



Trian's Implied Target Value Analysis For DuPont Stock



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Trian Partners, together with other Participants (as defined below), filed a definitive proxy statement and an accompanying proxy card with the SEC on March 25, 2015 to be used to solicit proxies in connection with the 2015 Annual Meeting of Stockholders of the Company, including any adjournments or postponements thereof or any special meeting that may be called in lieu thereof (the “2015 Annual Meeting”). Information relating to the participants in such proxy solicitation (the “Participants”) has been included in that definitive proxy statement and in any other amendments to that definitive proxy statement. Stockholders are advised to read the definitive proxy statement and any other documents related to the solicitation of stockholders of the Company in connection with the 2015 Annual Meeting because they contain important information, including additional information relating to the Participants. Trian Partners’ definitive proxy statement and a form of proxy have been mailed to stockholders of the Company. These materials and other materials filed by Trian Partners in connection with the solicitation of proxies are available at no charge at the SEC’s website at www.sec.gov. The definitive proxy statement and other relevant documents filed by Trian Partners with the SEC are also available, without charge, by directing a request to Trian’s proxy solicitor, MacKenzie Partners, Inc. 105 Madison Avenue, New York, New York 10016 (call collect: 212-929-5500; call toll free: 800-322-2885) or email: proxy@mackenziepartners.com.

Trian's Investment Thesis For DuPont

- When Trian issued its Summary White Paper (September 2014), Trian arrived at an implied target value per share in excess of **\$120⁽¹⁾** by the end of 2017, a **21%** internal rate of return (IRR) for shareholders holding DuPont stock during this period
- The Key Assumptions for Trian's Analysis in its Summary White Paper were as follows:
 - **Valuation:** 9.9x blended next twelve months (NTM) Enterprise Value (EV)/EBITDA multiple⁽²⁾
 - Benchmarks valuation for DuPont's businesses using the following peer companies:
 - **GrowthCo (Agriculture; Industrial Biosciences; Nutrition & Health):** Monsanto, Syngenta, Novozymes, Givaudan, Symrise, IFF, Chr. Hansen, Kerry, Tate & Lyle
 - **CyclicalCo/CashCo (Safety and Protection, Performance Materials, Electronics & Communications):** 3M, Eastman Chemical, Celanese, Dow Chemical
 - **Performance Chemicals:** Kronos, Tronox, Huntsman, Arkema
 - DuPont currently trades at a consolidated NTM EV/EBITDA multiple of 10.3x, which is 0.4x higher than the multiple used in the Summary White Paper⁽³⁾
 - **Best-in-class operating performance:** Revenue growth and margins in-line with peers and management long-term targets
 - Models 410bps of margin improvement from 2014-2018
 - If one assumes a ~30% flow-through on incremental revenue, the resulting cost savings implied by the model would be less than \$1bn of cost savings⁽⁴⁾
 - **Prudent Leverage:** 2x net debt/EBITDA across the businesses as a whole; maintain investment grade rating
 - **Focus on Returns to Shareholders:** Grow dividend at 10% compounded annual growth rate (CAGR); assuming all excess free cash flow returned to shareholders
 - **Tax Rate:** 33% tax rate (higher than the 22% expected by the Company in 2015⁽⁵⁾) across the business to provide flexibility with free cash flow

The Summary White Paper contemplated a separation of the portfolio as a means to an end to increase the probability that the individual businesses eliminate operational underperformance vs. peers and achieve a multiple re-rating. If elected, Trian's nominees will work with the Board to assess DuPont's corporate structure and determine if management is capable of achieving best-in-class performance with the existing portfolio. If management can optimize performance on a consolidated basis, the Company would not need to separate the portfolio or incur any related costs, which would increase our implied target value per share

- (1) The Open Letter to the DuPont Board (Trian Summary White Paper) dated September 16, 2014 is available at www.DuPontCanBeGreat.com. This is not meant to be, nor is it, a prediction of the future trading price or market value of DuPont stock. There can be no assurance or guarantee with respect to the prices at which DuPont stock will trade, and such stock may not trade at prices that may be implied herein.
- (2) EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Assumes 6% increase in the NTM EV/EBITDA multiple based on DuPont's consensus valuation as of September 2014.
- (3) Current NTM EV/EBITDA multiple based on consensus estimates for 2015 EBITDA (per Bloomberg, as of April 16, 2015, intraday stock price).
- (4) Trian estimates that consolidated DuPont is burdened by \$2-4bn of excess corporate costs. See pages 71 and 72 of Trian's White Paper which was filed with the SEC on February 17, 2015.
- (5) See the Company's Investor Presentation dated January 27, 2015.

Model Behind Implied Target Value of DuPont Shares

Implied Target Value: December 31, 2017⁽¹⁾

	<u>GrowthCo</u>	<u>Performance Chemicals</u>	<u>CyclicalCo/ CashCo</u>	<u>Total</u>
<u>2018E Figures</u>				
Revenue	\$21,900	\$7,977	\$15,533	\$45,410
5 YR CAGR	5.9%	3.5%	3.9%	4.9%
EBITDA	\$5,084	\$1,775	\$3,560	\$10,418
% - Margin	23.2%	22.2%	22.9%	22.9%
EPS	\$3.59	\$1.31	\$2.35	\$7.25
NTM EV/EBITDA Multiple	11.8x	6.7x	8.8x	9.9x
<u>December 31, 2017 Valuation</u>				
Enterprise Value	\$60,208	\$11,944	\$31,488	\$103,639
Net Debt and other	(\$9,068)	(\$2,961)	(\$7,438)	(\$19,467)
Equity Value	\$51,140	\$8,983	\$24,050	\$84,173
Shares Outstanding	735	688	754	735
Implied Share Value	\$69.55	\$13.05	\$31.90	\$114.50
Implied NTM P/E	19.4x	10.0x	13.5x	15.8x
Dividends Per Share (Remaining 2014 & 2015)	-	-	-	2.98
Dividends Per Share (2016-2017)	1.88	0.66	1.95	4.49
Total Dividends Per Share Collected	\$1.88	\$0.66	\$1.95	\$7.47
Total Implied Value Per DuPont Share at 12/31/17				\$121.97
% Potential Upside (With Dividend)				86.6%
Debt/EBITDA	2.6x	2.1x	2.6x	2.5x
Net Debt/EBITDA	2.0x	1.9x	2.2x	2.0x

(1) This model is included in the September 16, 2014 Open Letter to the DuPont Board (Trian Summary White Paper). Sources : DuPont SEC Filings and Trian estimates. \$ in millions, except per share data.