

Engine Capital Issues Letter to Dye & Durham Shareholders Regarding Its Efforts to Improve Performance and Oversight

Highlights the Company's Long-Term Underperformance and Board's Pattern of Misguided Decisions

NEW YORK--(BUSINESS WIRE)-- Engine Capital LP, which owns approximately 6.6% of Dye & Durham Limited's (TSX: DND) outstanding shares, today issued the following letter to shareholders:

April 25, 2024

Fellow Shareholder:

Engine Capital LP (together with its affiliates, "Engine" or "we") is a meaningful shareholder of Dye & Durham Limited (TSX: DND) ("Dye & Durham" or the "Company"), holding approximately 6.6% of the Company's outstanding shares. Over the past few months, we have privately and repeatedly engaged with the Board of Directors (the "Board") on its current strategy, capital allocation approach and composition. We are now compelled to publicly raise our concerns regarding Dye & Durham's underperformance and strategic missteps after our private attempts to work constructively with the Board fizzled out. Our sole focus is to address and rectify the Company's most pressing issues:

- **Long-Term Underperformance:** Dye & Durham's total shareholder returns have been disappointing over every relevant period, as seen below.¹

Total shareholder returns over time			
	Total Shareholder Return (1-Year)	Total Shareholder Return (3-Year)	Total Shareholder Return (since IPO)
TSX Composite Index	9.8%	26.0%	52.7%
NASDAQ Composite Index	35.4%	27.6%	67.8%
Dye & Durham Limited	0.2%	(62.1%)	4.4%
DND vs. TSX	(9.7%)	(88.0%)	(48.3%)
DND vs. NASDAQ	(35.3%)	(89.7%)	(63.4%)

- **All-Time Low EBITDA Multiple:** The Company's EBITDA multiple is nearing an all-time low and lingers at a significant discount to peers, reflecting investors' significant concerns about the Board's misguided decisions.
- **Poor Capital Allocation:**
 - *Paying elevated multiples for acquisitions:* The Board has paid an aggregate multiple around 16.0x EBITDA vs. the Company's current multiple of around 7.5x 2025 EBITDA.

¹ Total shareholder returns calculated as of the close of April 24, 2024.

Even when synergies and pricing increases are taken into account, the multiples paid for acquisitions are still well above Dye & Durham's current multiple.

- *Dilutive share issuance:* The Board authorized repurchasing 14.7 million shares for an average price of C\$15.22 per share in fiscal year 2023 (including through two Substantial Issuer Bids). It then turned around just a few months later and completed a highly dilutive equity issuance of 11.96 million shares at C\$12.10 per share in February 2024.
 - *Mismanaging refinancing the Company's C\$345 million convertible:* Despite the Company's best efforts, this debenture is still outstanding and is now trading close to par.
 - *Incurring unnecessary costs:* A combined C\$134 million in "*acquisition, restructuring and other costs*"² was incurred in fiscal 2021, 2022 and 2023 – representing almost 15% of the Company's market capitalization. This is an exorbitant number that reflects the frenetic pace of capital market activity under the current Board.
- **Misaligned Incentives:**
 - *Establishing the wrong long-term operational target for the Company:* A framework targeting C\$1 billion EBITDA incentivizes acquisitions – even if they don't create shareholder value. There should be no pressure on management or the Board to reach an arbitrary EBITDA target.

To maximize the value of Dye & Durham, the Board needs to incentivize management to optimize its return on invested capital, focus on organic growth and consider acquisitions in a measured and disciplined way – instead of trying to hit an arbitrary EBITDA target.

While we still hope to reach a constructive resolution with the Board, we are increasingly concerned the Board may resort to scorched-earth tactics, including pursuing frivolous legal actions against Engine and other shareholders. We believe the Board is aware that many independent shareholders are aligned with our view that change is essential but is nonetheless focused on protecting incumbents' board seats by all means necessary, including by spending a significant amount of shareholders' money on hiring multiple law firms and defense advisors.

The Board should proceed with caution, as it would be a grave mistake if the Company took steps to disenfranchise its shareholders. Boards that pursue frivolous legal actions against their own shareholders do so at their own peril. Such actions would only further underscore how the current directors are unfit to oversee Dye & Durham on behalf of shareholders.

Sincerely,

Arnaud Ajdler
Managing Partner

No Solicitation

² Acquisition, restructuring and other costs related to professional fees and integration costs incurred in connection with acquisition, divesture, listing and reorganization-related expenses.

This press release does not constitute a solicitation of a proxy within the meaning of applicable laws, and accordingly, DND shareholders are not being asked to give, withhold or revoke a proxy.

About Engine Capital

Engine Capital LP is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

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