

Engine Capital Calls on Dye & Durham’s Board Not to Issue Shares Ahead of the Special Meeting

Concerned that the Recently Filed Prospectus Is a Prelude to a Share Issuance as a Defensive Tactic to Entrench the Board

Believes Dye & Durham's Intrinsic Value Is at Least \$25 Per Share and that Issuing Shares at the Current Price Would Be a Serious Capital Allocation Mistake

Recommends the Board Establish a Committee of Independent Directors to Solicit Shareholders' Feedback

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 open letter to Dye & Durham’s Board of Directors.

May 6, 2024

Dye & Durham Limited
1100-25 York Street
Toronto, Canada
M5J 2V5
Attention: Board of Directors

Dear Members of the Board of Directors (the “Board”):

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. On April 30, 2024, Dye & Durham filed a non-routine base shelf prospectus, which would facilitate the issuance of (among others) common shares of the Company. We believe the timing of this prospectus is highly suspicious given that it comes just weeks after the Company scheduled the Special Meeting of Shareholders (the “Special Meeting”) requisitioned by Engine¹ and more than a year after the prior base shelf prospectus expired.² **We are concerned that the Company may employ a dilutive share issuance as a defensive tactic to entrench the Board by placing newly issued shares in friendly hands to weaken the voting power of Engine and the other current shareholders ahead of the Special Meeting.**

Issuing shares at the current price would be a serious capital allocation mistake given the Company’s undervaluation. Ironically, one of the primary reasons for this undervaluation is the Board’s poor record of capital allocation, illustrated by the recent equity issuance at \$12.10 per share. We believe Dye & Durham’s intrinsic value is at least \$25 per share.³ This valuation also aligns with sell side analysts’ target price of

¹ The Company announced on March 29, 2024 that the Special Meeting is scheduled for August 20, 2024.

² The prior base shelf prospectus expired 16 months ago in December 2022.

³ Conservatively assumes 10x LTM EBITDA multiple, 2025 EBITDA of \$280 million and \$125 million of free cash flows generated in H2 2024 and 2025.

around \$24.50 per share.⁴ Issuing shares at such a discount to the Company's intrinsic value, whether as part of an acquisition or as part of a financing, would destroy meaningful shareholder value. Beyond this value destruction, issuing shares so close to the Special Meeting would be a governance stain on the Board and would disenfranchise the Company's shareholders. To assuage shareholders' concerns that any share issuance is not done for defensive reasons, we urge the Board to subject any such issuance to shareholders' approval⁵ or, alternatively, issue any such shares only after the record date for the Special Meeting has passed.

The Board should be aware that Engine's counsel has brought these matters to the attention of the Toronto Stock Exchange and that it is our intention to take all legal and other actions necessary to oppose any share issuance between now and the Special Meeting.

Separately, we believe it would be timely for the Board to form a special committee of independent directors whose purpose would be to communicate directly with shareholders. We are concerned that the Board is getting filtered information and is not properly assessing shareholders' frustration with the current situation. It would be natural for incoming Chair Ms. Colleen Moorehead and a subset of independent directors to communicate directly with shareholders, ask for their feedback and consider their views. We believe this exercise would be conducive to a constructive resolution with the Board as it may help the Board realize the futility of engaging in scorched-earth tactics such as the issuance of deeply undervalued shares.

Sincerely,

Arnaud Ajdler
Managing Partner

No Solicitation

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.

Contacts

For Investors:

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212-321-0048

⁴ Only two sell side analysts have updated their numbers since the recent refinancing: Canaccord Genuity and Scotiabank have target prices of \$25 and \$24 per share, respectively.

⁵ Along the principles set out in the case of *Re Eco Oro Minerals Corp.*, 2017 ONSEC 23, which established that actions taken by boards and management that affect materially the control of the listed issuer in the context of a proxy contest should be shareholder-approved prior to taking effect.

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