Robotti
Value Investors

Cyclical Investing: Mr. Market Goes to Rehab

Bob Robotti
Robotti & Company Advisors

Ben Graham Centre's 2019 Value Investing Conference
April 2, 2019

Our Foundation

- Valuation is the foundation of our investment process.

- We believe that market prices of securities do not necessarily indicate their true economic worth.

Commonalities Among Value Investors

"To me, value investing is a big tent that accommodates many different people. At one end of the tent there is Ben Graham, and at the other end of the tent there is Warren Buffett, who worked with Graham and then went out on his own and made adjustments to the teachings of Ben Graham."

- Jean-Marie Eveillard (*Graham and Doddsville* – Winter 2007 Ed.)

Common Themes

Ugly Ducklings

- Many value investors say they look for companies or industries that are beaten-up, out of favor, or out of fashion - ugly ducklings.
- However, we find it most common for investors to avoid near-term uncertainty at all cost and only invest once the dust has settled.
- We concentrate on understanding the long-term normalized earning power of a business well before it turns into a swan.

Long Runways

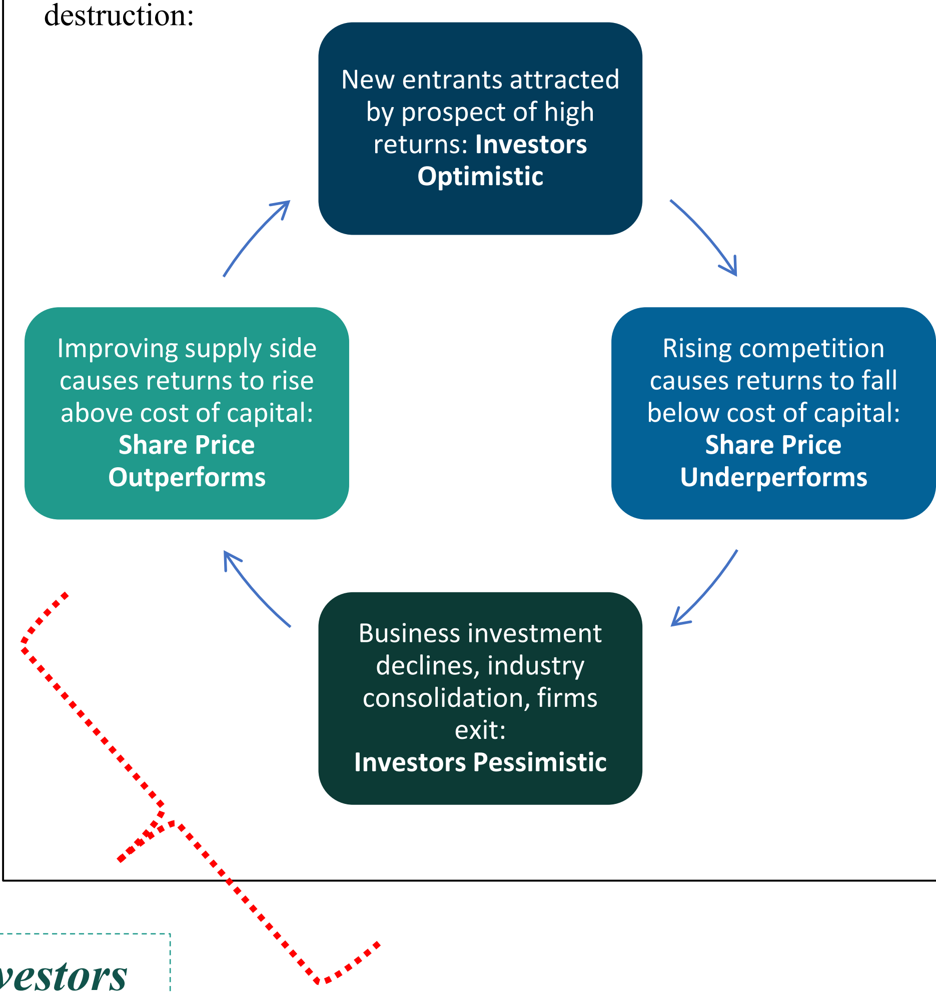
- Industries facing significant short-term headwinds / "unknowns."
- Individual companies that are certainly not immune to the industry-wide issues and may even have more serious complications.
- The dynamics are in place for very long runways of growth once headwinds dissipate.

Understanding the Value of Economic Cycles

- Statistically Cheap
- Differentiated business / Competitive advantage
- Large inside ownership
- Ability to be opportunistic through the downturn

<u>→ Improved earning power</u>

Economic cycles resemble Schumpeter's process of creative destruction:



Hunting ground for value investors

Source: Capital Returns, Edward Chancellor, editor (2015)

Cyclicals Amplify Mr. Market's Manic Depressive Nature

"A business which sells at a premium does so because it earns a large return upon its capital; this large return attracts competition; and generally speaking, it is not likely to continue indefinitely. Conversely in the case of a business selling at a large discount because of abnormally low earnings. The absence of new competition, the withdrawal of old competition from the field, and other natural economic forces should tend eventually to improve the situation and restore normal rate of profit on the investment."

Security Analysis (1934 Edition)
Benjamin Graham and David Dodd

Today's Value Investor Bias

Investing Checklist

- ☒ Is this company cyclical?
- ☒ Is the business tied to commodity prices?
- ☒ Is the business capital intensive?
- ☒ Is the balance sheet levered?
- ☒ Is there potential technological disruption?

"If you want to have a better performance than the crowd, you must do things differently from the crowd."

- Sir John Templeton

What Makes Robotti Different

Analytical Edge

Within the context of a longer-term perspective and 30+ years of experience, we have the ability to develop a different conclusion than that of the market.

Informational Edge

Our network of industry relationships, focus on deep primary research, and experience serving on company boards, provides us with more pieces for building our information mosaic.

Leads Us To

Behavioral Edge

We take a longer-term view and have the ability to tolerate market swings.

Our behavioral edge comes from our ability to tolerate market volatility. As a result, our investment process concentrates on understanding the long-term normalized earning power of a business well before the "investing herd" gains interest.

Stolt-Nielsen Limited (OB:SNI)

- Stolt-Nielsen, the world's largest provider of transportation and storage for bulk liquid chemicals, was founded in 1959 by Jacob Stolt-Nielsen, a pioneer of the parcel tanker industry.
- Stolt's three main business segments include: (1) Stolt Tankers, (2) Stolthaven Terminals, and (3) Stolt Tank Containers.
- Other segments include Sea Farm, and Stolt-Nielsen Gas where the company holds equity investments in Golar LNG & Avance Gas.
- At roughly 50% of book value we believe shares of the stock are cheap.

Market Capitalization	
Price	**$12.51**
Dil Shrs[1]	54.3
Market Cap	**$680**
LT Debt	2,392
Cash	65
Enterprise Value	**3,007**
Net Debt	2,328
Net Debt/EBTIDA (ttm)	5.3x
52 Week Hi	$16.85
52 Week Lo	$11.00

$US as of March 28, 2019

			Consensus Est.	
(Annual)	FY '17	FY '18	FY '19E	FY '20E
Revenue	**1,997.1**	**2,125.5**	**2,159.6**	**2,240.0**
growth	6.2%	6.4%	1.6%	3.7%
ev/sales	1.5x	1.4x	1.4x	1.3x
EBITDA	**447.3**	**435.3**	**494.9**	**544.1**
margin	22.4%	20.5%	22.9%	24.3%
ev/EBITDA	6.7x	6.9x	6.1x	5.5x
Diluted EPS	**$0.81**	**$0.89**	$1.79	$3.01
p/e	15.4x	14.1x	7.0x	4.2x

[1] In 11/2016, 7mm treasury shares were used as collateral for a $60mm revolver. To comply with Bermuda law, ownership of these shares was transferred to Stolt-Nielsen Finance Ltd, a wholly owned subsidiary, which holds these shares on behalf of the lender. These shares are no longer included in Treasury shares and are included within Paid-In Surplus. For the purposes of IFRS EPS, these shares are considered as outstanding. Robotti Advisors adjusts for these shares when calculating market cap & enterprise value.

Source: Stolt-Nielsen 2018 Annual Report, S&P Capital IQ, Stolt-Nielsen website

Stolt-Nielsen Summary

- ✓ Stolt-Nielsen is the world leader of a niche oligopoly.
- ✓ The chemical tanker business has certain dynamics that differentiate it from other segments of the shipping industry.
- ✓ Complex assets necessary for segregated cargo limit the ease of industry entrance.
- ✓ New build activity for chemical tankers is relatively limited.
- ✓ Headwinds over the past ten years cloud underlying structural changes – creating an opportunity.
- ✓ The terminal segment and container segment continue to provide high ROCE growth opportunities while creating strong synergies between the three primary segments.

Strong Synergies Between the Three Main Segments

Same customers — **same products** — **same markets**

Stolt-Nielsen Limited is a worldwide leading provider of integrated transportation, storage and distribution of bulk liquid chemical products and veg. oils through its three largest business divisions

Shipping

- Deep sea and regional fleets provide global coverage
- Sophisticated stainless steel specialty tonnage with high number of segregations

Bulk Liquid Storage

- Storage facilities in main distribution locations serving as hubs for tankers

Door-to-door Transportation

- Worldwide door-to-door logistics service
- Operations supported by 14 depots globally

Specialty chemicals — Organic chemicals — Inorganic chemicals — Vegetable oils

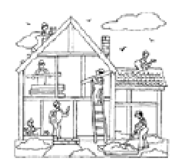
Electronics

Textile

Packaging

Automotive

Construction



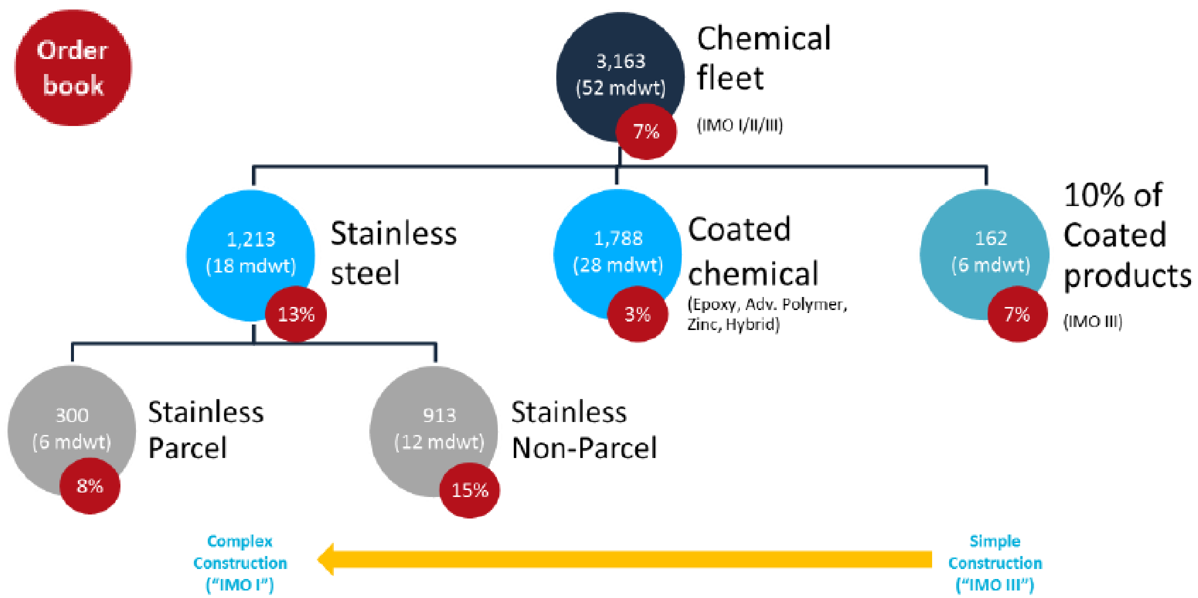
Agricultural

Source: Stolt-Nielsen Investor Roadshow Presentation (5/8/2013)

Chemical Tankers: An Industry Niche

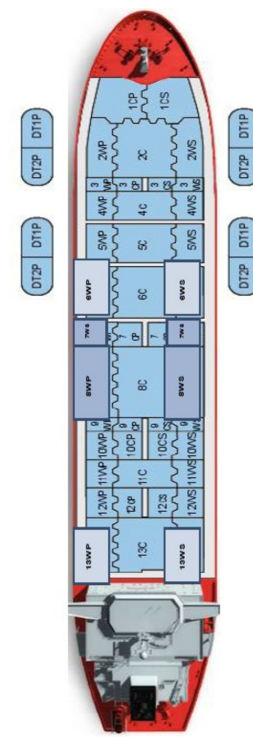
- Specialized chemical tankers are complex and often purpose-built differentiating them from other more commoditized ships.
- Historically, fragmentation created a very competitive environment while the industry's inherent cyclicality led to volatile earnings.

Specialized Products Fleet Market Segmentation



Basic Chemical Tanker

Complex Segregated Tanker

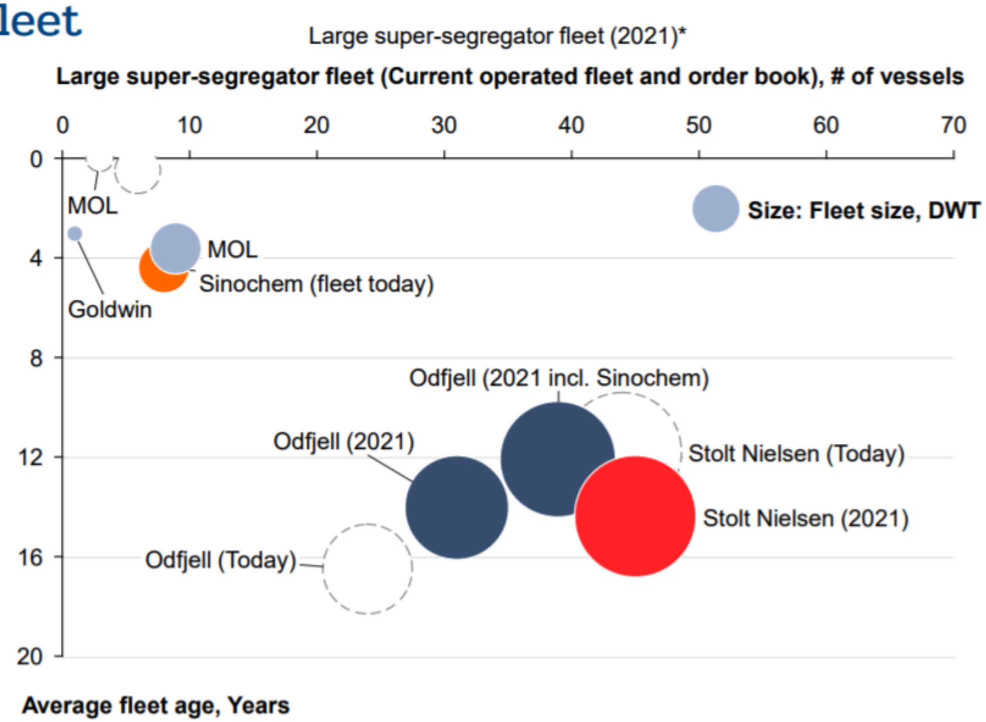


Source: Clarksons Platou "Good, awesome and mega" (2/12/18), Stolt-Nielsen Investor Presentation (4/2013)

Super-Segregated Niche

Tankers: Sinochem transaction represented another milestone in renewing and growing our core super segregator fleet

- Odfjell announced a framework agreement with Sinochem Shipping in November. Final completion expected in 1Q 18
- Odfjell will bareboat 4 vessels (super segregators) from Sinochem and form a pool with Sinochem's 4 vessels
- The pool will be exclusively managed by Odfjell and acts as a capital efficient way of growing/renewing our fleet and at the same time consolidate our core markets
- With all our tonnage initiatives in 2017 we have reached our growth and renewal ambitions and have made good strategic progress
- Consolidation in the chemical tanker segment remains high on the agenda
    - Odfjell/Sinochem (Q4 17)
    - Odfjell/CTG (Q2 17)
    - Jo Tankers/Stolt-Nielsen (Q4 16)
    - Crystal Nordic/Essberger Tankers (Q4 17)



** Not accounting for scrapping, except Stolt Vestland and Stolt Vinland and 3 NCC Kværner vessels*

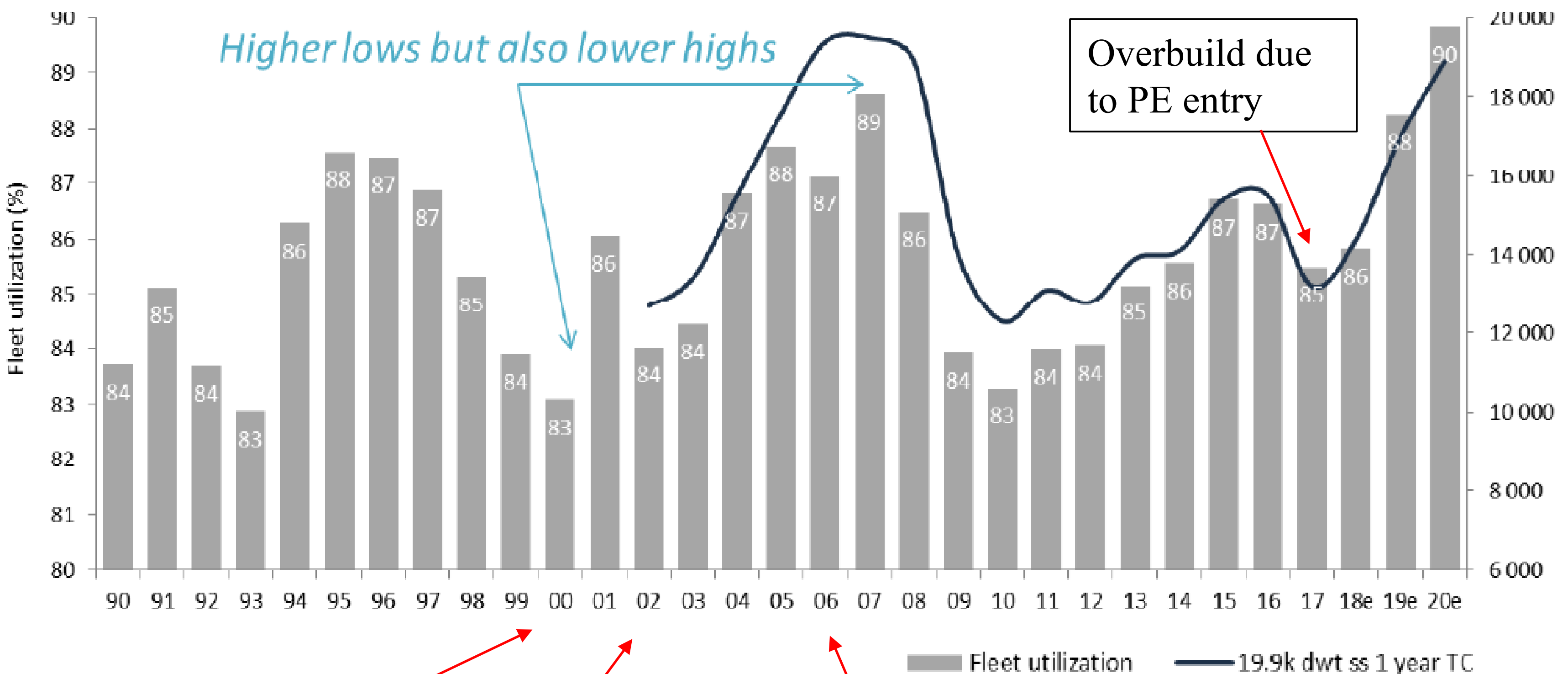
Source: Odfjell fleet overview

17

Source: Odjfell Q4 2017 Earnings Presentation

Chemical Tanker Fleet Utilization

Chemical tanker fleet utilization vs. 12 month TC rates for 19,900 dwt IMO2 stainless steel



Asia Financial Crisis: Overbuild leads to oversupply

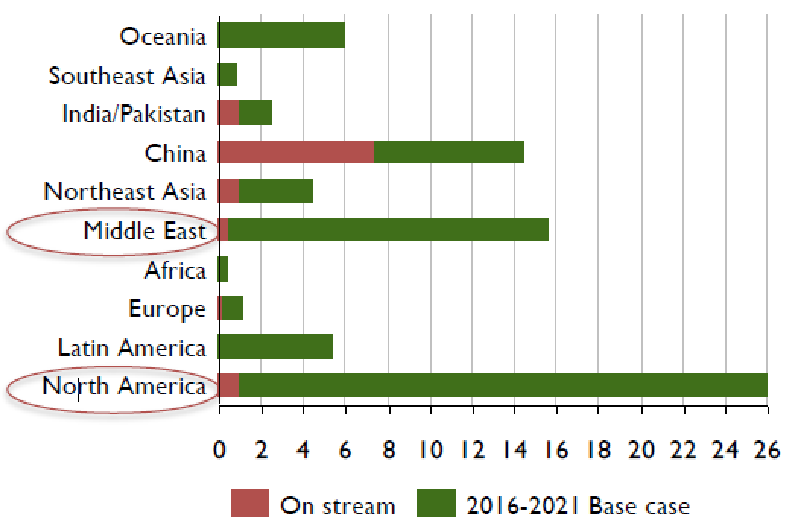
Price fixing in response to oversupply

Favorable supply/demand creates conditions for strong pricing – mitigated due to price fixing

Source: Clarksons Platou Specialized Projects, Clarksons Platou Securities

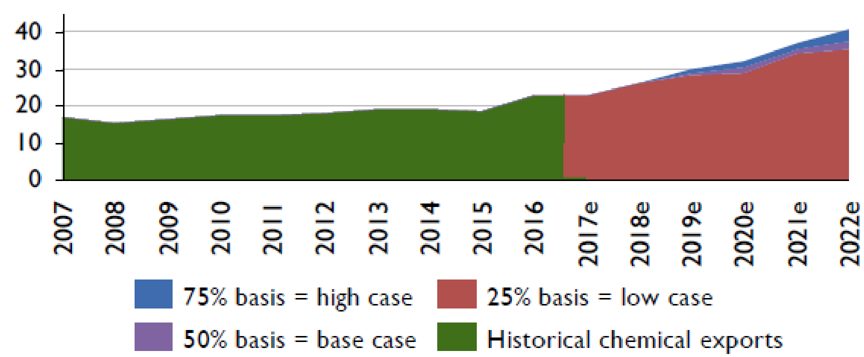
Chemical Tankers: Demand Outlook

Significant Planned Chemical Plant Capacity Additions

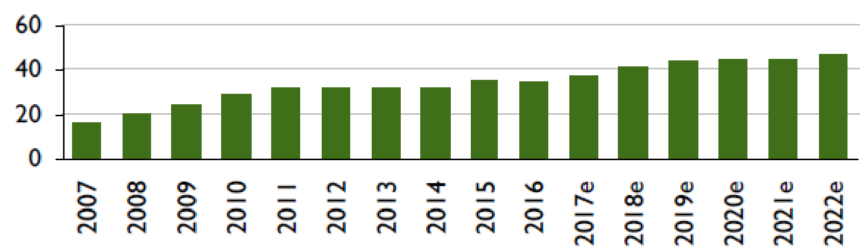


- Shifting feedstocks and chemical plant capacity: Continual shift to cheap gas feedstock (ethane) over next 5+ years, with majority of new capacity additions in the U.S. and Middle East
- Incremental chemicals exports primarily going to Asia (long-haul trade) supporting ton-mile demand

Leading to Strong Export Growth in the US…



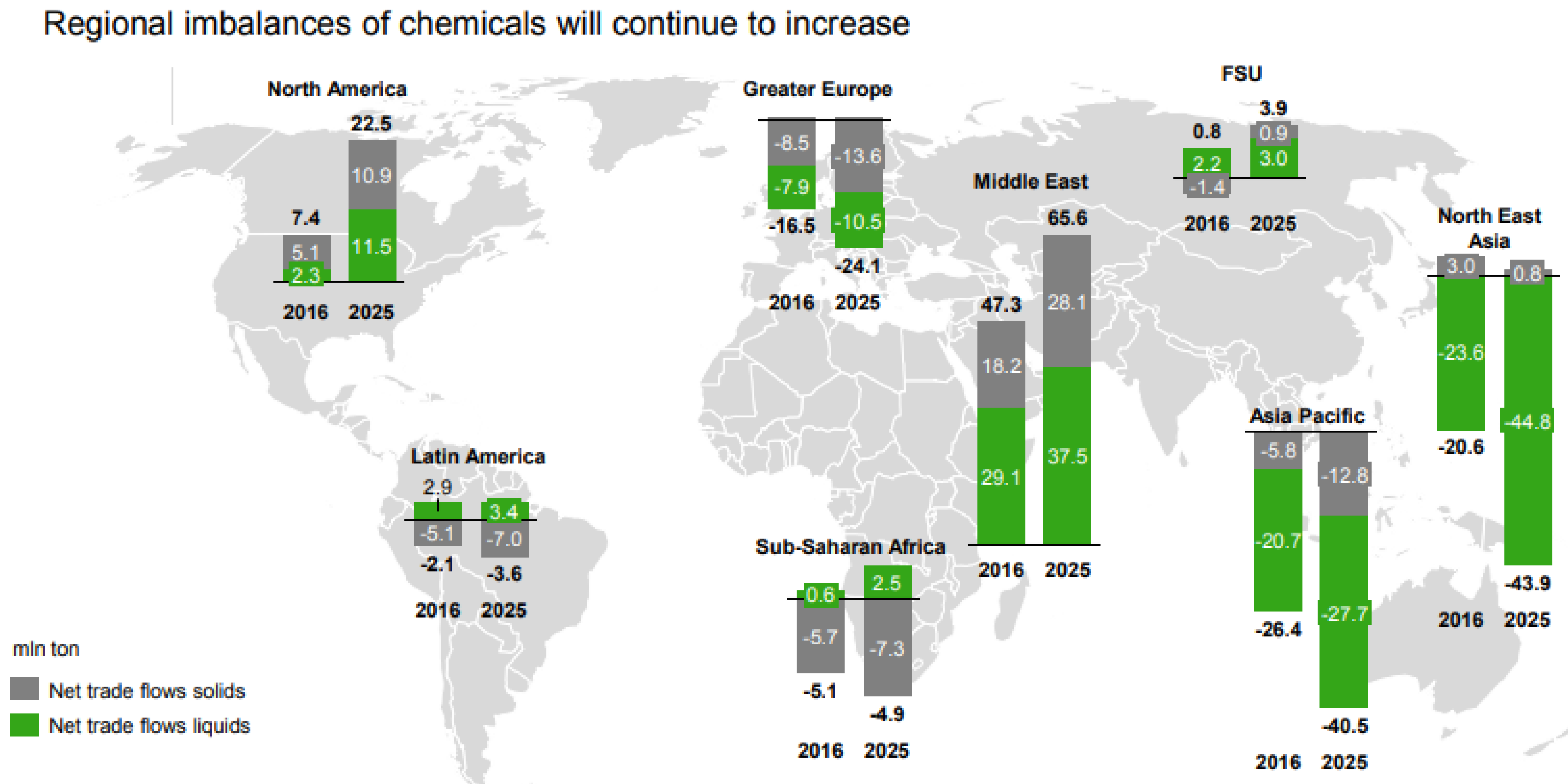
…and Middle East



MEG-ASIA and USG-ASIA trade lanes are ~2-3x the average chemical tanker voyage length

Source: Chermbulk Investor Presentation (1/16/18)

Demand Tailwinds: Increasing Chemical Trade Flows



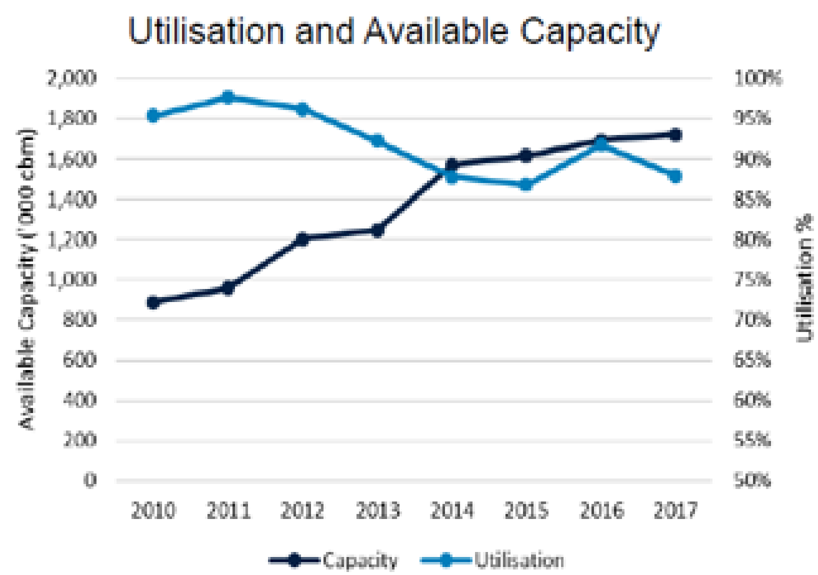
Increasing chemical trade flows will not only benefit the tanker business but will also provide a boost to the terminals and containers segments.

Source: Royal Vopak Q4 2017 Investor Roadshow Presentation

Stolthaven Terminals: Segment Overview

Stolthaven Terminals is a global provider of high quality storage services for bulk-liquid chemicals, edible oils, acids and clean petroleum products.

- Stolthaven Terminals operates 17 owned & JV terminals with 4.7 million m^3 of capacity.
- With a similar global reach, customer base and handling expertise Stolthaven Terminals benefits from synergies with Stolt Tankers and Stolt Containers.
- Over $1 billion has been invested in terminals since 2010 adding >800,000 cbm, almost doubling capacity.



Source: Stolt-Nielsen 2018 Annual Report, Stolt-Nielsen Q4 2017 Earnings Presentation

Stolt Tank Containers: Segment Overview

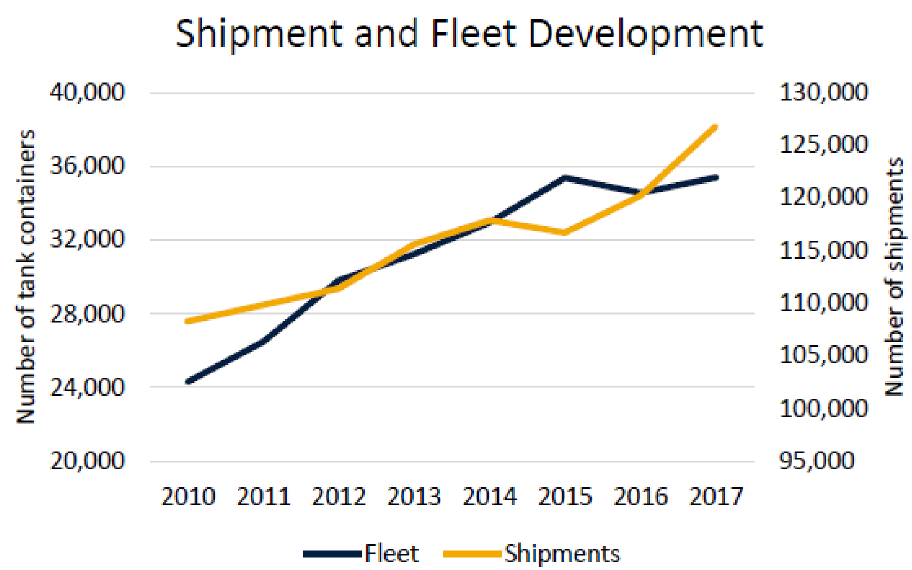
Stolt Tank Containers operates the world's largest fleet of intermodal tanks designed to transport shipments of bulk-liquid chemicals and food-grade products door-to-door by road, rail and containership.

- Stolt Tank Containers operates 39,000 tank containers across a global network of 21 owned & JV depots.
- The tank containers segment has consistently earned double digit returns on capital employed.

Source: Stolt-Nielsen 2018 Annual Report, Swedbank Report (2/27/18)

Stolt Tank Containers: Drivers and Key Metrics

- This has been Stolt-Nielsen's fastest growing segment and still has significant potential for further growth with limited capital investment.
- Growth drivers include the conversion of drums, flexibility and economical pricing.
- Focused on increasing utilization, turns per tank and improving margins to maintain & grow already high returns on capital employed.
- Systems development and implementation of global platforms will increase efficiency and scale, while reducing overhead.



Source: Stolt-Nielsen Q4 2017 Earnings Presentation

Risks To Our Thesis

- ROIC weakness may continue for longer than expected.
- Balance sheet leverage increases liquidity risk.
- Rising interest rates could lead to refinancing risk.
- Corporate governance issues may arise due to family control.
- Entry into the LNG business has hallmarks of prior missteps: An excellent business model but difficult operational execution and insufficient capital lead to the inability to realize profits and increase the risk of over-leveraging the entire enterprise.

Subsea 7 S.A. (OB:SUBC)

- Subsea 7 (OB:SUBC) is a global leader in seabed-to-surface engineering connecting seabed wellhead structures to surface production facilities.
- Industry headwinds, revenue declines and margin compression in recent years have led to an oligopolistic market with barriers to entry that continue to increase over time.
- Current energy prices are below the long-term sustainable price needed and will likely result in increased project sanctions as the impact of production decline manifests.
- The inventory of deep and ultra-deep water discoveries not yet sanctioned continues to grow creating the potential for significant revenue growth and increased returns on capital.

Market Capitalization	
Price	**$12.26**
Dil Shrs	327.2
Market Cap	**$4,012**
LT Debt	258
Minority Interest	38
Cash	765
Enterprise Value	**$3,544**

$US as of March 28, 2019

			Consensus Est.	
(Annual)	FY '17	FY '18	FY '19E	FY '20E
Revenue	**3,986**	**4,074**	**3,891**	**4,263**
growth	11.7%	2.2%	(4.5%)	9.6%
ev/sales	0.9x	0.9x	0.9x	0.8x
EBITDA	**1,035**	**669**	**593**	**708**
margin	26.0%	16.4%	15.2%	16.6%
ev/EBITDA	3.4x	5.3x	6.0x	5.0x
Diluted EPS	**$1.36**	**$0.56**	**$0.23**	**$0.52**
p/e	9.0x	21.9x	54.4x	23.4x

Subsea 7 is our highest conviction energy investment idea. With a durable competitive advantage, long-term dynamics are in place for significant growth.

Source: Subsea 7 Financial Statements, S&P Capital IQ

Core Business Segments

Subsea 7 provides technical solutions for projects at all water depths and in challenging environments.

SURF and Conventional

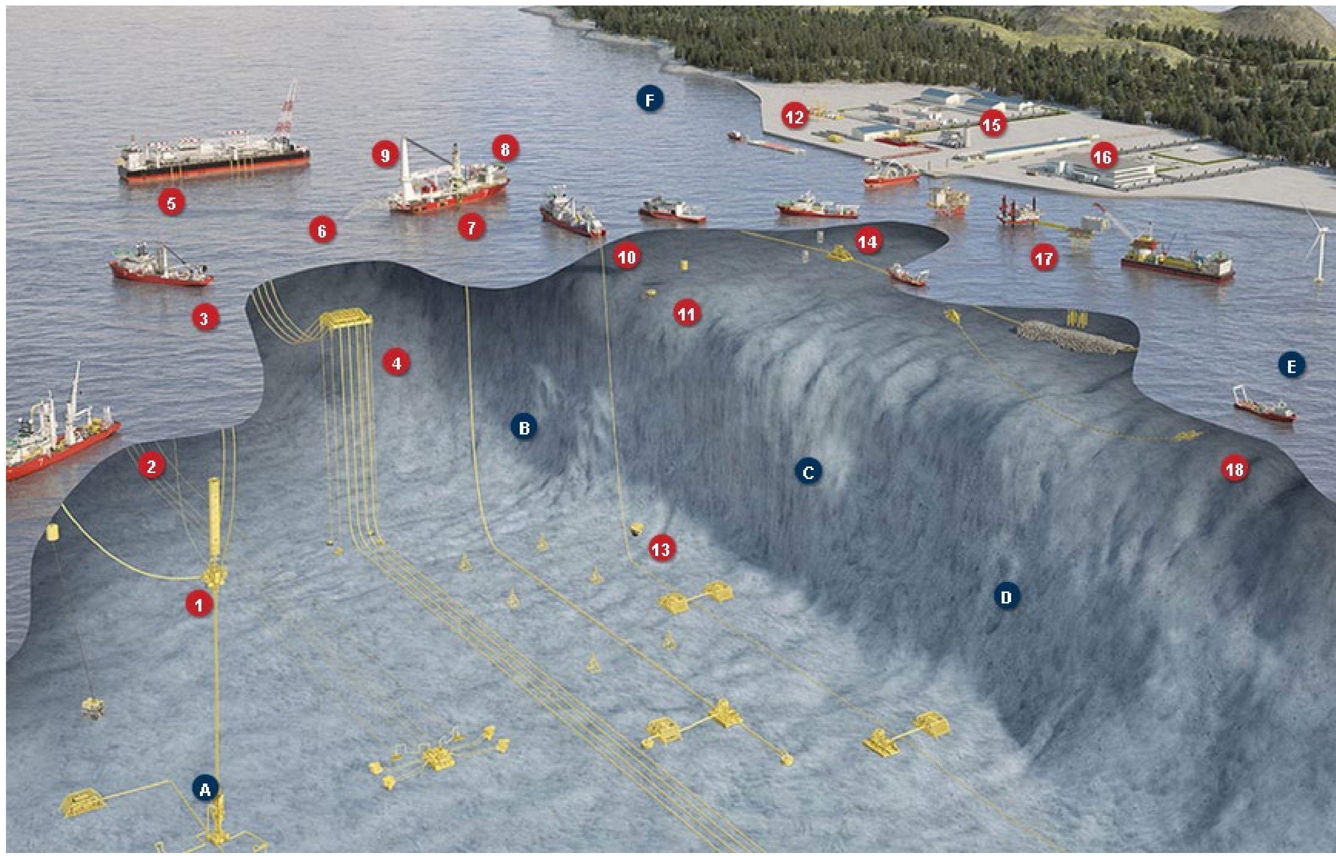
Engineering, construction, installation and procurement of subsea umbilicals, risers and flowlines (SURF). Most SURF projects involve fixed price EPIC services agreements. Conventional includes the fabrication and installation of fixed platforms and associated pipelines

Renewables & Heavy Lifting

Services over the life of a field's production, including inspection, repair & maintenance

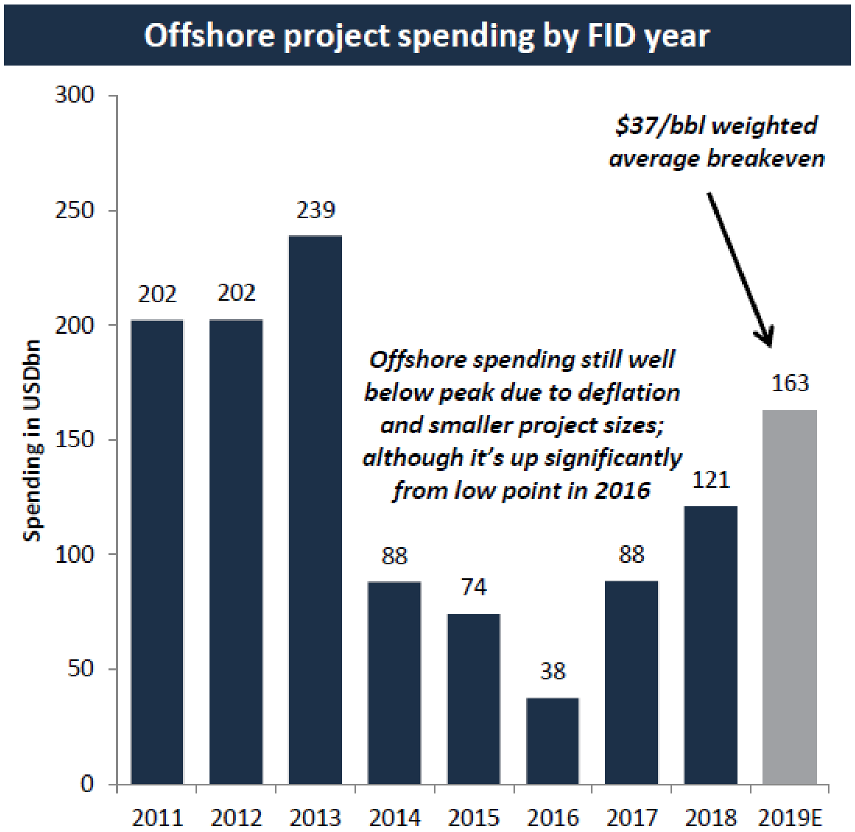
i-Tech Services

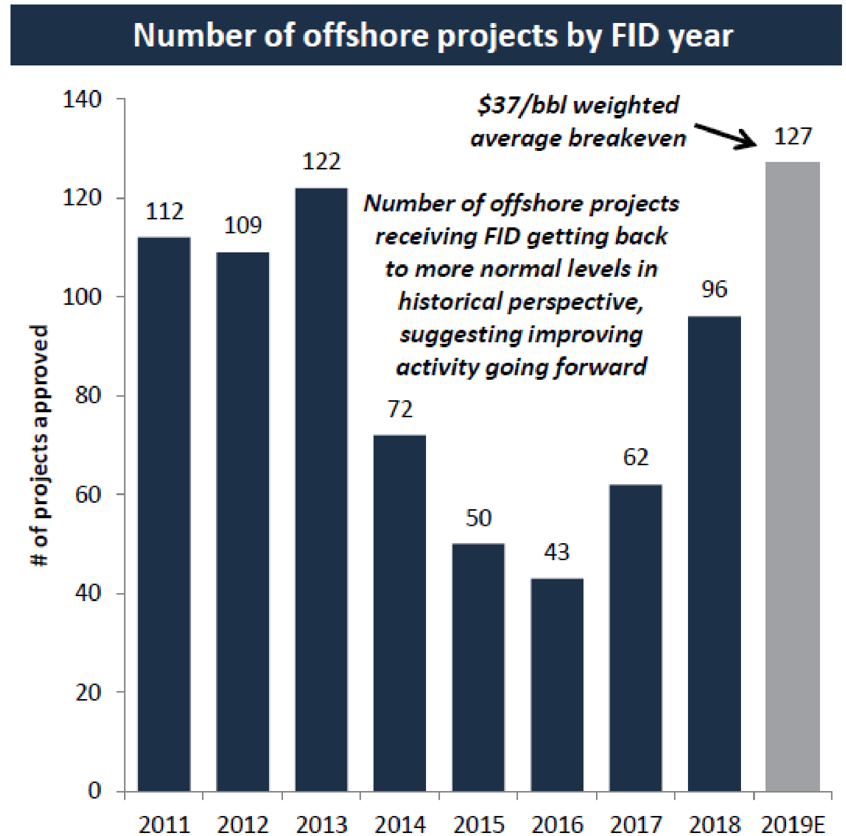
Inspection, maintenance and repair (IMR) services, integrity management and remote intervention



Source: Subsea 7 2015 Annual Report

Offshore Spending Fell Before Oil Prices Did





Higher FID levels suggest rising offshore activity levels as projects move to offshore execution phase

Source: Offshore Support Vessels: 2019 OSV Outlook and Macro Update, Clarksons Platou, 1/4/19

Competitive Landscape Shifts as Industry Dwindles

EXPLORATION GEOPHYSICS	DOWN-HOLE / DATA	FEED	SPS / MANUFACTURE	EPIC	LIFE OF FIELD/ WELL SERVICES	DECOMISSIONING
Schlumberger	Schlumberger	subsea 7, KBR, xodus group	OneSubsea, Schlumberger, Subsea Integration Alliance	subsea 7, Subsea Integration Alliance	subsea 7, i-Tech 7	subsea 7, Seaway Heavy Lifting
TGS	Weatherford	TechnipFMC, Genesis	TechnipFMC	TechnipFMC	TechnipFMC	TechnipFMC
PGS	HALLIBURTON	Saipem, Xsight	Aker Solutions	Saipem		Saipem
	Baker Hughes a GE company	io	Baker Hughes a GE company	McDermott	Oceaneering	Aker Solutions
CGG	Core Lab	Wood Group Kenny, Intecsea, xodus group, amec foster wheeler		Allseas, sapura energy	Fugro, DOF Subsea	Allseas, H Marine Contractors

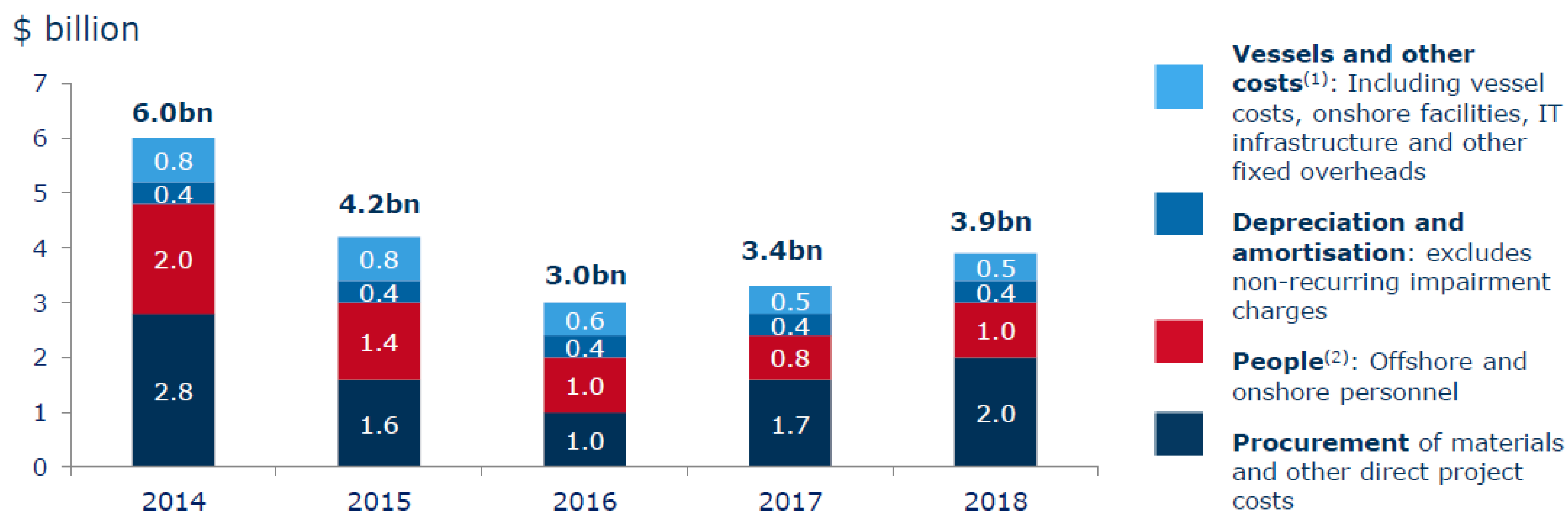
Competitors that have gone into administration or exited offshore oil services:

- Ceona
- Petrofac (exited SURF)
- Reef Subsea
- Harkand
- Hallin Marine
- Specialist Subsea Svc
- Red7 Marine
- Cal Dive
- Cecon
- Swiber
- EMAS
- Sea Trucks

Source: Subsea 7 February 2019 Investor Presentation

Subsea 7: Actively Navigating the Downturn

Maintaining cost discipline as the activity levels recover



(1) Includes impairment charges related to property, plant & equipment and intangibles
(2) Includes restructuring charges in 2015 and 2016

Since 2014 Subsea 7 has:

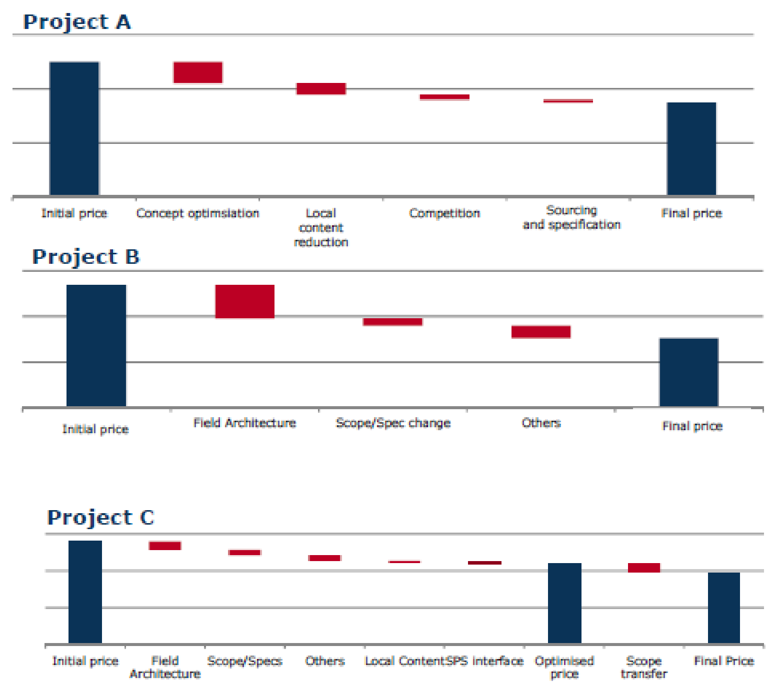
- Reduced workforce by ~40%
- Returned six chartered vessels
- Stacked four owned vessels
- Retired two owned vessels with two more due to leave in 2017

Source: Subsea 7 Q4 2018 Presentation

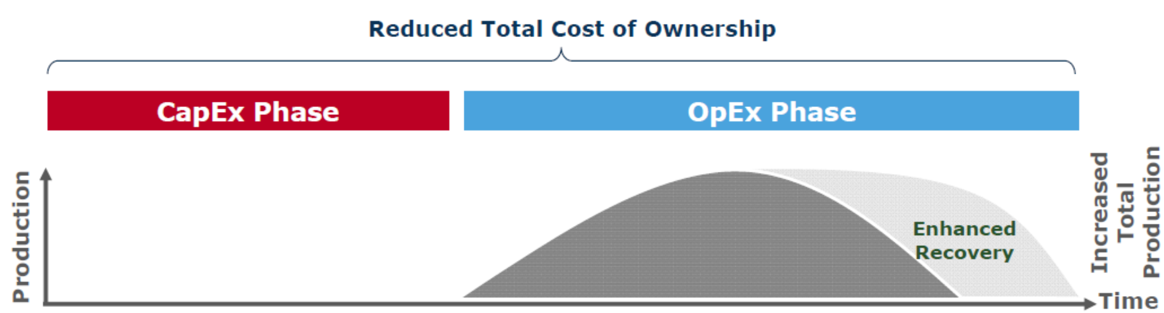
Full Life Cycle Integrated Solutions Drive Lower Costs

Actively **adapt to industry conditions** without losing focus on **long term strategic priorities**

Enable projects to progress in a lower oil price environment



- Integrated optimized design of entire subsea facility
- Lower cost, reduced risk and shorter schedule improves EIPC economics
- Integrated technologies to extend tieback distance and improve recovery



Source: Subsea 7 Investor Presentation

Expanding Already Wide Moat

Type	Source	Evidence
Supply Advantage:	• Proprietary Technology • Engineering and Project Management Process • Vessels (especially in certain ultra-deepwater and arctic areas)	History of increasingly complex engineering needs in deeper water requires a demonstrated track record of successful and safe execution.
Demand Advantage:	• Market Position • Skilled Engineers • Local Content (Africa, Brazil)	In this case, the resource is skilled engineering talent.
Economies of Scale:	• Size • Geographic Reach	The tangible and intangible costs of searching for someone who can complete a major ultra-deepwater project at or above the standard of “the big three” are very high.

Proven Capital Allocation / Balance Sheet Strength

Kristian Siem
Chairman

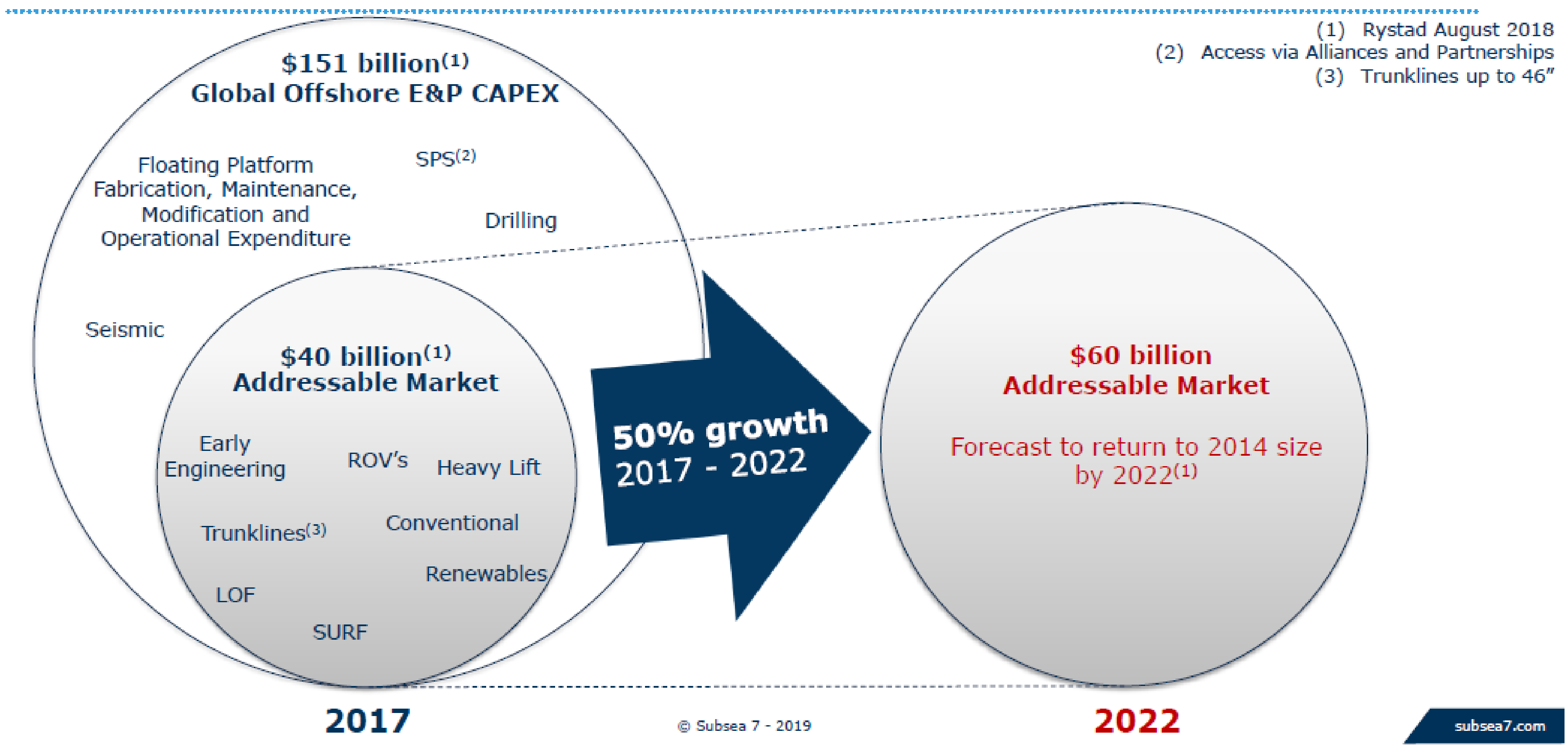
Kristian Siem, and other family members own 20% of Subsea 7's shares through Siem Industries holdings.

Jean Cahuzac
CEO

- As of December 31, 2018 Subsea 7 had $507 million in *net-cash* and an investment grade rating.
- A 5-year $650 million revolving credit facility provides further flexibility.
- The board had paid:
  - Paid a $200 million (NOK 5.00 / $0.60 per share) special dividend in April 2017
  - Paid a $200 million (NOK 5.00 / $0.62 per share) dividend in May 2018
  - Declared a ~$55 million (NOK 1.50 / $0.17 per share) special dividend will be payable in May 2019
- Subsea 7 has returned over $1.7 billion to shareholders in the form of cash dividends and share repurchases since the 2011 merger with Acergy.

Source: Subsea 7 Financial Reports

Subsea 7's Addressable Market



Source: Subsea 7 February 2019 Investor Presentation

Long-Term Earning Power Valuation

Implied EBITDA *minus* Maintenance Capex (assumes $200mm maintenance capex)

	Revenue (USD)					
	4,000	5,000	6,000	7,000	8,000	9,000
18%	520	700	880	1,060	1,240	1,420
20%	600	800	1,000	1,200	1,400	1,600
22%	680	900	1,120	1,340	1,560	1,780
24%	760	1,000	1,240	1,480	1,720	1,960
26%	840	1,100	1,360	1,620	1,880	2,140
28%	920	1,200	1,480	1,760	2,040	2,320

Implied Stock Price at
8x EBITDA *minus* Maintenance Capex

	Revenue (USD)					
	4,000	5,000	6,000	7,000	8,000	9,000
18%	$14.15	$18.55	$22.95	$27.35	$31.75	$36.15
20%	$16.10	$20.99	$25.88	$30.77	$35.66	$40.55
22%	$18.06	$23.44	$28.82	$34.20	$39.57	$44.95
24%	$20.01	$25.88	$31.75	$37.62	$43.49	$49.35
26%	$21.97	$28.33	$34.68	$41.04	$47.40	$53.76
28%	$23.93	$30.77	$37.62	$44.46	$51.31	$58.16

Implied Margin of Safety

	Revenue (USD)					
	4,000	5,000	6,000	7,000	8,000	9,000
18%	15%	51%	87%	123%	159%	195%
20%	31%	71%	111%	151%	191%	231%
22%	47%	91%	135%	179%	223%	267%
24%	63%	111%	159%	207%	255%	302%
26%	79%	131%	183%	235%	287%	338%
28%	95%	151%	207%	263%	318%	374%

Source: Robotti & Company Calculations

Risks To Our Thesis

- Oil prices could fall further or remain at current levels for an extended period leading major oil companies to defer capital expenditures and delay deepwater developments.
- Increasing competition in shallower water could result in decreased profitability should well depth not continue to increase.
- The safe and successful execution of large, complex EPIC projects is a primary risk. Supply chain delays can reverberate throughout the entire project.
- Operations in deep water are subject to unpredictable events such as severe weather or harsh ocean environments.

Norbord, Inc. (TSX:OSB / NYSE:OSB)

Norbord

- Norbord is the world's largest producer of oriented strand board (OSB) with 14 mills in North America and 3 mills in the UK and Europe.
- As the leading low cost producer Norbord is well positioned to take advantage of the North America's continued housing recovery.
- A focus on value-added and specialty products, favorable geographic exposure and a history of prudent capital allocation.
- A period of industry consolidation has created favorable supply / demand dynamics that will allow for a period of above average free cash flow generation.

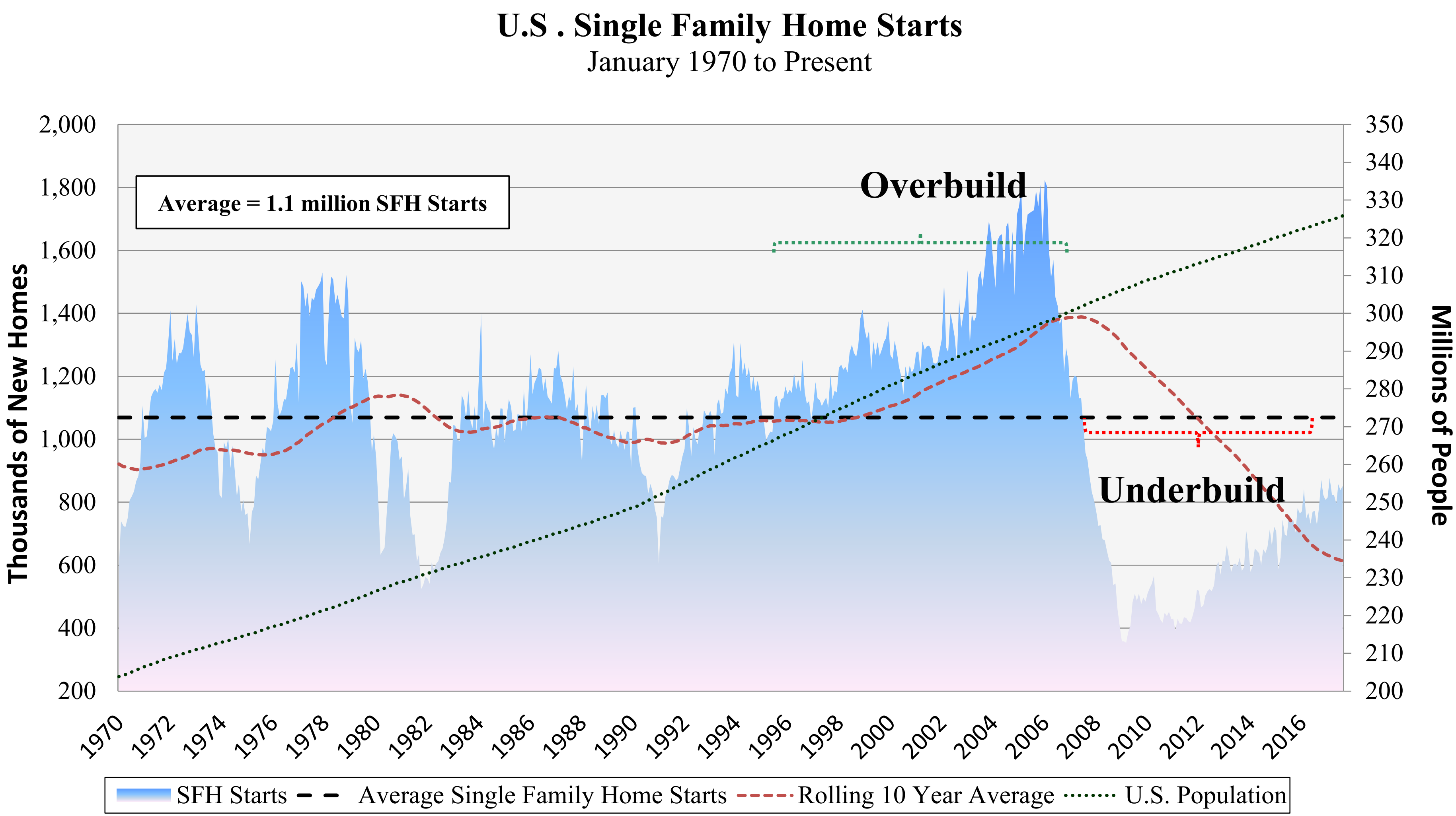
Market Capitalization			
Price	**$26.99**	Net Debt	456
Dil Shrs	86.9	Net Debt/EBTIDA	0.6x
Market Cap	**$2,345**	Interest Coverage	15.8x
LT Debt	584		
Cash	128	52 Week Hi	$45.45
Enterprise Value	**2,801**	52 Week Lo	$24.18

$US as of March 28, 2019

				Consensus Est.	
(Annual)	FY '16	FY '17	FY '18	FY '19E	FY '20E
Revenue	**1,766.0**	**2,177**	**2,424**	**2,151**	**2,285**
growth	17.0%	23.3%	11.3%	(11.3%)	6.2%
ev/sales	1.6x	1.3x	1.2x	1.3x	1.2x
EBITDA	**373.0**	**667**	**719**	**433**	**495**
margin	21.1%	30.6%	29.7%	20.1%	21.7%
ev/EBITDA	7.5x	4.2x	3.9x	6.5x	5.7x
Diluted EPS	**$2.13**	**$5.03**	**$4.27**	$2.26	$2.86
p/e	12.7x	5.4x	6.3x	11.9x	9.4x

Source: Norbord Financial Statements, S&P Capital IQ

Capital Cycle Case Study: The U.S. Housing Market



Source: Federal Reserve Bank of St. Louis, Robotti & Company Advisors Estimates

A Map of the Homebuilding Industry

Structural Board
Windows & Doors
Architectural Paint
Engineered Wood Panel / OSB
Roofing, Siding & Insulation
Cabinetry & Fixtures
Lighting
Flooring & Carpets
Wallboard
HVAC
Plumbing
Molding & Trim

Materials Manufacturer

Distributors

Pro-Segment
Builders FirstSource
ABC Supply Co. inc.
BMC
84 LUMBER

Specialty
Beacon Roofing Supply, Inc.
IBP
POOLCORP
Boise Cascade

Big Box Retail
The Home Depot
Lowe's Let's Build Something Together

Homebuilders

National Homebuilder

Regional Homebuilders

Contractor

Source: Robotti & Company Advisors

Industry Consolidation

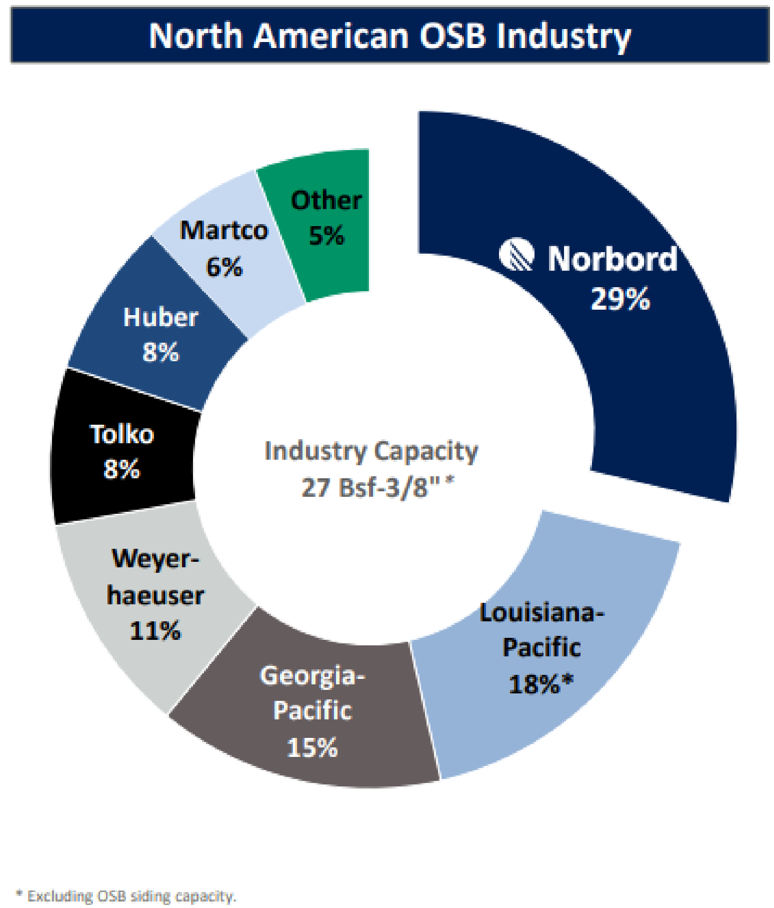
In 2002 the top 5 North American Producers accounted for 69% of North American Capacity.

<u>Pre-Housing Crisis (~2006):</u>

- 11 OSB producers in North America
- **Top 5 = 74% market share**

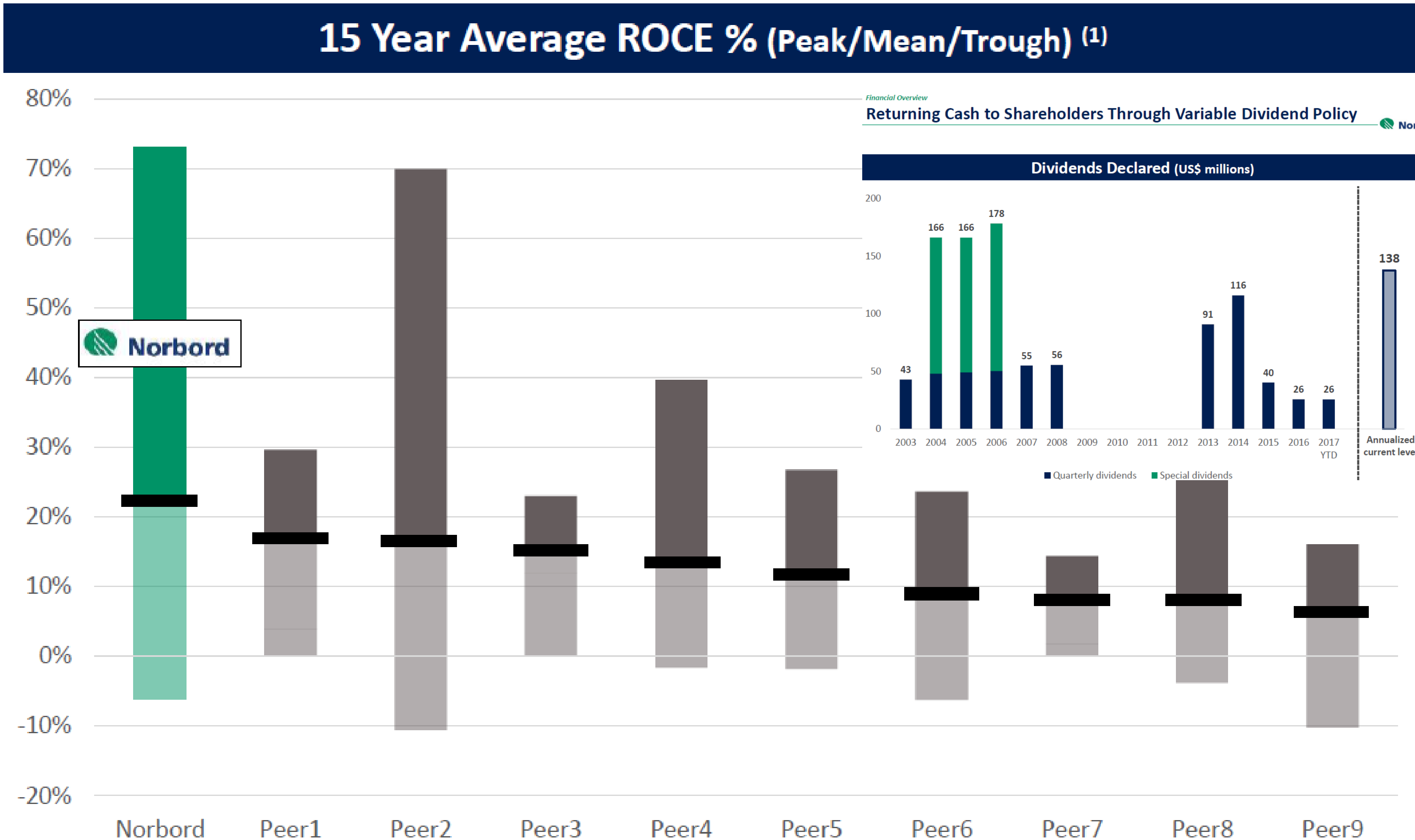
<u>Today:</u>

- 9 OSB producers in North America
- **Top 5 = 81% market share**
- (Top 6 = 89% market share)



Source: Norbord February 2019 Investor Presentation, Norbord Annual Reports, Robotti & Company Advisors Calculations

Top Quartile ROCE Among Peers Over Cycle

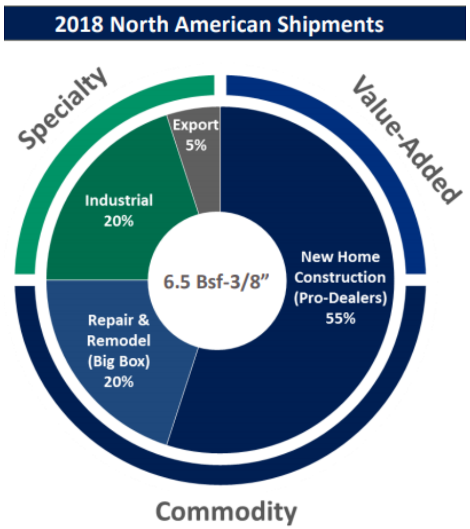


(1) Return on capital employed (ROCE) is a measure of financial performance focusing on cash generation and the effective use of capital.
ROCE is calculated as Adjusted EBITDA divided by average capital employed (operating working capital, PP&E, goodwill, intangibles, timberlands & licences).

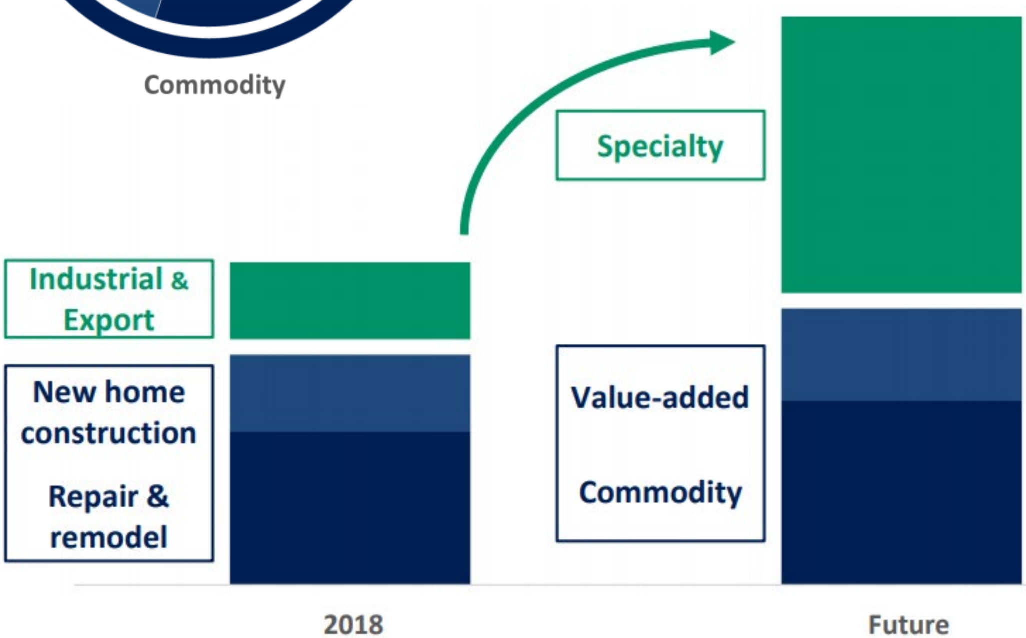
Source: Capital IQ

Source: Norbord Q2 2017 Investor Presentation

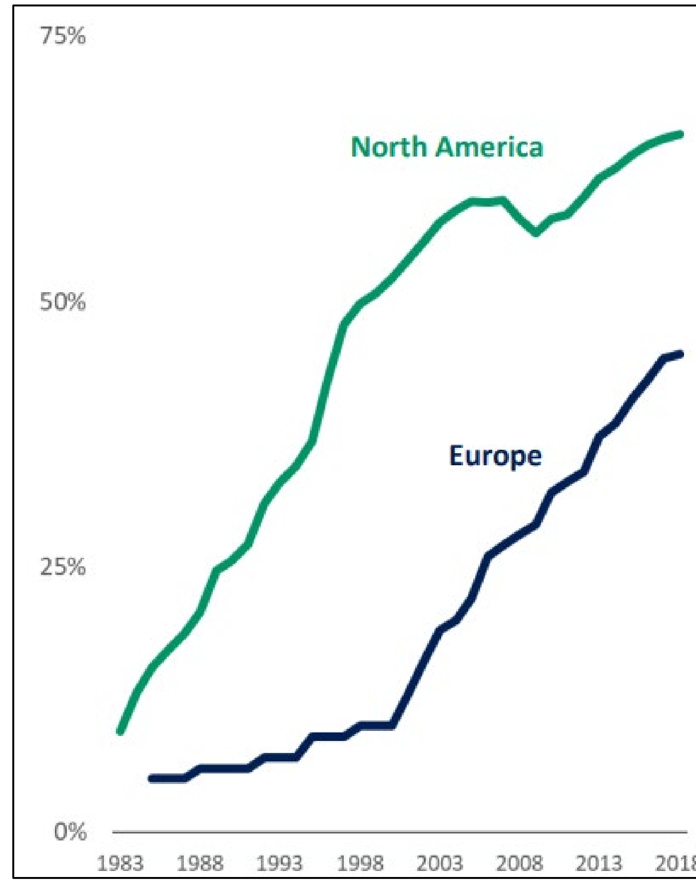
Opportunity to Drive Further Substitution



- Reduced dependence on new home construction
- More predictable, stable margins over business cycle

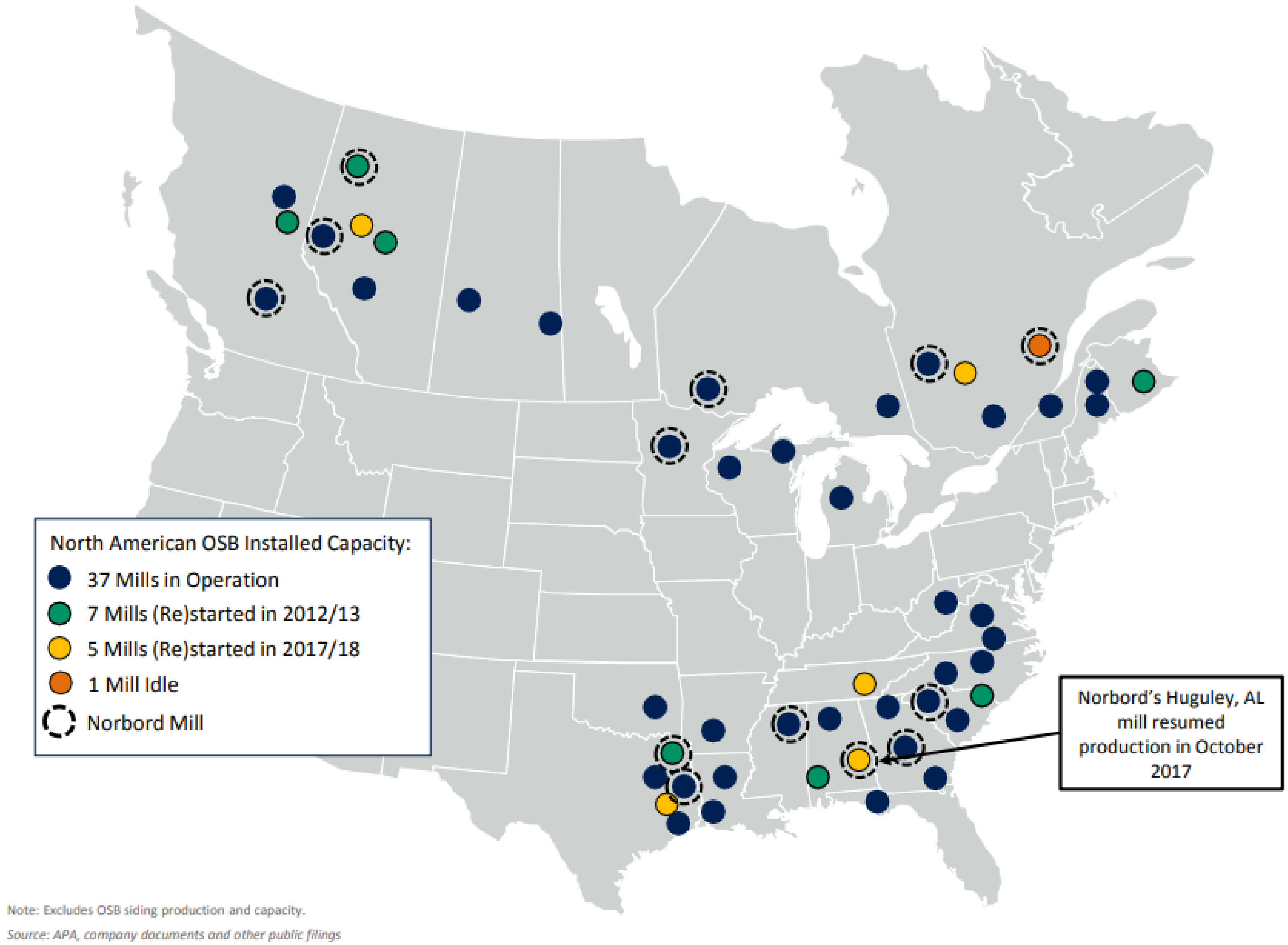


OSB Share of Structural Panels



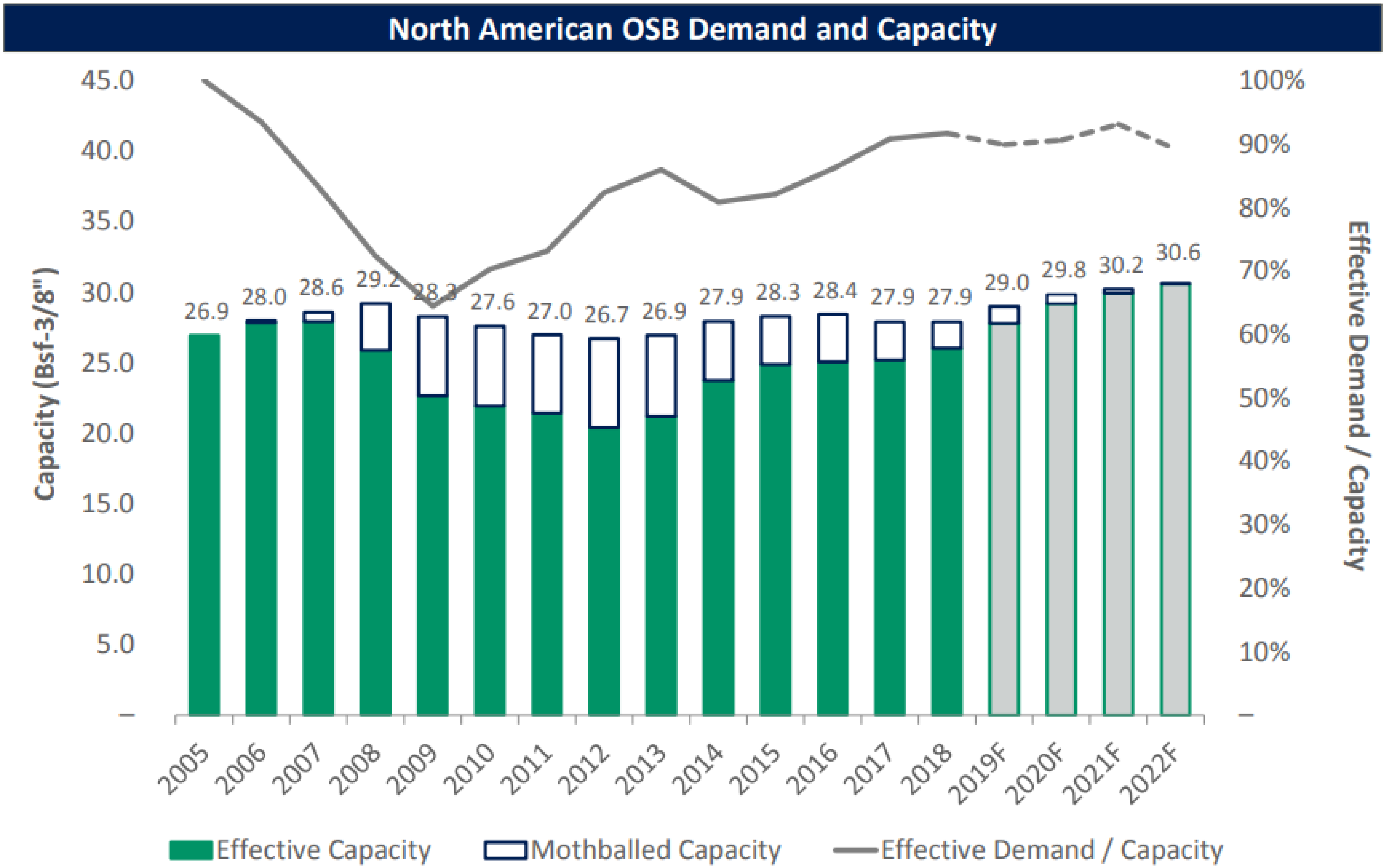
Source: Norbord February 2019 Investor Presentation

North American OSB Industry Capacity



Source: Norbord February 2019 Investor Presentation

Long-Term OSB Supply/Demand Analysis



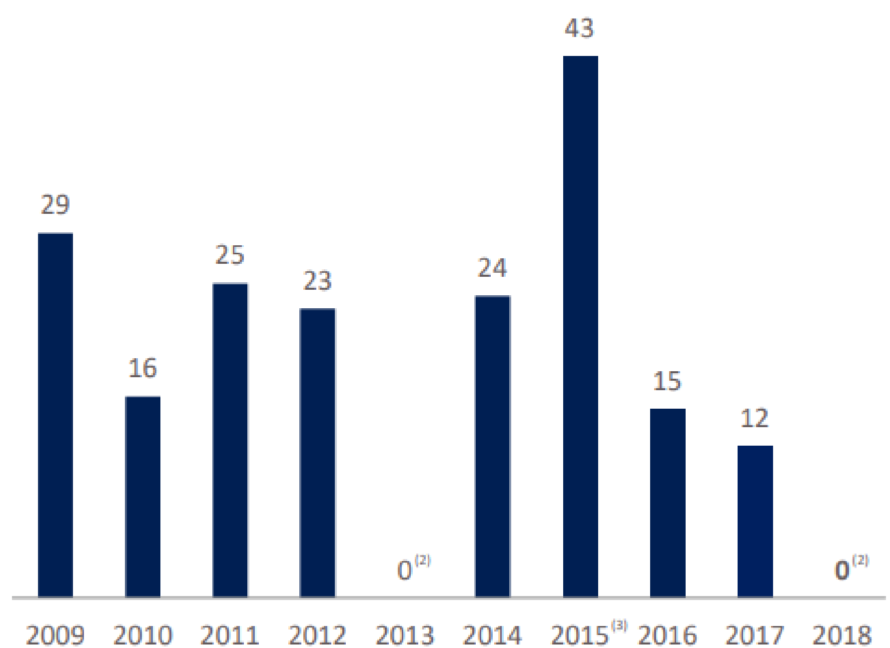
Source: Norbord February 2019 Investor Presentation

Relentless Focus on Cost: "Control the Controllables"

MIP has delivered **$319 million of margin improvements** over the past 13 years

- Margin Improvement Program (MIP) gains help offset impact of industry-wide rising input costs:
  - Increased productivity
  - Reduced overhead costs
  - Reduced raw material usage
  - Improved product mix
- MIP has delivered $331 million of margin improvements over the past 15 years

Margin Improvement Program Gains[1] (US$ in millions)
"In Control of Our Controllables"

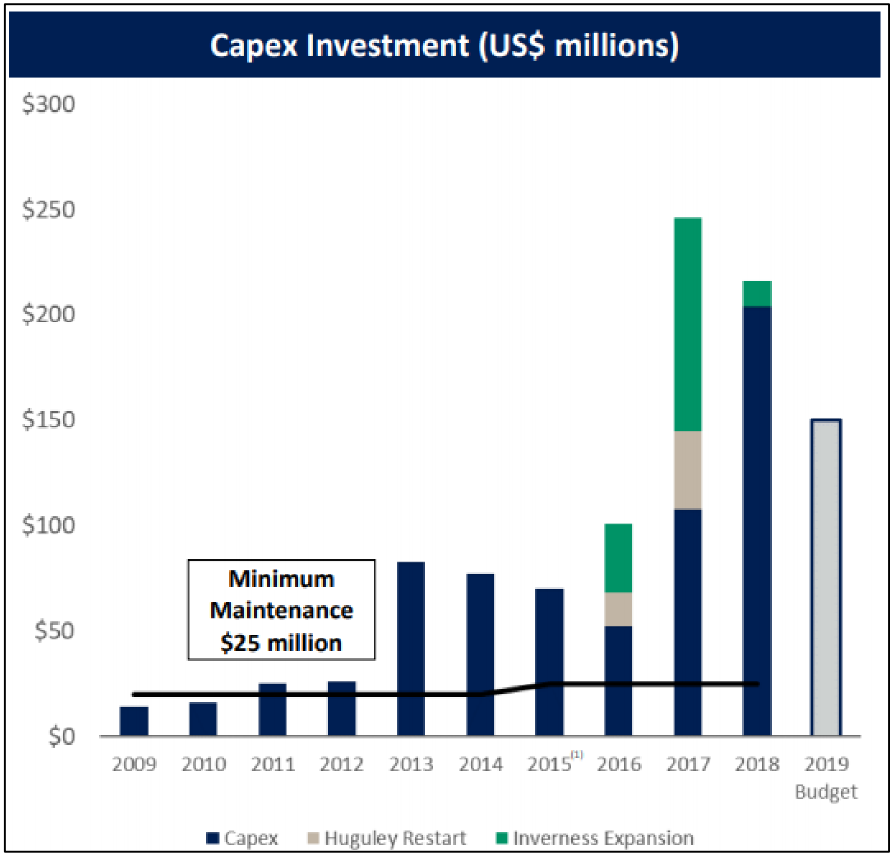


(1) Measured relative to prior year at constant prices and exchange rates.
(2) The benefits from richer product mix and improved productivity were offset by higher maintenance-related costs. In addition, 2018 MIP was negatively impacted by higher raw material usages and costs associated with executing on strategic capital and sales growth initiatives. Further, the excellent ramp up of the Huguley, Alabama and Inverness, Scotland mills were excluded from 2018 MIP calculation.
(3) 2015 onwards reflects Norbord following completion of merger with Ainsworth. Pre 2015 reflects Norbord excluding Ainsworth.

Source: Norbord February 2019 Investor Presentation

Disciplined Capital Expenditures

- 2018 Capex = $204 million
- 2019 Capex Budget = $150 million
  - ➢ Includes investments to restart Chambord (when warranted by customer demand) and Phase 2 of Inverness, Scotland project.



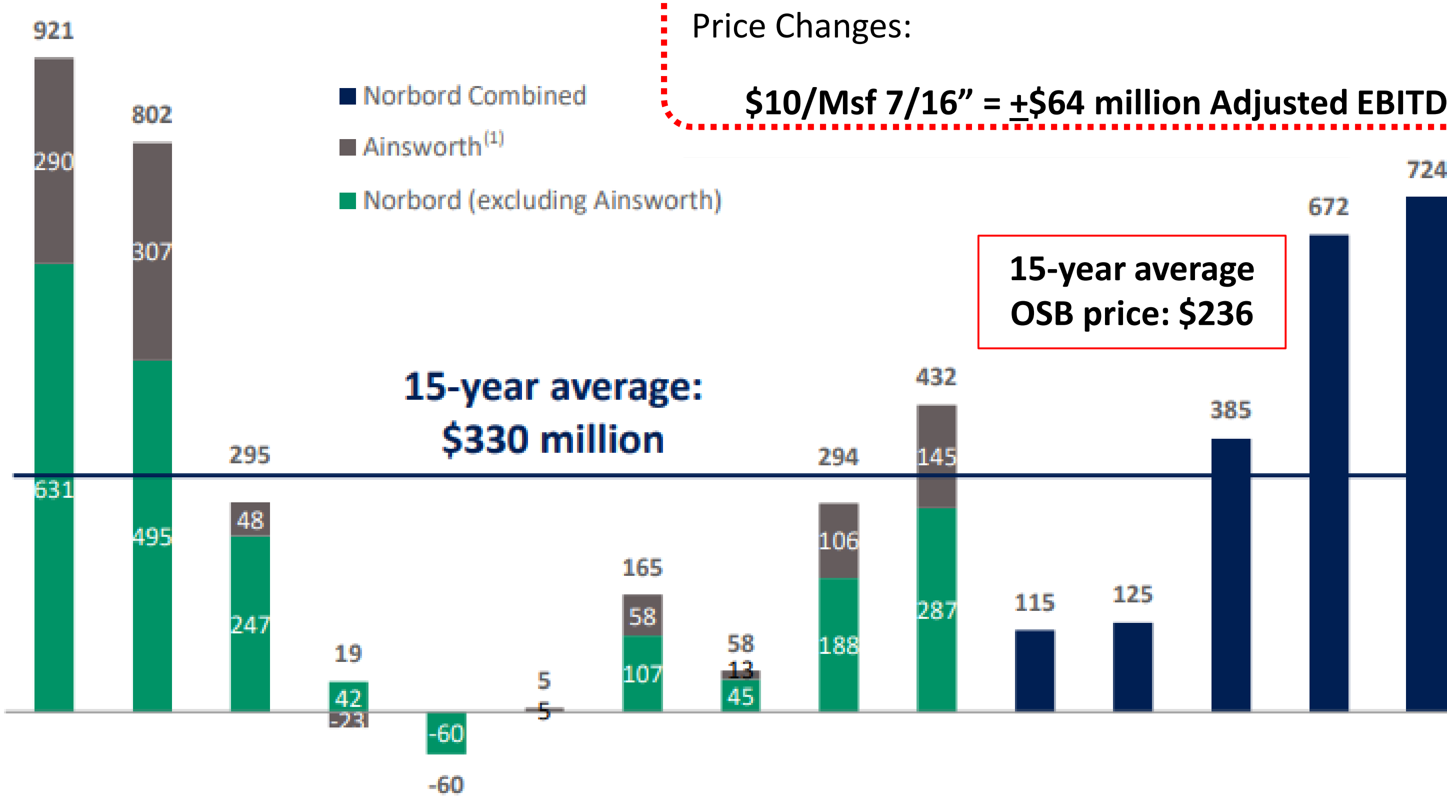
Countercyclical M&A	• Quebec mill exchange (2016) • Ainsworth merger (2015) • Acquired Genk, Belgium mill (2004) • Acquired remaining 50% of Bemidji, Minnesota mill (2004) • Acquired Texas and Georgia mills (2002)
Investment in capacity	• Modernization / expansion of Inverness mill (2016-17) • Twinned Cordele, Georgia line (2006)
Disciplined capital expenditure	• $25 million annual maintenance capex • Additional investment to debottleneck capacity and lower manufacturing costs

Source: Norbord February 2019 Investor Presentation, Norbord Investor Day & Mill Tour Presentation – Joanna, SC, 3/2/17

Total Adjusted EBITDA Over the Cycle

Norbord Sensitivity to Realized North American OSB Price Changes:

$10/Msf 7/16" = ±$64 million Adjusted EBITDA



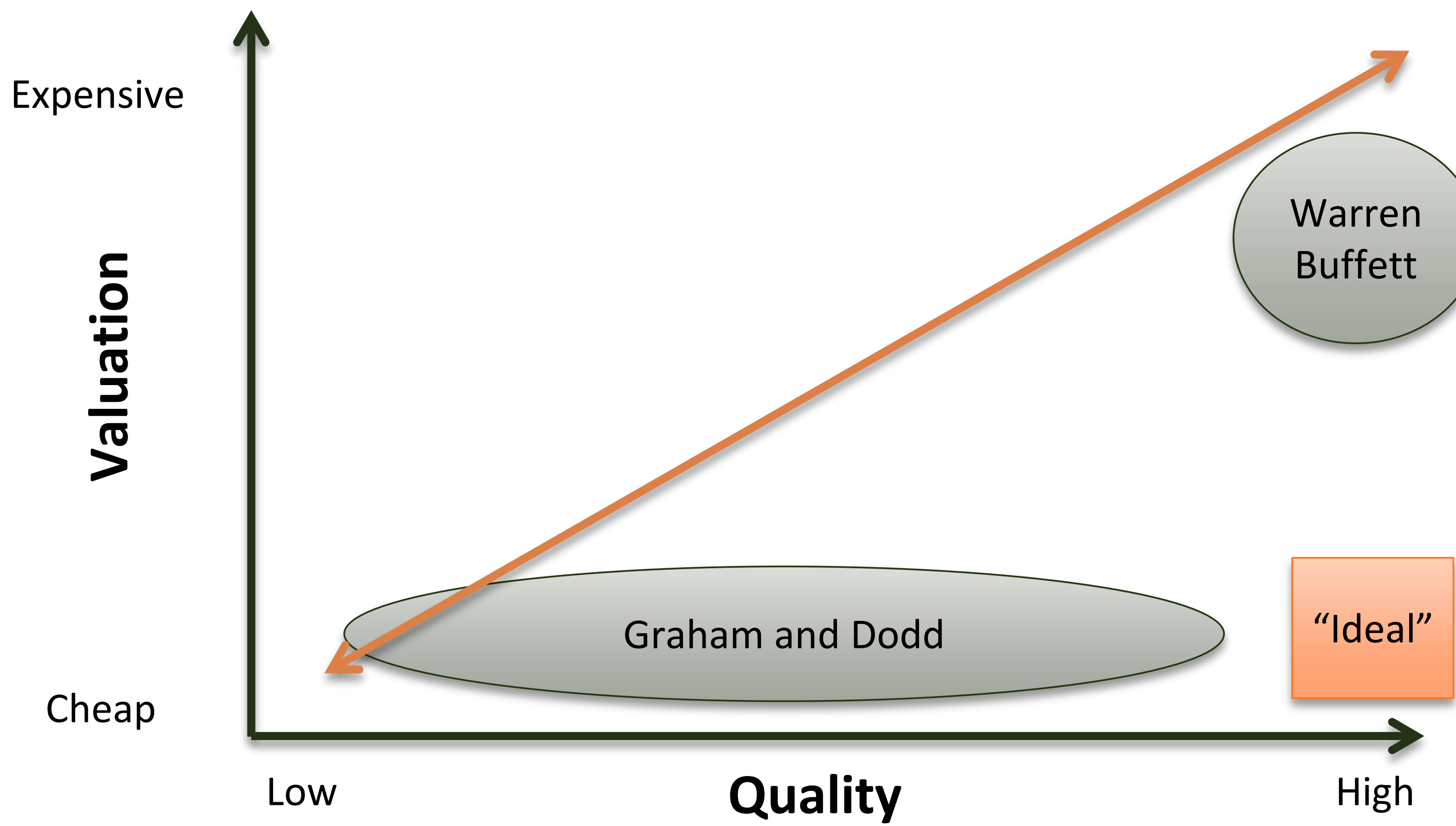
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
North Central Benchmark OSB Price	$369	$320	$217	$161	$172	$163	$219	$186	$271	$315	$218	$209	$269	$353	$351
US Housing Starts (000s)	1,956	2,068	1,801	1,355	906	554	587	609	781	925	1,003	1,112	1,174	1,202	1,256

Source: Norbord Q4 2018 Investor Presentation, S&P Capital IQ

Risks To Our Thesis

- The housing recovery could stall or reverse causing liquidity issues as high interest debt is repaid and free cash flow falls.
- Management teams are unable to realize merger synergies.
- Commodity prices could fall for an extended period of time and pressure cash flow.
- Supply / Demand assumptions could be poorly timed or wrong.

Commonalities Among Value Investors



"To me, value investing is a big tent that accommodates many different people. At one end of the tent there is Ben Graham, and at the other end of the tent there is Warren Buffett, who worked with Graham and then went out on his own and made adjustments to the teachings of Ben Graham."

- Jean-Marie Eveillard (*Graham and Doddsville* – Winter 2007 Ed.)

Disclosure: Ownership Information

Disclosures	**Norbord (NYSE:OSB)**	**Subsea 7 (OB:SUBC)**	**Stolt-Nielsen (OB:SNI)**
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Questions

Bob Robotti
President & CIO

Robotti & Company Advisors, LLC
60 East 42nd Street
31st Floor
New York, NY 10065

+1 212 986 4800