



# Unlocking Hidden Value Richmond Club May 18, 2016



# Reader Advisory

This presentation contains forward-looking statements, within the meaning of applicable securities legislation, concerning Empire's business and affairs. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". These forward looking statements are based on current expectations, and are naturally subject to uncertainty and changes in circumstances that may cause actual results to differ materially. Readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking information is provided as of the date of this presentation, and Empire assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required under applicable securities laws. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this presentation.



# Empire today (pre spin-out)

Mini conglomerate in Engineering & Industrial Services

- Public since 2006 on TSXV.
- Empire's three business segments have long, successful track records in engineering and industrial services:
  - Media-Based Attractions (since 2000)
  - Steel Fabrication (since 1926)
  - Manufactured Products (since 1984)
- Award-winning companies recognized as the 'world's best' in several niche markets such as media-based attractions (Dynamic Attractions) and telescopes (Dynamic Structures)
- Exceptional, long term growth expected in the media-based attractions market
- Recurring revenue growth expected from expanding our parts and service globally and leveraging our world class theatre products with revenue sharing



# 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) and through unlocking hidden value through strategic initiatives
- Continue to have significant strategic investments in Dynamic Structures & Dynamic Optics

## Tornado Global Hydrovacs Inc.

- TSXV public company spinout of the Hydrovac truck business will create an immediate distribution to Empire shareholders of approximately \$9 million of market value in exchange for \$3.5 million of book value of assets and a business that provided no EBITDA contribution to Empire in 2015.
- “Pure Play” in the hydrovac space with \$10 million of cash to pursue its broadened business mission. Tornado no longer needs to compete with other Empire segments for capital.



# Segmented Financial Information

Twelve months ending of December 31, 2015



	Media-Based Attractions	Manufactured Products	Steel Fabrication Services	Corporate	Total
Revenues	\$103.0	\$20.2	\$28.1	\$0.1	\$151.4
Adjusted EBITDA	\$11.7	(\$0.1)	(\$0.5)	(\$3.1)	\$8.0
Adjusted EBIT	\$10.3	(\$0.4)	(\$0.9)	(\$3.1)	\$5.9

Figures in CAD Millions

# Capital Markets Information



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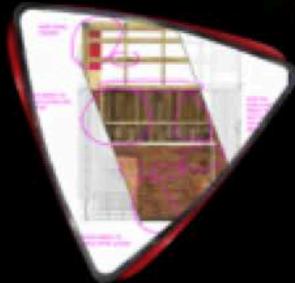


- **Number of Shares** - 260 million, consolidated to 65 million after Tornado spin-out
- **Average Daily Trading Volume** (last three months) – 87,600
- **Market Cap** (May 16, 2016) - \$25 million (\$0.095/share)
- **Annual Revenues** (2015) - \$151 million
- **Annual EBITDA** (2015)- \$8.0 million
- **Long Term Funded Debt** (December 31, 2015) - \$2.5 million

# DYNAMIC UNLIMITED ATTRACTIONS



AV



ART  
DIRECTION



MEDIA



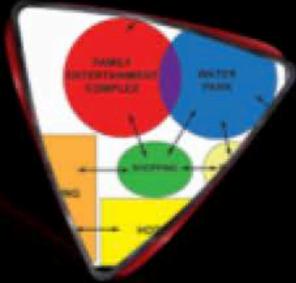
SHOW  
CONTROL



FACILITY  
IMPACT



LIGHTING



PROJECT  
MNGMT.



SCENIC



CREATIVE  
DESIGN



SFX





## Media-Based Attractions

# Dynamic Attractions

- Turn-key, precision manufacturer and integrator of premium, media-based attractions.
- Proprietary products include iconic Dark Rides (i.e. Robotic tracked vehicles and trackless vehicle attractions and Special Effects Indoor Roller Coasters) and a range of Theatre products and self propelled, tracked race vehicles.
- Freshly launched Unlimited Services™ headquartered in our Orlando office, broadens our offering beyond the ride system and into theming, story, media production, and other services required for a complete attraction. This increases our share of the customer's overall budget for each attraction.
- Increasing after-sales service offering globally
- Empire's biggest and most profitable division, with a current contract backlog of \$107 million.
- Pipeline of contract possibilities over \$500 million.





# Catalysts for Growth

➤ External Forces

- “Go to supplier” of iconic attractions to Universal Studios, Disney and several of the top global theme park owners, who are all undertaking significant theme park capital expansion programs worldwide.
- Theme park construction is growing fast, particularly in Asia and Middle East and there is a growing demand for differentiated, proprietary, integrated, iconic attractions.
- Strong US dollar positively impacts profit margins because these contracts are sold predominantly in US dollars.

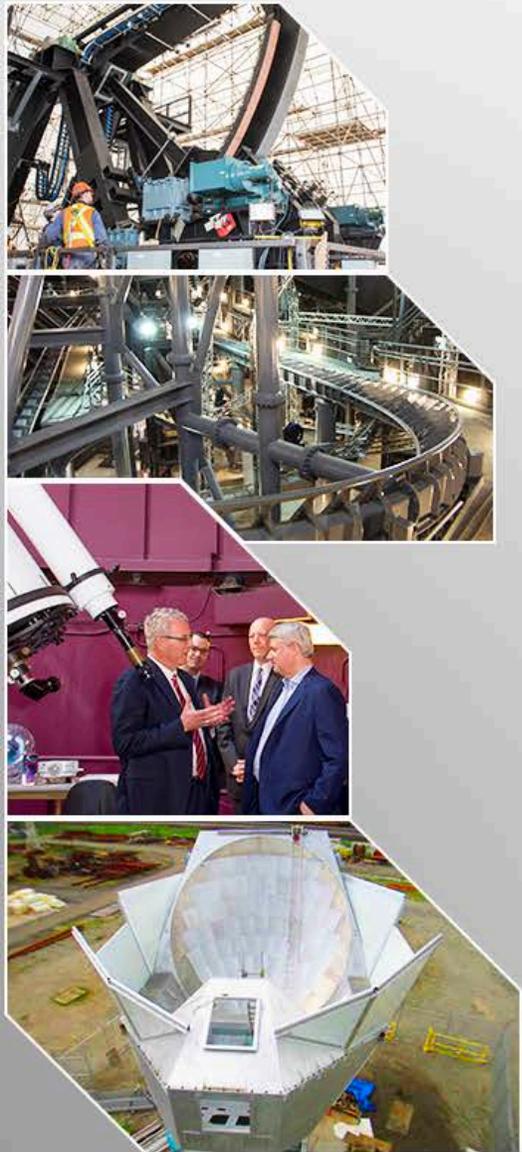
➤ Internal Forces

- We have an unrivalled technical and creative knowledge to deliver iconic ride attractions globally.
- Newly launched Unlimited Services™, will generate a new revenue stream
- Increasing recurring revenue through after-sales, parts and service.
- “Learning curve” of higher costs for first generation iconic products will see decreased costs on second generation sales and production



# Dynamic Structures

- Has designed and successfully built over half of the world's largest observatory telescopes.
- 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.
  - Detailed Design contract expected to be \$10 million
  - Fabrication contract expected to be \$60 million
  - Installation contract will be determined based upon final site selection
- Developing advanced mirror-polishing technology with potential to radically reshape the observatory telescope industry.



# Empire Iron Works

- 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 to import highly competitive, fabricated steel into North America from its Chinese operation as part of our global steel supply chain initiative.
- Continue to integrate the high quality, high capacity fabrication capabilities of its Chinese fabrication operation to accelerate cost effective growth of our proprietary, media-based attraction products.
- We are in pursuit of unlocking hidden value from our investment in the steel fabrication business area.





## Manufactured Products

# Tornado Hydrovacs

- This segment designs and manufactures Tornado Hydrovacs, considered by many to be the best hydrovac excavator 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 and industrial customers.
- The previously announced transaction will spin-out Tornado Hydrovacs to Empire's shareholders and raise \$7.5 million of equity (already in escrow) and \$2.5 million of subordinate debt from a Chinese partner. The record date was May 11<sup>th</sup> and the Empire shareholder vote will be June 21<sup>st</sup> with the spin-out occurring shortly after.
- The spin-out company is called Tornado Global Hydrovacs Ltd. The equity raise values the overall spin-out company at \$16.5 million and a tangible book value of \$11 million and an Unallocated purchase price adjustment of \$5.5 million. Empire shareholders will own 54.5% and the Chinese investor group will own 45.5%.





Tornado Global Hydrovacs Inc. (Spinout company)

## Catalysts for Growth

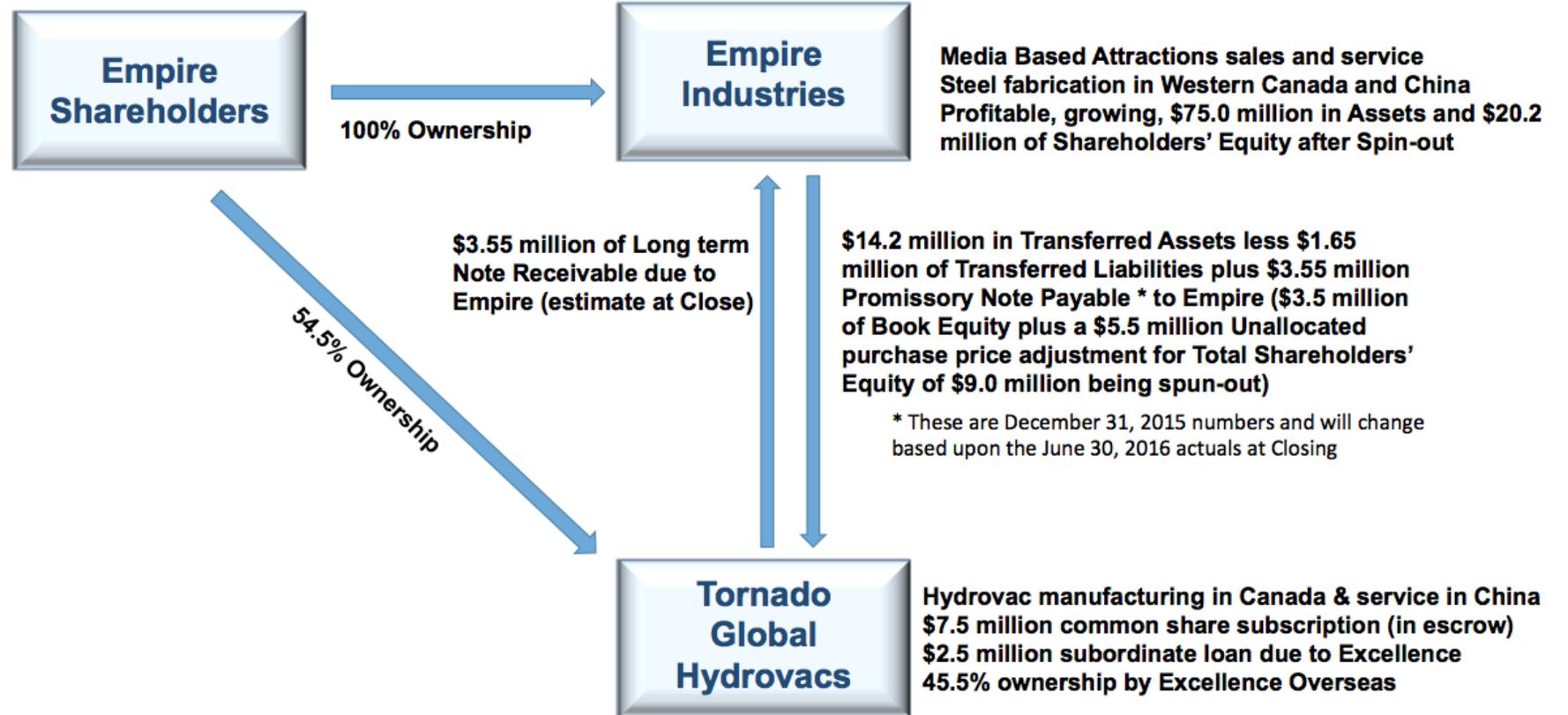
- Current Empire shareholders will participate in the rapidly growing Chinese municipal and industrial excavation activity through majority ownership in Tornado Global Hydrovacs Ltd.
- Addition of \$10 million in initial cash and the financial strength of our strategic partner in China to support future expansion opportunities.
  - **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.
  - **North America:** Expand export sales in the US market to take advantage of significant market size and low Canadian dollar and our new patented design.





# Spin-out Transaction \*

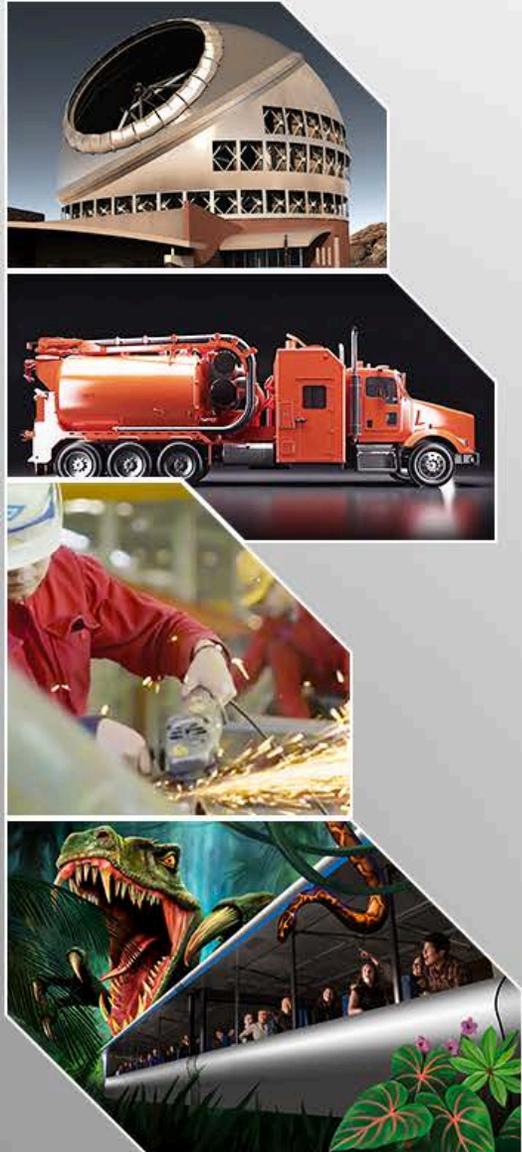
Empire shareholders will continue to own 100% of Empire Industries Ltd. and become 54.5% owners of Tornado Global Hydrovac Inc.



\* Spin-out Transaction is subject to regulatory and shareholder approval expected on or before June 30, 2015

# Pro Forma Financial Information

As at December 31, 2015



(millions)	Empire			Tornado	
	Empire with Tornado	Empire without Tornado	Tornado (Empire segment)	Excellence Investment in Tornado	Tornado Global Hydrovacs
Total Assets	\$80.1	\$75.0	\$14.2 <sup>(1)</sup>	\$10.0	\$24.2 <sup>(1)</sup>
Total Liabilities	\$56.5	\$54.8	\$ 5.2 <sup>(2)</sup>	\$ 2.5	\$ 7.7 <sup>(2)</sup>
Shareholders' Equity	\$23.7	\$20.2 <sup>(1)</sup>	\$ 9.0 <sup>(1)</sup>	\$7.5	\$16.5
Revenue (2015)	\$151.4	\$131.2	\$20.2		
EBITDA (2015)	\$8.0	\$8.1	(\$0.1)		
Shareholders' Equity to EBITDA	3.0X	2.5X			

(1) Includes Gain on disposal (to Empire Industries) and Unallocated purchase price adjustment (to Tornado) of \$5.5 million

(2) Includes \$3.55 million Note Payable to Empire Industries

## Conclusion:

# Significant Potential for Market Value Increase for Empire Industries shares

Any way you slice it, Empire is trading at a low earnings multiple, 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

- Empire’s market value has been trading close to book value. If that pattern continues to hold after the spin-out, there should be no significant decrease in Empire’s share price post spin-out, as Empire’s book value per share will decrease by a modest 17%.

### Position Empire for improved earnings multiples going forward

- The increased focus that comes from being a purer play in the rapidly growing, global attractions industry, positions Empire for increases in earnings multiples, above its current modest level of 2.5 x 2015 EBITDA.



# Summary

A winning transaction for Empire current shareholders

Share price appreciation opportunities for Empire and Tornado shareholders

## Empire Industries Ltd.

- Post spin-out, 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.
- Empire continues to have additional long term equity potential from its investment in Dynamic Structures & Dynamic Optics.
- The steel fabrication segment is pursuing strategic alternatives

## Tornado Global Hydrovacs Inc.

- The spin-out will unlock the hidden value of Tornado Global Hydrovacs by deploying \$10 million of cash from the private placement.
- We will be executing a “first mover strategy” to introduce hydro-excavation to China’s booming construction and excavation market.
- Empire shareholders will have a 54.5% stake in TSXV listed, Tornado Global Hydrovacs Ltd.



A group of people, including children and adults, are seated in a theater, all wearing yellow 3D glasses. They are looking towards a large screen at the front of the theater. The screen displays a white robot with blue eyes and a futuristic control panel. The theater has a dark interior with blue and yellow lighting accents. The background wall features a large mural of a blue alien creature.

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**Thank you**