

Monmouth, Inc.

Should they acquire Robertson Tool
Company?



OUR TEAM



Executive Summary



- **Buy** Robertson Tool Company
- **Optimistic** vs. **Pessimistic** Pricing
- Outcome: **Stability** & **Synergy**



Monmouth's Volatile Earnings

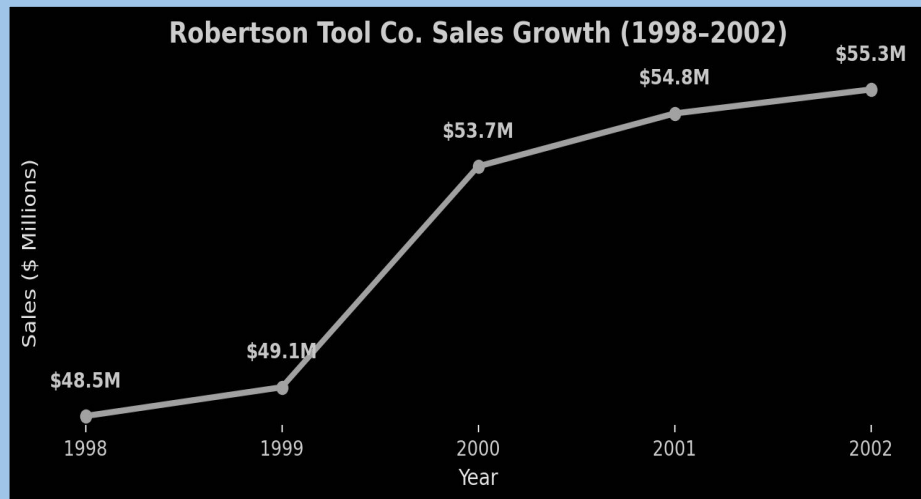
- **Oil & Gas**
 - Drives earnings **swings**
- **Wall Street**
 - Skeptical of **cyclical** revenue

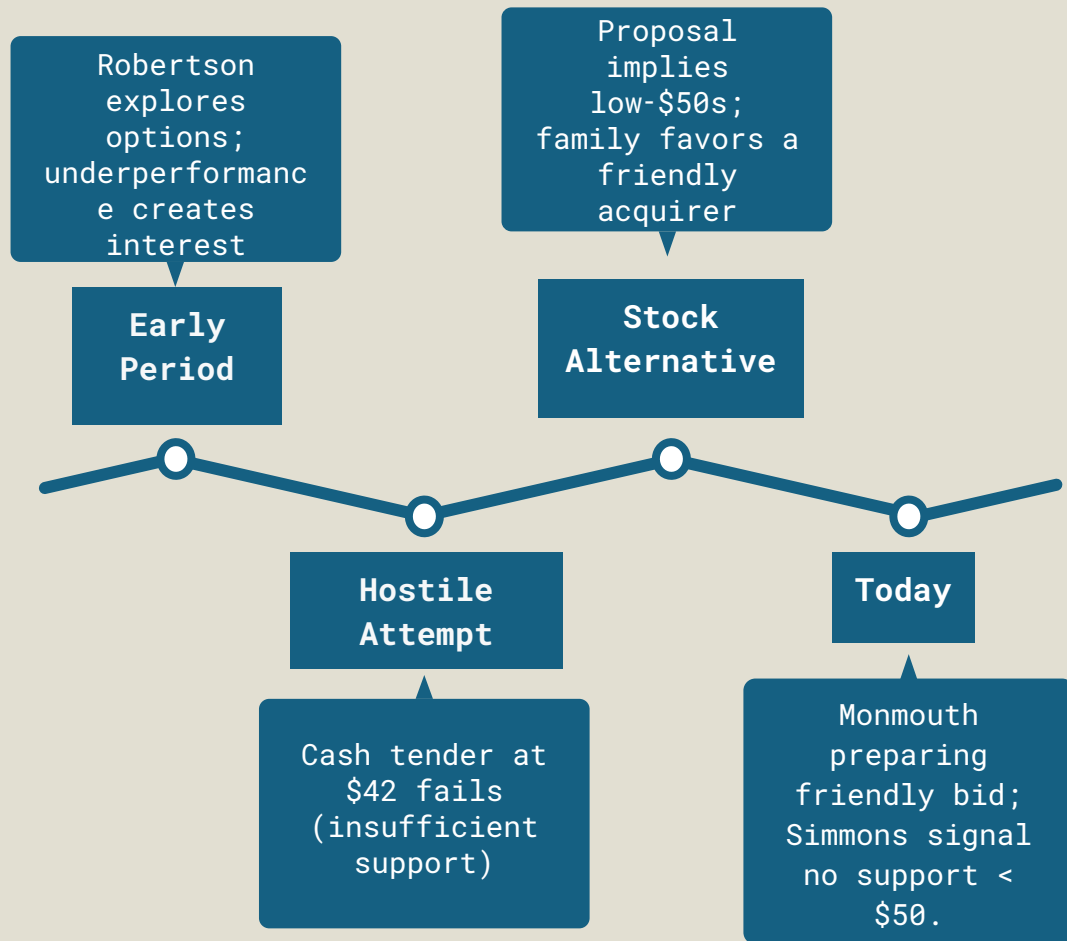


Need: Diversification



Target: Robertson Tool Company





Events leading to Monmouth's Opportunity

Why Robertson *Makes Sense*



Complementary
product lines



Global **distribution**
reach



Efficiency cost
synergies



Balanced **revenue**
mix

What Was Assumed

- % Rf = 4.10%
- \approx MRP = 5.5%
- $\text{\$}$ Tc = 40%
- $\text{\$}$ "BBB" rating before acquisition
- $\text{\$}$ "A" rating after 2007+
- \downarrow Beta decreases in 2007+
- $\text{\$}$ Beta derived from comparables



7.95%

 r_{WACC} 

Cost of
Debt (r_D)

6.07%

Cost of
Equity (r_E)

9.38%

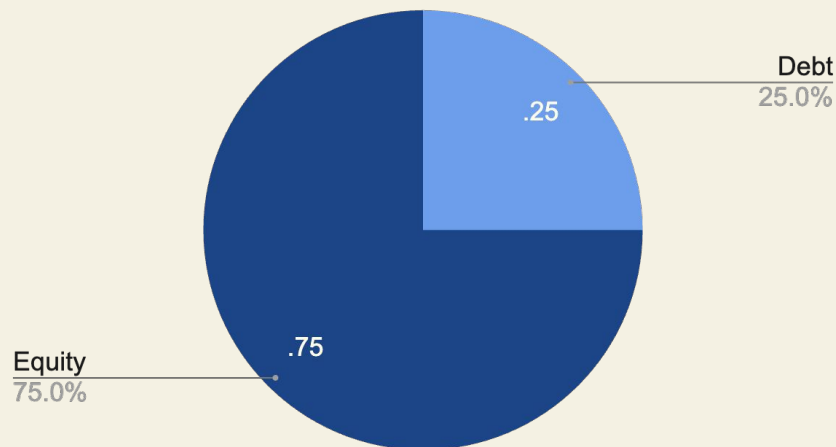


The *Right* Discount Rate

(2003-2006)



Debt & Equity to Value



7.23%

 r_{WACC} 

Cost of
Debt (r_D)

5.07%

Cost of
Equity (r_E)

8.78%

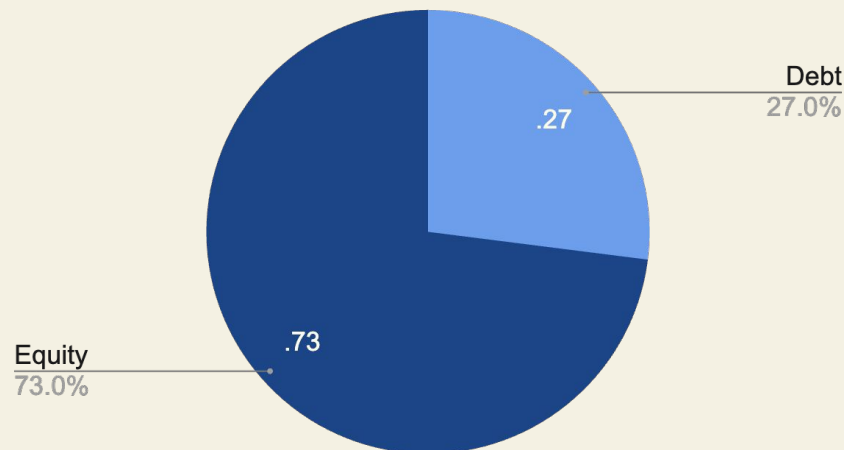


The *Right* Discount Rate

(2007+)



Debt & Equity to Value



FREE CASH FLOW

Optimistic Scenario: FCF Build & Valuation

PV(TV) 50.11

EV 58.58

Equity Value 47.58m

\$ per share 81.46

VALUATION

Line Items	2002	2003	2004	2005	2006	2007 +
Sales	55.3	58.6	62.1	65.9	69.8	69.8
COGS	37.9	39.8	41.6	43.5	45.4	45.4
Gross Profit	17.4	18.8	20.5	22.4	24.4	24.4
Op Ex	12.3	12.3	12.4	12.5	13.3	13.3
Depr	2.1	2.3	2.5	2.7	2.9	2.9
EBIT	3	4.2	5.6	7.2	8.2	8.2
Tax at 40%	1.2	1.68	2.24	2.88	3.28	3.28
Unlevered NI	1.8	2.52	3.36	4.32	4.92	4.92
Depr	2.1	2.3	2.5	2.7	2.9	2.9
Capex		-4	-3.5	-3.6	-3.8	-2.9
Increases in NWC						
FCF	3.9	0.82	2.36	3.42	4.02	4.92
PV(FCF)		0.76	2.03	2.72	2.96	

FREE CASH FLOW

VALUATION

Pessimistic Scenario: Limited Efficiency Gains

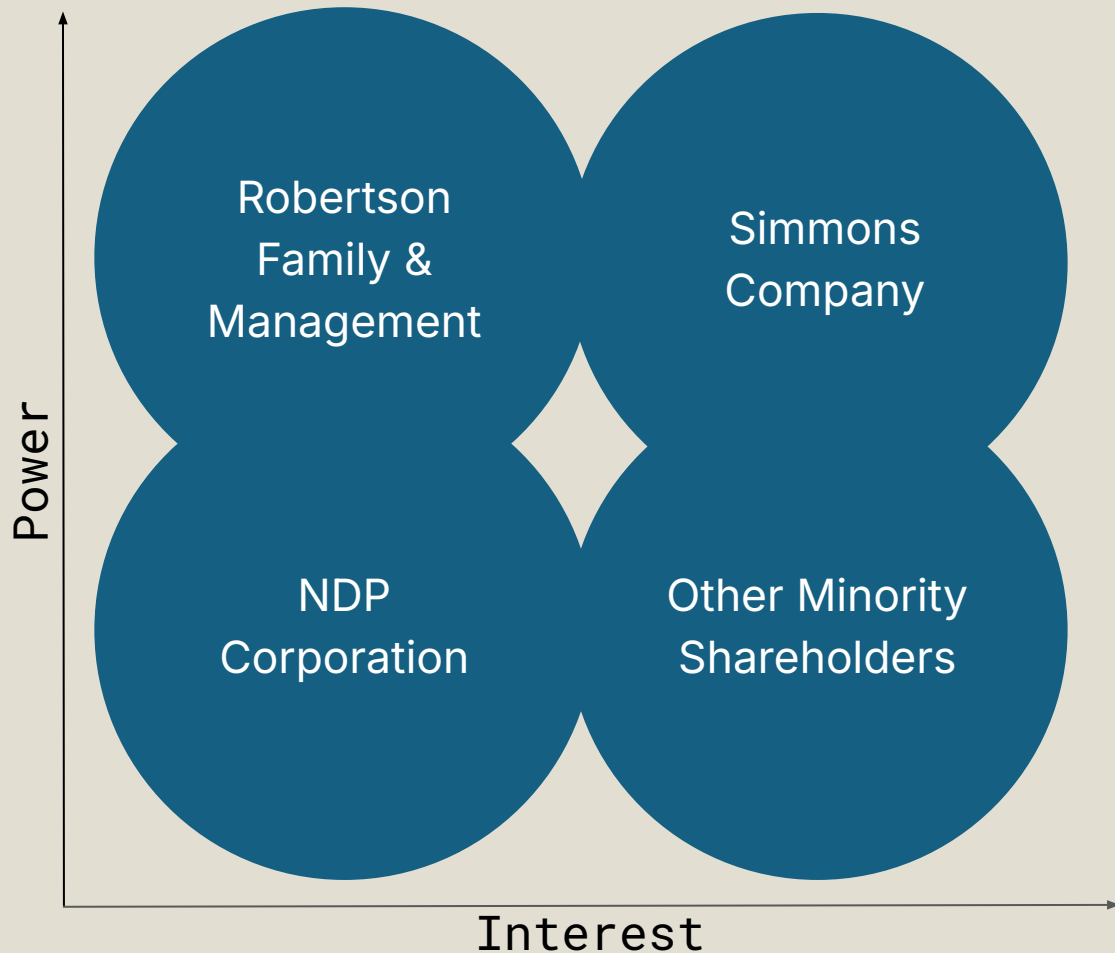
PV(TV) 29.2

EV 34.23

Equity Value *23.23m*

\$ per share *39.78*

Line Items	2002	2003	2004	2005	2006	2007+
Sales	55.3	58.6	62.1	65.9	69.8	69.8
COGS	37.9	39.8	42.23	44.81	47.46	47.46
Gross Profit	17.4	18.8	19.87	21.09	22.34	22.34
Op Ex	12.3	12.3	13.04	13.84	14.66	14.66
Depr	2.1	2.3	2.5	2.7	2.9	2.9
EBIT	3	4.2	4.33	4.55	4.78	4.78
Tax at 40%	1.2	1.68	1.73	1.82	1.91	1.91
Unlevered NI	1.8	2.52	2.6	2.73	2.87	2.87
Depr	2.1	2.3	2.5	2.7	2.9	2.9
Capex		-4	-3.5	-3.6	-3.8	-2.9
Increases in NWC						
FCF	3.9	0.82	1.6	1.83	1.97	2.87
PV(FCF)		0.76	1.37	1.45	1.45	



Stakeholder Map **Power** Vs. **Interest** Grid

- **Simmons Company:** Key **voting** block; wants \geq \$50/share
- **Robertson Family & Mgmt:** Favor **friendly** acquirer, cultural continuity
- **Minority Shareholders:** Value **liquidity** and **fair** premium
- **NDP Corporation:** Competing bidder; **timing** pressure

Monmouth **vs** NDP Quick Comparison



Monmouth

NDP

Offer Type

All-Stock

All-Stock, Tax-Free

Market Image

NYSE-Listed, Dividend Paying

No Dividend, Thinly Traded

Integration

Friendly, Keeps Brand & Management

Full Absorption

Timing

Can Move Now

Must Wait for Vote



Key Takeaway

Monmouth wins on liquidity, fit, and timing, but must act fast
Before NDP's vote

Key Deal **Risks** & Mitigation Strategies



Mitigation

- Maintain disciplined integration
- Transparent coordination with:
 - Robertson leadership
- Phased consolidation to preserve:
 - Quality and customer relationships

Integration Benefits

Requires close coordination and leadership alignment

Anticipate Cost Savings

Timing and size of synergy capture may lag projections

Monmouth
Should
Acquire
Robertson



\$53 Per Share

All Stock Offer

A low-angle, upward-looking photograph of several tall skyscrapers against a pale, overcast sky. The buildings are made of dark glass and steel, with many windows visible. The perspective creates a sense of height and scale. The word "Questions?" is superimposed in the center in a bold, black, italicized font.

Questions?