

THOMSON FINANCIAL PERCEPTION

**AN IN-DEPTH ANALYSIS OF
THE FINANCIAL COMMUNITY'S
PERCEPTION OF**

XYZ Corporation

EXECUTIVE SUMMARY

JUNE 2007

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METHODOLOGY

In an effort to better understand the financial community's perception of XYZ Corporation ("XYZ," "the Company"), Thomson Financial (TF) conducted a perception study and garnered feedback from 20 industry professionals, including 11 current shareholders, 4 prospective investors, and 5 sell-side analysts.

While the sell-side is focused by industry, TF believes the investment interest that XYZ generates from active buy-side institutions is determined first by market capitalization, next by financial fundamentals (the combination of value, growth, and income), then by the position in its industry, and finally by the industry in which it competes. As part of our effort to help XYZ identify prospective investors for this study, we overlay these indicators upon our qualitative knowledge of the financial community and visibility into institutional capital flows to select an appropriate pool of key target investors.

In addition to garnering feedback from the financial community on topics pertaining to the Company strategy, management, industry positioning, investment merits and risks, valuation, investor relations, and corporate communications, we sought to uncover any prevalent concerns or underlying issues.

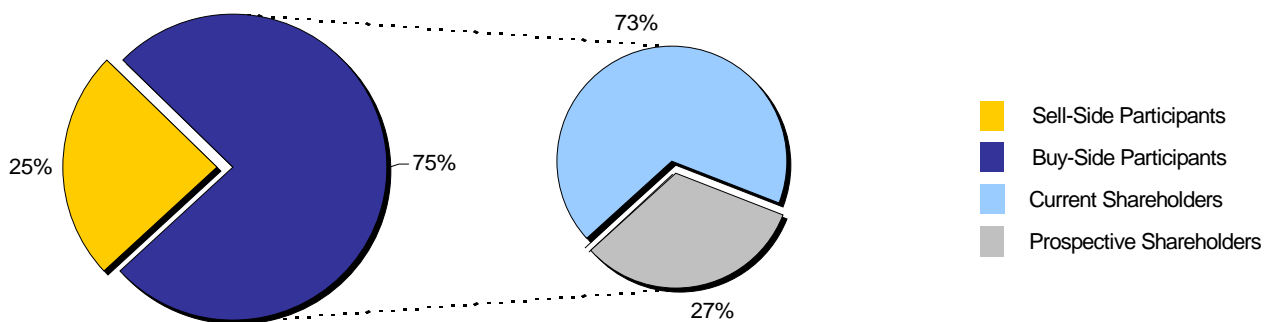
The questions asked of participants were developed in conjunction with XYZ. All interviews were conducted by senior analysts – experienced individuals who possess in-depth knowledge of the capital markets. When appropriate, follow-up questions that were not part of the original interview framework were asked of respondents. These follow-up questions are indented in the interview transcripts. Not all participants answered every question.

Contact with the financial community is conversational in nature, with questions deliberately structured as open-ended to foster unsolicited comments in order to capture the essential perceptions of XYZ. In addition, scalar questions are asked of participants and their scores benchmarked against TF Normative Data. Mean scale ratings are based on a 5.0-point scale, where 1.0 is the lowest possible score (Not Very Good), 3.0 is the average score (In Line), and 5.0 is the highest possible score (Very Good).

With regard to investment style classifications, Growth comprises Growth and Core Growth; Value comprises Core Value and Deep Value; Momentum comprises Momentum and Aggressive Growth, Specialty comprises VC/Private Equity, Broker-Dealer, Sector Specific, and Miscellaneous; and Income comprises Income Value and Yield. GARP stands for Growth at a Reasonable Price.

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Participant Breakdown

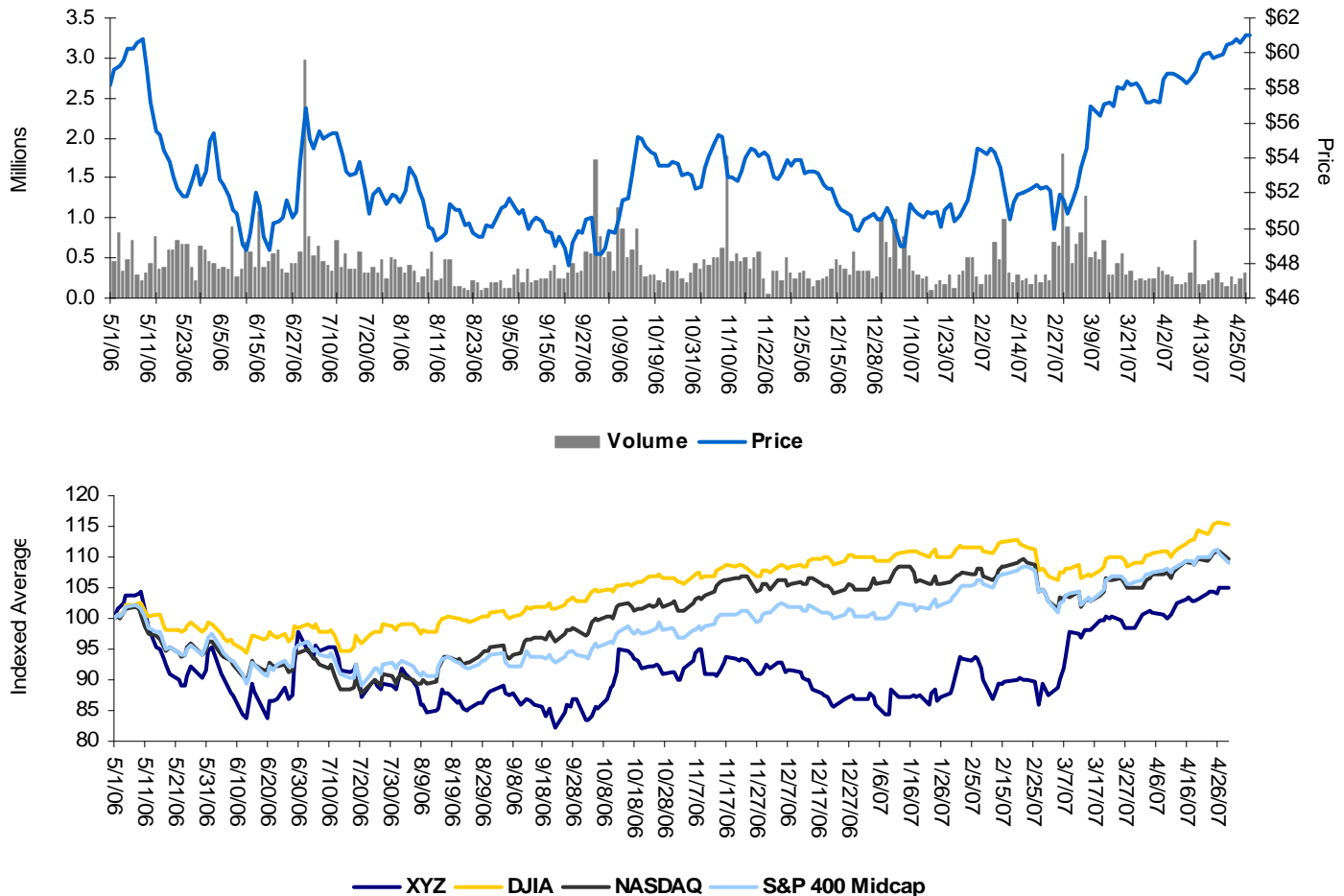


PERCEPTION STUDY BACKDROP

52-Week Market-Related Information

Interview Timeframe.....	March 26, 2007 – April 30, 2007
XYZ Closing High – Low	\$61.06 (4/27/07) – \$47.84 (9/22/06)
S&P 400 Midcap Index High – Low	890.06 (4/26/07) – 712.86 (7/21/06)
Dow Jones Industrial Average High – Low	13,120.94 (4/27/07) – 10,706.14 (6/13/06)
NASDAQ Composite High – Low.....	2,557.21 (4/27/07) – 2,020.39 (7/21/06)
Average Daily Volume.....	421,245 shares

52-Week Price Performance



PARTICIPANT OVERVIEW

The buy-side participants identified below and on the subsequent page represent institutions that in aggregate manage upwards of \$1.1 trillion in equity assets. The institutional shareholders that agreed to participate in this study have just over \$1.4 billion invested in XYZ (as of April 30, 2007).

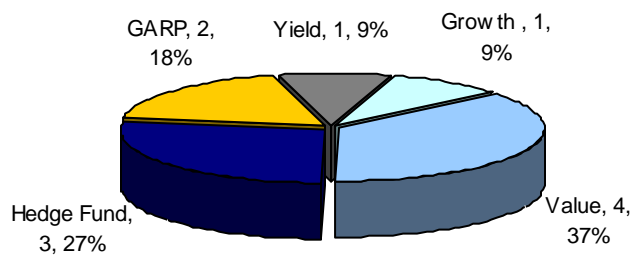
Rank	Institution	Contact	Equity Assets (\$MM)	Position as of 4/30/07	Style	Turnover	City
2	Hotchkis and Wiley Capital Management, LLC	Sam Thompson*	31,659	5,502,000	Yield	Low	Los Angeles
7	McClain Value Management/ Iridian Asset Mgmt	Alex Greenwich	9,955	1,104,200	Core Value	Mod	Westport
-	Top 10 Shareholder I	Anonymous	-	-	-	-	-
-	Top 10 Shareholder II	Anonymous	-	-	-	-	-
-	Top 10 Shareholder III	Anonymous*	-	-	-	-	-
29	David J. Greene & Company, LLC	Lauren Bleeker	2,728	352,442	Deep Value	Mod	New York
-	Top 30 Shareholder I	Anonymous*	-	-	-	-	-
-	Top 50 Shareholder I	Anonymous*	-	-	-	-	-
-	Top 50 Shareholder II	Anonymous	-	-	-	-	-
57	ING Investment Management Co. (NY)	Brian Canal	27,362	125,826	GARP	Mod	Hartford
88	Speece Thorson Capital Group, Inc.	Paul Broadway*	250	70,100	Core Value	Low	Minneapolis

* Portfolio Manager

Source: Capital Markets Intelligence; Analytical Services

Current Shareholders

Breakdown by Style: Current Shareholders



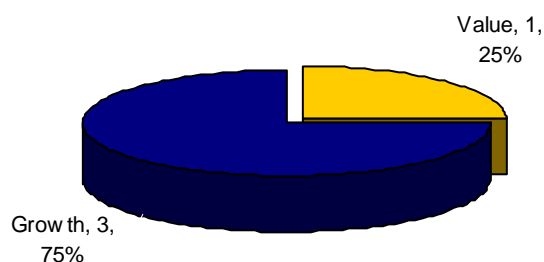
Prospective Investors

Institution	Contact	Equity Assets (\$MM)	Style	Turnover	City
Pictet Asset Management UK Ltd.	Charles Madison*	34,387	Core Growth	Mod	London
Prospective Investor I	Anonymous*	-	-	-	-
Prospective Investor II	Anonymous*	-	-	-	-
Prospective Investor III	Anonymous	-	-	-	-

* Portfolio Manager

Source: Capital Markets Intelligence; Analytical Services

Breakdown by Style: Prospective Investors

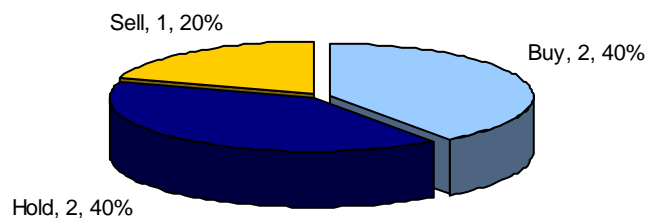


Sell-Side Analysts

Firm	Analyst	Rating	Price Target
Friedman, Billings, Ramsey & Co., Inc.	Ned Armstrong	Buy	\$67
Robert W. Baird and Co.	Mike Schneider	Buy	\$66
BMO Capital Markets (US)	Charles D. Brady	Hold	\$63
Wachovia Securities	Wendy Caplan	Sell	\$61
Tier I Sell-Side Firm	Anonymous	-	-

Source: First Call

Breakdown by Rating: Sell-Side



EXECUTIVE SUMMARY

The interviews conducted for this study are based on the questions listed in the Interview Framework beginning on Page 29.

Overview

Participants have a generally positive view of XYZ, owing to its solid global market position, product offering, and end markets as well as a strong management team who is commended for their execution and operating capabilities. The Company's product portfolio is described as "market leading" and "diverse" and many respondents believe the greatest opportunity for XYZ is to increase market share in existing markets as well as expand globally in order to capture all the aftermarket potential. Participants acknowledge the cyclical nature of the business makes XYZ particularly exposed to the threat of economic slowdown, but tend to agree that the energy market opportunity, in general, puts the Company in a favorable position for the foreseeable future. Continuing, the ability to leverage the synergies of the Alpha, Beta, and Delta divisions from a sales perspective is viewed as an important opportunity as the Company continues to grow. Finally, participants urge XYZ's management and investor relations team to improve communications with the Street.

Dominant themes that emerged from interviews with 20 industry professionals:

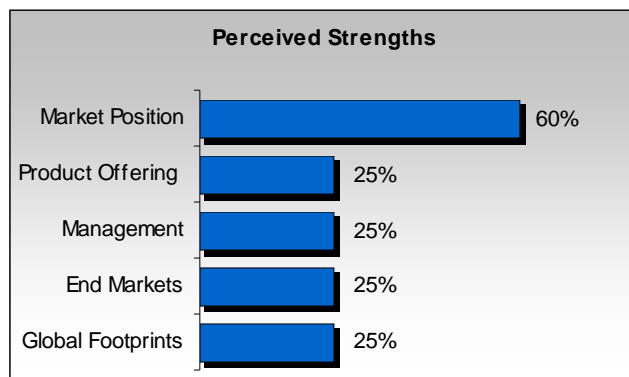
- Increasing market share is perceived as the greatest opportunity for the Company, with most participants noting XYZ's geographic footprint helps make it well positioned to expand globally, and increase its service and aftermarket business.
- While increasing market share presents a great opportunity, respondents concede the Company faces execution challenges as it opens up some of the international operations and rolls out additional infrastructure. Competitive challenges are also noted as companies with an aftermarket parts and service business pose a threat to XYZ's ability to capture additional market share.
- The Company's strong market position and geographic breadth are considered the Company's biggest strengths, while less than optimal financial reporting and communication with the Street are prominent weaknesses.
- The majority of industry professionals agree that XYZ's growth will come from a global footprint, more specifically, the Middle East, Asia, and Europe. Alphas are seen as the division which is most likely to spur growth, while the oil and gas industry is cited as the most likely market to give XYZ a boost.
- Those canvassed agree that the best use of free cash for the Company is to return it to shareholders in the form of buybacks.
- Most participants cite financial performance, opportunity to increase margins, strength of the markets in which XYZ competes, and valuation as the key drivers to their investment decisions in XYZ.
- The majority of industry professionals assert that XYZ is undervalued based on the Company's opportunity to increase margins and unlock earnings power. Participants note the stock trades at a discount owing to XYZ's lack of transparency with financial reporting.
- Participants indicate free cash flow is the most common metric used to value the Company.
- While the current management team is commended for their execution and knowledge of the business, participants urge them to improve communications with the Street, especially when presenting financial details and guidance.
- Participants indicate the Company's investor relations efforts are average. Those suggesting improvements to the program would like to see better disclosure of information in earnings releases, quicker responses to phone calls, more interaction with the financial community, and an Analyst Day.

Company Direction & Strategy

Strengths & Weaknesses

XYZ's "strong," "competitive," and "broad" geographic market position is viewed as a core strength by the majority of those polled. More specifically, this leading market share stems from the Company's ability to sell total solutions to multiple strong end markets and take advantage of a recurring market revenue stream.

One-quarter of respondents cite XYZ's product offering as a key strength as the diversity and quality of products enable the Company to maintain strong positions in niche areas. An equal number of respondents indicate the management team, strong end markets, and global footprint are advantages as well.



To a lesser extent, XYZ's cash flow position, balance sheet, and brand equity are viewed as key strengths.

"XYZ has a strong competitive position, good geographic breadth, and superior management. The Company needs to outpace consensus, it is not really giving guidance per se so management needs to continue to execute." – Alex Greenwich, Iridian Asset Management LLC

"The core strengths are strong market share around the world, margin improvement, and strong balance sheet and cash flow position." – Lauren Bleeker, David J. Greene & Company, LLC

"The strengths are its scale, solid market positions, engineering capabilities, and ability to sell total solutions." – Anonymous, Top 50 Shareholder I

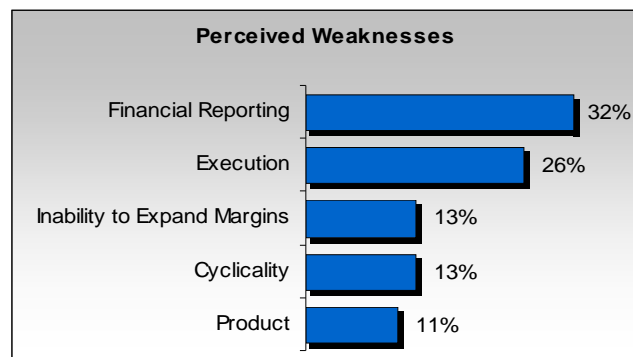
"XYZ has good products and a good management team. I do not see any weaknesses right now but I do not look at the Company closely. The weakness when we owned the stock was the financial statements and all the other problems the Company had two years ago." – Anonymous, Prospective Investor III

"The strengths are that XYZ has a good core product line, decent strength in some of those core product lines, and multiple end markets. Since some of those core markets are performing well, that is helping the Company perform well. In essence, strength of product line and diversity of end markets are the strengths. Another strength is the capital structure of the firm which is in good standing and offers management flexibility with capital. Lastly, XYZ is a global company; it is not tied to the strength of one economy but the overall economy. A lot of the end markets that it serves are broad and global." – Anonymous, Tier II, Sell-Side Firm

Turning to weaknesses, XYZ's financial reporting is mentioned by nearly one-third of contributors, who state that the Company's financial releases need significant improvement in terms of clarity and transparency, as well as timing and coordination.

Execution is also noted as an area of concern, especially because of past problems with "spotty" performance. As one sell-side analyst¹ notes, "One weakness is past performance has left a bad taste in the mouth of investors even though that took place years ago." While it may not be fair, the current management team has to continue to prove itself to the financial community in order to overcome the stigmas associated with past leadership.

To a lesser extent, the inability to expand margins was cited as a weakness along with the cyclical nature of the business, as XYZ faces exposure to the oil and gas markets.



¹ Sarah Broome, Friedman, Billings, Ramsey & Co., Inc.

Other one-off weaknesses include:

- Minimal Asia presence
- Multiple IT systems
- Lack of a cogent strategy
- FCF generation
- Working capital consumption

“The weakness is the transparency of numbers. The reliability of numbers are low. The Company has continuously changed the definition of the numbers, which makes it hard to get any kind of time series on them.” – Anonymous, Top 10 Shareholder I

“This is more an industry weakness than a Company weakness, but XYZ is in a cyclical business.” – Anonymous, Top 10 Shareholder III

“The weakness is financial controls; the Company has not shown a lot of financial improvement other than backlog growth.” – Anonymous, Top 50 Shareholder I

“The weakness is that the margins are not improving as quickly as they should be.” – Paul Broadway, Speece Thorson Capital

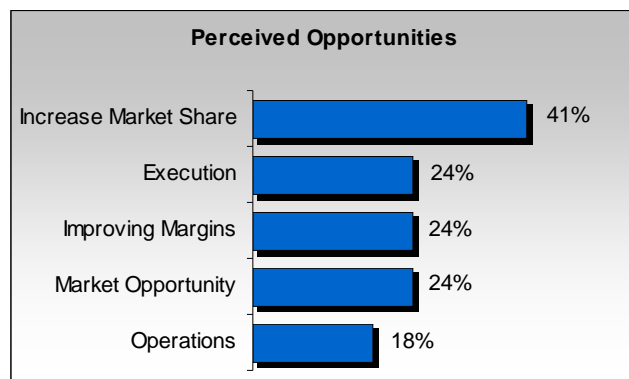
“The weaknesses are cyclical exposure and a spotty execution record.” – Anonymous, Prospective Investor I

Opportunities & Threats

Participants agree that XYZ's greatest opportunity is to increase market share through growing share in existing markets, expanding into Asia, and increasing the aftermarket business.

Nearly one-quarter indicate that the greatest opportunity for the Company right now is to just execute consistently. Specifically, they want to see XYZ continue to achieve good growth in end markets, execute on the current demand, and execute on the backlog. An equal number of participants feel improving margins is the largest opportunity for the Company.

Others assert that market conditions represent a significant opportunity as recovery in power generation, strength in returns due to economic cycle, and the fact that the “whole refining chemical industry needs to upgrade” puts XYZ in a good spot.



“The opportunity is to continue to remain big in oil and gas. XYZ is strong but latent in the nuclear power industry. Then, there is potential across the board with its aftermarket business.” – Alex Greenwich, Iridian Asset Management

“The biggest opportunity is margin improvement.” – Anonymous, Top 10 Shareholder III

“The opportunity is to execute on the backlog and thereby show good growth with top-line and margins. Another opportunity is to continue to expand its relationship with marquis customers; the relationship selling model where it signs long-term relationships with customers.” – Anonymous, Top 50 Shareholder I

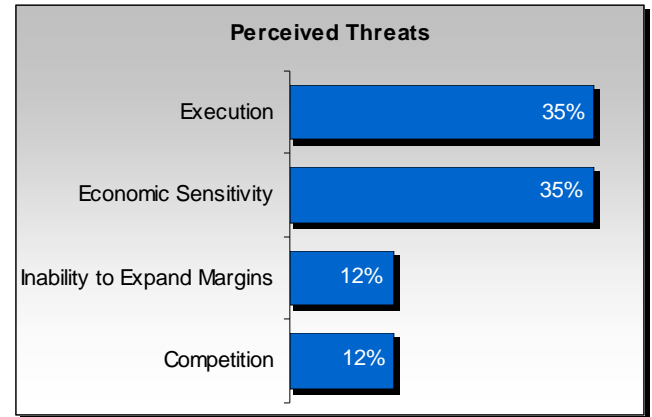
“XYZ is in the right space. The whole refining chemical industry needs to upgrade and XYZ is in a good spot.” – Anonymous, Prospective Investor II

“The opportunity is operational and hence margin improvement. Another opportunity is the continued strength in energy markets and recovery in power generation markets.” – Sarah Broome, Friedman, Billings, Ramsey & Co.

One-third of participants agree that execution presents a threat to the Company as international operations, pricing, and additional infrastructure must be handled well operationally.

An equal number indicates that economic sensitivity is a concern due to the cyclical nature of the business and vulnerability to downturns in the oil and gas markets as well as a general slowdown in the economy.

Less frequently mentioned threats include the inability to expand margins and competition.



“XYZ will have some execution risk as it opens up all of the international operations; there is risk in rolling out and servicing all the international business that it is trying to get.” – Anonymous, Top 30 Shareholder

“Any downturn or slowdown in growth would impact XYZ quite a bit on the hardware side.” – Anonymous, Top 50 Shareholder II

“The threat is that management does not execute.” – Charles Madison, Pictet Asset Management UK Ltd.

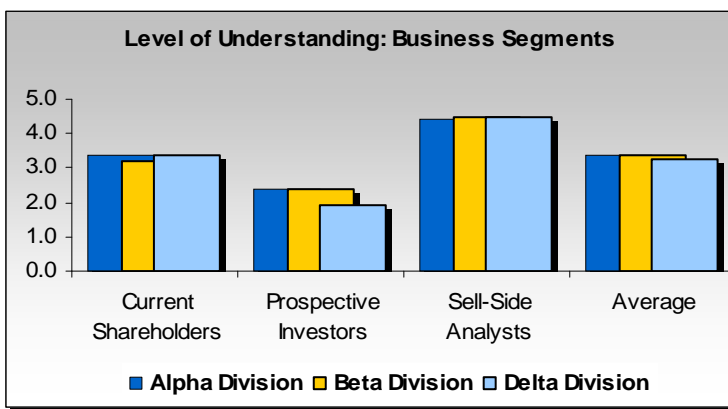
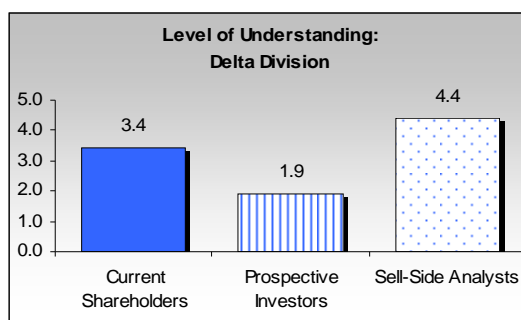
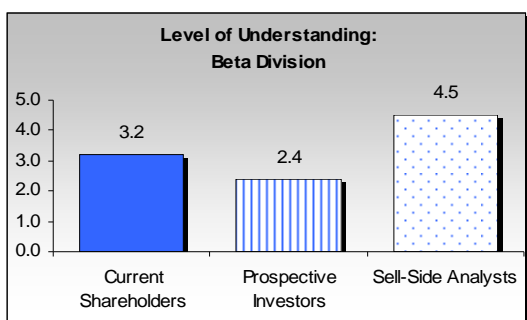
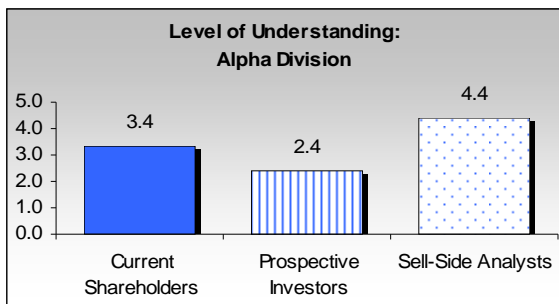
“The threat is increased competition due to the recent cycle and the strength and returns associated with that cycle. On the flip side, the potential weakness given a downturn is a threat.” – Anonymous, Prospective Investor I

“The biggest risk is operationally. Then, there have been issues with its restatements. The management team is relatively new so there is uncertainty about what they will do or say.” – Anonymous, Prospective Investor III

“The threat is having competitors or other companies do that aftermarket parts and service work. The threat is the potential inability to capture all the potential aftermarket.” – Kelly Park, BMO Capital Markets (US)

Level of Understanding

Participants indicate they understand XYZ's Alpha and Beta divisions slightly greater than the Delta division. Of note, the sell-side indicates they understand all three divisions the best, followed by current shareholders, and finally prospective investors.



Division Synergies

Half of those surveyed state the strategies of the Alpha, Beta, and Delta divisions complement one another from a sales perspective. XYZ's ability to leverage its similar customer base and sell all products as a whole package solution from one salesperson enables the Company to take advantage of cross selling opportunities and aftermarket business. Meanwhile, 30% of participants indicate the synergies come largely from the Alpha and Delta divisions because "every alpha needs two seals" and thus, there should be "immense synergies selling to the same customer." Interestingly, one-quarter reports the synergies have yet to be proven with the Beta business due to the difference in customers. However, some participants did note that the Alpha and Beta divisions complement each other because "often times for every alpha there are 50 betas." Finally, 15% are unsure of the synergies. One sell-side analyst² is skeptical of the degree to which the three divisions leverage each other noting, "The Company would have you believe that it is the same customer for all its products; I am not so sure."

² Wendy Ludlow, Wachovia Securities

“XYZ can sell all its products through one salesperson.” – Sam Thompson, Hotchkis and Wiley Capital Management

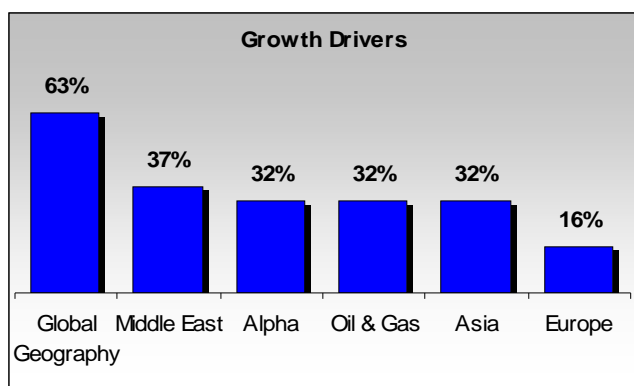
“There is a large opportunity for XYZ to get all the aftermarket business with the large projects that it is doing right now. That is one of the biggest opportunities which I should have mentioned before. There should be some leverage across the various business lines because it is selling into the same customers.” – Anonymous, Top 30 Shareholder

“Alpha and Beta are synergistic on the services side. I am not that familiar with the Delta business to say.” – Anonymous, Prospective Investor I

Growth Drivers

Approximately two-thirds of respondents agree that XYZ’s growth will come from around the globe. Specifically, over one-third indicate it will come from the Middle East, slightly less cite it will come from Asia, and only 16% say Europe. Separately, just under one-third report the growth will come from divisional expansion, mostly through the Alpha division. Furthermore, one-third indicate the growth will come from oil and gas market, and 16% indicate the growth will come from nuclear power industry. Additionally, each of the following was stated by one participant as a growth driver:

- The United States
- Betas
- Gammas
- Petrochemical



“Growth has been pretty spectacular on the order side. There will be continued strength in oil and gas and nuclear power. Geographically, XYZ is well placed in the Middle East and Far East.” – Alex Greenwich, Iridian Asset Management LLC

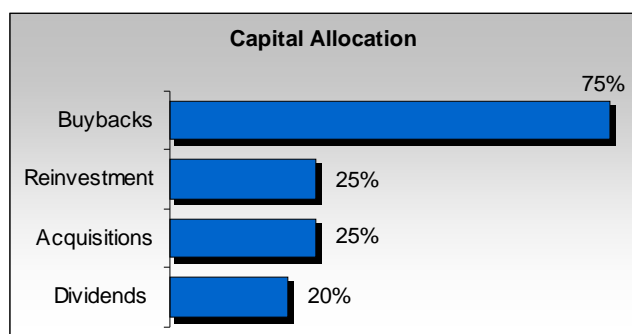
“Growth will come from Energy and Alpha globally.” – Anonymous, Top 10 Shareholder II

“Oil, gas, and petrochemical, all those processed markets that XYZ is big in should be high growth markets for the next couple of years.” – Anonymous, Top 50 Shareholder I

“Growth will come from everywhere; XYZ has a strong market across the board.” – Charles Madison, Pictet Asset Management UK Ltd.

“Growth will come from a product perspective from the Alpha and Beta businesses. From a geographic perspective it will come from the Middle East and Asia and to a lesser extent the United States.” – Sarah Broome, Friedman, Billings, Ramsey & Co. Inc.

“Growth will come from the Alpha division and the newer economies will be of greater interest.” – Anonymous, Tier II, Sell-Side Firm I



Best Uses of Free Cash

Three-quarters of contributors agree that the best use of free cash for XYZ is to return it to shareholders through buying back stock.

One-quarter indicate that reinvesting in the business is the best use of free cash, while an equal number maintain that acquisitions are the most appropriate provided they are “related and value-added.”

As another method of returning free cash to shareholders, 20% recommend XYZ should pay it out in the form of dividends.

“The best use of free cash is to continue to invest in the business.” – **Sam Thompson, Hotchkis and Wiley Capital Management, LLC**

“The best use of free cash all depends on the stock price. The default should be to buy back stock, if it has better internal opportunities on a risk-adjusted basis to grow the business, then great. If there are acquisition opportunities that are related and value-added then the Company ought to pursue those.” – **Alex Greenwich, Iridian Asset Management LLC**

“The best use of free cash is to have a balanced plan between funding growth, making acquisitions, and buying back shares.” – **Lauren Bleeker, David J. Greene & Company, LLC**

“The best use of free cash is a combination of growth and returns to shareholders.” – **Anonymous, Prospective Investor I**

“Usually, I would say acquisitions, but there are execution questions with XYZ in which case the best use of free cash is probably a dividend or share repurchase.” – **Wendy Ludlow, Wachovia Securities**

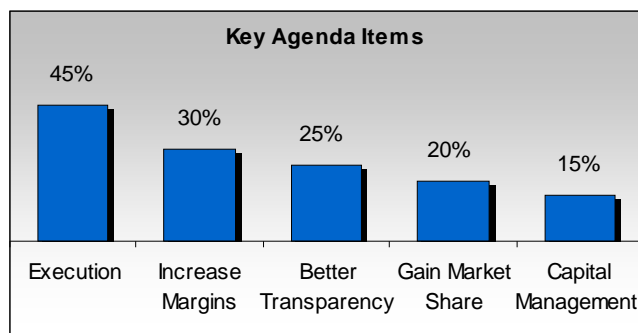
Key Agenda Items

Nearly half of those canvassed contend that the most important thing the Company could do is to simply execute, as participants are looking to see management deliver on its stated strategy and continue to convert the “backlog into profitable revenues.”

Increasing margins is a key agenda item on the minds of 30% of respondents who encourage XYZ to efficiently manage costs and gain more exposure to the aftermarket markets in order to improve margins.

One-quarter cite better transparency, especially as it pertains to clarity and presentation of reported financials as an important area XYZ could focus on, indicating the Company could do a better job communicating with the Street including financial disclosure and reporting.

To a lesser extent, participants note that the most important thing XYZ could do is gain market share and focus on capital management.



“The most important thing the Company could do is make sure working capital does not get away from it. At this point it is to execute on what it has been talking about, most important is approaching the 15% margin target that the Company has talked about for some time.” – **Alex Greenwich, Iridian Asset Management LLC**

“The most important things the Company could do to create value is first reduce corporate overhead. Second, XYZ can improve segment margins hopefully through a mix of more efficient cost management and eventually more exposure to the aftermarket business. Third, the Company could use its cash in a fiscally responsible manner that balances both risk and returns to shareholders.” – **Anonymous, Top 10 Shareholder III**

“The Company could do a better job communicating with the financial community.” – **Anonymous, Top 30 Shareholder**

“The Company could leverage more with long-term contracts and lock in cash flows.” – **Anonymous, Top 50 Shareholder II**

“The Company could do what it says.” – **Anonymous, Prospective Investor III**

XYZ as an Investment

Current Shareholders

Investment Drivers – One-third of respondents indicate financial performance in general, drives their investment in XYZ. More specifically, opportunity to increase margins and strong markets in which XYZ competes are cited. Other notable investment drivers include cost-cutting opportunities, and free cash flow generation.

“Our original thesis was based on its strong FCF, management change, and strong competitive positions that it had with raw materials. What drives our thesis now is, on a risk-adjusted basis, if it can reach anywhere near that potential for margins, the end markets stay robust and the stock stays cheap despite the run-up.” – **Alex Greenwich, Iridian Asset Management**

“What drives my investment is a belief that the markets that XYZ is in are going to be strong for a while, and that expectations for the Company are low. Also, there are a lot of costs that can be taken out.” – **Anonymous, Top 10 Shareholder I**

“There is meaningful earnings power that will soon be unlocked.” – **Lauren Bleeker, David J. Greene & Company, LLC**

Investment Catalysts – Nearly half of those surveyed maintain that a more favorable valuation would lead them to increase their exposure to XYZ, while 27% indicate increased margins and continued execution of the stated strategy would lead them to invest more in the Company.

Separately, half of respondents assert that poor margins would lead them to decrease their position in XYZ, and 30% note they would reconsider their investment if management does not execute. To a lesser extent, shareholders indicate valuation concerns would serve as a catalyst to pare back or if they do not see improved free cash flow.

“If I felt better about XYZ’s ability to expand margins on the corporate side then I would increase my position.” – **Anonymous, Top 10 Shareholder III**

“Better visibility into sustaining and increasing XYZ would lead me to increase my position.”
– **Anonymous, Top 30 Shareholder**

“If the market deteriorates, if the Company fails to deliver on orders, or if the accounting gets worse, then I would decrease my position.” – **Anonymous, Top 10 Shareholder I**

Prospective Investors

The most frequently cited reason that is keeping prospective investors from investing in XYZ is valuation, as 40% feel the stock is fully valued at this time. Of note, an equal number report the need to learn more about XYZ and get a better understanding of the Company before they would invest. Reasons for initiating a position include a more attractive valuation and industry consolidation. Two-thirds of prospective investors report they have had ample opportunity for a face-to-face meeting with the Company, although one³ suggests that XYZ could go to Europe more.

“I would initiate a position if there was a pullback in valuation either through execution, higher earnings, or the market pulling the stock back.” – **Anonymous, Prospective Investor I**

“The stock is no longer a value stock. We bought the stock when it was \$10. We were in the stock, and we made money.” – **Anonymous, Prospective Investor II**

³ Anonymous, Prospective Investor I

Sell-Side Analysts

Valuation seems to be at the forefront of sell-side analysts' concerns, as 60% indicate they would reassess their rating amid significant changes in their underlying valuation drivers. As one analyst⁴ notes, "If the current valuation of the stock declined significantly in excess of what the prospects of the Company really are then I would reassess my rating." Other reasons analysts might upgrade or downgrade the Company include margin improvement or lack thereof, and execution or lack thereof. One-off issues include whether XYZ will have improved financial performance, any disruption in the IT integration, and significant deterioration in the energy markets.

"First, to reassess my rating the valuation would have to change. Second, execution or lack thereof on margin improvement would lead me to reassess. Third would be any change in the growth dynamic."

– Sarah Broome, Freidman, Billings, Ramsey & Co., Inc.

"Disruption related to the IT integration and/or deterioration in the energy markets would lead me to reassess my rating." – Mike Stanton, Robert W. Baird and Co.

"I have a Neutral rating on the stock. To reassess my rating I would need to have greater confidence in the Company's ability to significantly increase its operating margin. I do not believe the Company will ever get to its stated goal of 14%. Second, I would need to have greater confidence that its mix of aftermarket parts and service work was going to significantly increase over the next 24 months, which given its mix of business, currently I do not think it is going to happen. Third, if the current valuation of the stock declined significantly in excess of what the prospects of the Company really are, then I would reassess my rating." – Kelly Park, BMO Capital Markets (US)

"I would assess my rating if there was new management, greater transparency in terms of answering questions that are posed, and proof of execution." – Wendy Ludlow, Wachovia Securities

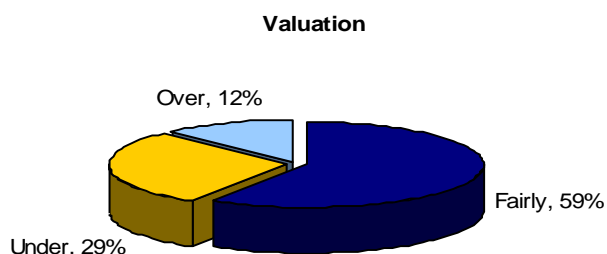
"I would re-evaluate if the upside to the stock is on par with the potential upside to the results that the Company could generate." – Anonymous, Tier II Sell-Side Firm I

Valuation

Half of all respondents note that XYZ is undervalued based on its ability to increase margins, unlock earnings power, and lack of transparency, particularly around financial metrics with one shareholder⁵ noting, "The stock is undervalued because people are underestimating the opportunities that the Company has, and they have little faith in management to cut costs."

Those that feel the Company is fairly valued maintain that the stock "fairly reflects its prospects" and it is "trading in-line to its growth opportunities."

A smaller number feel the stock is overvalued given limited growth prospects and a perceived rich valuation.

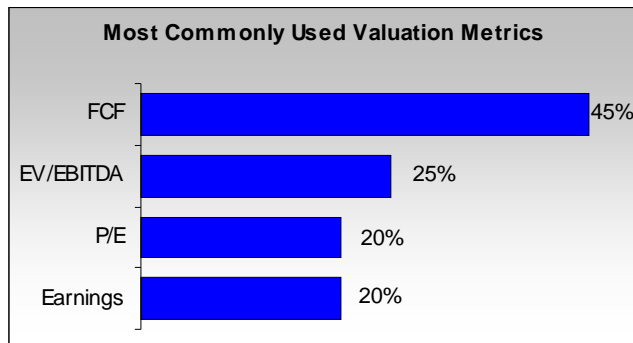


⁴ Wendy Ludlow, Wachovia Securities

⁵ Anonymous, Top 10 Shareholder I

Metrics & Methodologies Employed

Nearly one-half of participants indicate they use FCF to value XYZ. One-quarter assert EV/EBITDA multiples are the most appropriate metric for valuing the Company. Slightly less frequently mentioned metrics include P/E and earnings.



Management

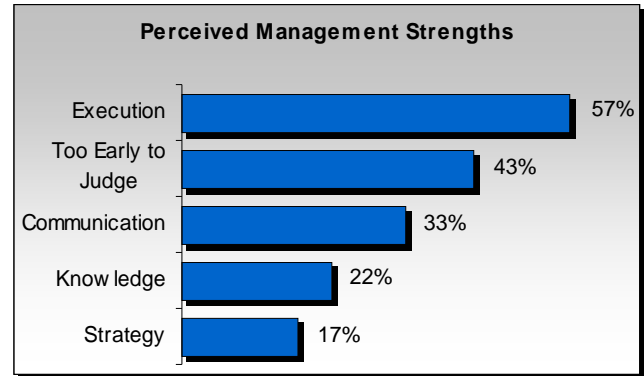
The majority of participants, or 56%, view management as average to above average, describing them as “good” and “favorable.” Continuing, 43% of participants acknowledge that it is either too early to judge management or that they have not had enough exposure to management to fairly judge.

Strengths & Weaknesses

The majority of investors cite management’s execution as a strength, viewing management as strong operators. Another quarter commend the team for their knowledge of the business.

Management’s ability to “get the house in order” by cutting costs, growing sales, and moving the Company in the right direction are all perceived as strengths.

In addition, investors applaud management for delivering on expectations, improving communication, and being open.



“Management is being rational about the business and trying to improve the business. Management is able to get sales growing. The weakness is the inability to translate the sales to a higher margin.” – Lauren Bleeker, David J. Greene & Company, LLC

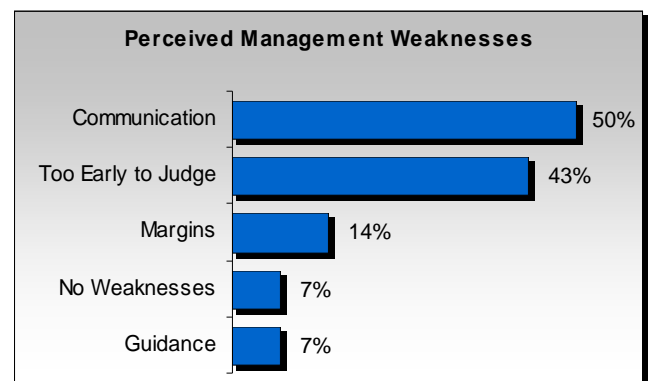
“I have a positive view on the current management team. A strength is management’s ability to analyze the current portfolio of businesses and develop a strategic plan for the businesses. A strength is that they reduced manufacturing costs. I cannot think of any weaknesses.” – Kelly Park, BMO Capital Markets

“The management team is better than it has been but I do not know them well enough to judge if they are a ‘category A’ management team. If management can execute their plan, then they will be ‘category A’ management.” – Charles Madison, Picet Asset Management UK Ltd.

Turning to weaknesses, while 33% cite management communication as a strength in terms of being open and meeting expectations, 50% of participants indicate a need for better communication.

Analysts want management to communicate more often and provide greater clarity.

In a similar vein, 14% of participants are disappointed with management’s ability to increase margins as much as they expected.



“The strength is that they articulate the vision well and they improved their operating skills. The weakness is a lack of clarity with financial data. The fourth quarter gap was not well-received.” – Sarah Broome, Friedman, Billings, Ramsey & Co., Inc.

“I have a generally favorable view on management but it is still early; they are untested. I respect what they are trying to do but they need to put up a string of results. The CFO has done good things to improve Beta and communication with the Street. I respect the fact that the CEO has put out a bunch of metrics that he is willing to compensate people on, but the Company has not improved margins as much as I would like.” – Anonymous, Top 50 Shareholder I

“Management is too promotional and has not been able to deliver on all their promises. They talk a good game but it is to be determined. They could be a big disappointment.” – Anonymous, Top 10 Shareholder II

Comparable Companies and Best-In-Class Peers

ABC Corp. is XYZ's most commonly cited peer with 28% of participants. JKL lagged closely behind with 22%, while DEF, GHI, JKL, and MNO were each mentioned by 17% of respondents. QRS and TUV were noted by two participants each.

Of the companies that participants listed as XYZ's peers, JKL, MNO, and TUV are noted as best-in-class in terms of their management by 20% of respondents. ABC Corp. came in second followed by a string of one-off responses.

Messages to Management

"What are they going to do with the capital after they re-invest in the business? I suggest increasing the dividend and buying back stock." – **Sam Thompson, Hotchkis and Wiley Capital Management, LLC**

"Management should not let working capital get away from them." – **Alex Greenwich, McClain Value Management, LLC/Iridian Asset Management**

"Give us better and more reliable numbers. I would like the Company to put out an 8-K that breaks down the revenue, gross margins, and operating margins for each one of the segments going back three or four years so we have an understanding of what those numbers are and we can project going forward."
– **Anonymous, Top 10 Shareholder I**

"Why are the margins not where they said they would be?" – **Anonymous, Top 10 Shareholder II**

"There is a lot of fear that the cycle will turn negative and that the margin improvements will not be enough to offset the negative turn in the cycle. The fear is that looking at 2007 to 2008, 2008 might be the peak earnings year. To improve the stock price and the confidence that investors have in them, management can try to paint a picture that even if the cycle were to slow there is enough cost improvement to offset a reasonable slowdown or decline in sales." – **Anonymous, Top 10 Shareholder III**

"Management needs to execute on the backlog that the Company has." – **Lauren Bleeker, David J. Greene & Company, LLC**

"Management should be clear and more transparent with their guidance." – **Anonymous, Top 30 Shareholder**

"When can we expect higher margins?" – **Anonymous, Top 50 Shareholder I**

"My main message is captured by my previous comments. [Participant highlights growth opportunity in aftermarket service business and long-term contracts]" – **Anonymous, Top 50 Shareholder II**

"I want the investor relations person to return phone calls. The last earnings release was not very transparent and I was irritated when I called to ask a question and did not get a returned phone call." – **Paul Broadway, Speece Thorson Capital Group, Inc.**

"I want management to execute on their stated strategy." – **Charles Madison, Pictet Asset Management UK Ltd.**

"I would like management to address the cyclicity of the business." – **Anonymous, Prospective Investor I**

"My request is to focus on clarity when presenting financial data and use other companies as an example. Ones that I point to are ABC, DEF, GHI, and JKL. XYZ should look at how those companies present their data." – **Sarah Broome, Freidman, Billings, Ramsey & Co., Inc.**

"I think my message comes through in my previous responses about the minimal exposure that it has in Asia and IT integration risks." – **Mike Stanton, Robert W. Baird and Co.**

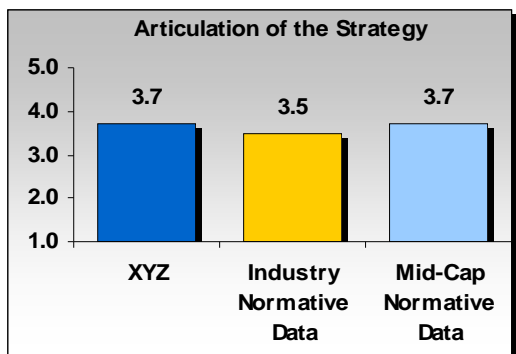
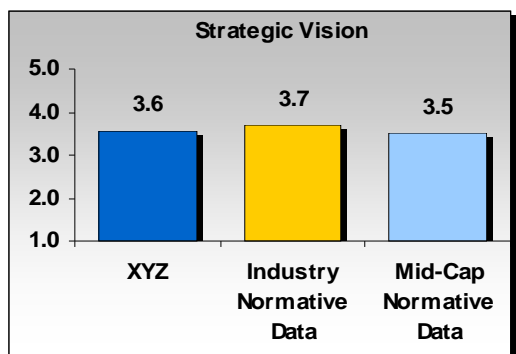
"I would like better articulation on how management plans to get to their stated goal of 14% operating margins because they were not explicit when laying out a plan on how they were going to do that." – **Kelly Park, BMO Capital Markets (US)**

"I would like more details on the backlog in terms of what is in it, what the margin looks like, and any other details that would give people a vision into the future." – **Wendy Ludlow, Wachovia Securities**

"My message to management is to stay focused." – **Anonymous, Tier II Sell-Side Firm I**

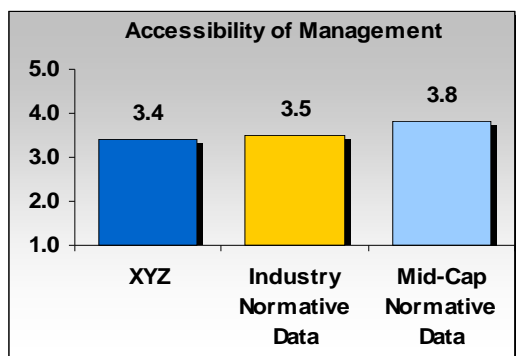
Normative Data – Management

The charts below and beginning on Page 23 are based on scalar questions posed to participants. Each was asked to rate XYZ on a host of measures based on their own experience and opinions, and relative to peer companies with which they interact. Mean scale ratings are based on a 5.0-point scale, where 1.0 is the lowest possible score (Not Very Good), 3.0 is the average score (In Line), and 5.0 is the highest possible score (Very Good). In an effort to provide a benchmark, XYZ's average score for each focus area is compared to TF normative data. In addition, select quotes have been provided to add perspective to the numeric ratings.

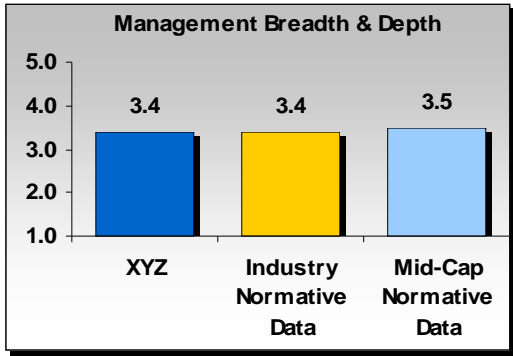


"N/A – That is to be determined."

"4.0 – They do a good job telling the story."

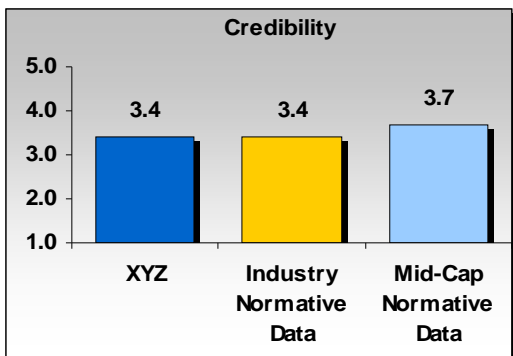
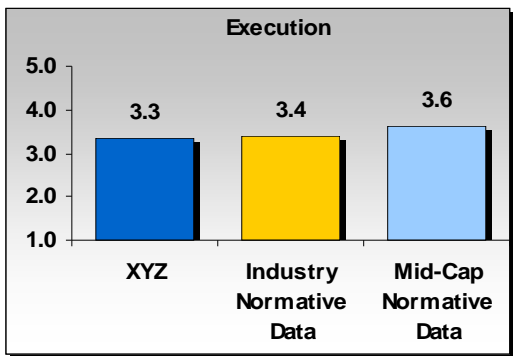


"1.0 – They do not always return phone calls."



“N/A – It is not proven yet if they have breadth and depth below John Smith and Joe Jones.”

“N/A – I have not met with all the division heads so I am not qualified to answer.”



“3.5 – Management came across well.”

Investor Relations & Corporate Communications

Strengths & Weaknesses

Participants have positive views of XYZ's investor relations team, describing them as "good" and "sufficient." Nearly 40% indicate the investor relations program is good, while an equal number acknowledge they have had quite limited exposure to the program. One-quarter of respondents commend XYZ's investor relations efforts for being accessible, specifically allowing access to management, as well as providing decent financial disclosure via presentations and giving guidance. To a lesser extent, contributors note their knowledge of the business and candid stance as strengths.

Turning to weaknesses, 40% of participants state that the investor relations program needs to be more proactive in reaching out to the financial community by speaking with and meeting with shareholders, returning phone calls in a timely manner, and getting out on the road more. One-third note that XYZ needs to improve financial disclosure, stating the Company needs to be clearer when giving guidance and offer greater transparency in their earnings releases, as well as present a greater breadth and depth of information in general. Many recalled one specific example of the Company not providing a fourth quarter income statement in its earnings release. Lastly, another third of participants indicate they do not know the weaknesses due to limited exposure to the program.

"The program is average; it is not exceptional but not horrible." – **Lauren Bleeker, David J. Green & Company, LLC**

"The investor relations program is good. They allow access to management. The key point person is very knowledgeable." – **Anonymous, Tier II Sell-Side Firm I**

"They need to talk to their shareholders more often. They need to release an income statement with their numbers. The Company did not do that when it reported its fourth quarter numbers. We need reliable numbers." – **Anonymous, Top 10 Shareholder I**

"The investor relations program is good. They could do more one-on-one meetings. When I went to a specific conference they were not accessible to a number of people." – **Anonymous, Top 50 Shareholder II**

Press Releases

The majority of respondents indicate they place a lot of value on XYZ's financial press releases because they are "important for the facts," "are one of the principal communication tools," and "are of high quality." However, several participants note that the press releases need more clarity in terms of the financial data that is presented, such as a fourth quarter income statement. To a lesser extent, 20% of participants indicate they place some value on the press releases, but they do not have much influence as to how they view the Company, noting they tend to focus more on earnings. Just 10% indicate they do not put much value on the press releases, owing to the inconsistencies in XYZ's numbers and comparables.

"The Company could never put enough press releases out." – **Sam Thompson, Hotchkis and Wiley Capital Management**

"The financial press releases are necessary as long as they are informative." – **Anonymous, Tier II Sell-Side Firm I**

"It is hard to put too much reliability on the press releases when the Company does not put out an income statement. I know what I am going to get with the other companies I follow and can plug the data right into my model. With XYZ, the numbers are always different and the comparables are always different. The combination of confusing currency adjustments, restatements of past numbers, and accounting makes comparisons hard." – **Anonymous, Top 10 Shareholder I**

Suggestions for Improvement

The most frequently cited suggestion for improvement regarding XYZ's current investor relations efforts is to provide better disclosure. More specifically, participants assert that the Company needs to be clearer when providing guidance and reporting financials. One sell-side analyst⁶ catches the sentiment of the financial community noting, "The data that we need to incorporate into our models is not as broad and deep as it should be. I need more data presented in a less confusing manner." Analysts note XYZ also needs to offer better data on market and product growth rates and to improve the articulation of the growth strategy. One-quarter of respondents report that the Company needs to be more responsive by returning phone calls and responding to the Street more promptly. An equal number indicate that XYZ needs to go on the road more often in order to get in front of investors. A small percentage of contributors indicate the Company should host an analyst day and make management more accessible to the financial community.

"XYZ could make the management team more accessible. XYZ could do more to help people understand its business better through comps and overall contract structures." – **Anonymous, Top 50 Shareholder II**

"I would like better data on its market growth rate and better detail on specific market growth rates and product growth rates within alphas, betas, and seals. In other words, I would like XYZ to drill down one more layer for each division." – **Mike Stanton, Robert W. Baird and Co.**

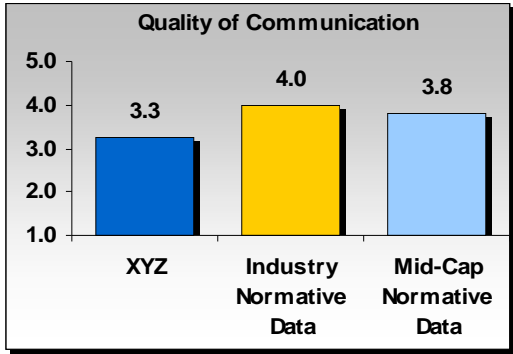
"XYZ could host an analyst day and provide more clarity. Management will not tell investors what they think a reasonable tax rate will be. XYZ has difficulty providing basic stuff that every other company I follow provides. The vast majority of companies are clearer when helping analysts forecast tax rates and interest expenses; XYZ is dodgy." – **Anonymous, Top 30 Shareholder**

"XYZ should return phone calls. This has nothing to do with Thomson Financial but I resent doing this when XYZ will not return my phone calls." – **Paul Broadway, Speece Thorson Capital**

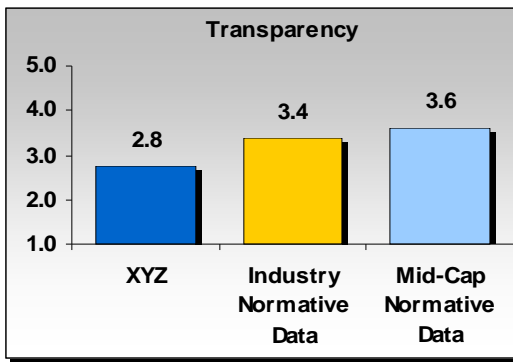
"They need to get out in front of investors. They need to meet with investors on a one-on-one basis to articulate the growth strategy and to help people understand the story." – **Charles Lexington, BMO Capital Markets**

⁶ Sarah Broome, Friedman, Billings, Ramsey & Co., Inc.

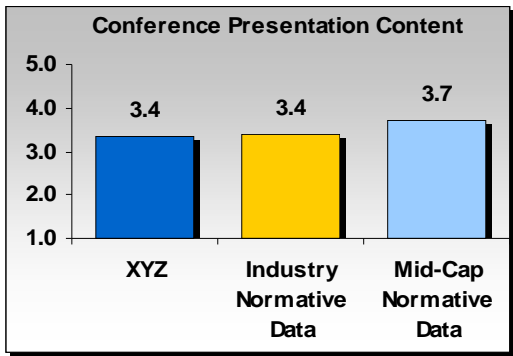
Normative Data – Investor Relations & Corporate Communications

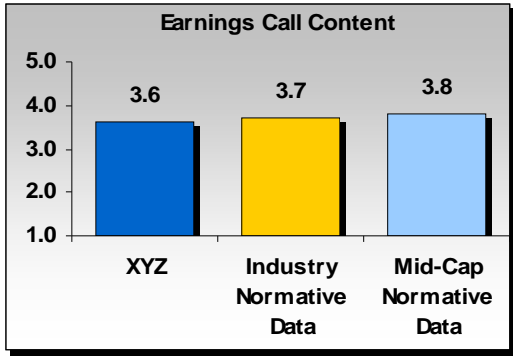


"1.0 – They do not return phone calls."

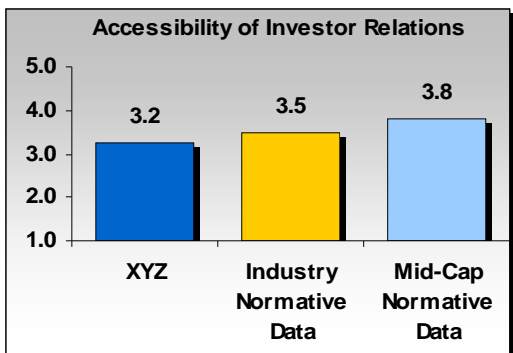
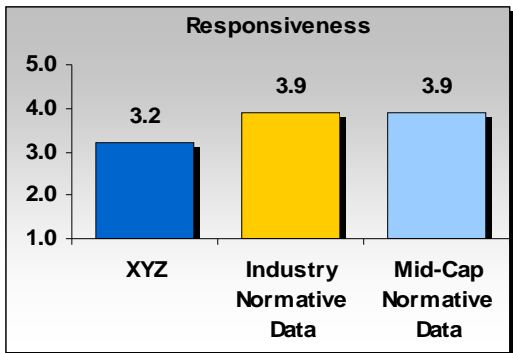
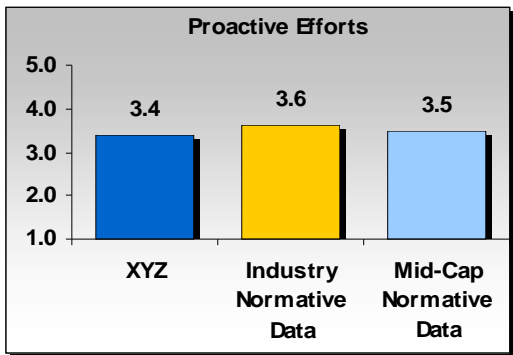


"1.0 – The Company can put out an 8-K and give a history of the numbers."





“4.0 – The Company’s quiet period is too long.”



NORMATIVE DATA MATRIX

The following matrix is based on scalar questions posed to participants. Each was asked to rate XYZ's management, investor relations, and corporate communications efforts on a host of measures, or "constructs," based on their own experience and opinions, and relative to peer companies with which they interact. Mean scale ratings are based on a 5.0-point scale, where 1.0 is the lowest possible score (Not Very Good), 3.0 is the average score (In Line), and 5.0 is the highest possible score (Very Good). In an effort to provide a benchmark, XYZ's average score for each construct is compared to TF normative data. Not every participant provided a score for every measure.

	XYZ Alpha Division	XYZ Beta Division	XYZ Delta Division	Articulation of Vision	Management of Strategy	Accessibility of Management	Management Breadth & Depth	Execution	Quality of Communication	Credibility	Conference Presentation	Transparency	Earnings Presentation Content	Proactive Call Content	Responsiveness	Accessibility of Investor Relations	Overall Rating
Sam Thompson, Hotchkis and Wiley Capital Management	3.0	3.0	3.0	-	4.0	5.0	-	2.0	3.0	5.0	3.0	3.0	4.0	5.0	5.0	5.0	3.8
Alex Greenwich, Iridian Asset Management LLC	3.5	3.0	3.5	4.0	4.0	3.5	-	4.0	4.0	3.5	3.5	3.5	3.5	3.0	3.0	3.5	3.5
Anonymous, Top 10 Shareholder I	4.0	3.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	2.0	1.0	4.0	4.0	-	2.0	3.0	2.9
Anonymous, Top 10 Shareholder II	2.5	3.8	3.8	3.5	-	4.0	-	2.5	2.8	3.8	2.5	2.5	4.0	3.8	4.5	3.0	3.4
Anonymous, Top 10 Shareholder III	4.0	3.0	4.0	4.0	3.0	5.0	4.0	4.0	4.0	-	-	-	-	-	-	-	3.9
Lauren Bleeker, David J. Greene & Company, LLC	5.0	5.0	5.0	4.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	3.0	3.0	4.3
Anonymous, Top 30 Shareholder	4.0	4.0	3.0	4.0	3.5	4.0	-	3.5	3.5	3.5	2.0	3.5	3.5	2.0	4.0	4.0	3.5
Anonymous, Top 50 Shareholder I	3.0	2.0	4.0	4.0	4.0	3.0	4.0	3.0	3.0	4.0	3.0	3.0	-	4.0	4.0	4.0	3.5
Anonymous, Top 50 Shareholder II	3.0	3.0	3.0	4.0	4.0	3.0	4.0	4.0	4.0	3.5	3.5	3.5	3.0	3.0	3.5	3.0	3.4
Brian Canal, ING Investment Management Co. (NY)	1.0	1.0	1.0	4.0	4.0	4.0	-	-	-	-	-	-	-	-	-	-	2.5
Paul Broadway, Speece Thorson Capital	4.0	4.0	4.0	4.0	5.0	1.0	4.0	4.0	4.0	1.0	1.0	3.0	1.0	1.0	1.0	1.0	2.7
Charles Madison, Picet Asset Management UK Ltd.	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	-	-	-	-	-	-	-	3.2
Anonymous, Prospective Investor I	3.0	2.0	1.0	3.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	-	-	3.0	3.0	3.0	2.9
Anonymous, Prospective Investor II	1.0	1.0	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0
Anonymous, Prospective Investor III	2.0	3.0	2.0	3.0	5.0	3.0	3.0	-	3.5	-	-	-	-	-	-	-	3.1
Sarah Broome, Friedman, Billings, Ramsey & Co., Inc.	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	2.0	3.0	4.0	3.0	3.0	3.0	3.3
Mike Stanton, Robert W. Baird and Co.	4.0	4.0	4.0	-	-	-	-	-	-	5.0	5.0	4.0	5.0	5.0	4.0	4.0	4.4
Kelly Park, BMO Capital Markets	5.0	5.0	5.0	4.0	2.0	3.0	3.0	4.0	4.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	3.8
Wendy Ludlow, Wachovia Securities	5.0	5.0	5.0	1.0	2.0	4.0	2.0	2.0	2.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0	2.3
Anonymous, Tier II Sell-Side Firm I	4.0	4.5	4.0	4.0	4.0	4.0	4.0	4.5	4.5	4.5	4.0	5.0	5.0	4.5	4.0	5.0	4.3
XYZ Average	3.4	3.3	3.3	3.6	3.7	3.5	3.4	3.3	3.4	3.3	2.8	3.4	3.6	3.5	3.3	3.3	
Industry Normative Data Average	NA	NA	NA	3.7	3.5	3.5	3.4	3.4	3.4	4.0	3.4	3.4	3.7	3.6	3.9	3.5	
Market Cap Normative Data Average	NA	NA	NA	3.5	3.7	3.8	3.5	3.6	3.7	3.8	3.6	3.7	3.8	3.5	3.9	3.8	



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INTERVIEW FRAMEWORK

Company Direction & Strategy

1. In your opinion, what are XYZ's core strengths and weaknesses?
2. In your opinion, what are XYZ's opportunities and threats?
3. On a scale of 1.0 to 5.0, with 5.0 being the greatest, please rate your level of understanding about the following segments:
 - XYZ Alpha Division
 - XYZ Beta Division
 - XYZ Delta Division
4. In your opinion, how would you say the strategies of these divisions complement and/or leverage one another? What, if any, synergies would you say they have?
5. Which division, market, and/or geography will XYZ's growth come from?
6. In your opinion, what is the best use of free cash?
7. What are the most important things the Company could do in your opinion?

XYZ as an Investment

Current Shareholders

8. What drives your investment in XYZ?
9. What would lead you to increase your position?
10. Conversely, what would lead you to decrease your position?

Prospective Investors

8. What are the reasons for not investing in XYZ?
9. What would lead you to initiate a position?
10. Do you feel you have had ample opportunity for a face-to-face meeting with XYZ?

Sell-Side Analysts

8. What would lead you to reassess your rating?

All

11. Based on your analysis, is XYZ undervalued, overvalued, or fairly valued and why?
12. What metrics and/or methodologies do you employ when evaluating XYZ?

Management

13. What is your opinion of XYZ's management team, specifically their strengths and weaknesses?
14. On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to management:
 - Strategic Vision
 - Articulation of the Strategy
 - Accessibility of Management
 - Management Breadth & Depth
 - Execution
 - Credibility
15. What is the key message you would like to deliver to XYZ's management or one question you would like answered?
16. What companies do you view as XYZ's peers and which are best-in-class in terms of their management?

Investor Relations & Corporate Communications

17. What is your opinion of XYZ's investor relations efforts, specifically the program's strengths and weaknesses?
18. On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to communication efforts:
 - Quality of Communication
 - Transparency
 - Conference Presentation Content
 - Earnings Call Content
 - Proactive Efforts
 - Responsiveness
 - Accessibility of Investor Relations
19. How much value do you place on the Company's financial press releases? Why?
20. In your opinion, is there anything XYZ can do to improve upon its current investor relations efforts? Please provide specific suggestions.

PARTICIPANT TRANSCRIPTS – CURRENT SHAREHOLDERS

McCLAIN VALUE MANAGEMENT, LLC/IRIDIAN ASSET MANAGEMENT
Alex Greenwich, Chief Investment Officer
April 4, 2007

Company Direction & Strategy

In your opinion, what are XYZ's core strengths and weaknesses?

XYZ has a strong competitive position, good geographic breadth, and superior management. The Company needs to outpace consensus, it is not really giving guidance per se, so management needs to continue to execute.

In your opinion, what are XYZ's opportunities and threats?

The opportunity is to continue to remain big in alpha and beta. XYZ is strong but latent in the gamma industry. Then, there is potential across the board with its aftermarket business.

On a scale of 1.0 to 5.0, with 5.0 being the greatest, please rate your level of understanding about the following segments:

- **XYZ Alpha Division: 3.5**
- **XYZ Beta Division: 3.0**
- **XYZ Delta Division: 3.5**

In your opinion, how would you say the strategies of these divisions complement and/or leverage one another? What, if any, synergies would you say they have?

There is synergy between the Alpha and Delta businesses. It has yet to be proven if there are synergies with the Beta business.

Which division, market, and/or geography will XYZ's growth come from?

Growth has been pretty spectacular on the order side. There will be continued strength in alpha and beta and gamma. Geographically, XYZ is well placed in the Middle East and Far East.

In your opinion, what is the best use of free cash?

The best use of free cash all depends on the stock price. The default should be to buy back stock, if it has better internal opportunities on a risk-adjusted basis to grow the business, then great. If there are acquisition opportunities that are related and value-added, then the Company ought to pursue those.

What are the most important things the Company could do in your opinion?

The most important thing the Company could do is make sure working capital does not get away from it. At this point, it is to execute on what it has been talking about; the most important thing is approaching the 15% margin target that the Company has talked about for some time.

XYZ as an Investment

What drives your investment in XYZ?

Our original thesis was based on its strong FCF, management change, and strong competitive positions that it had with raw materials. What drives our thesis now is, on a risk-adjusted basis, if it can reach anywhere near that potential for margins, the end markets stays robust and the stock stays cheap despite the run-up.

What would lead you to increase your position?

For me, XYZ is one of my top positions. For Iridian Asset Management, if I had conviction that XYZ could reap that 15% margin target, that cash flow will remain strong, and working capital does not get out of control then I would increase the position.

Conversely, what would lead you to decrease your position?

If there was evidence that working capital was getting ahead of itself – that is, it was not collecting well enough or building up too much inventory for things that end up not coming to fruition – then I would decrease my position. If management said they could not make 14% to 15% margins, then I might decrease. I do not know if XYZ needs to do 15% to make the stock cheap. A poor choice of capital allocation such as a poor acquisition would lead me to decrease my position.

Based on your analysis, is XYZ undervalued, overvalued, or fairly valued and why?

The stock is undervalued based on its potential if you look a couple of years out. If the revenue growth continues, not at these levels, and if XYZ begins to approach anywhere near its target margins and makes judicious use of its FCF then the Company will earn \$4 to \$6 per share and as long as it is not perceived as being peaked then it has a high chance of becoming a high quality company with a nice multiple whether that is an \$80 stock or higher. XYZ might merge in a great transaction; it is a continually evolving process.

What metrics and/or methodologies do you employ when evaluating XYZ?

I use FCF yield. Once the Company gets past some things the market will value it on a P/E basis. I combine those factors and look at how well the Company uses the FCF.

Management

What is your opinion of XYZ's management team, specifically their strengths and weaknesses?

Management appears to be strong operators; their integrity is without question. Management has shown ability on the financial side to get the house in order. There is room to improve communications to the Street but management is working on that. John Smith has come on board. He is meeting with analysts. He is communicating honestly and is frequently available.

On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to management:

- **Strategic Vision:** 4.0
- **Articulation of the Strategy:** 4.0
- **Accessibility of Management:** 3.5
- **Management Breadth & Depth:** N/A – It is not proven yet if they have breadth and depth below John Smith and Joe Johnson.
- **Execution:** 4.0
- **Credibility:** 4.0

What is the key message you would like to deliver to XYZ's management or one question you would like answered?

Management should not let working capital get away from them.

What companies do you view as XYZ's peers and which are best-in-class in terms of their management?

I am a generalist so my opinion on that is not worth much.

Investor Relations & Corporate Communications

What is your opinion of XYZ's investor relations efforts, specifically the program's strengths and weaknesses?

The investor relations team is candid. The last guy was good; it has been upgraded in terms of financial acumen. There can be improvement in terms of the speed in which they get back to people. That tends to happen around conference calls and they know that.

On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to communication efforts:

- **Quality of Communication:** 3.5
- **Transparency:** 3.5
- **Conference Presentation Content:** 3.5
- **Earnings Call Content:** 3.5
- **Proactive Efforts:** 3.0
- **Responsiveness:** 3.0
- **Accessibility of Investor Relations:** 3.5

How much value do you place on the Company's financial press releases? Why?

The financial press releases are important for the facts.

In your opinion, is there anything XYZ can do to improve upon its current investor relations efforts? Please provide specific suggestions.

XYZ could be prompt when getting back to investors and could make sure the larger investors are accommodated.

PARTICIPANT TRANSCRIPTS – PROSPECTIVE INVESTORS

PROSPECTIVE INVESTOR I
Anonymous, *Portfolio Manager*
March 28, 2007

Company Direction & Strategy

In your opinion, what are XYZ's core strengths and weaknesses?

The strength is the markets that it serves. The weaknesses are cyclical exposure and a spotty execution record.

In your opinion, what are XYZ's opportunities and threats?

The threat is increased competition due to the recent cycle and the strength and returns associated with that cycle. On the flip side, the potential weakness given a downturn is a threat.

On a scale of 1.0 to 5.0, with 5.0 being the greatest, please rate your level of understanding about the following segments:

- **XYZ Alpha Division:** 3.0
- **XYZ Beta Division:** 2.0
- **XYZ Delta Division:** 1.0

In your opinion, how would you say the strategies of these divisions complement and/or leverage one another? What, if any, synergies would you say they have?

Alphas and Betas are synergistic on the services side. I am not that familiar with the Delta business to say.

Which division, market, and/or geography will XYZ's growth come from?

The energy side will provide long-term growth. Then, growth will come from overseas.

In your opinion, what is the best use of free cash?

The best use of free cash is a combination of growth and returns to shareholders.

What are the most important things the Company could do in your opinion?

The Company can deploy capital for growth in a disciplined fashion.

XYZ as an Investment

What are the reasons for not investing in XYZ?

I am not invested because of the valuation; the stock is fully valued.

What would lead you to initiate a position?

I would initiate a position if there was a pullback in valuation either through execution, higher earnings, or the market pulling the stock back.

Do you feel you have had ample opportunity for a face-to-face meeting with XYZ?

The Company could come through Europe more.

Based on your analysis, is XYZ undervalued, overvalued, or fairly valued and why?

The stock is slightly overvalued because it is discounting levels of returns that are not sustainable.

What metrics and/or methodologies do you employ when evaluating XYZ?

I look at cash returns on investment.

Management

What is your opinion of XYZ's management team, specifically their strengths and weaknesses?

I have never met the management team. From what I have read, they are middle to above average.

On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to management:

- **Strategic Vision:** 3.0
- **Articulation of the Strategy:** 4.0
- **Accessibility of Management:** 3.0
- **Management Breadth & Depth:** 3.0
- **Execution:** 3.0
- **Credibility:** 3.0

What is the key message you would like to deliver to XYZ's management or one question you would like answered?

I would like management to address the cyclical nature of the business.

What companies do you view as XYZ's peers and which are best-in-class in terms of their management?

ABC is a peer. I do not know enough companies in the space to answer which has the best-in-class management team.

Investor Relations & Corporate Communications

What is your opinion of XYZ's investor relations efforts, specifically the program's strengths and weaknesses?


I have not met them. They have traveled recently so that is positive.

On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to communication efforts:

- **Quality of Communication:** 3.0
- **Transparency:** 3.0
- **Conference Presentation Content:** N/A – I do not know.
- **Earnings Call Content:** N/A – I do not know.
- **Proactive Efforts:** 3.0
- **Responsiveness:** 3.0
- **Accessibility of Investor Relations:** 3.0

How much value do you place on the Company's financial press releases? Why?

I place a moderate value on the Company's financial press releases.



**In your opinion, is there anything XYZ can do to improve upon its current investor relations efforts?
Please provide specific suggestions.**

I do not know them well enough to give any suggestions.

PARTICIPANT TRANSCRIPTS – SELL-SIDE ANALYSTS

FREIDMAN, BILLINGS, RAMSEY & CO., INC.

SARAH BROOME, *Security Analyst*

March 26, 2007

Company Direction & Strategy

In your opinion, what are XYZ's core strengths and weaknesses?

The core strengths are strong market positions, market leading products, global footprint, and focus on operational initiatives. One weakness is past performance has left a bad taste in the mouth of investors even though that took place years ago. Clarity of financial releases needs improvement. Timing and coordination of financial releases need improvement.

In your opinion, what are XYZ's opportunities and threats?

The opportunity is operational and hence margin improvement. Another opportunity is the continued strength in energy markets and recovery in power generation markets. The threat is a substantial decline in oil and gas prices.

On a scale of 1.0 to 5.0, with 5.0 being the greatest, please rate your level of understanding about the following segments:

- **XYZ Alpha Division:** 4.0
- **XYZ Beta Division:** 4.0
- **XYZ Delta Division:** 4.0

In your opinion, how would you say the strategies of these divisions complement and/or leverage one another? What, if any, synergies would you say they have?

The Alpha and the Beta divisions have high synergies. The Delta division, compared to the other two, has low to moderate synergies.

Which division, market, and/or geography will XYZ's growth come from?

Growth will come from the Alpha division near-term out of the Middle East.

In your opinion, what is the best use of free cash?

The best use of free cash is share buyback, acquisitions and increased dividend.

What are the most important things the Company could do in your opinion?

Beyond running the business better, the Company could provide better clarity and presentation of reported financial numbers. I hope John Smith gets the message that the Company really screwed up when it presented the fourth quarter.

XYZ as an Investment

What would lead you to reassess your rating?

First, to reassess my rating the valuation would have to change. Second, execution or lack there of on margin improvement would lead me to reassess. Third would be any change in the growth dynamic.

Based on your analysis, is XYZ undervalued, overvalued, or fairly valued and why?

The stock is slightly undervalued. The market is not giving it sufficient credit for the impact of margin improvement and growth in certain markets, notably the energy markets. Then, there is some upside to the numbers.

What metrics and/or methodologies do you employ when evaluating XYZ?

I use discounted cash flow and then I triangulate that with the implied P/E.

Management

What is your opinion of XYZ's management team, specifically their strengths and weaknesses?

Management is average. I would rate management as second tier. The strength is that they articulate the vision well and they improved their operating skills. The weakness is a lack of clarity with financial data. The fourth quarter gap was not well-received.

On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to management:

- **Strategic Vision:** 4.0
- **Articulation of the Strategy:** 4.0
- **Accessibility of Management:** 3.0
- **Management Breadth & Depth:** 3.0
- **Execution:** 3.0
- **Credibility:** 3.0

What is the key message you would like to deliver to XYZ's management or one question you would like answered?

My request is to focus on clarity when presenting financial data and use other companies as an example. Ones that I point to are ABC, DEF, GHI, and JKL. XYZ should look at how those companies present their data.

What companies do you view as XYZ's peers and which are best-in-class in terms of their management?

The peers from a market capitalization standpoint are ABC, DEF, GHI, JKL, MNO, PQR, and STU. The management teams that XYZ should try to emulate are ABC, DEF, and GHI. From a product market standpoint, some of the biggest peers that it would do well to emulate would be ABC and DEF.

Investor Relations & Corporate Communications

What is your opinion of XYZ's investor relations efforts, specifically the program's strengths and weaknesses?

They could be more open and present a greater depth and breadth of information.

On a scale of 1.0 to 5.0, with 5.0 being the best, please rate the following with regard to communication efforts:

- **Quality of Communication:** 3.0
- **Transparency:** 2.0
- **Conference Presentation Content:** 3.0
- **Earnings Call Content:** 4.0
- **Proactive Efforts:** 3.0
- **Responsiveness:** 3.0
- **Accessibility of Investor Relations:** 3.0

How much value do you place on the Company's financial press releases? Why?

The Company could clarify the data that it presents. The Company does a nice job with its PowerPoint presentation with details. The data that we need to incorporate into our models is not as broad and deep as it should be in the press releases. I need more data presented in a less confusing manner.

In your opinion, is there anything XYZ can do to improve upon its current investor relations efforts? Please provide specific suggestions.

Focus on a clear presentation of financial data and use those companies that I named as benchmarks on how to do that.