



**EMPIRE**  
INDUSTRIES LTD

**Unlocking Hidden Value**  
**March, 2016**

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## Empire today (pre spinout)

Mini conglomerate in Engineering & Industrial Services

- Public since 2006 on TSXV
- Business units have long, successful track records in engineering and industrial services:
  - Media-Based Attractions (since 2000)
  - Manufactured Products (since 1984)
  - Steel Fabrication (since 1926)
- Award-winning companies recognized as the ‘world’s best’ in several niche markets
- Exceptional growth in the Media Based Attractions market
- Strong bonds with Chinese industrial partners to leverage its products and services and IP in China and throughout Asia



# Post Spin-out Transaction

Freeing each business unit to sharpen its focus

## Empire Industries Ltd.

- Now focused as a leader in the rapidly growing global attractions industry, by expanding revenues, margins, and profitability in its Media Based Attractions segment.
- Significant potential for stock price appreciation through earnings multiple expansion (currently valued by the market at only 3 X EBITDA.)

## Tornado Global Hydrovac Inc.

- TSXV public company spinout of Hydrovac truck manufacturing will create an immediate distribution to Empire shareholders of potentially \$9 million of market value in exchange for \$3.5 million of book value of assets that provided no significant EBITDA to Empire on a TTM basis.
- “Pure Play” in the hydrovac space with cash on its balance sheet. No longer needs to compete with other Empire segments for capital.



# Segmented Financial Information

Trailing twelve months as of Sept 30, 2015



	Media-Based Attractions	Manufactured Products	Steel Fabrication Services	Corporate	Total
Revenues	\$89.7	\$24.4	\$34.5	nil	\$148.6
Adjusted EBITDA	\$9.8	\$0.5	(\$0.7)	(\$2.8)	\$6.8
Adjusted EBIT	\$8.6	\$0.3	(\$0.9)	(\$2.8)	\$5.2

Figures in CAD Millions

# Capital Markets Information

EMPIRE INDUSTRIES LTD.

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26 Feb, 2016



- **Number of Shares** - 259 million - *consolidation pre-approved by shareholders*
- **Average Daily Trading Volume (last three months)** – 96,000
- **Market Cap (February 29, 2016)** - \$22 million (\$0.085/share)
- **Annual Revenues (TTM)** - \$148.6 million
- **Annual EBITDA (TTM)** - \$6.8 million
- **Long Term Funded Debt (September 30, 2015)** - \$2.5 million

## Steel Fabrication Services

# Empire Iron Works (Canada)

# Qiguang Dynamic Steel Structures (China)

- Steel fabrication is the launching pad where Empire got its start. This segment has strategic value to Empire beyond just its EBITDA earnings, because of the natural connection to Empire's attraction business as a key supplier of steel intensive components
- Developing the capabilities of this segment to allow it to import highly competitive, fabricated steel into North America from QDS in China as part of our global steel supply chain initiative
- Continue to integrate the high quality, high capacity fabrication capabilities of QDS to accelerate cost effective growth of our proprietary, Media-Based Attraction product sales
- It is another area where there may be opportunities to unlock hidden value





## Media-Based Attractions

# Dynamic Attractions

- Turn-key integrator of premium, media-based entertainment attractions.
- Proprietary products include Flying Theatres, Special Effects Roller Coasters, Automatically Guided Vehicle (AGV) attractions and Dark Rides.
- Freshly launched Unlimited Services™ creates a new revenue stream by broadening our offering beyond the ride system and into theming, story, media production, and other services required for a complete attraction. (seeking increased share of the customer's overall budget for each attraction.)
- Increasing after-sales service offering to generate an attractive recurring revenue stream.
- Strong US dollar positively impacts profit margins because these contracts are sold predominantly in US dollars. The degree of advantage may fluctuate in the short term, but in the long term, the advantage is expected to remain.

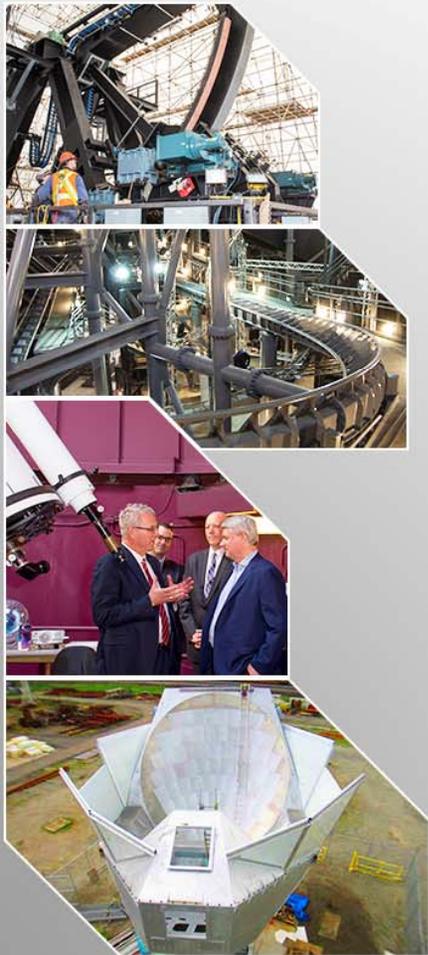




## Media-Based Attractions

# Dynamic Structures

- Precision manufacturer of complex, dynamic structures such as ride systems, telescope enclosures and mirror polishing equipment.
- Has built over half of the world's largest observatory telescope projects.
- Capitalizes on its unique and advanced engineering capability.
- Named by the Government of Canada as the company to build the enclosure for the Thirty Meter Telescope (TMT), as part of Canada's contribution to this international megaproject.
  - TMT will be the world's largest optical telescope.
  - Planned to be designed, manufactured and installed over the next few years.
  - Consortium of national governments and universities.
- Developing advanced mirror-polishing technology with potential to radically re-shape the observatory telescope industry.





## Media-Based Attractions Catalysts for Growth

- Theme park construction growing fast, particularly in Asia and Middle East.
- Significant demand for differentiated, proprietary, complex attractions.
- High-value existing relationship with Disney and Universal Studios, who are both undertaking significant theme park capital expansion programs worldwide.
- New Unlimited Services™ from new Orlando office to deliver larger share of customer's attraction budgets.
- Focus on increasing recurring revenue services including after-sales parts and service.
- Empire's biggest and most profitable division, with a current contract backlog of \$149 million.
- Pipeline of contract possibilities over \$500 million





## Manufactured Products

# Tornado Hydrovacs

- Segment designs and manufactures Tornado Hydrovacs, considered to be the best hydrovac excavators in the industry.
- Hydro excavation is the only non-destructive method of digging. It uses pressurized water and a vacuum system to quickly and safely expose underground infrastructure such as gas lines. This is of particular importance to municipal customers and industrial customers.
- Previously announced transaction will spin out Tornado Hydrovacs to Empire's shareholders and raise \$10 million of equity and subdebt from a Chinese partner. The equity component of \$7.5 million is already in escrow, pending regulatory and shareholder approvals.
- The spinout company is called Tornado Global Hydrovacs Inc. The equity raise values the overall spinout company at \$16.5 million. It will have a tangible book value of \$11 million.





Tornado Global Hydrovacs Inc. (Spinout company)

## Catalysts for Growth

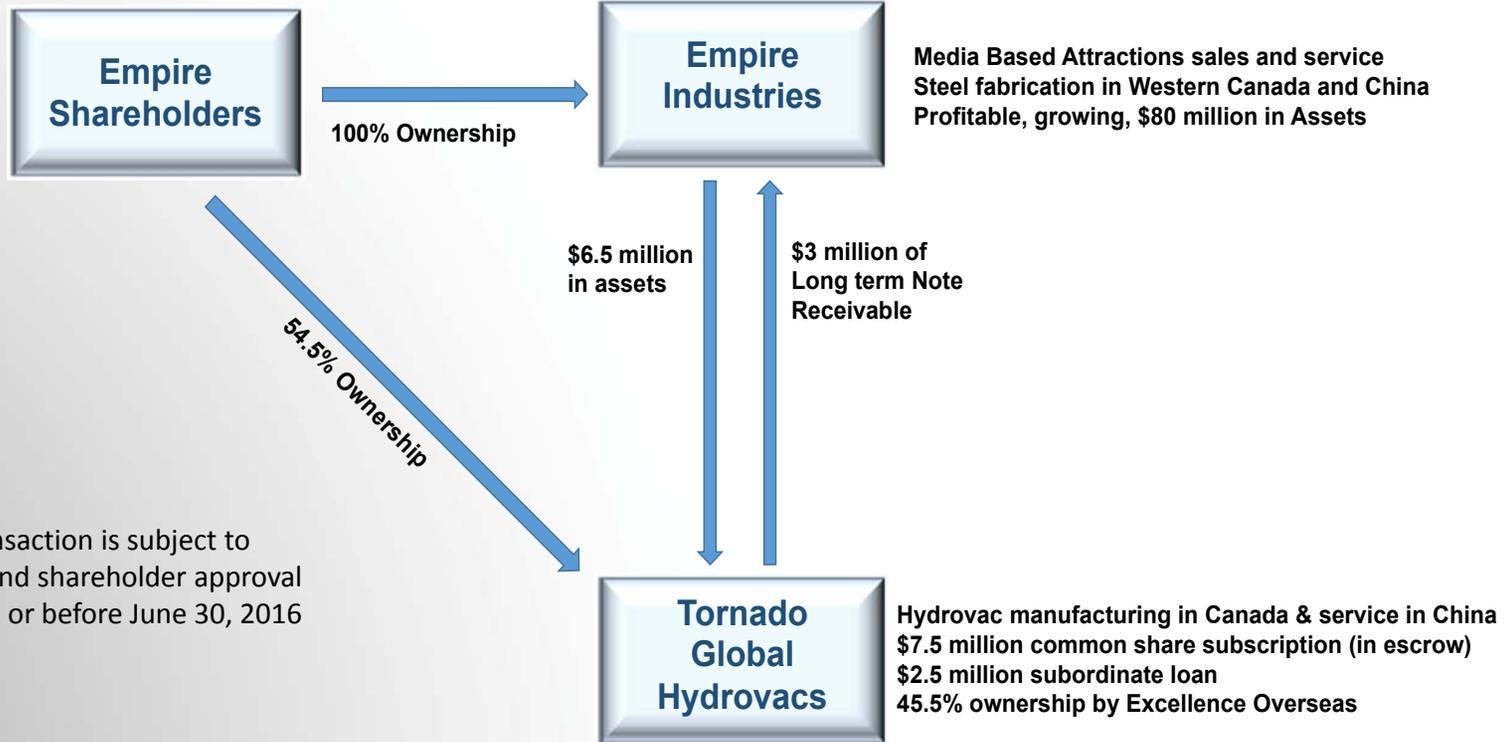
- Current Empire shareholders will participate in the rapidly growing Chinese municipal and industrial excavation activity through majority ownership in Tornado Global Hydrovacs Inc.
- Addition of \$10 million in initial cash and the financial strength of our strategic partner to support future expansion opportunities.
  - **North America:** Expand export sales in US market to take advantage of significant market size and low Canadian dollar.
  - **China:** Local Chinese partners and 100% owned Chinese subsidiary should significantly accelerate growth of Hydrovac business plan in China. Execute a “service business model” which includes manufacturing, owning and operating Tornado Hydrovac trucks throughout the Chinese market, beginning in the Shanghai region.





# Spinout Transaction

Empire shareholders will continue to own 100% of Empire Industries Ltd. and become 54.5% owners of Tornado Global Hydrovacs Inc.



Spinout Transaction is subject to regulatory and shareholder approval expected on or before June 30, 2016

# Pro Forma Financial Information

As at September 30, 2015



(millions)	Empire			Tornado	
	Empire with Tornado	Empire without Tornado	Tornado (Empire segment)	Excellence Investment in Tornado	Tornado Global Hydrovacacs
Total Assets	\$84.0	\$77.5	\$6.5	\$10.0	\$16.5
Total Liabilities	\$60.7	\$57.7	\$3.0	\$2.5	\$5.5
Shareholders Equity	\$23.3	\$19.8	\$3.5	\$7.5	\$11.0
Revenue (TTM)	\$148.5	\$124.0	\$24.4		
EBITDA (TTM)	\$6.9	\$6.4	\$0.5		
Shareholders Equity to EBITDA	3.4X	3.1X			

**Conclusion:**

## Significant Potential for Market Value Increase for Empire Industries shares

Any way you slice it, Empire is trading at low earnings multiples, making it a very attractive investment opportunity. The spin out transaction and “pure play” strategy stands to:

**Provide a substantial distribution to shareholders, unlocking previously hidden value**

- Value of spin out distribution to Empire shareholders could be \$0.035 per share, based on the enterprise valuation implied by the Excellence Overseas investment. \$7.5 million for 45.5% of Tornado Global Hydrovacs implies an enterprise value of \$16.5 million for the spin out business, of which \$9 million, or \$0.035 per Empire share, would be attributable to Empire shareholders.
- Empire has been trading close to book value. If that continues to hold after the spinout, there would be no significant decrease in Empire’s share price post spinout, as Empire’s book value will decrease by only \$0.013 per share.

**Position Empire for improved earnings multiples going forward**

- The increased focus that comes from being a purer play in the global growing attractions industry positions Empire for increases in earnings multiples, above its current modest level of 3.2 x TTM EBITDA



## Summary

A winning transaction for Empire current shareholders

Share price appreciation opportunities for Empire and Tornado shareholders

### Empire Industries Ltd.

- Post spinout, Empire will be a highly focused business in the rapidly growing attractions industry, where it has proprietary products and unique technical competencies driving long term, profitable growth.
- The strong growth of the theme park industry is being fuelled by the global expansion of the middle class, which in turn provides Empire shareholders exceptional growth potential.

### Tornado Global Hydrovacs Inc.

- The Spinout will unlock the hidden value of Tornado Global Hydrovacs.
- Growth in China's booming construction and excavation market will benefit Empire shareholders, who will be given a 54.5% stake in TSXV listed, Tornado Global Hydrovacs Inc.





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**Thank you**