Sohn Tel Aviv Investment Conference

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Engine Capital is a value-oriented activist fund focused on small and midcap companies in the US and Canada

Since its founding, Engine Capital has settled with 17 public companies and has added 27 directors to the boards of these companies.

Negotiated Board Representation[a]

U.S. Companies

CST
STEWART INFORMATION SERVICES CORPORATION
TEAM®
MYR GROUP
sparton
Hill International The Global Leader in Managing Construction Risk
NAVIGANT CONSULTING
LOJACK® Get it. And get it back.™
LSB INDUSTRIES
InnerWorkings
STARTEK
RECRO™ PHARMA
PFSweb
jive

Canadian Companies

RDM® Transforming Payments
imvescor restaurant group inc.
Aecon

Campaign Experience[b]

Public

ANN TAYLOR
Vitran
mpa® motorcar parts of america, inc.
CARBONITE™ THE BETTER BACKUP PLAN

Private

COM DEV
PROCERA EMPOWERING INTELLIGENCE
DEL FRISCO'S RESTAURANT GROUP
INTELIQUENT®
TIER REIT

Proxy Fight Experience[c]

CST
MYR GROUP
LSB INDUSTRIES
CARBONITE™ THE BETTER BACKUP PLAN
mpa® motorcar parts of america, inc.
TIER REIT
CSI CHARMING SHOPPES, INC.
C-H®
Charley's
Topps®

Engine understands the activist process and is taken seriously by management and boards

(a) Reflect companies in which Engine has negotiated board representation.
(b) Sample of the companies to-date in which Engine has taken an active role seeking to effectuate change .
(c) Sample of the companies to-date in which Engine or Mr. Ajdler has formally nominated board members, either at Engine or in his prior experience.

Investment idea: PDL BioPharma

Overview

Company Overview

- PDL BioPharma is a publicly-traded investment company focused on making strategic investments in the specialty pharma spac
- Intends to become a holding company with 3 or 4 strategic investments in pharma companies
- Currently competes in four segments
  - **Pharmaceutical:** Consists of branded and authorized generic prescription products for the management of hypertension
  - **Medical Devices:** Developer and manufacturer of specialized lasers used in refractive cataract surgery
  - **Income Generating Assets:** Consists of various passive assets including: 1) royalty rights and receivables and 2) notes and other long-term receivables
  - **Strategic Positions:** Investment in Evofem, a biopharmaceutical company commercializing products aimed at women's sexual and reproductive health

Capitalization

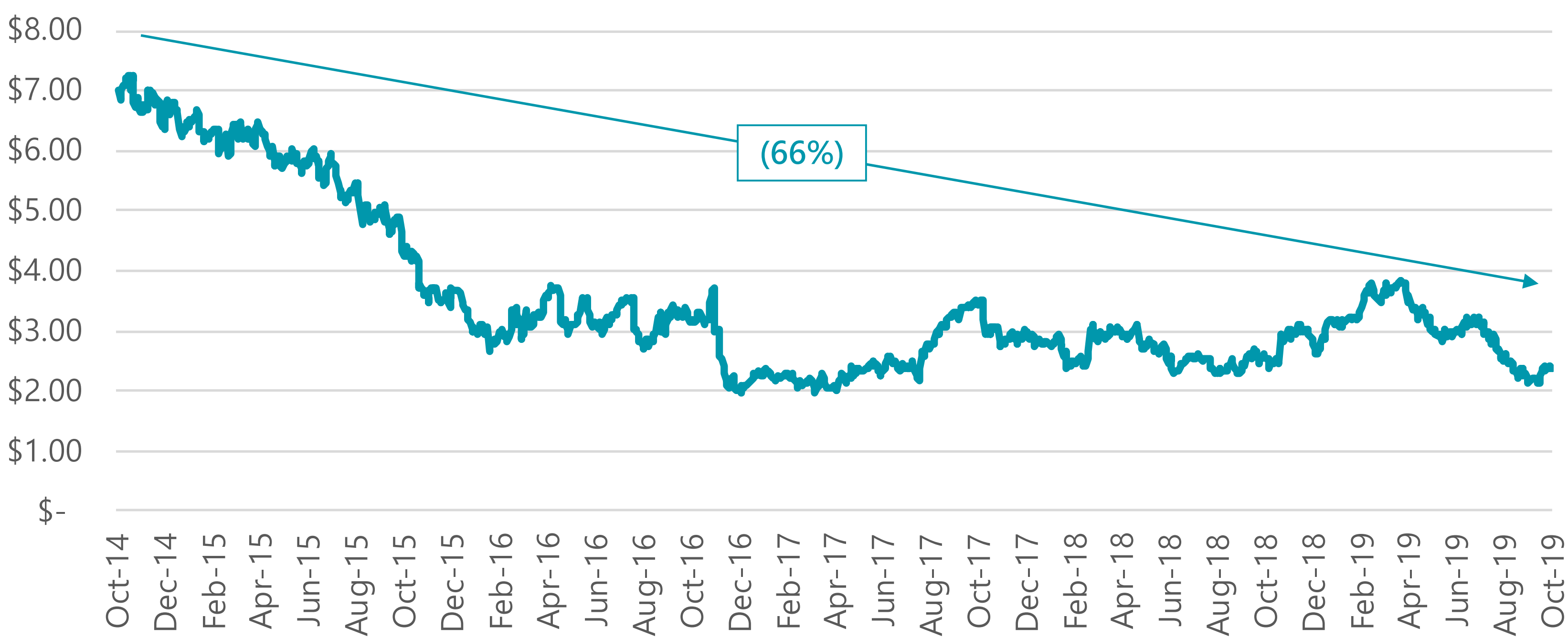
Price per Share	2.37
Shares Out.	114.5
Market Capitalization	**271.4**
Cash	284.9
Debt	150.0
Enterprise Value	**136.5**
Tangible Book Value	614.8
Disc. to Tangible Book Value	**56%**

Current Investments

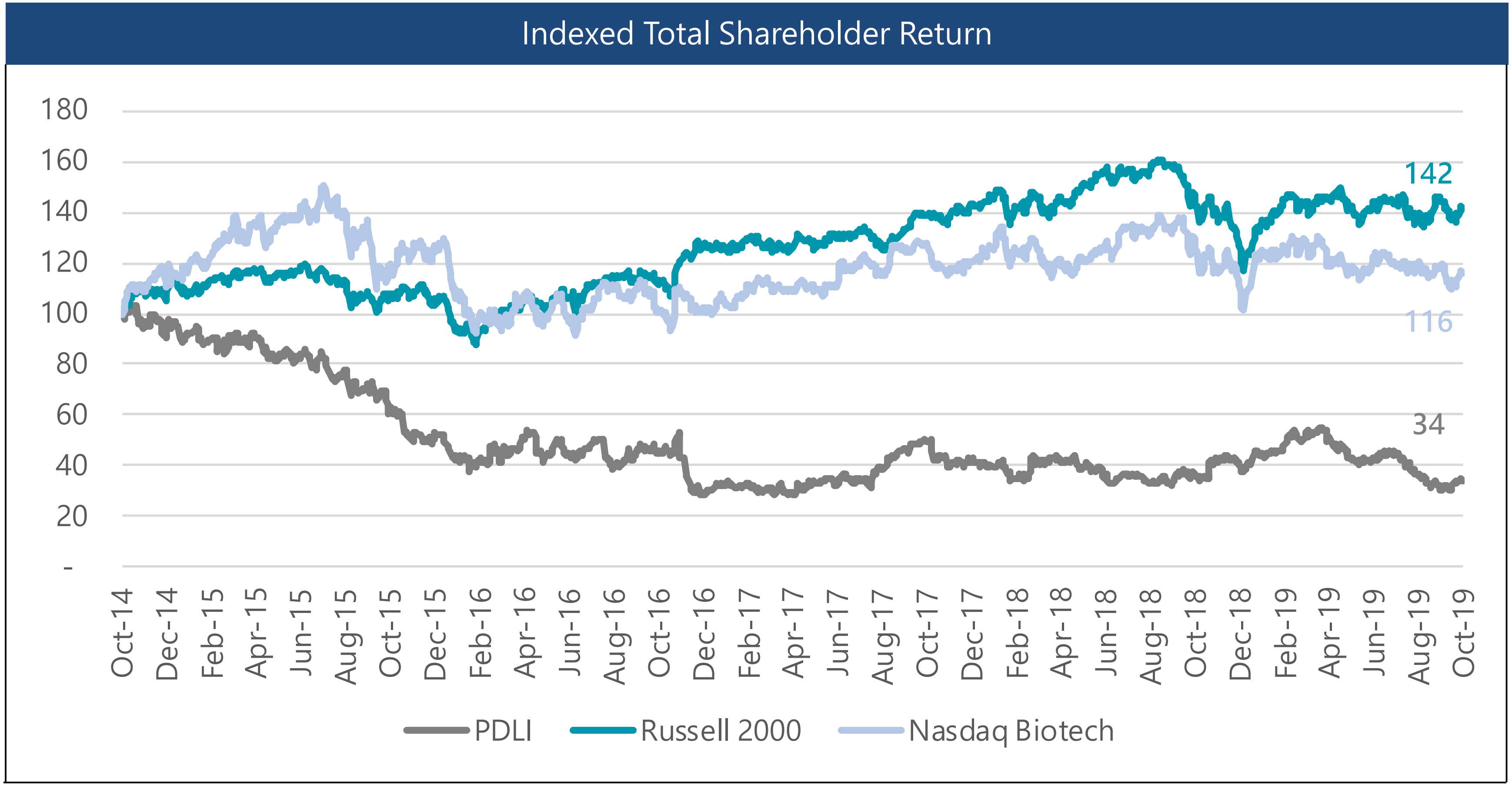
- Large royalty portfolio comprised of five assets
- 95% ownership in LENSAR, a medical technology business
- Noden Parma, a specialty pharma business
- 30% stake in Evofem Biotechnology (Nasdaq: EVFM), a clinical-stage pharma company
- A large note receivable from Wellstat Diagnostics
- Significant cash on the balance sheet ($285 million)

Significant shareholder value destruction during the last five years

Dividend Adjusted Share Price



And significance underperformance to relevant indices



Royalty portfolio

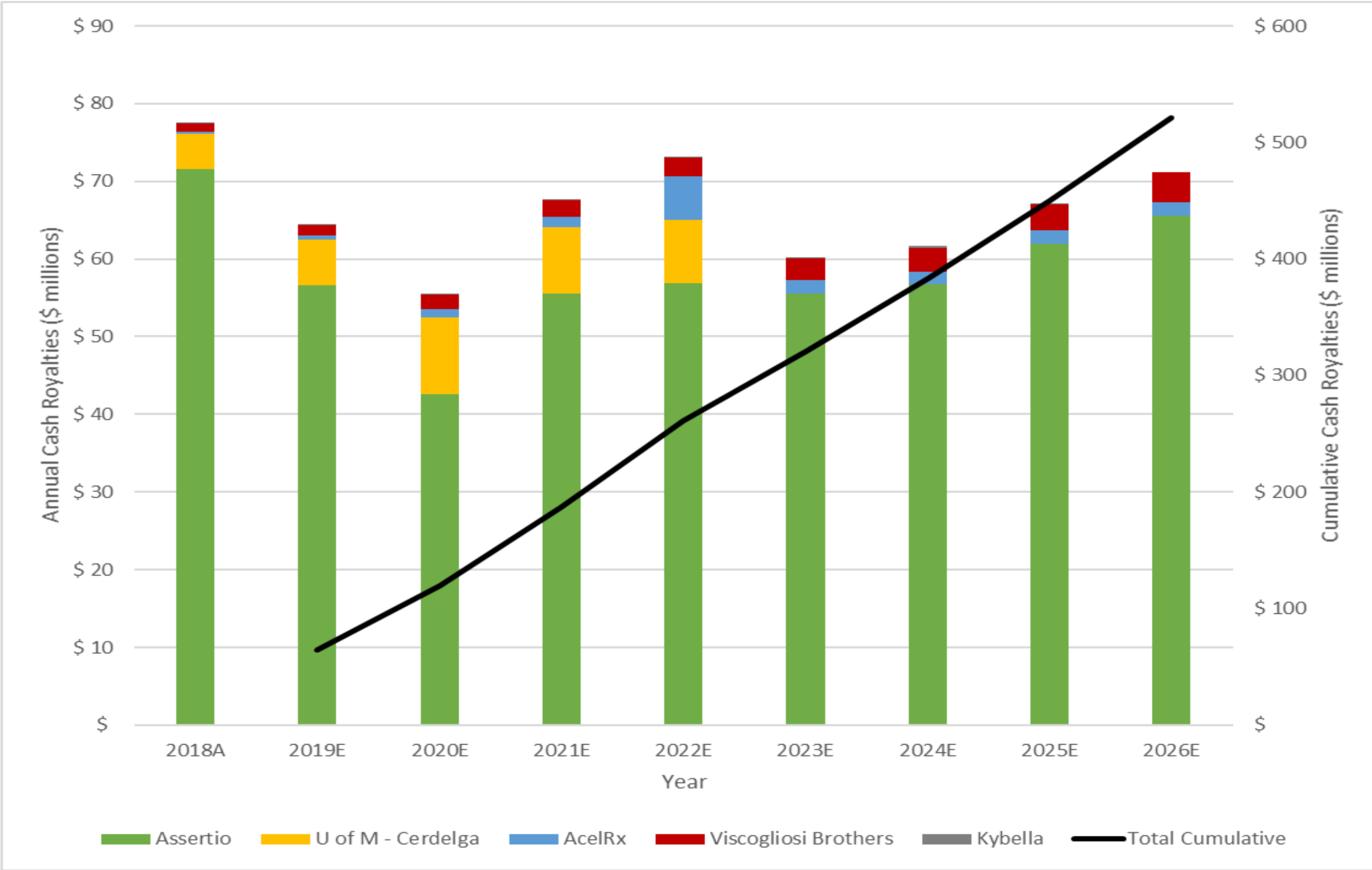
- PDLI royalty portfolio consists of royalties on the sales of five families of products

  1. **Assertio:** Primary asset is the royalty associated with the sales of GLUMETZA (metformin HCL extended-release tablets) in the US by Bausch Health (former Valeant Pharmaceuticals). GLUMETZA is used in the management of type 2 diabetes. Other royalties are associated with the sales of drugs that combine GLUMETZA with other active ingredients.
  2. **Viscogliosi Brothers (VB):** Royalty rights to the coflex Interlaminar technology, a spinal implant used in one or two-level lumbar stenosis
  3. **University of Michigan (U-M):** Entitled to receive 75% of royalty payments under UofM's license agreement with Genzyme for an oral therapy for adult patients with type 1 diabetes called Cerdelga
  4. **AcelRx:** Royalties associated with the sales of Zalviso, a combination drug and device product which delivers an opioid with a high therapeutic index in the European Union
  5. **Kybella:** An FDA approved injectable treatment for adults with moderate- to- severe fat below the chin

- Royalty is valued on a quarterly basis by a third-party firm
- PDLI uses a discount rate around 15% which is high
- By comparison, some buyers have used 8-10%
- At 10%, the fair value goes to $370 million

($000)	**Fair Value 6/30/19**
Assertio	263,912
VB	14,373
U-M	24,279
AcelRx	12,494
KYBELLA	585
Total	**315,643**

Projected cash flows from royalty portfolio from 2019 to 2026



Cumulative cash flows expected to exceed $520 million

Noden

- PDL BioPharma purchased Noden Pharma in July 2016 for $200 million. Noden was the first wholly-owned acquisition undertaken by PDLI
- One-product company consisting of Tekturna (or Rasilez outside the U.S.), which is the only approved direct renin inhibitor for the management of hypertension
- Went generic in early 2019. On March 4, 2019, PDLI announced the U.S commercial launch of an authorized generic of Tekturna through Prasco Laboratories. Also discontinued contract sales force in August 2018 resulting in savings of $3.5 to $4 million per quarter
- 2019 expected revenue and net income of $60 million and $10 million
- One product company – would be worth more to another pharma company that can leverage its infrastructure across a larger portfolio of assets

- LENSAR is a leading manufacturer of femtosecond lasers (FLS) for refractive cataract surgery. Using laser during cataract surgery has shown to reduce astigmatism post-surgery. Lensar is considered to have very strong technology

- PDLI originally invested in LENSAR through a debt security, but eventually converted to an equity interest in May 2017 during bankruptcy. PDLI owns 95% of LENSAR. Taking over LENSAR has allowed PDLI to access LENSAR's NOL of $116.5 million to offset tax liabilities

- Cataract surgery is the #1 surgical procedure globally by volume with FLS procedures expected to grow approximately 7.5% per year through 2021

- LENSAR operates under a razor / razor blade type model whereby it distributes the machines to carry out the surgery at close to cost but generates favorable margin on the consumables used during surgery. Also gets paid every time the laser is used

- 2019 expected revenue of $28 million with breakeven profitability. Q2 revenue was up 26% year over year

Evofem & Wellstat receivable

EVOFEM BIOSCIENCES®

- Equity investment in Nasdaq-listed, clinical-stage women's health company developing products based on its Multipurpose Vaginal pH Regulator gel technology
- Evofem currently has IP technology around regulating pH ranges inside the vagina which can be used in birth control as it is inhospitable to spermatozoa as well as certain viral and bacterial pathogens associated with sexually transmitted infections
- The company is currently undergoing trials with the FDA for its product, Amphora
- Evofem has been the first investment made by current CEO, Dominique Monnet. PDLI invested $60 million in Evofem over two tranches at a time when Evofem needed additional capital

Wellstat Diagnostics, LLC

- In November 2012, PDLI lent Wellstat $40 million under a credit agreement. PDLI was to receive interest and royalty payments from the agreement
- In January 2013, Wellstat defaulted on the terms of the agreement. Since this time Wellstat and PDLI have entered into a number of forbearance agreements
- The amount owed to PDLI has accrued to over $100 million
- PDLI has recently received a favorable ruling from the Supreme Court of New York indicating that the guarantors are valid and enforceable and Wellstat owes the entire amount under the loan
- PDI BioPharma is currently in the process of trying to collect on these assets. The carrying value of the loan on the balance sheet is $50.2 million

Valuation

($M, except as noted)	Downside Case	Base Case	Upside Case
Cash	285	285	285
Royalty portfolio	158	315	372
Noden	60	90	150
Lensar	30	60	120
Wellstat	25	50	75
Evofem	30	60	90
Asset value	**588**	**860**	**1,092**
Debt	150	150	150
Equity value	**438**	**710**	**942**
Shares out. (mm)	115	115	115
Price per share ($)	**3.82**	**6.20**	**8.23**
Prem. / disc. to TBV	**-28.8%**	**15.5%**	**53.2%**
Upside from current	**61.2%**	**161.6%**	**247.1%**

For $136.5 million of enterprise value, we get the royalty portfolio, Noden, LENSAR, the Wellstat receivable, and Evofem

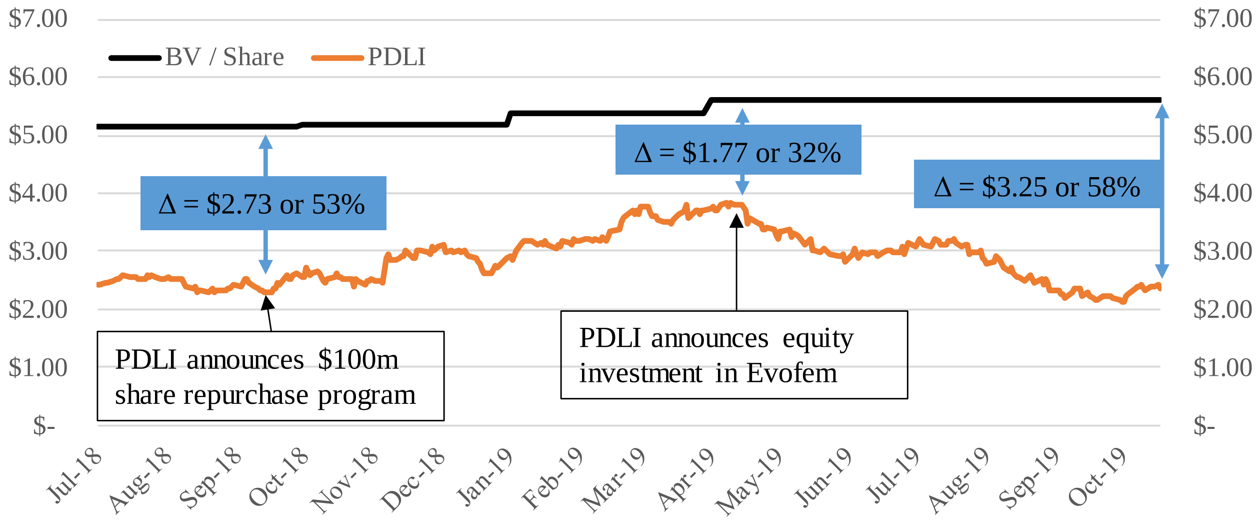
Why does this opportunity exist?

1 Fear around PDL BioPharma's capital allocation policy and investor concerns that the massive cash balance will be deployed in value-destroying acquisitions

A History of poor capital allocation decisions

- Noden was purchased for $200 million in July 2016. $152 million write-down in Q2 2018. Worth $90 million today in our base case scenario
- LENSAR's current ownership started as loan that went bad. PDL took over LENSAR in bankruptcy
- Wellstat receivable is another loan that went bad
- Since Evofem investment in April 2019, PDLI stock is down 38%

B Impact of capital allocation best seen through stock price action over the last 15 months



Engine CAPITAL

Why does this opportunity exist?

2 PDLI is structurally not a good platform to pursue this investment strategy

A Conglomerate discount

- PDLI's current strategy is to become a holding company with 3 or 4 strategic investments in pharma companies
- Shareholders are better off diversifying themselves than having a management team do it for them
- Cash being discounted by shareholders because of poor track record of capital allocation

B PDLI's corporate structure is inefficient from a tax perspective

- PDL BioPharma is structured as a C corporation which introduces two layers of taxation
- Income or capital gains taxed at the C corporation level and then subsequently at the shareholder level

C PDLI's structure is inefficient from an expense perspective

- Company's corporate G&A expenses around $27.5 million per year, including the cost of being a public company, management compensation and business development costs
- Equates to a management fee of 10%

Why does this opportunity exist?

3 Poor governance structure

A CEO doesn't have the relevant background

- Experience with commercialization of pharmaceutical products. CMO at Alexion Pharmaceuticals from May 2014 to October 2015. Prior to that, 21 years at Amgen in different leadership positions
- No investing or capital market experiences despite the fact that the success of PDLI under the current strategy will depend on allocating hundreds of millions of dollars of shareholder's money

B Management team is poorly incentivized

- Short Term Incentive (STI) – 40% of corporate goal based on the "purchase of $100 million of pharma or technology related assets with acceptable revenue and costs"
- Incentive to make potential poor acquisitions to earn annual bonus
- Long Tern Incentive (LTI) in stock options only which is too dilutive at the current low stock price

C Board doesn't have the right mix of experiences and is not aligned with shareholders

- Median annual compensation of $273k per directors compared to median board compensation of $163k at peer group (and $217k at the 75th percentile)
- Very little stock ownership and no insider buying for almost 5 years
- Lots of pharma experience but limited investing and capital market experience

Activism agenda

Engine's plan is to maximize the risk-adjusted return of PDLI

A **Publicly announce the cessation of investment activities and the initiation of a strategic review process**

- Hire top-tier investment bank
- Review could lead to a sale of the entire Company, a partial sale of assets or a slower liquidation process
- Return cash to shareholders in the most tax-efficient way

B **Right size the Company's cost structure**

- Corporate overhead would go from $27.5 million to around $8 million
- PDLI would start generate significant free cash flow – around $45 million per year

C **Reconstitute the Board**

- Reduce the size of the Board from 8 to 4 independent directors
- Reduce annual board compensation from a median of $273k per director to $150k
- Board members with investing and M&A experience

Risks and mitigants

Risks

- Value-destroying specialty pharma investments
- Generic drug competition takes more market share than anticipated from Assertio or Noden
- Evofem requires more capital than anticipated to commercialize
- Inability to collect Wellstat note because of lack of collateral

Mitigants

- Engine's activism
- Significant margin of safety
- Collateral for Wellstat is backed by significant land and real estate assets that are unlikely to lose value over time
- Assertio is manufactured and distributed by a leading company, Bauch Health

Next steps

- 13D being filed today with attached letter to the Board
- Conversations with the Board and other shareholders
- Nomination window opens on February 21, 2020 and closes on March 22, 2020
- Last year annual meeting was on June 20, 2019
- Three directors up for re-election at the 2020 annual meeting
  - David Gryska, age 63, director since 2014. Audit partner at Ernst & Young and CFO at a few pharma companies
  - Elizabeth O'Farrell, age 55, director since 2018. Served 24 years with Eli Lilly, most recently as Chief Procurement Officer
  - Paul W. Sandman, age 71, director since 2008. Retired general counsel from Boston Scientific
- Engine intends to nominate an experienced slate