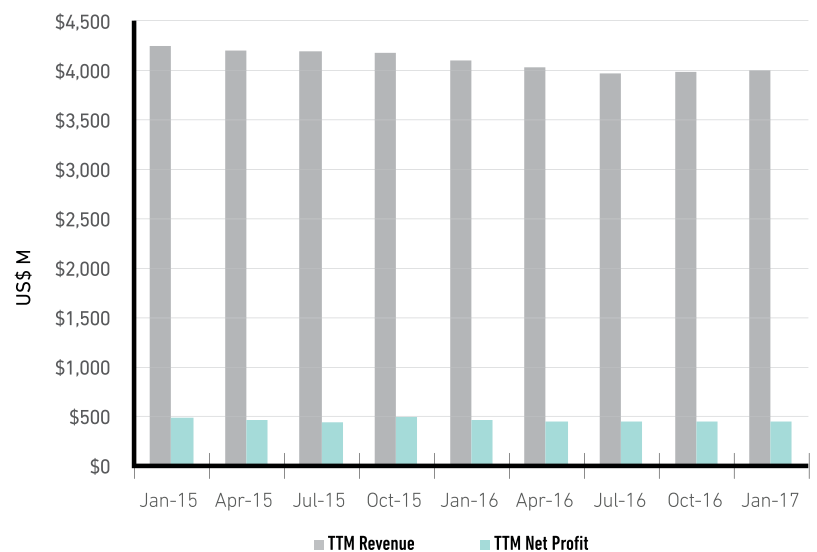
- Frédéric Cuméнал abruptly stepped down as CEO hours before Tiffany’s first Super Bowl commercial featuring Lady Gaga was aired on 5 February 2017 (See page 111 for the video).
- This followed the second consecutive year where revenue and profits declined under Cuméнал’s leadership (Tiffany’s financial year ends on 31 January).
- It was also reported in The Wall Street Journal (“WSJ”)* that just two days before the Super Bowl, JANA Partners informed the Company that it had built a stake and was seeking a meeting.
- On the surface, the reasons for Cuméнал’s dismissal were due to the lack of progress Cuméнал had made in the previous two years, and also his low expectations for a quick turnaround in the near future*.
- However, it was also speculated that Tiffany’s problem with Cuméнал ran much deeper*, starting with his poor relationship and lack of communication with the Board, and also his hierarchical/structured management style that clashed with the more open style atmosphere which Mr. Kowalski promoted in the past decade.
- We believe the announcement of Cuméнал’s immediate dismissal just before Tiffany’s first ever Super Bowl commercial signalled the Board’s strong disapproval of where Cuméнал was taking Tiffany.



“The Board is committed to our current core business strategies, but has been disappointed by recent financial results. The Board believes that accelerating execution of those strategies is necessary to compete more effectively in today’s global luxury market and improve performance.”

Tiffany’s announcement of Frédéric Cuméнал stepping down as CEO on 5 February 2017.

TTM REVENUE & NET PROFIT

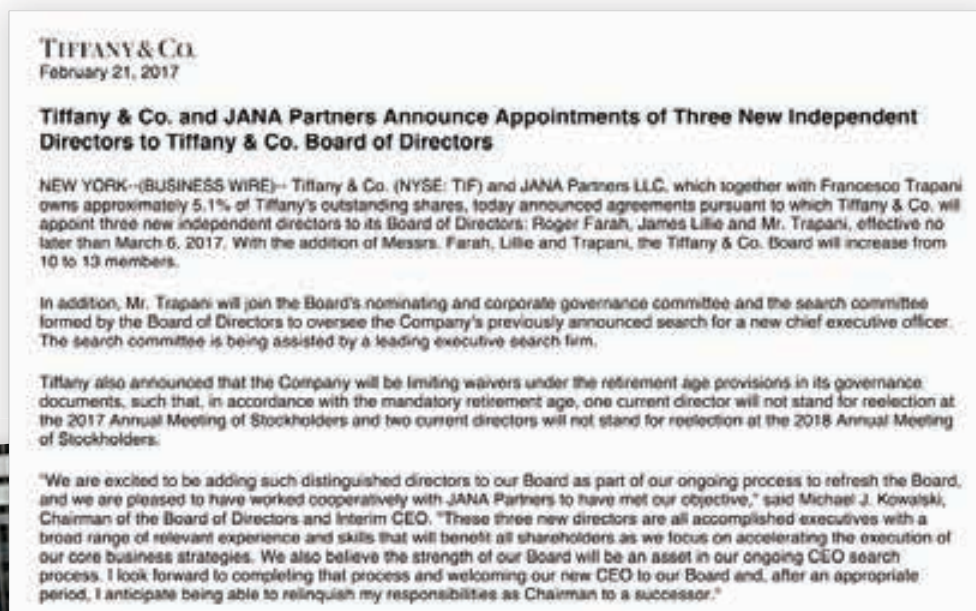


Tiffany’s trailing twelve months revenue and profits continued to decline during Frédéric Cuméнал’s tenure.

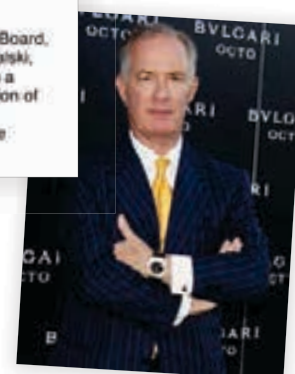
2017 – JANA PARTNERS & FRANCESCO TRAPANI

On 21 February 2017, Tiffany announced that...

- JANA Partners with Mr. Francesco Trapani own ~5.1% of Tiffany's outstanding shares.
- Tiffany agrees to appoint three new independent directors to its Board of Directors:
 - Francesco Trapani: Former CEO of Bulgari, former Head of Watches and Jewellery at LVMH, and the great-grandson of the Bulgari group founder Sotirio Bulgari;
 - Roger Farah: Co-CEO of the fashion brand Tory Burch (and former president of Ralph Lauren);
 - James Lillie: Former CEO of the consumer products conglomerate Jarden Corp which is now part of Newell Rubbermaid.
- To date, we have observed the Board has taken a positive and co-operative step towards working with JANA/Trapani instead of trying to fight off a potential activist campaign. We suggest this is highly beneficial to the Company and all shareholders, as observed from the successful recruitment of Alessandro Bogliolo, the former COO of Bulgari (and more recently former CEO of Diesel) as Tiffany's new CEO, and the naming of Roger Farah, one of the three new directors as Chairman.



Barry Rosenstein, Founder, Managing Partner and Co-Portfolio Manager of JANA Partners



Francesco Trapani, the former CEO of the Italian jewellery house, Bulgari

2017 – NEW CEO – ALESSANDRO BOGLIOLO



- On 13 July 2017, Tiffany named Alessandro Bogliolo as its new CEO, effective 2 October 2017.
- Alessandro Bogliolo was the CEO of the Italian fashion brand Diesel since 2013. He was previously the COO of the Italian jewellery and luxury goods brand Bulgari for many years until it was acquired by LVMH in 2011. We note that Mr. Bogliolo had worked with Mr. Francesco Trapani for many years when Mr. Trapani was the CEO of Bulgari.
- We believe the key reasons to Mr. Bogliolo's appointment as Tiffany's new CEO are:
 1. Mr. Bogliolo's long history working at the prestigious luxury house of Bulgari in a senior leadership position;
 2. Mr. Bogliolo's efforts and positive results in revitalising the Diesel brand in a relatively short period of time since his hiring in 2013; and,
 3. Mr. Trapani's personal endorsement as Bogliolo's former boss, and the support of the JANA/Trapani alliance.

“Alessandro has a well-deserved reputation for creativity and execution, having previously led a number of international brands to success and improved performance. I also believe that his vision and team-oriented approach make him an ideal fit with Tiffany's long-standing values.”

Michael J. Kowalski, Chairman and interim CEO, 13 July 2017.

“We are delighted to have been able to attract a leader who has the global experience and passion for our brand and heritage to drive extraordinary design, outstanding customer experience and capital efficiency. He is a proven executive with the skills necessary to accelerate revenue growth and increase value for all shareholders during this next chapter for Tiffany.”

Rose Marie Bravo, Chairwoman of the Search Committee of the Board of Directors, 13 July 2017.

2017 – NEW CHAIRMAN & NEW CHIEF ARTISTIC OFFICER

NEW CHAIRMAN ☞ ROGER FARAH

- On 21 September 2017, Tiffany named Roger Farah as its new Chairman, effective 2 October 2017. Mr. Farah has over 40 years of experience in the lifestyle products and retailing sectors.
- Mr. Farah served as the Co-CEO of Tory Burch from 2014 to 2017. He also served as President and COO of Ralph Lauren from 2000 to 2013 and as Executive Vice Chairman from November 2013 to May 2014. Prior to joining Ralph Lauren, he served as Chairman of the Board and CEO of Venator Group (now Foot Locker)



NEWLY CREATED POSITION ☞ CHIEF ARTISTIC OFFICER ☞ REED KRAKOFF

- On 17 January 2017, Tiffany named Reed Krakoff as its Chief Artistic Officer, effective 1 February 2017.
- Krakoff began designing for classic American design houses such as Anne Klein and Ralph Lauren. Krakoff became known throughout the industry for his time spent with iconic accessories brand, Coach, and spent most of his 16 years with the company as President and Executive Creative Director.
- Krakoff has been working with Tiffany from 2016 as a creative collaborator on the launch of a new Home & Accessories Collection that debuted in November 2017.
- He directs design for Tiffany & Co. brand jewellery, as well as luxury accessories, and leads the brand's overarching artistic and design vision with respect to stores, e-commerce, marketing and advertising.



[TIF:US]

INDUSTRY OUTLOOK



REGIONAL OUTLOOK

AMERICAS
Continuing to underperform with unclear outlook

US FACING STRONG DOLLAR, UNCLEAR POLITICS AND WEAK DEPARTMENT STORES
LATAM FUELED BY LOCALS ALSO DUE TO US LIMITATIONS
CANADA DYNAMIC YET SLIGHTLY SLOWING DOWN

EUROPE
Shining, progressively overcoming 'terrorism shock'

INCREASINGLY ATTRACTIVE TO TOURISTS OF ALL NATIONALITIES
PERCEIVED TO BE SAFER, POST-BREXIT UK OVERPERFORMS
LOCALS REGAINING CONFIDENCE IN ALL COUNTRIES

MAINLAND CHINA
Firm rebound with healthier local consumption

CHINESE SHOWING ROBUST IMPULSE TO MAINLAND CHINA
LOCALS INCREASINGLY PREFERRING TO BUY LUXURY AT HOME; STILL TRAVELLING BUT BUYING LESS ABROAD

2017 FULL YEAR OUTLOOK

REST OF ASIA
Undermined by repatriation of Chinese consumption

HK & MACAU NEGATIVE YET 'KIDS ARE GONE'
TAIWAN & SEA SUFFERING FROM CHINESE DROP, SINGAPORE ON RECOVERY TRAJECTORY, SOUTH KOREA WEAKENED BY LOCAL POLITICAL TENSIONS

ROW
Quiet, waiting for the next hot spot to emerge

MIDDLE EAST FLAT, FACING A SLOWDOWN OF LOCALS WITH THE EXCEPTION OF DUBAI
AUSTRALIA DILUTED BY REDUCED CHINESE TOURISM
AFRICA NOT YET RELEASING ITS VALUE

JAPAN
Sluggish but 'safe harbor'

MATURE AND SLOW-MOVING BUT STILL A SAFE MARKET FOR LUXURY BRANDS
HIT BY DROP IN TOURISM, ESPECIALLY FROM CHINA, BUT STILL SUPPORTED BY LOCAL SPENDING

2017 FULL YEAR OUTLOOK

WORLDWIDE LUXURY MARKET MONITOR
2017 SPRING UPDATE

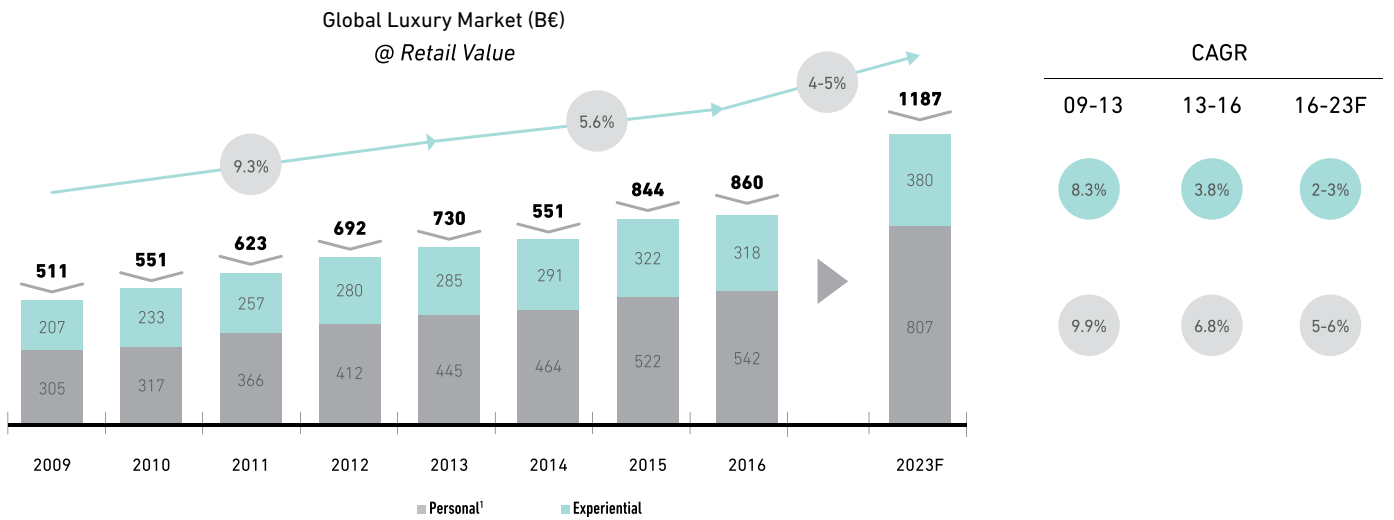
29 MAY 2017

BAIN & COMPANY

GROWTH FORECAST

- The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023.

THE GLOBAL LUXURY MARKET WORTH ~860Bn€ IN 2016,
EXPERIENTIAL GROWING FASTER THAN PERSONAL LUXURY



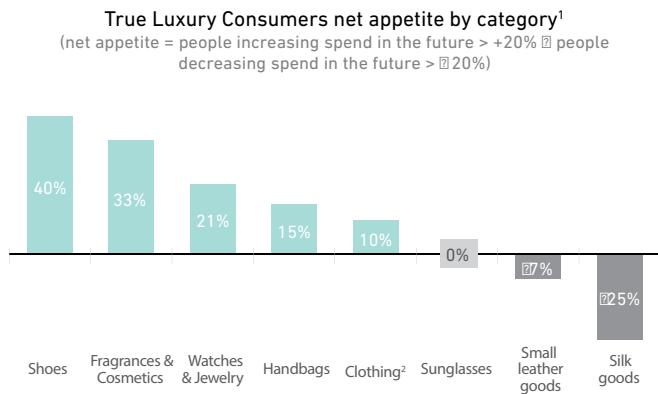
1. Personal goods include accessories, apparel, watches & jewelry, fragrances & cosmetics
Source: BCG/Luxury Market model



BY CATEGORY

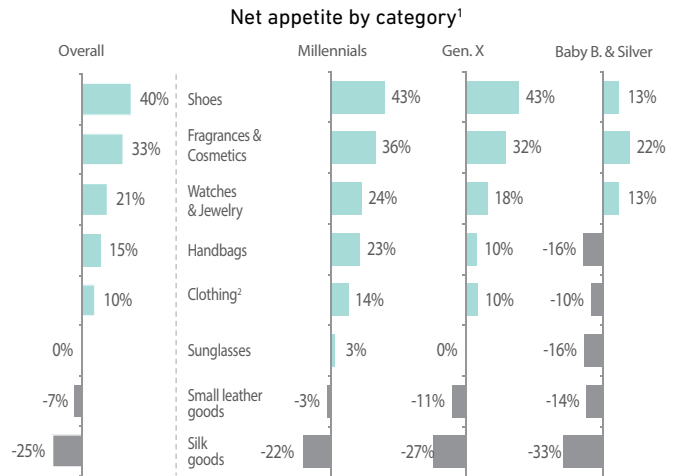
- Luxury consumers are expected to increase their spending on fragrances, watches and jewellery.
- Tiffany has recently released their first fragrance product in 15 years (manufacturer and marketed by Coty).
- Tiffany is rebuilding its watch business after the failed JV with Swatch.

IN A SLOWER PERSONAL LUXURY MARKET, WINNERS AND LOSERS EXPECTED AMONG VARIOUS CATEGORIES



1. Index calculated as percentage of customers who see growth in spend less the percentage who foresee a decrease in spend on the category (Positive - Negative). Multiple options answer (up to 5 categories)
 2. Including jeans / pants; shirts / topwear; dresses / suits; coats / outerwear; knitwear
 Source: BCG 2016 ad hoc study (12,000 luxury consumers in 10 countries)

APPETITE DRIVEN BY MILLENNIALS WITH SHOES AND F&C KEY TO RECRUIT THEM □ HANDBAGS POLARIZED

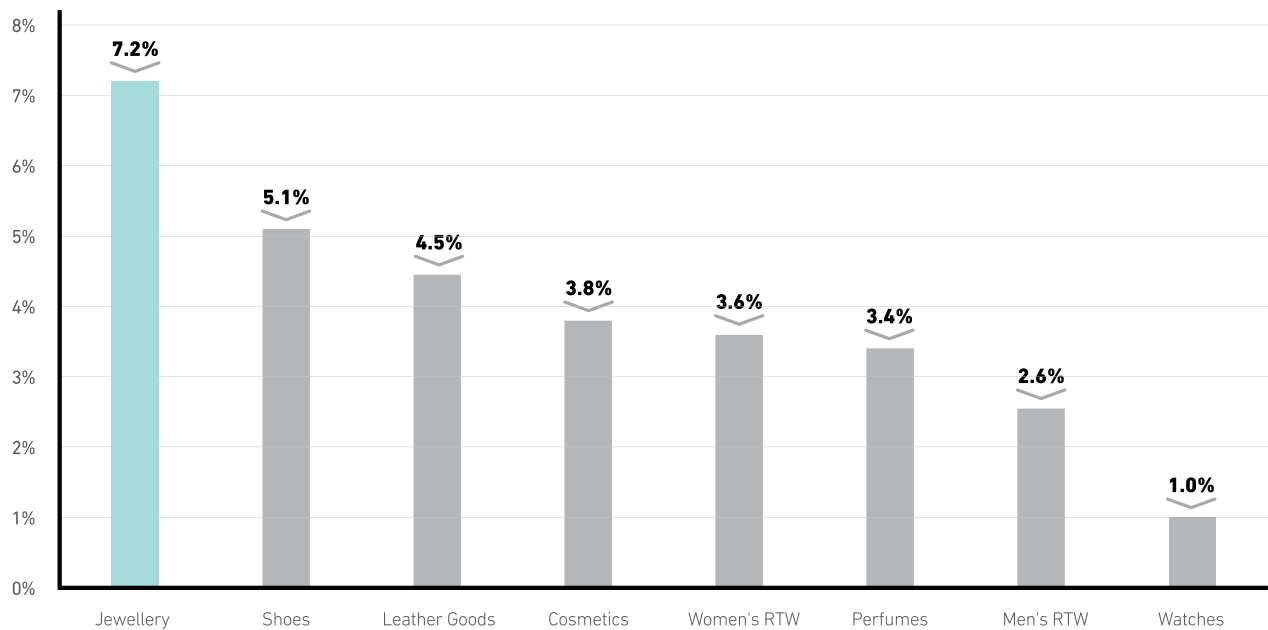


1. Index calculated as percentage of customers who see growth in spend less the percentage who foresee a decrease in spend on the category (Positive - Negative). Multiple options answer (up to 5 categories)
 Source: BCG 2016 ad hoc study (12,000 luxury consumers in 10 countries)

JEWELLERY TO OUTPERFORM

- Tiffany generates the majority of its sales from its jewellery offering (92% of Tiffany's FY2016 sales).
- Jewellery is forecast to be the strongest growing category, with a forecast annualised growth rate of +7.2% versus the broader global personal luxury sector from 2015 to 2020*.

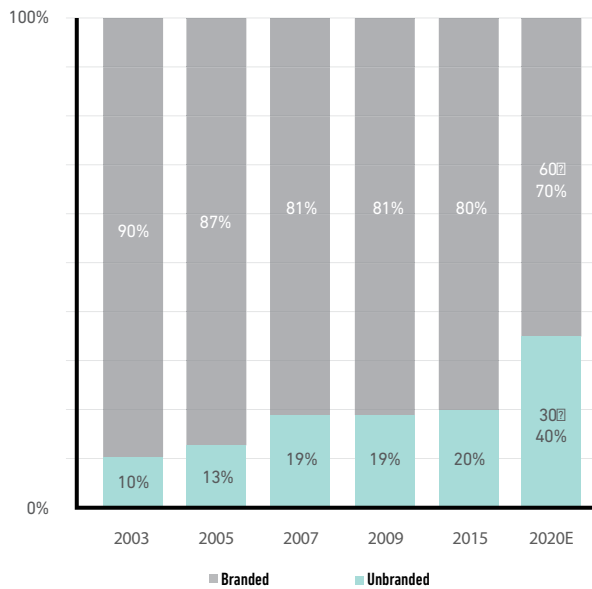
PERSONAL LUXURY SEGMENT FORECAST GROWTH (2015-2020 CAGR)*



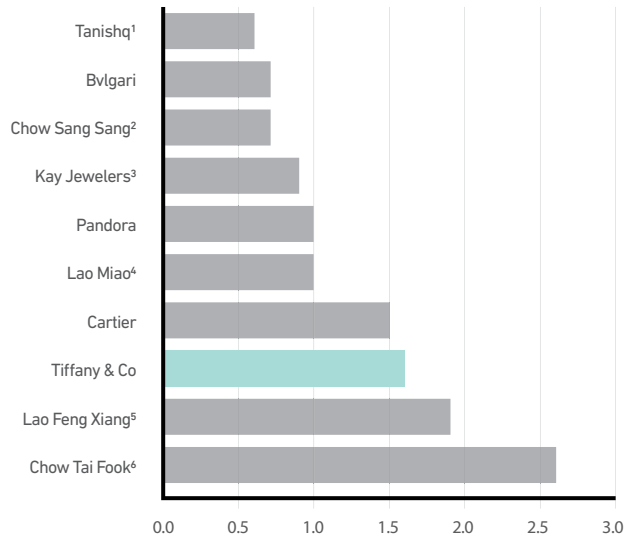
BRANDED VS UNBRANDED JEWELLERY

- The jewellery industry is primarily local, and ~80% of all jewellery sold is unbranded jewellery sold by local/national retailers.
- However, there is a growing trend towards branded jewellery as many consumers in growth markets such as India and China begin to shift purchase decisions from value to design/fashion/branding.
- According to Bernstein Research*, branded jewellery is expected to be the fastest growing personal luxury segment in coming years. The strong brand awareness globally for Tiffany should allow the Company to capitalise on this trend.

BRANDED vs UNBRANDED JEWELLERY (%)*



MARKET SHARE (%) TOP 10 GLOBAL BRANDS*



*Source: Bernstein Research - Tiffany: Time to get engaged? June 2016

1 Tanishq is a jewellery brand in India. It is a division of Titan Company (TTAN:IN).

2 Chow Sang Sang (116:HK) is a HK-based jewellery retailer/precious metals wholesaler, with over 200 stores in the Greater China region.

3 Kay Jewelers is one of the store brands owned by Sterling Jewelers, which is a wholly owned subsidiary of UK-based Signet Jewelers (SIG:US).

4 Lao Miao is a subsidiary of Shanghai Yuyuan Tourist Mart (600655:CH), the largest retailing conglomerate in China.

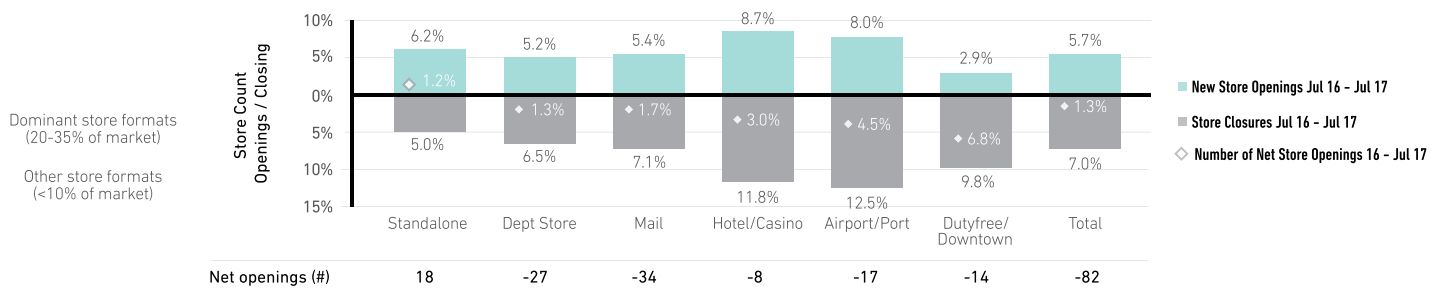
5 Lao Feng Xiang (600612:CH/900905:CH) is one of the oldest Chinese jewellery brands in existence (started in 1848). It operates over 3,000 stores worldwide, most of them in China.

6 Chow Tai Fook (1929:HK) is a multi-brand jewellery retailer (Chow-Tai Fook, Hearts On Fire, SOINLOVE, MONOLOGUE, CTF Watch) that operates 2,300 stores worldwide, most of them in China.

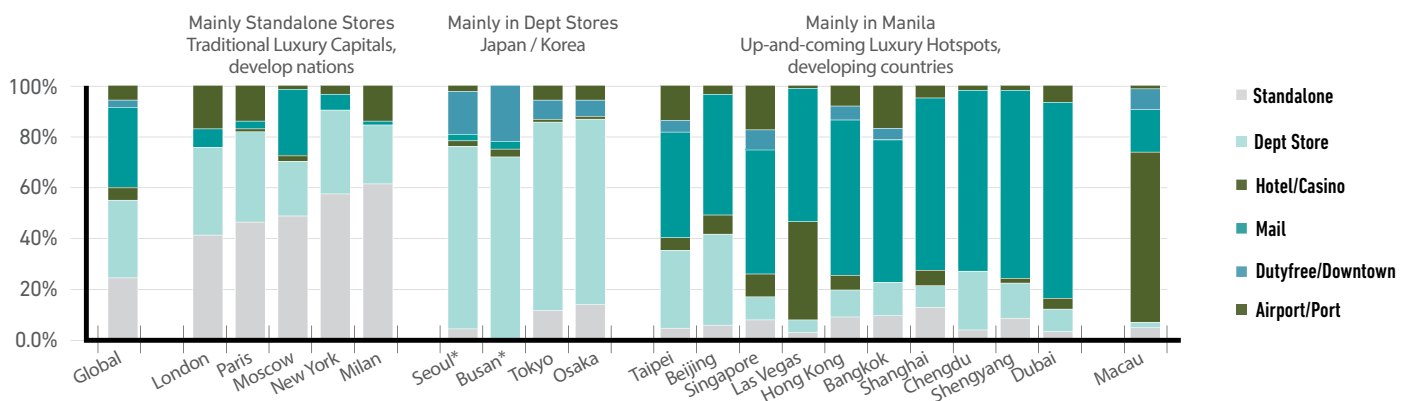
STORE NETWORK RESTRUCTURING

- Weakness in luxury spending in recent years has resulted in many luxury operators restructuring their stores to deal with previous over-expansion in footprint, especially in the Greater China region (Tiffany only has ~10% of its stores located in China). Additionally, the changing retail landscape, particularly the declining traffic for many department stores and malls in the US are of concern to the luxury retailers.

STORE COUNT GROWTH BY FORMAT: JUL 16 - JUL 17



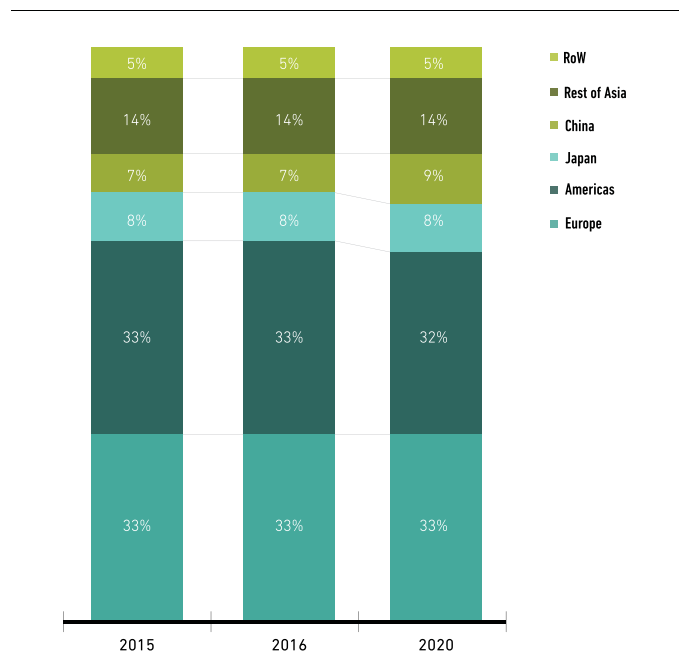
LUXURY STORE FORMATS ACROSS CITIES (% OF TOTAL SHARE)



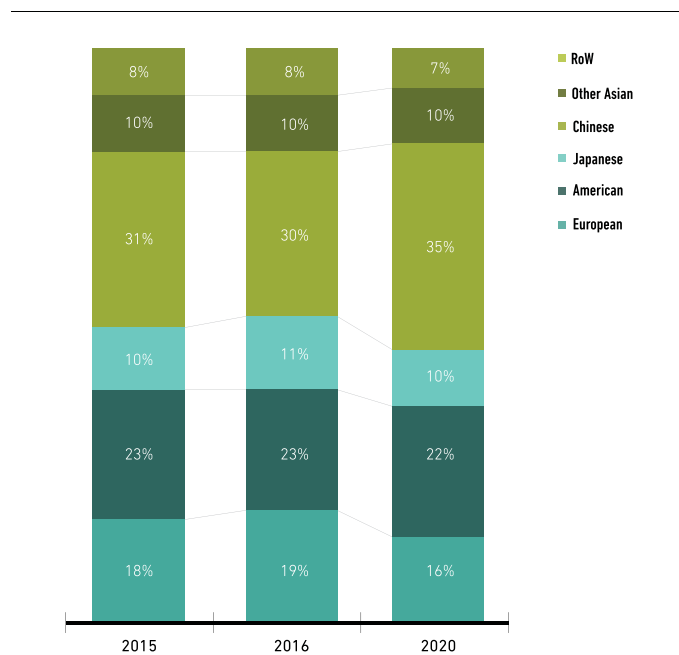
THE IMPORTANCE OF CHINA (1)

- The Chinese market is one of the most important markets (both in terms of geography and nationality) for global luxury operators. This market has been weak in recent years but there is now clear evidence of a recovery.

MARKET BY REGION



MARKET BY NATIONALITY



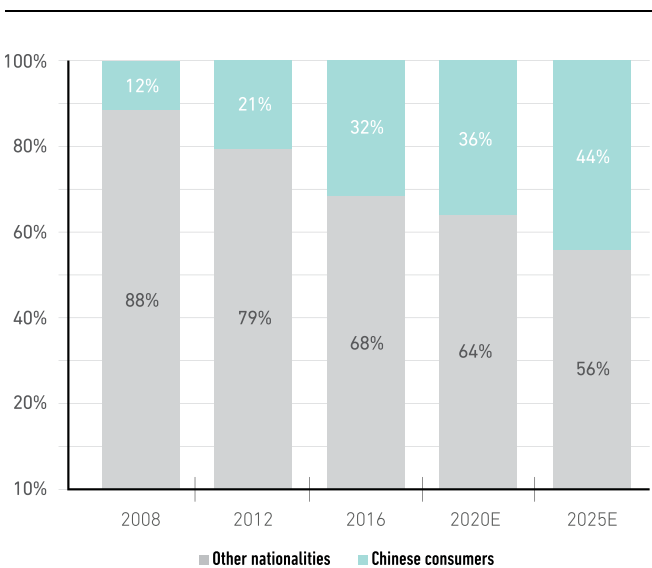
THE IMPORTANCE OF CHINA (2)

- It is forecast that the percentage of global luxury goods purchased by Chinese consumers will increase from an already impressive 32% in 2016 to 44% in 2025.
- Importantly, there is a trend in the last few years for the Chinese consumers to increase consumption of luxury goods in China.
- With relatively few stores in China (~10% of total stores), Tiffany is in a good position to steadily grow its store footprint in China with this increasing demand from Chinese domestic consumers.

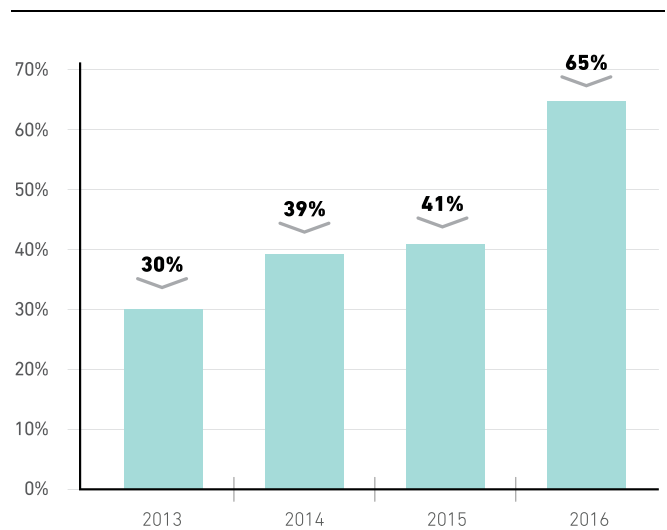
“The (Asia-Pacific) region’s sales increase came from the continuation of very strong comparable store sales growth in Mainland China.”

Tiffany Q3 FY2017 conference call (29 November 2017)

GLOBAL LUXURY GOODS - NATIONALITY SPLIT



% OF CHINESE BUYING LOCALLY*

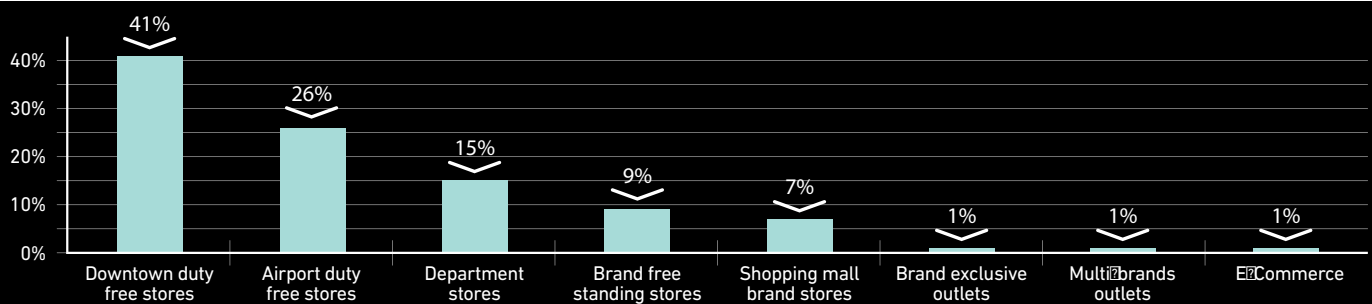


THE IMPORTANCE OF CHINA (3)

- The Chinese market is one of the most important markets (both in terms of geography and nationality) for global luxury operators. This market has been weak in recent years but there is now clear evidence of a recovery.



SHOPPING CHANNELS USED BY CHINESE CONSUMERS WHEN OVERSEAS





[TIF:US]

BUSINESS & GEOGRAPHIC SEGMENTS, STORES AND INVENTORY



OVERVIEW

- Tiffany management is challenged to delicately balance the idea of “inclusiveness” and “luxury” in its product offerings, as fashion jewellery continues to increase as a percentage of total sales in recent years.
- Tiffany breaks down its offering into five categories:



HIGH, FINE & SOLITAIRE JEWELLERY

19% of Sales

Average Selling Price
= US\$6,300



ENGAGEMENT JEWELLERY & WEDDING BANDS

28% of Sales

Average Selling Price
= US\$3,400



FASHION JEWELLERY

33% of Sales

Average Selling Price
= US\$350



DESIGNER JEWELLERY

12% of Sales

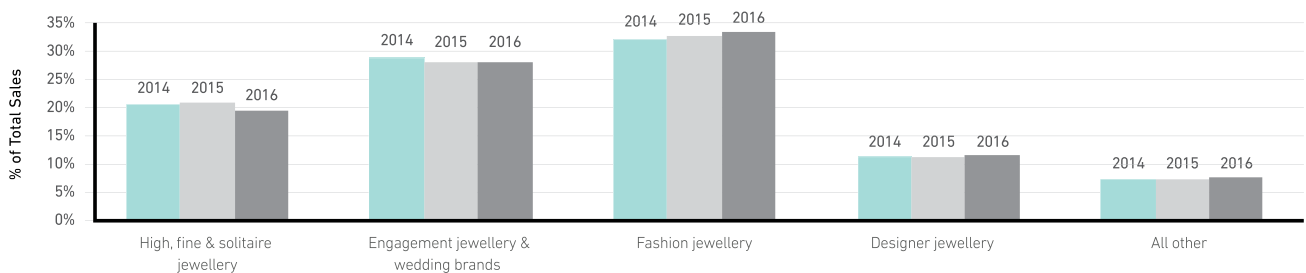
Average Selling Price
= US\$530



OTHER

8% of Sales

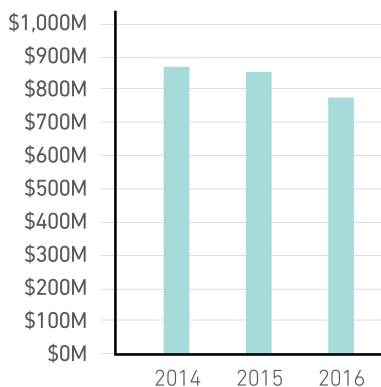
SALES BY REPORTABLE SEGMENT



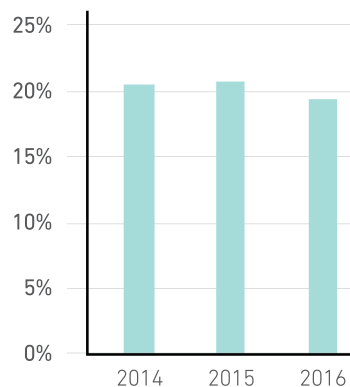
BUSINESS SEGMENTS – HIGH, FINE & SOLITAIRE JEWELLERY

- This category includes Tiffany’s high, fine and solitaire (other than engagement) jewellery.
- The Company notes that most sales in this category are of items containing diamonds, other gemstones or both. Most jewellery in this category is constructed of platinum, only 15% of sales are jewellery constructed primarily in gold.
- From the charts below, we see the category is in decline in terms of both absolute sales and percentage of total sales. The Company was unable to increase prices in 2016 due to further deterioration in demand.
- Management admitted there is a shift in mix away from high, fine & solitaire jewellery to fashion jewellery.
- Clearly this is a primary area of focus for the new CEO Alessandro Bogliolo.

SEGMENT SALES



AS A % OF TOTAL SALES



AVERAGE PRICE PER ITEM

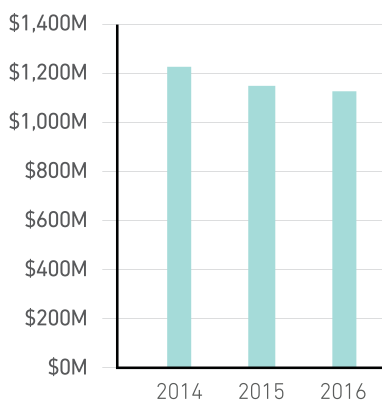


BUSINESS SEGMENTS – ENGAGEMENT JEWELLERY & WEDDING BANDS

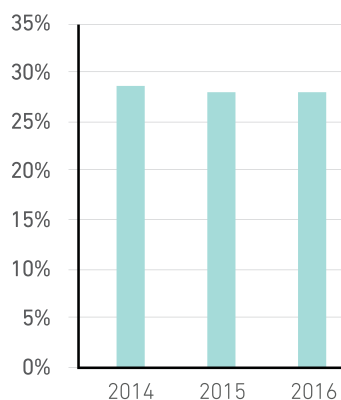


- This category includes Tiffany’s engagement rings (~60% of the category) and wedding bands (~40%).
- The Company notes that most sales in this category are of items containing diamonds. Most jewellery in this category is constructed of platinum, and 10% of sales are jewellery items constructed primarily in gold.
- From the charts on the right, we see the category is also in decline in terms of both sales and % of sales. Worse, the average prices also declined in 2015 and 2016.
- Management noted a shift from engagement rings to wedding bands.
- The main concern for this category is the continued decline in traditional marriage rates in recent years in the western world.

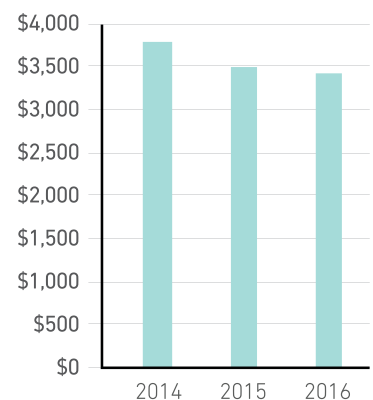
SEGMENT SALES



AS A % OF TOTAL SALES



AVERAGE PRICE PER ITEM



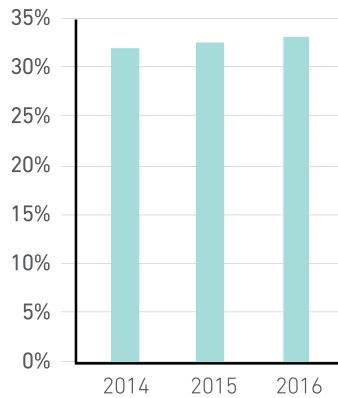
BUSINESS SEGMENTS – FASHION JEWELLERY

- Fashion jewellery, which represented 33% of Tiffany’s FY2016 sales, primarily consists of non-gemstone gold and silver jewellery. This category has relatively higher margins than Tiffany’s other categories.
- This category has outperformed Tiffany’s other categories for the last three quarters, driven partly by demand for gold jewellery and items from the “Tiffany T” collection (introduced in 2014).
- The Company has been able to improve the average price sold under this category from US\$310 in FY2014 to US\$350 in FY2016 (an increase of 13%).
- We see this category continuing to grow in importance for Tiffany. However, we do recognise the challenge of expanding this category without potentially cheapening the Tiffany brand.

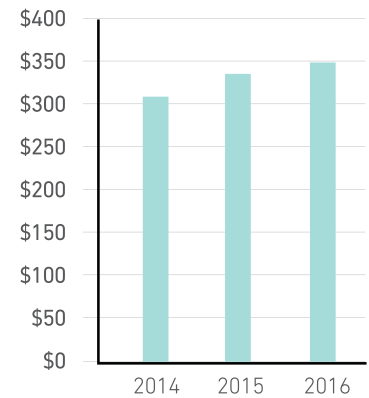
SEGMENT SALES



AS A % OF TOTAL SALES



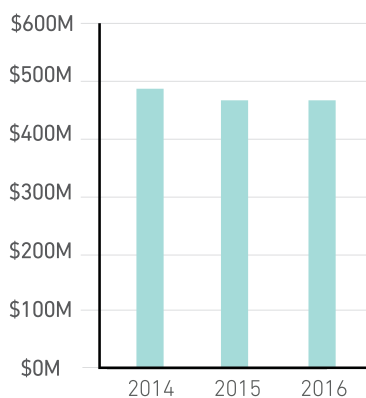
AVERAGE PRICE PER ITEM



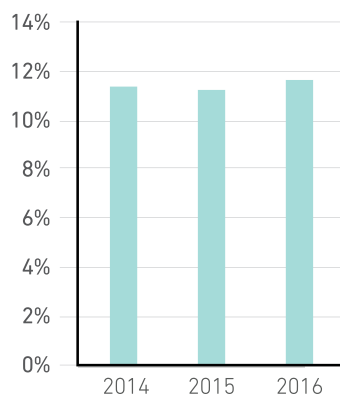
BUSINESS SEGMENTS – DESIGNER JEWELLERY

- This category includes Tiffany’s engagement rings (~60% of the category) and wedding bands (~40%).
- The Company notes that most sales in this category are of items containing diamonds. Most jewellery in this category is constructed of platinum, and 10% of sales are jewellery items constructed primarily in gold.
- From the charts on the right, we see the category is also in decline in terms of both sales and % of sales. Worse, the average prices also declined in 2015 and 2016.
- Management noted a shift from engagement rings to wedding bands.
- The main concern for this category is the continued decline in traditional marriage rates in recent years in the western world.

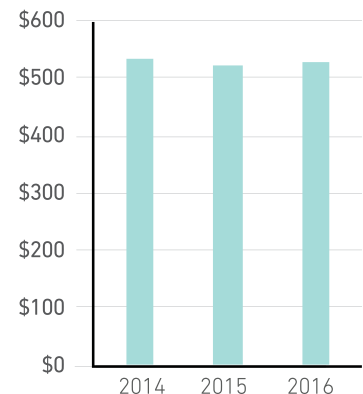
SEGMENT SALES



AS A % OF TOTAL SALES



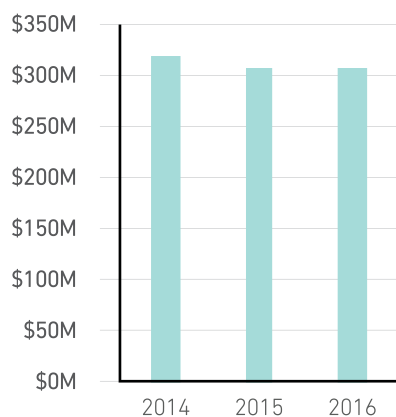
AVERAGE PRICE PER ITEM



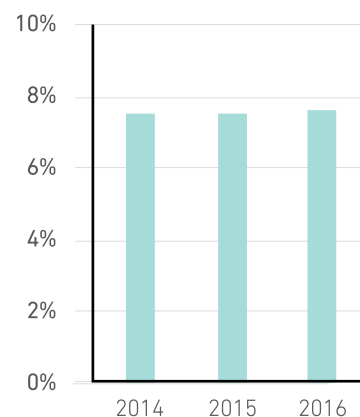
BUSINESS SEGMENTS – ALL OTHER

- Outside Tiffany's jewellery offering (92% of Tiffany's FY2016 sales), the Company also sells timepieces, leather goods, sterling silverware, china, crystal, stationery, fragrances and accessories. Some of the earnings come from third-party licensing agreements (e.g., fragrances with Coty, sunglasses with Luxottica).
- Tiffany also engages in wholesale sales of diamonds.
- Tiffany recently launched a home & accessories collection (designed by Reed Krakoff) that has been creating quite a bit of buzz on social media and is likely to lure curious Millennial shoppers to walk into the store.
- We believe with the relaunching of watches, the expansion into adjacent categories through third-party licensing and in-house designed new collections, this segment will provide meaningful growth opportunities for the future.

SEGMENT SALES



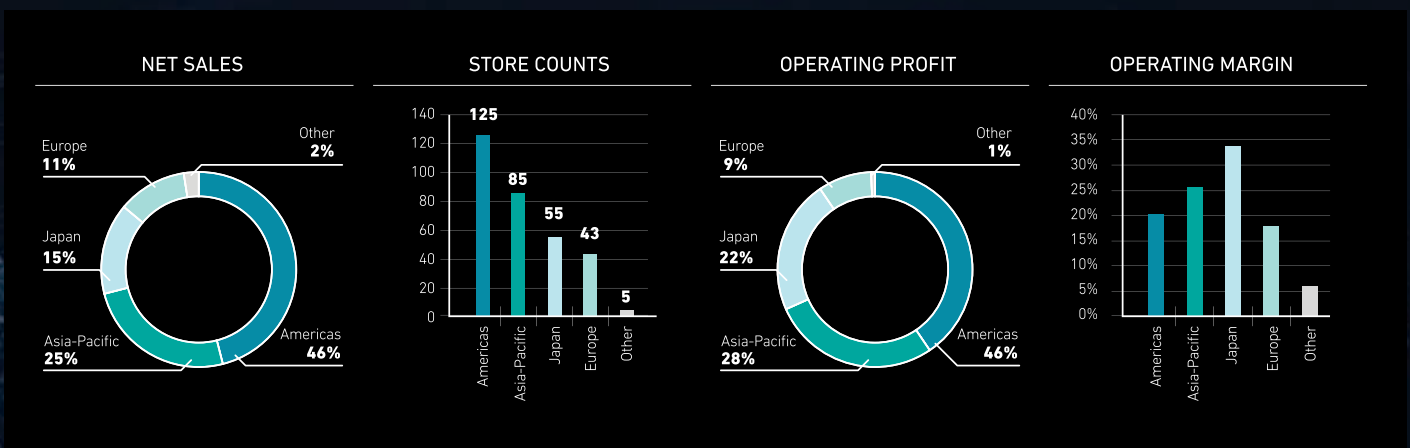
AS A % OF TOTAL SALES



GEOGRAPHIC SEGMENTS

– FY2017

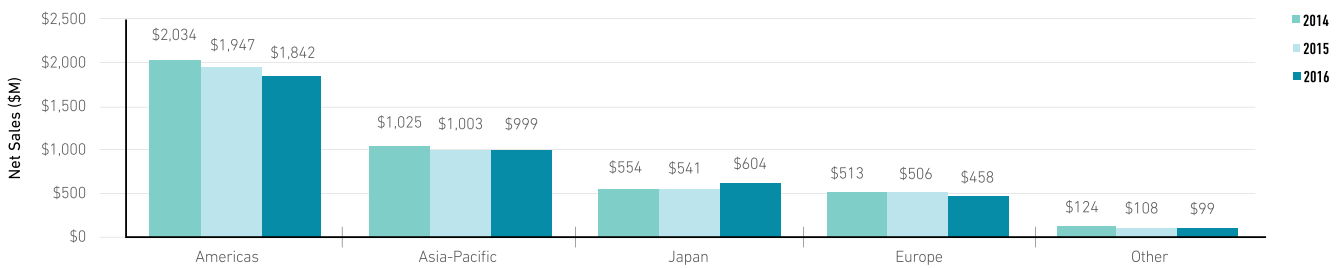
- Tiffany's largest three markets are Americas, Asia-Pacific and Japan.
- From a profit margin perspective, we see Japan as one of the key markets for Tiffany. The macro-economic future for Japan (e.g., Abenomics) could have a material effect on Tiffany's results.
- From a revenue growth perspective, Asia-Pacific/China and Europe will be the driving force for Tiffany.
- Lastly, investors are sometimes unaware of the importance of Tiffany's famous Flagship Store on Fifth Avenue, NYC. The Company only discloses that the Flagship Store accounts for <10% of worldwide net sales. If we assume the Flagship Store accounts for ~10% of Tiffany's worldwide sales, it implies that this single store generates almost as much sales as the 43 Tiffany stores in Europe and UK each year!



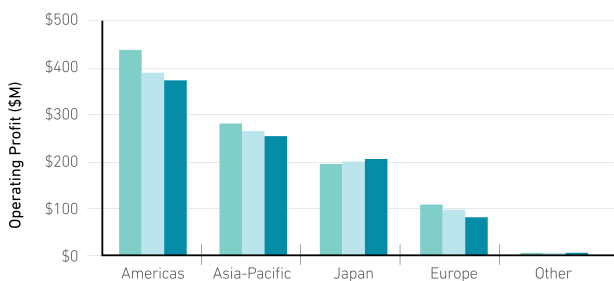
GEOGRAPHIC SEGMENTS – RECENT TRENDS

- The following three charts (below) tell the story of why Frédéric Cuménil was dismissed after the 2016 financial year ended.
- Almost all trends for all five segments and all three metrics for the past three years were downward, with the exception of revenue/operating profit for Japan in 2016.

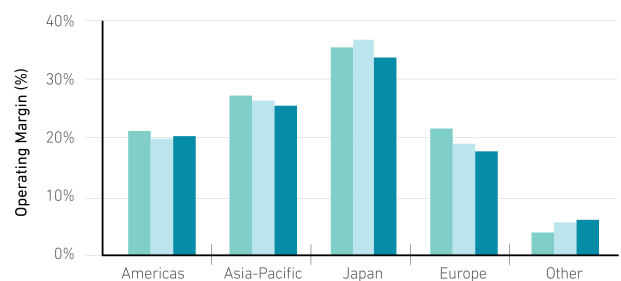
REVENUE BY GEOGRAPHIC SEGMENT



OPERATING PROFIT BY GEOGRAPHIC SEGMENT

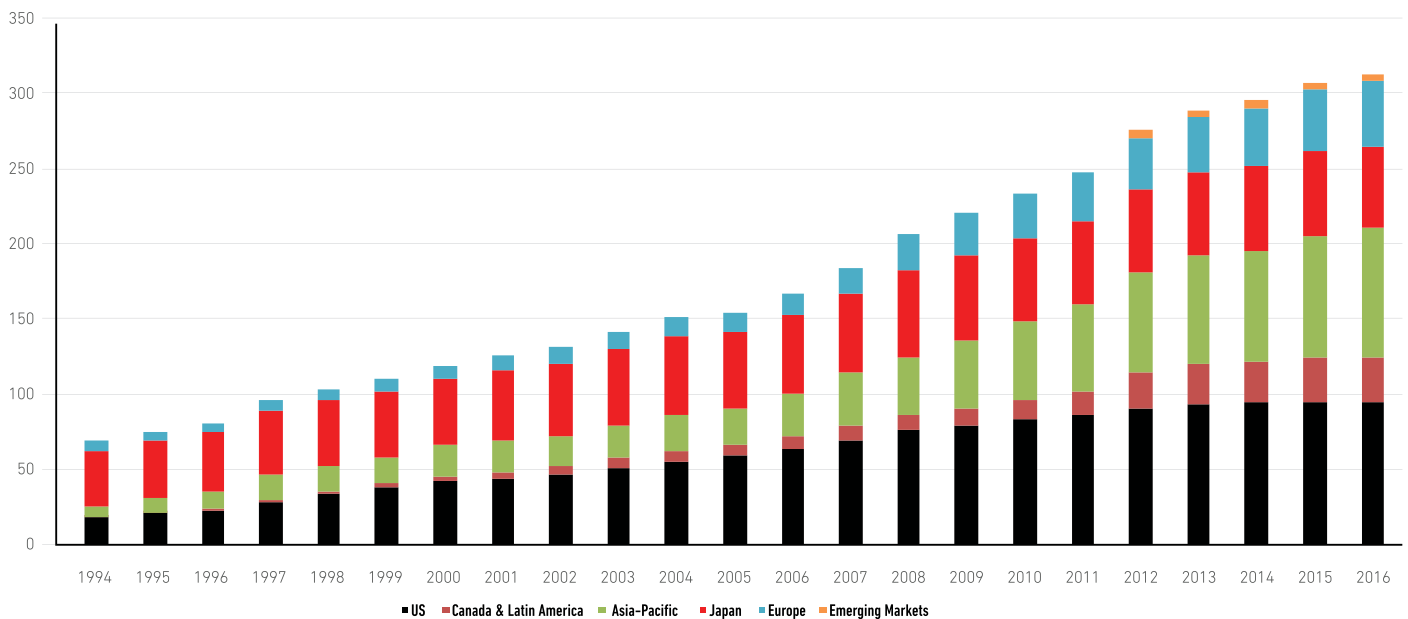


OPERATING MARGIN BY GEOGRAPHIC SEGMENT



315 STORES IN 30 COUNTRIES AROUND THE WORLD

- Currently, Tiffany operates 315 stores in 30 countries around the world*.
- Historically, Tiffany management have executed a very conservative footprint expansion strategy. As mentioned earlier, weakness in luxury spending in recent years has resulted in many luxury operators restructuring their stores to deal with previous over-expansion in footprint, especially in the Greater China region. However, Tiffany only has ~10% of its total store count located in China (31 stores in FY2016, vs 26 stores in FY2014).
- Based on Management’s comments, we believe that a steady 2% annual growth and optimisation in Tiffany’s square footage around the world, especially in Asia-Pacific/China, Europe, Latin America and other Emerging Markets will provide a steady base for top line growth for Tiffany in the foreseeable future.

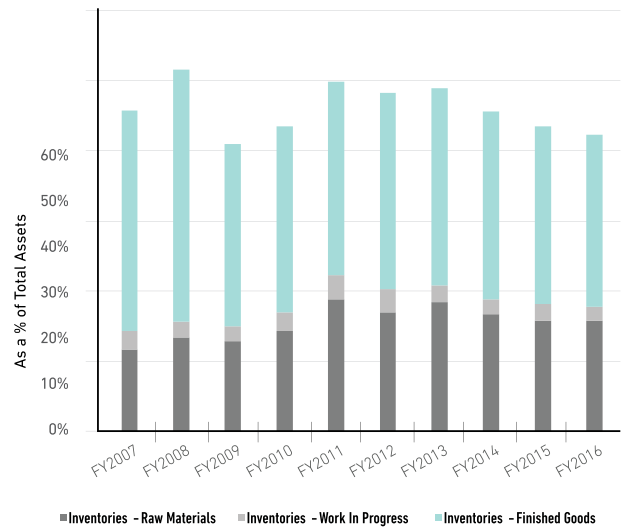
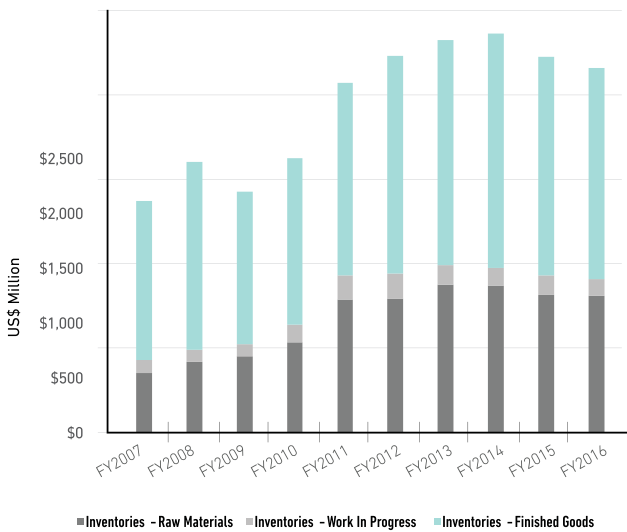


INVENTORY

- Historically, the Company’s inventory strategy was to always maintain deep assortments and high availability in their stores. However, since 2015, Management also added a long-term objective of keeping inventory growth below the rate of sales growth.
- Management has focused on managing inventories more efficiently both through process improvements and by deploying a new inventory management system (fully implemented over the next several years).
- Management expects inventory level for FY2017 to be similar to FY2016 due to new product introductions in 2017.

TOTAL INVENTORY SINCE FY07

INVENTORY AS A % OF TOTAL ASSETS SINCE FY07



[TIF:US]

E-COMMERCE, SOCIAL MEDIA ENGAGEMENT





Tiffany & Co. — Introducing Lady Gaga for Tiffany HardWear

8,201,069 views

👍 3K 🗨️ 574 ➦ SHARE 📺 ...

“As millennials become the new luxury consumers, heritage brands may find that maintaining an aura of exclusivity is less important than engaging shoppers. In 2015, millennials accounted for 41% of retail diamond sales in the US. By running campaigns with influencers like Lady Gaga and offering products at a lower price point, Tiffany gives those future luxury shoppers an entry point so that when their spending power eventually increases, the brand remains top of mind.”

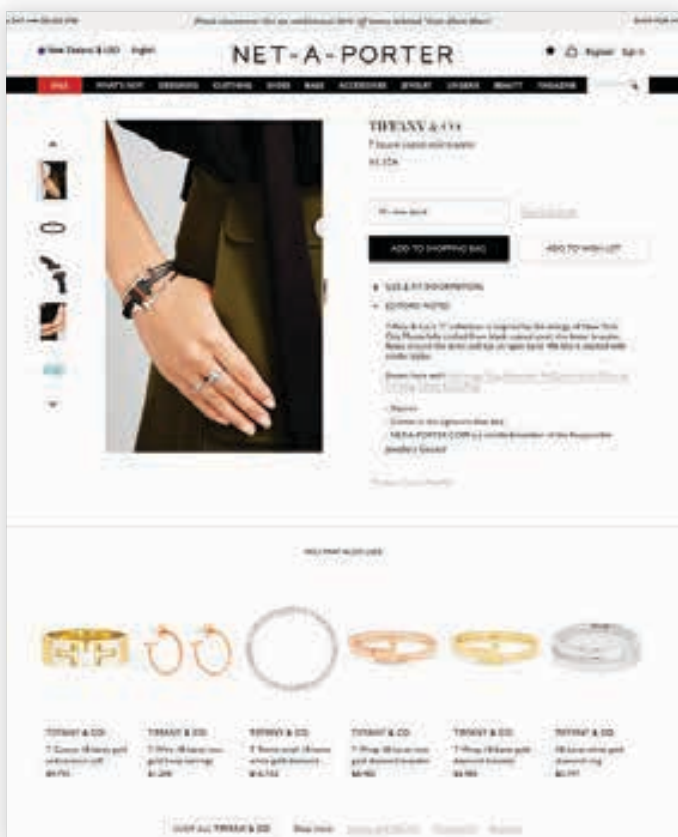
L2 Inc. 10 July 2017*



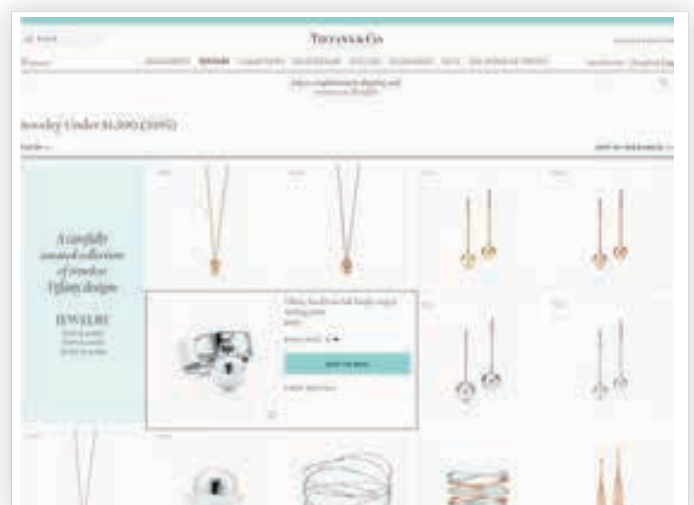
*<https://www.l2inc.com/daily-insights/lady-gaga-ads-put-tiffany-on-edge-of-glory>

E-COMMERCE

- The Company currently sells its products in 13 countries through its own e-commerce enabled websites.
- Tiffany has also been selling selected jewellery on NET-A-PORTER.COM since 27 April 2016. This partnership allows selected Tiffany jewellery to be purchased online in over 170 countries, which significantly furthers the reach of Tiffany's online presence.
- Online sales have accounted for ~6% of worldwide sales each year from 2014 to 2016.
- Management noted that it is possible to have online sales move up to 8% or even 10%. But Tiffany's online presence is also (or more so) about delivering marketing communication that drives broad awareness and store traffic.



https://www.net-a-porter.com/us/en/Shop/Designers/Tiffany_and_Co



<http://www.tiffany.com>

SOCIAL MEDIA ENGAGEMENT (1)

- Tiffany is one of the best retail brands on social media, with very high social media engagement levels.
- With Tiffany's renewed focus on increasing pace of newness & innovation of products, especially in the fashion jewellery segment, we believe the Company can take advantage of its high social media engagement levels to increase its online sales from 6% of worldwide sales to at least 8% in the next few years.



9.5M LIKES



1.6M FOLLOWERS

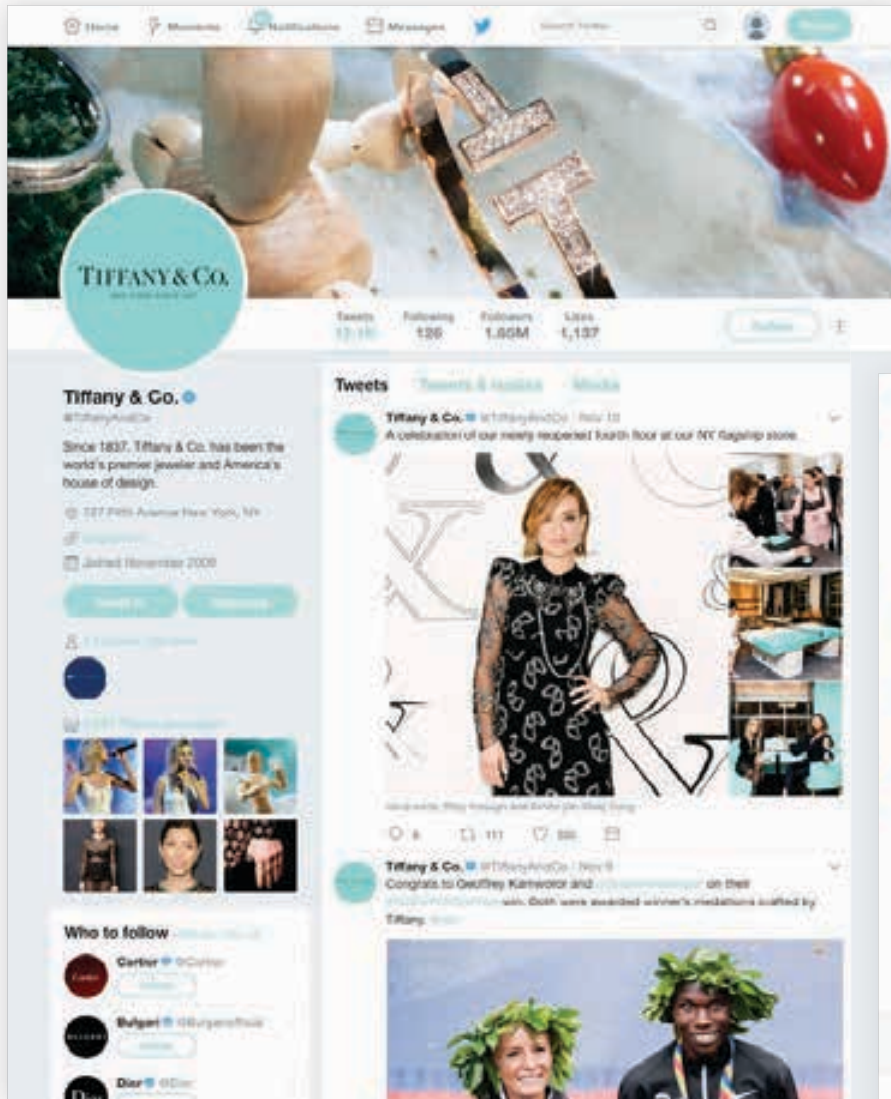


173K FOLLOWERS



7.6M FOLLOWERS

SOCIAL MEDIA ENGAGEMENT (2)

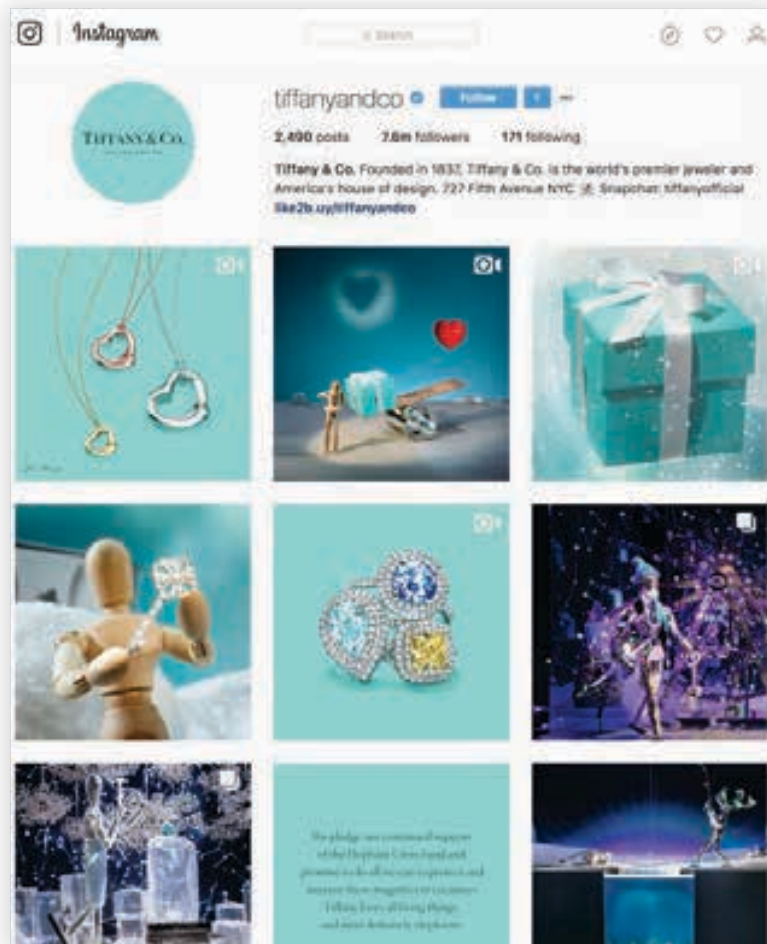


<https://twitter.com/TiffanyAndCo>



<https://twitter.com/TiffanyAndCo>

SOCIAL MEDIA ENGAGEMENT (3)

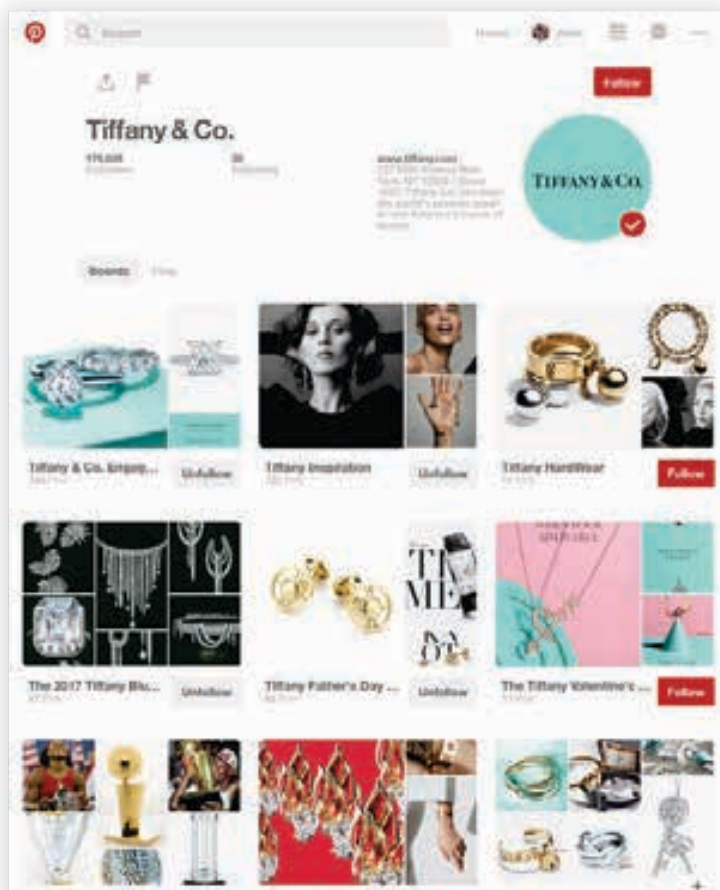


<https://www.instagram.com/tiffanyandco/>

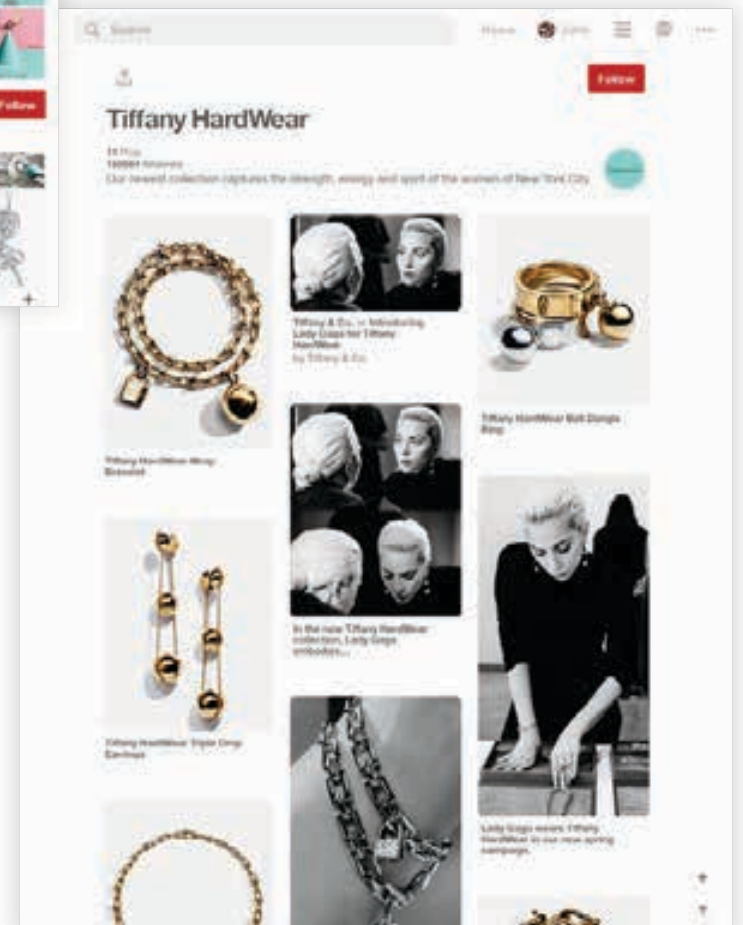


<https://www.instagram.com/tiffanyandco/>

SOCIAL MEDIA ENGAGEMENT (4)

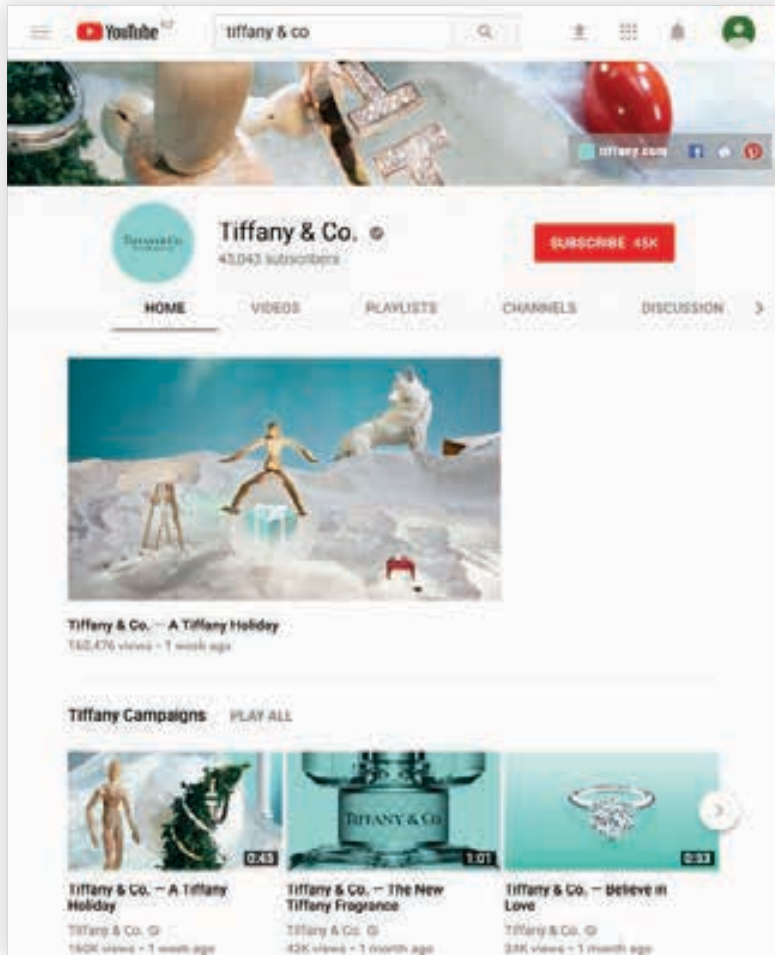


<https://www.pinterest.com/tiffanyandco/>

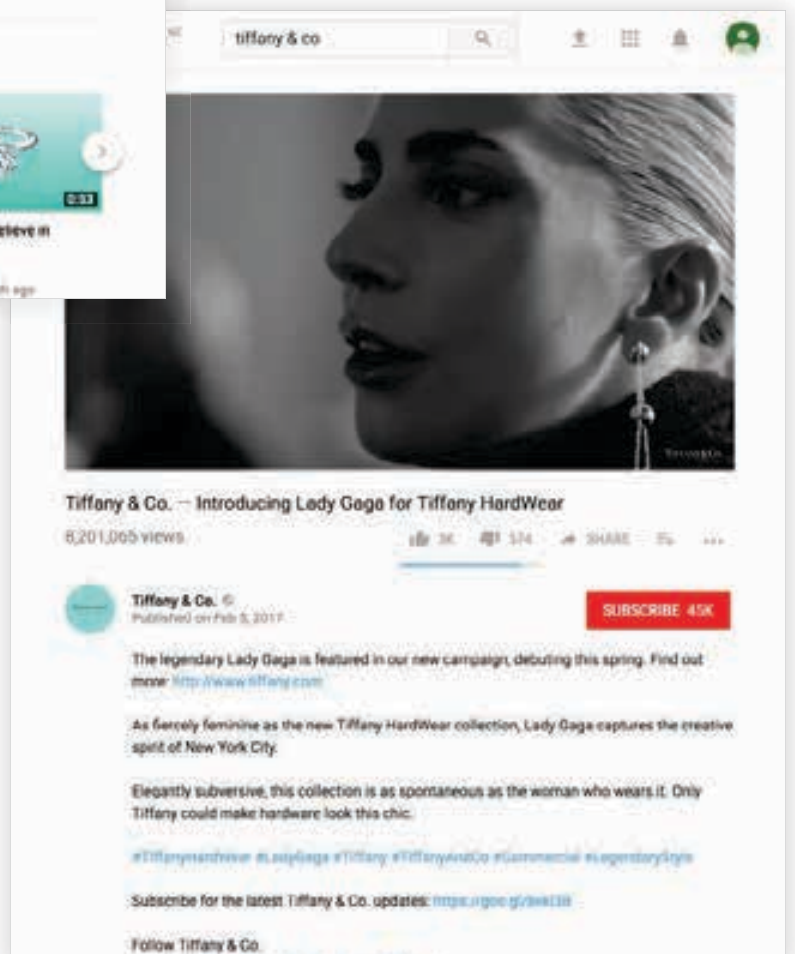


<https://www.pinterest.com/tiffanyandco/>

SOCIAL MEDIA ENGAGEMENT (5)



<https://www.youtube.com/user/OfficialTiffanyAndCo>



<https://www.youtube.com/watch?v=tGuNdkyvfSc>

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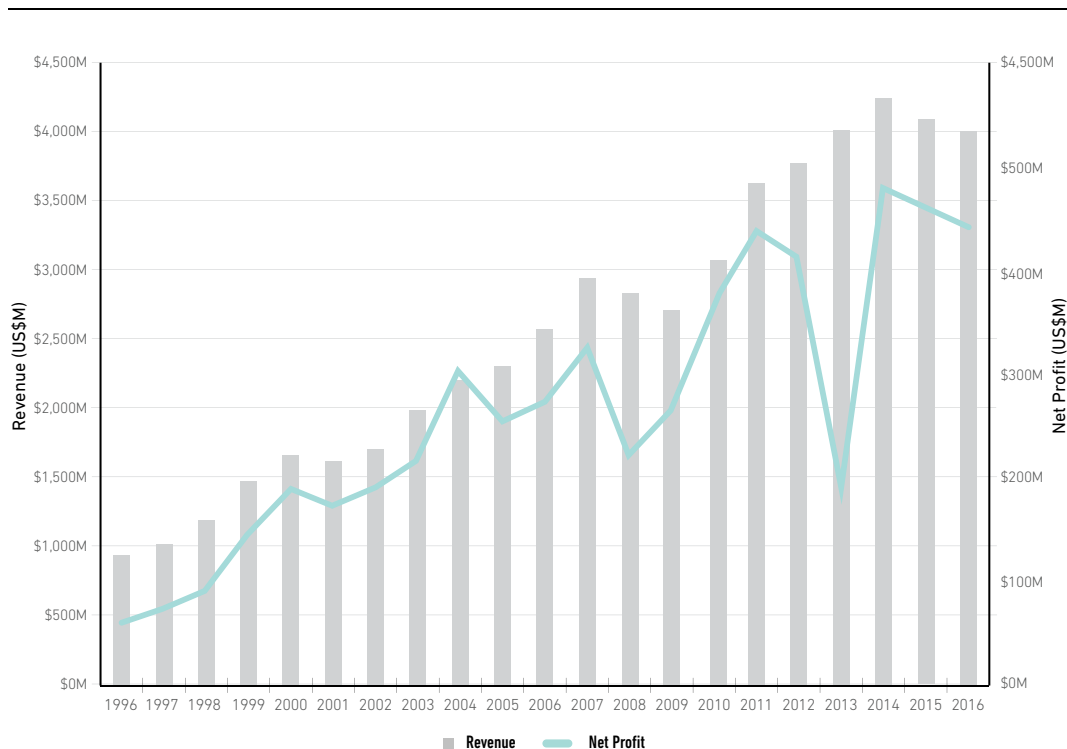
FINANCIALS, FINANCIAL STRUCTURE & CAPITAL RETURN HISTORY



HISTORICAL REVENUE & NET PROFIT

- For the past twenty years, Tiffany has grown its revenue at a compound rate of 7.6%, and its net profit at 10.7%.
- During one of the worst financial crises in history - the GFC, revenue declined 7.4% (in total) from 31 January 2008 to 31 January 2010 and then recovered subsequently, while net profit took a dive in 2008 (-32%*) but staged a recovery in the next year and took less than two years to recover fully.
- The steep decline in earnings in 2014 was caused by the Company recording a charge of US\$480M after a Dutch arbitration court ruled in December 2013 that Tiffany should pay ~US\$450M (original claim of CHF3.8B) in damages to Swatch for the failed JV “Tiffany & Co. Watches”.
- Former CEO Frédéric Cuménal abruptly stepped down in February 2017, following the second consecutive year where revenue and profits declined under Cuménal’s leadership.

REVENUE & NET PROFIT SINCE 1996

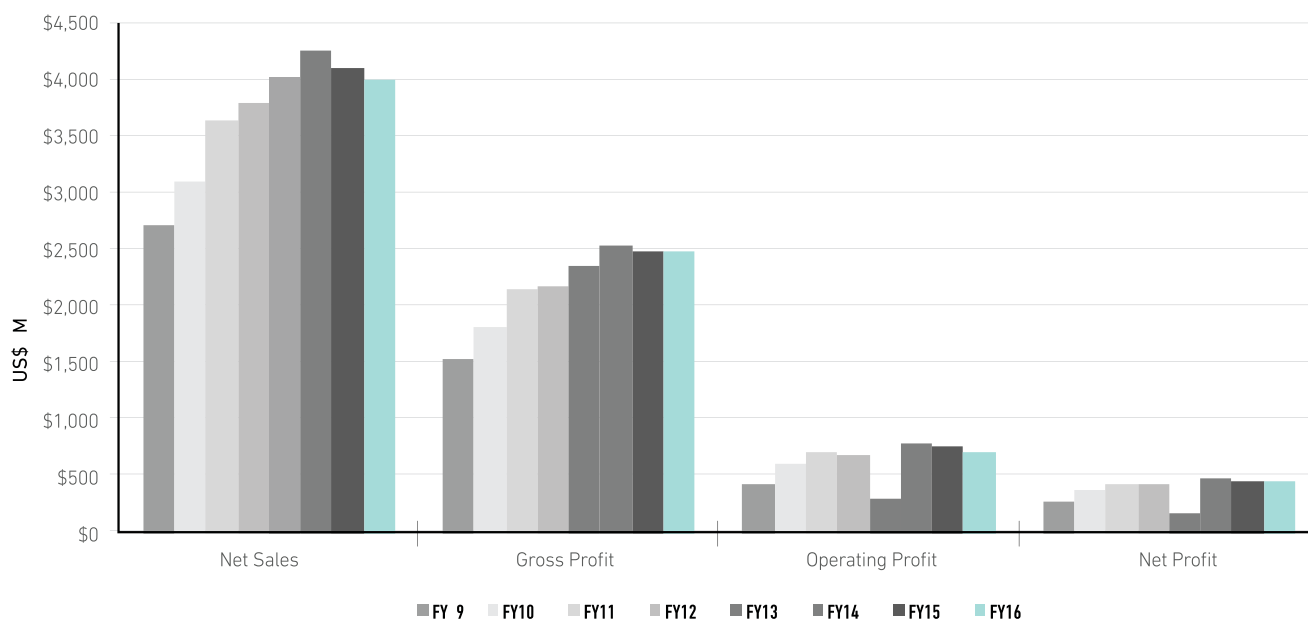


* In FY2008, the Company took a pre-tax charge of US\$97.8M from staffing reductions, a US\$12.4M pre-tax impairment charge for its investment in Target Resources PLC, and other pre-tax charges of US\$10.9M relating to the closing of the Company's IRIDESSE stores and a diamond polishing facility in Yellowknife, Northwest Territories.

REVENUE/PROFIT WEAKNESSES DOMINATE HEADLINES

- The key question on many investors' minds is whether the decline in Tiffany's sales and profits in the last two years is/are cyclical or secular in nature.
- Some negative factors to consider include millennials' change of luxury spending from "things" to "experiences", declining marriage rates and the threat of lab-grown/synthetic diamonds.
- Our view is that the decline is caused by both cyclical and secular factors. However, in the medium to long run, the addressable market for Tiffany should grow through the reversal of cyclical factors and also positive secular factors globally. See our comments on an increase in global square footage/store counts on page 90.

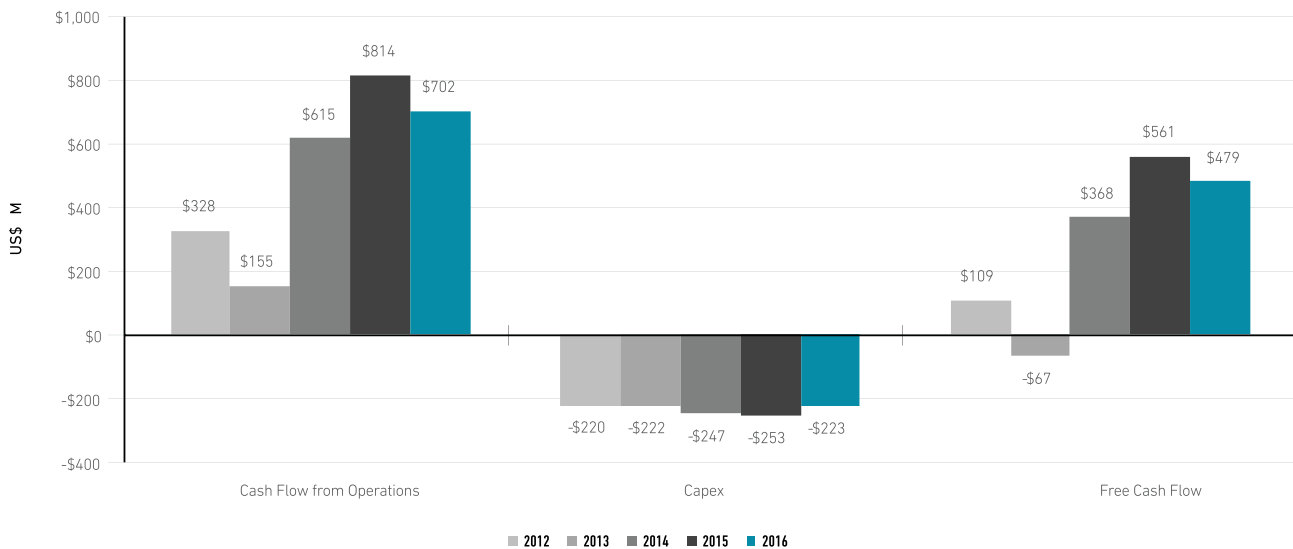
NET SALES, GROSS PROFIT, OPERATING PROFIT AND NET PROFIT



CAPITAL EXPENDITURE & FREE CASH FLOW GENERATION

- The Company has the ability to generate strong Free Cash Flow (“FCF”).
- Capex represented ~6% of worldwide sales in both 2015 and 2016. Management continues to anticipate an annual Capex of ~6% and 7% of sales.
- Free Cash Flow declined in 2016 reflecting a voluntary cash contribution of US\$120M made by the Company to its U.S. pension plan (The underfunded amount of the Company’s total pension/post retirement benefits obligation is US\$326.1M as at 31 March 2017 – See page 66).

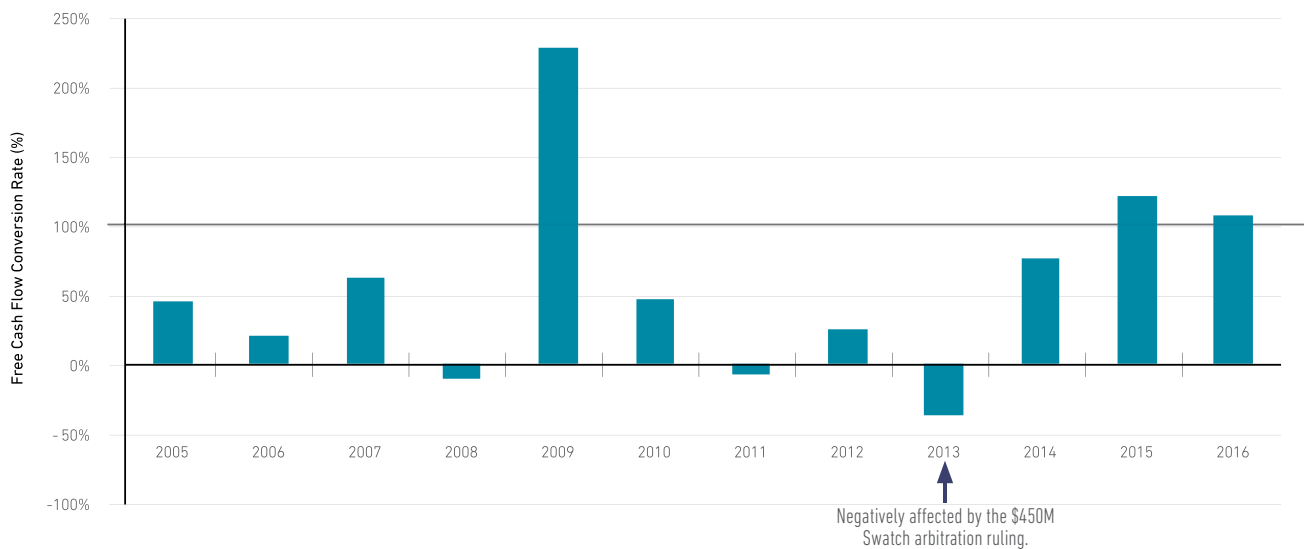
OPERATING CASH FLOW, CAPEX AND FREE CASH FLOW



FREE CASH FLOW EFFICIENCY

- It is important to understand a company's ability to generate cash without external financings. We look at measures such as Free Cash Flow (FCF) Efficiency* to help gauge the resources available for strategic opportunities such as undertaking acquisitions, investing in the business, strengthening the balance sheet, and to assess the robustness of a company's earnings performance.
- Tiffany's historical FCF Efficiency is volatile due to the nature of its business (it is in the consumer discretionary/luxury sector, and it is also a significant commodity purchaser). However, the results from the last few years seem to suggest improvement.

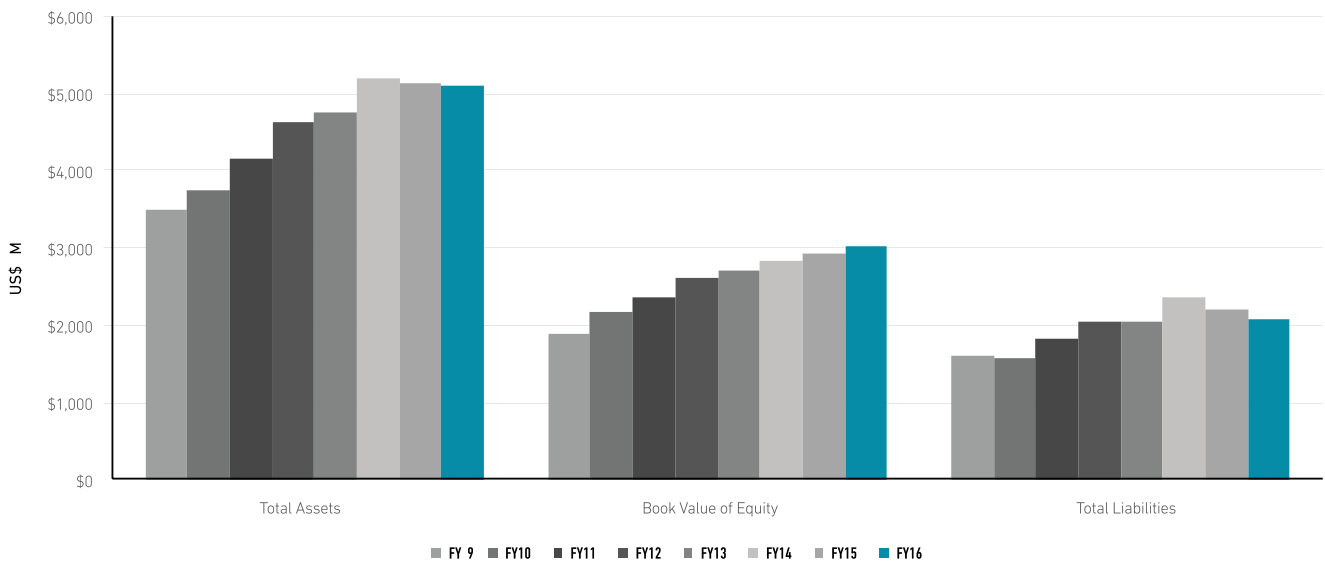
FREE CASH FLOW CONVERSION RATE



BALANCE SHEET

- The Company has a solid balance sheet, with only US\$78.2M of Net Debt* vs Total Assets of US\$5,314.0M*.
- Management has been able to grow Book Value consistently at a compound rate of +6.9% over the last seven years.

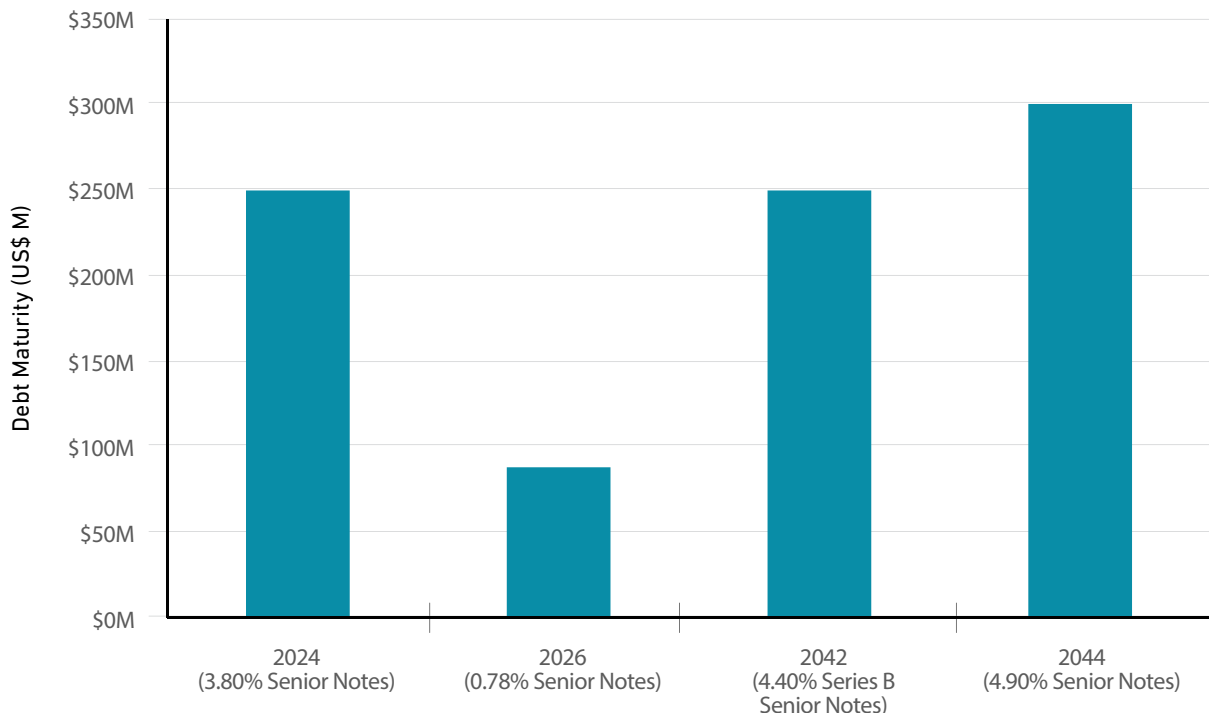
BOOK VALUE VS TOTAL LIABILITIES



CREDIT RATING & TERM STRUCTURE OF DEBT

- Tiffany has an S&P Long-Term Issuer Rating of BBB+ (“Investment Grade”), and Moody’s Long-term Issuer Ratings of Baa2 since 2014.
- The Company has debt totalling US\$1,072M*, and the debt maturity profile shows minimal stress to cash flow.
- Adjusting for the US\$1,009M Cash and Short-Term Investments, Net Debt is only US\$78.2M*.

LONG TERM DEBT MATURITY PROFILE *



EQUITY OWNERSHIP

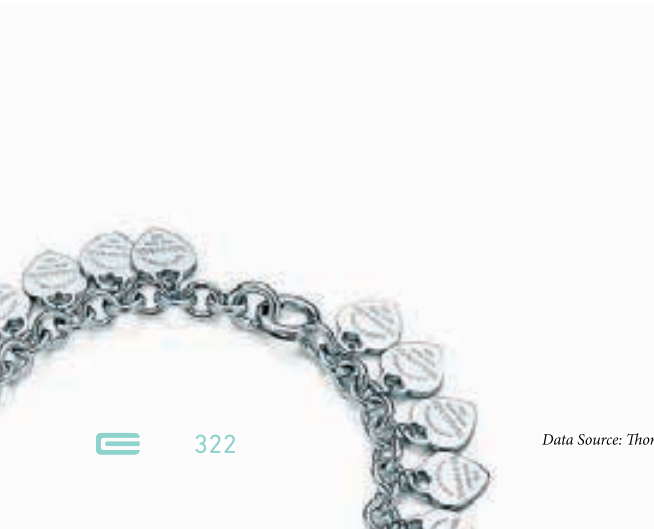
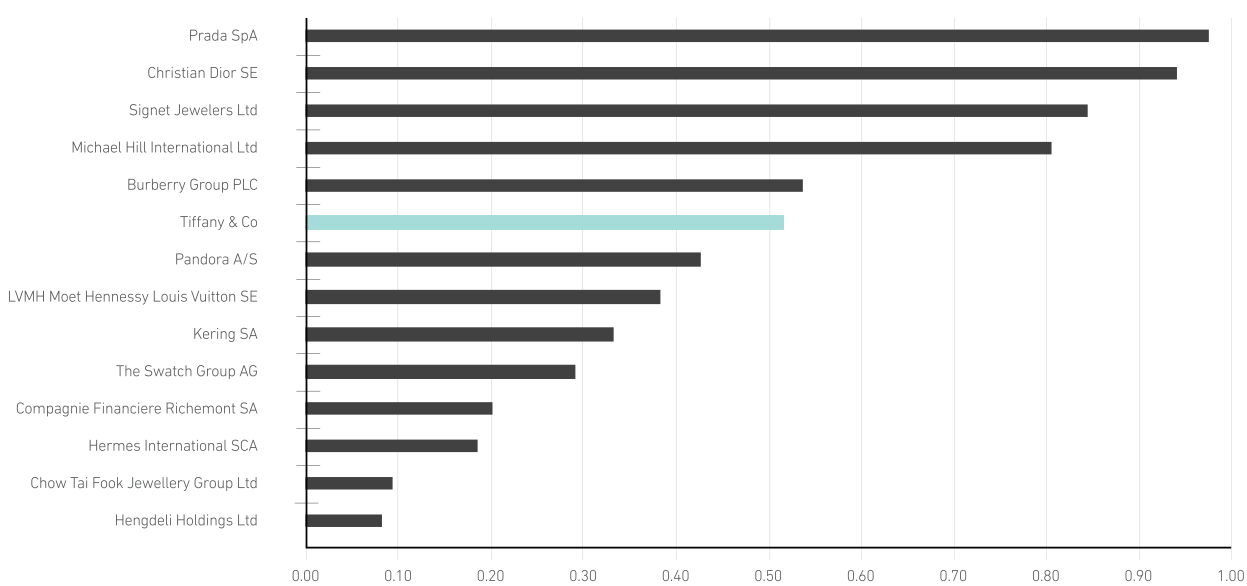
- # of Shares Outstanding = 124.3M* (Market Capitalisation = US\$ 11.87B*)
- Large institutional investors make up the majority of the top ten holders. One of the top shareholders is Qatar's \$335B sovereign wealth fund, which currently owns 9.51% of Tiffany's shares outstanding.
- We also note JANA Partners, the activist hedge fund and First Eagle, a successful value-oriented mutual fund manager are among the top ten holders.

<u>Top 10 Shareholders*</u>	<u>%*</u>
The Vanguard Group	9.80%
Qatar Investment Authority	9.51%
BlackRock Institutional Trust Company	4.00%
JANA Partners	3.82%
State Street Global Advisors (US)	3.64%
First Eagle Investment Management	3.10%
JP Morgan Asset Management	3.08%
Managed Account Advisors	2.81%
OppenheimerFunds	2.24%
Fidelity Management & Research Company	1.94%
Top 10 Shareholders:	43.94%

LEASE LIABILITIES

- The Company has higher operating lease liability leverage when compared to some global peers, as it leases all its stores except its New York Flagship Store (Operating Lease / Equity = 0.52x).

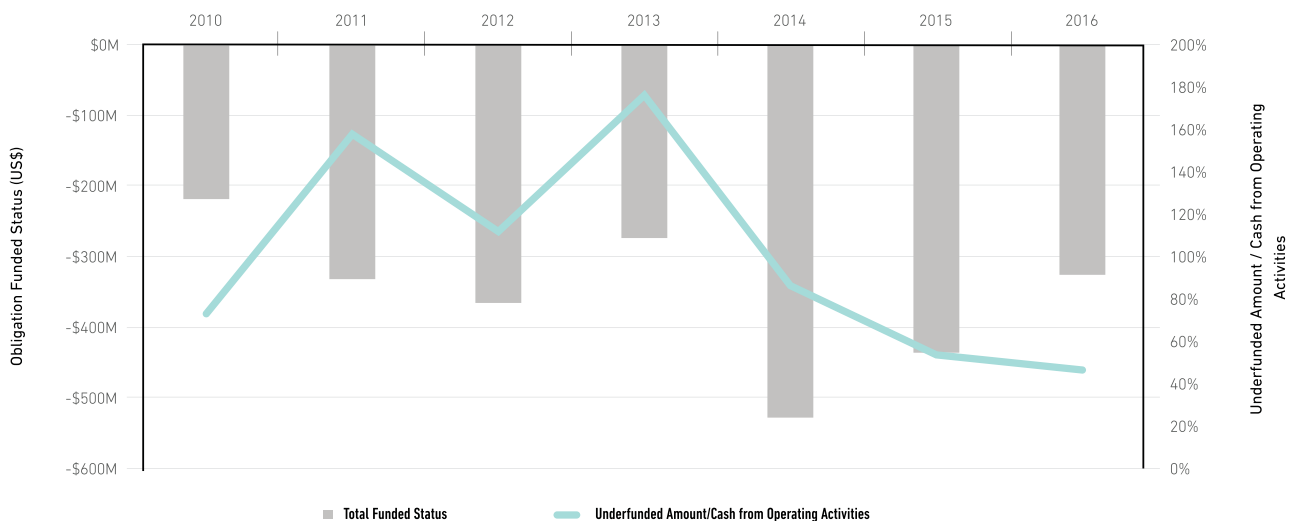
OPERATING LEASE / EQUITY



PENSION PLAN & POST-RETIREMENT BENEFITS OBLIGATION

- Currently, Tiffany's total pension/post-retirement benefits obligation is underfunded by US\$326M, after the Company made a voluntary cash contribution of US\$120M to its pension plan in FY2016.
- We concur with Management's decision to bring down its pension/post retirement benefits obligation, as has occurred in recent years.
- With a strong cash flow generative business, we see current pension/post retirement benefits obligation level to be manageable, *but would prefer this to be moved to a fully funded status in the years ahead (interest rates normalising will also "naturally" assist in reducing this deficit).*

TIFFANY PENSION/POSTRETIREMENT BENEFITS OBLIGATION FUNDED STATUS

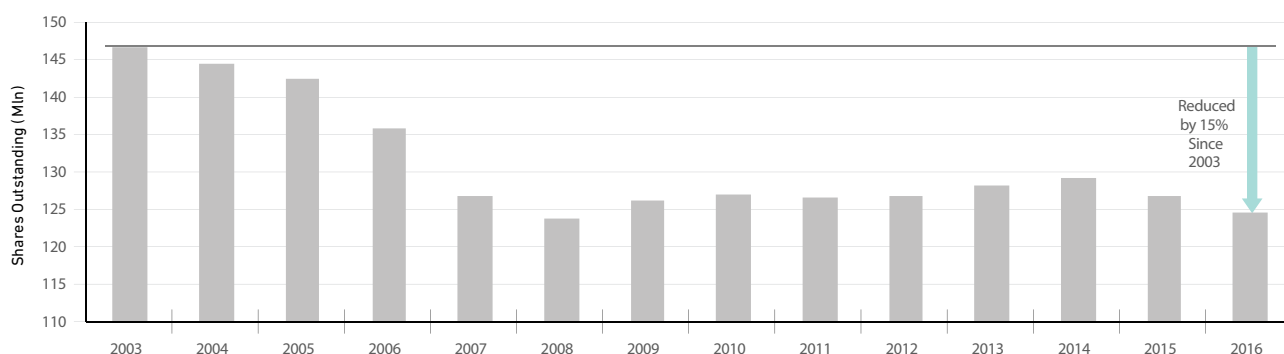


CAPITAL RETURNS VIA SHARE BUYBACKS



- The Company periodically returns capital to its shareholders through share repurchases and quarterly dividends. The track record on repurchase is very mixed in our opinion.
- In January 2016, the Board authorised a US\$500M share repurchase program. Management was able to repurchase 2.8M shares at an average cost of \$65.24 per share during FY2016 (total cost = US\$183.6M).
- Management has more recently slowed down share repurchasing for the first nine-month of FY2017 as the share price recovered, with only 0.65M shares repurchased at an average cost of \$92.16 per share (total cost = US\$60.2M).
- *We would prefer Management to be far more opportunistic in share repurchases. A share count decline by only 15% since 2003 is not a ringing endorsement of capital allocation skills.*

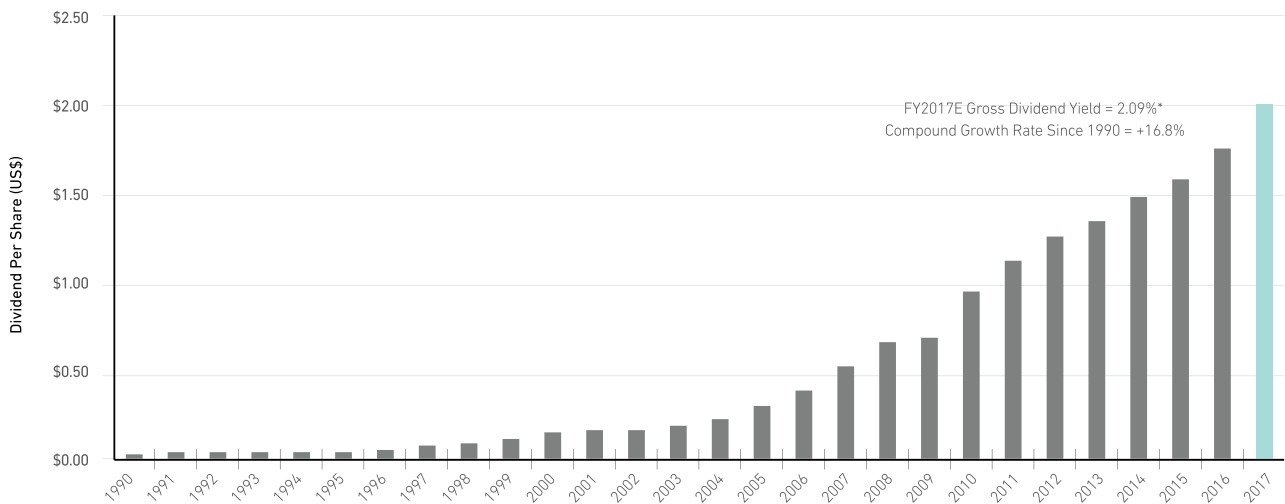
SHARES OUTSTANDING (MLN)



CAPITAL RETURNS VIA DIVIDENDS

- The Company has a long history and a far more impressive track record of returning capital to shareholders via dividends.
- The Company increased the quarterly dividend by 11% in May, which marked the 16th dividend increase in the past 15 years.
- Dividend Payout Ratio: 2016 = 49%, 2015 = 44%, 2014 = 39%
- Based on latest quarterly dividend of US\$0.50, the FY2017E gross dividend yield is estimated at 2.09%*.

DIVIDEND HISTORY



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BOARD & MANAGEMENT, COMPANY CULTURE & EMPLOYEE EFFICIENCY



WELCOME CHANGES TO THE BOARD*

NEW APPOINTMENTS IN 2017

The following three new directors were nominated by JANA and appointed to the Tiffany Board in February 2017:



ROGER N. FARAH NEW CHAIRMAN FROM 2 OCTOBER 2017

- Executive Director of Tory Burch, COO of Ralph Lauren from 2000 to 2013
- During Farah's tenure, Ralph Lauren stock increased 1,100%**



JAMES E. LILLIE DIRECTOR

- Former CEO of Jarden Corporation
- During Lillie's tenure, Jarden's sales increased by 30 times**



FRANCESCO TRAPANI DIRECTOR

- Former CEO of Bulgari, and the great-grandson of the Bulgari group founder Sotirio Bulgari
- During Trapani's tenure, he built Bulgari into a multi billion company, and sold it to LVMH for \$5.2B (3x sales)**
- Trapani has personally invested US\$31.6M in Tiffany stock***.

These three highly experienced new directors should be able to assist new CEO Alessandro Bogliolo to both accelerate growth and improve margins.



MICHAEL J. KOWALSKI RETIRED AS CHAIRMAN ON 2 OCTOBER 2017

- Joined Tiffany in 1983 as director of planning
- Appointed president of Tiffany in 1996
- Assume of role of CEO in 1999, and retired as CEO in 2015 (16 years in total)
- Appointed Chairman in 2003 and retired as Chairman in October 2017 (14 years in total)

* See Appendix 1 for more in-depth biographies for each of the entire Board Directors.

** <https://www.barrons.com/articles/jana-partners-sees-sparkle-in-tiffany-1488608009?mg=prod/accounts-barrons>.

*** As at 16 November 2017 – It includes the initial US\$16M investment, and the US\$15.6M purchases in the market between 28 August 2017 and 26 September 2017.

SIGNIFICANT CHANGES TO MANAGEMENT TEAM IN RECENT YEARS

NEW CEO

- Alessandro Bogliolo joined Tiffany on 2 October 2017
- Former CEO of Diesel
- Former COO of Bulgari

CHIEF ARTISTIC OFFICER

- Reed Krakoff joined Tiffany on 1 February 2017
- Former President and Executive Creative Director of Coach

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

- Mark Erceg joined Tiffany in October 2016
- Former CFO of Canadian Pacific Railway, and was with P&G for 18 years
-

SENIOR VICE PRESIDENT INTERNATIONAL

- Philippe Galtié joined Tiffany in August 2015
- International Retail Director at Cartier since 2011
- Country/Region Head at Cartier throughout Japan, Greater China and the Asia Pacific regions from 2000 to 2011

SENIOR VICE PRESIDENT NORTHERN AMERICA

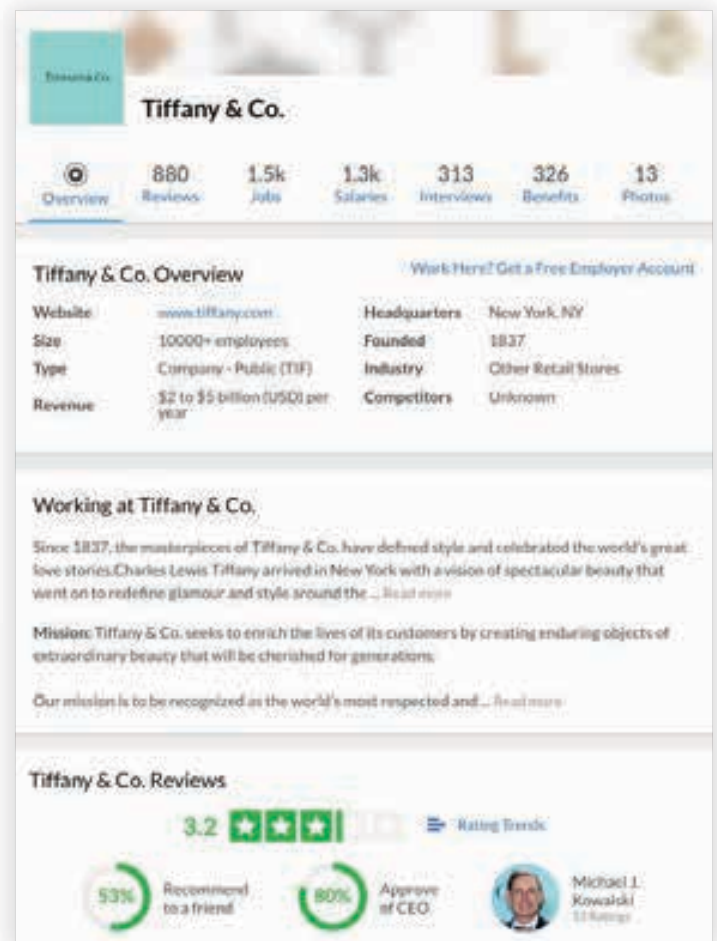
- Jennifer de Winter joined Tiffany in March 2015
- Executive Vice President and Chief Merchandising Officer of Saks Fifth Avenue until 2015
- Executive Vice President, Stores at Saks Fifth Avenue from 2008 to 2013

SENIOR VICE PRESIDENT STRATEGY AND BUSINESS DEVELOPMENT

- Jean-Marc Bellaiche joined Tiffany in June 2014
- Boston Consulting Group from 1992 to 2014
- We suspect further management change is likely after new CEO Alessandro Bogliolo is firmly in place.

COMPANY CULTURE / WORKPLACE

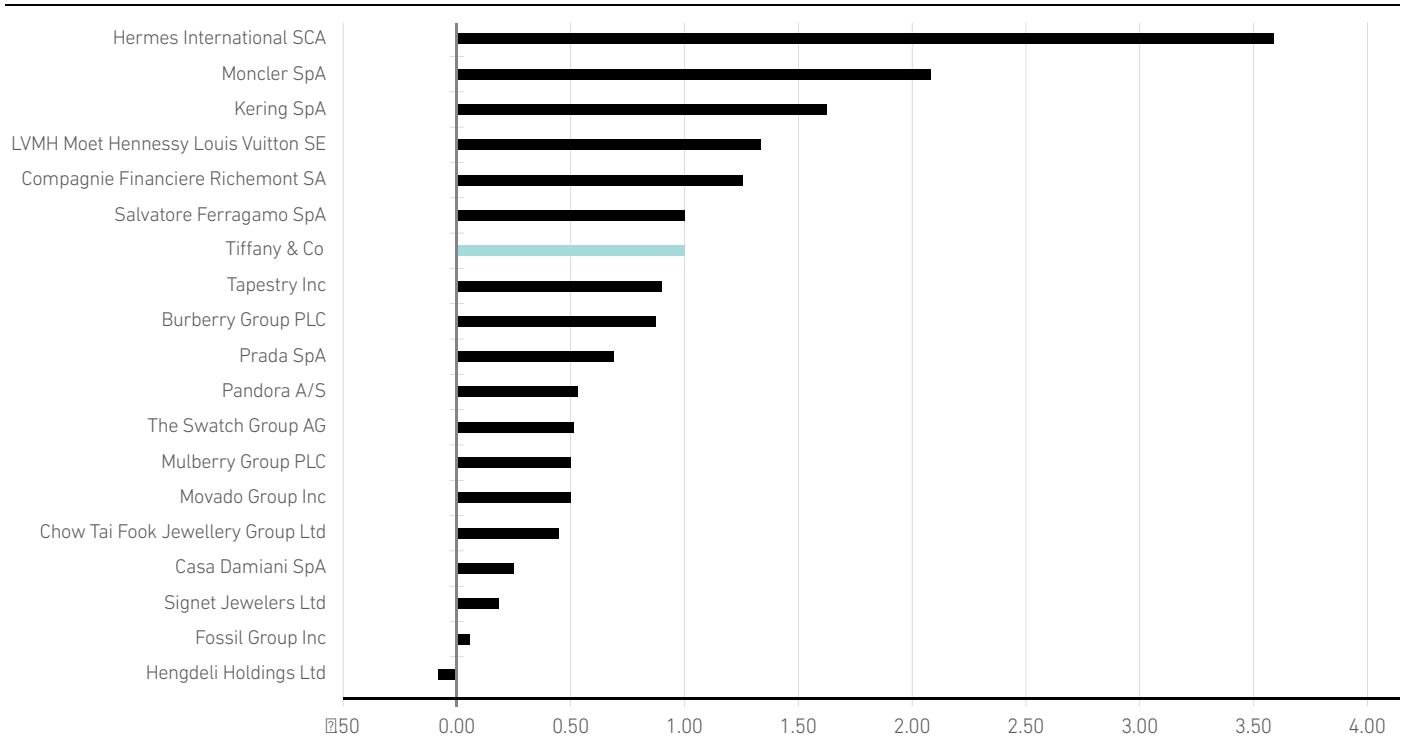
- We investigated Glassdoor (www.glassdoor.com) where employees and former employees anonymously review companies and their management.
- Tiffany has above average ratings and improving trends based on the reviews. The approval rating for the just retired interim CEO (and Chairman) Michael Kowalski is especially high. However, employees do recognise the difficult business environment, and hence the relatively low 53% “Recommend to a friend” rating and 39% rating for “Positive Business Outlook”.



EMPLOYEE EFFICIENCY

- We utilise the Enterprise Value to Employee Ratio to measure how worker-intensive a business or industry is. We also use this metric to compare businesses within the same industry to rank their relative efficiency.
- Tiffany has a slightly above-average EV/Employee ratio vs its global peers. We suggest one of the key reasons for this less-than impressive record is a vertically integrated business model/supply chain that provides traceability to its products, perception of quality and luxury to its products and services, but with the downside of increased number of employees, which impacts returns and margins.

EV/ NUMBER OF EMPLOYEES

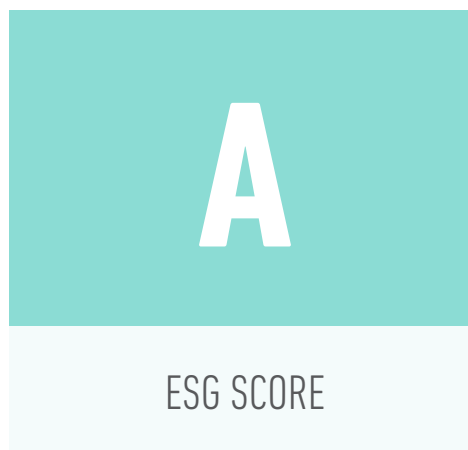


ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATING



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATING

- The jewellery industry has entrenched ESG challenges such as human rights abuses and environmentally remonstrable mining operations.
- The 2006 movie “Blood Diamond”, starring Leonardo DiCaprio, put phrases such “blood diamonds” and “conflict diamonds” into people’s consciousness globally.
- One of the key reasons for Tiffany’s pursuit of a vertically integrated business model is to lead the industry in ethically produced jewellery. As former CEO Frédéric Cuménil noted that “traceability is the best means of ensuring social and environmental responsibility”*.
- We encourage the readers of this presentation to download Tiffany’s latest Sustainability Report which details its progress on many of the 17 UN Sustainable Development Goals: <http://www.tiffany.com/sustainability>
- Below we show Thomson Reuters Eikon’s ESG score for Tiffany**:





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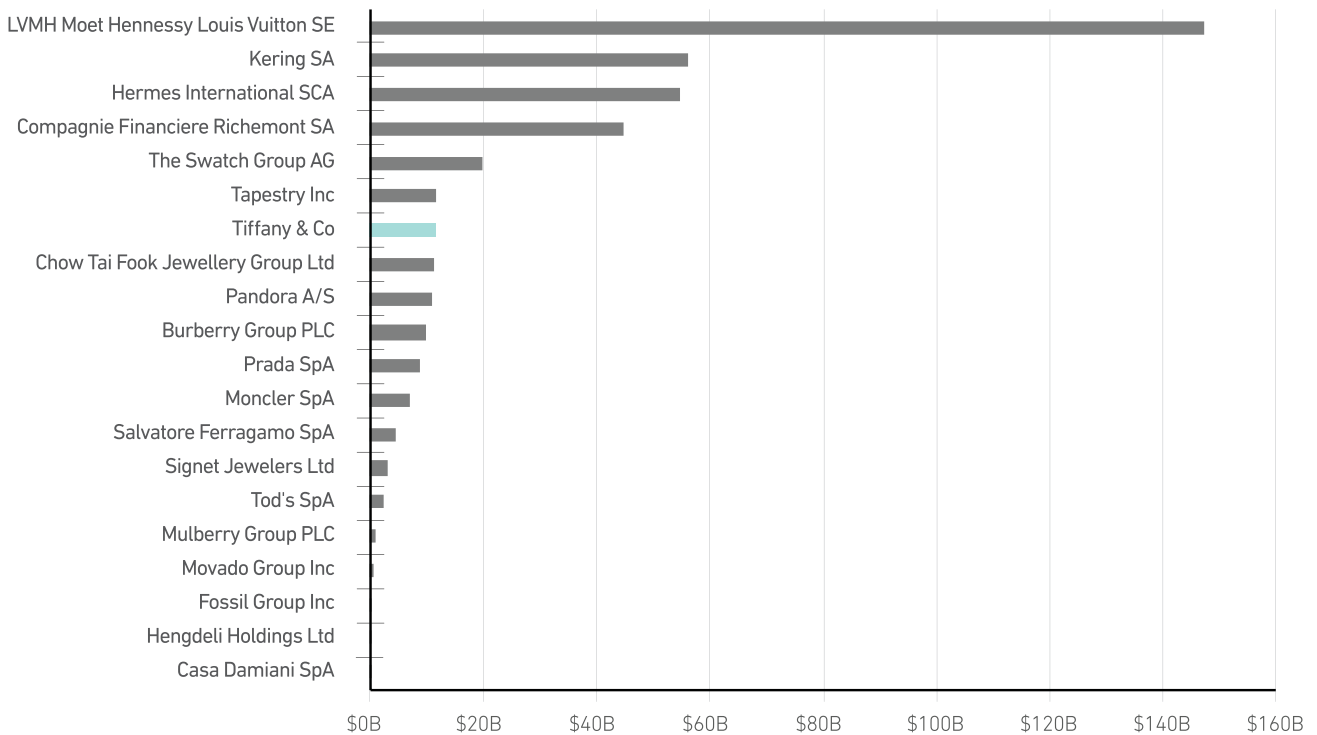
COMPARABLE COMPANIES



MARKET CAPITALISATION

- Tiffany is one of the largest monobrand luxury players - Market Capitalisation = US\$11.87 Billion (as at 7 December 2017). However, it is still dwarfed by the large multibrand luxury players such as: LVMH, Kering, Richemont and Swatch.
- We principally believe that monobrand luxury players such as Tiffany are potential acquisition targets for the larger multibrand luxury players in the market. On the other hand, some monobrand players might consider merging together to form a new multibrand entity to increase scale and reduce risk/s.

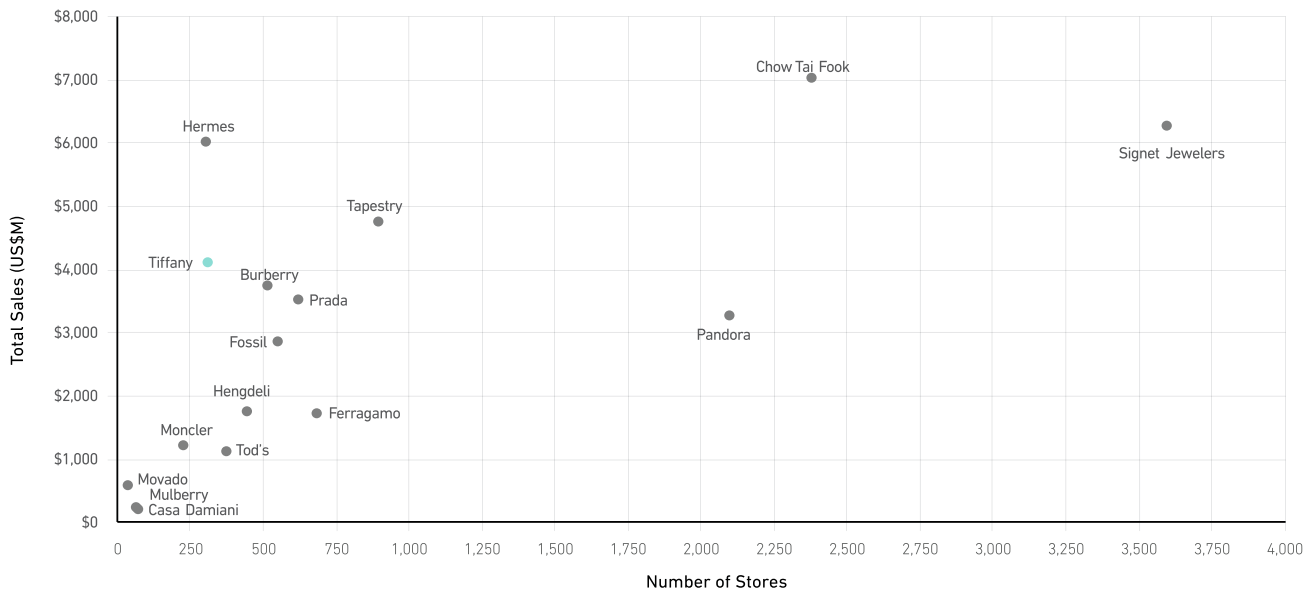
MARKET CAPITALISATION (US\$ BILLIONS)



SALES PRODUCTIVITY

- Below we compare Tiffany versus its international peer group (but exclude the large four conglomerates) based on Total Sales / Number of Stores metric to assess Tiffany's store productivity. From the chart below we can see that Tiffany is outperforming the majority of its peers.
- The chart also suggests that growth opportunities for Tiffany are to: (1) increase its global footprint and (2) increase same store sales.

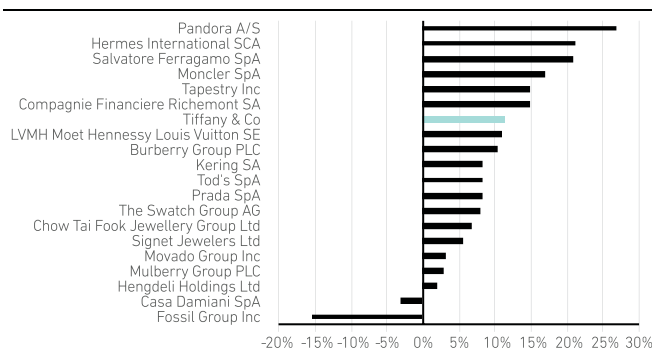
TTM TOTAL SALES (US\$M) VS NUMBER OF STORES



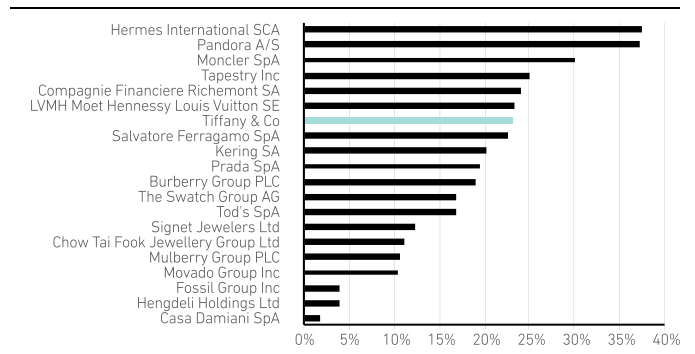
MARGINS AND RETURNS

- Tiffany has above average margins when compared to its peers. With the higher margin fashion jewellery expected to become a larger percentage of sales, it is likely margins will improve in the ensuing years.

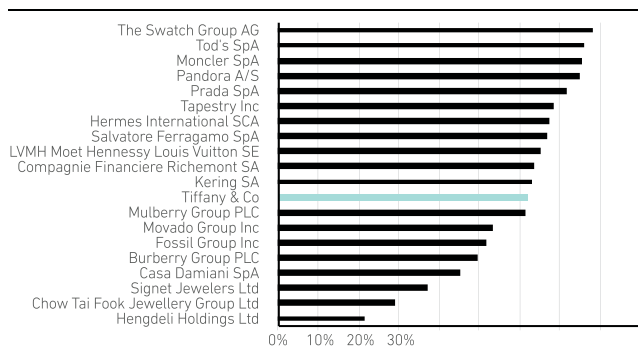
NET PROFIT MARGIN TTM



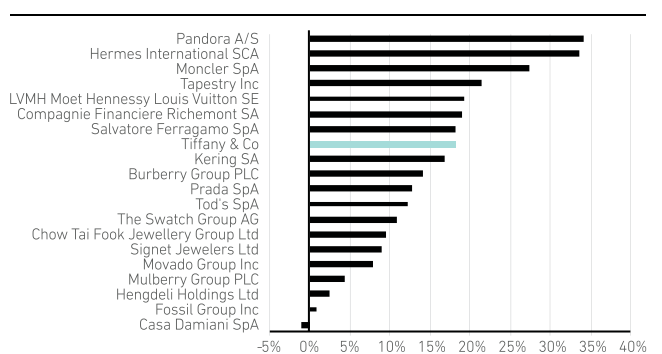
EBITDA MARGIN TTM



GROSS PROFIT MARGIN TTM



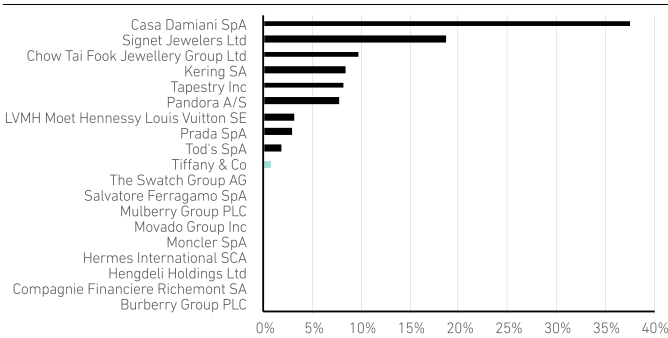
EBIT MARGIN TTM



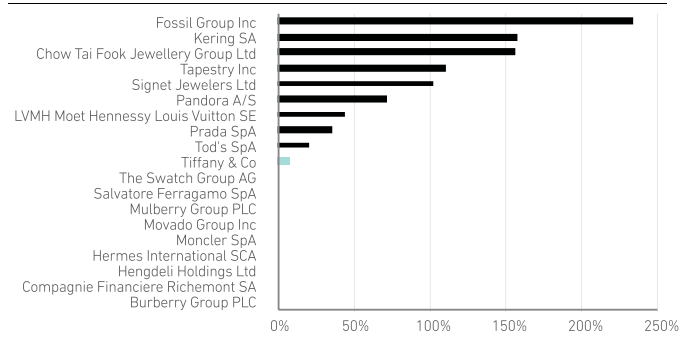
NET FINANCIAL LEVERAGE

- Tiffany has a slightly below average net financial leverage ratios versus its global peers.
- This suggests that Management could conservatively leverage the Company to improve returns to shareholders. However, we do recognise that as a monobrand operator, the higher revenue/profit volatility is one possible reason for balance sheet conservatism.

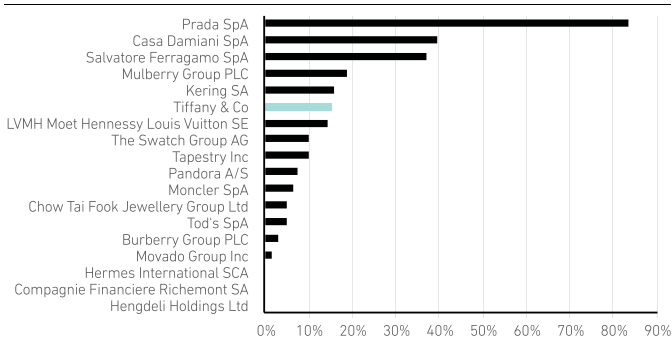
NET DEBT TO EV



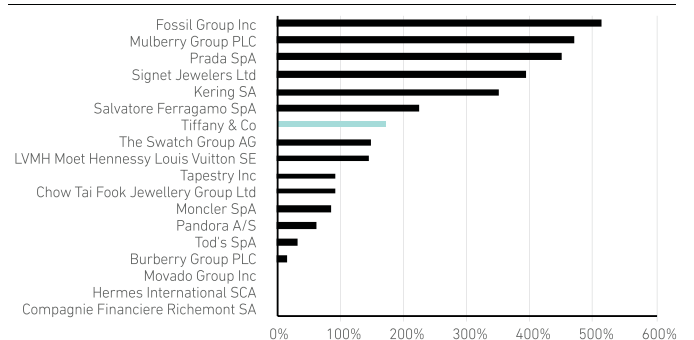
NET DEBT TO EBITDA TTM



NET DEBT+OPERATING LEASE TO EV



NET DEBT+OPERATING LEASE TO EBITDA TTM



VALUATION AND DIVIDEND YIELD

- Tiffany is trading at a slight discount to the peer averages in both EV/EBITDA (Both TTM & NTM) and P/E (TTM). Tiffany also has an above average dividend yield at 2.1%*.
- We also believe that the required EV/EBITDA multiple to acquire Tiffany is much higher than the current trading levels. Refer to the "Private Market Value" section on page 83.

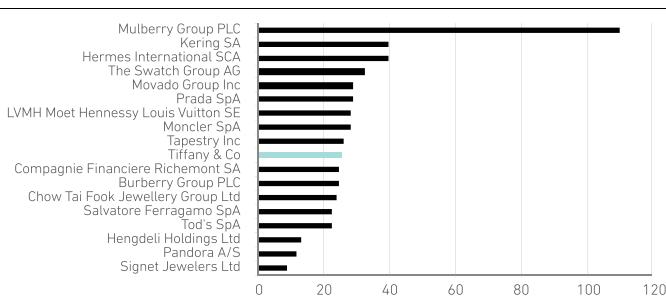
EV/EBITDA TTM



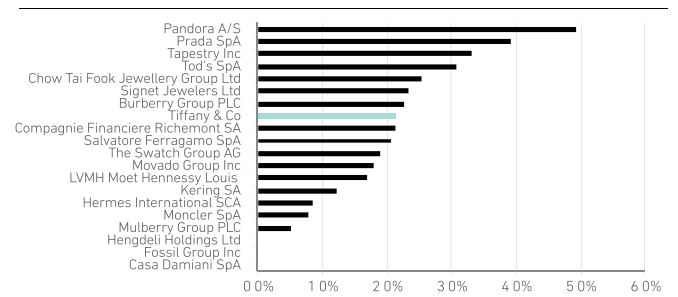
EV/EBITDA NTM



P/E TTM



GROSS DIVIDEND YIELD TTM





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PRIVATE MARKET VALUE + M&A



VALUATION – “PRIVATE MARKET VALUE”

- The luxury sector continues to see M&A activity. LVMH, Kering, Richemont and Swatch are all seen as natural acquirers in an industry which has already experienced significant consolidation. Monobrand operators are also looking to evolve into multibrand operators [Tapestry (formerly Coach), Michael Kors, etc.].
- Detailed below is a list of industry transactions since 2011:

Acquirer	Target	Year	Deal Value (US\$)	EV/TTM EBITDA
LVMH	Bulgari	2011	5.20B	25.0x
LVMH	Hermes International (17% Stake)	2011	2.00B	15.5x
PPR	Brioni SpA	2011	0.41B	30.0x
Eurazeo	Moncler SpA (45% Stake)	2011	0.61B	11.8x
Central Retail Corp	La Rinascente	2011	0.37B	11.0x
Mayhoola	Valentino	2012	0.86B	20.0x
LVMH	Loro Piana	2013	2.57B	18.0x
Swatch	Harry Winston	2013	1.00B	23.0x
Signet	Zale	2014	1.46B	15.0x
Samsonite	Tumi	2016	1.81B	14.5x
Coach (now Tapestry)	Kate Spade	2017	2.38B	10.4x
Michael Kors	Jimmy Choo	2017	1.17B	15.7x
LVMH	Christian Dior	2017	13.1B	15.6x
Essilor	Luxottica	2017	23.9B	12.7x
			Average	17.0x
			Tiffany	EV = 11.8B 12.6x

- Based on FY2017E EBITDA of US\$1,000M (Forecast EBITDA Margin of 24.4%)*, and 17.0x EV/EBITDA multiple, we estimate the current “Private Market Value” or Intrinsic Value of Tiffany to be US\$135.83 per share, translating to upside potential of +42%, from the current market price of US\$95.52 as at 7 December 2017.

AS A POTENTIAL TAKEOVER TARGET



Warren Buffett sells jewellery at Borsheims during the 2013 Berkshire Hathaway shareholders meeting.

“I’d like to own either Hershey’s or Tiffany’s if it’s the right price, wouldn’t you? It’s just a question of price. Of course they are good companies...”

- Charlie Munger - Vice Chairman of Berkshire Hathaway commented when asked if he would consider investment in Hershey's or Tiffany's, during the Q&A session at the 2018 DJCO ASM in February 2018

- We continue to believe that Tiffany is a likely acquisition target for large luxury conglomerates such as LVMH, Kering, Richemont or Swatch. We suggest that the probability of Tiffany being acquired by LVMH has increased now that the former Head of Watches and Jewellery at LVMH (and CEO of Bulgari) is on Tiffany’s Board, and the former COO of Bulgari, now a subsidiary of LVMH is the new CEO of Tiffany.
- Also, Mr. Arnault has tidied up LVMH’s structure by acquiring Christian Dior. While this transaction is still to complete, LVMH with a Debt:Equity ratio of 0.46* could easily finance an acquisition of Tiffany’s at multiples we have detailed.
- Kering post the divestment of its 85.81% stake in Puma (reportedly valued in the region of €5B and €6B) would be in a position to also bid for Tiffany in our view.
- Richemont has net cash of €4.6B** and could easily fund a takeover of Tiffany.
- We also posit that Mr. Buffett and his Berkshire Hathaway could acquire Tiffany, as he is in the diamond business through Borsheim’s and Helzberg Diamonds, and he will appreciate the enduring nature of Tiffany’s brand. However, we acknowledge that Borsheim’s & Helzberg Diamonds operate under very different business models to Tiffany’s.
- Mr. Buffett is also very familiar with Tiffany’s given he provided Tiffany US\$250M of funding in the depths of the Financial Crisis!
- We suggest Mr. Buffett would only pay up to 13x EV/EBITDA for Tiffany, implying an offer price of US\$ 103.70 per share (based on FY2017E EBITDA, and Berkshire Hathaway's acquisition multiple for Precision Castparts in 2015). This implies a +8.6% upside from current share price level***. While we think the probability is very low, it does highlight that during a selloff, Mr. Buffett and Mr. Munger maybe willing to open their cheque book for a business like Tiffany's.

* As at 30 June 2017

** As at 30 September 2017

*** Current Share Price = US\$ 95.52 (as at 7 December 2017)



[TIF:US]

KEY RISKS & OPPORTUNITIES

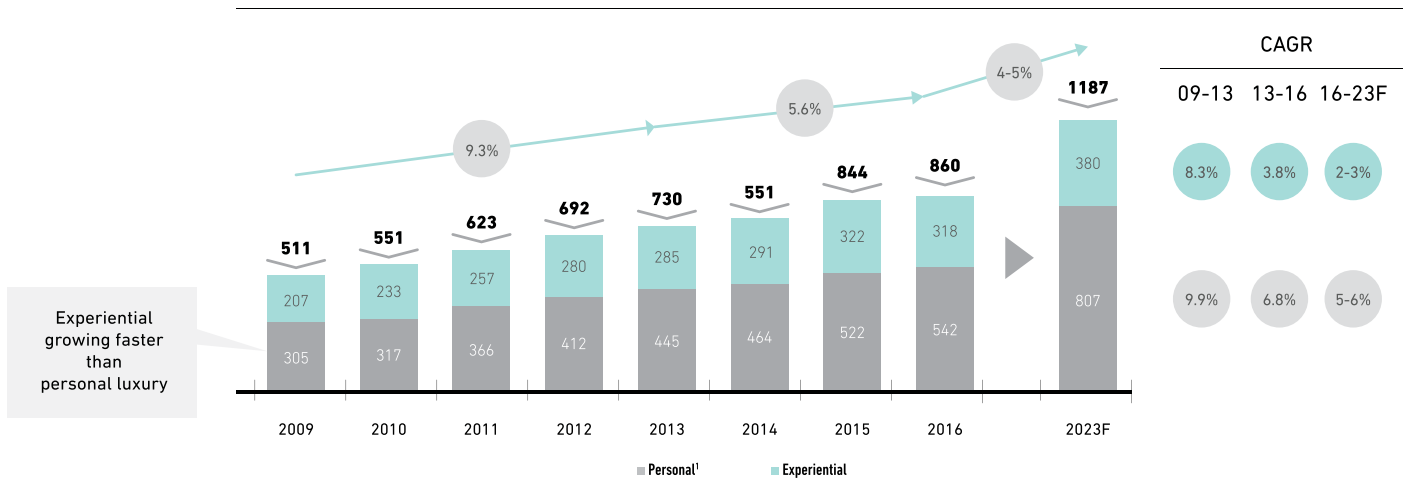


KEY RISKS (1)

SHIFTING SPENDING FROM GOODS TO EXPERIENCES

- Overall consumer spending has continued to grow in recent years. However, people are spending less on durable goods, and more on recreation, travel and other experience-based spending. This applies to both the average consumers and the wealthy, and hence directly impacts the luxury goods companies such as Tiffany. It is important for Tiffany to recognise the shift and pro-actively engage the consumers by including experiences as part of the goods & services the Company provides to its customers.

GLOBAL LUXURY MARKET (B€)
@ Retail Value



1. Personal goods include accessories, apparel, watches & jewelry, fragrances & cosmetics
Source: BCG Luxury Market model

KEY RISKS (2)

MACROECONOMIC SLOWDOWN

- As a retailer of discretionary items, Management acknowledges that the macroeconomic environment is the single most critical factor to Tiffany's success, as it is a business built on consumer confidence. As business recovery in the US enters its eighth year. Investors are concerned about the length of this economic expansion, and the possible factors (geopolitical uncertainties, changing consumer confidence, etc.) that would derail the US and global economies in the near term.

INCREASING COMPETITION

- Tiffany is one of the most famous and trusted jewellers globally. However, as fashion jewellery continues to increase as a percentage of Tiffany's total sales in recent years (FY2016 = 33%), and as self-purchasing is increasing as a share of sales versus bridal and gift buying. We suggest that brand is less of a consideration than design for these self-purchasing/fashion jewellery buyers. The Company's lack of newness and innovation in product design in recent years has allowed other competitors such as Pandora (www.pandora.net) to take market share.

FURTHER INVESTOR ACTIVISM

- We suggest that investor activism can be both a risk & opportunity for the Company and its shareholders. In the case of JANA/Trapani, we believe their involvement brings benefits to the Company and all shareholders.
- However, there are examples where management and the board are distracted by investor activism, or they are pressured into strategies and directions that can bring short-term returns but value destruction in the long run.

CURRENCY/FX

- Currency movements could materially and adversely affect Tiffany's results as 69% of Tiffany's revenue is generated outside North America*. We also see potential headwinds for the Company should the US Dollar appreciate against global currencies which would also affect the number of foreign tourists travelling to the US and their total value of spending.

SYNTHETIC DIAMONDS

- The idea of synthetic diamonds has been around for at least a century since the discovery that diamond was just pure carbon in 1797. To date, Tiffany has been able to market its ethical/conflict free natural diamonds and convince the customers of their superiority and premium over lab grown diamonds. The risk is whether the next generation of consumers will care whether the diamonds that they are planning to purchase are lab-grown or not, as production capability and quality continue to improve for these lab grown diamonds.

KEY RISKS (3)

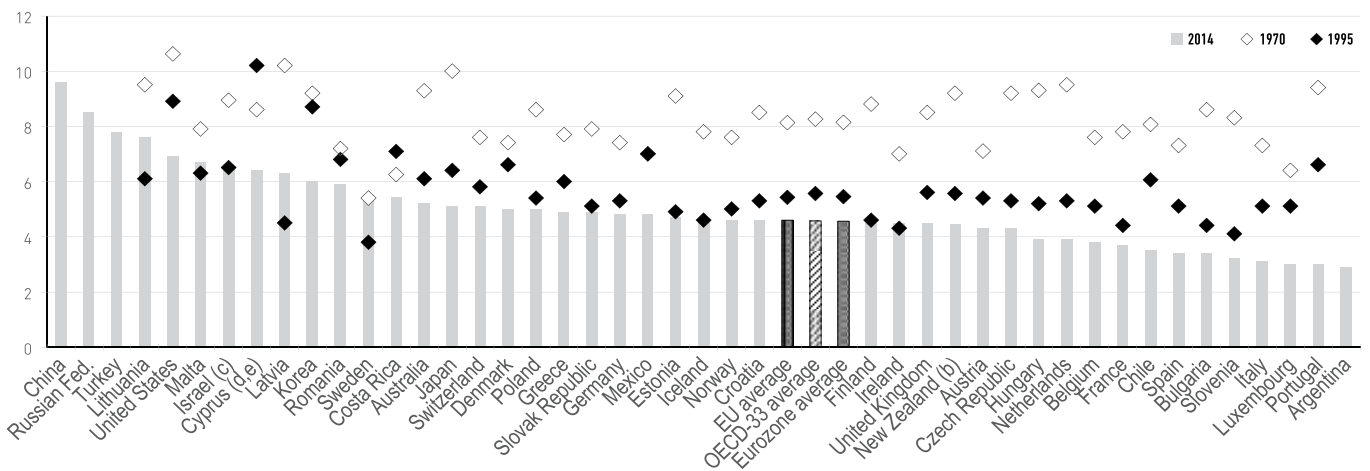
LOSING TOUCH WITH CONSUMERS

- With fashion jewellery continuing to increase as a percentage of total sales in recent years, it is important for Tiffany to connect to its customers constantly and respond to consumer trends. Tiffany needs to be the “Arbiter of Taste and Style” for consumers today. If not, there is a risk that the Tiffany brand will be viewed by the next generation of consumers as “old world luxury” and ignored by younger consumers.

DECLINING MARRIAGE RATE/S

- Based on an OECD report*, rates of marriage are declining in almost all OECD countries since 1970. This secular trend is likely to continue in the near future. Even in countries with strong traditional marriage customs like China, the marriage rate is declining too in recent years.

MARRIAGES PER 1000 PEOPLE



* Source: https://www.oecd.org/els/family/SF_3_1_Marriage_and_divorce_rates.pdf



KEY OPPORTUNITIES (1)

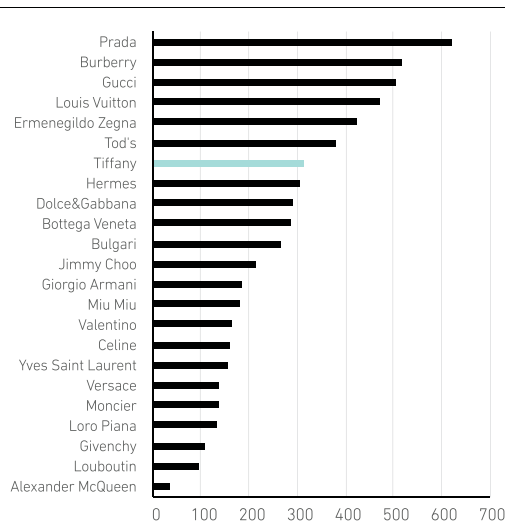
INCREASE IN GLOBAL SQUARE FOOTAGE

- Currently, Tiffany has 315 stores worldwide*. Based on Management’s comments, we believe that a steady 2% annual growth and optimisation in Tiffany’s square footage around the world, especially in Asia-Pacific/China, Europe, Latin America and other Emerging Markets will provide a steady base for top line growth for Tiffany in the foreseeable future.

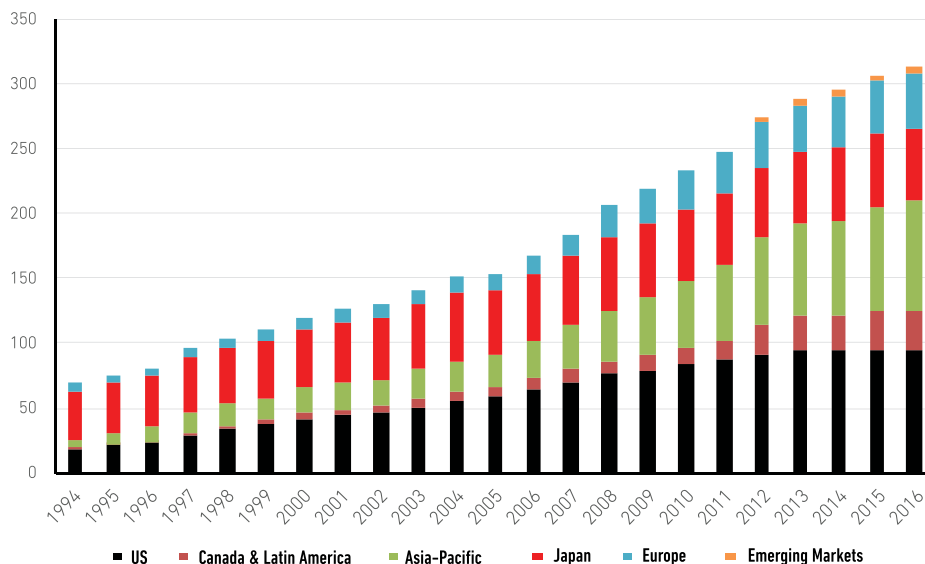
“Our strategies partly revolve around optimizing our worldwide store base through openings, relocations, renovations and closings. We expect this to result in increase in global square footage by approximately 2% a year for the foreseeable future.”

Tiffany Q4 FY2016 conference call (17 March 2017)

STORE COUNTS



HISTORICAL STORE COUNTS



KEY OPPORTUNITIES (2)

CHINA

- The Tiffany brand has been one of the favourite American luxury brands for the all important Chinese shopper in recent years. At the same time, Tiffany is relatively underexposed to China, with only ~10% of its stores located in China, and accordingly therein lies the growth opportunity.
- In De Beers Diamond Insight Report 2016, it notes that 68% of diamond jewellery (by value) in China are purchased by so-called millennials (aged 18-34). Many of these Chinese millennials prefer buying diamonds instead of jade or gold jewellery versus their parents' generation. Also, they are buying diamonds more for fashion than as a symbol of everlasting love.
- We believe the Company's new Jewellery Research Design Centre should allow the Company to have shorter product development lead times, faster reaction time and focus to respond to the need of more innovation and newness in fashion jewellery.

Tiffany & Co. is now the no. 1 American luxury brand for Chinese shoppers

Jing Daily
Feb. 17, 2015, 2:13 PM \$ 1.20K

While European luxury brands have been longtime favorites in China, iconic labels hailing from the United States and the UK are gaining a growing amount of influence over Chinese shoppers' hearts and wallets.

According to recent survey results released by the Hurun Report, iconic jewelry brand Tiffany & Co. is the number one American luxury brand for Chinese high-net-worth individuals (HNWI), while Burberry tops the list of UK brands.

These labels aren't just popular stacked up against their domestic rivals—they're also holding their own against French and Italian luxury stalwarts.

For the first time, Tiffany made it on to the list of Chinese consumers' top three favorite jewelry brands globally, coming in behind Bulgari and Cartier (in addition, fellow U.S. jeweler Harry Winston wasn't far behind in 11th place).



Tiffany & Co. is Chinese consumers' favorite American luxury brand and their third favorite jewelry brand.

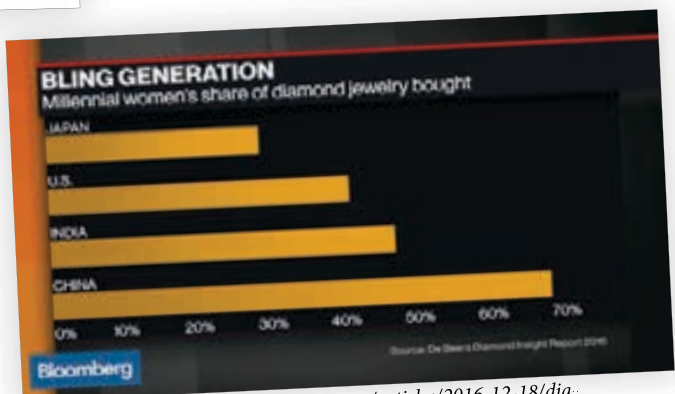
China exposure of major Luxury Goods Brands (# of stores)

Brand	China	World	China / World (%)
Versace	30	117	25.9
Ermenegildo Zegna	74	423	17.5
Givenchy	18	130	13.8
Moncler	12	139	8.6
Dolce&Gabbana	47	290	16.2
Ted's	16	242	6.6
Calvin	23	163	14.1
Bottega Veneta	40	286	14.0
Alexander McQueen	5	36	13.9
Miu Miu	24	182	13.2
Salvatore Ferragamo	50	362	13.8
Burberry	20	146	13.7
Valentino	20	146	13.7
Gucci	59	503	11.7
Bulgari	31	265	11.7
Toro Fiore	15	132	11.4
Swatch	252	2202	11.4
Levi's Vuitton	51	473	10.8
Prada	40	383	10.5
Yves Saint Laurent	16	155	10.3
Giorgio Armani	19	186	10.2
Tiffany	81	814	9.9
Louisvuitton	9	90	9.9
Hermes	31	319	9.7
Michael Kors	26	274	9.5
Coach / Kate Spade	226	2009	11.3

Source: Evans & Pritchard analysis, RE-Analytica

Source: <https://www.businessoffashion.com/articles/opinion/michael-kors-hermes-and-tiffany-only-major-brands-underexposed-to-china>

Source: <http://www.businessinsider.com/tiffany-and-co-is-now-the-number-one-american-luxury-brand-for-chinese-shoppers-2015-2>



Source: <https://www.bloomberg.com/news/articles/2016-12-18/diamonds-not-marriage-are-forever-for-china-s-millennials>

KEY OPPORTUNITIES (3)

GROWTH IN FASHION JEWELLERY

- Here we compare two of the largest monobrand jewellery players in the world: Tiffany and Pandora.
- As Tiffany's fashion jewellery business becomes more important. We present Pandora as an example of when fashion jewellery is well executed, it can be hugely profitable and offer significant growth potential.
- We also attribute Pandora's success, especially in its popular bracelets to the successful commercialisation of people's memory (anniversaries, birthdays, weddings, graduations, etc.). Obviously this is one area that Tiffany also excels, albeit at much higher price levels.

	TIFFANY & CO.	PANDORA [®]
Market Cap (US\$)	US\$11.5B	US\$12.1B
Sales (US\$)	US\$4.0B	US\$2.9B
Net Profit (US\$)	US\$446M	US\$853M
P/E	25.0x	12.7x
Forward P/E	23.2x	11.8x
P/S	2.9x	3.6x
EV/ Normalised EBITDA	12.3x	9.8x
P/CF	14.7x	12.0x
P/B	3.7x	12.4x
Gross Dividend Yield	2.1%	4.4%
Net Profit Margin	11.1%	29.7%
Gross Profit Margin	62.2%	75.1%
Normalised EBITDA Margin	23.2%	39.1%
Normalised EBIT Margin	18.0%	36.5%
ROE	15.2%	102.2%
ROA	8.7%	42.4%
Net Debt To EV	0.6%	4.6%
Net Debt To Normalised EBITDA	7.7%	45.1%
Total Debt to Total Equity	36.7%	44.3%
Quick Ratio	2.24	0.83



KEY OPPORTUNITIES (4)

WATCHES

- In December 2013, a Dutch arbitration court ruled that Tiffany should pay ~USD450M (original claim of CHF3.8B) in damages to Swatch for the failed JV “Tiffany & Co. Watches” that started in 2007.
- It may surprise many people that Tiffany has been making watches since 1847. The Company used to derive ~9% of sales from watches, but since Tiffany’s relationship with Swatch soured, watch sales declined to ~1% of total sales in recent years (2013-2016).
- The Company has allocated resources to rebuild its Watch/es business. It announced in 2015 that its target is to restore watches to ~10% of total sales within ten years.
- Tiffany’s unique offering of watches (“Swiss Made” and “New York”) could be one of the long-term growth engines for the Company. However, we think it will take a while for Tiffany to re-establish itself as a premier luxury watch brand.

Strategic Opportunities to Grow Watches at Tiffany & Co.

Achieve financial success



- Large sales potential
- Anticipated High Gross Margin
- Significant value for shareholders

Elevate the Tiffany brand



- Strengthening positioning as Luxury house and accretive
- High average price (entry at \$3k, core at \$5k-10k, cocktail >\$20k)
- Great platform to talk about Craftsmanship and Heritage

Better serve our customers



- New and rich way to express Tiffany’s style
- Improved coverage of key moments of life/ celebration/ gift

Reach new customers



- Men
- Chinese, European
- Self-purchaser/ style seekers

©2016 TIFFANY & CO

TIFFANY & CO

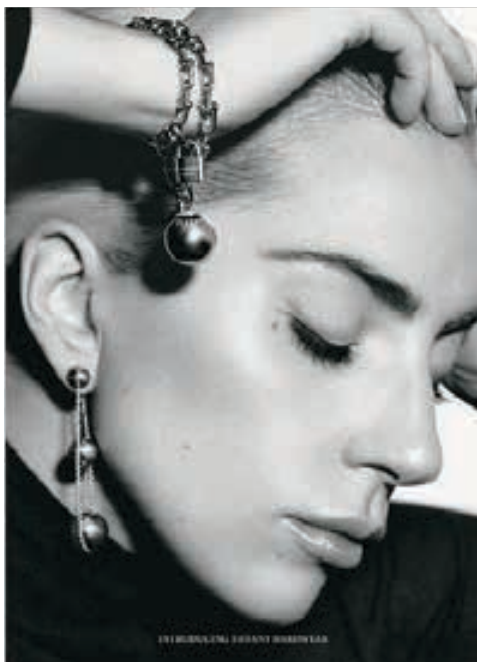
KEY OPPORTUNITIES (5)

NEW COLLABORATION ☑ LADY GAGA

- Tiffany announced on 31 January 2017 that Lady Gaga will represent Tiffany in its latest “Legendary Style” campaign, launching the new fashion jewellery collection - Tiffany HardWear in a 60-second film which aired during Super Bowl on 5 February 2017, a first for Tiffany.
- We believe that Co-Lab’s will be extremely important for Tiffany’s as they are for other major brands now, as demonstrated by the success of Louis Vuitton’s collaboration with New York skateboard label Supreme.



<https://www.youtube.com/watch?v=tGuNdkyvSc>



The 2017 Tiffany Hardwear Collection (Source: Tiffany & Co.)

KEY OPPORTUNITIES (6)

ACQUISITION TARGET

- We continue to believe that Tiffany is a likely acquisition target for large luxury conglomerates such as LVMH, Kering, Richemont and/or Swatch. We also posit that Berkshire Hathaway should consider acquiring Tiffany to enhance its jewellery/diamond businesses.

E-COMMERCE

- With Tiffany's renewed focus on increasing pace of newness & innovation of products, we see more products that are e-commerce friendly. We believe the Company can take advantage of its high social media engagement levels to increase its online sales from 6% of worldwide sales to at least 8% in the next few years.

PRODUCT EXPANSION OUTSIDE DIAMOND/GEMSTONE JEWELLERY

- We have noticed that Tiffany is slowly but noticeably developing more non-gemstone jewellery (e.g., its growing fashion jewellery category, and most of the items in the Tiffany HardWear Collection) and non-gemstone product categories (e.g., the new Home & Accessories Collection, the new Tiffany fragrance) that have higher margins and faster inventory turnover.
- We recognise this move as both defensive (diversification from diamond/gemstone jewellery category that is important but with slow growth potential) and offensive (growth opportunities in fashion jewellery, watches, fragrance, home & accessories, etc.).



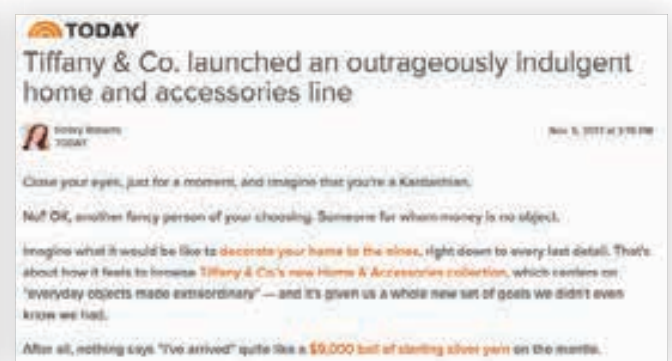
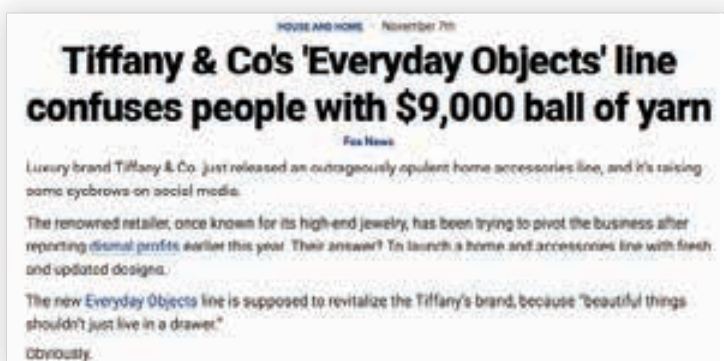
“Beautiful things should not be limited to special occasions...”

Tiffany's announcement of the new Home & Accessories Collection on 6 November 2017

KEY OPPORTUNITIES (7)

SOCIAL MEDIA ENGAGEMENT

- Tiffany is one of the best performing retail brands on social media, with very high social media engagement levels. Management noted that Tiffany's strong online presence is however more about delivering marketing communication that drives broad awareness, interests and store traffic.
- We observed that the new management and design team seem to be comfortable taking some risks in product R&D, and to step outside its core diamond/jewellery genre to generate social media conversation and brand awareness. The recent "online buzz" relating to Tiffany's foray into "Everyday objects", such as the US\$14,900 ball of yarn and the US\$1,000 sterling silver tin can from the new Home & Accessories Collection are examples of product design and marketing that generate interests/curiosity that could lead to increased store traffic and sales.



KEY OPPORTUNITIES (8)

FURTHER INVESTOR ACTIVISM

- Furthermore, we suggest that if the Company continued to underperform, not only JANA, but other activist investors such as Pershing Square (connected to Tiffany's current CFO via its Canadian Pacific investment), Trian Partners (who exited its position in Tiffany last year, and its co-founding partner Peter May has just retired from Tiffany's board this year) might re-engage to push for quick/short-term value realisation.

FINANCIAL LEVERAGE

- JANA might push the Board to opportunistically repurchase its shares before material improvement in Tiffany's business performance is visible. We believe Tiffany's strong balance sheet would allow the Company to leverage its balance sheet and execute share buybacks opportunistically.

“JANA and Mr. Trapani invested in the Issuer because they believe the Shares are undervalued and represent an attractive investment opportunity. The Reporting Persons have had discussions with the Issuer regarding the Issuer's balance sheet, potential opportunities to accelerate top line growth and expand margins, supply chain, working capital and the composition of the Board.”

JANA Partners 13D Filings 22 February 2017

TAX EFFICIENCY

- Over half of Tiffany's sales are generated outside the US. However, Tiffany's effective tax rates are consistently above 34% in the last few years (versus Apple's 24.6% in 2016). If the Company is able to manage the tax rate lower, it will have a meaningful positive impact on earnings.
- Tax reform in the US with regard to repatriation of foreign profits may also assist.

CONCLUSION, ELEVATION CAPITAL INTRINSIC VALUE ESTIMATES & LIQUIDITY ASSESSMENT



ELEVATION CAPITAL – CONCLUSION (1)

AN OLD WORLD LUXURY BRAND THAT IS GOING NOWHERE?

- Not at all in our view. Tiffany is one of the most valuable global luxury brands, and the number one American luxury brand. However, the Management & the Board have been under significant pressure to find growth when Tiffany's traditional core product category (jewellery with diamonds/gemstones) has been suffering from weak demand in recent years.
- Many on "The Street" believe that the Tiffany brand has lost touch with the next generation of consumers, and they regard the brand as tired and old world.

2017 WILL BE VIEWED AS A TRANSFORMATIVE YEAR

- 2017 is an important year for Tiffany. Significant senior management/board changes happened during the year, mainly due to activist investor JANA Partners' involvement.
- We believe that Tiffany, now led by new Chairman Roger Farah and new CEO Alessandro Bogliolo, with support from an expanded board and Chief Artistic Officer Reed Krakoff is now moving in the right direction.
- We acknowledge that the new direction taken by the Management is not without risks. However, the status quo was not an option. With its strong brand image and improving execution, the Company is in a sound position to grow in the years ahead by expanding its "inclusive luxury" offerings to include new/additional categories/products (e.g., home & accessories collection) outside its traditional core product category (jewellery with diamonds/gemstones), and into underserved markets such as Asia (Greater China), Europe and Latin America.
- More importantly, we believe there is an elevated energy around the Tiffany brand in 2017 and leading into 2018. People are talking about Tiffany's, whether it is Tiffany's open letter to President Trump on climate change, Tiffany's "save the wild elephants" collection/campaign, Tiffany's first perfume in 15 years, the opening of The Blue Box Café (Breakfast at Tiffany's), or Reed Krakoff's new Home & Accessories Collection.



ELEVATION CAPITAL – CONCLUSION (2)

CHALLENGES AND OPPORTUNITIES ABOUND

- As discussed in the Risks section, we recognise that the Company is facing some macro/microeconomic challenges. However, we have also tabled the numerous potential opportunities for the Management to create significant value for long-term minded shareholders.
- The test for the now reinvigorated board and management in the next 24 months is whether the Company can maintain the currently elevated energy and high engagement with the public and its customers/potential customers with new collections and marketing campaigns that capture the public's imagination, and then convert this high engagement into actual growth in comparable store sales by the end of FY2019 (31/1/2020).

POTENTIAL ACQUISITION TARGET

- We believe as the Company begins to deliver results consistent with a company offering a growth profile, not only will the stock re-rate to levels above peer group averages, it will also make the Company a more attractive acquisition target for the big multibrand luxury players in the market (e.g., LVMH, Richemont, Kering and/or Swatch) who could pay up for quality, growth and reduced company-specific risks. We believe at that stage the stock is worth in the range of US\$135.83* to US\$175.98** per share, compared to the current share price of US\$95.52***.

"A DIAMOND EMERGING FROM THE ROUGH"

- For patient value-minded investors, we conclude that Tiffany is indeed "a diamond emerging from the rough". Even though the stock has recovered from its recent low of \$57.48 (27/6/2016) to US\$95.52***, it is still trading at a discount to its global listed peers, and is trading at a significant discount to our current "Private Market Value" estimates.

ELEVATION CAPITAL – ESTIMATED INTRINSIC VALUE RANGE

Elevation Capital –
Estimated Intrinsic Value Range:

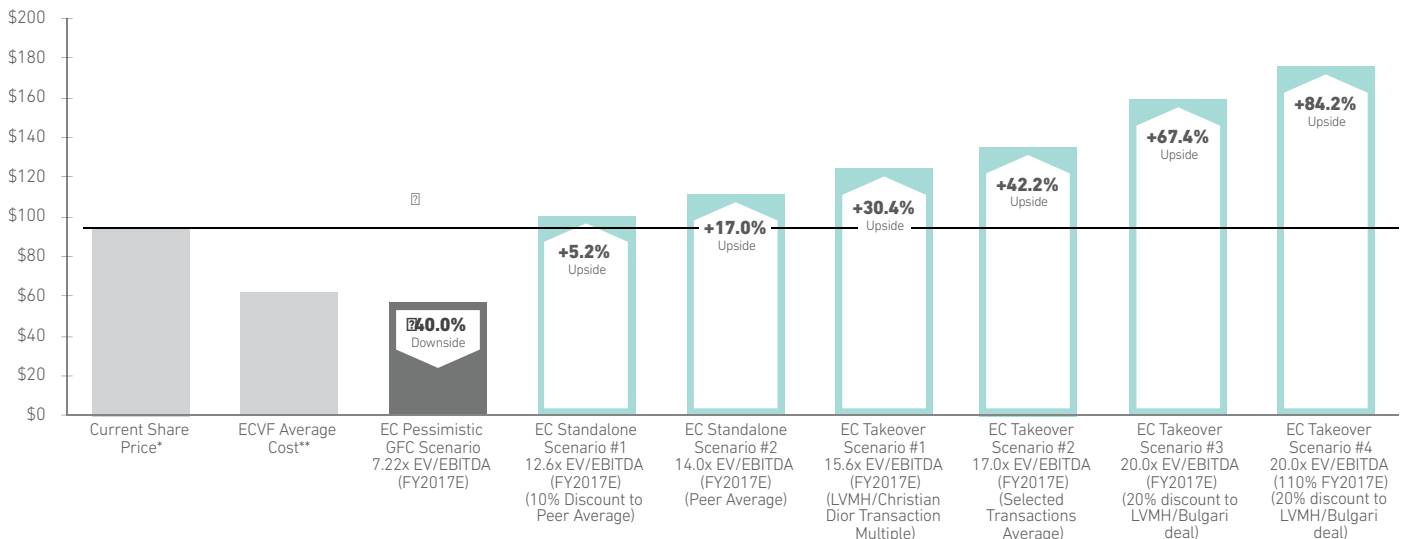
US\$ 57.28 –
US\$ 115.33

PER SHARE

Downside/Upward Potential Range:

-40.0% –
+84.2%

VALUATION SUMMARY



* Current Share Price = US\$ 95.52 (as at 7 December 2017)

** Elevation Capital Value Fund ("ECVF") Average Cost = US\$ 61.74 as at 7 December 2017
EC = Elevation Capital, ECVF = Elevation Capital Value Fund



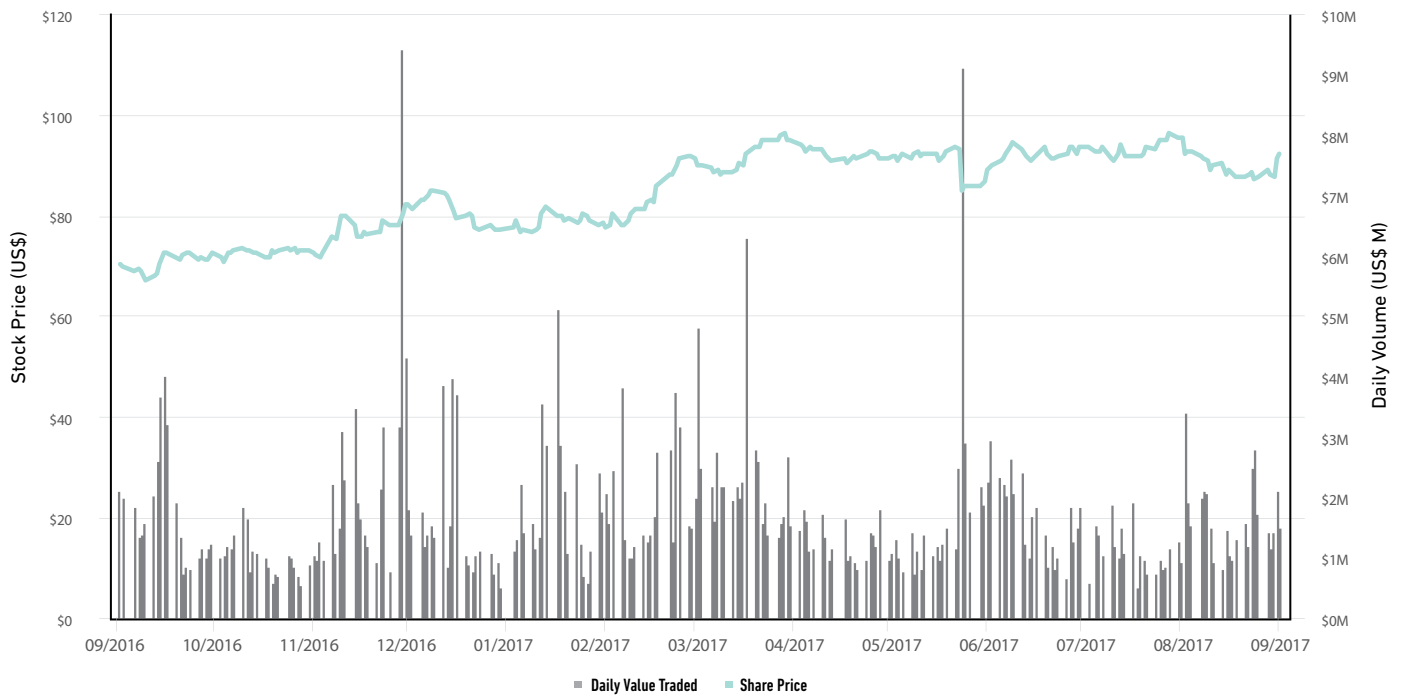
ASSUMPTIONS FOR OUR ESTIMATED INTRINSIC VALUES

Scenario	Assumptions
EC Pessimistic GFC Scenario	We assume the shares trade at 7.22x EV/EBITDA, which is the average EV/EBITDA ratio during 2008 - 2009, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Standalone Scenario #1	We assume the Company does not get taken over, and the shares trade at EV/EBITDA of 12.6x, a 10% discount to the peer average, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Standalone Scenario #2	We assume the Company does not get taken over, and the shares trade at the peer average EV/EBITDA of 14.0x due to improvement in the underlying business, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #1	We assume the Company is taken over at 15.6x EV/EBITDA valuation, which is the multiple that LVMH utilised to acquire the remaining 26% of Christian Dior it does not already own, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #2	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transaction/s average, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #3	We assume the Company is taken over at 20.0x EV/EBITDA valuation, which is 20% discount to LVMH/Bulgari transaction EV/EBITDA multiple of 25x, and with FY2017E Forecast EBITDA of US\$1,000M.
EC Takeover Scenario #4	We assume the Company is taken over at 20.0x EV/EBITDA valuation, which is 20% discount to LVMH/Bulgari transaction EV/EBITDA multiple of 25x, and with an improved EBITDA of US\$1.1B (10% higher than FY2017E EBITDA of US\$1,000M).

LIQUIDITY ASSESSMENT

- The one-year average daily trading volume in Tiffany totals US\$143M (~1.2% of the current market cap of \$11.87B*).

TIFFANY STOCK PRICE vs DAILY VALUE TRADED





[TIF:US]

APPENDICES





APPENDICES

- Appendix 1 – Background of Tiffany & Co. Directors
- Appendix 2 – Thomson Reuters Eikon ESG Score System
- Appendix 3 – Real Estate Asset - Flagship Store On Fifth Avenue, New York
- Appendix 4 – Video - Tiffany's First Super Bowl Commercial

APPENDIX 1: BACKGROUND OF TIFFANY & CO. DIRECTORS (1)*

NAME	BACKGROUND
<p>Roger N. Farah (Chairman of the Board, Tiffany & Co.)</p>	<p>Mr. Farah, 64, became a director in March 2017 and was elected Chairman of the Board effective October 2, 2017. He served as the Co-Chief Executive Officer and as a member of the board of Tory Burch LLC from 2014-2017. Mr. Farah has over 40 years of experience in the lifestyle products and retailing sectors. Mr. Farah was a member of the board of Ralph Lauren Corporation from 2000 to 2014, where he also served as President and Chief Operating Officer from 2000 to 2013 and as Executive Vice Chairman from November 2013 to May 2014. Prior to joining Ralph Lauren Corporation, he served as Chairman of the Board and Chief Executive Officer of Venator Group, Inc. (now Foot Locker, Inc.), as President and Chief Operating Officer of R.H. Macy & Co., Inc. and as Chairman and Chief Executive Officer of Federated Merchandising Services. Mr. Farah currently serves on the boards of The Progressive Corporation and Aetna, Inc., and as a non-executive director of Metro Bank PLC. Mr. Farah holds a B.S. from the University of Pennsylvania, Wharton School of Business.</p>
<p>Alessandro Bogliolo (Chief Executive Officer, Tiffany & Co.)</p>	<p>Alessandro Bogliolo is chief executive officer of Tiffany & Co. Mr. Bogliolo assumed this position and joined the Tiffany Board of Directors in October 2017. Mr. Bogliolo is a veteran luxury industry executive with nearly three decades of experience in general management, operations and marketing for luxury, fashion, jewelry and automotive brands. He started his career in 1989 at Bain & Co., a global consulting firm, advising clients on mergers, acquisitions and strategy projects. He held positions at the Italian motorcycle and scooter company, Piaggio, before moving on to Bulgari SpA, the Italian jewelry and luxury goods brand. Mr. Bogliolo served 16 years at Bulgari SpA, including as executive vice president – jewelry, watches & accessories from 2001-2007 and as chief operating officer from 2008-2012. Subsequently, he served as chief operating officer for North America at Sephora, owned by LVMH Louis Vuitton Moët Hennessy. Most recently he was chief executive officer of Diesel, the internationally distinguished Italian denim and lifestyle brand, where he led the company's efforts to revitalize its brand and enhance their customer experience. Mr. Bogliolo earned a degree in business administration from Università Bocconi in Milan, Italy and completed the International Management Program at HEC (Ecole des Hautes Etudes Commerciales) in Paris, France.</p>
<p>Rose Marie Bravo CBE Chief Executive Officer (Retired), Burberry Limited)</p>	<p>Ms. Bravo, CBE, 65, became a director of Tiffany & Co. in 1997. Ms. Bravo previously served as CEO of Burberry Limited from 1997 until 2006 and as President of Saks Fifth Avenue from 1992 to 1997. Prior to Saks, Ms. Bravo held a series of merchandising jobs at Macy's, culminating in the Chairman & CEO role at I. Magnin, which was a division of R. H. Macy & Co. Ms. Bravo also serves on the Board of Directors of Estee Lauder Companies Inc. and Williams-Sonoma, Inc.</p>
<p>Gary E. Costley Ph.D. (Chairman and Chief Executive Officer (Retired), International Multifoods Corporation)</p>	<p>Dr. Costley, 72, became a director of Tiffany & Co. in 2007. He served as Chairman and CEO of International Multifoods Corporation, a manufacturer and marketer of branded consumer food and food service products, from 1997 until his retirement in 2004. Dr. Costley was Dean of the Graduate School of Management at Wake Forest University from 1995 until 1997. Dr. Costley held numerous positions at the Kellogg Company from 1970 until 1994 when he was President of Kellogg North America. Dr. Costley serves on the Board of Directors of The Principal Financial Group and Prestige Brands Holdings, Inc. He has also served on the Board of Directors of the following public company during the past five years: Covance Inc.</p>
<p>Lawrence K. Fish (Chairman and Chief Executive Officer (Retired), Citizens Financial Group, Inc.)</p>	<p>Mr. Fish, 71, became a director of Tiffany & Co. in 2008. Mr. Fish previously served as Chairman, President and CEO of Citizens Financial Group, Inc. ("Citizens") from 1992 until 2005, when he relinquished the title of President. Mr. Fish relinquished the title of CEO of Citizens in 2007 and retired as Chairman in 2009. Mr. Fish is a member of the Corporation and Executive Committee of Massachusetts Institute of Technology. Mr. Fish serves as Chairman of Houghton Mifflin Harcourt and as a member of the Board of Directors of Tectra. He has also served on the Board of Directors of the following public company during the past five years: National Bank Holdings. Mr. Fish serves as a Trustee Emeritus of The Brookings Institution and as Chairman of Management Sciences for Health.</p>

APPENDIX 1: BACKGROUND OF TIFFANY & CO. DIRECTORS (2)*

NAME	BACKGROUND
<p>Abby F. Kohnstamm (Executive Vice President and Chief Marketing Officer, Pitney Bowes, Inc.)</p>	<p>Ms. Kohnstamm, 62, is Executive Vice President and Chief Marketing Officer at Pitney Bowes Inc. ("Pitney Bowes"). In this role, she oversees all of Pitney Bowes's marketing and communications worldwide, as well as citizenship and philanthropy. Before joining Pitney Bowes in June 2013, Ms. Kohnstamm was the President and founder of Abby F.Kohnstamm & Associates, Inc., a marketing and consulting firm. Prior to establishing her company in 2006, Ms. Kohnstamm served as Senior Vice President, Marketing (Chief Marketing Officer) of IBM Corporation from 1993 through 2005. In that capacity, she had overall responsibility for all aspects of marketing across IBM on a global basis. Before joining IBM, Ms. Kohnstamm held a number of senior marketing positions at American Express from 1979 through 1993. She is also a member of the Board of Directors of the Roundabout Theatre Company and is a Trustee Emeritus of Tufts University after serving 10 years on the Board of Trustees. She became a director of Tiffany & Co. in 2001. Ms. Kohnstamm also served on the Board of Directors of the following public companies during the past five years: The Progressive Corporation and World Fuel Services Corporation. She holds a B.A. from Tufts University, an M.A. in Education from New York University and an M.B.A. from New York University.</p>
<p>Michael J. Kowalski (Former Chairman of the Board and Former Chief Executive Officer, Tiffany & Co.)</p>	<p>Mr. Kowalski, 65, is the former Chairman of the Board of Tiffany & Co. and former Chief Executive Officer. Mr. Kowalski has been a director of Tiffany & Co. since 1995, was Chairman from Fiscal 2002 until October 2017 and was interim CEO from February 2017 to October 2017. Mr. Kowalski joined Tiffany in 1983 and was Chief Executive Officer ("CEO") from 1999 until his retirement effective March 31, 2015. He has also served on the Board of Directors of the following public company during the past five years: The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation is one of Tiffany & Co.'s principal banking relationships, serving as a co-syndication agent and lender under Tiffany & Co.'s revolving credit facilities, as the trustee under the indenture governing certain of Tiffany & Co.'s senior notes and as the trustee and investment manager for the Tiffany and Company Pension Plan. Mr. Kowalski holds a B.S. from the University of Pennsylvania's Wharton School and an M.B.A. from the Harvard Business School.</p>
<p>James E. Lillie (Former Chief Executive Officer, Jarden Corporation)</p>	<p>Mr. Lillie, 55, is the former Chief Executive Officer at Jarden Corporation. Mr. Lillie has over 20 years of experience in the consumer products sector. Mr. Lillie held senior positions at Jarden Corporation from August 2003 through the sale of the company to Newell Brands in April 2016, including as Chief Operating Officer immediately prior to assuming the role of Chief Executive Officer. Prior to joining Jarden, Mr. Lillie served as Executive Vice President of Operations at Moore Corporation Limited and held several senior level management positions at portfolio companies of Kohlberg, Kravis, Roberts & Company. Mr. Lillie serves on the boards of Nomad Foods Limited and Royal Oak Charcoal, and previously served on the boards of Radio Prisa in Spain and the US-China Business Council. Mr. Lillie holds a B.A. from the University of Wisconsin.</p>
<p>Charles K. Marquis (Senior Advisor, Investcorp International, Inc.)</p>	<p>Mr. Marquis, 73, has been a Senior Advisor to Investcorp International, Inc. since 1999. From 1974 through 1998, he was a partner in the law firm of Gibson, Dunn & Crutcher L.L.P., where he practiced securities and mergers and acquisitions law. He was first elected a director of Tiffany & Co. in 1984.</p>
<p>William A. Shutzer (Senior Managing Director, Evercore Partners)</p>	<p>Mr. Shutzer, 69, has been a Senior Managing Director of Evercore Partners, a financial advisory and private equity firm, since 2004. He previously served as a Managing Director of Lehman Brothers from 2000 through 2003, a Partner in Thomas Weisel Partners LLC, a merchant banking firm, from 1999 through 2000, as Executive Vice President of ING Baring Furman Selz LLC from 1998 through 1999, President of Furman Selz Inc. from 1995 through 1997 and as a Managing Director of Lehman Brothers and its predecessors from 1978 through 1994. He was first elected a director of Tiffany & Co. in 1984. Mr. Shutzer serves on the Board of Directors of ExamWorks Group, Inc., Evercore Trust Company and RSI Home Products, Inc. He has also served on the Board of Directors of the following public company during the past five years: Mecklermedia Corporation (formerly known as Mediabistro Inc.).</p>

APPENDIX 1: BACKGROUND OF TIFFANY & CO. DIRECTORS (3)*

NAME	BACKGROUND
Robert S. Singer (Former Chief Executive Officer of Barilla Holding SpA)	Mr. Singer, 64, served as CEO of Barilla Holding S.p.A, a major Italian food company, from 2006 to 2009. From 2004 to 2005, Mr. Singer served as President and Chief Operating Officer of Abercrombie & Fitch Co., an American clothing retailer. Prior to joining Abercrombie, Mr. Singer served as Chief Financial Officer of Gucci Group NV, a leading luxury goods company, from 1995 to 2004. From 1987 to 1995, Mr. Singer was a Partner at Coopers & Lybrand. Mr. Singer served on the Board of Directors of Benetton S.p.A. from 2006 to 2010, and on the Board of Directors of Fairmont Hotels & Resorts, Inc. from 2003 to 2006. Mr. Singer currently serves on the Board of Directors of the following public companies: Mead Johnson Nutrition Company, Coty Inc. and Jimmy Choo PLC. Mr. Singer also currently serves on the Board of Directors of several non-public companies. Mr. Singer was first elected a director of Tiffany & Co. in 2012.
Francesco Trapani (Former Chief Executive Officer, Bulgari)	Mr. Trapani, 59, is the former Chief Executive Officer at Bulgari. Mr. Trapani has over three decades of experience in the luxury retail sector. From 1984 until 2011, Mr. Trapani led Bulgari, including in connection with the company's listing on the Italian Stock Exchange, creation of Bulgari Hotels & Resorts, and acquisition by LVMH in 2011. From 2011 to 2014, Mr. Trapani served as Chairman and Chief Executive Officer of the LVMH Watches and Jewelry Division. Mr. Trapani joined Clessidra SGR, the largest private equity fund in Italy, as Executive Vice-Chairman in 2014, and later served as Chairman of the Board until the company's sale in 2016. Mr. Trapani holds a degree in business administration from the University of Naples.

APPENDIX 2: THOMSON REUTERS EIKON ESG SCORE SYSTEM

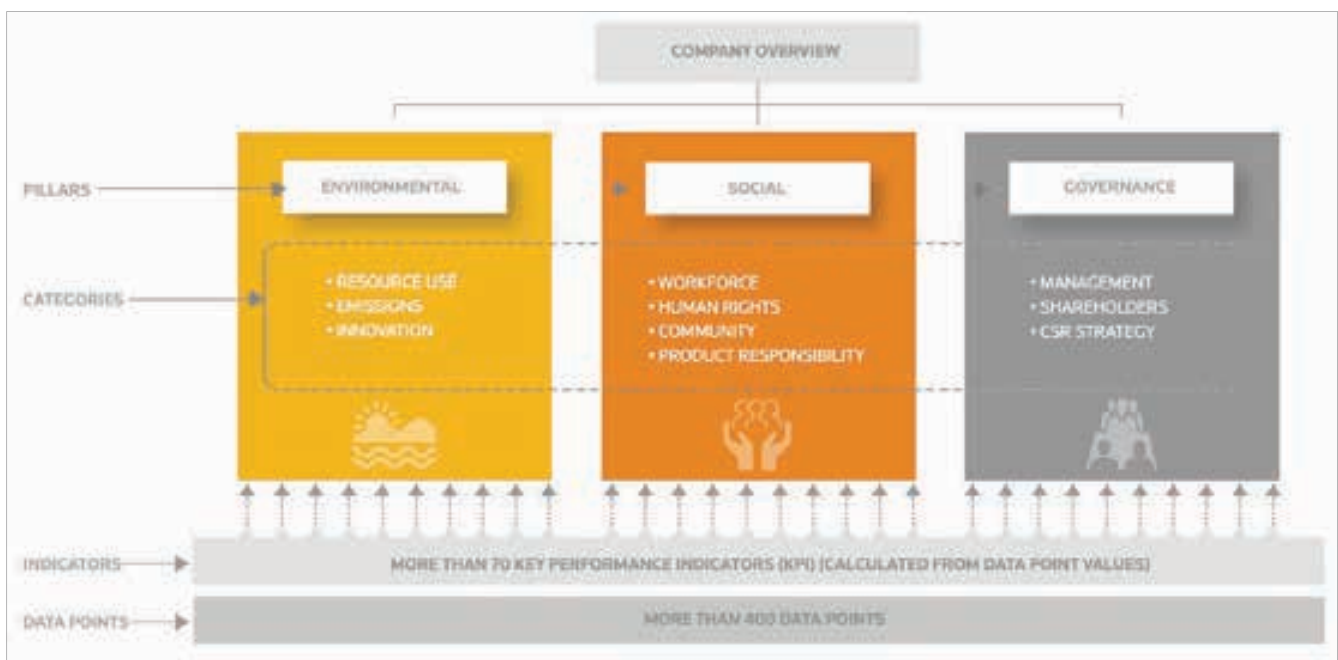
- We utilise Thomson Reuters ESG scores to evaluate a company’s ESG efforts.
- It offers one of the most comprehensive ESG databases in the industry covering over 6,000 public companies, across more than 400 different company level ESG metrics.



400 company level ESG measures collected

Score Range	Grade
0.0 ≤ score ≤ 0.083333	D-
0.083333 < score ≤ 0.166666	D
0.166666 < score ≤ 0.250000	D+
0.250000 < score ≤ 0.333333	C-
0.333333 < score ≤ 0.416666	C
0.416666 < score ≤ 0.500000	C+
0.500000 < score ≤ 0.583333	B-
0.583333 < score ≤ 0.666666	B
0.666666 < score ≤ 0.750000	B*
0.750000 < score ≤ 0.833333	A-
0.833333 < score ≤ 0.916666	A
0.916666 < score ≤ 1	A+

Thomson Reuters ESG Score Range / Grade



Thomson Reuters ESG Framework

APPENDIX 3: REAL ESTATE ASSET - FLAGSHIP STORE ON FIFTH AVENUE, NEW YORK

- The only store property the company owns is the Tiffany Flagship Store on Fifth Avenue. It is not mortgaged and is not currently for sale.
- The store was built for Tiffany in 1940. The company undertook a LBO from Avon and sold the building in the 1980's. They bought the building back from a Japanese corporation in 1999 for US\$ 94M. We do not believe the building has been revalued in the books since 1999.
- The Tiffany diamond is also on display at the store – it is our understanding that it is also in the books for a very low carrying value but is believed to be worth more than US\$ 20M today.




The Tiffany Diamond is presented in a phenomenal new setting specially created in honour of Tiffany's 175th anniversary.



The Tiffany Flagship Store today

APPENDIX 4: VIDEO - TIFFANY'S FIRST SUPER BOWL COMMERCIAL



Tiffany & Co. — Introducing Lady Gaga for Tiffany HardWear

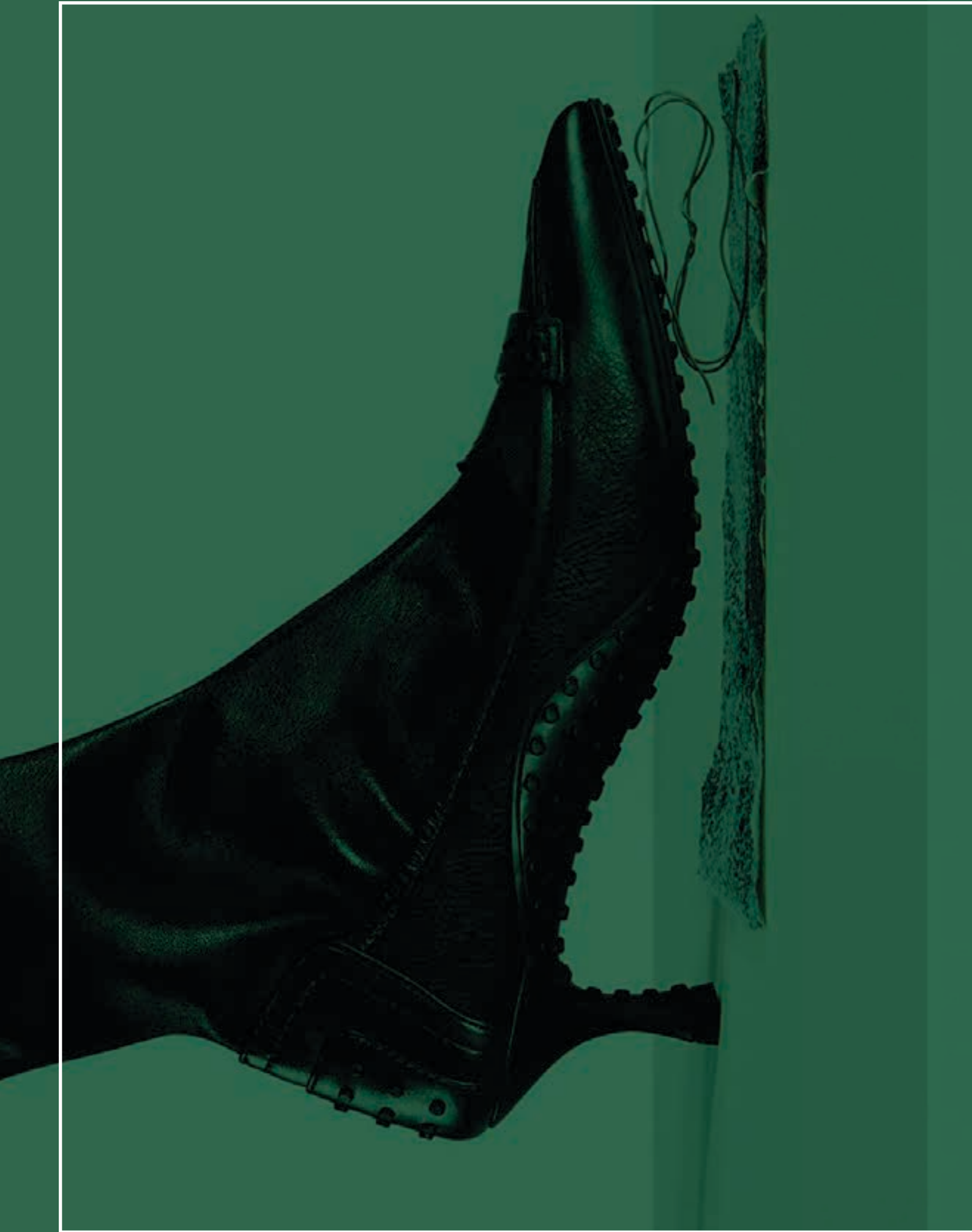
8,201,611 views

Tiffany & Co. Published on Feb 5, 2017

The legendary Lady Gaga is featured in our new campaign, debuting this spring. Find out more: <http://www.tiffany.com>

SUBSCRIBE 45K

<https://www.youtube.com/watch?v=tGuNkyvfSc>





TOD'S SPA [TOD:IM]

Research Presentation published in October 2017
and updated in June 2018.

“It (the project “Tod’s Factory”) is work in progress, we started developing it around six months ago...

It means we will start dropping more collections throughout the year, capsules and limited editions, in collaboration with different individuals and friends of the house...

Collections can no longer be presented every six months, and this is part of a new way to communicate and tell our story. This business model offers great opportunities, we can be faster and better control the collections.”

- Diego Della Valle, Chairman and CEO of Tod's – February 2018



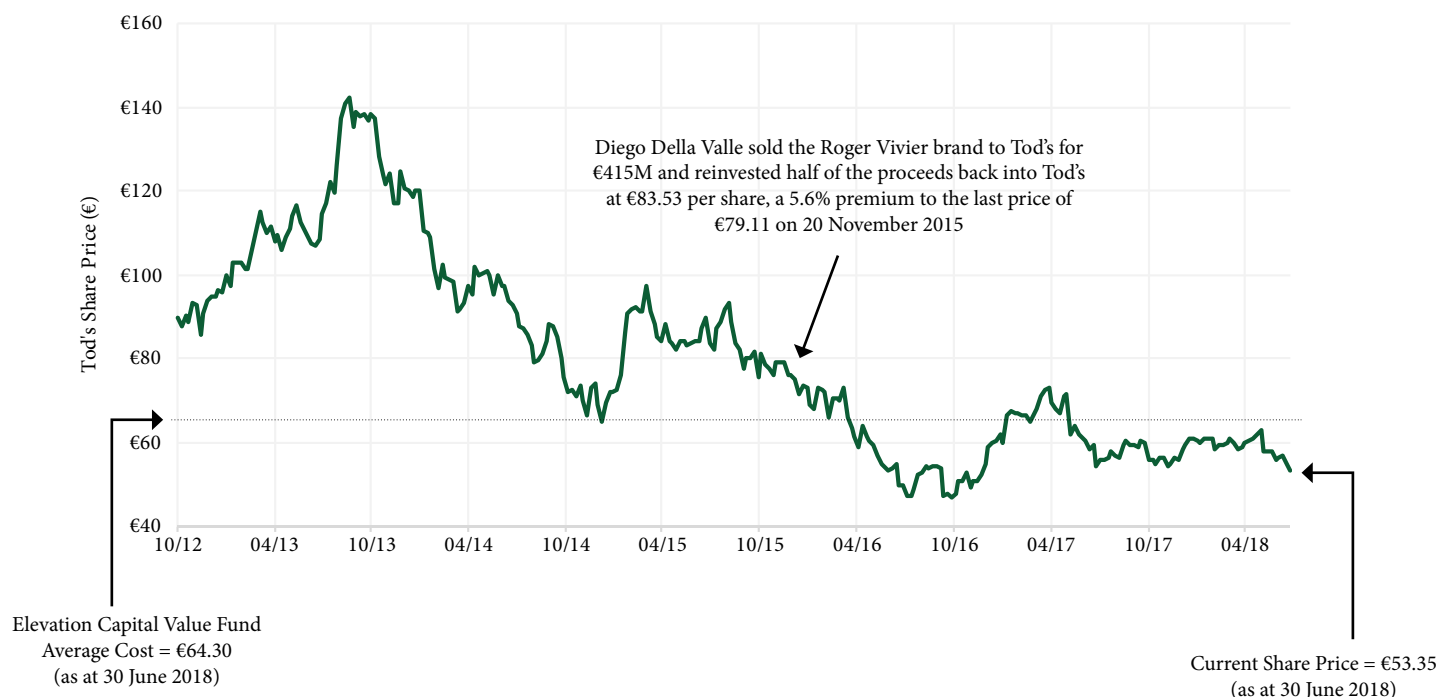


TOD'S SPA [TOD:IM]

VALUETRAP OR VALUE OPPORTUNITY?

VALUE TRAP OR VALUE OPPORTUNITY?

- After reaching an all time high of €142.30 on 23/8/2013, Tod's share price has declined 67% in the last four years to a low of €46.99 on 30/9/2016. It has since recovered to €53.35 as at 30 June 2018.
- Tod's is currently (as at 30 June 2018) the twelfth largest position in Elevation Capital Value Fund, comprising 3.53% of the Portfolio.
- When we initiated a position in Tod's in 2014, the stock was down more than -30% from its highs and the overall luxury sector had seen a sell-off due to anti-graft/anti-corruption policy in China. Tod's represented compelling absolute & relative value then. The key question is does it still now?
- While other luxury players have seen recovery in their businesses, and their stock prices. Tod's is currently underperforming due to some company specific issues. The question again is whether these issues can be resolved in a reasonable and timely fashion?



VALUE TRAP OR VALUE OPPORTUNITY?

“We are getting out of the trouble we had with the strategy that we started a few years ago with the fashion component of our collections. So when we decided to give, under Mrs. Facchinetti’s responsibility, the Tod’s collection that was -- as we realized, so to speak, too much fashion for our old clients and not enough fashion to attract new clients.”

- Emilio MacEllari, CFO of Tod’s – May 2017



“The idea of just having one designer can become a bit tired... we need a group of people who understand our DNA, our identity, which is based on the Made in Italy, Italian quality and Italian lifestyle.”

- Diego Della Valle, Chairman and CEO of Tod's – May 2017

VALUE TRAP OR VALUE OPPORTUNITY?

FASHION NETWORK

Tod's economic indicators all down at end 2016, store closures on the cards

By Catherine Munn 16 March 2017

The performance of Italian luxury footwear label Tod's in 2016 was very disappointing, and the group is seeking to right its course this year. All of Tod's economic indicators were down at the end of last year, and the group is pinning its hopes on a new store concept, a strengthening of its e-tailing business and of digital communications, and on organic store growth, as illustrated in the press release issued for the publication of Tod's annual results.

FASHION NETWORK

Designers for Fay label leave Tod's luxury group

17 July 2017

Fay, a unit of Italian luxury group Tod's, said on Friday its two designers were leaving, amid a general rethink of company strategy that aims to increase clients and sales.

The Tod's group said it would be challenging to meet market expectations for earnings this year after it posted a 4.4 percent drop in first-quarter revenue.

Chairman Diego Della Valle said the company would see positive results in the next couple of years from strategies aiming at both "traditional and new clients".

Fay, a part of the Tod's group, said in a statement that designers Tommaso Aquilano and Roberto Rimondi would stop working for the label, after six years of service.

Deputy Chairman Andrea Della Valle said "the collaboration was fruitful for both sides", without giving reasons for their departure.

The company and the designers would pursue "new paths", a Tod's spokesperson said, adding the original five-year contract with the designers had already been extended by a year.

The last collection designed by Aquilano and Rimondi will be for Spring-Summer 2018, which will be in shops from January 2018, the statement said.

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FAY INTRODUCES ARTHUR ARBESSER

MILAN, 18 SEPTEMBER 2017 - FAY - CLOTHING BRAND OF TOD'S GROUP - IS PLEASED TO ANNOUNCE THE BEGINNING OF ITS PARTNERSHIP WITH THE DESIGNER ARTHUR ARBESSER, WHO TAKES THE CREATIVE DIRECTION OF THE BRAND.

THE FIRST FALL/WINTER COLLECTION, FRUIT OF THIS PARTNERSHIP, WILL BE PRESENTED AT THE START OF 2018.

BORN AND RAISED IN VIENNA, ARBESSER CULTIVATED HIS PASSION FOR ART AND DESIGN, WHICH DEEPLY INSPIRE THE DESIGNER'S CREATIONS TODAY. AFTER GRADUATING FROM CENTRAL SAINT MARTINS COLLEGE FOR ART AND DESIGN, HE MOVED TO MILAN, WHERE HE DESIGNED FOR ONE OF THE MOST PRESTIGIOUS FASHION HOUSES, ARMANI, IN THE FOLLOWING YEARS.

IN 2013, HE LAUNCHED HIS EPHONYMOUS LABEL, SOON ACCLAIMED BY INTERNATIONAL PRESS AND, IN 2015, HE WAS ONE OF THE FINALISTS AT THE SECOND EDITION OF THE LVMH PRIZE.

"WE ARE THRILLED ABOUT THIS NEW PARTNERSHIP," SAID ANDREA DELLA VALLE, VICE CHAIRMAN OF TOD'S GROUP.

"WE BELIEVE THAT ARTHUR'S CREATIVE FLAIR AND FRESHNESS, COMBINED WITH HIS PASSION FOR ART, WILL PERFECTLY MATCH FAY AND ITS LIFESTYLE, GENERATING A HIGHLY POSITIVE RELATIONSHIP."

"FAY IS A BRAND WITH IDENTITY, CLASS AND HISTORY. I'M REALLY THRILLED AND CONFIDENT THAT THIS WILL BE THE BEGINNING OF A NEW AND INTERESTING JOURNEY FOR BOTH MYSELF AND THE BRAND," SAID ARTHUR ARBESSER.

VALUE TRAP OR VALUE OPPORTUNITY?

Tod's launches men's capsule collection for YNAP's Mr Porter

BY ECONOMIST FRANCESCA BERTOLINI, NEWS | JUNE 16, 2017 12:37 AM

Giulia Segni

MILAN, June 17 (Reuters) - Italian luxury group Tod's on Saturday launched a menswear capsule collection for Yoox Net-a-Porter in a bid to increase its reach to online customers.

The brand is pushing to regain appeal among fashionistas despite expecting like-for-like retail sales to be flat overall in 2017.

The "Tod's X Mr Porter" collection is aimed at YNAP's in-season online store dedicated to men, with 27 items for the summer, designed by Tod's menswear Creative Director Andrea Incontri.

It includes new, coloured models of the group's iconic 'Gummino' loafers, suede bomber jackets and printed swimming shorts, all in the tones of blue, red and white.

Despite already selling shoes, clothes, and accessories through YNAP's websites, the collection is the Italian brand's first exclusive collaboration with the successful online luxury group.

It's the first dedicated 'see-now-buy-now' collection for the group, presented on Saturday in Milan and on sale this coming week, a statement said.

"Since launching Tod's ready-to-wear business in 2015, we have wanted to work on an exclusive collection ... giving our global customer base something special which they cannot find anywhere else," Mr Porter Buying Director Fiona Firth said in a statement.

Luxury groups have been coming under pressure from increasingly young clients to present more collections during the year, including highly-attractive limited and exclusive capsule lines.

Tod's says 2017 consensus earnings forecast a challenge - RTRS

16-May-2017 07:05

Highlights with comments from conference call
MILAN, May 6 (Reuters) - Italian luxury goods company Tod's (TOD.MI) said it may struggle to meet market expectations for earnings this year after a bigger than forecast 4.4 percent drop in first-quarter revenue, driven by slumping Italian and U.S. sales.

Tod's, revenue for its Guemino loafers, said on Friday its first-quarter revenue was 236.3 million euros (\$262 million), below a Thomson Reuters consensus estimate of 242 million euros and down 5 percent from a year earlier at constant currencies.

Revenue in Italy, its biggest market, fell 6.7 percent while sales in the Americas dropped 15.7 percent as fewer tourists visited the United States. In Greater China though, sales rose 3.6 percent despite ongoing weakness in Hong Kong.

Chief Financial Officer Emilio Macellari said full-year forecasts for revenues and earnings before interest, tax, depreciation and amortisation (EBITDA) "could be a bit challenging" in 2017.

Analysts said the market was looking for full-year sales of 1.24 billion euros and EBITDA of 191 million euros. Macellari said a weakness in wholesale revenue may extend beyond the first quarter, which recorded a 9.5 percent drop, while retail sales were flat during that period.

Macellari said he expected like-for-like retail sales to be "neutral" overall in 2017 after a 12 percent drop last year. In the first quarter, like-for-like retail sales fell 7.2 percent but the CFO said the drop should ease in the second quarter and sales should rise in the second half.

In a further boost, Tod's is planning to add about 15 new shops to its network this year.

(S1 = 0.0005 euros)

Italy's Tod's ready to make short-term sacrifices for medium-term growth

MILAN, MAY 16, 2017 07:34 AM
Reuters Staff

MILAN (Reuters) - Italian luxury group Tod's said on Thursday it was ready to make short-term sacrifices in margins and revenues in pursuit of medium-term growth as it turns away from fashion to focus on higher-end products.

The brand, known for its traditional Gummino loafers, has struggled in recent years to broaden its product range and diversify from its best-selling but more classic items.

Chief Financial Officer Emilio Macellari told analysts on Thursday the group did not want to compete with fashion brands but would turn to "a more reliable, regular and stable kind of market, in more iconic and traditional products," closer to the brand's heritage.

These would include high-end bags, shoes and clothing.

Macellari said the change in strategy would provide Tod's with a regular growth trend in the years to come.

VALUE TRAP OR VALUE OPPORTUNITY?

Tod's chairman, CEO to start considering his future role - sources

by Reuters Editorial, reuters.com **November 7, 2017 01:12 PM**

MILAN, Nov 7 (Reuters) - Tod's chairman and majority owner Diego Della Valle is starting to consider his future role in the company, after the Italian luxury group made a surprise appointment of a new CEO, sources familiar with the matter said on Tuesday.

Della Valle, who currently serves also as one of two chief executives, told analysts he would "step aside" in view of his age, 63, and the appointment of the new executive, the sources quoted him as saying at the group's investor day.

Della Valle did not specify what role he would be leaving but the sources said they understood he would remain as chairman.

On Monday Tod's announced that it would replace long-serving Chief Executive Stefano Sincini, who has been with the company for over 30 years, with Bulgari sales executive Umberto Macchi di Cellere.

One of the sources said Della Valle would not "step down", and another one explained that he said he would be less involved in day-to-day business, but would continue to supervise the company's products and be in charge of the group's communications.

A source close to the company said the comments on age were jocular and that any decision would be taken "when the time comes".

But Della Valle stressed that his family - which holds 61.5 percent in the group - would not sell its stake, one of the sources added.

The top manager did not give any forecast for the company's performance in the coming years although the company did say on Monday that it would be able to deliver results "in line with market expectations" this year.

One of the sources said that Tod's would increase volumes and profitability working on its new digital strategy, improving its supply chain, communication strategy, with a turnaround expected to be visible in the second half of next year. (Reporting by Claudia Cristoferi Writing by Giulia Segreti Editing by Greg Mahlich)

Tod's chooses Umberto Macchi di Cellere as future CEO

by Dominique Muret, uk.fashionnetwork.com **November 7, 2017**

Together with the latest quarterly results, Italian footwear manufacturer Tod's has announced the appointment of Umberto Macchi di Cellere as its future CEO, replacing Stefano Sincini, a manager who has worked for the luxury label for 33 years.

Umberto Macchi di Cellere will start at Tod's on 1st December as General Manager, with a significant operational remit. Tod's stated in a press release he will be appointed CEO on 19th April 2018, on the occasion of the group's AGM.

Umberto Macchi di Cellere comes from Bulgari, an Italian jeweller owned by the LVMH group, where he spent the majority of his career. He joined Bulgari in 2001 and worked first in the fragrance and then the watches division, before being appointed Bulgari's Worldwide Managing Director Sales in 2009. Macchi di Cellere previously worked also for US personal care group Johnson & Johnson.

He arrives at Tod's at a delicate time, as the footwear group's sales have been slumping for some time. Tod's is in the midst of a restructuring phase, and in the first nine months of the year it reached a revenue of €722.2 million, down 4.7% compared to the same period a year earlier.

Specifically, sales for the main label, Tod's, were down 7.4%, those for Hogan by 8.8%, while Fay posted a 1.7% downturn. High-end footwear label Roger Vivier was the group's only brand to hold its own, posting a 9.6% revenue increase in the period.

Tod's Seeks to Surprise With Drops, Collaborations

by Luisa Zargani, wwd.com **February 23, 2018**

MILAN — Tod's chief executive officer Diego Della Valle is overturning his company's business model and launching a new project called Tod's Factory, in a reference to Andy Warhol.

"It's work in progress, we started developing it around six months ago," Della Valle revealed ahead of the Tod's runway show in Milan on Friday. "It means we will start dropping more collections throughout the year, capsules and limited editions, in collaboration with different individuals and friends of the house." The executive declined to provide additional details about the designers, but said the first such collection would bow in June or July.

"Collections can no longer be presented every six months, and this is part of a new way to communicate and tell our story," he explained. "This business model offers great opportunities, we can be faster and better control the collections." Della Valle declined to say whether the women's fall show, designed by a team, would be the last for the house. "We want to surprise you," he said. He has been reviewing the role of a creative director after the exit of Alessandra Facchinetti in 2016, leaving the job to the brand's team.

Della Valle is courting a younger customer and the collaborators on the capsules are young. "The products will be seen through the eyes of a 25-year-old. I feel we are like editors of a magazine, putting it together every month, or every two at the most," he observed. He already has set the change in motion by tapping Kendall Jenner for Tod's spring ad campaign, for example, and by working with influencer Chiara Ferragni on a capsule.

Smaller collections with more frequent drops also fits in with the fashion world's latest strategy to try to excite consumers beyond the main seasons twice a year. Picking up from streetwear brands such as Supreme and Kith, luxury labels from Givenchy to Kition are adopting the concept. Moncler just unveiled its Genius project in Milan, hinged on multiple collaborators and more frequent product drops.

Tod's is going through a shakeup of its executive rank to help push this strategy forward. "It's a moment of generational turnaround, [the executives] are not worse or better but different, as we used to work at a seasonal [pace]," Della Valle said.



TOD'S SPA [TOD:IM]

INTRODUCTION

HISTORY

1900s In the early 1900's Filippo Della Valle, Grandfather of current Chairman and CEO Diego Della Valle, founded a small shoe workshop in Le Marche, Eastern Italy.

1940s From the 1940's the business began exporting shoes to markets outside Italy and Europe, supplying private label shoes to American outlets including Neiman Marcus and Saks Fifth Avenue.

1970s Over the next ten years, Diego Della Valle took charge of the operations of Tod's and immediately recognised the potential of the business he had inherited. Instead of selling shoes to department stores under a private label agreement, he realised that he must develop a recognisable brand to realise the potential of the business, thus the brand Tod's was formed. The Company also acquired the FAY brand during this period.

1980s To further diversify Tod's product range, Diego Della Valle developed the new brand Hogan during the 80's. Hogan was among the first producers of "luxury sneakers", one of the most popular product categories today.

2000s Tod's held an IPO in November 2000, raising €210M. Diego Della Valle (personally) acquired the brand Roger Vivier.

2001 Diego Della Valle licensed the Roger Vivier brand to Tod's.

2006 Diego Della Valle (personally) acquired haute couture label - Schiaparelli.

2013 Alessandra Facchinetti, a former Gucci and Valentino head designer was hired by Tod's as its creative director, with a broader responsibility across Tod's ready-to-wear lines.

2015 Diego Della Valle sold the Roger Vivier brand to Tod's for €415M.

2016 Alessandra Facchinetti stepped down as the creative director of Tod's after three years.

2017 Two designers for Fay leave after six years working for the brand. Tod's announced Umberto Macchi di Cellere (from Bulgari) to replace Stefano Sincini as CEO.

2018 Bruno Frisoni stepped down as the creative director of Roger Vivier after sixteen years. Gherardo Felloni (from Miu Miu) is hired as the new creative director of Roger Vivier. Diego Della Valle plans to hand over the reins of Tod's to his brother Andrea Della Valle



DIEGO DELLA VALLE

CHAIRMAN AND CEO OF TOD'S

- The grandson of Filippo Della Valle, who started his shoemaking business in the 1920s.
- The New Yorker called him the “*Italian Ralph Lauren*”.
- After inheriting the business from his father, Diego successfully expanded the business and built the now famous Tod's brand. He also created the Hogan brand. Fay and Roger Vivier are the two brands acquired and developed by Diego Della Valle.

MAJORITY AND CONTROLLING OWNER

- After Diego Della Valle sold the Roger Vivier brand to Tod's for €415M in 2015 and reinvested half of the proceeds back into Tod's (at €83.53 per share), Diego Della Valle now owns 60.66% of Tod's.

INFLUENTIAL IN THE GLOBAL FASHION AND LUXURY INDUSTRY

- He is on the board of LVMH, and was on the board of Ferrari SpA.
- The former is a connection which we suggest may eventually champion a takeover bid from LVMH.
- The latter has led to collaboration, with Tod's producing a line of shoes and leather goods with the Ferrari brand.



BRAND PORTFOLIO



Tod's is best known for its shoes and luxury leather goods that represent Italian tradition, quality and modernity.

53.5%

of 2017 Total Sales
(2006 = 57.0%)



Since 1986, Hogan was among the first producers of "luxury sneakers", one of the most popular product categories today.

21.2%

of 2017 Total Sales
(2006 = 27.1%)



Fay was acquired in the late seventies, and developed by Tod's to produce a range of high quality casualwear & coats.

6.6%

of 2017 Total Sales
(2006 = 14.4%)



Famous for its extravagant and luxuriously decorated shoes. Roger Vivier now extends its product range to include handbags, small leather goods, jewellery and sunglasses.

18.6%

of 2017 Total Sales
(2006 = 1.1%)



TOD'S SPA [TOD:IM]

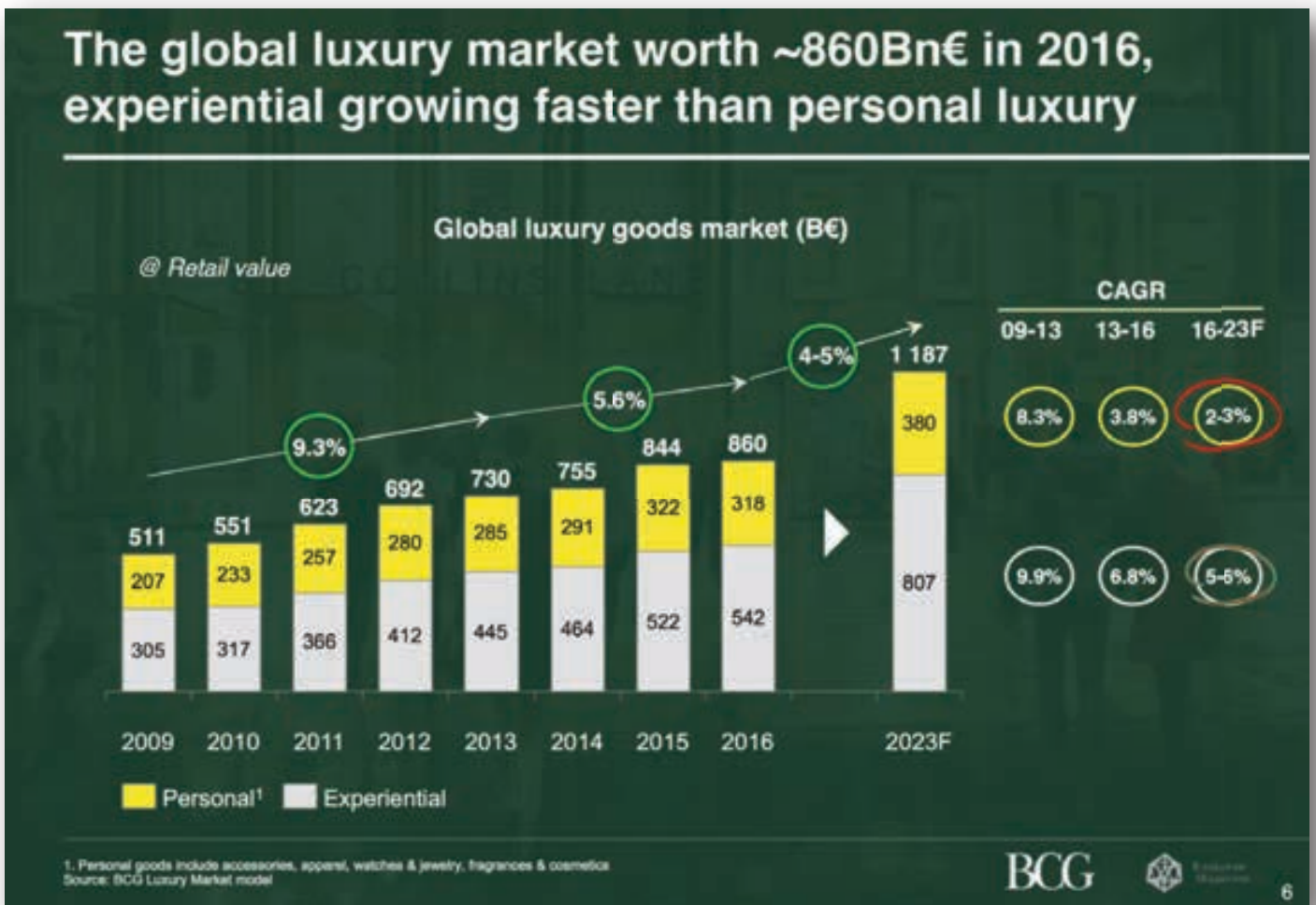
INDUSTRY OUTLOOK

REGIONAL OUTLOOK



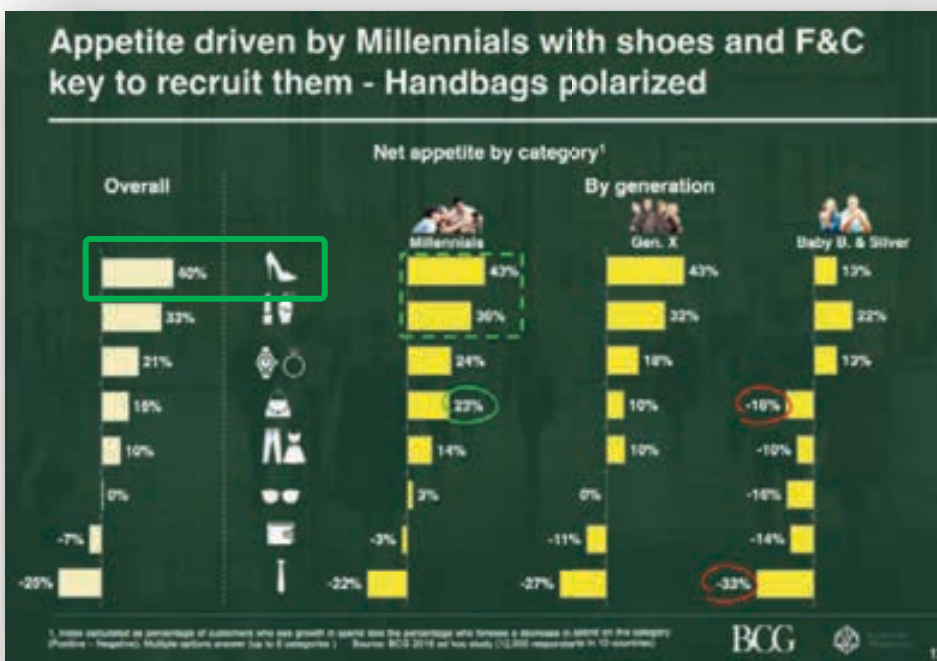
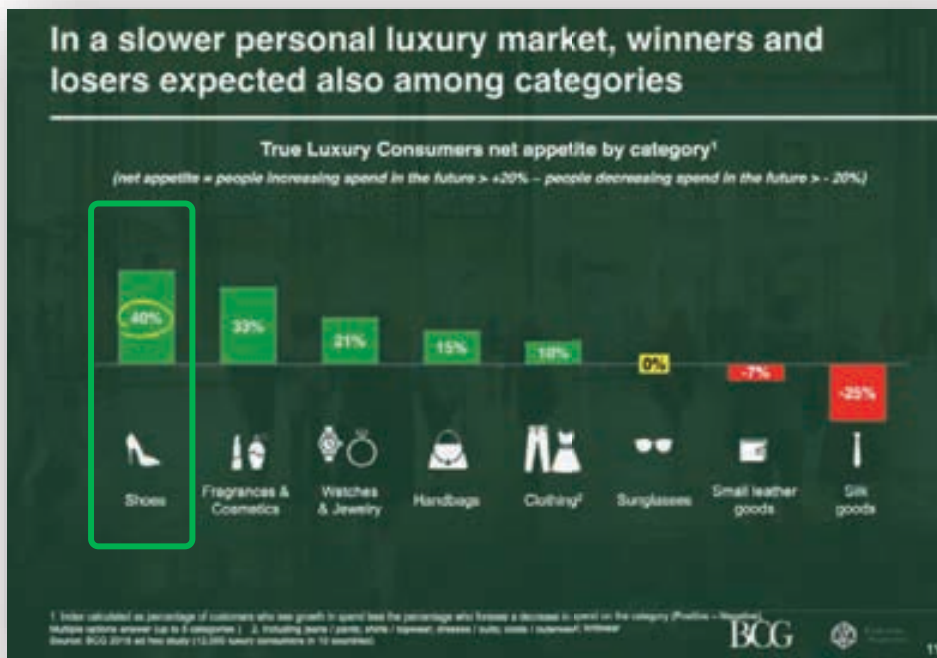
GROWTH FORECAST

- The global personal luxury sector is forecast to grow at +2% - +3% annually from 2016-2023.



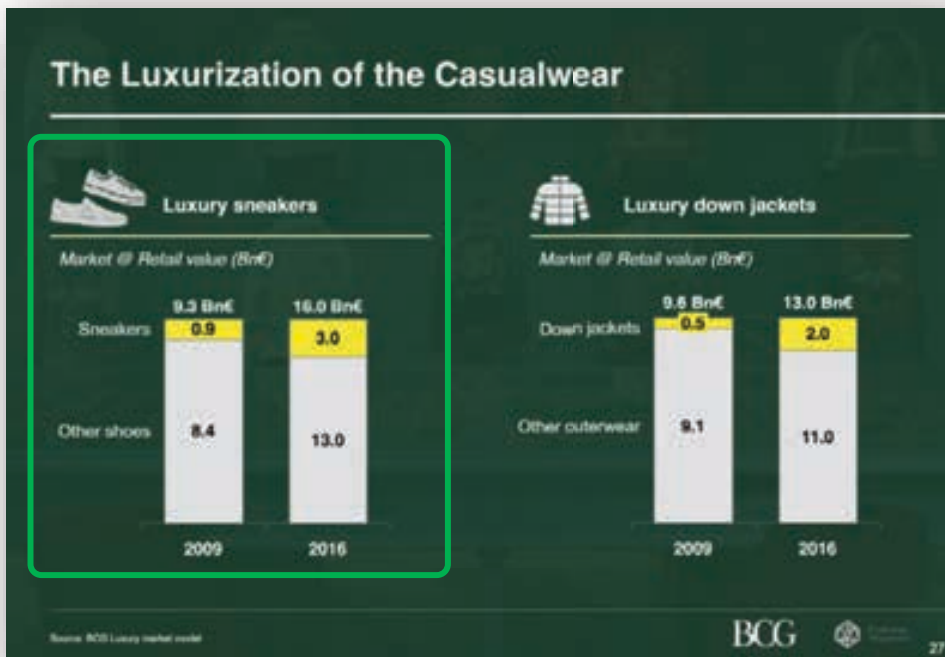
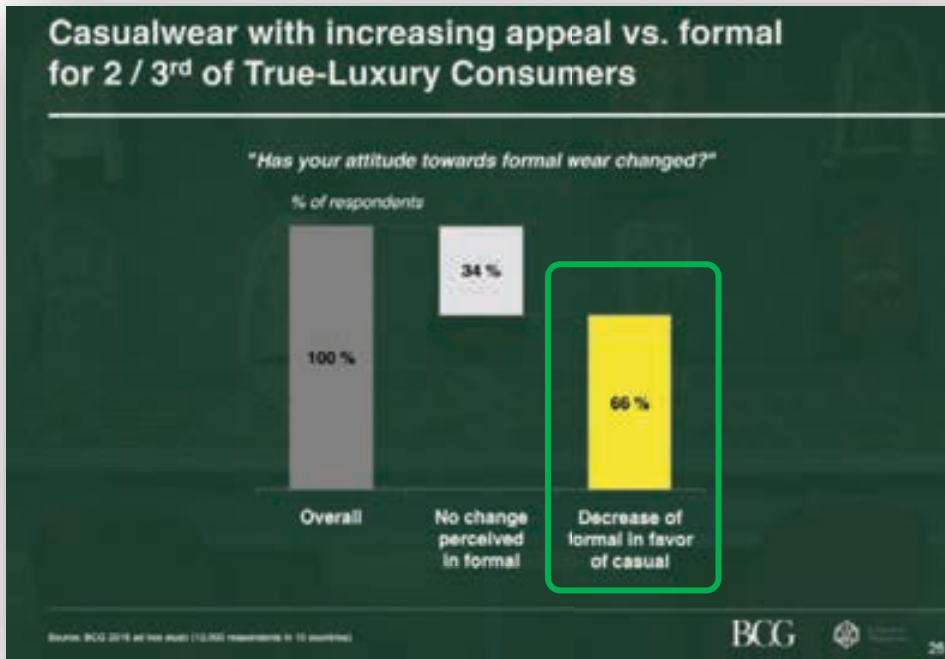
BY CATEGORY

- Luxury consumers are expected to increase their spending on shoes. This is clearly positive news for Tod's, of which shoes accounts for ~80% of its total sales.



CASUALWEAR

- The increasing appeal of casualwear versus formalwear amongst luxury consumers, and the “luxurisation” of casualwear should benefit Tod’s core product lines.



MADE IN ITALY

- Tod's DNA of "Made in Italy, Italian quality and Italian lifestyle" is highly valued by luxury consumers worldwide.



MADE IN ITALY

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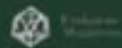
Made-in Italy recognized worldwide, while Made-in U.S. mainly appreciated by Americans

Made-in preference (Italy vs. US) by consumer nationality
Focus on Personal Luxury¹



¹ Excluding cars, luxury boats, design and lighting
Source: BCG 2016 ad hoc study (12,000 respondents in 10 countries)

BCG

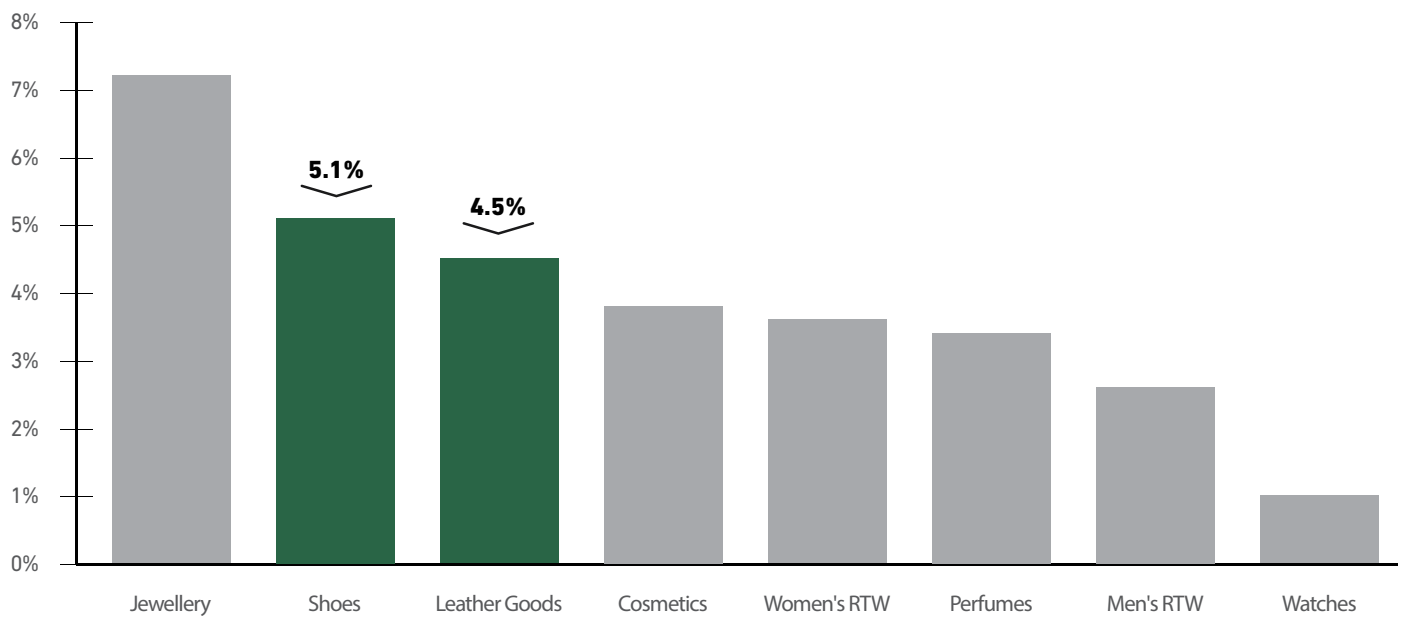


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SHOES & LEATHER GOODS OUTPERFORMING

- The two categories that Tod's generates the majority of its revenues from are forecast to grow at above average annualised growth rates (Shoes: +5.1%, Leather Goods: +4.5%) versus the broader global personal luxury sector.

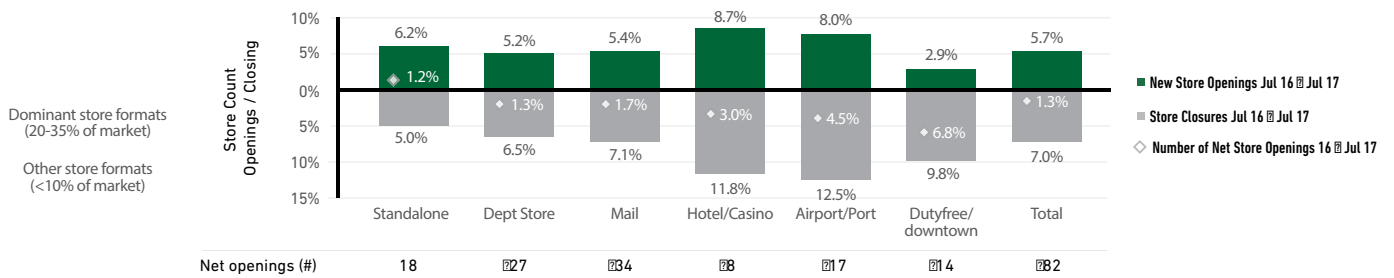
PERSONAL LUXURY SEGMENT FORECAST GROWTH (2015-2020 CAGR)



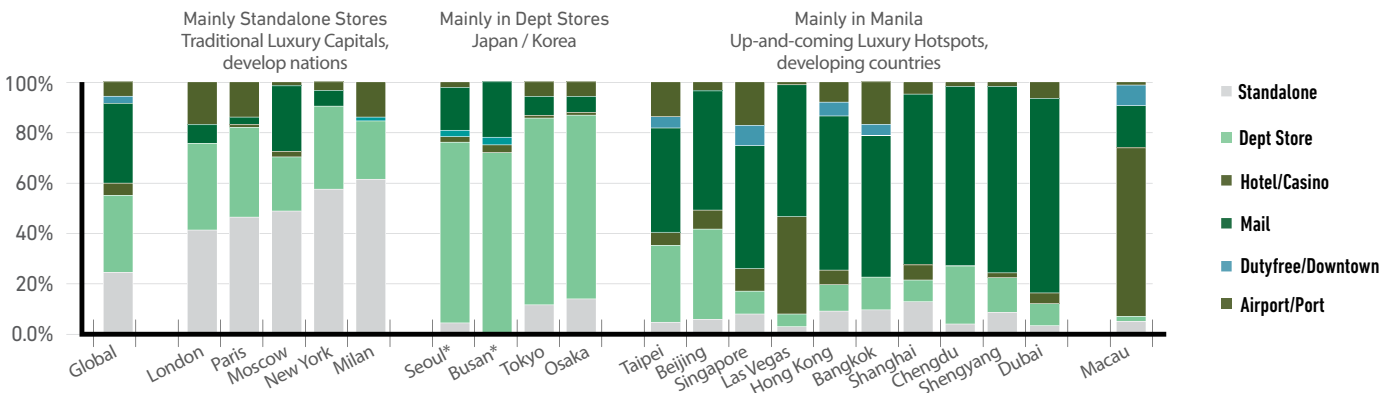
STORE NETWORK RESTRUCTURING

- Weakness in luxury spending in recent years has resulted in many luxury operators restructuring their stores to deal with previous over-expansion in footprint, especially in the Greater China region (Tod's has 82 directly operated stores and 34 franchised stores in the region as at 31 December 2017 - 30.0% of Tod's store count). Also, the changing retail landscape, particularly the declining traffic for many department stores and malls in the US are of concern to the luxury retailers.

STORE COUNT GROWTH BY FORMAT: JUL 16 - JUL 17



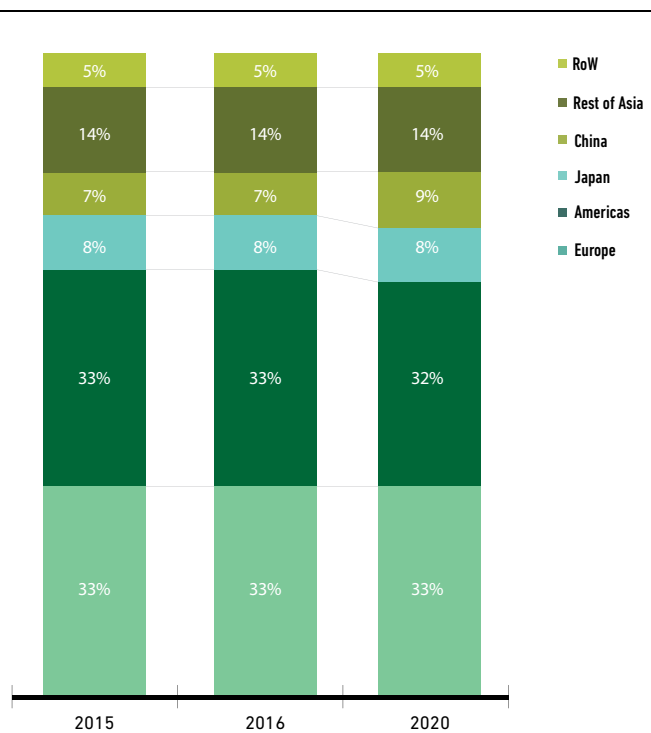
LUXURY STORE FORMATS ACROSS CITIES (% OF TOTAL SHARE)



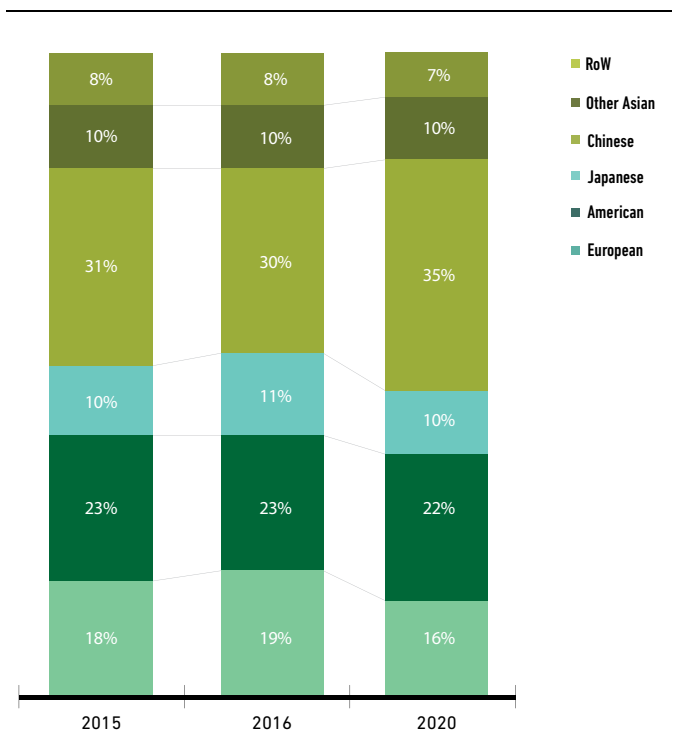
THE IMPORTANCE OF THE CHINESE MARKET (1)

- The Chinese market is one of the most important markets (both in terms of geography and nationality) for global luxury operators. This market has been weak in recent years but there is now clear evidence of a recovery.

MARKET BY REGION



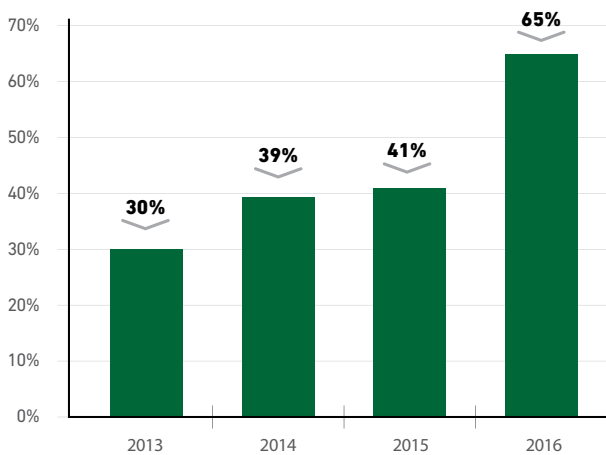
MARKET BY NATIONALITY



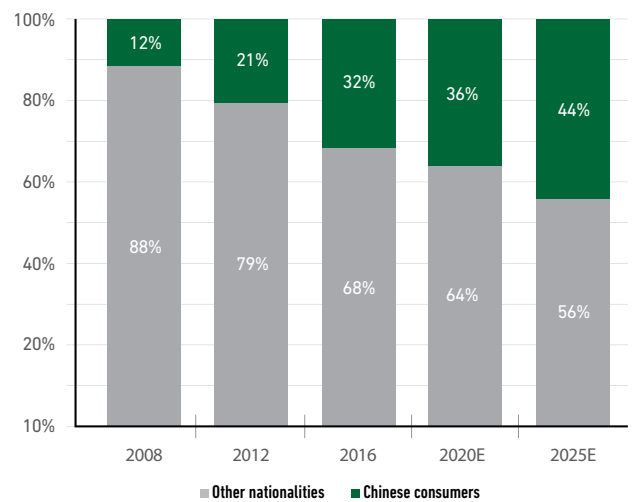
THE IMPORTANCE OF THE CHINESE MARKET (2)

- Currently, Tod's has a sizable presence in Greater China – 30.0% of its store count, but only 22.0% of total sales. It is also important to understand Chinese consumer behaviour. We believe a recent trend of repatriation of luxury spending and reduced pricing differentials in China should ameliorate the situation.

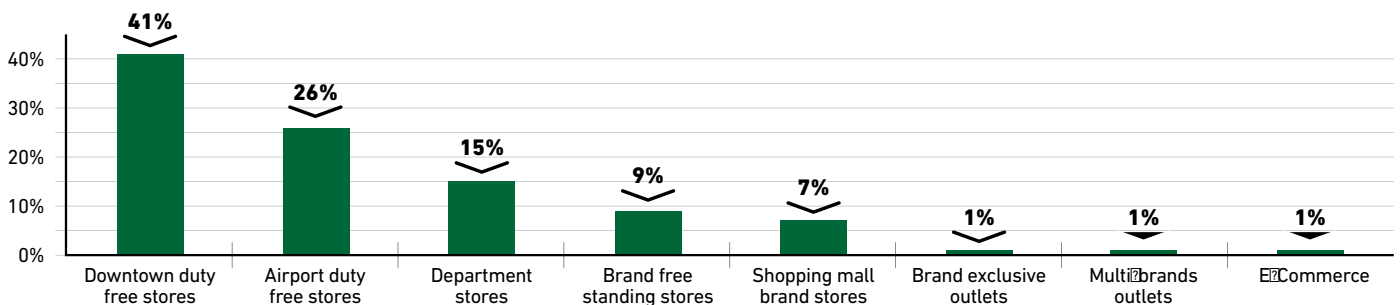
% OF CHINESE BUYING LOCALLY*



GLOBAL LUXURY GOODS NATIONALITY SPLIT



SHOPPING CHANNELS USED BY CHINESE CONSUMERS WHEN OVERSEAS





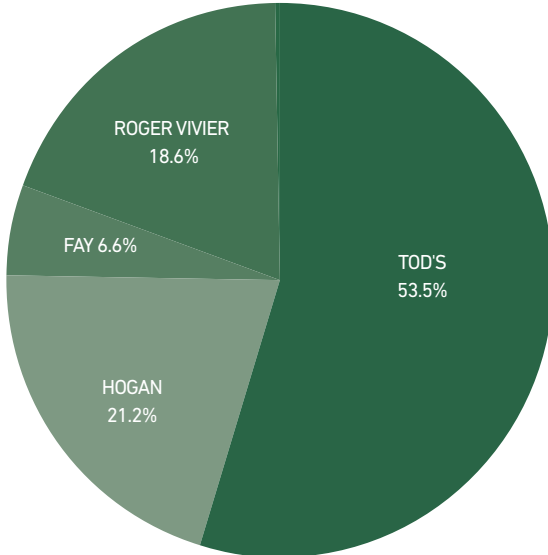
TOD'S SPA [TOD:IM]

BUSINESS & GEOGRAPHIC SEGMENTS, STORES AND INVENTORY

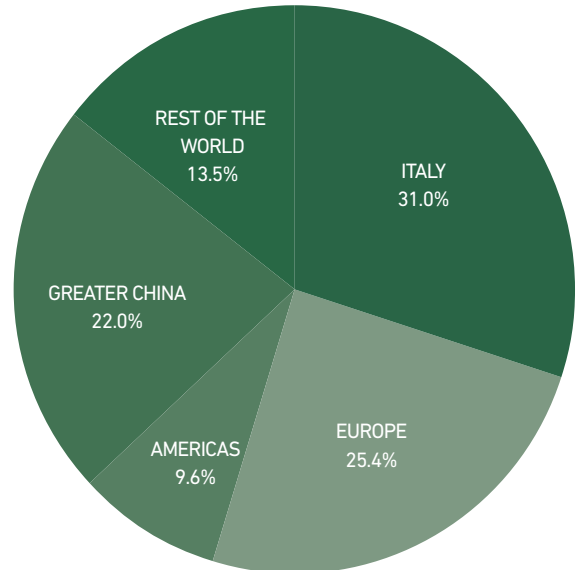
THE BREAKDOWN

- The Tod's brand makes up 53.5% of total sales, while Hogan and Roger Vivier make up 21.2% and 18.6% respectively. Fay comprises 6.6%, and Other 0.1%.
- Italy and Europe make up ~56% of total sales, while Greater China contributing ~22%. **The world's largest luxury market – the US only generates ~9.6% of total sales.**
- *Roger Vivier has grown sales at an annual compound rate of +35.4% in the last five years, and is the star performer of the Group.*

TOTAL SALES BY BRAND

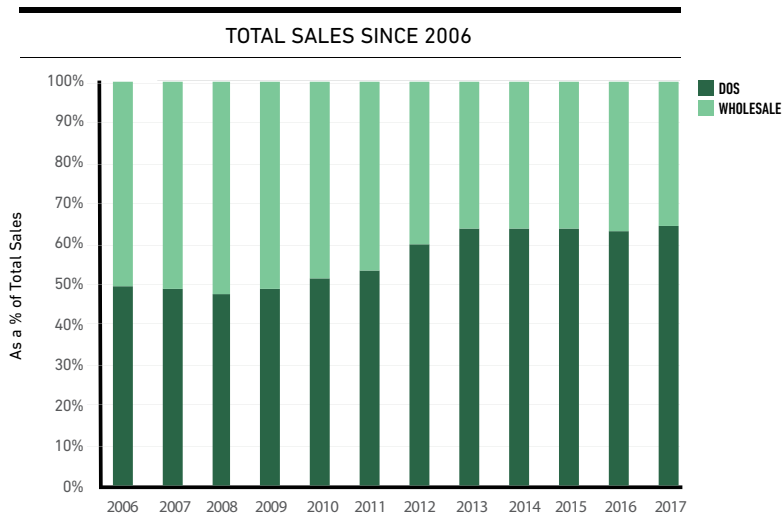
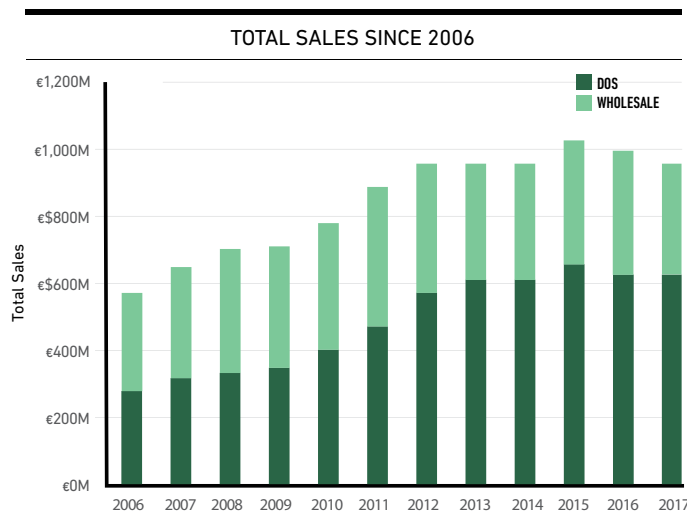


TOTAL SALES BY GEOGRAPHY



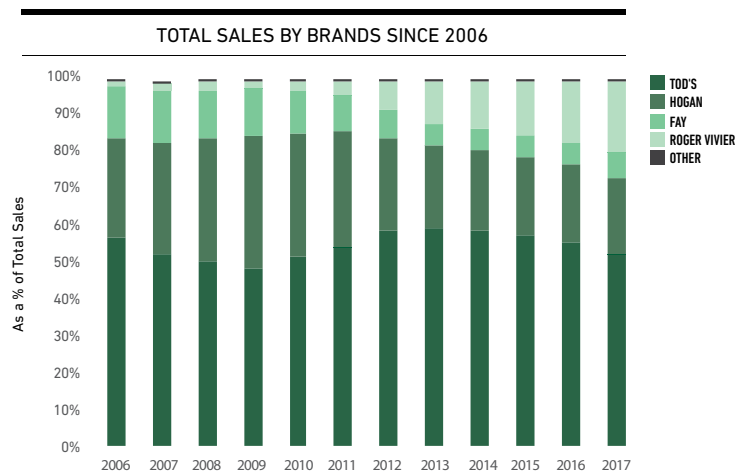
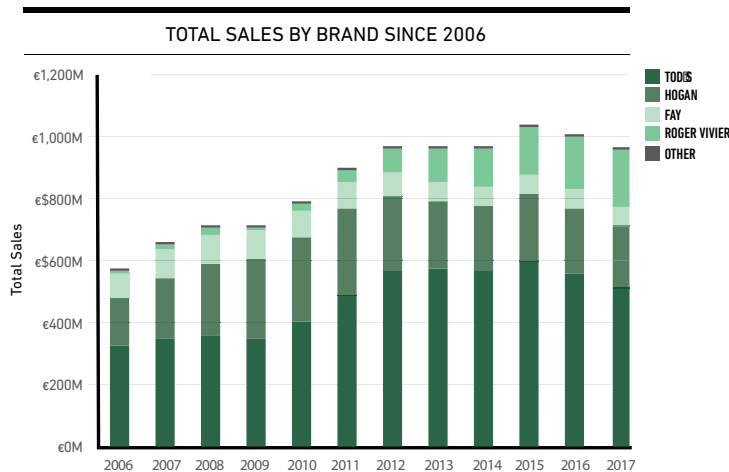
BY CHANNEL

- The Company relies principally on three channels: Directly Operated Stores (“DOS”), franchised retail stores, and some selected independent multibrand stores:
 - Retail (DOS): 64.5% of 2017 Total Sales
 - Wholesale (Franchised Retail Stores + Independent Multibrand Stores): 35.5% of 2017 Total Sales
- We see a trend of channel shift towards retail/DOS, as weakness in the wholesale channel persists. Commentary by Management also noted unforeseen additional weakness in the wholesale channels in 2017.
- The Company also has E-Commerce enabled brand websites. Its products are also available on multibrand online stores such as YOOX Net-A-Porter/Mr Porter and The Luxer (Part-owned by Diego Della Valle).



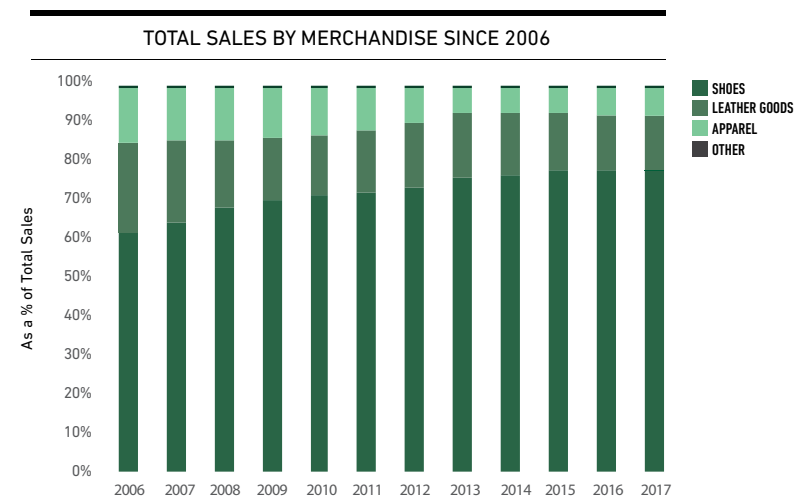
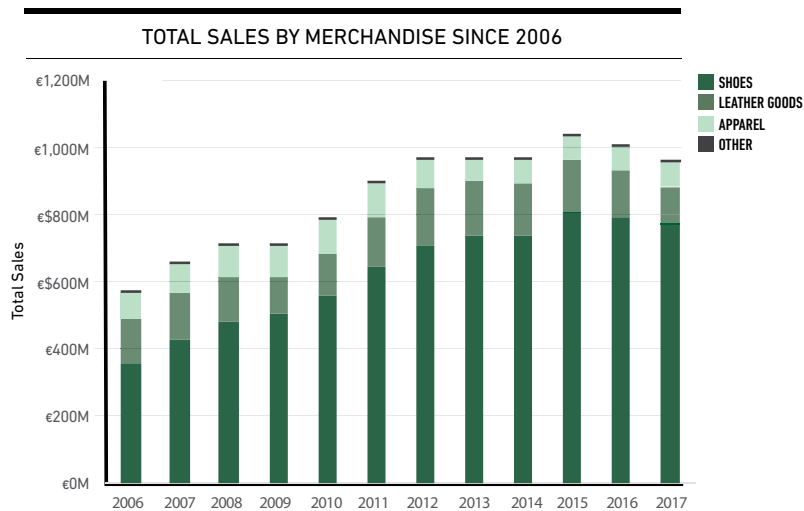
BY BRAND

- The Tod's brand makes up 53.5% of total sales, while Hogan and Roger Vivier make up 21.2% and 18.6% respectively. Fay comprises 6.6%, and Other 0.1%.
- We note the impressive growth of the Roger Vivier brand (Compound Annual Growth Rate of +35.2% from 2006 to 2017). However, both Hogan and Fay have struggled to grow (internationally) since 2009, this resulted in two designers for Fay leaving the Company in July 2017 after six years working for the brand.
- Hogan has been particularly disappointing given it really invented the “fashion” sneaker category, but has failed to capitalise on the current global fashion sneaker growth due to its lack of an international expansion strategy, as it continued to be very domestically focused and wholesale driven.
- The Tod's brand has also experienced no growth since 2012/2013, which resulted in Alessandra Facchinetti stepping down as the creative director of Tod's after three years (2013-2016). The too-assertive shift to fashion by the designer had alienated and confused Tod's core customer base and worse failed to attract new customers.



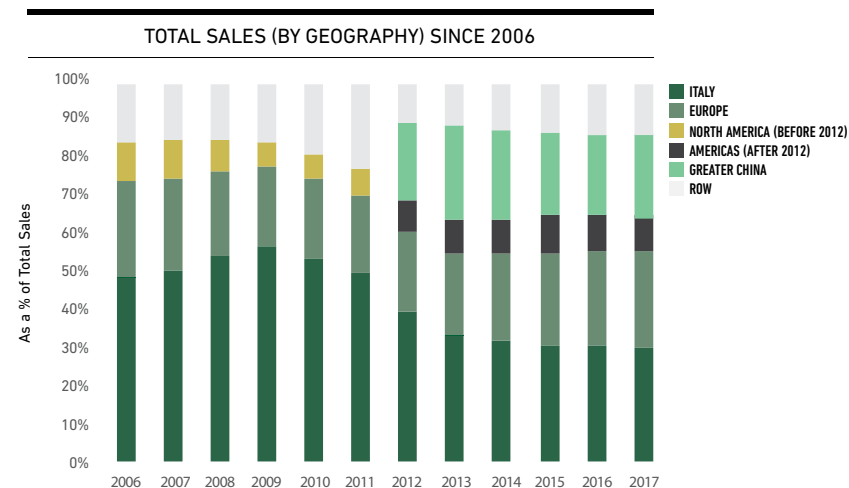
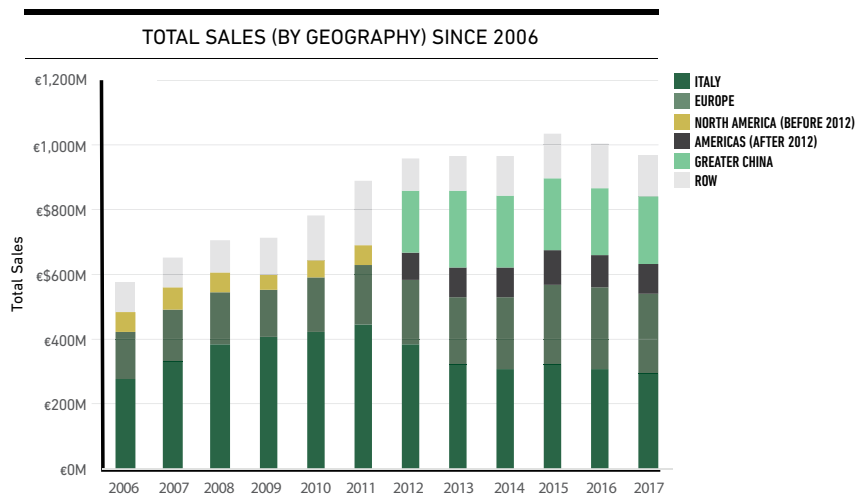
BY MERCHANDISE CATEGORY

- Shoes are the most important part of Tod's product portfolio, making up ~79% of total sales.
- Roger Vivier continues to add to overall shoes sales, while other categories have been weak in the last few years.
- Again, weakness outside shoes is one of the reasons why Alessandra Facchinetti stepped down as the creative director of Tod's after three years, as she was unable to grow categories outside shoes (leather goods, ready-to-wear, etc.).
- The Company has now reverted back to create products with an in-house design team that embed Tod's DNA, its identity: Made in Italy, Italian quality and Italian lifestyle.



BY GEOGRAPHIC REGION

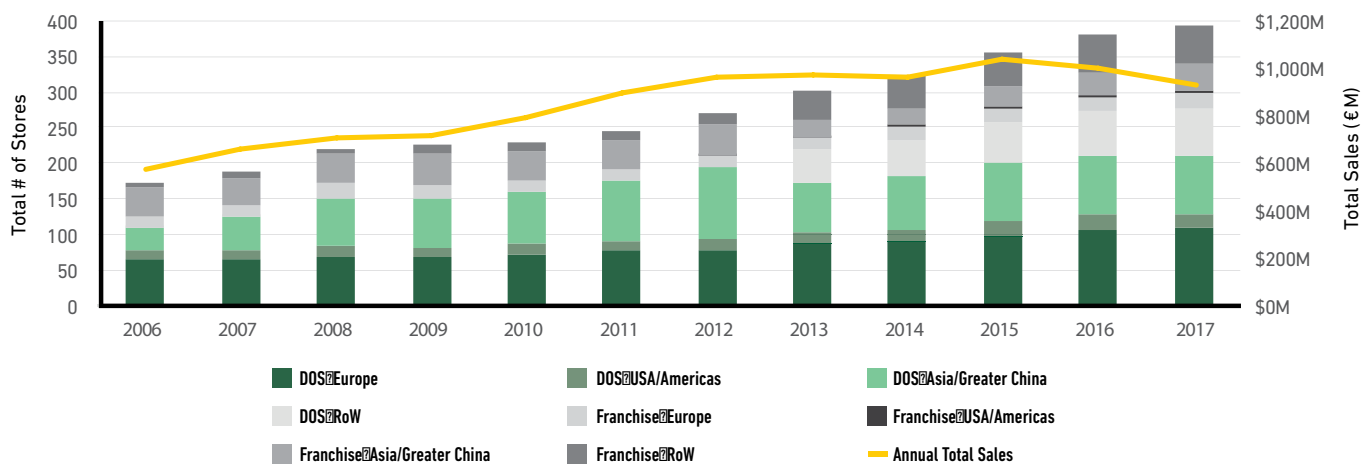
- Total sales in Tod's "Home Country" – Italy – declined from 49% in 2006 to only ~30.5% in 2017. This is the result of both weak sales in Italy in recent years and significant international expansion.
- Greater China (China, HK, Macao and Taiwan) was separated out in 2012 from Rest of the World ("RoW") in reporting as its store count grew. However, total sales in this market have been in decline since 2013. The region now accounts for 21.7% of total sales.
- The US market - the world's largest luxury market, only generates ~9.5% of total sales, and its revenue growth has been slow: €60M in 2006 to €93M in 2017 (# of stores: 13 in 2006 to 25 in 2017). The US underperformance is glaring in our view and presents an opportunity for the future, given the quality and conservative positioning of the underlying products (and the fact that Diego Della Valle found the inspiration for the famous "Il Gommino" at a New York flea market in the late 1970s!).



TOTAL SALES VERSUS NUMBER OF STORES

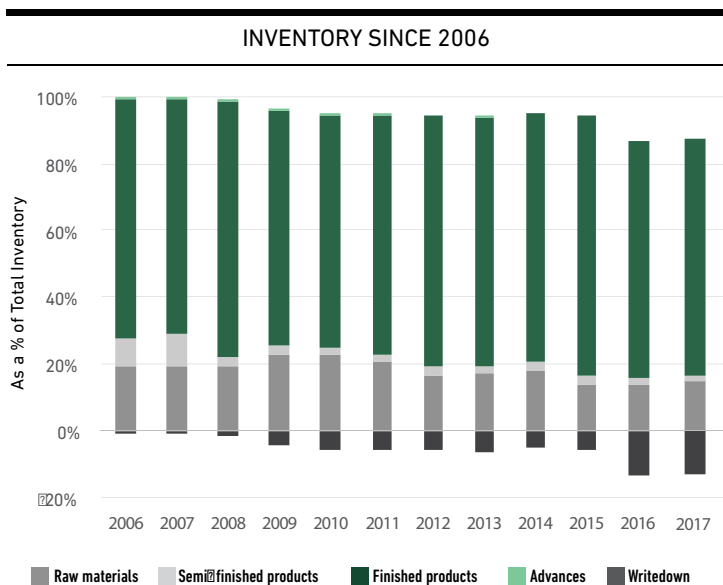
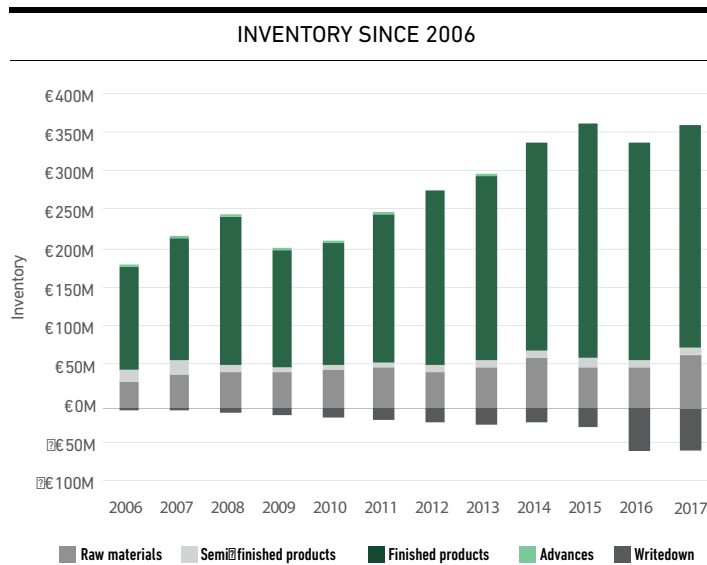
- At the end of 2017, the Company had 387 stores (275 Direct-Owned-Stores, 112 Franchised Stores).
- Putting aside macroeconomics, the Company has really underperformed with its product portfolio as aggressive footprint expansion across brands did not translate into an increase in sales.
- Aggressive footprint expansion in Greater China is the reason that the region accounts for 30.0% of store count, but only 22.0% of total sales.
- We believe the recent trend of repatriation of luxury spending and reduced pricing differentials in China should ease the situation, but clearly product/collection performance and marketing have to improve.

TOTAL # OF STORE SINCE 2006



INVENTORY

- The significant increase in allowance for inventory write-downs in 2016 includes a one-off write-off of part of the non-current season stock (€24.2M) post the Company's acquisition of the Roger Vivier brand in 2015*.
- Adjusting for the above one-off writedown, the normalised allowance for inventory write-down in 2016 is €28.7M, which is still 29% higher than 2015 (Average writedown 2006-2016 = -5.8%, Average writedown during Facchinetti period (2013-2016) = -9.3%).
- These larger writedowns are primarily due to the change/correction of strategic direction with regard to Tod's fashion component of the collection/s. We expect these writedowns to diminish going forward as Tod's reverts back to its more historical "DNA".



* €24.2M was 5.8% of the €415M acquisition price
Source: Tod's SpA Annual Reports





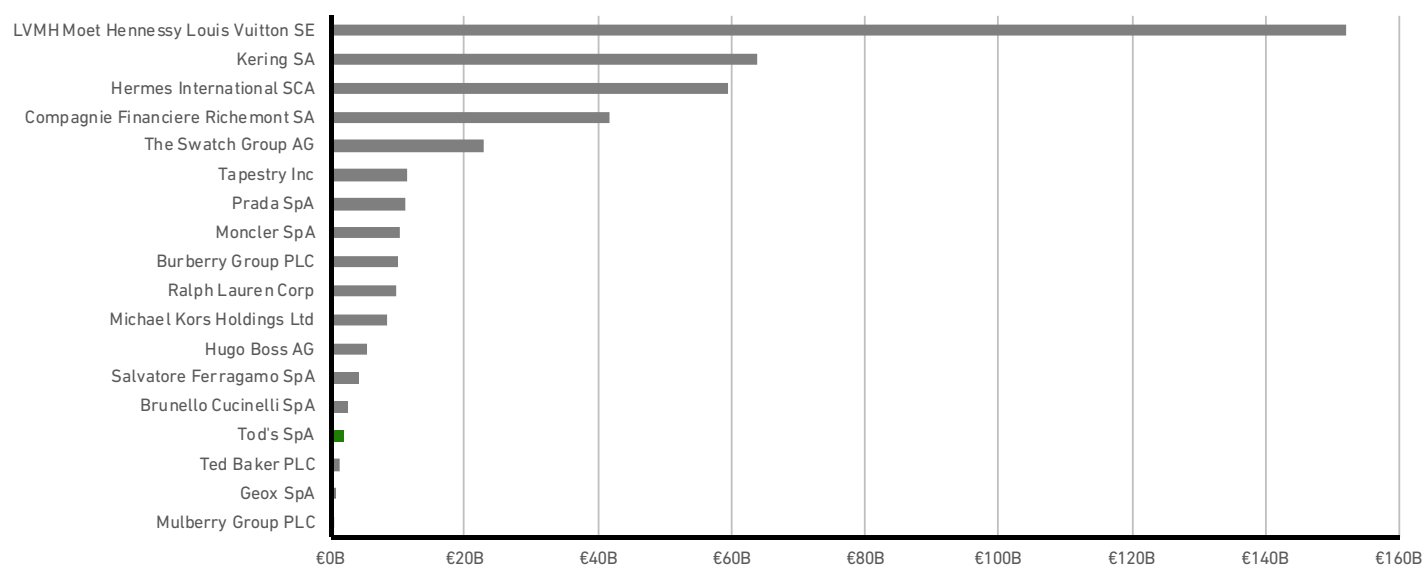
TOD'S SPA [TOD:IM]

COMPARABLE COMPANIES

MARKET CAPITALISATION

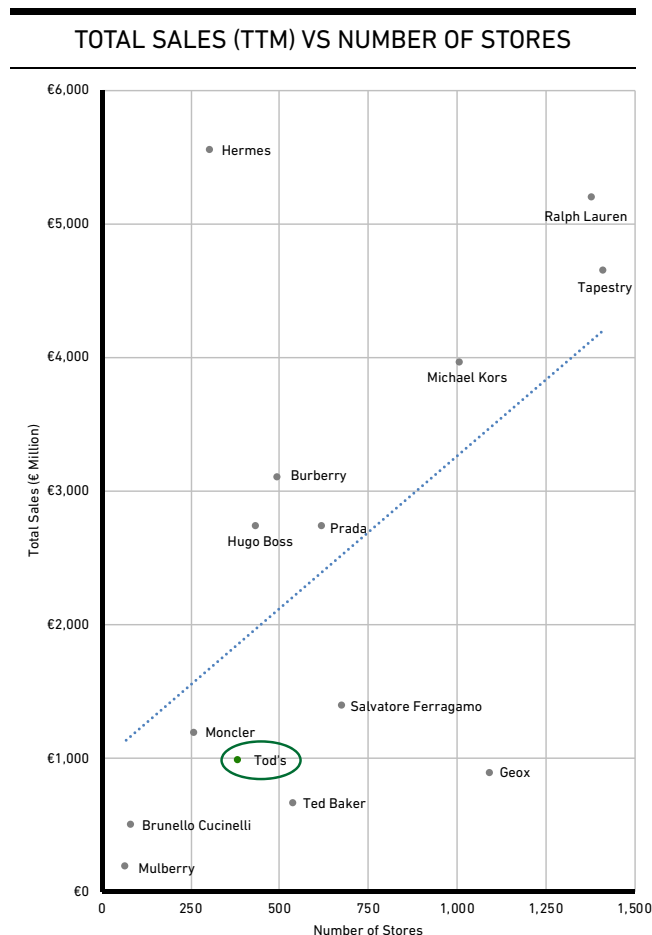
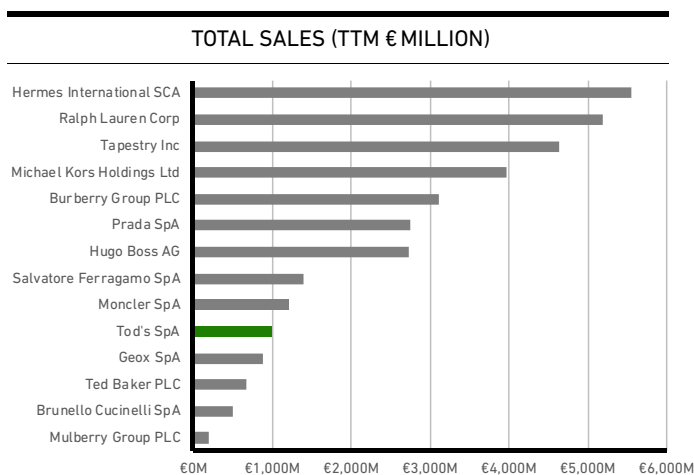
- Tod's is one of the smaller global luxury players - Market Capitalisation = €1.9 Billion (as at 7 June 2018). It is dwarfed by the large multibrand luxury players such as LVMH, Kering, Richemont and Swatch.
- We believe it is in Diego Della Valle's interest to consider positioning Tod's part of a large luxury conglomerate such as LVMH or Kering for family estate planning and succession planning purposes.
- Also, we believe smaller luxury players are incentivised to merge together to form a larger entity to extract significant potential synergies, and to increase scale and reduce risk/s, as we have recently observed in Coach/Kate Spade, Michael Kors/Jimmy Choo transactions.

MARKET CAPITALISATION (€ BILLIONS)



SALES & SALES PRODUCTIVITY

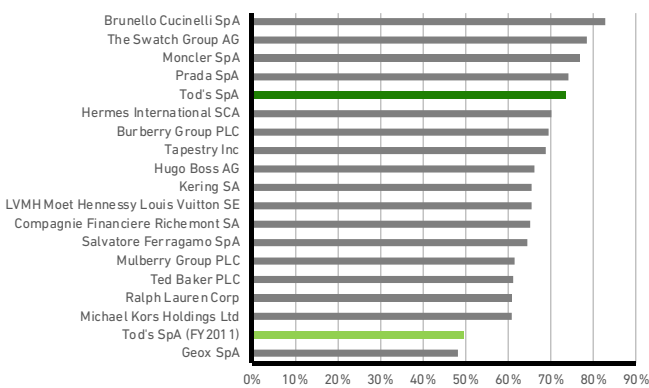
- Even after excluding the large multibrand luxury players such as LVMH, Kering, Richemont and Swatch, Tod's is still one of the smaller global luxury players with revenue of €983 Million in FY2017.
- We then compare Tod's versus its wider peer group (but excluding the large four conglomerates) based on Total Sales / Number of Stores metric to assess Tod's store productivity. We see that currently Tod's is underperforming its peers.



MARGINS

- Currently, Tod's has below average margins when compared to its global peers. We attribute this entirely to Management's poor execution in the last few years as it sought to increase the fashion component of Tod's business. We expect margins to improve as/when Management refocuses its efforts on creating products that truly embed Tod's DNA, its identity: Made in Italy, Italian quality and Italian lifestyle.

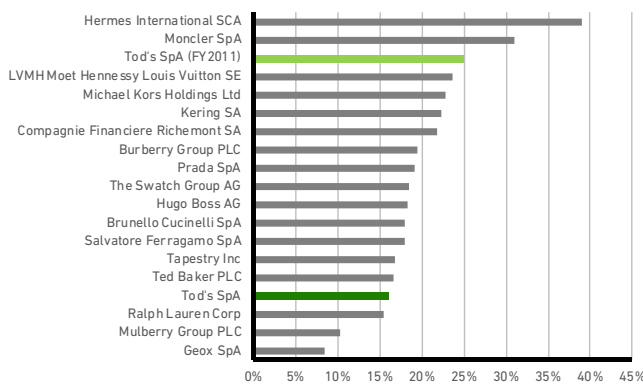
GROSS PROFIT MARGIN LFY



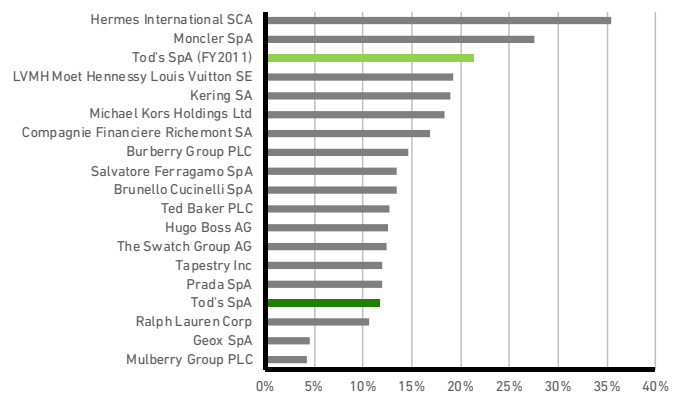
NET PROFIT MARGIN LFY



EBITDA MARGIN LFY



EBIT MARGIN LFY

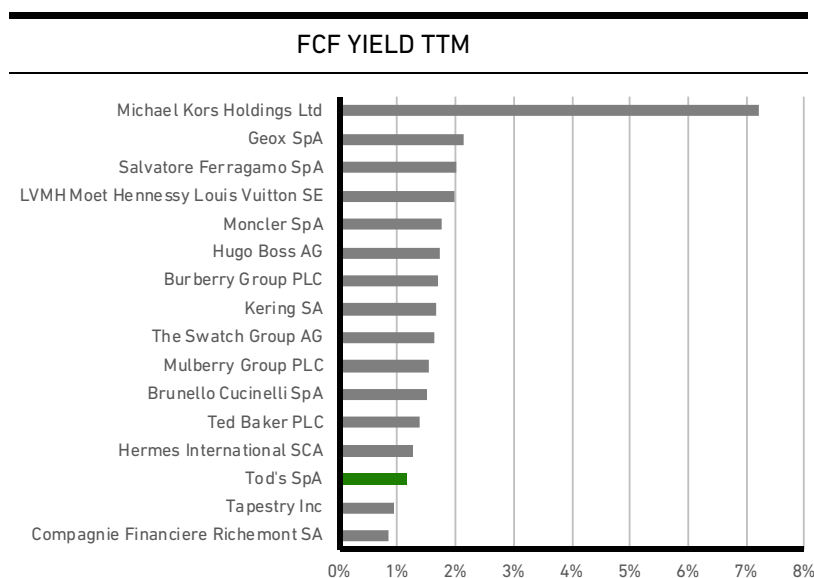
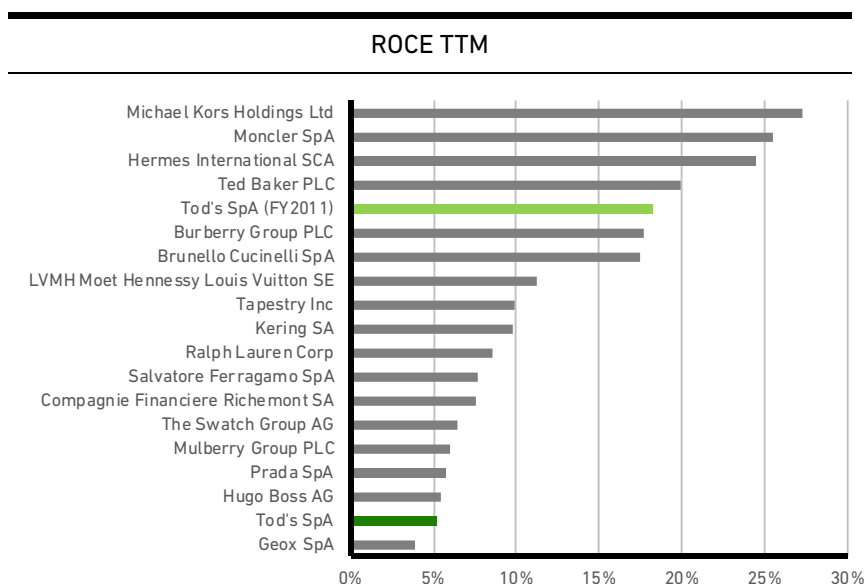


Data Source: Thomson Reuters Eikon as at 7 June 2018
 Tod's Historical (FY2011) Margins: Gross Profit Margin = 49.6%, Net Profit Margin = 14.9%, EBITDA Margin = 24.9%, EBIT Margin = 21.4%
 Tod's Historical (FY2017) Margins: Gross Profit Margin = 51.2%, Net Profit Margin = 7.1%, EBITDA Margin = 16.1%, EBIT Margin = 11.6%



RETURN ON CAPITAL EMPLOYED (ROCE) & FREE CASH FLOW (FCF) YIELD

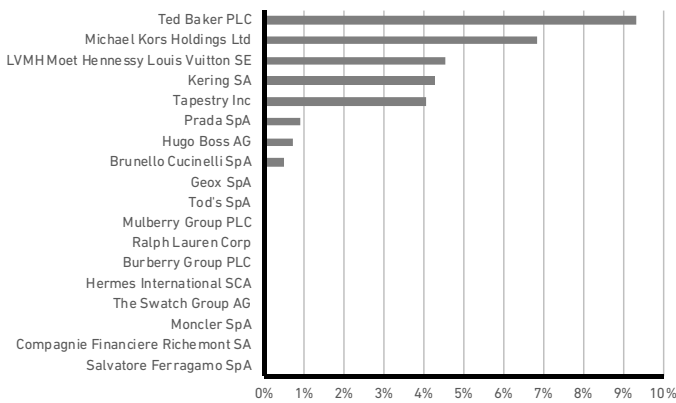
- Tod's depressed margins/earnings means that its Return On Capital Employed (ROCE) is below its global peer group average, and below historical levels.
- In 2011, ROCE was 18.3% vs 5.3% in 2017.
- Despite poor returns, Tod's is still cash generative and in sound fiscal health



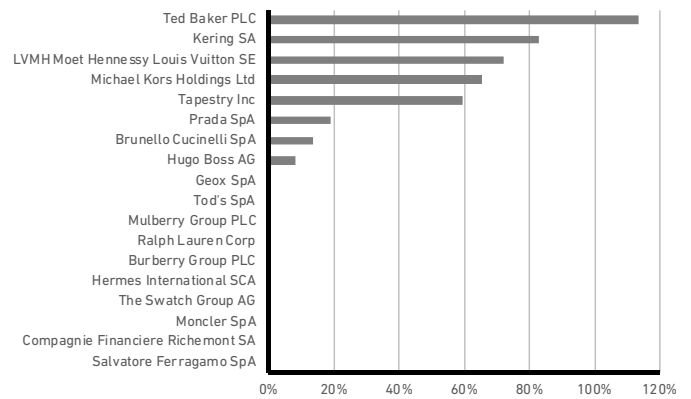
NET FINANCIAL LEVERAGE

- Tod's is one of the least leveraged companies amongst its global peers. More than half of Tod's peers are in a Net Cash position, including Tod's. Additionally, once we have incorporated Operating Leases into the equation, Tod's is still one of the least leveraged companies amongst its peers. We believe this strength in the balance sheet is a real attraction to any potential acquirers, and is also a reflection of the conservative positioning of the Company.

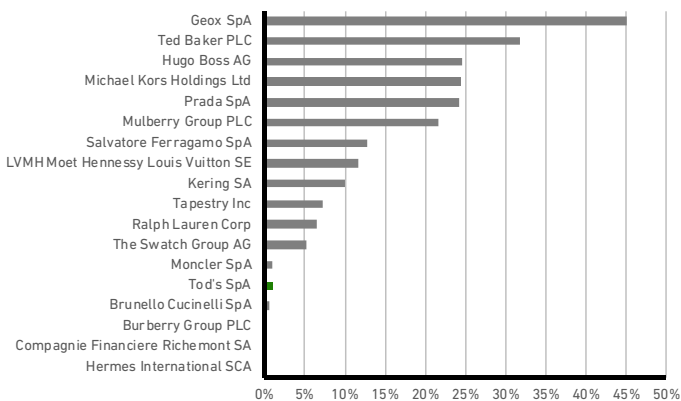
NET DEBT TO EV



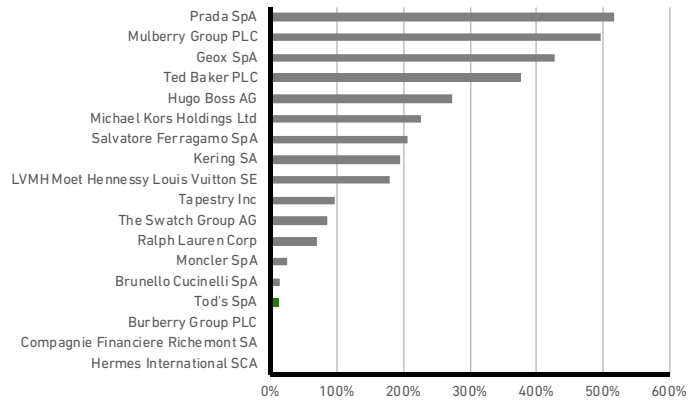
NET DEBT TO EBITDA TTM



NET DEBT+OPERATING LEASE TO EV



NET DEBT+OPERATING LEASE TO EBITDA TTM



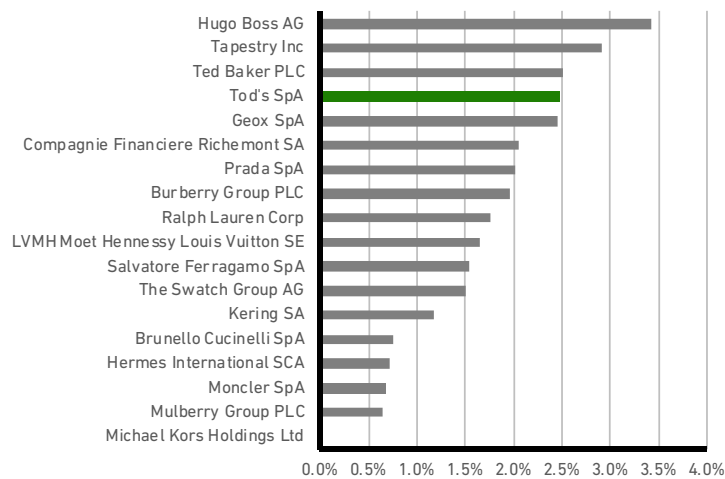
DIVIDEND

- Tod's provides a significantly higher dividend yield to its shareholders than its peers. It is currently yielding 2.46% per annum*. Based on our analysis, the Company pays out roughly 50% to 70% of its net profit to its shareholders via this dividend payment. The FY2017 payout ratio was 40%.

Tod's provides an attractive dividend yield* of:
2.46%

Peer group average dividend yield is:
1.68%

GROSS DIVIDEND YIELD TTM

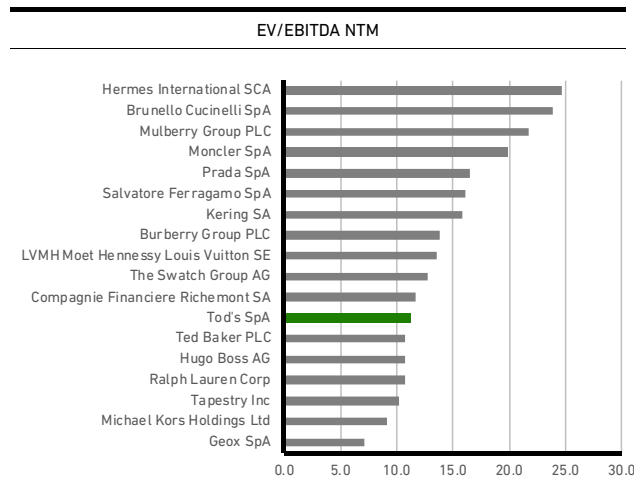
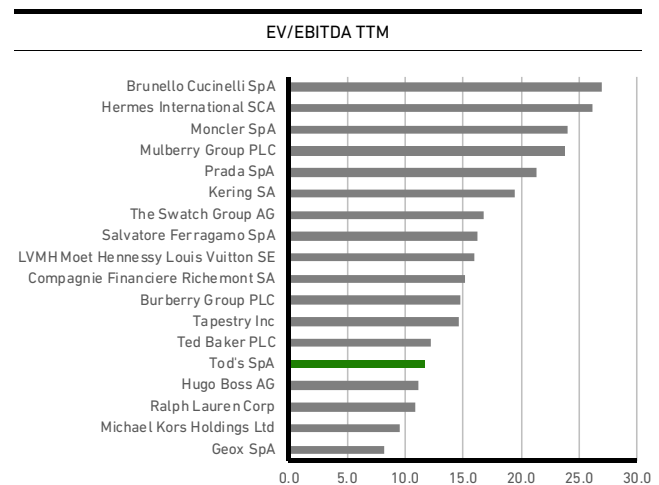
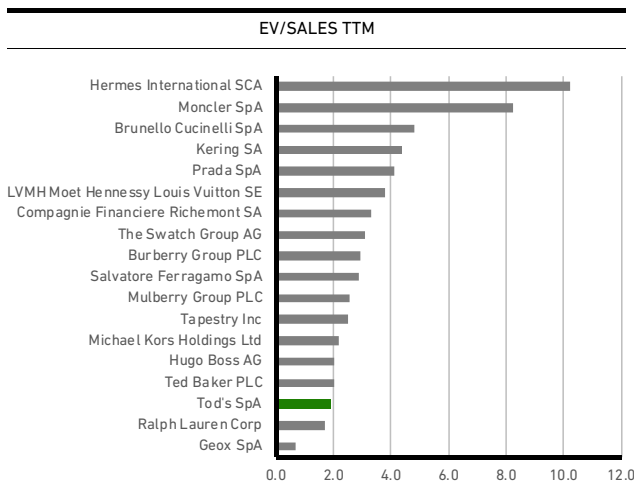


DIVIDEND AND EARNINGS PER SHARE SINCE 2000



VALUATION

- Tod's is currently trading at the lower end of its wider peer group both in EV/EBITDA and EV/Sales, as its recent business performance has been poor. However, we believe those company specific issues can be fixed in a reasonable and timely fashion by a motivated 60.6% owner.
- Based on Forecast EBITDA of €158M for FY2018 and applying a multiple of 14.9x (10% discount to the current peer group average multiple of 16.6x), we derived an Intrinsic Value Estimate of €71.58, with an upside potential of +24.5%.
- To cross-check this valuation, we utilise EV/Sales (a useful metric to compare companies in the sector as earnings are compressed by years of underperformance). Based on Forecast Revenue of €957.7M for FY2018 and applying the current peer group average multiple of 3.1x to this we derived an Intrinsic Value Estimate of €89.96, with an upside potential of +56.5%. This number exceeds our EV/EBITDA valuation of €71.58 by 25.7%, which indicates Tod's key issue/problem is its declining and below-average margins that needs to be resolved before the market will re-rate the stock.
- We also believe that Tod's is a potential takeover target. *Therefore, investors need to consider what multiple a potential acquirer would have to pay so that Diego Della Valle may say yes?*





TOD'S SPA [TOD:IM]

M&A + PRIVATE MARKETVALUE

AS A POTENTIAL TAKEOVER TARGET

- As Diego Della Valle (64) approaches retirement, and with his interests in politics*, we see Tod's as a potential takeover target for:
 - **LVMH or Kering:** two of the largest luxury goods firms in the world, especially LVMH as:
 - Bernard Arnault, Chairman and CEO of LVMH, personally owns 3.5% of Tod's shares.
 - Diego Della Valle sits on the Board of LVMH.
 - **Tapestry:** The aspiring multi-brand operator with 52% of its revenue generated from North America.
 - **Burberry:** Burberry could remain a UK/European brand operator but with improved diversification and the potential for a re-rating to be more inline with multi-brand luxury houses.



* <https://www.nytimes.com/2016/09/23/t-magazine/fashion/diego-della-valle-tods-interview-milan-fashion-week.html>

VALUATION – “PRIVATE MARKET VALUE”

- We believe based on historical transactions the appropriate multiple range for an acquisition of Tod's would be in the range of 15-17x EV/EBITDA, depending on the potential synergies and benefits of the acquisition/merger for the acquirer.

Acquirer	Target	Year	Deal Value (US\$)	EV/TTM EBITDA
LVMH	Bulgari	2011	5.20B	25.0x
LVMH	Hermes International (17% Stake)	2011	2.00B	15.5x
PPR	Brioni SpA	2011	0.41B	30.0x
Eurazeo	Moncler SpA (45% Stake)	2011	0.61B	11.8x
Central Retail Corp	La Rinascente	2011	0.37B	11.0x
Mayhoola	Valentino	2012	0.86B	20.0x
LVMH	Loro Piana	2013	2.57B	18.0x
Swatch	Harry Winston	2013	1.00B	23.0x
Signet	Zale	2014	1.46B	15.0x
Samsonite	Tumi	2016	1.81B	14.5x
Tapestry (Formerly Coach)	Kate Spade	2017	2.38B	10.4x
Michael Kors	Jimmy Choo	2017	1.17B	15.7x
LVMH	Christian Dior	2017	13.1B	15.6x
Essilor	Luxottica	2017	23.9B	12.7x
Average (Incl. Jewellery**)				17.0x
Average (Excl. Jewellery**)				15.9x
Tod's			EV = €1.9B	11.7x

Based on the consensus FY2018E EBITDA of €158M (Forecast EBITDA Margin of 16.5%)*, we estimate the current “Private Market Value” or Intrinsic Value to be in the range of €71.87 and €81.42, with upside potential of +34.7% and +52.6%, from the current market price of €53.35 as at 30 June 2018.

VALUATION – “PRIVATE MARKET VALUE” (2)

- However, we do not believe Mr. Della Valle would sell Tod's when EBITDA has retreated from €250M (EBITDA Margin = 26.0%) in 2012 to a forecast €158M (Forecast EBITDA Margin of 16.5%)* in 2018.
- Additionally, after Mr. Della Valle sold the Roger Vivier brand to Tod's, he invested half of the €415M proceeds back into Tod's at €83.53 per share.
- **To be conservative, we assume that Management is able to improve EBITDA to €188M in 2020 which is only 75% of the 2012 level (with a Forecast EBITDA Margin of 18.0% vs 26.0% in 2012**). Based on this assumption, we estimate the Private Market Value range of Tod's would increase to €87.59 - €98.94 per share. This presents upside potential of +64.2% to +85.5%, with an IRR/Annualised Return range of +28.1% to +36.1% per annum assuming an exit in the middle of 2020***.**
- **Looking forward with optimism (and motivation of a 60.6% majority shareholder), if EBITDA can recover to the level of €225M in 2020 (with a Forecast EBITDA Margin of 21.7% vs 26.0% in 2012**), we estimate the Private Market Value range of Tod's would increase to €104.48 - €118.08 per share. This presents upside potential of +95.8% to +121.3%, with an IRR/Annualised Return range of +39.9% to +48.7% per annum assuming an exit in the middle of 2020****.**



* FY2018 EBITDA and Revenue forecasts are analysts' consensus forecasts collected by Thomson Reuters. FY2018 Revenue forecast = €957.7M (-0.6% decline versus industry forecasts of +2% - +3% annually from 2016-2023.

** FY2020 EBITDA forecast is based on analysts' consensus estimate and FY2020 Revenue forecast of €1,038M from analysts' consensus forecasts collected by Thomson Reuters. This assumes revenue growth of +7.8% from FY2017 revenue of €963M.

*** Based on share price of €53.35 as at 30 June 2018, and an exit price range of €87.59 to €98.94 on 30 June 2021

**** Based on share price of €53.35 as at 30 June 2018, and an exit price range of €104.48 to €118.08 on 30 June 2021

SO IS THE COMPANY REALLY BROKEN?





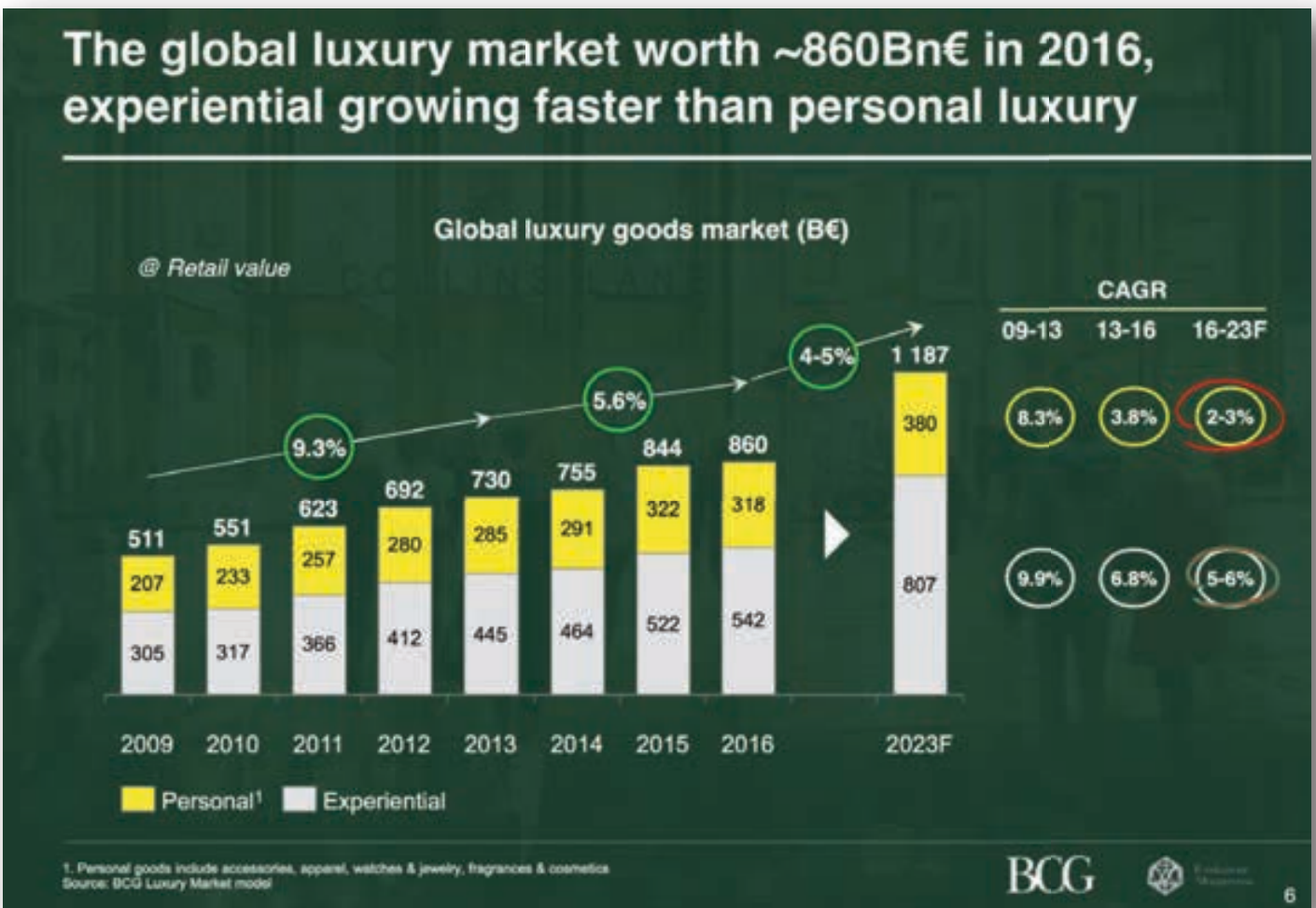
TOD'S SPA [TOD:IM]

KEY RISKS

RISKS

Shifting Spending From Goods to Experiences

- Overall consumer spending has continued to grow in recent years. However, people are spending less on durable goods, and more on recreation, travel and other experience-based spending. This directly impacts the luxury goods companies such as Tod's



RISKS (2)

Regional Risks

- 78.4%* of Tod's revenue is generated by three key markets: Italy (31.0%), Europe (25.4%) and Greater China (22.0%). Therefore, any significant change in these regions' economic/political outlook will affect consumer confidence, and hence Tod's business performance.

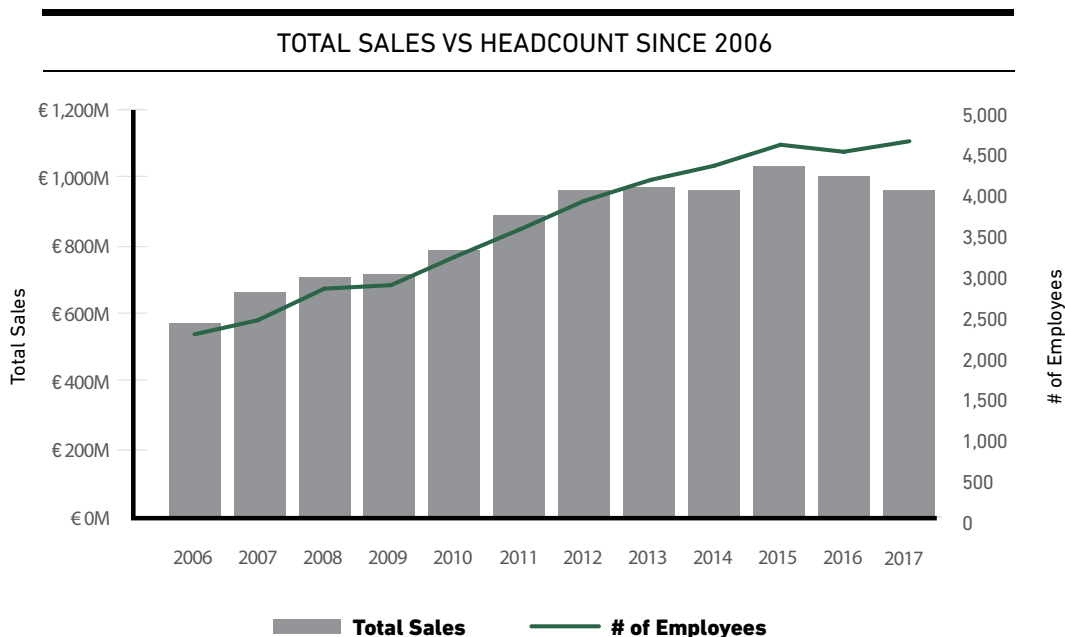


Rising Input Costs

- The price of leather, one of Tod's key input costs, can fluctuate significantly, contributing to the volatility in margins and profits.

Increasing Head Count

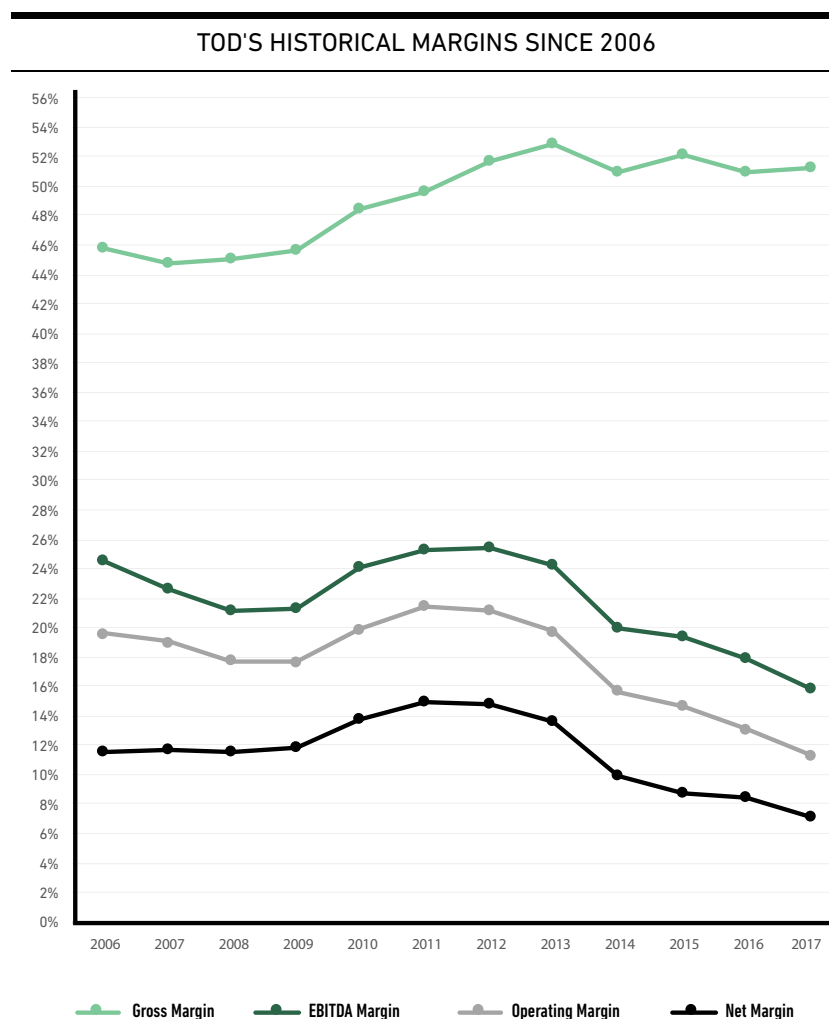
- The number of employees at Tod's has continued to increase, while revenue growth has slowed and even turned negative. The Company has not managed its cost base adequately in our view, and while we understand the need to maintain quality standards and investment in the future, we also wish to see some cost discipline implemented.



RISKS (3)

Margins Continue To Erode

- Tod's margins (except gross margin) have declined in the last 6 years. This began in 2012, accelerated in 2013/2014 and has continued to trend down at the end of 2017.
- Gross Margin - 2011: 49.6%, 2017: 51.1%
- EBITDA Margin - 2011: 24.9%, 2017: 16.1%
- Operating Margin - 2011: 21.4%, 2017: 10.4%
- Net Margin - 2011: 14.9%, 2017: 7.1%
- This was principally driven by a desire for legitimacy in handbags that pushed the Company to over-invest in the build-up of credibility and collections in handbags from 2013 to 2016. Deutsche Bank estimates *“that the investments in a renowned (but ineffective) designer and the structure to support her creative efforts (from catwalks to collections PR and marketing) cost at least 4-5pp of EBITDA margin”*.
- However, we believe Management should be able to reverse the recent trend. If Management is able to restore margins to anywhere close to historical levels (historical average 2006-2012 = 23.2%), profits can be expected to increase significantly from current levels.



RISKS (4)

Diego Della Valle

- A key risk with Tod's is the major shareholder and the "related party" deals that have and may occur in the future.
- While we do not believe Mr. Della Valle has advantaged himself at the expense of other Tod's shareholders, we acknowledge as a 60.66% owner and family employed within the business (Andrea Della Valle (brother) is the Vice Chairman and Managing Director, Emanuele Della Valle (elder son) is a Non-Executive Director and was the Creative Director of Tod's, Fabrizio Della Valle (cousin) was an Executive Director (until 2015). These factors present a potential risk of "value transfer".
- The Independent Directors of the Company (six out of fourteen directors) are critical and comprise:
 - Luigi Abete
 - Luigi Cambri
 - Pierfrancesco Saviotti
 - Vincenzo Manes
 - Romina Guglielmetti
 - Sveva Dalmaso

(Refer Appendix #1 for further information on the Independent Directors)

- We believe to date the independent directors have served the minorities well – It is evidenced when Mr. Della Valle sold the Roger Vivier brand to Tod's for €415M and agreed to reinvest half of the proceeds back into Tod's at €83.53 per share, a 5.6% premium to the last sales price of €79.11 on 20/11/2015.
- While the subsequent inventory writedown of €24.2M in 2016, directly relating to the acquisition of the Roger Vivier brand was disappointing, the minorities share of this writedown was 39.4% of €24.2M. i.e., €9.5M
- We must also be fair to Mr. Della Valle – "he has more to lose than anybody" if he does not execute well and implement a turnaround in performance. Further his track record of brand creation and execution is very good over time and we feel comfortable investing alongside such a proven performer. He also continues to operate Tod's in a fiscally conservative manner with an attractive dividend yield for all shareholders.



RISKS (5)

Poor ESG Rating

- Tod's scores poorly in Environmental, Social and Governance based on Thomson Reuters ESG Score* of C-. We recognise Tod's and Diego Della Valle's efforts to promote and contribute to its home country Italy. For example, the contribution of €25M to the Colosseum restoration project, and its promotion and investment in "Made in Italy" products, in the skills, traditions and culture of Italy. However, from an ESG reporting perspective, Tod's is poor in terms of self-reported ESG performance (i.e., lack of audited annual ESG reporting), and hence the low score.
- As more investors start to incorporate ESG into their investment selection process, it is important for Tod's to lift their ESG reporting efforts so not to create an ESG discount to its shares and to exclude institutional investors.





TOD'S SPA [TOD:IM]

KEY OPPORTUNITIES

KEY OPPORTUNITIES

Reinstate Tradition

- Management admitted the strategy of trying to transform Tod's from a shoe brand to a lifestyle/fashion brand was pushed too far from 2013 to 2016 under its creative director Alessandra Facchinetti:

*“Too much fashion for our old clients and not enough
fashion to attract new clients”*

- Emilio MacEllari, CFO of Tod's, May 2017

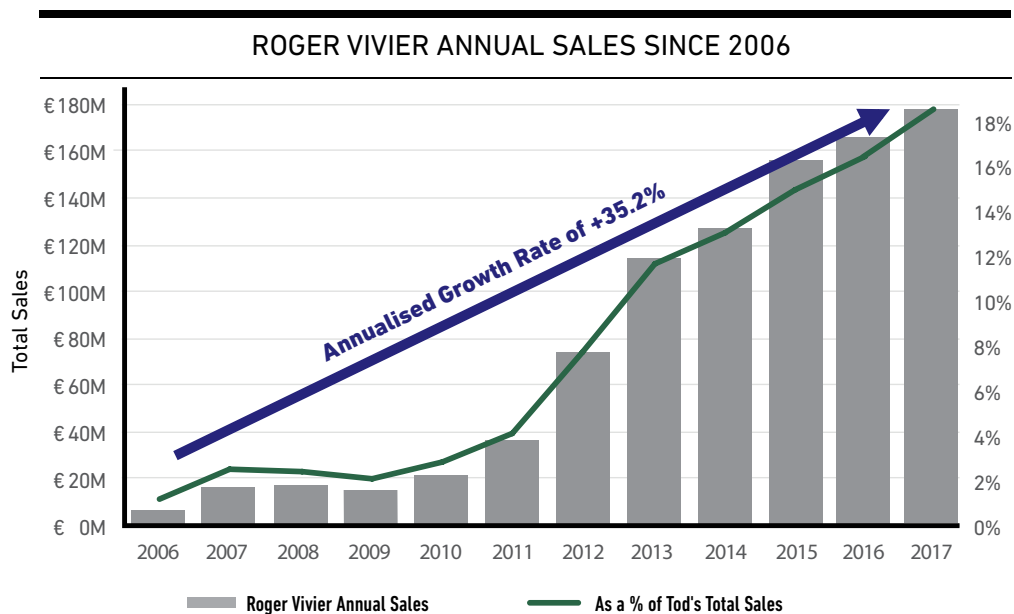
- Management has determined to return to its roots and strengths – to create products that reflect the brands' DNA and tradition – Made in Italy, Italian quality and Italian lifestyle. Tod's Spring/Summer 2018 Menswear Collection is the first collection completely designed by Tod's in-house design team after the departure of Alessandra Facchinetti.



KEY OPPORTUNITIES (2)

Roger Vivier

- Roger Vivier is an ultra high-end fashion brand, producing shoes, handbags, sunglasses, jewellery, leather goods and accessories.
- Diego Della Valle personally purchased the Roger Vivier brand in 2000 and has since invested in its development. He finally sold the brand to Tod's in 2015 for €415M.
- The brand has had an explosive growth profile, with an annualised growth rate of +35.2% since 2006.
- If we narrow the focus to the last five years, the annualised growth rate is still an impressive +19.2%.
- In 2017, Roger Vivier generated 18.6% of Tod's Total Sales (2006 = 1.1%). We expect the brand to become Tod's most important brand in the next ten years in terms of future growth opportunities with attractive margins, as it continues to expand its distribution network and product diversification. Roger Vivier should allow the Company to capitalise on increasing consumer sophistication and wealth polarisation.



One of the most expensive shoes in the world – Roger Vivier's shoes designed for Princess Soraya of Iran in 1962 – Sold for \$26,629.06 in a 2011 auction.

KEY OPPORTUNITIES (3)

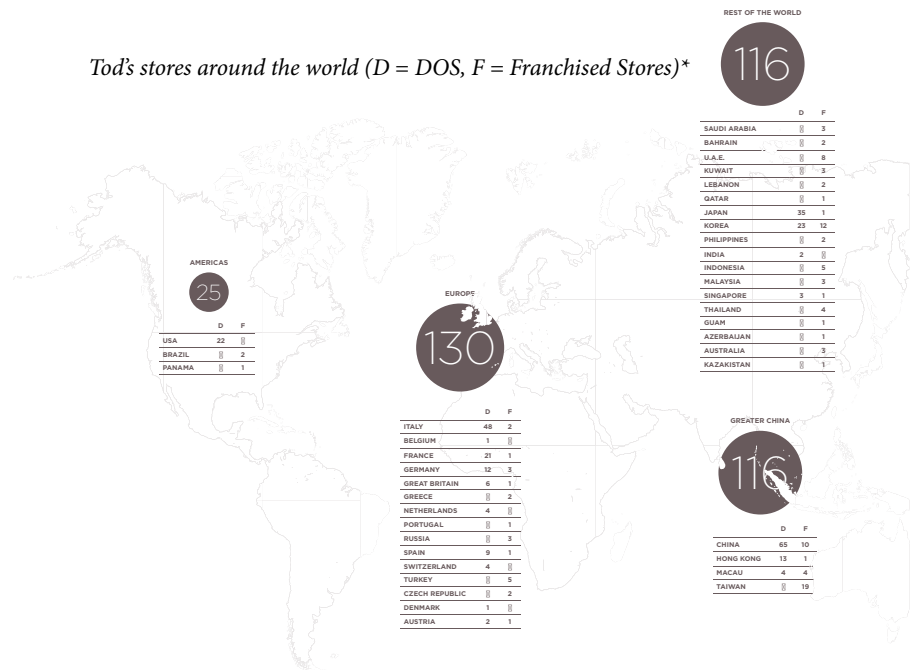
Consolidating & Extending International Network Across Brands

- **Tod's international presence is not balanced. The core Tod's brand is under-represented in Europe (outside of Italy) and the US. Hogan offers expansion opportunities globally as does balanced development of Roger Vivier.**
- **USA**
The world's largest luxury market only generates ~9.6% of total sales currently. Management acknowledged that the Tod's brand was regarded by US customers as a casual brand that is a bit too expensive. Therefore, market re/positioning and marketing will be the key to improve business performance in this critical market.
- **Greater China**
The growth in sales in this region has been impressive until 2013, but have been in decline since then due partially to the anti-corruption/anti-graft campaign under Xi Jinping which began in 2012. However, we believe that a trend of repatriation of luxury spending in China will start to benefit Tod's which already has 116 stores (DOS+Franchised) in the Greater China region. We are also pleased to see that Tod's has recruited Liu Shishi, the famous Chinese actress to promote the Tod's brand within the Chinese market.
- **Rest-of-the-World / South America**
We also believe there are growth opportunities in these regions that currently are operated mostly under the franchise model.

Liu Shishi showcased Tod's Autumn/Winter 2017-18 Collection



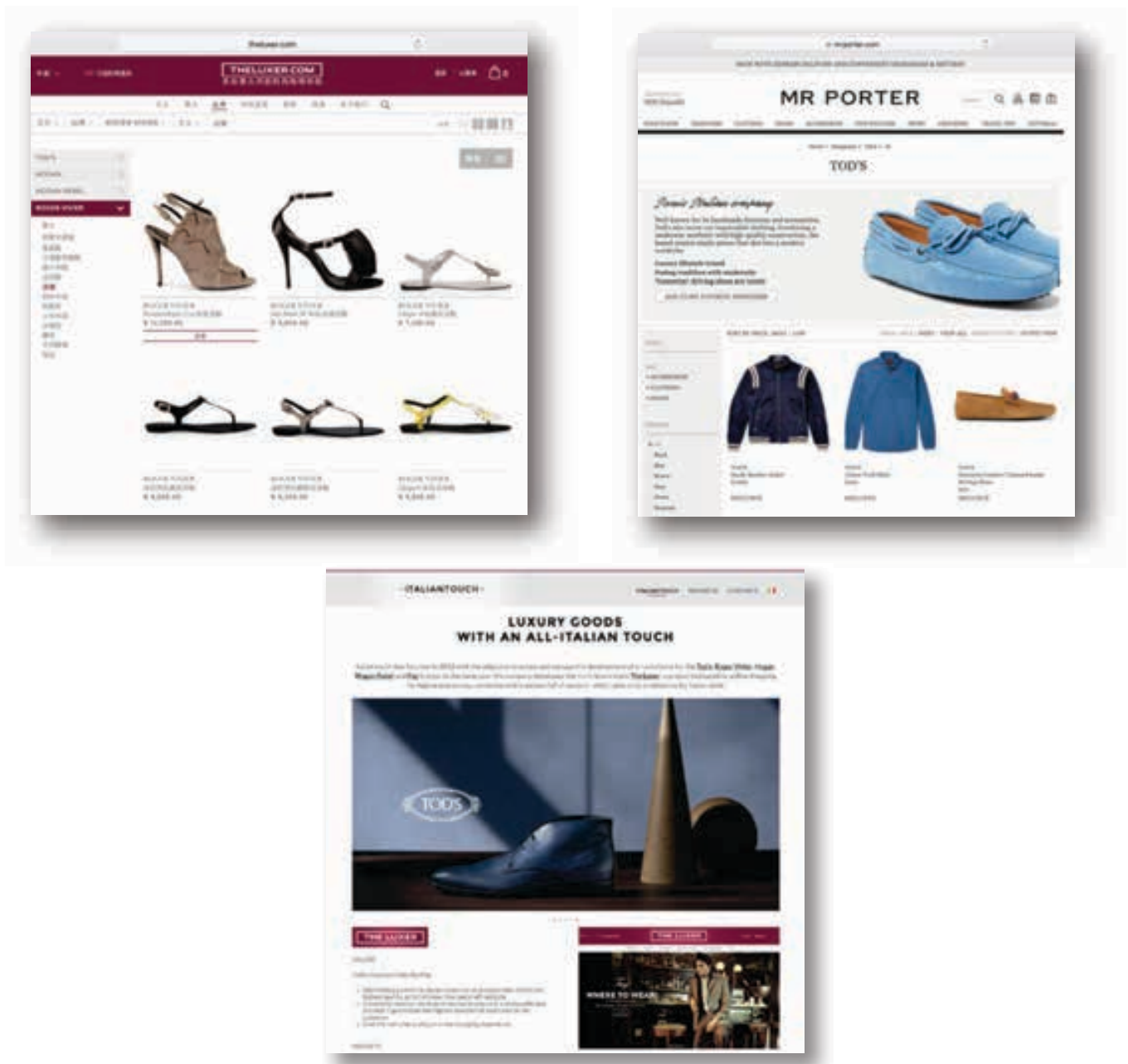
Tod's stores around the world (D = DOS, F = Franchised Stores)*



KEY OPPORTUNITIES (4)

E-Commerce

- The Company's E-Commerce capability for its various brands is developed through its 2012 partnership with Italiantouch S.r.l. (www.italiantouch.com), a company controlled by Diego Della Valle. The Company's brands' e-commerce sites operate in 31 countries around the world. This company also developed The Luxer (www.theluxer.com) online multibrand store that sells all of Tod's brands. Tod's products are also available on multibrand online stores such as Net-A-Porter/Mr Porter (since 2015).
- The Company has yet to disclose what percentage of the sales the E-Commerce channel accounts for, and has simply noted that it *"is getting more relevant"*. The suggested implication is that there should be significant room for further growth in its E-Commerce channel/s.



KEY OPPORTUNITIES (5)

Social Media Engagement

- Tod's has a reasonable online presence on Facebook and Instagram. However, it has a small presence on Pinterest, and none on Twitter.
- Tod's has ~14,000 subscribers on YouTube, and has eight videos with over one million of views.
- We believe the Company should place additional efforts/resources to improve its engagement levels on digital platforms as these are influential touchpoints for many of the luxury consumers today.



1.2M
FOLLOWERS



1M
FOLLOWERS



8K
FOLLOWERS

KEY OPPORTUNITIES (6)

Re-Emergence Of Global Travel

- With the global recovery has come an increase in the level of global travel. Tod's therefore needs to increase its travel retail site count across brands.
- The Company has yet to disclose what percentage of the sales the E-Commerce channel accounts for, and has simply noted that it *"is getting more relevant"*. The suggested implication is that there should be significant room for further growth in its E-Commerce channel/s.

Modernisation of Stores

- Tod's recently refurbished Bond Street London flagship store is an example of refreshed Tod's aesthetic that will in time roll out across its global network.



Brand Collaborations "Co-Lab's"

- Tod's should develop "Co-Lab's" with other brands e.g., Hogan and Monreal (the London based luxury brand that straddles between sports and fashion).



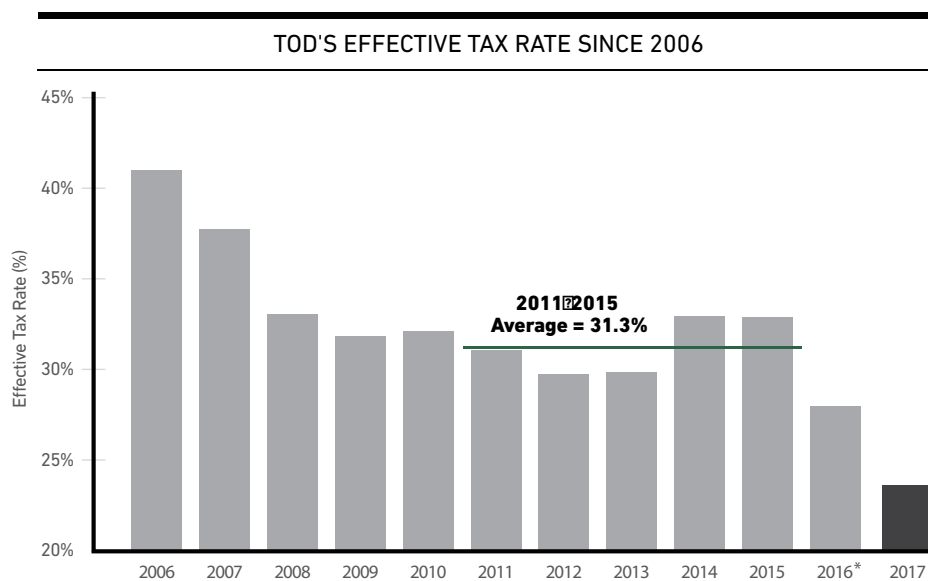
Potential Spin-Off's/Divestment

- Tod's could spin-off/divest one or more of its brands, potentially adding value for shareholders. Fay is a prime candidate for divestment in our view given its focus on the crowded apparel and outerwear market.

KEY OPPORTUNITIES (7)

Favourable Tax Regime Adoption in Italy

- From FY2016, Tod's will benefit from Italy's adoption of "Patent Box" tax regime where a portion of the income generated from the direct and indirect use of intangibles will be exempt from Italy's ~31% corporate tax rate. FY2017 effective tax rate is 24%, which is ~7.3% lower than the historical average tax rate of 31.3% between FY2011 and FY2015. This tax regime adoption will improve Tod's Net Margins going forward versus prior to adoption / prior periods.



Schiaparelli

- Schiaparelli is a haute couture label, purchased by Diego Della Valle personally in 2006. The brand was re-launched in 2012, with a focus on the ultra high-end market. The strategy thus far has been one of exclusivity, targeting the ultra-high-end market with a by appointment boutique in Paris being the only way to view and purchase from the range. Although Schiaparelli is yet to see significant growth, we anticipate the possibility that Tod's may acquire the licence to the Schiaparelli brand in potentially the same way as it acquired Roger Vivier as Schiaparelli would target (alongside Roger Vivier) the high-end (and high margin) customers and capitalise on wealth polarisation (again).



<http://www.schiaparelli.com>
(Also refer to Appendix 6)



TOD'S SPA [TOD:IM]

CONCLUSION, ELEVATION CAPITAL INTRINSIC VALUE ESTIMATES & LIQUIDITY

CONCLUSION

Turnaround Driven By Motivated (and Aligned) 60.6% Majority Shareholder

- Diego Della Valle is a proven performer in brand creation, development and growth. The market is not giving him any credit for this track record.

Industry Tailwinds

We believe that Tod's is positioned favourably to execute its turnaround plan as well as the continuation of cost efficiency measures with the following industry tailwinds to assist its efforts:

- Continued Growth in Luxury – The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023.
- Shoes/Leather Goods – The two categories that Tod's generate majority of its revenue from are forecast to grow at above average annualised growth rates (Shoes: +5.1%, Leather Goods: +4.5%) versus the broader global personal luxury sector.
- China – Currently, Tod's has a sizable presence in Greater China – 30.0% of its store count, but only 22.0% of total sales. We believe the recent trend of repatriation of luxury spending and reduced pricing differentials in China should assist the situation.
- Casualwear – The increasing appeal of casual wear versus formal wear amongst luxury consumers, and the “luxurisation” of casualwear should further benefit Tod's core product lines.

Earnings Recovery Story and Possible Acquisition Target Beyond 2020

- Tod's is forecast to delivery €158M of EBITDA in FY2018 assuming the business stabilises. Applying a 10% discount to the Peer Group multiple to this we derived an Intrinsic Value Estimate of €71.58, with an upside potential of +34.2%.
- The continuing trend of consolidation in the luxury goods industry is also a reason for our favourable view of Tod's. We see Tod's as a possible acquisition target for several other larger global luxury players. Based on FY2018 Consensus Forecast EBITDA of €158M*, we estimate the current “Private Market Value” or Intrinsic Value to be in the range of €71.87 and €81.42, with upside potential of +34.7% and +52.6%.
- However, we see further upside potential as we believe Management can rectify the mistakes they have made in recent years, and improve profits and margins to previous levels in a reasonable timeframe. If Management is able to improve EBITDA to €188M (Forecast EBITDA Margin of 18.0%) in 2020, which is only 75% of the 2012 level, we estimate the Private Market Value range of Tod's would increase to €87.59 - €98.94 per share. This presents upside potential of +64.2% to +85.5%, with an IRR range of +28.1% to +36.1% per annum assuming an exit in the middle of 2020**.
- If Management is able to improve EBITDA to €225M (Forecast EBITDA Margin of 21.7%) in 2020, which is back to 90% of 2012 levels, we estimate the Private Market Value range of Tod's would increase to €104.48 - €118.08 per share. This presents upside potential of +95.8% to +121.3%, with an IRR range of +39.9% to +48.7% per annum assuming an exit in the middle of 2020***.

* As at 7 June 2018. FY2018 EBITDA forecast are analysts' consensus forecast collected by Thomson Reuters

** Based on share price of €53.35 as at 30 June 2018, and an exit price range of €87.59 to €98.94 on 30 June 2020

*** Based on share price of €53.35 as at 30 June 2018, and an exit price range of €104.48 to €118.08 on 30 June 2020

CONCLUSION (2)

Dividends

- In the interim, shareholders are paid to wait. With a dividend yield of 2.46%*, Tod's yields significantly more than the industry average of 1.68%.

Strong Balance Sheet

- We believe that Tod's has one of the strongest balance sheets of any firm in the luxury goods sector, contributing to our "margin of safety" and making Tod's more attractive to potential acquirers.

Value Opportunity

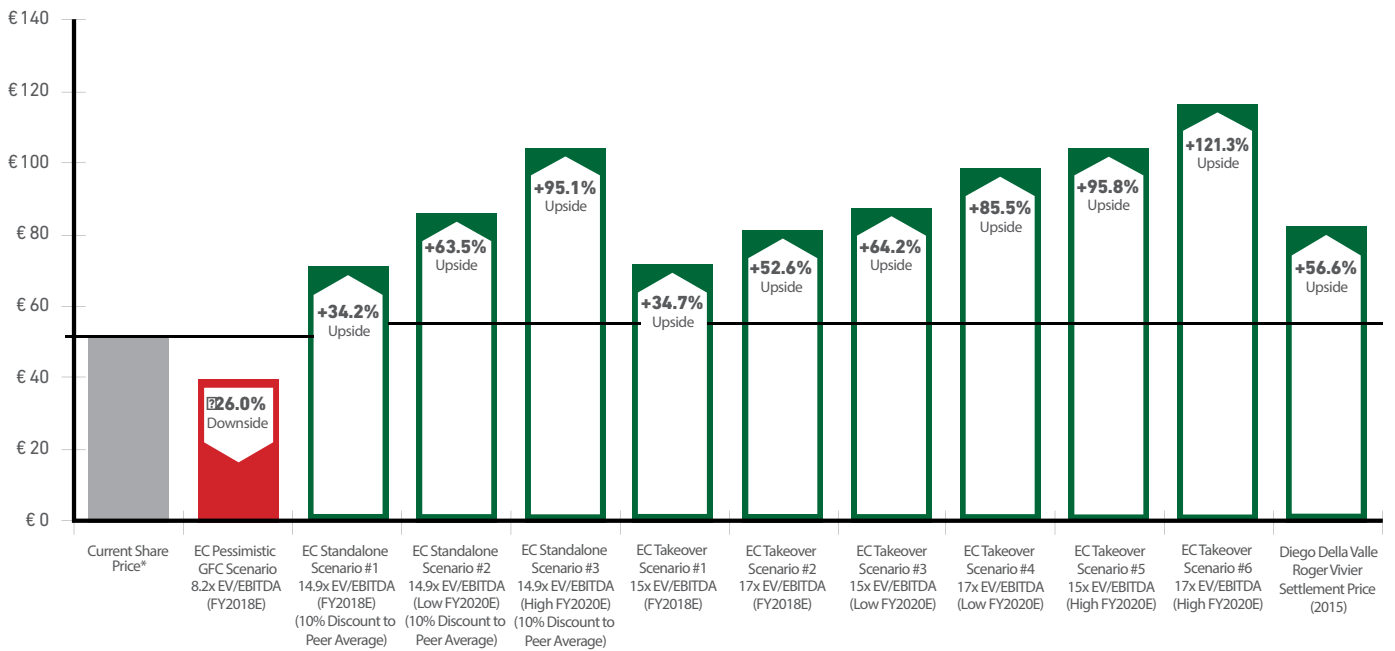
- We conclude that Tod's is not a "Value Trap" but it requires patience as the Company restores historical profitability and continues a targeted and disciplined expansion programme. We believe investors should be focusing on a return to former profitability levels by 2020 with a potential sale of the Company to a luxury conglomerate after that.

ELEVATION CAPITAL ESTIMATED INTRINSIC VALUE RANGE

Elevation Capital –
Estimated Intrinsic Value Range:
€39.45 – €118.08
PER SHARE

Downside/Upward Potential Range:
-26.0% – +121.3%

VALUATION SUMMARY



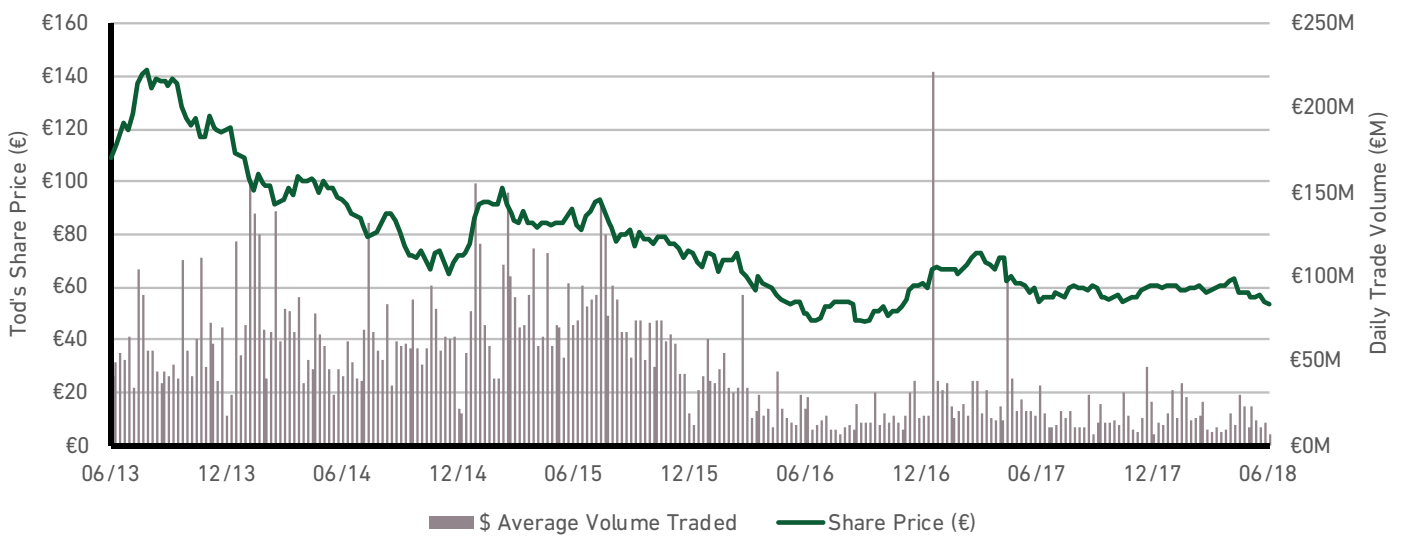
ASSUMPTIONS FOR THE ESTIMATED INTRINSIC VALUES

SCENARIO	ASSUMPTIONS
EC PESSIMISTIC GFC SCENARIO	We assume the shares trade at 8.2x EV/EBITDA, which is the average EV/EBITDA ratio during 2008-2010.
EC STANDALONE SCENARIO #1	We assume the Company does not get taken over, and the shares trade at 14.9x EV/EBITDA multiple, which is 10% discount to the peer average EV/EBITDA of 16.6x.
EC STANDALONE SCENARIO #2	We assume the Company does not get taken over, and the shares trade at 14.9x EV/EBITDA multiple. However, we assume by 2020 EBITDA profitability is restored to €187.7M (75% of FY2012 level, and Forecast EBITDA Margin of 18.3%).
EC STANDALONE SCENARIO #3	We assume the Company does not get taken over, and the shares trade at 14.9x EV/EBITDA multiple. However, we assume by 2020 EBITDA profitability is restored to €225M (90% of FY2012 level, and Forecast EBITDA Margin of 21.7%).
EC TAKEOVER SCENARIO #1	We assume the Company is taken over at 15.0x EV/EBITDA valuation, which is 12% discount to our selected transactions average, and based on consensus FY2018 Forecast EBITDA of €158M.
EC TAKEOVER SCENARIO #2	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transactions average, and based on consensus FY2018 Forecast EBITDA of €158M.
EC TAKEOVER SCENARIO #3	We assume the Company is taken over at 15.0x EV/EBITDA valuation, which is 12% discount to our selected transactions average, and based on our FY2020 Forecast EBITDA of €187.7M (75% of FY2012 level, and Forecast EBITDA Margin of 18.0%).
EC TAKEOVER SCENARIO #4	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transactions average, and based on our FY2020 Forecast EBITDA of €187.7M (75% of FY2012 level, and Forecast EBITDA Margin of 18.0%).
EC TAKEOVER SCENARIO #5	We assume the Company is taken over at 15.0x EV/EBITDA valuation, which is 12% discount to our selected transactions average, and based on our FY2020 Forecast EBITDA of €225M (90% of FY2012 level, and Forecast EBITDA Margin of 21.7%).
EC TAKEOVER SCENARIO #6	We assume the Company is taken over at 17.0x EV/EBITDA valuation, which is our selected transactions average, and based on our FY2020 Forecast EBITDA of €225M (90% of FY2012 level, and Forecast EBITDA Margin of 21.7%).

LIQUIDITY ANALYSIS

- Tod's one-year average daily trading volume is €17.20M (~0.1% of market capitalisation).
The reason for the low liquidity is due to Diego Della Valle's 60.66% majority stake in Tod's.

LIQUIDITY ANALYSIS





TOD'S SPA [TOD:IM]

APPENDICES

APPENDICES

- Appendix 1 - Background of Tod's Independent Directors
- Appendix 2 - Tod's Brand History
- Appendix 3 - Hogan Brand History
- Appendix 4 - Fay Brand History
- Appendix 5 - Roger Vivier Brand History
- Appendix 6 - Schiaparelli Gaining Recognition
- Appendix 7 - The New Yorker: Shoe Dreams
- 10 May 2004
- Appendix 8 - Our Other Websites/Associates
- Appendix 9 - A History of Our Presentations



APPENDIX 1: BACKGROUND OF TOD'S INDEPENDENT DIRECTORS

NAME	BACKGROUND
Pierfrancesco Saviotti	Dr. Pier Francesco Saviotti serves as Non-Executive Lead Independent Director of Tod's S.p.A. since April 20, 2009. Prior to his appointment he served as Non-Executive Independent Director of the Company since 2003. He is also Member of the Remuneration and Audit and Risks Committees and Chairman of Independent Directors Committee of the Company. He was Chief Executive Officer of Banca Commerciale Italiana and General Manager (Loan Business Unit) of Banca Intesa. After having been senior advisor for Italy and Vice Chairman of Merrill Lynch Europe, he has been appointed Chief Executive Officer of Banco Popolare Società Cooperativa. He also sits on the boards of directors of several listed Italian companies. He also serves as Director of Brembo SpA, Moncler Srl, Nuovo Trasporto Viaggiatori SpA and Stefanel SpA.
Luigi Abete	Independent director without executive authority, was born in Rome (RM) on February 17th, 1947. Graduated in law, he was Chairman of Confindustria from 1992 to 1996. He has been Chairman of Banca Nazionale del Lavoro S.p.A. since 1998. In 2007 also received a degree honoris causa in Business and Economics from the University of Sannio. In 2009, he was appointed Chairman of ASSONIME - Association of Italian Public Limited Companies. He has been a member of the Board of Directors of Tod's S.p.A. since October 7th, 2000.
Luigi Cambri	Independent director without executive authority, was born in Taranto (TA) on September 10th, 1955. Graduated in law, he is a notary public ("notaio") and operates his own firm in Milan. He has been a member of the Tod's S.p.A. Board of Directors since April 27th, 2005.
Vincenzo Manes	Non-executive and independent Director, was born in Venafrò (IS), on 1st April 1960. He graduated in Economics and Commerce from Luiss University in Rome. He is the founder and Chairman of Intek Group (a holding company listed on the Milan Stock Exchange and operating in the sectors of industry, finance and renewable energy), as well as of the Dynamo Foundation, aimed at contributing to the development of philanthropy in Italy. In 2013 he was awarded the honour of Knight of Labour (Cavaliere al Merito del Lavoro). He has been a member of the Company's Board of Directors since 22nd April 2015.
Romina Guglielmetti	Non-executive Director, was born in Piacenza (PC), on 18 March 1973. She is a lawyer and operates her own firm in Milan. She has gained a significant experience in the field of company law, banking law, corporate governance and financial markets. She has been a member of the Company's Board of Directors since 22nd April 2015.
Sveva Dalmaso	Non-executive and independent Director, was born in Rome on 9 December 1956. She has graduated in Law, is a notary public and her office is located Milan. From 1998 to 2003 she held the position of Standing Auditor of the National Notaries's Provident Fund (Cassa Nazionale del Notariato); currently she is a member of the Chamber of Notaries (Consiglio Notarile) in Milan. She has been a member of the Company's Board of Directors since 22nd April 2015.

APPENDIX 2: TOD'S BRAND HISTORY

Tod's was established in 1978 by designer Diego Della Valle, in Casette d'Ete in the Marche region of Italy. Descended from a family of shoemakers, Diego Della Valle spent his childhood surrounded by skins and leathers in the workshop of his father, who owned a shoe-making company.

Having studied Law in Bologna, at the end of the 1970s the designer spent some time in New York where, he spotted a driving shoe - a Portuguese-manufactured slipper with rubber soles and stud embellishment designed for driving - while strolling through Manhattan. Diego Della Valle took the shoe back to Italy and redesigned the model, creating a very soft handmade slipper embellished with 133 studs, which soon became the house's signature Il Gommino model. That year, the designer gifted a pair to one of Italy's most charismatic businessmen, Giovanni Agnelli, who wore them for a televised interview, boosting both the sales and reputation of Tod's.



After becoming the label's chairman in 1980, Diego Della Valle expanded his empire to create Hogan, a sportswear and sneakers brand, then Fay, a ready-to-wear collection orientated around design innovation, of which the jewel in the crown is a coat with a four-hook closure, inspired by New York firemen's uniforms.

From 1996, photos of historic driving shoe fans Audrey Hepburn, Cary Grant and Steve McQueen appeared in the label's advertising campaigns and the Tod's look was born. In 1997 a line of handbags and leather goods was launched. The first bag released, the D-Bag, was available in five sizes, each adaptable for personal preference. In 2006, Tod's introduced its first ready-to-wear womenswear collection under the creative direction of Derek Lam. The designer stayed at the house's helm for a further six years until stepping down in November 2012. In July 2011 the house sponsored the exhibition dedicated to ex-first lady of the United States Jacqueline Kennedy-Onassis at the Conchiglia Library in Capri's Hotel Quisisana, redesigning three of its most iconic accessories in a limited edition for the occasion - the Rounded bracelet, the Il Gommino slipper and the D-Bag, in an eye-catching blue-green, emblematic of the island of Capri.

"But he needed a name. And it would have to be easy to pronounce around the world. Legend has it that Della Valle picked the name J.P. Tod's from the Boston phone book, but he says the choice was more studied than that—he spent a month looking at combinations of letters. "It's a round name, it's a sound with a friendly character, it's not rigid," he says. "It's like if you choose a note on the piano." (In 1999, Della Valle dropped the first initials after the brand started to become known as J.P. in the U.S., his brother Andrea says.)"

WSJ Magazine - October/November 2010

APPENDIX 3: HOGAN BRAND HISTORY

Although Hogan footwear was born in 1986, the first sneakers line came along only in 1995, the year that saw the athletic model launched on the market.

The Interactive line, the Hogan shoe style we're all familiar with, came just two years later.

2004 saw the launch of Olympia, more elegant and slender. Dedicated entirely to the female customer is Attractive, immediately followed by Hippie Logo bags and Hogan eyewear sunglasses.

From 1986 to the present, the always-comfortable Hogan shoe has changed its shape and decoration, but its style is always the same: winning and in the forefront of fashion.

The timeless taste of these shoes is above all that of a status symbol, an image of elegance and luxury.

Hogan footwear and its label have always aimed at quality, which is why it belongs to the higher price range: every tiny detail is attended to with extreme accuracy and the materials used are, of course, top quality.



APPENDIX 4: FAY BRAND HISTORY

Taken over in the late seventies by the Tod's Group, Fay was originally developed in the United States as a brand specialised in the production of outerwear inspired by the uniforms of American firefighters, with a four hook closure. The evolution of the brand, which now includes men's and women's lines, complete with accessories, is characterised by the double-life philosophy: each piece is designed to be worn on different occasions – from business to leisure, from the city to dynamic outdoor experiences.

The “Fay code” is synonymous with casual elegance and a sophisticated, modern and versatile expression of an Italian taste that perfectly and timelessly combines quality, innovation and luxury. It's the perfect balance between British flavour and local craftsmanship.



APPENDIX 5: ROGER VIVIER BRAND HISTORY



Described as the “Fabergé of Footwear” and accredited with creating the first stiletto heel in the 1950’s, Roger Vivier designed extravagant, luxuriantly embellished shoes he described as sculptures.

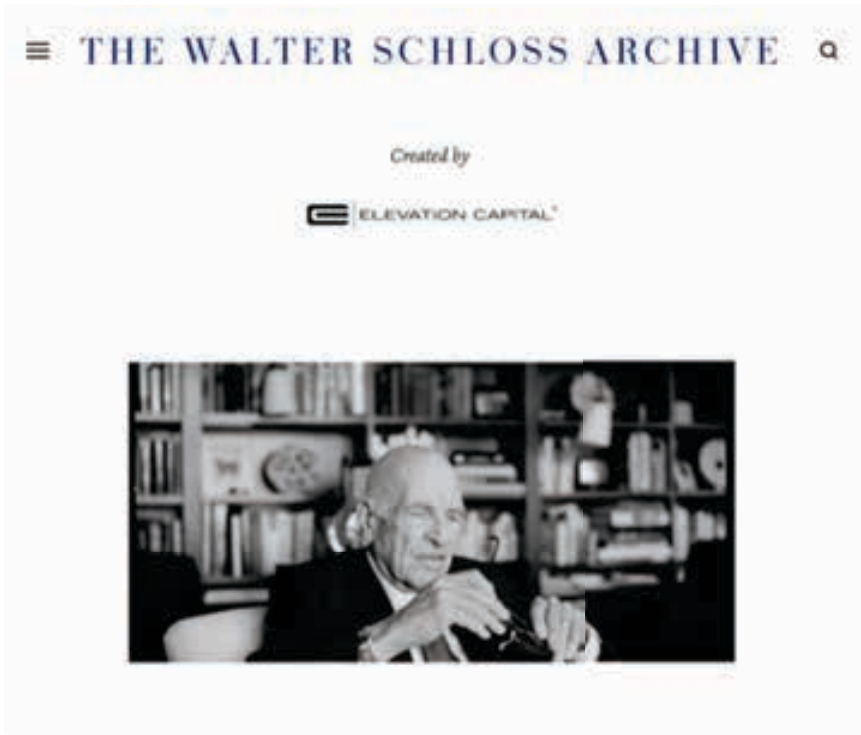
The artistic heritage and exceptional tradition of the Maison Roger Vivier found new life with the renaissance of the brand in 2003 through the acquisition of Diego Della Valle.

Under the Creative Direction of Bruno Frisoni, the work and vision of M Vivier was pursued, adding new chapters to this unique story each season and extending its expertise beyond shoes to include bags, small leather goods, jewellery and sunglasses.

Ines de la Fressange, acclaimed figure of quintessentially French elegance, represents the refined allure of this Parisian Maison with an irony and fantasy that makes the Roger Vivier style so distinctive and inimitable.

Roger Vivier today proffers a unique experience of imperceptible paradoxes, set soaring through a spectacular universe of dreams and desires, enchanting the most elegant and fascinating of women the world over. A timeless Parisian elegance, sophisticated and extravagant, a rare luxury.

APPENDIX 8: OUR OTHER WEBSITES/ASSOCIATES



<https://www.walterschloss.com>



<http://www.bethunesinvestments.com>

APPENDIX 9: A HISTORY OF OUR PRESENTATIONS (1)



* Total return data source: Thomson Reuters Eikon, from 1 January of each year to 22 June 2018 – includes dividends

** As at 22 June 2018

LCL = Local Currency

Post Holdings Inc Market Cap on 1/1/2014 = US\$ 1.61B, Adidas AG Market Cap on 1/1/2015 = EUR 12.1B, Coach Inc Market Cap on 1/1/2016 = US\$ 9.1B, Luxottica Group SpA Market Cap on 1/1/2017 = EUR 24.7B, Tiffany & Co. Market Cap on 1/1/2018 = US\$ 12.9B

APPENDIX 9: A HISTORY OF OUR PRESENTATIONS (2)



OCTOBER 2015



IF YOU PURCHASED ON 1 OCT 2015 & HELD:
TOTAL RETURN (LCL) = +25.9%

ANNUALISED RETURN (LCL) = +8.4%



FUND HOLDING PERIOD = 2.6YRS
FUND TOTAL RETURN (LCL) = +26.2%
FUND ANN. RETURN (LCL) = +12.9%
EXITED



JUNE 2016



IF YOU PURCHASED ON 1 JUN 2016 & HELD:
TOTAL RETURN (LCL) = +2.4%

ANNUALISED RETURN (LCL) = +1.2%



FUND HOLDING PERIOD = 3.3YRS
FUND TOTAL RETURN TO DATE** (LCL) = +6.1%
FUND ANN. RETURN TO DATE** (LCL) = +3.1%



OCTOBER 2017



IF YOU PURCHASED ON 1 OCT 2017 & HELD:
TOTAL RETURN (LCL) = -9.4%

ANNUALISED RETURN (LCL) = -12.5%



FUND HOLDING PERIOD = 4.4YRS
FUND TOTAL RETURN TO DATE** (LCL) = -27.9%



MAY 2018



IF YOU PURCHASED ON 1 MAY 2018 & HELD:
TOTAL RETURN (LCL) = +29.9%

ANNUALISED RETURN (LCL) = +418.7%



FUND HOLDING PERIOD = 6.2YRS
FUND TOTAL RETURN TO DATE** (LCL) = +70.0%
FUND ANN. RETURN TO DATE** (LCL) = +20.8%

* Total return data source: Thomson Reuters Eikon – includes dividends – as at 28 June 2018
** As at 28 June 2018
LCL = Local Currency

APPENDIX 9: A HISTORY OF OUR PRESENTATIONS (3)



AUGUST 2012



IF YOU PURCHASED ON 1 AUG 2012 & HELD:
TOTAL RETURN (LCL) = +357.4%
ANNUALISED RETURN (LCL) = +29.3%



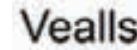
IF YOU PURCHASED ON 1 AUG 2012 & HELD:
TOTAL RETURN (LCL) = +195.6%
ANNUALISED RETURN (LCL) = +20.1%



IF YOU PURCHASED ON 1 AUG 2012 & HELD:
TOTAL RETURN (LCL) = +145.4%
ANNUALISED RETURN (LCL) = +16.4%



IF YOU PURCHASED ON 1 AUG 2012 & HELD:
TOTAL RETURN (LCL) = +118.2%
ANNUALISED RETURN (LCL) = +14.1%



IF YOU PURCHASED ON 1 AUG 2012 & HELD:
TOTAL RETURN (LCL) = +97.7%
ANNUALISED RETURN (LCL) = +12.2%



IF YOU PURCHASED ON 1 AUG 2012 & HELD:
TOTAL RETURN (LCL) = +81.4%
ANNUALISED RETURN (LCL) = +10.6%



FUND HOLDING PERIOD = 1.6YRS
FUND TOTAL RETURN (LCL) = +58.7%
FUND ANN. RETURN (LCL) = +49.0%
EXITED



FUND HOLDING PERIOD = 2.4YRS
FUND TOTAL RETURN (LCL) = +14.2%
FUND ANN. RETURN (LCL) = +9.0%
EXITED



FUND HOLDING PERIOD = 5.4YRS
FUND TOTAL RETURN (LCL) = +111.2%
FUND ANN. RETURN (LCL) = +27.0%
EXITED



FUND HOLDING PERIOD = 2.2YRS
FUND TOTAL RETURN (LCL) = +66.7%
FUND ANN. RETURN (LCL) = +36.5%
EXITED



FUND HOLDING PERIOD = 6.0YRS
FUND TOTAL RETURN (LCL) = +27.7%
FUND ANN. RETURN (LCL) = +17.6%
EXITED



FUND HOLDING PERIOD = 4.7YRS
FUND TOTAL RETURN (LCL) = +78.7%
FUND ANN. RETURN (LCL) = +29.8%
EXITED

* Total return data source: Thomson Reuters Eikon – includes dividends – as at 28 June 2018
LCL = Local Currency



INVEST SUMMM



ELEVATION CAPITAL[®]

INVESTMENT STRATEGIES



INVESTMENT SUMMARY

EXECUTIVE SUMMARY

NZX operates a monopoly-like business that retains the ability to at least grow in line with GDP; however,

The business has suffered from ill discipline over the past five years, with operating margin declining by over 50%, and total return to shareholders of +22.5% significantly underperforming the NZX50's +105.1%.

While the Agri data and publishing businesses have in the past been strong contributors to profit, the publishing landscape has changed, and NZX was slow to react;

The significant acquisition of SuperLife has also suffered from a lack of focus on costs and opex investments subsequent to acquisition;

The Board has pulled one of the two levers available to them and replaced the CEO. The new CEO now has the opportunity to clearly articulate a strategy for improving returns and profitably growing the business over the long term;

It is our view that NZX is worth ~NZ\$1.44 a share assuming the following steps are undertaken:

- Immediate remediation of the cost base to return the business to its prior mid-30's operating margins;
- Review strategic alternatives for the funds management businesses including the potential sale of the business to a specialist global player;
- Handover regulatory functions of the markets business to the FMA;
- Develop a credible plan with growth options for the business or become a "utility";
- Return NZ\$20M to NZ\$30M in capital to shareholders via a tax-efficient buyback at present prices; and,
- Further broaden board member skill-sets with international investing/exchange experience as well as business development skills.

OVERVIEW

NZX Limited (NZX:NZ, Market Capitalisation NZ\$278M) operates various capital markets within New Zealand providing trading, post-trade and data services, as well as a central securities depository. As New Zealand's only registered Securities Exchange, the Group operates multiple 'markets' including the NZX Main Board (NZX), NZX Alternative Market (NZAX) and the NXT. NZX also operates several other markets on behalf of third parties such as the New Zealand electricity market under long-term contracts from the Electricity Authority and the Fonterra Shareholders' Market on behalf of Fonterra. As of 30 April 2017, total debt and equity listing across NZX's exchanges held respective market capitalisations of NZ\$26.6B and NZ\$119.9B.

ATTRACTIVE BUSINESS MODEL

NZX has a near monopoly in the New Zealand primary listed equity and debt markets. Core market operations represent 68% (NZ\$52.9M) of Group revenues and include initial/annual listing fees, data fees, and trading & settlement fees. One of the most attractive qualities of NZX's core markets business is the consistent nature of its recurring revenues. Notably, the Group's annual listing fees, which provide a robust platform for NZX to leverage future growth. To this extent, attracting new businesses to list on their platform is a key imperative to driving sustainable long-term growth.

DESPITE MONOPOLISTIC CHARACTERISTICS THERE EXISTS A COMPETITIVE ENVIRONMENT

The advent of new technologies has contributed to the globalisation of business and capital flows, vastly changing the competitive landscape for stock exchanges. In response, leading stock exchanges have restructured their businesses, pursued foreign company listings and explored M&A opportunities/strategic alliances. This has resulted in renewed focus on improving product offerings (IPOs), listing standards, fee structures, and regulation. In contrast, NZX has remained relatively insulated from such pressures, providing little impetus for increasing efficiency or promoting its business. Left unaddressed; such factors may support an exodus of larger New Zealand companies to ASX. As it stands, NZX/ASX dual-listed stocks account for 9 out of the 10 S&P/NZX10 constituents, and approximately 60% of the S&P/NZX50 constituents.

ASX'S COMPETITIVE ADVANTAGE

Economies of scale and network effects significantly contribute to liquidity and market depth; where studies have revealed size and liquidity to be the top considerations for new businesses seeking to list on an exchange. As at December 2016, listed entities on NZX had a total market capitalisation of ~NZ\$115.5B, versus ~NZ\$1.8T of total market capitalisation on the ASX; while trading volumes were similarly low at 37% of market capitalisation versus 72% of ASX. The comparatively small market/trading volumes of NZX place it at a substantial disadvantage when competing for new listings, leading to a vicious cycle. Offsetting this, and highlighting in our opinion a failure to "communicate and sell" effectively, are the higher multiples NZX listed companies currently fetch versus global peers across the broad industry spectrum and the higher than average forward multiples the market continues to trade at which should make listing in New Zealand attractive. (*Forsyth Barr in a report dated 12 June 2017, currently estimates the 12 month forward-weighted PE multiple for the New Zealand market to be 19.5x, or +10% above the five-year average.*)

CONSOLIDATION OF MARKETS

It has been well publicised that despite strong equity market performance, NZX currently lacks a meaningful IPO pipeline. In 2015, NZX achieved a total of three IPOs while 2016 was similarly underwhelming with the IPOs of Tegel Group, Investore Property and New Zealand King Salmon. However, one has to acknowledge that this is the experience globally, predominantly as a result of regulatory creep and the growth in private equity funding which allows companies to stay private longer. Jason Zweig in the Wall Street Journal on 23 June 2017 – using the chart (below), highlighted the declining number of listings in the US capital markets since 1980.



Source: *The Wall Street Journal*¹

The new SEC Chairman according this Reuters article [<http://www.reuters.com/article/us-usa-sec-ipo-idUSKBN19D1S2>] is also investigating why IPO volumes in the US have declined by as much as one third since 2015.

NZX management has also made attempts to try and create an attractive environment for smaller companies to list. Launched in 2016, NXT was developed as a marketplace for fast-growing, small and mid-sized businesses. NXT is intended to provide SMEs with the necessary capital required to expand their business in addition to creating a viable runway for SMEs to graduate to NZX's Main Board. Its reception thus far has been underwhelming and as at December 2016, NXT had a total of four listings with no apparent pipeline for growth and one of the four recently announcing a proposal to delist. While alternate exchanges have proved successful overseas (such as the FTSE AIM in London), it is our view that the small size of New Zealand's capital markets makes it hard to justify the existence of three separate equity markets (the Main Board, NZAX and NXT). It is worth considering that ASX, which is approximately 16x the size of NZX, continues to run a single equity market. We assert that companies listed on NZAX and NXT may be better served under the umbrella of NZX's Main Board with a simplified rule set for small-cap listed companies – e.g. for companies with a market capitalisation below NZ\$ 25.00 million.

REVIEW REGULATORY FUNCTIONS

We recognise that self-regulation has its benefits, including an overall increase in regulatory resources and an ability to leverage inside knowledge/expertise of industry professionals. However, we suggest there exists significant benefits toward adopting a government/statutory model similar to that of the ASX. Such a centralised approach promotes efficiency and reduces the duplication/layering of regulation, including supporting infrastructure and oversight activities. We further suggest that the FMA would be better positioned to deliver more effective

regulation as a single agency, as it would have broad jurisdiction over all market participants; avoiding conflicts of interest between NZX's commercial functions as a "for-profit" entity, and their position as a regulator - we point to the significant costs associated with regulatory functions while disciplining your own customers counteracts relationship building activities essential to all businesses. We suggest that transferring regulatory responsibilities to the FMA would rebalance NZX's competitive position relative to the ASX, which currently has a cost advantage due to their adoption of a government/statutory model in 2010. Finally, it is our belief, that New Zealand is well suited to this model due to the small size of its market – traditionally, one of the major headwinds for large complex markets wanting to adopt centralised regulatory models has been the overwhelming resource required to do so; this is simply not the case for NZX.

COSTS UNDERMINE RETURNS

The biggest failure in our opinion for NZX over the past five years has simply been that increases in expenditure have consistently outpaced revenue growth and weakened NZX's bottom-line performance. Over the past five years, the Group's operating margin has more than halved, declining from 38% (FY2011) to 18% (FY2016). As a result, NZX ranks as the worst performing exchange when observing Revenue, EBITDA and NIAT generated per employee across a broad peer group (on an unadjusted basis). To put this in perspective, in 2016, NZX generated NZ\$0.10M in EBITDA (unadjusted) per employee whereas ASX generated NZ\$1.41M - some 14 times greater. In addition to labour costs, several loss-making ventures and cyclical IT expenditures have compounded NZX's profitability problems. Going forward, reducing costs, driving operating leverage and increasing efficiencies must be a primary focus for Management. We are aware that 2016 marked a transitional year for the Company with substantial one-off costs being incurred. While the removal of these costs is expected to be a key driver for improved performance in 2017 (refer Appendix #1 for a breakdown of these costs), we maintain that there remains significant scope to reduce expenses further through a range of productivity and efficiency initiatives in relation to their net worth.

INVESTMENT SUMMARY CONTINUED

EMPLOYEE EFFICIENCY

Company	Market Cap (NZ\$/m)	Revenue (NZ\$/m)	EBITDA (NZ\$/m)	NIAT (NZ\$/m)	FTE	Revenue/FTE (NZ\$/m)	EBITDA/FTE (NZ\$/m)	NIAT/FTE (NZ\$/m)
Intercontinental Exchange	51,986	6,482	4,116	2,170	5,631	1.15	0.73	0.39
Hong Kong Exchanges & Clearing	43,725	1,932	1,314	1,083	1,610	1.20	0.82	0.67
Deutsche Boerse	23,672	3,680	1,964	1,251	5,116	0.72	0.38	0.24
London Stock Exchange	18,839	2,945	1,364	580	5,551	0.53	0.25	0.10
Nasdaq	17,063	5,338	1,622	951	4,325	1.23	0.38	0.22
Japan Exchange Group	11,380	1,505	1,079	575	1,088	1.38	0.99	0.53
ASX	10,752	948	767	445	546	1.74	1.41	0.82
CBOE Holdings	9,431	946	494	268	553	1.71	0.89	0.48
Singapore Exchange	8,319	852	489	369	762	1.12	0.64	0.48
Euronext NV	4,411	752	430	310	635	1.18	0.68	0.49
TMX Group	4,046	862	408	234	1,075	0.80	0.38	0.22
Bolsas y Mercados Espanoles	3,829	485	328	240	762	0.64	0.43	0.32
NZX Limited	287	78	23	10	237	0.33	0.10	0.04

Date Source: Thomson Reuters

FTE: Full-Time Employee

EBITDA: Earnings Before Interest, Tax, Depreciation & Amortisation

NIAT: Net Income After Tax

Figures reported in Millions/NZD using FY16 data, where FY16 data is yet to be reported, consensus estimates have been used.

MARGIN ANALYSIS

Company	EBITDA Margin	Operating Margin	Net Profit Margin
ASX	80.9%	76.2%	47.0%
Hong Kong Exchanges and Clearing	68.0%	66.3%	55.5%
Bolsas y Mercados Espanoles Sociedad	67.5%	65.8%	50.0%
Japan Exchange Group	64.4%	55.0%	39.0%
Intercontinental Exchange	63.5%	48.2%	31.6%
Singapore Exchange	57.3%	49.3%	42.7%
Euronext	57.2%	52.1%	39.7%
TMX Group	47.3%	36.0%	24.4%
London Stock Exchange	46.3%	25.8%	13.4%
Nasdaq	30.4%	7.0%	2.9%
NZX (Unadjusted)	30.0%	17.6%	11.8%
NZX (Adjusted)*	37.9%	25.5%	19.7%
Mean	58.3%	48.2%	34.6%
Median	60.4%	50.7%	39.3%

Data Source: Thomson Reuters reported FY16 data

* NZX Adjusted figures assume removal of NZ\$6.1M in hard cost however we estimate total cost-out potential in FY17 could be up to ~NZ\$9.0M.

** No other adjustments have been made to other exchanges data sourced from Thomson Reuters.

NEW FUND-RAISING MODELS EMERGING

Alternative models for sourcing growth capital such as crowd funding and peer-to-peer lending have emerged from the fringes of the financial sector and are now considered viable growth capital sources for mainstream businesses. Between 2012 and 2015, the global crowd funding market grew more than +1000% (albeit from a small base) with total sums raised in 2015 totalling US\$34.4B (Massolution Crowd Funding Industry 2015 Report). Peer-to-peer lending made up the majority of funds raised with equity accounting for only c.7% (US\$2.5B) of the market in 2015. However, the rapid pace at which the industry is expanding both in terms of funds raised and increases in the average amount of capital invested, suggests crowd funding is a potential challenger to traditional exchanges, especially within the SME sector. Many exchanges around the world are already exploring ways of integrating crowd funding platforms into their current business models. In 2016, the Syndicate Room (a leading equity crowd funding platform in the UK) became a member of the London Stock Exchange. The partnership allowed retail investors to participate in the IPO 'market placings' traditionally reserved for institutions and professionals. In theory, this is intended to enable retail investors to benefit from the same discounts as professionals for new equity issues. Other adaptations include; the Deutsche Borse Venture Network, a pre-IPO platform, the Korea Exchange KRX Start-up Market, a secondary market for crowd funded shares, and the Taipei Exchange Gofunding Zone, an aggregation platform for crowd funding initiatives.

DEBT MARKET OPPORTUNITY

Underwriting and distributing debt and hybrid products is a pillar of the financial markets and is an important component in NZX's business offering counter-cyclical protection to the Group's listing business. NZX has experienced vigorous growth within their debt markets over the past 10 years, with total debt market capitalisation expanding from NZ\$7B in 2006 to more than NZ\$25B in 2016. This represents an impressive compound annual growth rate of 13%. Underpinned by domestic investors err for conservatism and appetite for government bonds and property, we see the potential for further development of this market. However, whether this growth in listed debt has translated into profit growth is unclear, and we suggest that Management provides further insight into this.

DIRECTORS & MANAGEMENT ON NOTICE TO IMPROVE PERFORMANCE

As stated earlier, it is our view that ill discipline has been the largest destroyer of value for NZX shareholders. Over the past five years (ending Q1-2017), NZX has significantly underperformed the market (NZX50) in addition to delivering the worst return for its shareholders when measured against a broad peer group. Total return (including dividends) over the five-year period was just +22.5% (or +4.2% on an annualised basis). In contrast, the S&P/NZX50 Index delivered a total return of +105.1% or +15.6% annualised over the same period.

FIVE-YEAR STOCK PRICE RETURN: APRIL 2012 - MARCH 2017

Name	Price Return	Annualized Price Return	Total Return	Annualized Total Return	CCY
Japan Exchange Group	308.0%	33.5%	351.3%	36.3%	JPY
London Stock Exchange	232.9%	27.1%	263.4%	29.3%	GBP
CBOE Holdings	188.0%	23.6%	221.9%	26.3%	USD
Nasdaq	168.1%	21.8%	192.4%	23.9%	USD
Bolsas y Mercados Espanoles Sociedad	63.8%	10.2%	137.6%	18.6%	EUR
Euronext	108.7%	15.6%	120.0%	16.8%	EUR
ASX	55.8%	9.3%	117.1%	16.8%	AUD
Deutsche Boerse	70.7%	11.1%	112.5%	16.0%	EUR
TMX Group	50.5%	8.6%	75.9%	12.1%	CAD
Singapore Exchange	11.0%	2.1%	34.8%	6.2%	SGD
NZX	-10.1%	-2.1%	22.5%	4.2%	NZD

Date Source: Thomson Reuters, extracted 14/03/17

Ranked by Total Return, which includes price return and dividends

SUGGESTIONS TO THE NEW CEO & BOARD FOR UNLOCKING VALUE

1. IMMEDIATELY REMEDIATE COSTS

The business has been poorly managed over the past five years with operating margin declining by over 50%, and total return to shareholders of +22.5% significantly underperforming the NZX50's +105.1%. Immediate remediation of costs must occur to return the business to its prior mid 30's to low 40's operating margins.

2. REVIEW STRATEGIC ALTERNATIVES

While both SuperLife and Smartshares are highly scalable businesses, it is unclear that NZX is the highest value owner of these businesses. Therefore, NZX should consider strategic alternatives including the potential sale of these businesses to a specialist global player. There exist other smaller businesses within the NZX that should also be reviewed for divestment – e.g. FundSource and NZ Farmers Weekly. NZX should also undertake a review as to whether retaining regulatory oversight is in the long-term best interests of both itself and shareholders.

3. DEVELOP GROWTH OPTIONS OR BECOME A "UTILITY"

We believe NZX should assess how it can position itself to capitalise on new and emerging models for sourcing growth capital such as crowd-funding and peer-to-peer lending which would leverage NZX's expertise as a 'platform manager' and be more suitable to the SME marketplace than NZX's current NXT marketplace. This could provide NZX with a valuable source of future Main Board listings and aid in the overall development of the capital markets. If the Board and Management do not consider this an option, then we suggest NZX should be run as a utility – focus should be placed on right-sizing costs, achieving world-class operating margins (after capex), and returning all excess capital to shareholders in a tax-efficient manner.

INVESTMENT SUMMARY CONTINUED

4. ACCRETIVE CAPITAL RETURN TO SHAREHOLDERS

With NZX's strong balance sheet, predictable cash flow generating capabilities, and the present low interest rate environment, Management can create value for shareholders by conducting a highly accretive NZ\$20-NZ\$30M stock buyback. For example, if NZX source term debt at 5%, buying back shares trading at a gross yield of ~8% is compelling.

5. FURTHER BROADENING OF BOARD MEMBER SKILL-SETS

International investing experience (including knowledge of and participation in/on other international exchanges) as well as business development skills are lacking from the current Board and this needs to be addressed. We also believe some level of ownership or responsibility for an ownership stake in NZX should be a function in selecting new directors to ensure an alignment of interests with Board members and Shareholders.

expanding at 2% per annum - approximately in line with average NZ GDP growth forecast over the next 10 years. We conservatively adjust for one-off costs in 2016, and model a further deterioration of margins going forward by 10% over the next five years. In this circumstance, we see NZX experiencing multiple compression relative to higher growth global peers. As this is representative of what we believe to be a worst-case scenario, we use the lowest modelled price over the five years. Using a 30% discounted EV/EBITDA multiple of 8.03x, against forecast FY19 EBITDA of NZ\$27.98M generates an intrinsic value estimate of NZ\$0.84 cents per share, representing downside potential of -19%.

This summary report was written in March 2017 and subsequently updated in June 2017.

ELEVATION CAPITAL PROPRIETARY VALUATION SCENARIOS

OPTIMISTIC VALUATION SCENARIO

Our Optimistic Valuation Scenario assumes NZX successfully pursues real growth opportunities and is efficacious in driving operating leverage through the business. This scenario assesses NZX on a sum-of-the-parts basis reflective of our view that the Funds Services business should be divested. (1) We fully remove one-off costs relating to NZX's markets business, positively impacting segment EBITDA by NZ\$5.2M. We apply an international (markets based) peer group multiple of 11.47x against adjusted EBITDA of NZ\$29.96M. (2) We value the Funds Services at 2% of total FUM of NZ\$2.15B. (3) We write off NZX's Agri business, as its contribution toward our SOTP calculation is negligible. This results in an intrinsic value estimate of NZ\$1.44 per share representing upside potential of +39%.

NEUTRAL VALUATION SCENARIO

Our Neutral Valuation Scenario, like our Pessimistic Scenario, assumes NZX is a mature business growing approximately in line with average New Zealand GDP growth. We adjust for one-off costs in 2016, modelling an amelioration of cost over the next five years with NZX's EBITDA margin returning toward its 10-year historic median of 41%. We continue to place NZX on a discounted peer group multiple given the potential for low growth across its core markets business. Utilising an EV/EBITDA multiple of 10.32x (a 10% discount to average international peer multiples), against forecast FY19 EBITDA of NZ\$32.09M generates an intrinsic value estimate of NZ\$1.24 per share, representing upside potential of +19%.

PESSIMISTIC VALUATION SCENARIO

Our Pessimistic Valuation Scenario assumes NZX has reached maturity with no real growth options and revenues

APPENDIX #1

POTENTIAL COST-OUTS FOR 2017

- RALEC litigation costs (NZ\$3.0M),
- Transitioning Smartshares and SuperLife funds to new FMCA regulations (NZ\$1.0M),
- CEO transitioning (NZ\$1.6M),
- Restructure of Agribusinesses (NZ\$0.4M)
- Improvement of rent arrangements (NZ\$0.4M)
- Operating loss of divested Clear Grain Exchange (~NZ\$0.5M)
- Higher doubtful debts than usual (~NZ\$0.2M)
- Operating loss relating to NZX Wealth - projected to break even in 2017 due to on boarding of new clients (~NZ\$1.4M)
- Losses related to early stage ETFs expected to reach necessary scale for profitability in 2017 (~NZ\$0.5M)

¹ <https://www.wsj.com/articles-stock-picking-is-dying-because-there-are-no-more-stocks-to-pick-1498240513>



INVESTMENT SUMMARY

TOD'S – AN ITALIAN LUXURY FASHION HOUSE

Tod's (TOD.IM, Market Capitalisation €2.0B) Tod's SpA is one of the smaller global luxury players. The Company produces luxury shoes, leather goods, accessories and apparel, and distributes them worldwide through 378 stores (270 Direct-Owned-Stores, 108 Franchised Stores), independent multi-brand stores, its own online stores and third party online stores such as YOOX Net-A-Porter/Mr Porter.

BRAND PORTFOLIO

- **Tod's** is best known for its shoes and luxury leather goods that represent - Italian tradition, quality and modernity.
- **Hogan** was among the first producers of “luxury” sneakers, one of the most popular product categories today.
- **Fay** was acquired in the late seventies, and developed by Tod's to produce a range of high quality casualwear & coats.
- **Roger Vivier** is famous for its extravagant and luxuriously decorated shoes. The brand now extends its product range to include handbags, small leather goods, jewellery and sunglasses.

MAJORITY (60.66%) SHAREHOLDER/CHAIRMAN/CEO – DIEGO DELLA VALLE

Diego Della Valle is the grandson of Filippo Della Valle, who started his shoemaking business in the 1920s. After inheriting the business from his father, Diego successfully expanded the business and built the now famous Tod's brand. He also created the Hogan brand. Fay and Roger Vivier are the two brands acquired and developed by Diego Della Valle. The New Yorker (10 May 2004) called him the “Italian Ralph Lauren”.

VALUE TRAP OR VALUE OPPORTUNITY?

After reaching an all-time high of €142.30 on 23/8/2013, Tod's share price has declined 67% in the last four years to a low of €46.99 on 30/9/2016. It has since recovered to €59.89 as at 20 September 2017. Tod's is currently (as at 20 September 2017) the sixth largest position in Elevation Capital Value Fund. We initiated a position in Tod's in 2014 after the share price declined more than 30% from its all time high in 2013 and the overall luxury sector had seen a sell-off due to anti-graft/anti-corruption policy in China. Tod's represented compelling absolute & relative value then. *The key question is does it now?* While other luxury players have seen recovery in their businesses, and their stock prices. Tod's is currently underperforming due to several company specific issues. *The question again is whether these issues can be resolved in a reasonable and timely fashion?*

UNDERPERFORMANCE IN RECENT YEARS

Tod's has underperformed in recent years as the strategy of trying to transform Tod's from a shoe brand to a lifestyle/fashion brand was pushed too far from 2013 to 2016 under its then creative director Alessandra Facchinetti. As Management commented that it was “*too much fashion for our old clients and not enough fashion to attract new clients*”. Although Roger Vivier has continued its impressive growth (Compound annual growth rate of +38.3% from 2006 to 2016), both Hogan and Fay have struggled to grow since 2009, this resulted in two designers for Fay leaving the Company in July 2017 after six years working for the brand. Hogan has been

particularly disappointing given it really invented the “fashion” sneaker category, but has failed to capitalise on the current global fashion sneaker growth due to its lack of an international expansion strategy, as it continued to focused domestically and wholesale driven.

TURNAROUND TO BE DRIVEN BY MOTIVATED 60.6% MAJORITY SHAREHOLDER

We believe the specific issues that have plagued the Company in the last few years can be fixed in a reasonable and timely fashion by a motivated 60.6% owner. Management is determined to return to its roots and strength – to create products that reflect the brands' DNA and tradition – Made in Italy, Italian quality and Italian lifestyle. At the same time, Management needs to continue its efforts on improving cost efficiency.

Patience is rewarded if we assume by 2020 EBITDA profitability is restored to €200M (80% of 2012 level, with a Forecast EBITDA Margin of 18.3% vs. 26.0% in 2012) or €250M (100% of 2012 level, with a Forecast EBITDA Margin of 22.9% vs. 26.0% in 2012) and apply the current peer group EV/EBITDA multiple of 14.7x which provides an upside potential of +52.7% or +89.8% (IRR/Annualised Return = +16.5% or +26.0%, assuming an exit in the middle of 2020) - not including dividends. (Tod's has a current gross dividend yield of 2.84% per annum, which is amongst the highest in the sector globally.)

SECULAR TAILWIND

We believe that Tod's is positioned favourably to execute its turnaround plan as well as the continuation of cost efficiency measures with the following secular tailwinds to assist its efforts:

- Continued Growth in Luxury – The global personal luxury sector is expected to grow at +2% - +3% annually from 2016-2023;
- Shoes/Leather Goods – The two categories that Tod's generate most of its revenue from are forecast to grow at above average annualised growth rates (Shoes: +5.1%, Leather Goods: +4.5%) versus the broader global personal luxury sector;
- China – Currently, Tod's has a sizable presence in Greater China – 29.4% of its store count, but only 22.5% of total sales. We believe the recent trend of repatriation of luxury spending and reduced pricing differentials in China should assist the situation; and,
- Casualwear – The increasing appeal of casualwear versus formalwear amongst luxury consumers, and the “luxurisation” of casualwear should further benefit Tod's core product lines.

A POTENTIAL TAKEOVER TARGET

As Diego Della Valle (63) approaches retirement, and with his interests in politics, we see Tod's as a potential takeover target for:

- LVMH or Kering: two of the largest luxury goods firms in the world, especially LVMH as Bernard Arnault, Chairman and CEO of LVMH, personally owns 3.5% of Tod's shares, and Diego Della Valle sits on the board of LVMH.
- Coach: The aspiring multi-brand operator with 52% of its revenue generated from North America.
- Burberry: Burberry can remain an UK/European brand operator but with improved diversification.

VALUATION – “PRIVATE MARKET VALUE”

We believe based on historical transactions the appropriate multiple ranges to acquire Tod's would be in the range of 15-17x EV/EBITDA, depending on the potential synergy benefits of the acquisition/merger for the acquirer. Based on FY2017E EBITDA of €170M, we estimate the current “Private Market Value” or Intrinsic Value to be in the range of €75.96 and €86.24, with upside potential of +27.0% and +44.2%. However, we do not believe Mr. Della Valle would sell Tod's when EBITDA has retreated from €250M in 2012 to a forecast €170M in 2017. Additionally, after Mr. Della Valle sold the Roger Vivier brand to Tod's, he invested half of the €415M proceeds back into Tod's at €83.53 per share (versus the current share price of €59.80 as at 20 September 2017).

To be conservative, we assume that Management can improve EBITDA to €200M in 2020 (80% of 2012 level, with a Forecast EBITDA Margin of 18.3% vs. 26.0% in 2012). Based on this assumption, we estimate the Private Market Value range of Tod's would increase to €93.11 - €105.19 per share. This presents upside potential of +55.7% to +75.9%, with an IRR/Annualised Return range of +17.3% to +22.6% per annum (excluding dividends) assuming an exit in the middle of 2020.

Looking forward with optimism (and motivation of a 60.6% majority shareholder), if EBITDA can return to €250M in 2020 (100% of 2012 level, with a Forecast EBITDA Margin of 22.9% vs. 26.0% in 2012), we estimate the Private Market Value range of Tod's would increase to €115.77 - €130.88 per share. This presents upside potential of +93.6% to +118.9%, with an IRR/Annualised Return range of +26.9% to +32.6% per annum (excluding dividends) assuming an exit in the middle of 2020.

VALUE OPPORTUNITY

We conclude that Tod's is not a “Value Trap” but it requires patience as the Company restores historical profitability and implements a more targeted expansion programme. We believe investors should be focusing on a return to former profitability levels by 2020 with a potential sale of the Company to a luxury conglomerate thereafter.

INVESTMENT THESIS - SUMMARY

Tod's is one of the leading global players that produces and sells shoes, luxury leather goods and casual wear. It is 60.66% owned by Diego Della Valle. Tod's has underperformed in recent years due to Management's poor execution and a failed change in strategic direction that sought to increase the fashion component of Tod's business.

We expect margins to improve as Management refocuses its efforts on creating products that truly reflect Tod's core proposition: Made in Italy, Italian quality and Italian lifestyle. We believe the stock is significantly undervalued either; (i) if it remains a standalone company and delivers a turnaround by 2020 that improves EBITDA profitability at/near its FY2012 level of €250M; or, (ii) if Diego Della Valle sells Tod's (in the price range of 15-17x EV/EBITDA) to a large luxury conglomerate such as LVMH or Kering for family estate planning and succession planning purposes.

Tod's currently trades at €59.80 per share (as at 20 September 2017), EV/TTM EBITDA multiple of 11.9x.

We estimate Tod's Intrinsic Value to be in a range of €74.42 - €130.88 assuming normal trading conditions and under various valuation scenarios as detailed in our in-depth appraisal/presentation on Tod's.

Our valuation/s represent upside potential of between +24.4% to +118.9% from prevailing market prices for the stock.

This summary report was written as at 20 September 2017.

INVESTMENT SUMMARY

ONE OF THE OLDEST POSITIONS IN THE ELEVATION CAPITAL VALUE FUND

Tiffany is one of the oldest positions in the Elevation Capital Value Fund, as we have viewed the brand/company as underappreciated and undervalued. We first established a position in Tiffany in April 2012, and currently have an average cost of US\$61.74¹ (vs a current price of US\$95.521) since this position was initiated.

TIFFANY & CO. – A STORIED AMERICAN LUXURY HOUSE WITH BRAND MOAT

Tiffany & Co. (TIF:US, Market Capitalisation US\$11.9B) is one of America's few heritage luxury houses. It currently operates 315 stores in 30 countries. The Tiffany brand is one of the most iconic global luxury brands, with a storied history that started in New York City 180 years ago when Charles Tiffany founded it in 1837.

TIFFANY - THE NUMBER ONE AMERICAN LUXURY BRAND

Based on Interbrand's Best Global Brands 2017 Rankings, Tiffany is one of the most valuable global luxury brands, ranked #5 amongst the top global luxury players in the top 100 global brands. If we only consider American luxury brands, Tiffany is the #1 American luxury brand.

TIFFANY'S EMOTIONAL CONNECTION TO THE AMERICAN PUBLIC

Marilyn Monroe's famous 1953 hit "Diamonds are a Girl's Best Friend" helped to place Tiffany into the American public consciousness. Tiffany was then immortalised by the 1961 movie "Breakfast at Tiffany's", starring film and fashion icon Audrey Hepburn, where the movie portrays the story of a young girl who transforms herself through aspiration.

VERTICALLY INTEGRATED BUSINESS MODEL

Tiffany is one of the few jewellers that has established a vertically integrated business model that provides a perception of quality and luxury to its products and services. Also, it allows Tiffany to lead the industry in ethically produced jewellery, as it believes traceability is the best means of ensuring social and environmental responsibility. However, it does increase the cost of operations, and lead to lower returns and margins.

STRONG BALANCE SHEET AND GROWING DIVIDENDS, BUT PRESSURE HAS BEEN BUILDING TO IMPROVE FINANCIAL PERFORMANCE

Tiffany has net debt totalling US\$78.2M vs a market capitalisation of US\$ 11.9B, has grown its dividend 16 times in the past 15 years and is currently yielding 2.09%. Despite these clear merits, Management & the Board have been under significant pressure to find growth when Tiffany's traditional core product category (jewellery with diamonds/gemstones) has been suffering from weak demand in recent years. Potentially worse, some investors believe that the Tiffany brand has lost touch with the next generation consumers, and they regard the brand as tired and old world.

AS A RESULT ACTIVIST INVESTORS ARRIVED IN THE FORM OF JANA PARTNERS & FRANCESCO TRAPANI

On 21 February 2017, Tiffany announced that JANA Partners with Mr. Francesco Trapani own ~5.1% of Tiffany's outstanding shares. Tiffany agrees to appoint three new independent directors to its Board of Directors:

1. Francesco Trapani: Former CEO of Bulgari, and former Head of Watches and Jewellery at LVMH;
2. Roger Farah: Co-CEO of the fashion brand Tory Burch (and former president of Ralph Lauren);
3. James Lillie: Former CEO of the consumer products conglomerate Jarden Corp which is now part of Newell Rubbermaid.

To date, we have observed the Board has taken a positive and co-operative step towards working with JANA/Trapani instead of trying to fight off a potential activist campaign. We suggest this is highly beneficial to the Company and all shareholders, as observed from the successful recruitment of Alessandro Bogliolo, the former COO of Bulgari (and more recently former CEO of Diesel) as Tiffany's new CEO, and the naming of Roger Farah, one of the three new directors as Chairman.

NEW CEO – ALESSANDRO BOGLIOLO

On 13 July 2017, Tiffany named Alessandro Bogliolo as its new CEO, effective 2 October 2017. Alessandro Bogliolo was the CEO of the Italian fashion brand Diesel since 2013. He was previously the COO of the Italian jewellery and luxury goods brand Bulgari for many years until it was acquired by LVMH in 2011 (at 21x EV/EBITDA). We note that Mr. Bogliolo had worked with Mr. Francesco Trapani for many years when Mr. Trapani was the CEO of Bulgari. We believe the key reasons to Mr. Bogliolo's appointment as Tiffany's new CEO are:

1. Mr. Bogliolo's long history working at the prestigious luxury house of Bulgari in a senior leadership position;
2. Mr. Bogliolo's efforts and positive results in revitalising the Diesel brand in a relatively short period of time since his hiring in 2013;
3. Mr. Trapani's personal endorsement as Bogliolo's former boss, and the support of the JANA/Trapani alliance.

2017 WILL BE VIEWED AS A TRANSFORMATIVE YEAR

2017 is an important year for Tiffany. Significant senior management/board changes happened during the year, mainly due to activist investor JANA Partners' involvement.

We believe that Tiffany, now led by new Chairman Roger Farah and new CEO Alessandro Bogliolo, with support from an expanded board and Chief Artistic Officer Reed Krakoff is beginning to move in the right direction.

We acknowledge that the new direction taken by the Management is not without risks. However, the status quo was not an option. With its strong brand image and an improving execution, the Company is in a sound position to grow in the years ahead

by expanding its “inclusive luxury” offerings to include new/ additional categories/products (e.g., home & accessories collection) outside its traditional core product category (jewellery with diamonds/gemstones), and into underserved markets such as Asia (Greater China), Europe and Latin America.

More importantly, we believe there is an elevated energy around the Tiffany brand in 2017. People are talking about Tiffany’s, whether it is Tiffany’s open letter to President Trump on climate change, Tiffany’s “save the wild elephants” collection/campaign, Tiffany’s first perfume in 15 years, the opening of The Blue Box Café (Breakfast at Tiffany’s), or Reed Krakoff’s new Home & Accessories Collection.

CHALLENGES AND OPPORTUNITIES ABOUND

We recognise that the Company is facing some macro/ microeconomic challenges. However, we also believe that there are numerous potential opportunities for the Management to create significant value for long-term minded shareholders².

The test for the now reinvigorated board and management in the next 24 months is whether the Company can maintain the currently elevated energy and high engagement with the public and its customers/potential customers with new collections and marketing campaigns that capture the public’s imagination, and then convert this high engagement into actual growth in comparable store sales by the end of FY2019 (31/1/2020).

UNDERVALUED BASED ON OUR ESTIMATES OF PRIVATE MARKET VALUE

Based on FY2017E EBITDA of US\$1,000M (Forecast EBITDA Margin of 24.4%), and 17.0x EV/EBITDA multiple, we estimate the current “Private Market Value” or Intrinsic Value to be US\$135.83 per share, with upside potential of +42%, from the current market price of US\$95.52³.

GROWTH, STOCK RE-RATING AND ACQUISITION

TARGET OPPORTUNITY

We believe as the Company starts to deliver results consistent with a company offering a growth profile, not only will the stock re-rate to levels above peer group averages, it will also make the Company a more attractive acquisition target for the big multibrand luxury players in the market (e.g., LVMH, Richemont, Kering and/or Swatch) who could pay up for quality, growth and reduced company-specific risks. We believe at that stage the stock is worth in the range of US\$135.83⁴ to US\$175.98⁵ per share, compared to the current share price of US\$95.52³.

“A DIAMOND EMERGING FROM THE ROUGH”

For patient value-minded investors, we conclude that Tiffany is indeed “a diamond emerging from the rough.” Even though the stock has recovered from its recent lows of \$57.48 (27/6/2016) to US\$95.52³, it is still trading at a discount to its global listed peers, and is trading at a significant discount to our current “Private Market Value” estimates.

This summary report was written in December 2017.

¹ As at 7 December 2017

² A detailed section on Tiffany’s potential risks and opportunities is included in our full presentation from page 84 to page 96 at <http://www.elevationcapital.co.nz/tiffany-co>

³ As at 7 December 2017

⁴ 17x EV/FY2017E EBITDA, FY2017E EBITDA = 1,000M

⁵ 20x EV/(110% FY2017E EBITDA), FY2017E EBITDA = 1,000M

INDEPENDENT THINKING DISCIPLINED INVESTING

INDEPENDENT THINKING

[In-de-pend-ent Think-ing] **ində'pendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you're several thousand miles away from Wall Street in a different nation, it's easier to be independent and buy the things that other people are selling, and sell the things that other people are buying.

We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING

[Dis-ci-plined In-vest-ing] **disciplinəd inves'ting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take.

Our investments are premised on the concept of "Margin of Safety" which we believe reduces risk.

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